AMERICAN BANKRUPTCY INSTITUTE

2022 Consumer Practice Extravaganza

The Biden Administration's Loan Forgiveness Program, the Fresh Start, IDR Recounts and Incorporating Student Loan Changes into Chapter 13 Plans

Hon. Robert D. Berger
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CONCURRENT SESSION

2022

Student Loan Updates

and Chapter 13 consequences

Presenters:

Honorable Robert Berger – Kansas

Joshua R.I. Cohen – The Student Loan Lawyer

Scott Waterman – Chapter 13 Trustee EDPA

Topics

- IDR Recount
- PSLF Update
- Fresh-start
- Other updates

IDR Forgiveness

Income Driven Repayment forgiveness

- Forgiveness after 20/25
  - ICR – 25 years
  - IBR – 25 years
  - PAYE – 20 years
  - New IBR – 20 years
  - REPAYE
    - if no loans for graduate program – 20 years
    - Otherwise – 25 years

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IDR Recount

For Direct Loans Only

- One time recount towards IDR forgiveness, gives credit for:
  - any payments on any payment plan
  - any time in forbearance if
    - 12 month consecutive OR
    - 36 month cumulative
    - Not bankruptcy forbearance
  - any deferment time prior to 2013, but not “in-school”
- No credit for time in default

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IDR Recount

If FFEL and/or Perkins, consolidate by May 1, 2023

- Get credit for time prior to consolidation!
- Goes back to when loans entered repayment
- If you completed your program in 1996 or earlier, and never defaulted, may have loan balance forgiven immediately!

IDR Recount

If don't have 20/25 years, still get past credit and be closer to forgiveness.

- Must enroll in an IDR plan to achieve forgiveness in the future
  - Parent PLUS loans (must be consolidated to Direct Loans) can only have ICR

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PSLF Update

Applies IDR recount to PSLF count

- Qualifying employer after October 2007
- Will count ANY time during qualifying work
  - Even if not IDR payment
  - Even if in forbearance*
  - Even if in deferment prior to 2013
  - Even if FFEL/Perkins
- But NOT default time

PSLF Update v Waiver

Waiver	PSLF update
• Ended October 31, 2022 • Does not need to be employed when receiving forgiveness • Full-time defined by employer • Contractors never qualify	• Effective July 1, 2022 • Must be employed when receiving forgiveness • Full time = 30 hours or more • Adjunct receive 3.35 hours for every credit hour taught • Credit for contractor that by law cannot be employed by qualified employer (example: Doctors in TX and CA) • Ability to make up payments

Fresh Start

- For any federal student loan in default
- Allowed to enroll directly into any IDR plan
- Effective January 1, 2023 until December 31, 2023
- Credit fix
- Default notation removed from CAIVRS (fed database of delinquent federal debtors)
- Student aid eligibility restored
- No collection conduct during 2023

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Fresh Start – Credit Fix

- Deletes trade-line if delinquent for more than seven years
- Change defaulted loans to "current"
- Reporting time is still seven years from original delinquency, even if defaults again after Fresh Start

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Other Updates

- TPD relaxed standards effective July 1, 2023
  - VA 100% disabled from a service-related incident
  - SSDI:
    - 3-year review period via BPQY (reduced from 5-year review)
    - Proof of receiving SSDI for at least 5 years – NEW!
    - Currently on retirment, but received SSDI prior with above standards met
  - Doctor certification
    - MD/DO
    - NP/PA – NEW!
    - Psychologist – NEW!

No more income monitoring!!

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Other Updates

- Borrower Defense to Repayment effective July 1, 2023
  - Applies to all applications pending or submitted after effective date
  - 100% relief – no partial
  - Ability to create a group process
    - ED initiated
    - State or legal assistance organization
  - Current Group discharges”
    - ITT – attended since 2005 to 2016 closure
    - Corinthian – attended 1995 to 2015 closure
    - Marinello – attended 2009 to 2016 closure
    - Westwood – attended 2002 until 2016 closure

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Other Updates

- Closed School Discharge effective July 1, 2023
  - Extends to 180 days (was 120)
  - Transfer of credit is no longer a bar
  - Extenuating circumstances now considered

Acronyms

- DL = Direct Loan
- FFEL = Federal Family Education Loan
  - sometimes called "commercial"
- IDR = Income Driven Repayment
  - IBR = Income Based Repayment
  - ICR = Income Contingent Repayment
  - PAYE = Pay As You Earn
  - REPAYE = Revised Pay As You Earn
- PSLF = Public Service Loan Forgiveness

Resources

- www.studentaid.gov – federal loan data website
- www.studentloanborrowerassistance.org – NCLC site
- www.TheStudentLoanLawyer.com – Joshua Cohen
  - jcohen@thestudentloanlawyer.com

