



Biden unveils new student debt forgiveness plan as deadline for resuming payments kicks in

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President Biden has been using existing, targeted programs to cancel student debt after the Supreme Court struck down his original plan in June. Wednesday, he announced another \$9 billion in forgiveness for 125,000 borrowers and the Education Department is also making another attempt at mass relief. John Yang discussed the latest with Danielle Douglas-Gabriel.

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Geoff Bennett:

More than 28 million people must now begin paying their student loans back.

The resumption began this month, and it's expected to be challenging in many ways, as the Department of Education tries to answer borrowers' questions about how the monthly payments will look.

John Yang has more.

John Yang:

Geoff, President Biden has taken many paths to try to fulfill his campaign promises to cancel student debt. One avenue was shut off in June when the Supreme Court struck down his plan to cancel as much as \$20,000 in debt for some borrowers.

So, the president has been using existing targeted programs to cancel some debt. Today, he announced another \$9 billion in forgiveness for 125,000 borrowers.

Joe Biden, President of the United States: With the latest debt cancellation, in total, my administration has canceled \$127 billion in student debts for nearly 3.6 million Americans. This kind of relief is life-changing for individuals and their families.

But it's good for our economy as a whole as well.

John Yang:

Separately, the Education Department is making another attempt at mass relief, like the plan the Supreme Court ruled unconstitutional.

Washington Post reporter Danielle Douglas-Gabriel covers the economics of higher education, including federal loan programs.

Danielle, what the president announced today, who benefits from that?

Danielle Douglas-Gabriel, The Washington Post:

So, what the president announced is really a progress report on a bunch of initiatives that were aimed at fixing problems in existing programs designed to help defrauded students, to help public servants, and also to help people who are permanently disabled receive the kind of loan forgiveness that they are entitled to, but really haven't gotten for — because of mismanagement of these programs because of overly complex rules that have made it really difficult for borrowers to be successful.

So we're thinking here teachers, social workers, folks who are in fields where they are not necessarily making high income, but certainly have had to take on a lot of student debt, for licensing and for other needs like that, are the ones who are really able to benefit from these initiatives.

John Yang:

The president said today that he's canceled student debt for more than 3.5 million borrowers.

But that is a very small sliver of the 43 million who owe the federal government student loan money. Is there anything more or what more can the president do by himself without asking Congress?

Danielle Douglas-Gabriel:

Certainly, Congress doesn't think so. And that's kind of been the issue here.

Very many activists would like to see the president find some kind of unilateral route to canceling far more student loans than the 3.6 million people. But as we saw with what the Supreme Court did in June, those paths will likely be challenged and could end up being unsuccessful.

I think this new path that the administration is taking, one of going through federal rulemaking process, is probably, at least from what I'm being told by higher education experts, a more sound path to receiving kind of sweeping debt cancellation. But it's not exactly clear yet whether it'll be a match for match from what — the plan that we saw that was struck down by the court had offered, which was up to \$20,000 of student debt relief for millions of borrowers.

It's not clear if that's exactly what this new path will deliver, but it does at least show that he is not willing to give up on this policy.

John Yang:

This is, as we said, the same week that loan repayments resume after an interim during the pandemic, during COVID issues.

What is — is the administration doing anything or the big things the administration is doing to help people as they get back into paying their loans?

Danielle Douglas-Gabriel:

I mean, certainly, rolling out this most recent income-driven repayment plan, dubbed SAVE, is a pretty big step in trying to make it easier for borrowers to afford their payment.

This is by far the most generous repayment plan on the market in terms of protecting more of an individual's income in the calculation of their monthly payments. It certainly also offers a shorter pathway to forgiveness for people who are low-balance borrowers, low-income borrowers.

But at the same time, I am hearing from borrowers that they are having trouble getting through to their servicers. They are having long wait times. Some of them are having issues with the — applying for the plan. But to the administration's credit, they have offered effectively a 12-month grace period, whereby, if borrowers are having a hard time with their payments, it won't be reported to the credit bureaus, and they won't, like, end up in collection.

So those are important steps to make sure that you don't have a huge spike in delinquencies. Still, you really want to see what the next couple of months are going to produce in terms of how people are feeling about the restart of their payments, how they're managing that bill back into their budget.

For some people, this is the \$300, \$400, \$500, sometimes even \$1,000 dollar bill that is being added back at a time where we're still dealing with inflation, when we're still dealing with high housing costs and the like.

So, I'm really curious to see how this plays out in the next few months.

John Yang:

What advice would you give a borrower who's having trouble, who's financially strapped and having trouble to make their payments?

Danielle Douglas-Gabriel:

I really do believe that this new income-driven repayment plan is a great option for a lot of people, particularly people who are struggling, because it really would help you to manage your payments.

Because, depending on how much money you're making, especially if you're unemployed at this moment, you could qualify for zero monthly payments, but still receive credit towards having the balance of your loans forgiven. And that's a big difference than, say, going on forbearance, which is also a viable option for a lot of people, postponing your payments until you can afford them.

But at least, with the income-driven repayment plan, you're working towards something even as you're having a difficult time financially.

John Yang:

What else should people keep in mind, borrowers keep in mind, as the repayments resume?

Danielle Douglas-Gabriel:

This 12-month grace period is a great option for people to make sure that they don't end up in delinquency.

But I really encourage people not to look at this as an extension of the payment pause. Interest is still accruing on your loans. And, certainly, your balance is going to grow during this time. If borrowers can afford it, then they definitely should be making payments.

If they can't afford it, they should be talking to their servicer and the Education Department to figure out which repayment plan is best for them.

We are at a point now where we have so many options available to borrowers, far more than when I got out of college. So I think it's a really great time for people to look at what's available, look at what fits their lifestyle, and really figure out how best to tackle this debt.

John Yang:

Danielle Douglas-Gabriel of The Washington Post, thank you very much.

Danielle Douglas-Gabriel:

Thank you.

By – **John Yang**

John Yang is the anchor of PBS News Weekend and a correspondent for the PBS NewsHour. He covered the first year of the Trump administration and is currently reporting on major national issues from Washington, DC, and across the country.

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