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PRES. BIDEN'S ONE-TIME DEBT RELIEF PLAN

OCTOBER 27, 2022



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Agenda



- WHAT IS THE STUDENT DEBT RELIEF PLAN?
- WHO QUALIFIES?
- HOW DO I APPLY?
- FAQs & HELPFUL WEBSITES



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WHAT IS THE STUDENT DEBT RELIEF PLAN?

Get up to **\$20,000** in federal student loan debt relief based on your income.




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STUDENT DEBT RELIEF PLAN BASICS

One-time program to cancel federal student loans for **low-middle income families**



Up to **\$20,000** of relief, if you received a **Pell Grant** in college

Up to **\$10,000** of relief, if you did not receive a Pell Grant in college



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WHO QUALIFIES?

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WHAT TYPES OF LOANS QUALIFY FOR RELIEF?

Direct

- Subsidized
- Unsubsidized
- Parent PLUS
- Graduate PLUS


FFEL

- Federal Family Education Loans held by U.S. Dept. of Education
- Loans in default held by guaranty agency

Perkins

- Perkins Loans held by U.S. Dept. of Education (I.e. not held by the school you attended)


Loans first disbursed on or before 6/30/22



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WHAT TYPES OF LOANS DO **NOT** QUALIFY FOR RELIEF?

- FFEL & Perkins (not held by ED)
- Private
- Institutional



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QUALIFICATIONS

Income
 \$125K – single or married filing separately
 \$250K – married filing jointly or head of household
 Use **2020** or **2021** AGI – whichever is **lower**
 U.S. Dept of Ed has income info on ~ 8M borrowers

Up to \$20K debt relief
 Pell Grant – anytime in undergrad career; any amount of Pell Grant

Up to \$10K debt relief
 Never received a Pell Grant as an undergrad

Pell Grant & Loan History
<https://studentaid.gov/fsa-id/sign-in/landing>

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WHOSE INCOME IS USED TO DETERMINE RELIEF?

Student who was **dependent** at any time during **7/1/21 – 6/30/22**.

- Parent's or parents' Adjusted Gross Income (AGI) – 2020 or 2021 (whichever is lower)
- \$125K threshold for single or married filing separately
- \$250K threshold for married filing jointly or head of household

Independent students

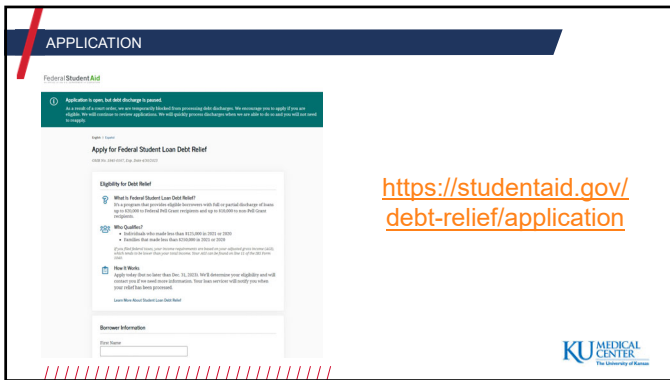
- Depends on filing status in 2020 and 2021 (lower)
- \$125K AGI threshold for single or married filing separately
- \$250K AGI threshold for married filing jointly or head of household

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APPLICATION CERTIFICATION

Student agrees with the following:

- If requested, will provide proof of income by 3/31/24.
- The student is the person named above.




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APPLICATION CERTIFICATION (CONT.)

One of these statements are true for either 1/1/20-12/31/20 or 1/1/21-12/31/21:

Did not file	< \$125K	< \$250K
<ul style="list-style-type: none"> • I made less than the required income to file federal taxes 	<ul style="list-style-type: none"> • Single tax-filer • Married, filed taxes separately 	<ul style="list-style-type: none"> • Married, filed taxes jointly • Filed head of household • Qualifying widower




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APPLICATION CERTIFICATION

I certify under penalty of perjury under the laws of the United States of America that all of the information provided on this form is true and correct. I understand that any falsification or misrepresentation on this form, or on any accompanying document, is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code, including, but not limited to, under U.S.C. § 1001, 18 U.S.C. § 1621, and 20 U.S.C. § 1097.

Click the blue "Submit" button.



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APPLICATION (CONT.)


When you submit the application, ED will send a confirmation email*.

ED will process application ASAP.

