

Biden-Harris Administration Releases First Set of Draft Rules to Provide Debt Relief to Millions of Borrowers

First proposed rules would provide relief to borrowers who have seen balances grow from runaway interest, or entered repayment a long time ago, among other categories

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The Biden-Harris Administration today released its first set of draft rules that propose to provide student debt relief for tens of millions of borrowers across the country. These plans were announced last week by President Biden in Madison, Wisconsin. If implemented as proposed, these plans, and others announced by the President, would bring the total number of borrowers getting relief under the Biden-Harris Administration to more than 30 million. To date, the Biden-Harris Administration has taken historic action to approve debt cancellation for nearly 4.3 million borrowers, totaling \$153 billion in debt forgiveness through various actions.

"Today's announcement shows that the Biden-Harris Administration is continuing to fulfill our promises to fix a broken higher education system," said U.S. Secretary of Education Miguel Cardona. "Student loan forgiveness isn't only about relief for today's borrowers. It's about social mobility, economic prosperity, and creating America that lives up to its highest ideals."

The rules will be formally published in the Federal Register on Wednesday, April 17 for a 30-day comment period. The U.S. Department of Education (Department) will carefully consider comments received and aims to finalize these rules in time to start delivering relief this fall, including for borrowers who have been subject to runaway interest. The Department will publish a second draft rule focused on providing relief for borrowers experiencing hardship in the coming months.

The draft includes nine rules that permit separate and distinct types of waivers using the Secretary of Education's longstanding authority under the Higher Education Act. Eight of these are applicable to loans held by the Department, while a ninth addresses commercially held loans in the Federal Family Education Loan (FFEL) Program. These rules are:

Cancelling runaway interest

More than 25 million borrowers owe more than they originally borrowed, including many who have made years of payments, due to the interest that accrues on Federal student loans.

The Department proposes two rules to address this issue through automatic relief. One would permit automatic relief of up to \$20,000 of the amount by which a borrower's loans currently exceed what they owed upon starting repayment. This relief could be provided automatically to all types of student loans held by the Department, including parent loans, consolidation loans, and loans in default. A second, separate rule would permit the Secretary to forgive the full amount by which a borrower saw their balance grow after entering repayment if the borrower is enrolled in any Income-Driven Repayment (IDR) plan and has annual income equal to or below \$120,000 if they are single or \$240,000 if they are a married couple that files taxes jointly. No application will be needed for borrowers to receive this relief if these plans are implemented as proposed.

The Department estimates over 75% of borrowers benefitting from uncapped interest relief are Pell Grant recipients, and over two-thirds of borrowers benefitting from the automatic \$20,000 in interest relief are Pell recipients. Combined, these rules could eliminate all balance growth since entering repayment for 23 million borrowers.

Eliminating student debt for borrowers who entered repayment at least 20 years ago

This rule would help an estimated 2.6 million borrowers who still have outstanding debt on old loans that entered repayment at least two decades ago. The proposal would permit student debt forgiveness for borrowers with only undergraduate debt if they first entered repayment at least 20 years ago (on or before July 1, 2005), and borrowers with any graduate school debt would qualify if they first entered repayment 25 or more years ago (on or before July 1, 2000). As proposed, this relief would be provided automatically to any type of loan held by the Department, including parent loans and consolidation loans. The Department proposes this rule to provide one-time relief but seeks comment on how to consider ways to assist borrowers who are close to, but not quite at, the timeline for proposed relief while still encouraging them to make payments.

The Department proposes a separate rule to authorize relief to any borrower with a commercial loan in the Federal Family Education Loan (FFEL) Program that first entered repayment on or before July 1, 2000.

