

March 19, 2020

## **JOINT STATEMENT: STUDENT BORROWER ADVOCATES PRAISE SENATE DEMOCRATS' PLAN TO CANCEL FEDERAL STUDENT DEBT**

The 20 undersigned community, civil rights, consumer, and student advocacy organizations applaud the Senate Democrats' student debt cancellation [proposal](#). The [plan](#) will take decisive action to get immediate and impactful relief to millions of Americans. It will enable many economically distressed borrowers to focus on their own personal safety and that of others, while also freeing up extra dollars they can use to put back into the economy.

Unlike the plan announced by the Trump Administration, this proposal will also strengthen the finances of student loan borrowers and their families over the long term by ensuring that tens of millions of borrowers come out of this crisis with lighter debt burdens. As many as [one in three student loan borrowers](#) will be completely debt free under this proposal.

In response to the COVID-19 pandemic and its devastating economic impact, it's crucially important to include federal student loan debt cancellation as a part of any economic stimulus. The proposal from Senate Democrats would do just that, and accomplishes several crucial objectives:

- In the short term, the government would end any offsets of tax refunds, Social Security and other federal and state payments, and immediately cease seizure of wages to collect on defaulted federal student loans. It would also ensure that any stimulus checks that are sent to families to address the economic fallout of the coronavirus pandemic are not seized to repay defaulted student loans.
- The federal government would establish a program to make principal and interest payments on outstanding federal student loans throughout the duration of this crisis.
- When the program ended, if a borrower had not received a minimum of \$10,000 in student debt cancellation, the difference would be cancelled.

This proposal is a smart and effective way to free up cash for Americans in the short term. Many of the most economically distressed borrowers are in default on their student loans and have already experienced--or are in immediate danger of--seizure of their federal income tax refunds by the government. Ensuring that these borrowers receive their tax refunds (which often include the [Earned Income Tax Credit](#) and the Child Tax Credit) would put more cash in their pockets at a time when they need it the most.<sup>1</sup> This would help borrowers shoulder the costs of food, supplies, and medications if they, like many workers, face layoffs or smaller paychecks (due to reduced hours or slower business) because of the pandemic. And at a time when there are increasing reports of student loan servicers [shuttering call centers](#) or [reducing capacity](#), student

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<sup>1</sup> [Voices of Despair: Student Borrowers Trapped in Poverty When Government Seizes Their Earned Income Tax Credit](#), National Consumer Law Center (March 2018), [https://www.nclc.org/images/pdf/student\\_loans/voices-of-despair.pdf](https://www.nclc.org/images/pdf/student_loans/voices-of-despair.pdf).

loan cancellation would ensure there is less need for borrowers to take time out of their days to chase down their servicers and try and secure changes to or help on their student loans.<sup>2</sup>

The student debt cancellation outlined in this proposal would also [boost the economy for everyone](#) in the medium-to-long term. It would boost GDP by up to \$108 billion a year, and add up to 1.5 million jobs per year.<sup>3</sup> Research by the National Bureau of Economic Research [shows](#) that federal student debt cancellation increases borrowers' incomes by about \$3,000 over a three year period.<sup>4</sup>

Even before the COVID-19 pandemic, the United States was facing a student debt crisis: outstanding student debt surpasses \$1.6 trillion, over 9 million borrowers are in default on their student loans, and another borrower goes into default every [26 seconds](#).<sup>5</sup> The burden of default falls particularly hard on communities of color.<sup>6</sup> Black students must borrow at higher rates and in larger amounts due to racial inequities in incomes and wealth.<sup>7</sup> Three million Americans over the age of 60 still have student debt. More than [40,000](#) people over 65 are having their Social Security payments, tax refunds, or other government payments garnished because they have fallen behind on their student loan payments.<sup>8</sup> According to a Consumer Financial Protection Bureau ("CFPB") [Snapshot report](#), older borrowers are more likely than those without outstanding student loans to report that they have skipped necessary health care needs such as