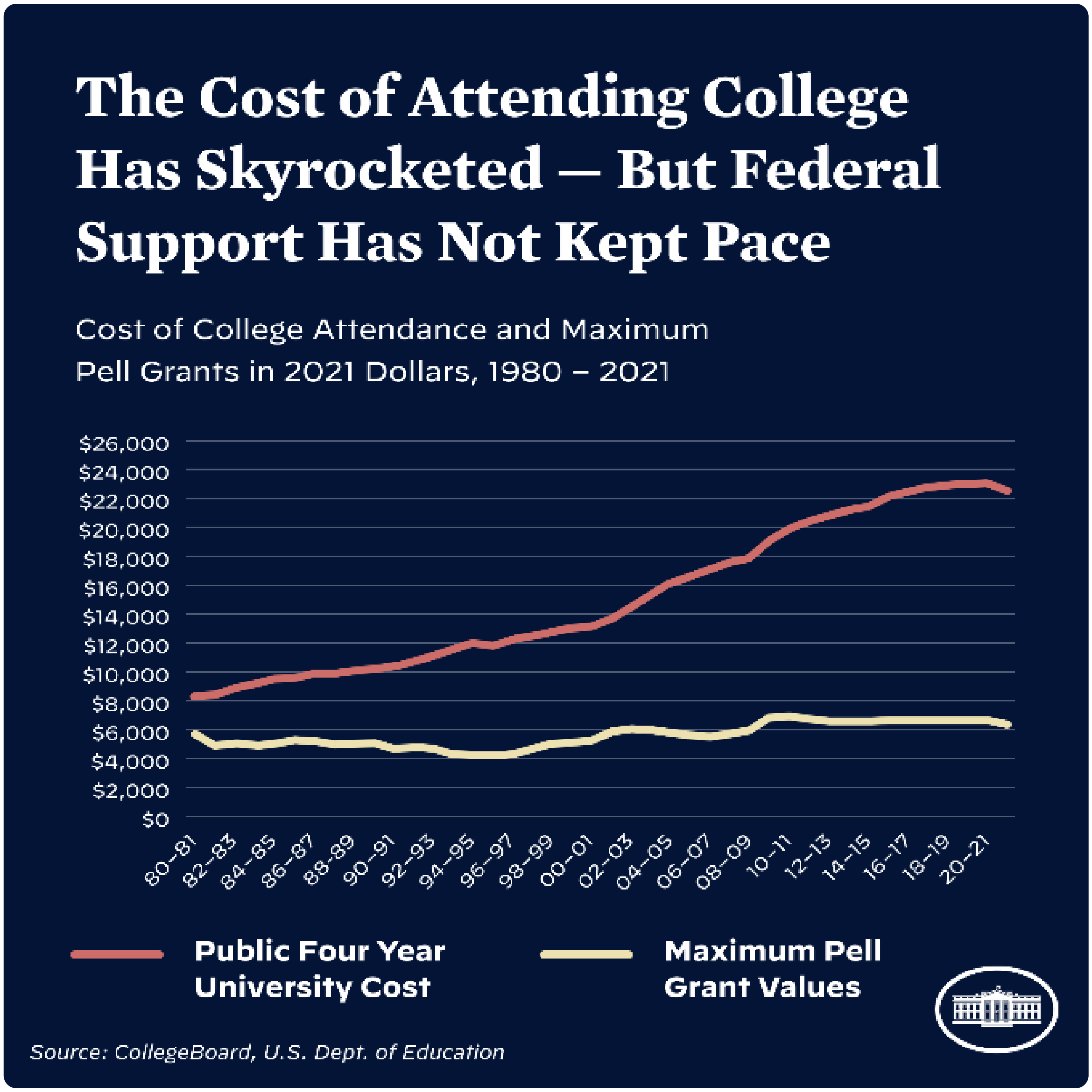
AUGUST 24, 2022

FACT SHEET: President Biden Announces Student Loan Relief for Borrowers Who Need It Most

A three-part plan delivers on President Biden's promise to cancel $10,000 of student debt for low- to middle-income borrowers

President Biden believes that a post-high school education should be a ticket to a middle-class life, but for too many, the cost of borrowing for college is a lifelong burden that deprives them of that opportunity. During the campaign, he promised to provide student debt relief. Today, the Biden Administration is following through on that promise and providing families breathing room as they prepare to start re-paying loans after the economic crisis brought on by the pandemic.

Since 1980, the total cost of both four-year public and four-year private college has nearly tripled, even after accounting for inflation. Federal support has not kept up: Pell Grants once covered nearly 80 percent of the cost of a four-year public college degree for students from working families, but now only cover a third. That has left many students from low- and middle-income families with no choice but to borrow if they want to get a degree. According to a Department of Education analysis, the typical undergraduate student with loans now graduates with nearly $25,000 in debt.



The skyrocketing cumulative federal student loan debt—$1.6 trillion and rising for more than 45 million borrowers—is a significant burden on America's middle class. Middle-class borrowers struggle with high monthly payments and ballooning balances that make it harder for them to build wealth, like buying homes, putting away money for retirement, and starting small businesses.

For the most vulnerable borrowers, the effects of debt are even more crushing. Nearly one-third of borrowers have debt but no degree, according to an analysis by the Department of Education of a recent cohort of undergraduates. Many of these students could not complete their degree because the cost of attendance was too high. About 16% of borrowers are in default – including nearly a third of senior citizens with student debt – which can result in the government garnishing a borrower's wages or lowering a borrower's credit score. The student debt burden also falls disproportionately on Black borrowers. Twenty years after first enrolling in school, the typical Black borrower who started college in the 1995-96 school year still owed 95% of their original student debt.

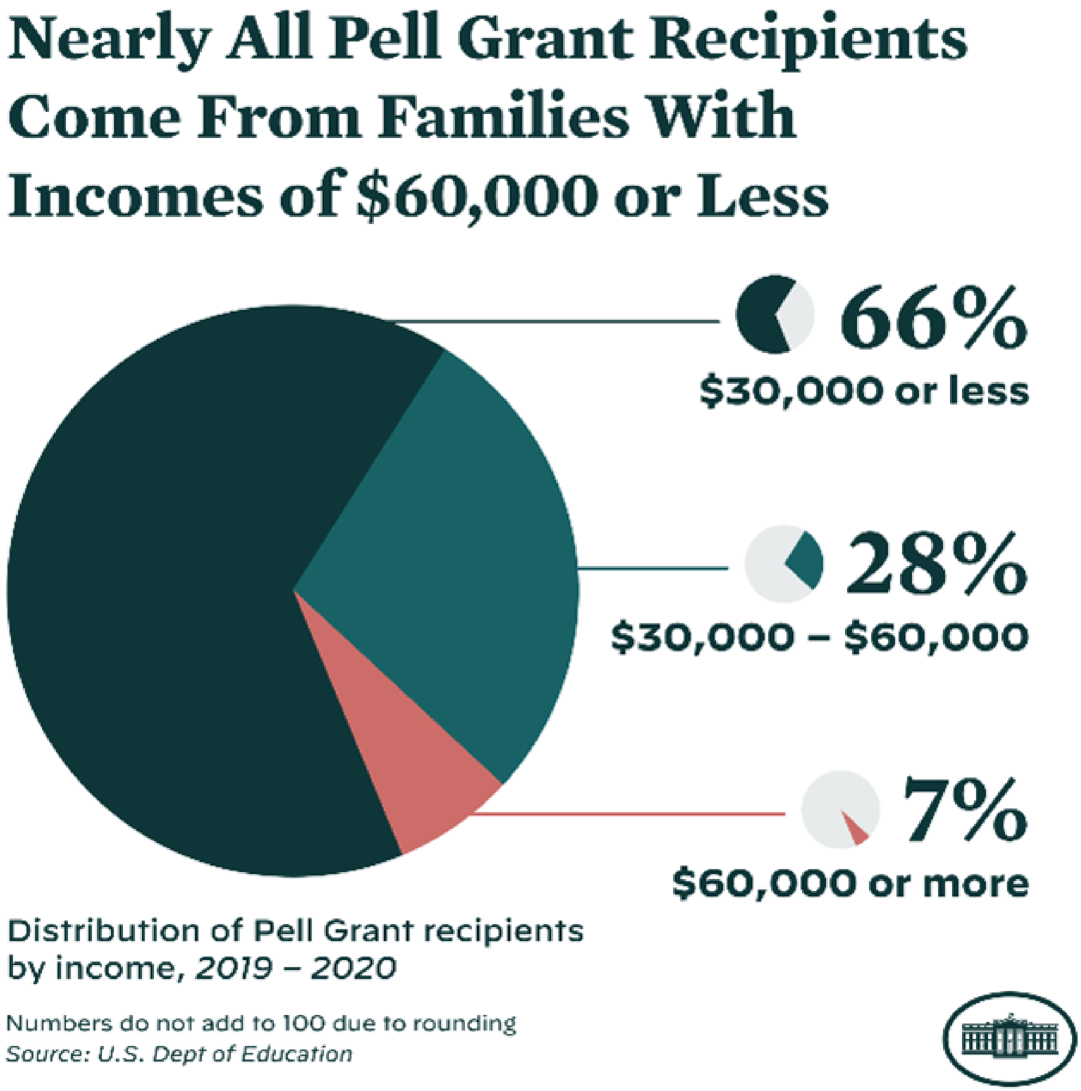
Today, President Biden is announcing a three-part plan to provide more breathing room to America's working families as they continue to recover from the strains associated with the COVID-19 pandemic. This plan offers targeted debt relief as part of a comprehensive effort to address the burden of growing college costs and make the student loan system more manageable for working families. The President is announcing that the Department of Education will:

