

## Waiting for Student Loan Forgiveness?

The president has granted another extension on student loan repayments, giving you time to determine if you're eligible for relief even if the government doesn't forgive your loan.



*Getty Images*

While policy makers debate whether to grant widespread student loan forgiveness, President Biden has again extended the moratorium on repayment of federal student loans, this time until the end of August. It's the sixth extension of the suspension of payments, which began under the Trump administration at the beginning of the pandemic. Until the latest extension, borrowers were scheduled to resume paying loans on May 1.

### **Borrowers Given Time to Prepare**

In a statement issued April 6, President Biden explained that Americans are still feeling the economic effects of the pandemic. "If loan payments were to resume on schedule in May, analysis of recent data from the Federal Reserve suggests that millions of student loan borrowers would face significant economic hardship, and delinquencies and defaults could threaten Americans' financial stability."

The Federal Reserve Bank of St. Louis last month published a memo projecting a spike in defaults if student loan payments resumed in May. "Serious delinquency rates for student debt could snap back from historic lows to their previous highs in which 10% or more of the debt was past due," wrote data scientist Lowell Ricketts for the Institute for Economic Equity at the Federal Reserve.

The Department of Education said in a statement that the extension “will provide additional time for borrowers to plan for the resumption of payments, reducing the risk of delinquency and defaults after restart. During the extension, the department will continue to assess the financial impacts of the pandemic on student loan borrowers and to prepare to transition borrowers smoothly back into repayment. This includes allowing all borrowers with paused loans to receive a ‘fresh start’ on repayment by eliminating the impact of delinquency and default and allowing them to reenter repayment in good standing.

“The department will also continue to provide loan relief, including to borrowers who have been defrauded by their institutions and those eligible for relief through the Public Service Loan Forgiveness program. FSA will establish new partnerships to ensure that borrowers working in public service are automatically credited with progress toward forgiveness, eliminating paperwork that prevents many borrowers from getting help.”

### **Loan Forgiveness Stalemate Continues**

The extension also leaves open the question of broad-based student loan forgiveness, an idea with significant support among progressive Democrats.

Senate Majority Leader Chuck Schumer told reporters that the moratorium extension “is a very good thing. Students are suffering under a huge amount of debt.” But he said the president “should go further and forgive \$50,000 in student loans permanently.”

The average federal student loan balance, according to the Education Data Initiative, is about \$37,000.

Republicans have been opposed to expansion of loan forgiveness. Some have come out against the suspension of payments as well with Arkansas Sen. Tom Cotton tweeting, “President Biden's perpetual student loan payment moratorium is an insult to every American who responsibly paid debts.” The prospect of Congressional legislation to forgive debt is low, but the Biden administration could use executive action to do a cancellation – and that’s what progressives are demanding.

### **Who Has Gotten Student Loan Help?**

So far, the Department of Education says it has provided more than \$17 billion in relief to more than 700,000 student loan borrowers through executive action, including \$6.4 billion to 100,000 borrowers through the revamped Public Service Loan Forgiveness Program. This also includes more than \$1.5 billion to borrowers who have been taken advantage of by their institutions and \$7.8 billion to more than 400,000 borrowers with a permanent and total disability.

Also, the department extended \$1.26 billion in loan forgiveness to more than 107,000 borrowers who attended the now-defunct ITT Technical Institute. Another 66,000 borrowers who had private student loans through Navient had \$1.7 billion in debt canceled as the result of a legal settlement with 39 states following allegations of predatory lending and illegal loan servicing.

In fact, if you have student debt of any stripe, it’s probably a good idea to keep an eye on the Department of Education’s press releases, as more actions are likely forthcoming.

## **Is More Help on the Way?**

Andrew Pentis, a certified student loan counselor at Student Loan Hero at Lending Tree, says he expects targeted relief to continue to address different groups of borrowers.

Candidates for such programs could be teachers or healthcare workers, Pentis said, as well as parent borrowers who may be buckling under burdensome debt. People who are facing bankruptcy or are in bankruptcy may also be candidates for relief.

But Pentis said people don't have to wait for the federal government to act. Many are not aware of programs that already exist on the state level and through their schools and other resources. Pentis also advised checking with your employer to see whether your workplace offers help repaying student loans.

Pentis said most student loan repayment programs are under-utilized because people aren't aware of them. Student Loan Hero has a database of 120 resources you can check to see if you might be eligible for assistance toward student loan repayment.

He said people should consider consulting a student loan counselor who can help navigate available options. Pentis suggested non-profit credit counseling agencies can help borrowers figure out their options. These agencies will often provide counselors for a low fee or no fee at all.

## **Should You Try an Income-Driven Repayment Plan?**

When President Biden previously extended the moratorium on loan payments, he urged people to look for options to resume paying when it ends, including income-driven repayment plans. These plans are supposed to set monthly student loan payments at an affordable level, taking into account the borrower's income and family size and allow the loan to be forgiven at the end of a period of payments, regardless of whether the full outstanding balance has been paid.

People who qualified for IDR theoretically will benefit from the pandemic moratorium as the 29 months worth of payments they weren't required to make will be counted as months in which they fulfilled payment requirements and will count toward the total amount of time they were required to pay their loans.

