

July 15, 2020

The Honorable Nancy Pelosi
Speaker of the House
United States House of Representatives
H-232 The Capitol
Washington, DC 20515

The Honorable Kevin McCarthy
Republican Leader
United States House of Representatives
H-204 The Capitol
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
317 Russell Senate Office Building
Washington, DC 20510

The Honorable Chuck Schumer
Democratic Leader
United States Senate
322 Hart Senate Office Building
Washington, DC 20510

Dear Speaker Pelosi, Majority Leader McConnell, Republican Leader McCarthy, and Democratic Leader Schumer:

The 103 undersigned community, civil rights, consumer, and student advocacy organizations urge you to insist on student debt cancellation for all borrowers during negotiations over the next coronavirus relief package.

The existing burden of the student debt left 45 million Americans even less prepared to weather the economic crisis triggered by the coronavirus pandemic. This burden weighs especially heavy on communities of color. Black graduates, for example, owe on average \$7,400 more on student loans than their white counterparts.¹ Additionally, women hold two-thirds of the country's student debt and on average borrow \$3,000 more than men to attend college—yet because of the wealth and wage gap, women find it harder to repay their loans.² Research shows that Americans with high student debt burdens pay nearly \$30,000 in hidden costs across other financial products, including mortgages, credit cards, and auto loans.³ Left unaddressed, the student debt trap will deepen our current recession, exacerbate inequality, widen the racial wealth gap, and slow our economic recovery.

While we appreciate the support that Congress provided to student borrowers through H.R. 748, the CARES Act, the bill left out an estimated 9 million federal student loan borrowers with either

¹ Freedom to Prosper. "Resources." 2020. <https://www.freedomtoprosper.org/resources/>

² National Women's Law Center. "Higher Education, Recession, and COVID-19: What Students and Student Borrowers Need from a Federal Stimulus Package." April 2020. <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2020/04/COVID-Stimulus-and-Higher-Ed-Factsheet.pdf>

³ Student Borrower Protection Center and Credit Builders Alliance. "Data Point: The Secret Price of Student Debt." May 2020. <https://protectborrowers.org/wp-content/uploads/2020/05/The-Secret-Price-of-Student-Debt.pdf>

commercially-held FFEL loans or Perkins loans.⁴ In addition, the CARES Act measures have proven difficult to administer and insufficient given the scale of the crisis. Suspending student loan payments has further exposed the problems in student loan servicing and debt collection. Although the CARES Act was supposed to protect borrowers' credit, at least one student loan servicer illegally provided inaccurate information on nearly 5 million borrowers to the credit bureaus, who then reported this information to third parties.⁵ As a result, borrowers saw their credit scores drop and, in some cases, lost access to affordable credit.⁶ In addition, the Education Department has been sued for garnishing 54,000 borrowers' wages in the middle of a pandemic.⁷ But even if the CARES Act had been implemented perfectly, student loan borrowers would still face a daunting debt burden when their payments resume on October 1. Proposals to extend this relief beyond September 30 are an important start but are not enough.

Student debt cancellation offers a much more effective solution than short-term payment suspension alone, and the House of Representatives took a step forward in H.R. 6800, the Heroes Act, when it provided \$10,000 in student debt cancellation. Unfortunately, a last-minute change to the bill limited that assistance to only "economically distressed" borrowers, defined as those in default, delinquent, in forbearance, under certain kinds of deferral, or who would qualify for a \$0 payment in an income-driven repayment (IDR) plan as of March 12, 2020. This limitation excludes 25 million Americans -- more than half of all borrowers.⁸ It would exclude those in economic distress as a result of the coronavirus crisis, such as those laid off due to the pandemic, as well as struggling low-income borrowers who make small, non-zero payments on an IDR plan, such as those paying only \$20 per month.⁹

As Congress works to pass another coronavirus relief package, we call on you to fight for *student debt cancellation that helps all borrowers*. Removing limitations based on economic distress would not only avoid unfair cutoffs but also ease administration.

⁴ Michael Calhoun and Ashley Harrington. "The next COVID-19 relief bill must include student loan cancellation." Brookings Institution. 3 June 2020.

<https://www.brookings.edu/research/the-next-covid-19-relief-bill-must-include-student-debt-cancellation/>

⁵ Michael Stratford. "Loan servicer's error hits 5M borrower credit reports." Politico. 21 May 2020.

