A SOFI ORIGINAL REPORT

The State of Student Loan Forgiveness: What You Need to Know Today to Prepare for Tomorrow

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This article is part of the SoFi Student Debt Guide, a complete resource for navigating student loans—from forgiveness programs to repayment strategies.

Widespread student loan forgiveness in the United States—will it ever happen? It’s an emotionally and politically charged question, and one with dramatic financial implications for the more than 43 million Americans with student loans.¹

Answering this question in the spring of 2024 remains a complex undertaking, even as the stakes, and loan balances², continue to grow. And as student debt and the issue of forgiveness have been turned into political footballs, it’s become increasingly challenging to separate the misinformation from the real, meaningful developments.

**Bottom line:** If you’re confused, you’re not alone—but you may be at risk.

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1 Studentaid.gov, 2024.
2 U.S. News & World Report, 2024.
When student loan repayments restarted in October 2023, after being temporarily paused during the COVID-19 pandemic, roughly 40% of borrowers missed their first payment. Though some of the consequences for not paying may be deferred during the current "on-ramp period" (that’s scheduled to end September 30, 2024), ignoring loan payments could eventually impact your credit score and trigger fees and penalties. More importantly, neglecting the news about student loan debt could mean missing out on opportunities to reduce your monthly payment and your total balance.

Still, it can be difficult to confront debt. For many, student loans have become a source of mental health issues, shame, and financial despair. You may be tempted to block out news on the topic, out of frustration or hopelessness.

≈40% of borrowers missed their first payment.4

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But understanding your loan—the terms, the monthly payments, and the opportunities to modify them—can have a dramatic impact on your financial situation today and over a lifetime. And there are plenty of practical reasons to stay informed: New programs are providing novel opportunities to help millions of borrowers manage student loans, even as the prospects for a large-scale political solution remain unclear.

To that end, we’ve boiled down everything you need to know to understand the current moment with regard to student loans, forgiveness, and how to approach repayment strategically.
The **five** most important things to know about student loans and debt forgiveness right now:
In October 2023, millions of borrowers with student loans were supposed to start repaying their debts. As part of the U.S. government’s response to the COVID-19 pandemic, millions of eligible borrowers were allowed to temporarily stop making monthly payments on federal student loans (without penalty or accruing interest) between March 2020 and September 2023.7

The restart of student loan repayment has been turbulent. The New York Times headline from December 2023 sums it up—“As Student Loan Collections Restart, Millions Are Not Yet Paying.” The gist of that report: Only 60% of the 22 million borrowers who were supposed to start repaying loans in October had actually done so by mid-November, according to the Department of Education.

That left 40% of borrowers sitting on the sidelines.

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It’s not just borrowers who are bewildered. Many of the banks and financial institutions servicing student loans have fumbled their responsibilities\textsuperscript{10}, worsening an already confusing situation through mismanagement. The Department of Education has fined the four companies\textsuperscript{11} in charge of servicing its loans for delayed and inaccurate bills and long waits for customer service. This has resulted in payment pauses and forgiveness for some borrowers.

\textsuperscript{10} Consumer Financial Protection Bureau, 2024.
\textsuperscript{11} The New York Times, 2024.
The branches of the federal government remain in conflict over the issue of student debt forgiveness. In June 2023, the Supreme Court struck down President Biden’s proposal\(^{12}\) to cancel student debt. Democrats and Republicans don’t agree on how student debt should be addressed. The outcome of the presidential election in November 2024 could have important ramifications for this issue.

\(^{12}\) National Conference of State Legislatures, 2023.
The government continues to offer programs providing student debt relief to eligible borrowers. The Saving on a Valuable Education\textsuperscript{13} (SAVE) Plan—a rebooted income-driven plan for federal loan repayment that launched in June 2023—has the potential to dramatically lower monthly student debt payments.

\textsuperscript{13} Studentaid.gov, 2024.
A truly brief recap of the history of student loans.

College enrollment and the cost of tuition have soared over the past 60 years. In 1965, the federal government began guaranteeing student loans for banks and nonprofit lenders. 

Today, more than 90% of all student debt is in federal loans. In the 1970s and ’80s, most high school graduates didn’t enroll at colleges or universities, and of those who did, less than half borrowed money to do so.

15 Studentaid.gov, 2024. 
In the 1990s, however, a handful of factors—including more aggressive recruiting by colleges and universities, changes in financial aid, and the use of tax credits to ease the burden of borrowing—created greater demand for higher education.

This in turn led to significant increases in the cost of a college education.\(^{18}\)

Fast forward to today. For the 2023–24 academic year, the average college tuition cost is roughly $42,000 for private schools and $23,000 for out-of-state students at public schools, according to U.S. News & World Report.\(^{19}\)

Without federal loans, relatively few students would be able to afford those costs. But even with financial aid and loans, many students are recognizing that they will be unable to pay down or pay off their student loans—even after decades of making payments.