- **Provide targeted debt relief to address the financial harms of the pandemic, fulfilling the President's campaign commitment.** The Department of Education will provide up to $20,000 in debt cancellation to Pell Grant recipients with loans held by the Department of Education, and up to $10,000 in debt cancellation to non-Pell Grant recipients. Borrowers are eligible for this relief if their individual income is less than $125,000 ($250,000 for married couples). No high-income individual or high-income household – in the top 5% of incomes – will benefit from this action. To ensure a smooth transition to repayment and prevent unnecessary defaults, **the pause on federal student loan repayment will be extended one final time through December 31, 2022.** Borrowers should expect to resume payment in January 2023.
- **Make the student loan system more manageable for current and future borrowers by:**
  - **Cutting monthly payments in half for undergraduate loans.** The Department of Education is proposing a new income-driven repayment plan that protects more low-income borrowers from making any payments and caps monthly payments for undergraduate loans at 5% of a borrower's discretionary income—half of the rate that borrowers must pay now under most existing plans. This means that the average annual student loan payment will be lowered by more than $1,000 for both current and future borrowers.
  - **Fixing the broken Public Service Loan Forgiveness (PSLF) program by proposing a rule that borrowers who have worked at a nonprofit, in the military, or in federal, state, tribal, or local government, receive appropriate credit toward loan forgiveness.** These improvements will build on temporary changes the Department of Education has already made to PSLF, under which more than 175,000 public servants have already had more than $10 billion in loan forgiveness approved.

- **Protect future students and taxpayers by reducing the cost of college and holding schools accountable when they hike up prices.** The President championed the largest increase to Pell Grants in over a decade and one of the largest one-time influxes to colleges and universities. To further reduce the cost of college, the President will continue to fight to double the maximum Pell Grant and make community college free. Meanwhile, colleges have an obligation to keep prices reasonable and ensure borrowers get value for their investments, not debt they cannot afford. This Administration has already taken key steps to strengthen accountability, including in areas where the previous Administration weakened rules. The Department of Education is announcing new efforts to ensure student borrowers get value for their college costs.

Provide Targeted Debt Relief, Fulfilling the President's Campaign Commitment

To address the financial harms of the pandemic for low- and middle-income borrowers and avoid defaults as loan repayment restarts next year, the Department of Education will provide up to $20,000 in loan relief to borrowers with loans held by the Department of Education whose individual income is less than $125,000 ($250,000 for married couples) and who received a Pell Grant. Nearly every Pell Grant recipient came from a family that made less than $60,000 a year, and Pell Grant recipients typically experience more challenges repaying their debt than other borrowers. Borrowers who meet those income standards but did not receive a Pell Grant in college can receive up to $10,000 in loan relief.

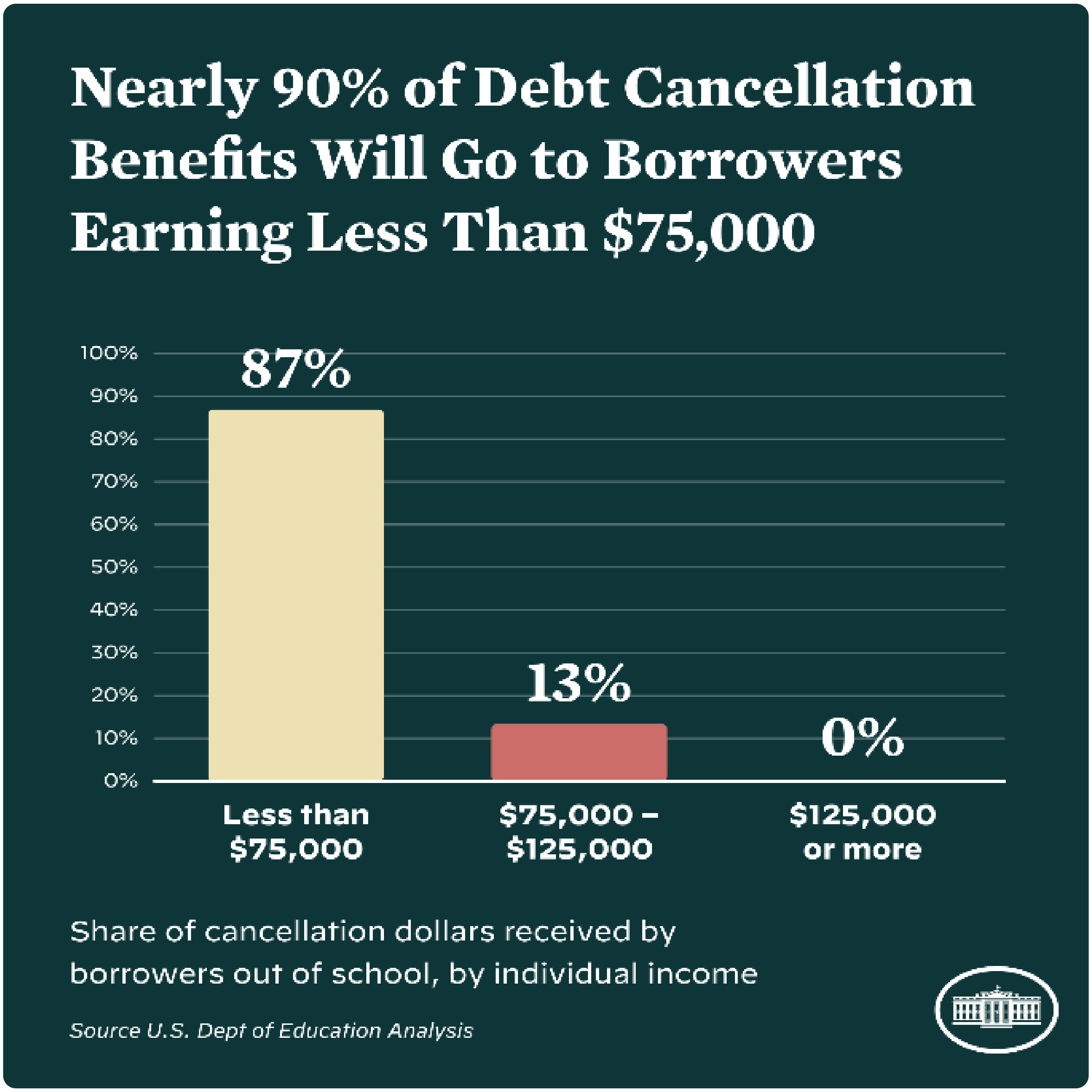


The Pell Grant program is one of America's most effective financial aid programs—but its value has been eroded over time. Pell Grant recipients are more than 60% of the borrower population. The Department of Education estimates that roughly 27 million borrowers will be eligible to receive up to $20,000 in relief, helping these borrowers meet their economic potential and avoid economic harm from the COVID-19 pandemic.

Current students with loans are eligible for this debt relief. Borrowers who are dependent students will be eligible for relief based on parental income, rather than their own income.

