

The Virgin Islands Consortium

Biden Administration Approves \$39 Billion Student Loan Forgiveness Benefiting 804,000 Borrowers

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The Department of Education announced Friday that it has begun notifying more than 804,000 borrowers about an impending automatic discharge of a total of \$39 billion in federal student loans in the upcoming weeks. DoE said the announcement brings the Biden administration's total approved student loan forgiveness to more than \$116.6 billion, providing relief for over 3.4 million borrowers.

The impending debt discharge is a result of revisions made by the administration to accurately account for the number of monthly payments that qualify towards forgiveness under income-driven repayment (IDR) plans. The objective of these adjustments is to rectify historical shortcomings in the federal student loan program administration, which

resulted in some borrowers' qualifying payments being unaccounted for, DoE says.

U.S. Secretary of Education, Miguel Cardona, emphasized, "For far too long, borrowers fell through the cracks of a broken system that failed to keep accurate track of their progress towards forgiveness." Cardona added that the announced \$39 billion debt relief is another historic step by the administration in rectifying these wrongs, and that they will continue to fight for equality in higher education.

Today's announcement is part of the administration's implementation of the payment count adjustment unveiled in April 2022. The move addressed historical inaccuracies in the count of payments qualifying towards forgiveness under IDR plans. The adjustments also aim to rectify concerns about loan servicers' practices that unfairly put borrowers into forbearance.

Under Secretary James Kvaal expressed dissatisfaction at the system's past failings, stating, "At the start of this Administration, millions of borrowers had earned loan forgiveness but never received it. That's unacceptable." Kvaal added that today's action is aimed at upholding the bargain the government offered to borrowers who completed decades of repayment.

Notices will be sent to those with Direct Loans or Federal Family Education Loans held by the DoE, including Parent PLUS loans of either type, who have reached the necessary forgiveness threshold as a result of receiving credit toward IDR forgiveness. Discharges will commence 30 days after the notifications are sent out. Borrowers wishing to opt out of the discharge are advised to contact their loan servicer during this period.

The latest move aligns with the administration's unrivaled record of student debt relief, which includes \$45 billion for 653,800 public servants through improvements to the Public Service Loan Forgiveness program, \$10.5 billion for 491,000 borrowers with a total and permanent disability, and \$22 billion for nearly 1.3 million borrowers who were defrauded by their schools or experienced school closures. Further support is on the horizon with the rollout of the Saving on a Valuable Education (SAVE) plan, the most affordable payment plan to date, with benefits becoming available this summer.