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In the late 2000s, the federal government began to explore new strategies to help people manage student debt.

The dawn of student loan forgiveness.
In 2007, President Obama launched the Public Service Loan Forgiveness Plan\textsuperscript{20}, which allowed eligible borrowers—government and nonprofit employees—who made on-time payments for 10 years to be forgiven for the remainder of their loans.

In 2009, the federal government debuted an Income Based Repayment\textsuperscript{21} plan to cap student loan payments at 15\% of an eligible individual’s discretionary income, assuming they made their payments on time. Later, this was lowered to 10\%.

Despite the real opportunity these programs presented, few people applied—and even fewer were accepted. The requirements and application forms were confusing and many eligible applicants were mistakenly turned away. At the same time, the issue of student loan debt found a popular political voice in the Occupy Wall Street movement.\textsuperscript{22}

\textsuperscript{20} Studentaid.gov, 2024.  
\textsuperscript{21} Federal Student Aid, 2009.  
\textsuperscript{22} Time, 2021.
For decades, college had largely been seen as a **slam-dunk investment**.

But now the cost-benefit analysis had become less certain, as millions of borrowers’ debt obligations prevented them from pursuing traditional milestones like marriage, children, and homeownership. And student loan forgiveness had become a mainstream political issue.
When COVID-19 changed everything (and nothing).
Then came the COVID pandemic, which upended many facts of life that had been previously taken for granted—including the obligation of college loan repayments. In March 2020, Congress signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act\textsuperscript{23}, which allowed eligible borrowers to suspend repaying their federal student loans without penalty and without accruing interest.

The pause was a welcome one for millions of borrowers. But it was only temporary. And as the acute public health crisis receded and the economy stabilized, the political environment became less accommodating to the notion of the student debt repayment moratorium. After being extended repeatedly by the Biden administration, the federal student loan payment pause officially ended in September 2023.

\textsuperscript{23} U.S. Department of the Treasury, 2020.
In August 2022, President Biden proposed a one-time cancellation of federal student loan debt up to $20,000 per person (for those who fell below a certain household income threshold), fulfilling his pledge made during the 2020 election.

But the Supreme Court rejected his proposal in June 2023, concluding that the administration had exceeded its authority and that such an expenditure would require congressional approval.
On that same day in June, the Department of Education announced major changes to its federal income-driven repayment program.26

Though it falls well short of providing universal loan forgiveness, the new Saving on a Valuable Education (SAVE) Plan27 features benefits that can lower your monthly payment, depending on your household’s financial situation.

26 Studentaid.gov, 2024.
27 SoFi.com, 2024.
Four key things to know about the SAVE Plan:
Lower monthly payments.

The SAVE Plan is an income-driven repayment plan (IDR), which bases your monthly payment on your income and family size. Due to changes in the way the government calculates income, many borrowers may now be eligible for lower monthly payments. Single borrowers who earn less than $32,800 per year and those in a family of four making less than $67,500 are eligible for a $0 payment, according to the Department of Education.28

Relief on interest.

If you make a full payment and it’s not enough to cover the amount of interest that accrued that month, the government will cover the difference. In effect, the SAVE Plan prevents your balance from growing due to unpaid interest.
Forgiveness eligibility.

Starting in February 2024, the SAVE Plan gives individuals who originally borrowed $12,000 or less forgiveness after 10 years of repayment.
More benefits are coming.

In January 2024, the government reported that 6.9 million borrowers had enrolled in SAVE. Beginning in July 2024, the government will again adjust the way it calculates monthly loan payments under the SAVE Plan, further decreasing monthly payments from 10% of “discretionary income” to 5%. In addition, eligible borrowers who fall behind on monthly payments will be automatically enrolled in an IDR plan. Read more about what’s coming to the SAVE Plan later in 2024.29

29 Studentaid.gov, 2024.
The prospect of broader student debt forgiveness, beyond the limited offerings in the SAVE Plan, remains uncertain. The Biden administration continues to push forward, with its so-called “Plan B” proposal that’s currently making its way through congressional hearings, but the rulemaking process alone could continue for months.

Ultimately, the administration’s ability to make inroads depends on a variable political environment that includes a presidential election in 2024.

30 The Associated Press, 2024.
Though conservatives have vowed to challenge any attempt at broad student debt forgiveness, Republicans have proposed their own solutions\(^\text{31}\), including putting colleges on the hook when students fail to pay back their loans on time as part of a policy known as “risk-sharing.” Still, those initiatives are in their early days and are not widely popular within the party.

What we know for sure is that the Department of Education’s on-ramp program\(^\text{32}\), which protects borrowers from the most severe consequences of missed, late, or partial payments, will end on September 30, 2024. And borrowers who don’t have a strategy to deal with their student loan payments will once again be at risk of harming their credit scores, racking up fees and penalties, and compromising their financial futures.