If all borrowers claim the relief they are entitled to, these actions will:

- **Provide relief to up to 43 million borrowers,** including cancelling the full remaining balance for roughly 20 million borrowers.
- **Target relief dollars to low- and middle-income borrowers.** The Department of Education estimates that, among borrowers who are no longer in school, nearly 90% of relief dollars will go to those earning less than $75,000 a year. No individual making more than $125,000 or household making more than $250,000 – the top 5% of incomes in the United States – will receive relief.
- **Help borrowers of all ages.** The Department of Education estimates that, among borrowers who are eligible for relief, 21% are 25 years and under and 44% are ages 26-39. More than a third are borrowers age 40 and up, including 5% of borrowers who are senior citizens.
- **Advance racial equity.** By targeting relief to borrowers with the highest economic need, the Administration's actions are likely to help narrow the racial wealth gap. Black students are more likely to have to borrow for school and more likely to take out larger loans. Black borrowers are twice as likely to have received Pell Grants compared to their white peers. Other borrowers of color are also more likely than their peers to receive Pell Grants. That is why an Urban Institute study found that debt forgiveness programs targeting those who received Pell Grants while in college will advance racial equity.



The Department of Education will work quickly and efficiently to set up a simple application process for borrowers to claim relief. The application will be available no later than when the pause on federal student loan repayments terminates at the end of the year. Nearly 8 million borrowers may be eligible to receive relief automatically because their relevant income data is already available to the Department.

Thanks to the American Rescue Plan, this debt relief will not be treated as taxable income for the federal income tax purposes.

To help ensure a smooth transition back to repayment, the Department of Education is extending the student loan pause a final time through December 31, 2022. No one with federally-held loans has had to pay a single dollar in loan payments since President Biden took office.

Make the Student Loan System More Manageable for Current and Future Borrowers

Fixing Existing Loan Repayment to Lower Monthly Payments

The Administration is reforming student loan repayment plans so both current and future low- and middle-income borrowers will have smaller and more manageable monthly payments.

The Department of Education has the authority to create income-driven repayment plans, which cap what borrowers pay each month based on a percentage of their discretionary income. Most of these plans cancel a borrower's remaining debt once they make 20 years of monthly payments. But the existing versions of these plans are too complex and too limited. As a result, millions of borrowers who might benefit from them do not sign up, and the millions who do sign up are still often left with unmanageable monthly payments.

To address these concerns and follow through on Congress' original vision for income-driven repayment, the Department of Education is proposing a rule to do the following:

- **For undergraduate loans, cut in half the amount that borrowers have to pay each month** from 10% to 5% of discretionary income.
- **Raise the amount of income that is considered non-discretionary income and therefore is protected from repayment,** guaranteeing that no borrower earning under 225% of the federal poverty level—about the annual equivalent of a $15 minimum wage for a single borrower—will have to make a monthly payment.
- **Forgive loan balances after 10 years of payments,** instead of 20 years, for borrowers with original loan balances of $12,000 or less. The Department of Education estimates that this reform will allow nearly all community college borrowers to be debt-free within 10 years.
- **Cover the borrower's unpaid monthly interest,** so that unlike other existing income-driven repayment plans, no borrower's loan balance will grow as long as they make their monthly payments—even when that monthly payment is $0 because their income is low.

These reforms would simplify loan repayment and deliver significant savings to low- and middle-income borrowers. For example:

- A typical single construction worker (making $38,000 a year) with a construction management credential would pay only $31 a month, compared to the $147 they pay now under the most recent income-driven repayment plan, for annual savings of nearly $1,400.
- A typical single public school teacher with an undergraduate degree (making $44,000 a year) would pay only $56 a month on their loans, compared to the $197 they pay now under the most recent income-driven repayment plan, for annual savings of nearly $1,700.
- A typical nurse (making $77,000 a year) who is married with two kids would pay only $61 a month on their undergraduate loans, compared to the $295 they pay now under the most recent income-driven repayment plan, for annual savings of more than $2,800.

These reforms would simplify loan repayment and deliver significant savings to low- and middle-income borrowers:

For example:

Career and background	Lower monthly payments	Annual savings
A typical single construction worker making $38,000 a year with a construction management credential	**$31 a month,** compared to the $147 they pay now	**Nearly $1,400**
A typical single public school teacher with an undergraduate degree making $44,000 a year	**$56 a month,** compared to the $197 they pay now	**Nearly $1,700**
A typical nurse with a bachelor's degree who is married with two kids making $77,000 a year	**$61 a month,** compared to the $295 they pay now	**More than $2,800**

For each of these borrowers, their balances would not grow as long as they are making their monthly payments, and their remaining debt would be forgiven after they make the required number of qualifying payments.

Further, the Department of Education will make it easier for borrowers who enroll in this new plan to stay enrolled. Starting in the summer of 2023, borrowers will be able to allow the Department of Education to automatically pull their income information year after year, avoiding the hassle of needing to recertify their income annually.

Ensuring Public Servants Receive Credit Toward Loan Forgiveness

Borrowers working in public service are entitled to earn credit toward debt relief under the Public Service Loan Forgiveness (PSLF) program. But because of complex eligibility restrictions, historic implementation failures, and poor counseling given to borrowers, many borrowers have not received the credit they deserve for their public service.

The Department of Education has announced time-limited changes to PSLF that provide an easier path to forgiveness of all outstanding debt for eligible federal student loan borrowers who have served at a non-profit, in the military, or in federal, state, Tribal, or local government for at least 10 years, including non-consecutively. Those who have served less than 10 years may now more easily get credit for their service to date toward eventual forgiveness. These changes allow eligible borrowers to gain additional credit toward forgiveness, even if they had been told previously that they had the wrong loan type.

The Department of Education also has proposed regulatory changes to ensure more effective implementation of the PSLF program moving forward. Specifically, the Department of Education has proposed allowing more payments to qualify for PSLF including partial, lump sum, and late payments, and allowing certain kinds of deferments and forbearances, such as those for Peace Corps and AmeriCorps service, National Guard duty, and military service, to count toward PSLF. The Department of Education also proposed to ensure the rules work better for non-tenured instructors whose colleges need to calculate their full-time employment.

To ensure borrowers are aware of the temporary changes, the White House has launched four PSLF Days of Action dedicated to borrowers in specific sectors: government employees, educators, healthcare workers and first responders, and non-profit employees. You can find out other information about the temporary changes on PSLF.gov. You must apply to PSLF before the temporary changes end on October 31, 2022.

Protecting Borrowers and Taxpayers from Steep Increases in College Costs

While providing this relief to low- and middle-income borrowers, the President is focused on keeping college costs under control. Under this Administration, students have had more money in their pockets to pay for college. The President signed the largest increase to the maximum Pell Grant in over a decade and provided nearly $40 billion to colleges and universities through the American Rescue Plan, much of which was used for emergency student financial aid, allowing students to breathe a little easier.

Additionally, the Department of Education has already taken significant steps to strengthen accountability, so that students are not left with mountains of debt with little payoff. The agency has re-established the enforcement unit in the Office of Federal Student Aid and it is holding accreditors' feet to the fire. In fact, the Department just withdrew authorization for the accreditor that oversaw schools responsible for some of the worst for-profit scandals. The agency will also propose a rule to hold career programs accountable for leaving their graduates with mountains of debt they cannot repay, a rule the previous Administration repealed.

