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# Student Loan Forgiveness

Caleb Clayton

Kennedy Aikey

Hailey Trimpey

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**By: Caleb Clayton, Kennedy Aikey, and Hailey Trimpey**

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**Introduction**

Higher education is a gateway to better employment opportunities, and attending colleges, universities, or trade schools is essential for individuals hoping to pursue a career in specific fields. The cost to attend four-year universities has skyrocketed over the last several decades. Studies indicate that the average cost of tuition, room and board, and fees for an undergraduate degree has nearly tripled from 1980 to 2020. The Federal Reserve estimates that borrowers in the U.S. have accumulated an estimated $1.75 trillion worth of student loan debt. The Biden Administration has sought to address this by canceling billions of dollars in student loan debt.

**Question 1: Who is eligible for student loan forgiveness?**

The Federal Student Loan Debt Relief program is a one-time program for eligible borrowers in which several factors can contribute to an individual's eligibility for loan forgiveness. While the qualifications may vary by applicant, there are two key determinants that apply to all of those seeking relief. The first of these is that all applicants are required to apply no later than December 31, 2023. Anyone who applies after this date, regardless of all other eligibility statuses, will be denied. The second criterion is that the relief is only applied to loan balances prior to June 30, 2022. From here, individuals may qualify for relief in many different ways, including the kind of loan and the tax-filing status.

There are currently two sizes of relief packages available: 1) up to $20,000 for those who received a Federal Pell Grant in college and meet income requirements or 2) up to $10,000 for those who did not receive a Federal Pell Grant but still meet income requirements. Eligible loans include: subsidized and unsubsidized loans, parent PLUS loans, and graduate PLUS loans held by the U.S. Department of Education (ED) as well as consolidation loans comprised of FEEL or Perkins loans not held by the ED.

The final criterion being examined is related to income and this is determined by one's 2020 or 2021 income. If an individual made less than the amount required to file federal taxes, they meet the income requirement. Other income eligibility include:

- Under $125,000 for those single or married but filed separately
- Under $250,000 for those married filing jointly, the head of household, or a qualifying widow(er)

Dependents may be asked to provide additional information regarding their parents' income.

**Question 2: How will this policy affect taxpayers?**

The Biden Administration's initiative hopes to reduce the financial burden for students, but opponents cite problems with the policy. A key concern is how the policy may contribute to the federal budget deficit. When the federal deficit increases, the government possesses two options to mitigate the issue: reduce spending or raise taxes. Money spent on student loan forgiveness leaves less budget for other government programs. This may create challenges to funding existing or new government initiatives.

The Biden administration addresses this concern by suggesting the deficit money will come from increased taxation on corporations and the wealthy. This makes good on his promise to avoid raising taxes on middle and lower-class families, but it does not dispel financial concerns entirely. Economists remain divided on how Biden's plan will contribute to inflation. Some private economists predict that between $300 million to $600 million may be added to the US federal debt depending on the extent to which students apply for loan forgiveness. This is significant, but proponents argue that the US government runs on an average deficit of around $2.8 trillion, so its impact will not drastically affect average consumer spending.

**Question 3: How will student loan forgiveness affect future college students?**

In November, the Plan was halted by a US District Court Judge in Texas. The Supreme Court is expected to hear arguments over its constitutionality in the coming weeks. The Court's ruling will determine whether the Plan will be able to move forward or if the Biden administration will need to work with Congress to enact it. If the Court rules favorably, the Plan would only be available to current students or recent graduates with remaining debt. However, The Biden Administration claims to want to protect future students from the increasing cost of college. Biden has offered a plan to double the maximum Pell Grant and make community college free. The Department of Education is working on the accountability of universities and will soon be announcing new efforts to ensure students are receiving a good education for the amount they have borrowed. The cost of a college education is a concern that unites many Americans and will continue to attract attention for many years to come.

**Conclusion**

The Federal Student Loan Debt Relief will be able to provide many students with help to pay off their college debt. It is not without controversy as many are concerned about the fairness of the program. The affordability of college and its value will continue to be an issue that is debated both in Washington DC and in state capitols across the country.