\(^{31}\) Inside Higher Ed, 2024.
\(^{32}\) SoFi.com, 2023.
To learn more about managing student debt, check out SoFi’s interactive Student Debt Guide.
A timeline of major student debt news and developments.
September 2019: The U.S. Government Accountability Office reports\(^{33}\) that less than 1% of applicants to the Public Service Loan Forgiveness Program, established in 2007, have been approved.

January 2020: The Federal Reserve releases a study\(^{34}\) that identifies student debt as a major issue impacting the economic well-being of U.S. households.

March 2020: The COVID-19 pandemic spreads across the U.S. As part of a series of measures meant to stimulate the economy, President Trump issues a pause\(^{35}\) on student loan payments and interest as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.\(^{36}\)

March 2020: While campaigning for president, Joe Biden calls for “an immediate cancellation of a minimum of $10,000 of


\(^{34}\) U.S. Federal Reserve, 2020.

\(^{35}\) Trump White House Archives, 2020.

January 2021: On his first day in office, President Biden postpones the resumption of federal student loan repayments.

September 2021: Senate Majority Leader Chuck Schumer calls on President Joe Biden to cancel $50,000 in federal student loan debt for all borrowers.

April 2022: President Biden again extends the pause on student loan repayment, this time through August 2022.

August 2022: President Biden proposes canceling up to $20,000 for Pell Grant recipients with loans held by the Department of Education, and up to $10,000 for non-Pell Grant recipients, depending on household income. He also extends the pause on student loan repayment until November 2022.

38 AmericanProgress.org, 2022.
41 The White House, 2022.
September 2022: Multiple lawsuits are filed against President Biden’s student loan debt forgiveness plan. The Supreme Court agrees to rule on the challenges.

December 2022: President Biden extends the student debt repayment pause again, with repayment scheduled to resume 60 days after the Supreme Court rules on his debt cancellation proposal.

May 2023: As part of a compromise with Republican leadership to avert a government shutdown, President Biden agrees to end the student loan repayment pause on August 30, 2023, according to Politico.

June 2023: President Biden’s proposal to cancel up to $20,000 in federal student loan debt for eligible individuals (based on household income) is struck down by the Supreme Court.

42 Reuters, 2022.
45 SoFi.com, 2023.
October 2023: After 3.5 years, the student loan repayment moratorium ends. Student loan repayment resumes.\(^{46}\) Interest begins to accrue again on Sept. 1, 2023, and the first payments are due in October.

October 2023: The Biden administration announces\(^{47}\) that an additional 125,000 Americans have been approved for $9 billion in debt relief through fixes made to income-driven repayment (IDR) and Public Service Loan Forgiveness (PSLF), and granting automatic relief for borrowers with total and permanent disabilities.

November 2023: President Biden announces\(^{48}\) more than 5 million student loan borrowers have enrolled in the SAVE program, an income-driven repayment plan for federal loans.

December 2023: The Department of Education announces that since the

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\(^{46}\) The New York Times, 2023. \\
^{47}\) U.S. Department of Education, 2023. \\
student loan repayment pause ended in October, only 60% of student loan borrowers\textsuperscript{49} had made a payment by mid-November.

**December 2023:** President Biden announces the impact of “Plan B,”\textsuperscript{50} his effort to provide federal student loan relief using the Higher Education Act: $127 billion in student debt relief for 3.6 million borrowers.

**January 2024:** The Department of Education fines three student loan servicing companies\textsuperscript{51} for failing to promptly pay loan holders in October 2023. More than 750,000 borrowers have their loan obligations paused until the companies fix their errors.

**February 2024:** Rep. James Clyburn says he’s heard from the U.S. Department of Education that an additional 1.8 million borrowers will be eligible to have their debt forgiven over the next four years due to changes in

\textsuperscript{49} CNBC, 2023.  
\textsuperscript{50} U.S. Department of Education, 2023.  
\textsuperscript{51} U.S. Department of Education, 2024.
income-driven repayment plans and Public Service Loan Forgiveness, according to CNBC.\(^{52}\)

**February 2024:** Kansas Attorney General Kris Kobach announces his intention to mount a legal challenge against President Joe Biden’s SAVE student loan repayment program, according to Politico.\(^{53}\)

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\(^{52}\) CNBC, 2024.  
\(^{53}\) Politico, 2024.
*NOTICE: If you are a federal student loan borrower, you should consider all of your repayment opportunities including the opportunity to refinance your student loan debt at a lower APR or to extend your term to achieve a lower monthly payment. Please note that once you refinance federal student loans you will no longer be eligible for current or future flexible payment options available to federal loan borrowers, including but not limited to income-based repayment plans or extended repayment plans.

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