<https://www.politico.com/newsletters/morning-education/2020/05/21/loan-servicers-error-hits-5m-borrower-credit-reports-787802>

⁶ Berger Montague. "Great Lakes, Equifax, TransUnion, and Experian Sued for Damaging Millions of Student Loan Borrowers' Credit, Mishandling Pandemic Relief." 20 May 2020.

<https://bergermontague.com/news/great-lakes-equifax-transunion-and-experian-sued-for-damaging-millions-of-student-loan-borrowers-credit/>

⁷ Michael Stratford. "DeVos sued for seizing student loan borrowers' wages during pandemic." Politico. 1 May 2020.

<https://www.politico.com/news/2020/05/01/devos-sued-for-seizing-student-loan-borrowers-wages-during-pandemic-228519>

⁸ Michael Stratford. "House Democrats scale back student debt relief plan over cost concerns." Politico Pro. 14 May 2020.

<https://subscriber.politicopro.com/education/article/2020/05/house-democrats-scale-back-student-debt-relief-plan-over-cost-concerns-1936835>

⁹ Americans for Financial Reform. "Joint Statement: Narrowing Student Debt Cancellation in Heroes Act Leaves Out Millions." 14 May 2020.

<https://ourfinancialsecurity.org/2020/05/joint-statement-narrowing-student-debt-cancellation-in-heroes-act-leaves-out-millions/>

We further urge you to provide *student debt cancellation at a level that meets the scale of the problem*. We applaud the 31 Members of Congress, led by Reps. Ayanna Pressley, Ilhan Omar, and Alma Adams, who have pushed for at least \$30,000 in student debt cancellation¹⁰ and the 15 Members of Congress who have cosponsored Rep. Omar’s legislation for full student debt cancellation.¹¹ This is a time to be bold. Sixty-three percent of Americans support permanently reducing student loan debt by at least \$20,000.¹² In the context of this pandemic, more student debt cancellation means more economic stimulus.

As Congress directs funds to corporations, small businesses, and individuals, immediate debt relief for 45 million borrowers and their families should be an essential part of our coronavirus response. A 2018 Levy Economics Institute report found that student debt cancellation would boost GDP and job creation while reducing unemployment, producing economic gains that help mitigate its budgetary cost.¹³ Another study shows that federal student debt cancellation -- even for borrowers who were not paying monthly -- makes drastic changes in their lives, increasing borrowers' incomes, enabling them to pay down other debts, and increasing both geographic mobility and their ability to pursue better jobs.¹⁴

Black and brown communities have been hit hardest by the devastating health and economic consequences of this crisis, just as they were most impacted by the Great Recession a decade ago. At the same time, student debt disproportionately impacts Black and brown borrowers. Black students borrow at higher rates due to a history of exclusionary policies that have resulted in persistent racial inequities in incomes and wealth. Black borrowers that entered college in 2004 have defaulted at a rate more than three times higher than similar white borrowers on their student debt.¹⁵ Almost half of Black graduates owe more on their undergraduate student loans four years after graduation than they did when they received their degree, compared to 17% of

¹⁰ Reps. Ayanna Pressley, Ilhan Omar, Alma Adams, et al. Letter to Speaker Pelosi and Minority Leader McCarthy. 8 May 2020.

<https://pressley.house.gov/sites/pressley.house.gov/files/Covid%204%20Debt%20Cancellation%20Letter.pdf>

¹¹ [H.R. 3448](#), Student Debt Cancellation Act of 2019

¹² Center for Responsible Lending. “New Bipartisan Poll Shows Strong Support for Student Loan Debt Cancellation During COVID-19 Pandemic.” 12 May 2020.

<https://www.responsiblelending.org/media/new-bipartisan-poll-shows-strong-support-student-loan-debt-cancellation-during-covid-19>

¹³ Scott Fullwiler, Stephanie Kelton, Catherine Ruetschlin, and Marshall Steinbaum. “The Macroeconomic Effects of Student Debt Cancellation.” Levy Economics Institute of Bard College. February 2018.

http://www.levyinstitute.org/pubs/rpr_2_6.pdf

¹⁴ Marco Di Maggio, Ankit Kalda, and Vincent Yao. “Second Chance: Life without Student Debt.” National Bureau of Economic Research. March 2020. <https://www.nber.org/papers/w25810>

¹⁵ Judith Scott-Clayton. “The looming student loan default crisis is worse than we thought.” Brookings Institution. 11 January 2018.