Building off of these efforts, the Department of Education is announcing new actions to hold accountable colleges that have contributed to the student debt crisis. These include publishing an annual watch list of the programs with the worst debt levels in the country, so that students registering for the next academic year can steer clear of programs with poor outcomes. They also include requesting institutional improvement plans from the worst actors that outline how the colleges with the most concerning debt outcomes intend to bring down debt levels.

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More information on claiming relief will be available to borrowers in the coming weeks.

Borrowers can sign up to be notified when this information is available at StudentAid.gov/debtrelief.

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Fact Sheet: Charting the Path Forward for Public Service Loan Forgiveness

The Biden-Harris Administration restored the promise that borrowers working in public service jobs for 10 years will have their loans forgiven through Public Service Loan Forgiveness (PSLF). Thanks to time-limited changes that waive PSLF program requirements (known as the "Limited PSLF Waiver"), over 236,000 borrowers have been approved for over $14 billion in forgiveness during the COVID-19 pandemic.

Today, the Biden-Harris Administration is releasing its plan for the PSLF program after the Limited PSLF Waiver ends on October 31, 2022. The Department still encourages borrowers to take the necessary steps to apply for the waiver by October 31, 2022. However, the plan announced today includes benefits that borrowers with Direct Loans or Federal Family Education Loans (FFEL) managed by the U.S. Department of Education (Department) – including borrowers who work in public service – will receive in July 2023 as part of a one-time account adjustment announced earlier this year. This one-time account adjustment fixes longstanding problems faced by borrowers receiving credit toward forgiveness under income-driven repayment (IDR) plans and PSLF.

Today, the Department is clarifying that updated payment counts credited toward IDR forgiveness also count toward PSLF for any months in which a borrower has certified qualifying employment on loans borrowed as a student. Borrowers with eligible loans do not need to apply for this credit, it will be automatically computed by the Department. Borrowers who do not have eligible loans will need to apply for consolidation no later than May 1, 2023, to ensure they benefit from the one-time account adjustment.

The Department is also announcing permanent improvements to the PSLF program through updated regulations, which will be published by November 1. These regulations eliminate many unnecessary barriers to obtaining PSLF credit, helping many more borrowers working in public service reach forgiveness in the future.

Crediting Borrowers with Earned Progress toward Forgiveness

In April 2022, the Department announced one-time improvements to address historic inaccuracies in the count of payments that qualify toward forgiveness under IDR as well as practices by loan servicers to put borrowers into forbearance in violation of Department rules. As a result of these past failures, borrowers who were in repayment for 20 or 25 years or longer are unable to receive forgiveness under IDR, and borrowers who were in repayment for 10 years or longer while working in public service may not receive PSLF. These one-time improvements will adjust a borrower's account by awarding credit for:

- Any month in which a borrower was in a repayment status, regardless of whether payments were partial or late, the loan type, or the repayment plan;
- Any month in which loans were in an eligible repayment, deferment, or forbearance status prior to consolidation;
- Months while a borrower spent at least 12 months of consecutive forbearance;
- Months while a borrower spent at least 36 cumulative months in forbearance; and
- Any month spent in deferment (exception for in-school deferment) prior to 2013.

To receive this credit toward IDR, however, a borrower must have Direct Loans or FFEL loans managed by the Department. Borrowers who have other types of federal loans have to consolidate into the Direct Loan program to receive the credit.

These periods will also result in credit toward PSLF if the borrower has certified qualifying employment that overlaps the same periods. Borrowers pursuing PSLF must consolidate any non-Direct Loan for eligibility.

All borrowers must apply for consolidation by May 1, 2023, to get the full benefits of the one-time account adjustment. The Department will provide more information about how this process will work for joint (spousal) consolidation loans as it implements the *Joint Consolidation Loan Separation Act.*

<u>Impact on Borrowers who work in Public Service</u>

Because the one-time account adjustment will not be fully implemented until July 2023, a borrower who misses the Limited PSLF Waiver deadline of October 31, 2022, will have one more chance to have their payment count corrected.

Here is how the Limited PSLF Waiver and the one-time account adjustment will work together for borrowers who work in public service:

- A borrower who submits a PSLF form by October 31, 2022, will have their time in repayment credited under the Limited PSLF Waiver. They will also have time in deferment and forbearance as described above credited to them for both IDR and PSLF under the one-time account adjustment in July 2023. As the Department continues to process PSLF forms, borrowers may see their payment counts adjust after October 31, 2022.
- A borrower who has never applied for PSLF and submits a PSLF form after October 31, 2022, will have their PSLF form assessed under normal PSLF rules. However, they may receive additional credit toward PSLF for any periods of certified employment when the one-time account adjustment occurs in July. At that point, borrowers who reach 120 qualifying payments, may need to provide additional certification that they remain employed by a qualifying employer.

Like the Limited PSLF Waiver, any changes made to your account based on the one-time adjustment will be permanent and will count toward your IDR or PSLF forgiveness at any time in the future.

While the one-time account adjustment is largely similar to the Limited PSLF Waiver, there are some key differences in both benefits and process. First, the one-time account adjustment provides credit for periods that were not added under the PSLF waiver. It credits certain periods in deferment and forbearance towards IDR and PSLF for months beyond those provided by the Limited PSLF Waiver. Finally, borrowers with Direct Loans do not have to apply for PSLF by July 1, 2023. The credit awarded as part of the one-time account adjustment can be later counted toward PSLF if the borrower certifies employment.

While the one-time account adjustment provides some benefits for borrowers that go beyond the Limited PSLF Waiver, there are several PSLF requirements that will no longer be waived after October 31. First, borrowers will no longer be allowed to count the same period of service toward both Teacher Loan Forgiveness (TLF) and PSLF. Second, a borrower will have to be employed by a qualifying employer when they apply for and receive PSLF forgiveness. Borrowers can indicate they are still employed on the PSLF form by checking the 'Still Employed' box on line 6.

Timing

The Department will begin forgiving loans for borrowers that have reached the required monthly payments to receive forgiveness under IDR – 20 years (240 months) or 25 years (300 months) – in November 2022. Borrowers who reach 120 payments for PSLF due to the inclusion of periods in deferment or forbearance will also receive forgiveness if the 120th month occurred before November 2022. Borrowers who receive additional credit for IDR or PSLF through the one-time account adjustment but who do not reach the required monthly payments under the programs will have their accounts adjusted in July 2023.

