

The Biden Administration's One-Time Student Loan Debt Relief Policy

Updated November 15, 2022

On August 24, 2022, [invoking the HEROES Act of 2003](#), the [Department of Education \(ED\)](#) announced a new “[one-time student loan debt relief](#)” policy (hereinafter, “the policy”) “[to address the financial harms of the pandemic for low- and middle-income borrowers](#)” that is to make available up to \$20,000 of loan cancellation benefits per individual to millions of federal student loan borrowers. On October 21, 2022, the U.S. Court of Appeals for the Eighth Circuit (hereinafter, the “Eighth Circuit”) issued [an administrative stay](#) prohibiting ED from discharging student loans under the policy until the court ruled on certain plaintiffs’ motion for an injunction pending appeal. On November 14, 2022, the Eighth Circuit subsequently [issued an injunction](#) prohibiting ED from discharging loans under the policy pending appeal. In another case, on November 10, 2022, the U.S. District Court for the Northern District of Texas [vacated the policy](#) on the grounds that the policy is not authorized under the HEROES Act.

The policy represents a departure from other types of student loan debt relief, which historically have been available to borrowers on a more targeted basis and typically provide relief to individuals for [fulfilling employment requirements](#), for repaying their loans according to an income-driven repayment plan, or following borrower hardships (e.g., total and permanent disability). These programs, to date, have provided relief to [hundreds of thousands of borrowers](#), but could ultimately provide relief to more. The Administration’s new policy is broader in scope and is to be available to [millions of borrowers](#) based on limited eligibility criteria.

The Policy

Approximately 45 million borrowers owe over \$1.6 trillion in federal student loan debt. Under the cancellation policy, the [Biden Administration plans](#) to cancel:

- up to \$10,000 in student loans for borrowers whose [adjusted gross income \(AGI\) in 2020 or 2021](#) was less than \$125,000 (for individuals or married borrowers who file their federal income taxes separately), or \$250,000 (for married couples filing jointly, heads of households, or qualifying widow(er)s); borrowers enrolled in postsecondary education as dependent students between July 1, 2021, and June 30, 2022, will be eligible for cancellation [based on parental AGI](#); and

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- an additional \$10,000, for a total of up to \$20,000, in student loans for borrowers who meet the above criteria and received [at least one Pell Grant](#) in any amount at any point.

A borrower's cancellation benefit is to be capped at the amount of their outstanding debt. Borrowers who made voluntary payments on their loans during the COVID-19 payment pause and qualify for debt relief may automatically receive [refunds of those payments](#) in limited circumstances.

Cancellation benefits are to be available for [ED-held loans](#) and defaulted Federal Family Education Loan (FFEL) program loans held by a guaranty agency. ED-held loans include those loans made under the Direct Loan program and those made under the FFEL or Perkins Loan programs that have been transferred to ED. For the Direct Loan and FFEL programs, Subsidized Loans, Unsubsidized Loans, PLUS Loans made to graduate students or parents of dependent undergraduate students, and Consolidation Loans are eligible. To be eligible for cancellation, loans must have been disbursed on or before June 30, 2022. For Consolidation Loans, only the underlying loans that were repaid by the Consolidation Loan must have been disbursed on or before June 30, 2022. Direct Consolidation Loans comprising any FFEL or Perkins Loan program loans not held by ED are eligible for debt relief if the borrower applied for consolidation [before September 29, 2022](#). Borrowers with qualifying loans in any status (e.g., in school, repayment, default) may qualify for the cancellation benefit if they meet the income requirements.

For borrowers with multiple qualifying loans, ED has [developed the order](#) in which it would apply the cancellation benefit. Generally, benefits are to be applied first to defaulted loans and then to non-defaulted loans, with ED making allowances for whether a borrower has multiple defaulted or non-defaulted loans and taking into consideration the specific program (e.g., Direct Loan program) under which the loans were made. If a borrower has multiple loans within a program, ED would apply the benefits considering the loans' interest rates (e.g., apply benefits to higher interest rate loans first), subsidy status (e.g., apply benefits to unsubsidized loans first), date of disbursement, and outstanding balance.

For borrowers with remaining loan balances after the cancellation benefit is applied, ED announced plans to [recalculate their monthly payment](#) based on their new balance, which may reduce borrowers' monthly payments.

How Borrowers May Receive Benefits

ED estimates that [nearly 8 million borrowers](#) are eligible to receive the benefit automatically, based on relevant income data already available to ED. Such borrowers need not take any action and are to be informed by ED of the debt relief they are to receive; borrowers [may opt out](#) of receiving the automatic debt relief. For borrowers for whom ED does not have relevant income data, ED launched an [online application](#). In light of the Eighth Circuit's stay, from October 21, 2022, to November 10, 2022, ED was [accepting and processing applications](#) but was unable to discharge loans. Since November 10, 2022, and in light of the U.S. District Court for the Northern District of Texas's judgment, [ED has stopped accepting applications](#). ED [intends to retain the applications](#) received prior to the judgment. Currently, ED has not cancelled any borrower's student loan under the policy.

Borrowers Potentially Benefitting from Cancellation

The Biden Administration estimates that

- [over 40 million borrowers](#) are eligible for some amount of relief under the policy;
 - [about 27 million student](#) loan borrowers will be eligible to receive up to \$20,000 in cancellation benefits; and
 - [about 20 million borrowers](#) would have the full balance of their loans cancelled.
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The Administration has also released analyses of the characteristics of borrowers who may receive relief under the policy [by age and income](#) and [by state](#).

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