

# NAACP<sup>®</sup>

## **What Black People Need to Know About Biden's New Student Loan Debt Relief Plan**

**National Association *for the* Advancement of Colored People**

4805 Mt Hope Drive • Baltimore MD 21215-3297 • 410.580.5777 • 877.622.2798 • [naacp.org](http://naacp.org)



**Derrick Johnson**

*President and  
Chief Executive Officer*

**Prepared by: Ivory A. Toldson, Ph.D. & Ashley L. White, Ph.D., NAACP Education Innovation and Research**

The cost of higher education is skyrocketing, while the opportunity for grants and other funding continues to decline. As a result, more students have no choice but to turn to loans to pay for postsecondary education, which often leaves them with unmanageable debt at the beginning of their adult lives; making the likelihood of economic prosperity and generational wealth even more unattainable for our nation's most historically marginalized individuals and communities.

This is especially true for Black borrowers because the racial wealth gap means they are more likely to need loans and less likely to have the financial resources to repay them. Further, the higher percentage of Black people residing in urban areas, where the cost of living is ever-increasing, greatly reduces the relative value and return on degrees earned and the acquired debt. Therefore, student loan forgiveness serves as a valuable resource for Black people seeking relief from their student loan debt.

On August 24, 2022, the Biden administration announced a new Student Loan Debt Relief Plan. This plan promises debt forgiveness for those who meet certain qualifications. However, there are some things that Black people need to know about this plan to maximize their benefits and mitigate potential threats. This toolkit explains what Black people need to know to benefit from Biden's Student Loan Debt Relief Plan.

**Background on the Student Loan Debt Relief Plan**

On August 24, 2022, President Biden promised to cancel \$10,000 of student debt for all borrowers who earn less than \$125,000 annually and \$20,000 for borrowers who received the Pell Grant in college and also earn less than \$125,000 annually. The \$10,000 and \$20,000 figures are based on data from the Federal Reserve that suggests that about 75% of student loan borrowers would have their debt forgiven.

Many civil rights organizations, including the NAACP, made student loan cancellation a top priority because the racial wealth gap is exacerbated by student loan debt. While White families maintain approximately 10 times the wealth of the average Black family, Black households carry significantly more student loan debt than White households. President Biden's plan would provide much-needed relief for Black people who are struggling to repay their student loans.



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The NAACP believes that, at least, \$50,000 should be forgiven because of the racial wealth gap. In 2016, the net worth of a typical White family was \$171,000, while the net worth of a typical Black family was \$17,100. The median debt for Black college graduates is \$23,400, which is 84% higher than the median debt for White college graduates.

Broad forgiveness of student loans has the potential to close the racial wealth gap. The administration's plan could provide immediate relief for Black borrowers who are struggling to repay their student loans. Granting twice as much in relief to borrowers with Pell Grants was a positive development and extends President Biden's original campaign promise. According to the Department of Education, 40% of Black people left college with more than \$30,000 in student loan debt. Roughly 75% of HBCU graduates relied on Pell Grants to finance their education.

**The following resources provide information about the background and context of the Student Loan Debt Relief Plan:**

- [Biden's Student Loan Debt Relief Plan](#)
- [The Biden-Harris Administration's Student Debt Relief Plan Explained](#)
- [Remarks by President Biden Announcing Student Loan Debt Relief Plan](#)

**Applying for Upcoming Student Loan Debt Relief & How to Apply through the Current Student Loan Forgiveness Plan**

The White House said borrowers can apply for student loan debt cancellation this fall and receive relief within four to six weeks. The process will be automatic for about 8 million borrowers with federal student loans who already have income information on file with the Department of Education. Others will have to submit an application, which will be available in October.

Borrowers are advised to apply before November 15 to receive relief before the repayment pause expires, but the Department of Education will continue to process applications even after the pause expires. Department of Education Secretary Miguel Cardona indicated that the process will be much simpler than the current system for enrolling in income-driven repayment plans. To receive updates about federal student loan forgiveness directly from the Department of Education, [subscribe](#) to their newsletter on this topic.

