

The Biden Administration's One-Time Student Loan Debt Relief Policy under the HEROES Act of 2003

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On August 24, 2022, [invoking the HEROES Act of 2003](#), the [Department of Education \(ED\)](#) announced a “one-time student loan debt relief” policy (the policy) “[to address the financial harms](#) of the [COVID-19] pandemic for low- and middle-income borrowers” that would have made available up to \$20,000 of loan cancellation benefits per individual to millions of federal student loan borrowers. On June 30, 2023, the Supreme Court [ruled](#) that the policy exceeded the Secretary of Education’s authority under the HEROES Act. In doing so, the Court precluded ED from granting student loan cancellation under the policy. This Insight describes the features of the planned policy. CRS Legal Sidebar LSB10997, *Supreme Court Invalidates Student Loan Cancellation Policy Under the HEROES Act*, summarizes the Supreme Court’s decision invalidating the policy.

This policy represented a departure from other types of student loan debt relief, which historically have been available to borrowers on a more targeted basis and typically provide relief to individuals for [fulfilling employment requirements](#), for repaying their loans according to an income-driven repayment plan, or following borrower hardships (e.g., total and permanent disability). These programs, to date, have provided relief to [hundreds of thousands of borrowers](#), and could ultimately provide relief to more. The Administration’s new policy was broader in scope and would have been available to [millions of borrowers](#) based on limited eligibility criteria.

The Policy

Approximately 45 million borrowers owe over \$1.6 trillion in federal student loan debt. Under the cancellation policy, the [Biden Administration planned](#) to cancel the following:

- up to \$10,000 in student loans for borrowers whose [adjusted gross income \(AGI\) in 2020 or 2021](#) was less than \$125,000 (for individuals or married borrowers who file federal income taxes separately), or \$250,000 (for married couples filing jointly, heads of households, or qualifying widow(er)s); borrowers enrolled in postsecondary education as

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dependent students between July 1, 2021, and June 30, 2022, would have been eligible for cancellation based on parental AGI; and

- an additional \$10,000, for a total of up to \$20,000, in student loans for borrowers who met the above criteria and received [at least one Pell Grant](#) in any amount at any point.

A borrower's cancellation benefit would have been capped at the amount of their outstanding debt. Borrowers who made voluntary payments on their loans during the COVID-19 payment pause and qualified for debt relief would have been eligible to automatically receive [refunds of those payments](#) in limited circumstances.

Cancellation benefits would have been available for ED-held loans and defaulted Federal Family Education Loan (FFEL) program loans held by guaranty agencies. (ED-held loans include those loans made under the Direct Loan program and those made under the FFEL or Perkins Loan programs that have been transferred to ED.) For the Direct Loan and FFEL programs, Subsidized Loans, Unsubsidized Loans, PLUS Loans made to graduate students or parents of dependent undergraduate students, and Consolidation Loans were eligible. In general, loans disbursed on or [before June 30, 2022, would have been eligible](#). Consolidation Loans would have been eligible if the underlying loans that were repaid by the Consolidation Loan were disbursed on or before June 30, 2022. Direct Consolidation Loans comprising any FFEL or Perkins Loan program loans not held by ED would have been eligible if the borrower applied for consolidation [before September 29, 2022](#). Borrowers with qualifying loans in any status (e.g., in school, repayment, default) would have qualified for the cancellation benefit if they met the income requirements.

For borrowers with multiple qualifying loans, ED developed the order in which it would have applied the cancellation benefit. Generally, benefits would have been applied first to defaulted loans and then to non-defaulted loans, with ED making allowances for whether a borrower had multiple defaulted or non-defaulted loans and taking into consideration the specific program (e.g., Direct Loan program) under which the loans were made. If a borrower had multiple loans within a program, ED would have applied the benefits considering the loans' interest rates (e.g., applying benefits to higher interest rate loans first), subsidy status (e.g., applying benefits to unsubsidized loans first), date of disbursement, and outstanding balance.

For borrowers with remaining loan balances after the cancellation benefit was applied, ED intended to recalculate their monthly payment based on their new balance, which might have reduced borrowers' monthly payments.

Policy Implementation

ED estimated that [nearly 8 million borrowers](#) were eligible to receive the benefit automatically, based on relevant income data already available to ED. Such borrowers would not have been required to take any action and were to be informed by ED of the debt relief they were to receive; borrowers would have had the opportunity to [opt out](#) of receiving the automatic debt relief. For borrowers for whom ED did not have relevant income data, ED launched an [online application](#). For a short time, ED [accepted and processed applications](#), but in light of the lawsuits challenging ED's authority to effectuate the policy, [ED stopped accepting applications](#) and ultimately never cancelled any amount of student loan debt under the policy.

Estimated Impact of the Policy on Borrowers

The Biden Administration estimated that

- [over 40 million borrowers](#) would have been eligible for some amount of relief under the policy;

- [about 27 million student](#) loan borrowers would have been eligible to receive up to \$20,000 in cancellation benefits; and
- [about 20 million borrowers](#) would have had the full balance of their loans cancelled.

The Administration has also released analyses of the characteristics of borrowers who might have received relief under the policy [by age and income](#) and [by state](#).

Administration's Planned Next Steps

Hours after the Supreme Court's decision precluding ED from cancelling student loans under the policy, the Biden Administration [announced](#) it was beginning the [negotiated rulemaking process](#) to consider providing federal student loan cancellation under asserted authority under [Section 432\(a\)](#) of the Higher Education Act. Details of the scope of this rulemaking are currently unavailable, but ED has indicated that the first step in the rulemaking process—a virtual public hearing—is scheduled for [July 18, 2023](#).

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