Lasting PSLF Improvements through Regulations

Today, the Department is also announcing final regulations that will make lasting improvements to PSLF starting July 1, 2023. Overall, these regulations will reduce regulatory barriers that have historically made it harder for borrowers to make progress toward PSLF forgiveness. In particular, the final regulations will:

Help borrowers earn progress toward PSLF

- Allow borrowers to receive credit toward PSLF on payments that are made late, in installments, or in a lump sum. Prior rules only counted a payment as eligible if it was made in full within 15 days of its due date.
- Count certain periods in deferment or forbearance toward PSLF to avoid instances where a borrower may have faced confusing choices about pausing payments or getting credit toward PSLF. These periods include:
  - Cancer treatment deferment
  - Military service deferment
  - Post-active-duty student deferment
  - Economic hardship deferment, which includes service in the Peace Corps
  - AmeriCorps and National Guard service forbearances
  - U.S. Department of Defense Student Loan Repayment Program forbearance
  - Administrative or mandatory administrative forbearances
- Borrowers will receive a weighted average of existing qualifying payments toward PSLF when they consolidate their Direct Loans. Under current rules, borrowers lose all progress toward forgiveness when they consolidate. Under the new regulations, for example, a borrower with 60 qualifying payments on Direct Loan with a balance of $30,000 who consolidates their loan with another Direct Loan with a balance of $30,000 with 0 qualifying payments will have a new payment count of 30 payments.

Simplify criteria to help borrowers certify employment

- Adopt a single standard of full-time employment at 30 hours a week. Prior rules required borrowers to either work 30 hours per week at multiple jobs or whatever their employer defined as full-time. This created confusing and varying standards. A single 30-hour-a-week requirement will make it easier for borrowers and employers to establish what it means to be full-time.

- Require employers, for purposes of PSLF, to give adjunct and contingent faculty credit of at least 3.35 hours of work for every credit hour taught. Historically, employers have struggled to determine the work hours of adjunct instructors. This minimum conversion factor will help employers figure out the number of hours to certify.
- Allow a qualifying employer to certify employment for a contractor if that individual is providing services that by State law cannot be filled or provided by an employee of that organization. The Department is aware of specific circumstances where existing state laws generally prevent doctors at nonprofit hospitals in California and Texas from working for the hospital directly. This change would cover those individuals as well as any other contractor whose employment is similarly barred by state law.

Provide opportunities to correct problems

- Borrowers will be able to access a hold harmless option to have other periods of deferment and forbearance potentially counted toward PSLF if they make payments equivalent to what they would have owed at the time. This includes getting credit for periods during which the borrower would have had a $0 payment.
- We formalized the reconsideration process for borrowers to have their applications reviewed again if there are errors made in review.

In the Notice of Proposed Rulemaking, the Department asked questions about the possibility of allowing early childhood education providers who operate as private for-profit businesses to be considered an eligible employer for the purposes of PSLF. In response, the Department received many detailed comments about early childhood education as well as a range of other for-profit employers. To ensure those comments receive necessary attention, the Department will publish a separate final rule addressing comments related to the definition of an eligible employer and its applicability to for-profit employers.

The End of the Limited PSLF Waiver

The Limited PSLF Waiver will end after October 31, 2022. Although many of the benefits of the limited waiver will be available after October 31 under the steps announced today, we encourage borrowers to apply as quickly as possible, particularly if they have benefitted from Teacher Loan Forgiveness or are no longer working at a qualifying employer. Borrowers who have not yet taken advantage must take two steps:

- *Step one*: Borrowers should check what loan(s) they have. Federal student loan borrowers who do not have a Direct Loan and want to apply for PSLF should submit an application for consolidation by October 31, 2022. Borrowers with both Direct Loans and other federal loans should carefully consider the benefits and drawbacks of consolidation. Learn more about consolidation here. Borrowers seeking the Limited PSLF Waiver benefits should not wait to have their consolidation application approved to move on to the next step.
- *Step two*: Borrowers must take one of the following steps by October 31, 2022 to apply for PSLF in time to receive the benefits of the time-limited changes under the Limited PSLF Waiver.

Borrowers need only complete one of the steps below for one employer. Additional employment can be certified later.

- Complete an application (known as a "PSLF form") using the PSLF Help Tool by October 31, 2022. Borrowers must generate the form with the requested information and download the completed form (which will be time-stamped) from the PSLF Help Tool for the application to be considered complete. Once the PSLF form is complete, borrowers must sign it, have their employer sign it, and submit it as soon as they can even if it is after the October 31 deadline. PSLF forms completed online by October 31, but not signed by the employer and submitted until after October 31, will still receive the benefits under the Limited PSLF Waiver, if the PSLF form is later approved by the Department.
    - In some cases, the PSLF Help Tool will not recognize the employer and require borrowers to submit their employer's information to the Department for review. If borrowers have a pending review of their employer's eligibility by October 31, borrowers will not be able to download the form until the review is done, but ED will maintain a record that the borrower tried to complete the PSLF form prior to the deadline. Borrowers will still receive the benefits under the Limited PSLF Waiver if the employer is later determined to be eligible. Borrowers will just need to submit their PSLF form upon approval of the employer even if that is after October 31.
- Borrowers who complete a PSLF form without using the PSLF Help Tool and submit it after October 31, 2022, will still receive the benefits of the Limited PSLF Waiver if the employer's signature date is no later than October 31, 2022.
- There are a small number of borrowers with Joint Consolidation Loans who cannot access the PSLF Help Tool. A specific process has been set up for borrowers with these loan types to be reviewed as a result of a new law to assist borrowers in separating these loans. These borrowers must submit a request to have their application reconsidered (also known as a reconsideration request) and attach a PSLF form signed by the borrower. More details are available under "Step 2" on the Limited PSLF Waiver page.

Borrowers who take the necessary steps by October 31, 2022, will see Limited PSLF Waiver benefits update in their accounts as forms are processed after the deadline. Given the volume of applications received, processing time is taking longer than normal but we will get to your PSLF form in the coming months. The monthly payments credited due to the Limited PSLF Waiver do not expire or disappear simply because the temporary changes end.

In addition, the improved PSLF regulations and upcoming one-time account adjustment will deliver many significant benefits to PSLF applicants by helping address past servicing problems, clarifying the PSLF rules that previously excluded certain borrowers from forgiveness, and helping build the PSLF program that our borrowers who work in public service deserve.

###

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Income-Driven Repayment and Public Service Loan Forgiveness Program Account Adjustment

On April 19, 2022, the U.S. Department of Education (ED) announced several changes and updates that will bring borrowers closer to forgiveness under income-driven repayment (IDR) plans. These adjustments to borrower accounts include conducting a one-time revision of IDR payment counters to address past inaccuracies (including automatically discharging loans for eligible borrowers) and permanently fixing IDR payment counting by reforming ED's IDR tracking procedures going forward.

ED will begin work on implementing these changes immediately, but borrowers will not see the effect in their accounts until fall of 2022.

One-Time Payment Count Revision for Eligible IDR Borrowers

- As part of this initiative, ED will conduct a one-time revision of IDR-qualifying payments for all William D. Ford Federal Direct Loan (Direct Loan) Program and federally managed Federal Family Education Loan (FFEL) Program loans.
- ED will conduct a one-time account adjustment to borrower accounts that will count time toward IDR forgiveness, including
  - any months in which you had time in a repayment status, regardless of the payments made, loan type, or repayment plan;
  - 12 or more months of consecutive forbearance or 36 or more months of cumulative forbearance toward IDR and PSLF forgiveness;
  - months spent in deferment (with the exception of in-school deferment) prior to 2013; and
  - any time in repayment prior to consolidation on consolidated loans.
- Any borrower with loans that have accumulated time in repayment of at least 20 or 25 years will see automatic forgiveness, even if you are not currently on an IDR plan.
- If you have commercially held FFEL loans, you can only benefit from the IDR account adjustment if you consolidate before we complete implementation of these changes, which is estimated to be no sooner than Jan. 1, 2023.
- If you have made qualifying payments that exceed forgiveness thresholds (20 or 25 years), you will receive a refund for your overpayment.

