

# Three Things to Consider with Student Loan Forgiveness and Delayed Repayment Plan



The long-awaited details of President Biden's student-loan forgiveness plan have been officially announced. In summary, based on last year's tax return, the plan cancels up to \$10,000 of federal student loan debt for individuals making less than \$125,000 per year (or households making less than \$250,000). Pell grant recipients can qualify for up to \$20,000 in loan forgiveness. (See full details of the student-loan forgiveness plan [here](#).)

You may qualify for \$10,000-\$20,000 in student loan forgiveness, but keep in mind that whatever you owe beyond that will need to be repaid. The pause on federal student loan payments is extended through December 2022, with payments starting again in January 2023.

You can check your eligibility through the Department of

Education (DOE) and sign up to receive email updates, which will be critical moving forward. If the DOE already has your income information, you could be granted forgiveness automatically. If not, applications will go live in December – another reason to sign up for updates at the DOE website.

Here are three essential action items to consider for repayment.

**1. Prep for Repayment.** Adjust your spending now so you are ready to start making payments in January. It's hard to believe that it's been several years since people have been required to make payments on their student loans. How much will your monthly payment be in January? Can you pay yourself that amount in a separate savings account in September, October, November and December? Practice going without that income for a few months. Consider that you now have four months to get used to not spending that money on your discretionary expenses. Start setting it aside now as you'll soon be required to pay your student loan bill, due every month beginning January 2023. Not sure where to start with budgeting? Sign up for a free personal finance webinar.

**2. Watch for Scams.** Don't give money or information to people promising student loan forgiveness. Red flags include: charging upfront fees, asking for personal information over the phone or through email, pressure to decide quickly, asking you to cut off communication with your loan servicer, claiming to be affiliated with your loan servicer or the DOE, etc. If you experience this, cancel your payments, contact your servicer, and submit a report to the Consumer Financial Protection Bureau. You can also report it to the DOE.

**3. Take Advantage of Time.** The extended payment pause does mean that borrowers have four more months of no interest accruing on their debt. Now is the best time to work on lowering the principal balance (also lowering future interest fees). Making extra payments is the simplest way to do that.

Create a free account at the USU Extension-sponsored PowerPay.org website to see how additional payments can impact your debt repayment strategy.

By: Amanda Christensen, Utah State University Extension professor and Accredited Financial Counselor, [Amanda.Christensen@usu.edu](mailto:Amanda.Christensen@usu.edu)