



## Student Loan Update

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If you have children or grandchildren who qualify for student loan forgiveness, there's good news and bad news. The bad news is that the forgiveness effort has been temporarily blocked by the U.S. Court of Appeals for the 8th Circuit, following a lawsuit by six state attorney generals. The good news is that the district judge, who issued the ruling that has been appealed, seems to be perplexed by the lawsuit, and originally ruled that the states have not, so far, articulated the type of harm that they would suffer if some of their residents were forgiven \$10,000 or \$20,000 of their student debt. If the states of Nebraska, Missouri, Arkansas, Iowa, Kansas, and South Carolina can't explain the harm they're suffering in follow up briefs, then it seems likely that loans will be forgiven after all.

The Biden Administration seems confident and is encouraging students and former students to proceed with forgiveness applications. In all, some 8 million Americans are likely to qualify; the program stipulates those individuals with taxable income under \$125,000, or couples with income under \$250,000, will be able to apply for forgiveness if they hold direct federal loans, federal family education loans or loans from the Federal Perkins Loan Program. Unsubsidized Stafford, Parent PLUS and Graduate Plus loans held by the U.S. Department of Education also qualify for \$10,000 of loan forgiveness. Students who received a Federal Pell Grant in college and meet the income requirements are eligible for \$20,000 in debt relief.

The rules are somewhat complicated for students who are currently enrolled. If parents claim the current student as a dependent on their taxes, then the income threshold applies to the parents, not the student. Meanwhile, students and former students who took out private loans to pay for college will not be eligible for forgiveness under the current program.

The application process is fairly simple—which means it is very different from normal government red tape. The borrower can go to a government website (<https://studentaid.gov/debt-relief/application>) and fill out name, date of birth, phone number, email address and Social Security number. The form then asks the borrower to attest that he or she reported less than the qualifying income threshold on their tax forms, and the government uses the Social Security number to check line 11 of the tax form to ensure that the attestation is true.

The government also has the data on Department of Education loans, but the checking process is not instantaneous; it can take up to six weeks for the forgiveness to reflect on loan balances. Assuming, of course, that the states challenging the program are unable to prove that they're harmed when their citizens are carrying a lower government debt burden

**Sources:**

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<https://www.foxbusiness.com/personal-finance/biden-student-loan-forgiveness-blocked-appeals-court>

<https://money.com/biden-student-loan-forgiveness-how-to-apply/>

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