



Insight

Student Loan Forgiveness Under the Biden Administration, to Date

TOM LEE | APRIL 26, 2022

Executive Summary

- President Biden campaigned on providing \$10,000 in blanket forgiveness for all federal student loan holders, but has since walked back this commitment due to uncertainty over whether his administration has the legal authority to do so.
- In the meantime, the administration has used more targeted mechanisms to provide as much loan forgiveness as possible without providing blanket loan forgiveness.
- With its most recent action to increase eligibility for receiving forgiveness under income-driven repayments (IDR) plans, the administration continues its generally regressive student loan policy, since most student debt under IDRs is also held by higher-income and wealthy borrowers.

Introduction

President Biden initially campaigned on providing \$10,000 in blanket forgiveness for all federal student loan holders. Since most of the outstanding student loan debt is held by higher-income graduates and families, blanket loan forgiveness in any amount would [disproportionately benefit wealthier borrowers](#). Nevertheless, the Biden Administration seemed poised to provide blanket loan forgiveness through executive action. After more than a year in office, however, the administration walked back its commitment due to uncertainty over whether it has the legal authority to enact this policy.

In the meantime, there are still calls for providing blanket student loan forgiveness, particularly from Democratic lawmakers and activists. To presumably appease those who expected a blanket loan forgiveness policy, the administration has used its executive authority to pursue more targeted mechanisms that are less controversial. Through these piecemeal actions, the administration is attempting to provide as much student loan forgiveness as possible, without pursuing blanket loan forgiveness. Below is a review of the various actions the administration has taken to date, the latest of which—while limited in impact—will, as would blanket loan forgiveness, disproportionately benefit the wealthy.

Forgiveness Under the Biden Administration So Far

In the third quarter of 2020, more than half of federal student loan borrowers entered forbearance under the provision in the Coronavirus Aid, Relief, and Economic Security Act that allowed these borrowers to pause principal and interest payments in response to the COVID-19 pandemic. Since entering office, President Biden has extended the pause in repayment numerous times, with the current pause slated to end on August 31, 2022. As of the fourth quarter of 2021, more than half of federal student loan holders are still not making payments, with just over [one percent making regular payments](#).

In the meantime, amid increasing calls to provide blanket forgiveness, the Biden Administration has used more

targeted mechanisms that are less controversial. The main one is “borrower defense,” which allows the Department of Education to discharge loans for students who were defrauded or misled by their higher education institution. This mechanism also allows for discharging loans for students who attended a school that violated state or federal law.[1]

The administration has so far cancelled about \$18 billion in student debt for about 725,000 borrowers in four tranches:[2]

1. \$6.8 billion for 113,000 borrowers through changes to the Public Student Loan Forgiveness program;
2. \$7.8 billion for 400,000 borrowers through Total and Permanent Disability Discharge;
3. \$1.2 billion for borrowers who attended ITT Tech before it closed;
4. \$2 billion for 105,000 borrowers who were defrauded by their school.

Overall, this forgiveness amounts to 1.1 percent of outstanding federal student loans (\$1.6 trillion total in the first quarter of 2022) for 1.4 percent of borrowers (52.1 million holders of student debt in the first quarter of 2022).[3]

The Newly Announced Changes to Income-Based Repayment

On April 19, the Biden Administration announced changes to federal student loan income driven repayment (IDR) plans. The three changes are:

1. If a federal student loan borrower was in forbearance for 12 consecutive months or 36 cumulative months or more, those months will be counted toward the 20 or 25-year mark for forgiveness under an income driven repayment plan.
2. If a borrower was in forbearance prior to 2013, but not in school during that time, those months prior to 2013 will be counted in forbearance toward the 20 or 25-year mark for receiving forgiveness under an income-driven repayment plan.
3. Any months during which a federal direct loan or federal family education loan borrower made payments, regardless of repayment plan type, those months will be counted toward the 20 or 25-year mark for receiving forgiveness under an income-driven repayment plan.

This expansion of IDR forgiveness eligibility represents another attempt by the administration to use its executive authority to provide as much loan forgiveness as it can without plainly exceeding that authority. Taken at face-value, the changes, especially the third, could increase the likelihood of receiving debt forgiveness under an income-driven repayment plan for many federal student loan holders. Although this impact will likely be limited, the debt forgiveness that results from these changes will most likely benefit higher-income and wealthier borrowers more.[4] Recent Department of Education data show that more than half of loan balances under IDRs are held by 20 percent of borrowers, and of those borrowers, almost all have graduate school loans.[5] Student loan forgiveness provided under IDRs would be as [regressive as blanket loan forgiveness](#), since most debt relief would be realized by wealthier and high-income borrowers.

Going Forward

The current pause in repayment for federal student loans is slated to end on August 31, 2022. The Biden Administration will most likely extend the pause again through the end of the year. It is also likely that the

administration will continue to use its executive authority to provide additional targeted loan forgiveness while holding out on providing blanket loan forgiveness. But like blanket loan forgiveness, these piecemeal actions will likely disproportionately benefit the wealthier and higher-income borrowers.

[1] A violation of federal or state law in the eyes of borrower defense usually entails a university making false and misleading claims about job placement rates for its alumni. An example of this is DeVry University, which the Department of Education claims falsely stated its alumni job placement rate was 90 percent, when it was 58 percent. <https://www.ed.gov/news/press-releases/education-department-approves-415-million-borrower-defense-claims-including-former-devry-university-students>

[2] <https://www.ed.gov/news/press-releases/department-education-announces-actions-fix-longstanding-failures-student-loan-programs>

[3] <https://studentaid.gov/data-center/student/portfolio>

[4] A standard repayment plan usually lasts for 10 years. To receive debt forgiveness under an IDR, a borrower must make at least 20 years of payments. A borrower in a standard repayment plan that has successfully made eight years' worth of payments, will see those eight years now count towards the 20 years required to receive forgiveness under an IDR. But that borrower would instead most likely continue in the standard repayment plan for another two years compared to the IDR which would require another 12 years just to receive forgiveness. Similarly, consider a borrower currently in a standard repayment plan that has made two years' worth of payments and has eight years left. Those two years will now count towards the 20 years if that borrower elects to switch to an IDR. It is unlikely that this alone would incentive a borrower to switch to an IDR because they will still consider the huge difference in repayment timelines, eight years versus 18 years.

[5] <https://www.aei.org/wp-content/uploads/2021/03/Fixing-Income-Driven-Repayment-for-Federal-Student-Loans.pdf?x91208>