Student Loan Repayment and the Debt Ceiling Agreement - What You Need to Know

May 31, 2023 - Much has been made of the bill passed by the House of Representatives that tentatively approved an increase in the debt ceiling. That bill included a provision that would have stopped the Biden plan for student loan forgiveness. But that bill was passed without any agreement from the Bident administration, and it isn't the same deal that is being debated in Congress today. The new deal that was announced between House Speaker McCarthy and Joe Biden over the weekend does include language on Student Loans, but it has been watered down considerably.

Tweet

(function() {
var s = document.createElement('SCRIPT'), s1 = document.getElementsByTagName('SCRIPT')[0];

s.type = 'text/javascript';
s.src = 'http://widgets.digg.com/buttons.js';
s1.parentNode.insertBefore(s, s1);
})();

(function() {
var po = document.createElement('script'); po.type = 'text/javascript'; po.async = true;
po.src = 'https://apis.google.com/js/plusone.js';
var s = document.getElementsByTagName('script')[0]; s.parentNode.insertBefore(po, s);
})();

The original bill would have stopped any talk of student loan forgiveness. The newly announced deal doesn't do that. Instead, it states that the moratorium on student loan payments will end sixty days after the US Supreme Court announces its decision on the legality of the Biden plan for student loan forgiveness. That sounds a little confusing, so read on.

Shortly after the Biden administration announced their plans for student loan forgiveness, they got sued. As the case moved up through the appellate court, the court found that the administration had exceeded its authority to forgive student loans. But the administration appealed that decision and the Supreme Court agreed to hear the case. That hearing took place in February and a decision is expected to be announced in June.

The Biden administration had already announced that it would have borrowers begin repayment of their student loans again 60 days after the court's announcement. This means that McCarthy simply agreed to the Administration's original plan. But unlike what was included in the original bill - making forgiveness illegal without an act of congress - the new agreement would allow loan forgiveness if the Supreme Court says it's ok.

And while many court watchers seem to think that the court will bar the administration from moving forward with forgiveness, others aren't so sure. During the hearing in February, four of the justices expressed skepticism that the state bringing the case against the administration actually had standing to do so. This means that only one other justice would need to be persuaded. If that happens, the case could be thrown out on a technicality - something that SCOTUS appears to enjoy doing - and forgiveness could become a reality.

Under these circumstances, anyone who had already filed for forgiveness and received approval, would simply see their loans go away. Prior to the lawsuit, 16 million people had already received approval letters. Anyone who hasn't filed or

received approval would have to begin repaying their loans, but could still potentially ask for and receive forgiveness at a later date.

On the other hand, if the court sides with the plaintiffs in the case, everyone who has taken out student loans - including the 16 million people who have already received approval for loan forgiveness - would have to start making payments again.

As previously mentioned, a decision should be announced sometime in June.
by Jim Malmberg
Note: When posting a comment, please sign-in first if you want a response. If you are not registered, click here. Registration is easy and free.

Follow ACCESS