Biden Administration to Extend Federal Student Loan Payment Pause, Maybe Until End of August

The Biden Administration plans to extend the moratorium on federal student loan payments, interest, and collections as soon as this week, according to multiple sources. While things could change, according to people familiar with the matter, the White House is considering extending the policy until the end of August. The current pause on payments, interest, and collections is currently set to expire on May 1, 2022 after having been extended multiple times by the Trump and Biden Administrations. Administration officials have signaled in recent weeks that they were likely to extend the relief, telling federal student loan servicers to refrain from sending notices to borrowers that their monthly payments would be starting.

The August timeframe would be considerably shorter than what many House and Senate
Democrats have been requesting with a range of Democrats urging the Biden Administration to extend the pause through the end of 2022, which would be long enough to avoid requiring borrowers to make payments just before the midterm elections. Many progressives also want the payment pause extended as a precursor to wide-scale debt cancellation that they want the White House to pursue through executive action. Some White House advisers have been reluctant to continue the payment pause because they believe it undercuts the administration’s messaging on the strength of the economic recovery. Congressional Republicans have been urging the Biden Administration to restart student loan payments over concerns about the growing cost to taxpayers. The various extensions of the payment pause have cost more than $100 billion, according to estimates from the U.S. Department of Education. The Department estimates that borrowers collectively save about $5 billion each month in interest that does not accrue on their loans.

For additional coverage, see these articles from Politico and The Hill.

**House and Senate Democrats Unveil Legislation to Simplify Student Loan Repayment**

Last week, Sens. Jeff Merkley (D-OR) and Maggie Hassan (D-NH) and House Appropriations Committee Chairwoman Rosa DeLauro (D-CT) introduced the Affordable Loans for Any Students Act of 2022 (S. 3953 and H.R. 7288), companion legislation that would simplify income-based repayment plans for all federal student loan borrowers. According to a press release, the bill would overhaul the federal system of income-based repayment (IBR) plans to give borrowers a choice between two plans:

- A Fixed Repayment Plan with equal monthly payments sufficient to repay the loan and any accrued interest over a period of 10 years; or

- An Income-Based Repayment Plan in which a borrower pays 10 percent of their income above a poverty level, capped at 20 years of payments.

The legislation would also end interest capitalization and origination fees on Federal Direct Loans, target assistance to struggling and low-income borrowers, allow for automatic recertification of income for IBR plans, limit federal debt collection amounts that are obtained through wage garnishment or tax offset to no more than the amount the borrower would pay under IBR, replace the current deferment and forbearance options with a single “pause payment” process that does not capitalize interest, provide relief to severely delinquent borrowers and those who rehabilitate their loans by
automatically enrolling them into the IBR plan, change the use of the term “master promissory note” to “student loan contract” to improve consumer understanding of the purpose of the document, and improve other loan disclosures and interactive counseling to make students more aware of federal student aid and repayment options.

In addition to Sens. Merkley and Hassan and Rep. DeLauro, the legislation is cosponsored by Sens. Catherine Cortez Masto (D-NV), Brian Schatz (D-HI), Ron Wyden (D-OR), Chris Van Hollen (D-MD), Tammy Baldwin (D-WI), Richard Blumenthal (D-CT), Ben Cardin (D-MD), and Cory Booker (D-NJ) and Reps. Jahana Hayes (D-CT) and Mary Gay Scanlon (D-PA).

**Senate Negotiators Reach Deal on Additional COVID-19 Relief, Includes Cut in Higher Education Funding**

Earlier this week, Senate Democrats and Republicans reached an agreement on a $10 billion COVID-19 relief package that the Biden Administration and Congress hope can help the federal government prepare for the next round of variants. According to a summary of the package, the funds will be used to purchase vaccines, including additional booster shots and vaccines for children, and maintain testing capacity so that manufacturing of at-home tests and lab capacity does not decline during the summer. During negotiations, Republicans demanded that the package be fully off-set. As such, the bipartisan agreement includes a $500 million rescission from the Higher Education Emergency Relief Fund authorized under the American Rescue Plan (ARP) Act passed in 2021. The funding was never allocated by the U.S. Department of Education to colleges and universities. The ARP set aside a total of $39.6 billion for higher education to respond and recover from the pandemic. Federal spending records show that, as of last week, nearly $886 million of K-12 and higher education relief funding from the ARP has not yet been awarded by the Department. The specifics of where exactly the $500 million cut to unspent higher education relief money would come from are currently not public. The Department did not comment on the deal, but White House Press Secretary Jen Psaki urged Congress to move quickly on the $10 billion package. Separately, the Biden Administration formally extended the deadline by which colleges must spend their allocations of federal relief funding until June 30, 2023.

For additional coverage, see these articles from Politico and Roll Call.

U.S. Department of Education News
For today’s Federal Register, click here.

The following announcement was posted to the Federal Student Aid’s Knowledge Center website:

- Comment Request: Third Party Servicer Data Collection

General News

Forbes reports that borrower activists and their allies are ramping up a pressure campaign this week to convince President Joe Biden to extend the current pause on federal student loan payments and enact broad student loan forgiveness. But time is running out to act.

Go Banking Rates reviews the impact of late payments on student loans, saying that a series of late payments could cause credit scores to drop significantly.

The Chronicle of Higher Education reports on how colleges and universities are trying to re-enroll adult learners who dropped out.

Oregon Live includes a column from Nerd Wallet reviewing how student loan refinance is often the best way to reduce monthly payments, cut total loan costs, and pay off debt faster. If borrowers have already refinanced, they have a way to improve their loan even more: refinance again.

DS News reports that, while the consistent and mounting pressure of student loan debt has been holding many back from purchasing a home, possessing a bachelor’s degree is still largely seen as a stepping-stone to entering the housing market.

Diverse Issues In Higher Education reports that the war in Ukraine has heightened fears of Russian cybersecurity attacks on the nation’s institutions, from companies to federal agencies to colleges and universities. But for years, there has been a stark national shortage of cybersecurity professionals. To fill this gap, several universities have been working to expand cybersecurity degree and certification programs.