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<sup>2</sup> The Student Borrower Protection Center (@theSBPC), Twitter (Mar 18, 2020, 10:55 AM), <https://twitter.com/theSBPC/status/1240290783544180742> ("As more student loan companies shutter their doors to protect their workforce from the ongoing pandemic, it is critical we provide the necessary relief to borrowers who now have nowhere to turn. The Secretary must cancel payments for all borrowers during this crisis."); and FedLoans (@myFedLoan) Twitter (Mar 16, 2020, 9:51 PM), <https://twitter.com/MyFedLoan/status/1239731039758622720> ("Hi there, deleted to provide better clarity. We are still accepting phone calls during standard hours of operation. Only some of our escalated call center locations will close in compliance w/ Pennsylvania Gov. Wolf's directive").

<sup>3</sup> Jillian Berman, *Canceling \$1.4 trillion in student debt could have major benefits for the economy*, MarketWatch (February 2017), <https://www.marketwatch.com/story/canceling-14-trillion-in-student-debt-could-have-major-benefits-for-the-economy-2018-02-07>.

<sup>4</sup> Marco Di Maggio, Ankit Kalda & Vincent Yao, *Second Chance: Life without Student Debt* (March 2020), <https://www.nber.org/papers/w25810>.

<sup>5</sup> *New Data Show Student Loan Defaults Spiked in 2019 – A Warning to Industry and DeVos Amid Economic Fallout*, The Student Borrower Protection Center (March 13, 2020), <https://protectborrowers.org/every-26-seconds/>.

<sup>6</sup> *Quicksand: Borrowers of Color & the Student Debt Crisis*. Center for Responsible Lending, UnidosUS, the Leadership Conference Education Fund, the National Association for the Advancement of Colored People (NAACP), and the National Urban League (July 2019), <https://www.responsiblelending.org/research-publication/quicksand-borrowers-color-student-debt-crisis>.

<sup>7</sup> Huelsman, Mark. *The Debt Divide: The Racial and Class Bias Behind the "New Normal" of Student Borrowing*. Demos (May 19, 2015), <https://www.demos.org/research/debt-divide-racial-and-class-bias-behind-new-normal-student-borrowing>.

<sup>8</sup> Minda Zetlin, *3 Million Americans Over 60 Are Stuck With Student Loans. They Owe a Total of \$86 Million*, Inc (May 22, 2019), <https://www.inc.com/minda-zetlin/senior-citizens-student-loans-student-debt-social-security-garnished-irement.html>.

prescription medicines, doctors' visits, and dental care because they could not afford it.<sup>9</sup> Now more than ever, we must ensure that all Americans can prioritize their health and that of their neighbors. Student loan relief is an essential factor in making that possible, and this proposal will make it a reality.

We enthusiastically support this crucially important proposal.

Sincerely,

African American Ministers In Action  
Allied Progress  
American Federation of Teachers  
Americans for Financial Reform  
Center for American Progress  
Center for Responsible Lending  
Consumer Action  
Demos  
Generation Progress  
National Association of Consumer Advocates  
National Association of Consumer Bankruptcy Attorneys (NACBA)  
National Consumer Law Center (on behalf of its low-income clients)  
People For the American Way  
PHENOM (Public Higher Education Network of Massachusetts)  
Public Citizen  
Student Action  
Student Borrower Protection Center  
Student Debt Crisis  
Tennessee Citizen Action  
Young Invincibles

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<sup>9</sup> *Snapshot of older consumers and student loan debt*, Consumer Financial Protection Bureau: Office for Students and Young Consumers, (January 2017), [https://files.consumerfinance.gov/f/documents/201701\\_cfpb\\_OA-Student-Loan-Snapshot.pdf](https://files.consumerfinance.gov/f/documents/201701_cfpb_OA-Student-Loan-Snapshot.pdf).