Permanent Fixes to IDR Payment Counting

- In addition to issuing new guidance to student loan servicers to ensure accurate and uniform payment counting practices, ED will track payment counts in our own modernized data systems.
- ED is undertaking an effort to display borrower IDR payment counts on StudentAid.gov so that you can view your progress yourself.
- Additionally, ED is working on regulations to revise the terms of the IDR program to further simplify payment counting, which includes proposals to allow more loan statuses to count toward IDR forgiveness, including certain types of deferments and forbearances.

Effects on Public Service Loan Forgiveness (PSLF) Applicants

- If you have applied or will apply for PSLF, these changes may have an impact on you by increasing your qualifying payment count.
- If you have 12 or more months of consecutive forbearance or 36 or more month ... ve PSLF credit for those periods of time if you certify qualifying employment.
- These changes will be applied automatically. If you believe you might benefit, yo ... tion history to reflect all periods of public service employment.

Estimate of Impact

- ED estimates that this action will result in automatic debt cancellation for at leas ... thousand borrowers under IDR.
- More than 3.6 million borrowers will receive at least three years of additional cr
- Beyond the changes that will provide relief retroactively to borrowers, ED will ta ... e to receive these benefits in the future.
- Also note that any debt discharged through IDR will not create a tax liability for you. The *American Rescue Plan Act* included a provision temporarily modifying the tax treatment of discharged student loan debt. Specifically, the law excludes from gross income qualifying student loans that are discharged between December 31, 2020, and January 1, 2026. During this peri... amounts of forgiven student loan debt will not be subject to taxation.

If you've made a complaint to your servicer and it has not been resolved to your satisfaction, you can submit a complaint to us.

To read more about these announcements, read ED's full press release.

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Hi there! I'm Aidan®, the financial aid virtual assistant. How can I help you today?

Info about loan debt relief

I want my loan and grant info

Help with the FAFSA® form

I have a different question...

Department of Education Announces Actions to Fix Longstanding Failures in the Student Loan Programs

Additional steps help at least 3.6 million borrowers move closer to debt forgiveness, 40,000 borrowers to receive immediate forgiveness

APRIL 19, 2022

Contact: Press Office, (202) 401-1576, press@ed.gov (mailto: press@ed.gov)

Today, the Department of Education announced steps that will bring borrowers closer to public service loan and income-driven repayment (IDR) forgiveness by addressing historical failures in the administration of the federal student loan programs. Federal Student Aid (FSA) estimates that these changes will result in immediate debt cancellation for at least 40,000 borrowers under the Public Service Loan Forgiveness (PSLF) Program. Several thousand borrowers with older loans will also receive forgiveness through IDR. More than 3.6 million borrowers will also receive at least three years of additional credit toward IDR forgiveness.

More Resources

en español (https://www2.ed.gov/espanol/news/pressreleases/2022/041922.html)

"Student loans were never meant to be a life sentence, but it's certainly felt that way for borrowers locked out of debt relief they're eligible for," said U.S. Secretary of Education Miguel Cardona. "Today, the Department of Education will begin to remedy years of administrative failures that effectively denied the promise of loan forgiveness to certain borrowers enrolled in IDR plans. These actions once again demonstrate the Biden-Harris administration's commitment to delivering meaningful debt relief and ensuring federal student loan programs are administered fairly and effectively."

These actions are part of the Department's commitment to address historical failures in the administration of the federal student loan program and support student loan borrowers through the pandemic. They also help address the impact of the COVID-19 pandemic on borrowers with lower incomes and high debt loads. Today's steps will help restore the promise of IDR plans by ensuring that borrowers have an affordable and effective path out of debt.

Beyond the immediate corrective actions announced today that will provide relief to borrowers harmed in the past, FSA will take action to ensure that borrowers receive these benefits in the future. Below are the actions being taken today.

Ending "Forbearance Steering"

Department regulations require that borrowers who are facing difficulty making their loan payments get clear and accurate information from servicers about their options for staying out of delinquency, including IDR plans, and the financial consequences of choosing short-term options like forbearance. However, FSA reviews suggest that loan servicers placed borrowers into forbearance in violation of Department rules, even when their monthly payment under an IDR plan could have been as low as zero dollars. These findings are consistent with concerns raised by the Consumer Financial Protection Bureau and state attorneys general. A borrower advised to choose an IDR plan instead of forbearance can get a reduced payment, stay in good standing, and make progress toward loan forgiveness. A borrower advised to choose forbearance – particularly long-term consecutive or serial uses of forbearance – can see their loan balance and monthly payments grow due to interest capitalization and lead to delinquency or default.

The Department will address forbearance steering by:

- **Conducting a One-Time Account Adjustment to Count Certain Long-Term Forbearances toward IDR and PSLF Forgiveness**

Borrowers steered or inappropriately placed into long-term forbearances miss out on critical progress toward IDR and PSLF forgiveness; this can set them back years. The Department's regulations and servicer contracts have safeguards, including a 12-month limit for any single use of forbearance, and a 36-month cumulative limit on discretionary forbearance. A review of past forbearance use shows that long-term use of forbearance was remarkably widespread. More than 13% of all Direct Loan borrowers between July 2009 and March 2020 have used forbearance for at least 36 months cumulatively. These changes will be applied automatically to borrowers' accounts later this year. To mitigate the harms of inappropriate steering into long-term forbearance, FSA will conduct a one-time account adjustment that will count forbearances of more than 12 months consecutive and more than 36 months cumulative toward forgiveness under IDR and PSLF. Borrowers who were steered into shorter-term forbearances will be able to seek account review by filing a complaint with the FSA Ombudsman at StudentAid.gov/feedback (https://studentaid.gov/feedback-center?utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=).

- **Increasing Oversight of Servicers' Forbearance Use**

FSA will target forbearance steering by restricting servicers' ability to enroll borrowers in forbearance by text or email, conducting an external review of patterns of forbearance use and servicers' practices to identify other potential changes to address steering, and working in partnership with the Consumer Financial Protection Bureau to do regular audits of forbearance use. This will build upon other FSA efforts to improve oversight of loan servicing activities, including stronger accountability provisions in servicing contracts (https://www.ed.gov/news/press-releases/us-department-education-increases-servicer-performance-transparency-and-accountability-loan-payments-restart?utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=), renewing partnerships (https://blog.ed.gov/2021/05/stronger-partnerships-with-state-allies-to-protect-student-borrowers/?utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=) with federal and state regulators and clarifying its position on federal preemption (https://www.federalregister.gov/documents/2021/08/12/2021-17021/federal-preemption-and-joint-federal-state-regulation-and-oversight-of-the-department-of-educations?utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=) of state oversight of loan servicing.

FSA will begin implementing these changes immediately, but borrowers may not see the effect in their accounts until the last quarter of 2022.

