



Information on Current Court Actions and Debt Relief Announcement

July 31, 2024

To: All PSLF Peace of Mind Clients

From: The Institute of Student Loan Advisors (TISLA)

Subject: Courts Temporarily Stop SAVE Plan

On July 18th a federal court issued an injunction again preventing the Department of Education (ED) from administering the SAVE plan. Below is how this affects borrowers.

1. All 8 million borrowers currently on the SAVE plan will be automatically put on a 0% interest forbearance in the coming weeks until the court issue is settled or “servicers are able to send bills at the appropriate monthly payment amount” Borrowers on SAVE and pursuing PSLF should not make their August payment even if the forbearance hasn’t yet been processed as it will not count towards PSLF.
2. **This forbearance does NOT count towards PSLF or IDR forgiveness**
3. It is unclear right now how borrowers with pending SAVE applications will be handled
4. It is unclear if borrowers can opt out of this forbearance. The ED is not allowed to administer the SAVE plan at this time so our interpretation is that the only way to opt out of the forbearance would be to change repayment plans, which could take some months.
5. Borrowers can apply for ICR, PAYE, REPAYE/SAVE and IBR but applications are currently not being processed and only the paper application is available. Note that PAYE and ICR have been re-opened. You can read about all the IDR plans [here](#).

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6. If SAVE ends up permanently blocked we expect that SAVE borrowers will be reverted to the REPAYE plan, which could result in a higher payment than SAVE.
7. Consolidation applications are also down, unless done via paper
8. Payments made during this forbearance will count towards future post forbearance payments
9. **Borrowers may use the buyback option (once they hit 120 PSLF months) for these administrative forbearance months to count**
10. The one-time IDR adjustment is not at risk – but we are speculating that it could be delayed
- 11. PSLF itself is NOT at risk.**
12. Borrowers have been placed in multiple administrative forbearances recently, some of which count towards forgiveness and some that do not.
 - a. Payment processing forbearances count
 - b. Servicer platform transition forbearances do not
 - c. The SAVE forbearance mentioned in this memo does not
 - d. Borrower requested forbearance does not

At this time borrowers pursuing PSLF are advised to take no action or consider changing repayment plans to an income driven plan other than SAVE. Note that changing plans could take months and the intervening months won't count so for most it's likely best to stay put and plan on using the buy back option when the time comes. You can read about the buy back rules here

<https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service/public-service-loan-forgiveness-buyback>

You can read the ED's announcement about these actions at the link below.

<https://studentaid.gov/announcements-events/save-court-actions>

Court Ruling

This is a temporary order until the courts finish their proceedings. It is unclear how long that will take

You can read about the SAVE plan [here](#) and [here](#). You can read about the court proceedings [here](#)

ED Announces Additional Debt Relief

On July 31st, the ED announced its intention to release final regulations to implement broad debt relief to several cohorts of borrowers. You can read the announcement [here](#).

The purpose of the announcement is to alert borrowers that they will be receiving an email in the coming days or weeks giving them the option to opt out of this debt relief. Borrowers may want to opt out if their state currently taxes loan forgiveness.

Borrowers in Wisconsin, Mississippi, NC and Indiana will likely be taxed on the state level. This could also impact any financial related state benefits you receive as it will appear as if your income has risen. Other states may have recently or are in the process of changing laws to tax such forgiveness. You can read about that here <https://www.nerdwallet.com/article/loans/student-loans/will-your-state-tax-your-canceled-student-debt>

If you do not wish to opt out, then you do not need to take any action at all. This forgiveness will likely be automatic for those that are eligible. Whether you opt out or not it will NOT affect your PSLF or income driven plan eligibility.

All federal borrowers, other than privately held Federal Family Education Loan (FFEL) borrowers will receive this opt out email – this does NOT mean you are automatically eligible for this debt relief.

While we don't know the exact criteria for the relief and won't until the final rules come out in the next few months, the announcement lists general cohorts the relief will be applied to:

"Borrowers who owe more now than they did at the start of repayment. Borrowers would be eligible for relief if they have a current balance on certain types of Federal student loans that is greater than the

balance of that loan when it entered repayment due to runaway interest. The Department estimates that this debt relief would impact nearly 23 million borrowers, the majority of whom are Pell Grant recipients.

· Borrowers who have been in repayment for decades. If a borrower with only undergraduate loans has been in repayment for more than 20 years (received on or before July 1, 2005), they would be eligible for this relief. Borrowers with at least one graduate loan who have been in repayment for more than 25 years (received on or before July 1, 2000) would also be eligible.

· Borrowers who are otherwise eligible for loan forgiveness but have not yet applied. If a borrower hasn't successfully enrolled in an income-driven repayment (IDR) plan but would be eligible for immediate forgiveness, they would be eligible for relief. Borrowers who would be eligible for closed school discharge or other types of forgiveness opportunities but haven't successfully applied would also be eligible for this relief.

· Borrowers who enrolled in low-financial value programs. If a borrower attended an institution that failed to provide sufficient financial value, or that failed one of the Department's accountability standards for institutions, those borrowers would also be eligible for debt relief."

Remember, there is no application for this relief at this time and there likely will not be. **You should take no action unless you want to opt out.** If you want to opt out, follow the instructions on the opt out email once you receive it in the coming weeks.

Questions?

Still have questions? Remember that as a PSLF Peace of Mind client you have direct access to TISLA via a dedicated email channel as well as by booking a phone call. See your employers internal PSLF page for access to those channels. Note that we do not have any additional information about the debt relief at this time and will not until the final rules are published in the coming months.

Sincerely,

Betsy Mayotte

President

The Institute of Student Loan Advisors