In effect, they will be given credit for 29 payments of the required amount of zero dollars each. That should also have the effect of lowering the total amount of money they repay over the life of their loans.

Whether IDR plans actually help borrowers in practice, however, is an open question. The plans have come under criticism from advocates who say the programs need reform because "bad servicing and complicated paperwork" have prevented millions of borrowers from receiving promised relief.

"While cancellation under IDR has been theoretically possible since 2016, reports have revealed how industry abuses and policy failures have resulted in only 32 borrowers ever successfully having their loans canceled via IDR," according to a report from the Center for Responsible Lending, the Student Borrower Protection Center and the National Consumer Law Center. "Meanwhile, more than 4.4 million borrowers have been in repayment for 20 years or longer."

The advocates said IDR plans are “notoriously difficult to navigate, both because of the administrative hurdles of the program and rampant servicer misconduct.” They called on the administration to reform the program.

“Millions of student loan borrowers are buckling under the weight of a broken system,” said Persis Yu, Policy Director and Managing Counsel at the Student Borrower Protection Center. “The failures of income-driven repayment have kept borrowers in unaffordable debt for decades too long.”

Moreover, problems with the program disproportionately harm Black borrowers, according to a report by The Education Trust. That report was echoed by a report from the Brookings Institution that says the nation’s student loan system “results in costly racial disparities.” That report found that Black households are more likely to hold student debt, contributing to an increasing racial wealth gap.

### **Flaws in Public Service Program**

The federal government’s Public Service Loan Forgiveness program was changed in October following media reports that highlighted issues with borrowers who had trouble qualifying because they didn’t receive credit for some past loan payments. The program is designed to help people who work for the government and non-profit organizations. Under the program, loans are forgiven after 120 qualifying payments are made.

According to the Department of Education, the PSLF program is “an important — but largely unmet — promise to provide debt relief to support the teachers, nurses, firefighters, and others serving their communities through hard work that is essential to our country’s success. By canceling loans after 10 years of public service, PSLF removes the burden of student debt on public servants, makes it possible for many borrowers to stay in their jobs, and entices others to work in high-need fields.”

But before the recent changes, just 16,000 borrowers had received forgiveness through the program.

To try to address the issue, the department offered time-limited waivers to allow borrowers to count payments from all federal loan programs or repayment plans toward forgiveness, including types that were previously deemed ineligible. The changes also included adjustments to make it easier for people in the military to get credit toward loan forgiveness while they serve.

The Department estimated the limited waivers could help more than 550,000 borrowers, including about 22,000 who would automatically be eligible to have \$1.7 billion in loans discharged with no further action. Another 27,000 borrowers could qualify for \$2.8 billion in forgiveness if they certify additional periods of employment.

The Department says it has communicated with hundreds of thousands of public service workers to let them know the minimum number of payments they would gain credit for towards loan forgiveness under these temporary changes.

About 60% of borrowers who have certified employment for PSLF had loans from the Federal Family Education Loan Program, which was a program that ended in 2010 for government-

guaranteed loans issued by private lenders. Borrowers under the FFEL program have received inaccurate information or were misled on how they could access public service loan forgiveness.

So the Department of Education said its waiver allowing different types of loan payments to be counted will be important to people who had loans from FFEL, because it allows payments they made under that program to count toward forgiveness, including payments made before they consolidated their loans into Direct Loans.

### **You're Probably Going to Have to Pay Your Student Loan**

All that said, most people won't qualify for loan forgiveness. For them, the moratorium was simply a pause; the majority of people will resume payments after the moratorium is over and will have the length of their loan extended to compensate for the suspended payments. So, if you had five years worth of payments left when the moratorium began in March 2020, you will have five years beginning when your payments restart.

### **Department of Education to Ease Resuming Payments**

If you have a loan that you're scheduled to resume paying, chances are, you've already heard from the Department of Education. The department reported sending more than 125 million monthly email messages to about 35 million borrowers between August and November to begin preparing people to resume paying their loans. The department told the Government Accountability Office it has valid email addresses for 87% of all borrowers who were granted emergency relief because of the pandemic.

The Education Department told the GAO it expects coaxing people to start payments after a moratorium of more than two years will be a challenge. The department has created a communication plan and a plan to work with borrowers to assist them.

The department plans to ease the transition by temporarily not reporting missed payments to credit ratings agencies, according to a GAO report.

The department will also simplify the process in Income-Driven Repayment plans by not requiring borrowers to recertify their current income and family size for six months after repayment resumes. The idea is to make it easier to sign up for an Income-Driven Repayment plan. As of December, 160,000 borrowers had certified to start or continue their enrollment in one of the plans.

In addition, the department is requiring loan servicers to add weekend and evening call center hours to respond to borrower questions about resuming payment. But borrowers should be prepared to be patient. Some loan servicers reported to the department that they had hired additional staff, but that the increase in new employees may contribute to a "negative customer experience" as the new staff may be inexperienced and have trouble answering some questions.

**NYSUT NOTE: With the likelihood of student loan payments resuming, now is the perfect time to check out the NYSUT Member Benefits Corporation-endorsed Cambridge Credit Counseling program. This program helps NYSUT members better understand their student loan re-payment and debt consolidation options. [Click here](#) to find out how to get your free, no obligation consultation with one of Cambridge's nationally-certified counselors.**

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