

A Nonprofit Perspective on Student Loan Relief

On Aug. 24, 2022, President Biden announced [student debt relief and changes to federal student loan programs](#). The plan could impact more than 45 million borrowers. **Nonprofit employees are encouraged to act under the Public Service Loan Forgiveness Temporary Waiver by Oct. 31!**

Public Service Loan Forgiveness: Borrowers with federal loans who work in public service, including at charitable nonprofits, may request a special waiver of many of the PSLF program's complex eligibility requirements. The Administration proposes to make permanent some of the provisions available under the PSLF Temporary Waiver and will allow more payments to qualify for PSLF including partial, lump sum, and late payments as well as certain periods of deferment and forbearance. **Borrowers must still apply for the benefits under the Temporary Waiver by Oct. 31, 2022. Everyone is urged to re-check their eligibility before October 31** by using the [PSLF Help Tool](#). This [personal story shows](#) that the PSLF Temporary Waiver works.

Payment Pause Extension: Borrowers will continue to be automatically placed into forbearance with 0% interest rates through Dec. 31, 2022. This period will count as payments towards the minimum requirements for PSLF so long as the borrower continues to be employed full time at a qualifying employer, including at 501(c)(3) charitable nonprofits. This extension continues the payment pause that began in 2020. The announcement warns this will be the last extension: "Borrowers should expect to resume payment in January 2023."

Debt Cancellation: The Department of Education will cancel up to \$10,000 in federal student loan debt for individuals with incomes of less than \$125,000 and \$250,000 for married couples. Pell Grant recipients may receive up to \$20,000 in debt cancellation. The debt relief will not be treated as taxable income for federal income tax purposes. The Administration aims to create a simple application process for borrowers to claim relief by the end of the year.

Advancing Racial Equity: Nearly all Pell Grant recipients come from families with income of \$60,000 or less and represent 60% of the borrower population. Black borrowers are twice as likely to have received a Pell Grant compared to white borrowers; other borrowers of color are also more likely to be recipients than white borrowers. An estimated 27 million borrowers are expected to receive up to \$20,000 in cancellation under the Pell Grant additional cancellation provision.

Updated Income Driven Repayment Plan Amounts: The Administration announced forthcoming proposed regulations to decrease the monthly payment caps from 10% to 5% of discretionary income for undergraduate loan payments under the Income Driven Repayment Plan. Other updates will raise the amount of income considered non-discretionary, forgive loan balances after 10 years of payments instead of 20 on loan balances originally \$12,000 or less, and eliminate unpaid monthly interest.