

Student Loan Debt Relief Act

Section-by-Section Summary

Impact of Bill

The Student Loan Debt Relief Act will provide the following benefits:

- Cancel debt for more than 95% of the nearly 45 million Americans with student loan debt;
- Wipe out student loan debt entirely for more than 75% of Americans with that debt; and
- Substantially increase wealth for Black and Latinx families and reduce both the Black-White and Latinx-White wealth gaps.

Title I - Loan Discharge

- A. The Department of Education will administer a one-time cancellation of up to \$50,000 of outstanding student loan debt for each qualified borrower.
- Borrowers with adjusted gross household income of less than \$100,000, based on the most recent tax year, will receive a maximum of \$50,000 in debt cancellation.
 - The Department of Education will begin loan cancellations 6 months after enactment of the legislation and complete cancellations one year after the date of enactment.
- B. The cancellation amount reduces by \$1 for every \$3 in income above \$100,000.
- Individual borrowers who make up to \$250,000 in annual adjusted gross income are eligible to receive partial debt cancellation.
 - The eligible household income doubles for joint tax return filers, but the total cancellation may not exceed \$50,000 of an individual borrower's student loan debt.
- C. The Department of Education is authorized to cancel the loans of all federal student loan borrowers.
- Federal student loans eligible for debt cancellation include:
 - Federal Family Education Loans,
 - Federal Direct Student Loans (including Direct Student Loans originating through a Direct Loan Consolidation or through student loan refinancing in Title II),
 - Parent and Grad PLUS Loans, and
 - Federal Perkins Loans.
 - For borrowers who have multiple student loans, unless otherwise specified by the borrower, the Department of Education will first cancel the loan with the highest interest rate. If multiple student loans have the same interest rate, the Department of Education will first cancel the loan with highest outstanding balance.

- D. Student loan cancellation under this Act is totally excluded from taxable income and will not be taxed.
- E. The Treasury Department and the Internal Revenue Service, upon a request from the Department of Education, will share the tax return information with the Department of Education necessary for the Department to automatically cancel student loans without any action from borrowers.
- The tax return information shared with the Department of Education will be limited to borrower identification and income information necessary to automate debt cancellation.
 - The Department of Education may only use information shared in this section for the purposes of administering loan cancellation in the correct amount.
- F. After the Department of Education administers the initial student loan cancellation, the Secretary of Education may continue to use existing settlement and compromise authority to cancel loans in the future up to the \$50,000 limit for:
- Borrowers who appeal their cancellation amount through an appeals process that the Department will develop,
 - Borrowers or specific groups or borrowers who, due to special circumstances, missed out on loan cancellation, including certain private loan borrowers who may have missed any of the Department's deadlines to take advantage of student loan cancellation, or
 - Any borrower who the Secretary finds should have received a loan cancellation or should have received a cancellation in a different amount than what they received.
- G. The Department of Education, Department of Treasury, and the Consumer Financial Protection Bureau will alert private student loan borrowers of their eligibility for student loan cancellation through the refinancing program in Title II.
- H. For federal student loans that were in default prior to being fully cancelled, the Department of Education will ask consumer reporting agencies to remove the default from the borrower's credit history.
- I. Members of Congress are excluded from loan cancellation under this Act.
- J. During the year in which student loan cancellations occur, the Department of Education will automatically place every federal student loan borrower in administrative forbearance unless borrowers choose to opt-out. As a result:
- Interest will not accrue for borrowers during this administrative forbearance.
 - The Department of Education may not pursue defaulted borrowers through debt collections (including through wage garnishment, seizure of social security benefits, seizure of tax refunds, or litigation through the Justice Department) during this time.

Title II – Student Loan Refinancing Programs

- A. After student loan cancellations occur, the Department of Education will refinance the remaining federal student loans to the interest rates offered to new federal borrowers during the 2016-2017 school year, similar to the *Bank on Student Emergency Loan Refinancing Act* (S. 768/H.R. 1707).
- The Department of Education, Department of Treasury, and the Consumer Financial Protection Bureau will develop a program to automatically refinance borrowers' outstanding student loans to lower their interest rates, without any necessary action by borrowers.
- B. Private student loan borrowers (including borrowers with outstanding student loans from banks, states, or colleges) will have an opportunity to voluntarily refinance their private loans to Federal Direct Student Loans, allowing private student loan borrowers who choose to convert their private loans to qualify for loan cancellation in Title I and the interest rates outlined in this section.
- The Department of Education, Department of Treasury, and the Consumer Financial Protection Bureau will develop a private student loan refinancing program within 6 months of enactment in order to allow such private student loan borrowers the opportunity to receive loan cancellation and any other benefits and protections of the federal student loan program.

Title III - Discharging Student Loan Debt in Bankruptcy

- A. Restores the ability for borrowers to discharge student loan in bankruptcy, similar to the *Student Borrower Bankruptcy Relief Act of 2019* (S. 1414/H.R. 2648). Currently, student loans cannot be discharged in bankruptcy.

Title IV. Report on Progress of Implementation & Notification to Borrowers

- A. The Departments of Education and Treasury must submit a report to Congress about the progress of implementing the programs in Titles I and II no later than 3 months after the date of enactment.
- B. Within 3 months after the date of enactment:
- The Department of Education must notify all eligible student loan borrowers about the upcoming loan cancellation.
 - The Department of Education, Department of Treasury, and the Consumer Financial Protection Bureau must notify all eligible borrowers that the Department of Education will refinance their federal student loans to a lower interest rate unless the borrower opts out of the program.
 - The Department of Education, Department of Treasury, and the Consumer Financial Protection Bureau must notify all eligible borrowers about the

opportunity to refinance their private loans to Federal Direct Student Loans. The application due date, 6 months after enactment, must also be included in the notification.

- Banks and financial institutions must include in their private student loan disclosure to borrowers a notification about the opportunity to refinance their private loans to Federal Direct Student Loans and receive student loan cancellation.