Tracking Progress Toward IDR Forgiveness

IDR plans offer substantially lower monthly payments for most borrowers. Borrowers on most plans are entitled to forgiveness after 20 years of payments and depend on FSA and its servicers to accurately track their progress toward relief. However, the Department's review of IDR payment-tracking procedures has revealed significant flaws that suggest borrowers are missing out on progress toward IDR forgiveness.

The Department is committed to fixing this problem swiftly and permanently. Secretary Cardona has directed FSA to:

- **Conduct a One-Time Revision of IDR Payments to Address Past Inaccuracies**

To fully address past issues with IDR payment counting, FSA will do a one-time revision of IDR-qualifying payments for all Direct Student Loans and federally-managed Federal Family Education Loan Program (FFEL) loans. Any months in which borrowers made payments will count toward IDR, regardless of repayment plan. Payments made prior to consolidation on consolidated loans will also count. This fix is necessary to correct for data problems and past implementation inaccuracies. Any borrower who has made the required number of payments for IDR forgiveness based on this payment-count revision will receive loan cancellation automatically. Additionally, FSA will count months spent in deferment prior to 2013 toward IDR forgiveness (with the exception of in-school deferment) for this same population of borrowers to address concerns that, prior to that date, its data cannot distinguish IDR-eligible deferments from other deferments.

- **Permanently Fix IDR Payment Counting by Reforming FSA's IDR Tracking**

Borrowers should be able to rely on FSA and its loan servicers to keep accurate records of their progress toward forgiveness through IDR plans. FSA will issue new guidance to student loan servicers to ensure accurate and uniform payment counting practices, and it will track payment counts in its own modernized data systems. In 2023, FSA will begin displaying IDR payment counts on StudentAid.gov (https://studentaid.gov/?utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=) so borrowers can view their progress after logging into their accounts. In addition, the Department plans to revise the terms of IDR through rulemaking to further simplify payment counting by allowing more loan statuses to count toward IDR forgiveness, including certain types of deferments and forbearances.

FSA will begin implementing these changes immediately, but borrowers may not see the effect in their accounts until the last quarter of 2022.

Tackling Student Debt

From Day One, the Biden-Harris Administration has been committed to making student loan relief programs work for everyone, including by addressing failures that deny borrowers the benefits they earned. Efforts to revise IDR regulations will produce substantially more affordable monthly payments for millions of borrowers. Today's actions complement steps the Administration has already taken within its first year to cancel more than $17 billion in debt for 725,000 borrowers in addition to extending the student loan payment pause, saving 41 million borrowers billions of dollars in payments each month. The Department has now approved approximately:

- $6.8 billion for more than 113,000 public servants through improvements to PSLF;
- $7.8 billion for more than 400,000 borrowers who have a total and permanent disability;
- $1.2 billion for borrowers who attended ITT Technical Institutes before it closed; and
- Nearly $2 billion to 105,000 borrowers who were defrauded by their school.

To make college more affordable for current and future students, President Biden has called for and Congress has included in bipartisan legislation a $400 increase in the maximum Federal Pell Grant—the largest increase in the maximum award in over a decade.

To protect students and taxpayers from predatory or low-value colleges, the Department has also restored the FSA Office of Enforcement and started efforts to strengthen key rules including borrower defense to repayment and gainful employment.

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- Student loans, forgiveness (https://www2.ed.gov/fund/grants-college.html?src=rn)
- Higher Education Rulemaking (https://www2.ed.gov/policy/highered/reg/hearulemaking/2021/index.html?src=rn)
- College accreditation (https://www.ed.gov/accreditation?src=rn)
- Every Student Succeeds Act (ESSA) (https://www.ed.gov/essa?src=rn)
- FERPA (https://studentprivacy.ed.gov?src=rn)
- FAFSA (https://fafsa.gov/?src=edgov-rn)
- 1098, tax forms (https://www.ed.gov/1098-e?src=rn)
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Faculty

Hon. Robert D. Berger was appointed as a U.S. Bankruptcy Judge for the District of Kansas in Kansas City on Oct. 16, 2003, and was reappointed on Oct. 16, 2017. Prior to his appointment, Judge Berger practiced law as a bankruptcy and insolvency specialist representing debtors and creditors, and was among the first group of attorneys in Kansas and Missouri to be certified by the American Board of Certification in both consumer and business bankruptcy law. Judge Berger is a member of ABI and the National Conference of Bankruptcy Judges, and a founding member of the Kansas Chapter of the Federal Bar Association. He also is a chapter author for *Collier on Bankruptcy*, *Collier Bankruptcy Practice Guide*, *Kansas Bankruptcy Handbook* and *Practitioner's Guide to Kansas Family Law*. Judge Berger is a frequent lecturer and he has authored articles for various publications, including *The Washburn Law Journal*, *ABI Journal* and the *Journal of the Kansas Bar Association*. He received his B.A. in history and political science from the University of Kansas in 1983 and his J.D. from Washburn University School of Law in 1986.

Joshua R.I. Cohen is a practitioner at Cohen Consumer Law, PLC in St. Albans, Vt., and is known as the Student Loan Lawyer™. He has been practicing law since 2008, defending and assisting consumers with student loan issues. He has been interviewed on Fox and Bloomberg and quoted in multiple news articles. Mr. Cohen created the Student Loan Law Workshop in 2011, an intensive seminar and comprehensive roadmap that gives other attorneys the ammunition they need to fight back and win for their clients. The workshops were designed for lawyers to learn about student loans, potential solutions, how to defend are from a variety of problems and more. More than 500 lawyers have attended the workshop. Mr. Cohen is admitted to practice in Connecticut, Vermont, and the Eastern and Western Districts of New York. He is a member of the National Association of Consumer Advocates, the National Association of Consumer Bankruptcy Attorneys, and the American, Connecticut and Vermont Bar Associations. Mr. Cohen received his B.A. in psychology from Brandeis University in 1996, his M.B.A. from the University of Phoenix in 2002 and his J.D. from Quinnipiac University School of Law in 2007.

Scott F. Waterman is a Chapter 13 Standing Trustee for the Eastern District of Pennsylvania in Reading. He is a former chair of the Eastern District of Pennsylvania Bankruptcy Conference and is a Fellow of the American College of Bankruptcy. Mr. Waterman is a member of the National Association of Chapter 13 Trustees and the Berks County Pennsylvania Bar Association. He also volunteers his time as a current board member of the Consumer Bankruptcy Assistance Project, which provides free legal assistance to indigent bankruptcy clients. In 2014, Mr. Waterman was appointed to be a member of the Local Rules Advisory Committee of the U.S. Bankruptcy Court for the Eastern District of Pennsylvania in helping to draft new and updated local bankruptcy rules. That same year, he served on the Bankruptcy Judge Merit Selection Committee for the Eastern District of Pennsylvania, to which he was appointed by the U.S. Court of Appeals for the Third Circuit. This past year, he was appointed to be a member of the Magistrate Judge Merit Selection Committee for the Eastern District of Pennsylvania. Mr. Waterman received his undergraduate degree from Tufts University in 1991 with a dual major in history and political science, and his J.D. from Temple University School of Law in 1994.