

## **Income-Driven Repayment and Public Service Loan Forgiveness Program Account Adjustment**

On April 19, 2022, the U.S. Department of Education (ED) announced several changes and updates that will bring borrowers closer to forgiveness under income-driven repayment (IDR) plans. These adjustments to borrower accounts include conducting a one-time revision of IDR payment counters to address past inaccuracies (including automatically discharging loans for eligible borrowers) and permanently fixing IDR payment counting by reforming ED's IDR tracking procedures going forward.

ED will begin work on implementing these changes immediately, but borrowers will not see the effect in their accounts until fall of 2022.

### **One-Time Payment Count Revision for Eligible IDR Borrowers**

As part of this initiative, ED will conduct a one-time revision of IDR-qualifying payments for all William D. Ford Federal Direct Loan (Direct Loan) Program and federally managed Federal Family Education Loan (FFEL) Program loans.

ED will conduct a one-time account adjustment to borrower accounts that will count time toward IDR forgiveness, including any months in which you had time in a repayment status, regardless of the payments made, loan type, or repayment plan;

12 or more months of consecutive forbearance or 36 or more months of cumulative forbearance toward IDR and PSLF forgiveness;

months spent in deferment (with the exception of in-school deferment) prior to 2013; and any time in repayment prior to consolidation on consolidated loans.

Any borrower with loans that have accumulated time in repayment of at least 20 or 25 years will see automatic forgiveness, even if you are not currently on an IDR plan.

If you have commercially held FFEL loans, you can only benefit from the IDR account adjustment if you consolidate before we complete implementation of these changes, which is estimated to be no sooner than Jan. 1, 2023.

If you have made qualifying payments that exceed forgiveness thresholds (20 or 25 years), you will receive a refund for your overpayment.

### **Permanent Fixes to IDR Payment Counting**

In addition to issuing new guidance to student loan servicers to ensure accurate and uniform payment counting practices, ED will track payment counts in our own modernized data systems. ED is undertaking an effort to display borrower IDR payment counts on StudentAid.gov so that you can view your progress yourself.

Additionally, ED is working on regulations to revise the terms of the IDR program to further simplify payment counting, which includes proposals to allow more loan statuses to count toward IDR forgiveness, including certain types of deferments and forbearances.

### **Effects on Public Service Loan Forgiveness (PSLF) Applicants**

If you have applied or will apply for PSLF, these changes may have an impact on you by

increasing your qualifying payment count.

If you have 12 or more months of consecutive forbearance or 36 or more months of cumulative forbearance, you will receive PSLF credit for those periods of time if you certify qualifying employment.

These changes will be applied automatically. If you believe you might benefit, you should update your employment certification history to reflect all periods of public service employment.

### **Estimate of Impact**

ED estimates that this action will result in automatic debt cancellation for at least 40,000 borrowers under PSLF and several thousand borrowers under IDR.

More than 3.6 million borrowers will receive at least three years of additional credit toward forgiveness under IDR.

Beyond the changes that will provide relief retroactively to borrowers, ED will take action to ensure that borrowers continue to receive these benefits in the future.

Also note that any debt discharged through IDR will not create a tax liability for you. The American Rescue Plan Act included a provision temporarily modifying the tax treatment of discharged student loan debt. Specifically, the law excludes from gross income qualifying student loans that are discharged between December 31, 2020, and January 1, 2026. During this period, the amounts of forgiven student loan debt will not be subject to taxation.

If you've made a complaint to your servicer and it has not been resolved to your satisfaction, you can submit a complaint to us.

To read more about these announcements, read ED's full press release.