**Types of qualifying loans.** The types of loans that qualify for loan forgiveness are undergraduate loans, graduate loans, and Parent PLUS loans managed by the Department of Education. Private student loans are not eligible for forgiveness. If you are not sure what type of loans you have, contact your loan servicer.



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**Income requirements.** To qualify for loan forgiveness, your income must be less than \$125,000 a year for an individual or less than \$250,000 a year for couples. If your income has fluctuated during the pandemic, you can use either 2020 or 2021 income to qualify.

**Loan balance requirements.** The amount of loan forgiveness you are eligible for will depend on your loan balance and how much you have paid off. If you have made any payments during the pandemic, those will be deducted from your loan balance. For example, if you owe \$10,000 in loans and you have paid \$2,000 during the pandemic, you will be eligible for up to \$8,000 in loan forgiveness. If you have a Parent PLUS loan, you can still qualify for loan forgiveness as long as you consolidate your loans first.

**Before applying for partial loan forgiveness through Biden's plan, you should determine your eligibility to have all of your loans forgiven through the Public Service Loan Forgiveness Program.** The Public Service Loan Forgiveness Program is a federal program that forgives the remaining balance on your Direct Loans after you have made 120 qualifying monthly payments under an eligible repayment plan while working full-time for an eligible employer.

Eligible employers include:

- any government organization at any level (federal, state, local, or tribal)
- a not-for-profit organization that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code
- a not-for-profit organization that provides certain types of public services.

**The following resources provide information about how to apply for loan forgiveness:**

- PSLF Help Tool: [PSLF Help Tool](#)
- Apply for Public Service Loan Forgiveness: <https://studentaid.gov/>
- Reviewing Accounts and Filing Complaints Regarding PSLF: <https://studentaid.gov/feedback-center/>

### **Mitigating Threats to the Student Loan Debt Relief Plan**

The legal justification for Biden's Student Loan Debt Relief Plan came from the HEROES Act. The Act gave the Secretary of Education broad authority to grant relief from student loan requirements during periods of national emergencies, such as the COVID-19 pandemic. However, there is some question as to whether the Student Loan Debt Relief Plan will be subject to legal challenges. To resist legal challenges to this very important initiative, Black people should sign up for updates from the [NAACP](#) and other civil rights organizations. In addition, Black people should contact their representatives in Congress and urge them to support the Student Loan Debt Relief Plan.



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In addition, the Student Loan Debt Relief Plan could be defunded by a republican congress. To resist an attempt to defund this program, Black people should remain informed about the positions of individuals running for congress, especially leading up to mid-term elections. Many people running for the U.S. House of Representatives and Senate have already made their position on student loan forgiveness clear. Black people should support candidates who have committed to protecting and expanding the Student Loan Debt Relief Plan.

**The following resources provide information about how to resist attempts to eliminate or reduce loan forgiveness and the rights of the federal government to cancel student loan debt:**

- [NAACP: Power Your Vote](#)
- [Congress: Find Your Member](#)
- [NAACP: Voter Turn Our Volunteer](#)
- [The Secretary's Legal Authority for Debt Cancellation](#)
- [Use of the HEROES Act of 2003 to Cancel the Principal Amounts of Student Loans](#)

### **Summary and Conclusion**

The Student Loan Debt Relief Plan has the potential to close the racial wealth gap because Black families are more likely to have student loan debt and less likely to have the resources to repay it. However, the Student Loan Debt Relief Plan could provide immediate aid for Black borrowers who are struggling to repay their student loans. The process for applying for the Student Loan Debt Relief Plan will be available in October and borrowers are advised to apply before November 15. The Department of Education will continue to process applications even after the pause expires. The Student Loan Debt Relief Plan is an important step toward closing the racial wealth gap, but it is only a first step. Black people must continue to fight for economic justice to ensure that all members of our community can prosper.