

Your Monthly Money

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Take These 6 Steps While Waiting for Federal Student Loan Forgiveness

Here's what to do while waiting for government forgiveness for federal student loan borrowers.

In August, the Biden Administration announced the new government plan to forgive up to \$10,000 or up to \$20,000 for borrowers with federal student loans who meet income eligibility requirements.

"Both of these targeted actions are for families who need it the most — working and middle-class people hit especially hard during the pandemic making under \$125,000 a year," said President Biden in his remarks addressing the new student loan debt relief plan.

"All of this means people can start to finally crawl out from under that mountain of debt to get on top of their rent and their utilities, to finally think about buying a home or starting a family or starting a business," said Biden.

If you're eagerly awaiting forgiveness for all — or at least a portion — of your student loan debt, here's what you can do while waiting to see your loan balance drop or go away for good.

1. Find out if you're eligible

Not everyone will qualify for the new government student loan forgiveness plan. To be eligible for having up to \$10,000 or up to \$20,000 (if you received a Pell grant) of federal student loan debt forgiven, borrowers must have an annual income of under \$125,000 for individuals or under \$250,000 for married or heads of household couples.

For a limited time, if you're employed by a qualifying nonprofit, the military or a federal, state, tribal or local government agency, you may also be eligible to get the remaining balance of your federal student loans forgiven if you made at least 120 payments while working full-time for those employers.

That's because the government has loosened eligibility criteria for the DOE's Public Service Loan Forgiveness (PSLF) program. But you must apply for the additional public service loan forgiveness by October 31, 2022.

2. Sign up for DOE updates

You can read up on the new student loan forgiveness program at StudentAid.gov and other credible online sources. Meanwhile, sign up for updates on the new program at the Department of Education subscription page so you can stay on top of what to do next.

Nearly eight million borrowers may receive forgiveness automatically within the next couple of months if the DOE already has their income information. For other borrowers, the DOE plans to make an online forgiveness application available in early October,

3. Contact your student loan servicer

While waiting for student loan forgiveness, make sure your contact information is up to date with your student loan servicer. Also get details on how much you owe, your loan terms and how much your monthly payment will be after December 31, 2022, when the pause on student loan repayment ends.

4. Avoid refinancing for now

While waiting for news on student loan forgiveness, hold off on refinancing any existing federal student loans. The new government forgiveness program applies only to federal student loans, so refinancing with a private student loan servicer will make the refinanced loan ineligible for forgiveness.

5. Adjust your budget for when payments resume

While you wait to find out if you'll receive up to \$10,000 or \$20,000 in federal student loan forgiveness, review your monthly budget, along with short-term and long-term financial goals.

For example, if all of your student loan debt will be forgiven, that frees up extra money that you can allocate towards emergency or other savings, making a down payment on a new home, starting a family, retirement and other milestone financial goals.

If you'll still owe student loan debt after a portion is forgiven, you'll need to add that monthly payment to your monthly budget for January 2023.

6. Take advantage of no-interest payments before the pause ends

If you owe more than \$10,000 or \$20,000 (if eligible for the higher amount), take advantage of the remaining no-interest period ending December 31, 2022, to knock down balances as much as possible before resuming payments in January 2023.