

Biden's student loan plan: What we know (and what we don't)

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New graduates line up before the start of a community college commencement in East Rutherford, N.J., on May 17, 2018. President Joe Biden is expected to announce Wednesday Aug. 24, 2022 that many Americans can have up to \$10,000 in federal student loan debt forgiven. Credit: AP Photo/Seth Wenig, File

President Joe Biden said Wednesday that many Americans can have up to \$10,000 in federal student loan debt forgiven. That amount increases to \$20,000 if they went to college on Pell grants. Here's what we know so far and what it means for people with outstanding student loans:

WILL BIDEN FORGIVE STUDENT LOANS?

Biden said his administration plans to forgive up to \$10,000 in federal student loan debt for anyone who makes less than \$125,000 a year. People who went to college on Pell grants, which are reserved for undergraduates with the most significant financial need, can have up to \$20,000 forgiven.

WILL THE STUDENT LOAN PAYMENT FREEZE BE EXTENDED?

Biden's tweet said the payment freeze will be extended one last time, until Dec. 31. The freeze started in 2020 as a way to help people struggling financially during the COVID-19 pandemic and it's been extended several times since. It was set to expire on Aug. 31.

Interest rates will remain at 0% until repayments start. Under an earlier extension announced in April, people who were behind on payments before the pandemic will automatically be put in good standing.

WHO WILL QUALIFY FOR STUDENT LOAN FORGIVENESS?

Only people making less than \$125,000 a year are expected to qualify. People who borrowed through most federal student loan programs are likely to be eligible, while those who have private loans issued by banks or schools probably won't be.

HOW DO I APPLY FOR STUDENT LOAN FORGIVENESS?

Details of that have not yet been announced, but keep an eye on the [federal student aid website](#) for more details in coming days.

HOW MANY PEOPLE WILL THIS HELP?

About 43 million Americans have federal student debt, and a third of those owe less than \$10,000. Half owe less than \$20,000. The total amount of federal student debt is more than \$1.6 trillion. Nearly one third of all American students take out loans to pay for college, with an average balance of \$37,667, according to federal data.

WHAT IF I'VE ALREADY PAID OFF MY STUDENT LOANS—WILL I SEE RELIEF?

The debt forgiveness is expected to apply only to those currently holding student debt. But if you've voluntarily made payments since March 2020, when payments were paused, you can request a refund for those payments, according to the Federal Office of Student Aid. [Contact your loan servicer](#) to request a refund.

WILL STUDENT LOAN FORGIVENESS DEFINITELY HAPPEN?

Critics believe the White House will face lawsuits over the plan, because Congress has never given the president the explicit authority to cancel debt. We don't know yet how that might impact the timetable for student loan forgiveness.

WHAT IF I CAN'T AFFORD TO PAY EVEN WITH LOAN FORGIVENESS?

Once payments resume, borrowers who can't pay [risk delinquency and eventually default](#).

Once a loan hasn't been paid for 90 days or more, it's labeled delinquent and will be reported to national credit reporting agencies, which could hurt your credit rating.

After 270 days, the loan will be considered in default. Consequences vary depending on the type of loan, but can include losing eligibility for additional federal student aid.

If you're struggling to pay, check if you qualify for an income-driven repayment plan. You can [find out more here](#).

The plan Biden announced Wednesday also includes a provision that allows people with undergraduate loans to cap repayment at 5% of their monthly income.

If you have worked for a government agency or a non-profit organization, you could also be eligible for the Public Service Loan Forgiveness Program, which you can read more about [here](#).

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