22 Million borrowers have applied through 10/20/22.

Beware of Scams

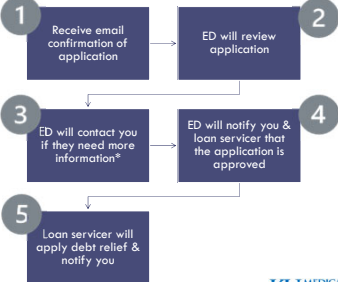

*Official ED email accounts:
noreply@studentaid.gov
noreply@debtrelief.studentaid.gov
ed.gov@public.govdelivery.com



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WHAT HAPPENS NEXT


- * ED could request:
 - Documentation of income
 - Parent's income (if dependent 7/1/21-6/30/22)
 - Can't match loan records with data submitted on application
 - Don't have any eligible federal loans

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APPLICATION – IMPORTANT DATES

- November 15, 2022
 - Recommended date to submit application to receive relief before loan payment pause ends on December 31, 2022.
- December 31, 2023
 - Last day to submit application to receive debt relief



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FREQUENTLY ASKED QUESTIONS & HELPFUL WEBSITES



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FAQS

What about the lawsuits?
 The 8th Circuit Court of Appeals has temporarily halted ED from discharging any student loan debt under the debt relief program. Court gave Biden Admin. until last Monday to respond and the 6 State AGs have until the following day to reply.
ED said they are evaluating applications and will move forward once the courts allow*.

What do they mean "up to \$10K or \$20K of debt relief?"
 If you have \$6K of qualifying federal student loan debt, ED will cancel all \$6K (but not \$10K or \$20K).

* Experts believe mid-November is the earliest one might expect ED to begin cancelling debt.

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FAQS (CONT.)

Am I eligible for relief in this scenario? I filed taxes as single in 2020 and had an AGI of \$50K. In 2021 I filed as married filing jointly with an AGI of \$300K.
 Yes, you qualify for relief. Your \$50K AGI in 2020 for a taxpayer filing as single is less than the \$125K AGI for debt relief. It is irrelevant that your 2021 joint AGI is higher than \$250K.

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FAQS (CONT.)


What about parents who have borrowed parent PLUS Loans for their child's education?

A parent can qualify for debt relief as long as:

- The parent has eligible federal student loan debt.
- The parent's (or parents') 2020 or 2021 AGI is at/below the \$125K or \$250K AGI, as applicable.

A parent may receive up to \$20K of debt relief if the parent received a Pell Grant.

A parent may receive up to \$10K of debt relief if s/he did not receive a Pell Grant.



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FAQS (CONT.)

What if my balance is below the maximum debt relief AND I made voluntary payments from 3/13/20 through 12/31/22?

- Let's say you are eligible for \$10,000 of debt relief.
- Your current balance is \$9,500.
- You paid \$1,000 during the payment pause.
- ED will:
 - Cancel the \$9,500 on your current balance, and
 - Refund you \$500 (the remaining amount of relief that gets you to \$10,000).

What if I paid off my entire federal loan balance from 3/13/20 through 12/31/22?


- The answer is unknown. The National Assoc. of Student Financial Aid Administrators is awaiting answer from ED



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FAQS (CONT.)

How will debt relief be applied to multiple loans?



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graph LR
    A[Defaulted ED-held loans] --> B[Defaulted commercial FFEL Program Loans]
    B --> C[Non-defaulted Direct Loans & FFEL Program loans held by ED]
    C --> D[Perkins Loans held by ED]
  
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FAQS (CONT.)

What if you have multiple types of loans (e.g. multiple Direct Loans)?

In what order will you apply debt relief?

-  Highest interest rate
-  Unsubsidized before subsidized
-  Most recent loan
-  Lowest combined principal & interest balance



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HELPFUL WEBSITES

Debt relief application
<https://studentaid.gov/debt-relief/application>

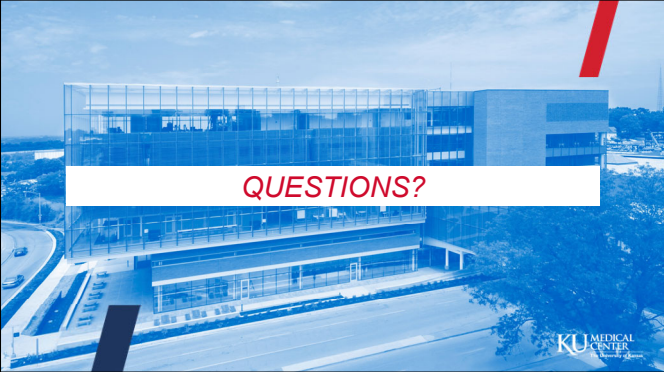
Debt relief plan overview & FAQs
<https://studentaid.gov/manage-loans/forgiveness-cancellation/debt-relief-info>

Pell Grant, federal loan histories & loan servicers
<https://studentaid.gov/fsa-id/sign-in/landing>


KU Med Student Financial Aid webpage
<https://www.kumc.edu/academic-and-student-affairs/departments/student-financial-aid.html>



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QUESTIONS?



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