Authorizing the automatic discharge of debt for borrowers who are otherwise eligible for loan forgiveness under SAVE, closed school discharge, PSLF, or other forgiveness programs, but not enrolled

The draft includes two separate rules that could assist borrowers who are otherwise eligible for relief under existing forgiveness opportunities but have not successfully applied due to paperwork requirements, bad advice, or other obstacles. One section would authorize relief to borrowers identified by the Secretary who are otherwise eligible for relief under payment plans, including Saving on A Valuable Education (SAVE) and other IDR plans but have not successfully applied. The Department estimates this provision could help 1.7 million borrowers eligible for relief under the SAVE Plan provision that provides relief sooner than the typical 20 or 25-year timeline for borrowers with smaller original loan balances. A second section proposes to authorize relief for borrowers eligible for forgiveness opportunities like closed school discharges but have not successfully applied. The Department's initial estimate is that this could help around 250,000 borrowers based on closed school discharges.

Automatic relief under these two rules would only be permitted for loans that are eligible for the relevant type of forgiveness, as some programs are not available for parent borrowers or non-Direct Loans. These proposed rules could provide this relief on an ongoing basis.

The Department separately proposes to authorize relief to commercial FFEL borrowers who are identified as eligible for closed school discharges but have not successfully applied.

Helping borrowers who enrolled in low-financial-value programs or institutions

Three additional rules would authorize ongoing relief for borrowers who took out debt to attend programs or institutions that failed to provide sufficient financial value.

One provision could assist borrowers whose debt came from institutions or programs that lost access to Federal aid following a Secretarial action. This includes institutions or programs that lost access due to high student loan default rates, producing graduates whose debt represents too large a share of their income, graduates whose earnings are no better than those of a high school graduate, or were subject to a final agency action to terminate aid for failing to provide sufficient financial value. A second provision would authorize relief for borrowers whose schools or programs faced similar situations but closed before the action was finalized. A final provision could help borrowers whose programs closed and the Department determines their graduates had high levels of debt relative to earnings or insufficient earnings compared to a high school graduate.

The Department also proposes separate provisions to assist commercial FFEL borrowers who took out loans during the period associated with high default rates that resulted in their institution losing access to federal aid.

A forthcoming rule to assist borrowers experiencing hardship paying back their loans

The Department also remains hard at work on a separate proposal that would help many other borrowers experiencing hardship related to student loans that creates a barrier to them fully repaying their loans or the cost of collection is not justified. That rule will be released for comment in the coming months. It will include proposals to authorize the automatic forgiveness of loans for borrowers at a high risk of future default as well as those who show hardship due to other indicators, such as high medical and caregiving expenses. The [regulatory text \(http://t1.info.ed.gov/r/?id=h709c20,ab124c,ab126a\)](http://t1.info.ed.gov/r/?id=h709c20,ab124c,ab126a) in this proposed rule will mirror the proposals that achieved consensus among negotiators in February.

“These distinct forms of debt relief are designed for borrowers struggling with their loans – and that’s a lot of people,” said Under Secretary of Education James Kvaal. “There are 25 million borrowers whose interest is growing faster than they can pay it down. That fact alone shows how badly President Biden’s student loan relief is needed.”

An unparalleled track record of borrower assistance

The Biden-Harris Administration has taken historic steps to reduce the burden of student debt and ensure that student loans are not a barrier to opportunity for students and families. The Administration secured the largest increase to Pell Grants in a decade and finalized new rules to protect borrowers from career programs that leave graduates with unaffordable debts or insufficient earnings. The Administration has also approved \$153 billion for nearly 4.3 million borrowers, including:

- \$49.2 billion for more than 996,000 borrowers through improvements to IDR that addressed longstanding administrative failure and the misuse of forbearance by loan servicers.
- \$62.8 billion in forgiveness for almost 876,000 borrowers through fixes to PSLF.
- \$4.8 billion for almost 360,000 borrowers on the SAVE plan. These are borrowers who originally took out smaller loans for their postsecondary studies.
- \$22.5 billion for more than 1.3 million borrowers who were cheated by their schools, saw their institutions precipitously close, or are covered by related court settlements.
- \$14.1 billion for more 548,000 borrowers with a total and permanent disability.

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