

How the Federal Student Loan Cancellation Plan Impacts Californians



On August 24, 2022, President Biden announced that his administration would cancel \$10,000 - \$20,000 of federal student debt for middle- and lower-income borrowers. The application is available at StudentAid.Gov/Debt-Relief/Application. This document is intended to help Californians with student loans and other stakeholders navigate the process of determining their eligibility and understanding the program.



There are **3.55 MILLION** total borrowers in California who are likely eligible for student debt relief, more than any other state.¹



Among likely eligible borrowers in California, **2.34 MILLION** borrowers have received a Pell Grant.²



Californians owe a total of **\$145.1 BILLION** in federal student loans.³

California student loan borrowers, on average, owe...

● \$37,400⁴

About 46 percent of the class of 2020 bachelor's degree recipients from four-year institutions in CA graduated with debt. On average, they owe...

● \$21,100⁵

How will the student debt relief impact eligible California borrowers, on average?

Over 830,000 California students received a Pell Grant in the 2020-21 award year.⁶ Eighty percent of Pell Grant recipients come from families with annual incomes at or below \$40,000, including 40 percent with annual family incomes at or below \$15,000.⁷ **Borrowers who ever received a Pell Grant and who meet the income requirements will have their student debt balance reduced by up to \$20K.**

Over half (52%) of California borrowers are under the age of 35, and they account for about 39 percent of the state's total outstanding student loan debt.⁸

About 1.28 million California borrowers owe \$10K or less.⁹ **Those who meet the income requirements for student debt cancellation will have their full balance cancelled.**

An eligible California borrower who owes the average amount of \$37,400 and received the Pell Grant may have their balance reduced to under \$20k.¹⁰ Other eligible California borrowers who also owe the average amount may have their balances reduced to less than \$30k.

The official application for debt relief is available here: StudentAid.Gov/Debt-Relief/Application

What does the federal student loan forgiveness program do?

- For borrowers who never received a Pell Grant, cancels up to \$10,000 for those with an individual income of \$125,000 or less or a household income of \$250,000 or less.
- For borrowers who ever received a Pell Grant, cancels up to \$20,000 for those with an individual income of \$125,000 or less or a household income of \$250,000 or less.
- A borrower's income level will be determined based on their tax filing status.
- These awards pay up to the maximum award amount based on income eligibility or the student's remaining balance, whichever is less.
- For example, if a borrower qualifies for up to \$20,000 in forgiveness but holds only \$16,000 in eligible loans, the \$16,000 will be forgiven but the borrower will not receive additional compensation.

Who is eligible to receive student loan forgiveness and who is *not* eligible?

- All federal loans owned by the U.S. Department of Education that were taken out before July 1, 2022 are eligible for this relief. This includes Parent PLUS Loans and Graduate PLUS Loans. It also includes loans held by current students.
- Dependent students' eligibility will be based on the income of their parent(s).
- Students whose loans were in default are eligible for the program as long as they meet all other requirements.
- As of September 29, 2022, borrowers with federal student loans not held by the Education Department cannot obtain one-time debt relief by consolidating those loans into Direct Loans. Borrowers with FFEL Program loans and Perkins Loans not held by ED who have applied to consolidate into the Direct Loan program prior to September 29, 2022, are eligible for one-time debt relief through the Direct Loan program. ED is assessing whether there are alternative pathways to provide relief to borrowers with federal student loans not held by ED, including FFEL Program loans and Perkins Loans, and is discussing this with private lenders.
- Private loans, including those refinanced from federal to private loans, are not eligible for participation.

How is this affecting the payment pause and my future student loan payments?

- The payment pause has been extended through December 31, 2022.
- Payments on student loans are to resume in January 2023.
- If you're not sure which repayment plan you should be enrolled in, use the Federal Student Aid Loan Simulator to explore your options. If you're concerned about being able to afford your payments, you can enroll in an income-driven repayment (IDR) plan, which can be more affordable since it bases your monthly payment amount on a percentage of your income.
 - If you would like to enroll in an IDR plan for the first time, visit StudentAid.gov/IDR, click on "Apply Now," and then start the application.
- If you're already enrolled in an IDR plan, you don't have to worry about re-certifying your income before the pause ends, regardless of whether your recertification date would have happened prior to that date. As part of the repayment pause, your recertification date has been pushed out from your original recertification date. You will be notified of your new recertification date before it is time to recertify.
- If you're currently on an IDR plan and your income has changed significantly, you can update your information and get a new payment amount based on your current income.
 - To do so, visit StudentAid.gov/IDR, click on "Apply Now," and then start the application by clicking on the button next to "Recalculate My Monthly Payment."
 - After the repayment pause ends, your monthly payments will resume at this new amount.

How is this affecting the payment pause and my future student loan payments?

Check your student loan information by logging into your account at StudentAid.gov. In the account, you should check the following:

- Type of loan(s)
- Your loan servicer (e.g. Nelnet)
- Current status of your loan(s)
- Your contact information

It is important that borrowers have the most up-to-date contact information for servicers.



Find More Information

On the state of student loans and student loan repayment options: StudentAid.gov

On the Biden-Harris Administration's Student Debt Relief Plan: StudentAid.Gov/Debt-Relief-Announcement/One-Time-Cancellation

Sources

¹ The White House. "FACT SHEET: The Biden-Harris Administration's Plan for Student Debt Relief Could Benefit Tens of Millions of Borrowers in All Fifty States." September 20, 2022. <https://bit.ly/3EMLQNP>.

² Ibid.

³ Calculated by The Institute for College Access & Success (TICAS) using federal student loan portfolio data as of June 30, 2022, from U.S. Department of Education, Office of Student Financial Aid. <https://bit.ly/3SaYBor>.

⁴ Ibid; the figure is rounded to the nearest hundred.

⁵ TICAS. *Student Debt and the Class of 2020*. November 2021. <https://bit.ly/3MFBz7U>; the figure is rounded to the nearest hundred.

⁶ Calculated by TICAS using federal Title IV program volume data for the 2020-21 award year from the U.S. Department of Education, Office of Student Financial Aid. <https://bit.ly/3Tzdv8T>.

⁷ TICAS. *To Celebrate #PellTurns50, Let's #DoublePell!* June 2022. <https://bit.ly/3TcPkyv>.

⁸ Calculated by The Institute for College Access & Success (TICAS) using federal student loan portfolio data as of June 30, 2022, from U.S. Department of Education, Office of Student Financial Aid. <https://bit.ly/3SaYBor>.

⁹ Ibid.

¹⁰ Ibid.