<https://www.brookings.edu/research/the-looming-student-loan-default-crisis-is-worse-than-we-thought/>

white graduates.¹⁶ Of Latinx borrowers in repayment on their student loans, 15% were in default and another 29% were seriously delinquent on their payments.¹⁷

The evidence is clear. Including student debt cancellation as part of our coronavirus response would put borrowers and their families on better financial footing, provide an immediate economic boost, advance racial equity, relieve strain on other federal and state programs, and accelerate recovery.

The need is urgent. Student loan borrowers are approaching a cliff when payment suspension ends on September 30. We ask you to make student debt cancellation a priority as Congress works to support families and boost our economy. Thank you for your leadership during this crisis.

Sincerely,

National Groups:

20/20 Vision
Action Center on Race and the Economy
Alianza Nacional de Campesinas
Allied Progress
American Association of University Women (AAUW)
American Federation of Teachers
Americans for Financial Reform
Asian Pacific American Labor Alliance, AFL-CIO
Bend the Arc: Jewish Action
Campaign for America's Future
Center for Digital Democracy
Center for Economic Integrity
Center for Justice & Democracy
Center for Responsible Lending
Center for Law and Social Policy
Clearinghouse on Women's Issues
Color of Change
Consumer Federation of America
Consumer Reports
The Debt Collective
Demand Progress
Democracy for America

¹⁶ Center for Responsible Lending, The Leadership Conference Education Fund, NAACP, National Urban League, and UnidosUS. "Quicksand: Borrowers of Color & the Student Debt Crisis." September 2019. <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-quicksand-student-debt-crisis-jul2019.pdf>

¹⁷ Demos. "Latinos, Student Debt, and Financial Security." 26 October 2016. <https://www.demos.org/research/latinos-student-debt-and-financial-security>

Demos
Dream Corps
Economic Opportunity Institute
The Education Trust
Empowering Pacific Islander Communities (EPIC)
Feminist Majority Foundation
Freedom to Prosper
Generation Progress
Greenpeace USA
Habitat for Humanity
Hildreth Institute
Indivisible
Laotian American National Alliance
The Leadership Conference on Civil and Human Rights
NAACP
National Association of Consumer Advocates
National Association of Consumer Bankruptcy Attorneys (NACBA)
National Center for Law and Economic Justice
National Consumer Law Center (on behalf of its low-income clients)
National Education Association
National Equality Action Team (NEAT)
National Hispanic Media Coalition
National Network for Youth
National Urban League
National Women's Law Center
National Workrights Institute
National Young Farmers Coalition
THE ONE LESS FOUNDATION
Our Revolution
PCUN
People's Action
People's Parity Project
PFLAG National
Progressive Change Campaign Committee
Progressive Democrats of America
Protect All Children's Environment
Public Citizen
Public Justice Center
Public Law Center
Rebuild The Dream
Sikh American Legal Defense and Education Fund (SALDEF)
Social Security Works
Student Action
Student Borrower Protection Center
Student Debt Crisis

Tax March
Young Invincibles

State and Local Groups:

AKPIRG

Arkansas Community Institute
Arkansas Community Organizations
CAFE Montgomery MD
California Association of Nonprofits
CASH Campaign of Maryland
Center for Charlotte Legal Advocacy
Central Florida Jobs with Justice
Convencion Bautista Hispana de Texas
Delaware Community Reinvestment Action Council, Inc.
East Bay Community Law Center
Equality North Carolina
Georgia Watch
Indivisible San Diego District 53
Just-A-Start Corporation
Lawrence CommunityWorks
Little Rock Branch NAACP
North Carolina Justice Center
North Carolina Council of Churches
Maryland Consumer Rights Coalition (MCRC)
Massachusetts Affordable Housing Alliance
Missouri Faith Voices
Montana Organizing Project
New Georgia Project
New Jersey Citizen Action
New Jersey Tenants Organization
NextGen California
Pennsylvania Council of Churches
PHENOM (Public Higher Education Network of Massachusetts)
Tennessee Citizen Action
Tzedek DC
Virginia Organizing
Wisconsin Faith Voices for Justice
The Women's Resource of Greater Houston