



Biden under pressure to extend student loan freeze, cancel debts

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Pressure is building on President Joe Biden to address the failures in the student loan system and cancel billions of dollars in debt before the pause on student loan payments expires at the end of September.

Democrats and progressive organizations have warned that resuming student loan payments could blunt the economic recovery and are calling on Biden to provide ongoing relief to borrowers before federal student loan payments resume.

Last week, a group of 46 Democrats, led by Sens. Elizabeth Warren of Massachusetts and Chuck Schumer of New York and Reps. Ayanna Pressley of Massachusetts and Joe Courtney of Connecticut, sent a letter to President Biden urging him to extend relief for student borrowers for another six months through March 2022 or until the economy reaches pre-pandemic levels of unemployment—whichever is longer.

"The United States faces a historic student debt crisis, with many of the nearly 43 million Americans with student loans being crushed under almost \$1.6 trillion in debt," the lawmakers wrote. "We urge you to act quickly to extend the current pause on payments and interest so that borrowers are not penalized and student debt payments do not drag down the pace of our economic recovery."

Restarting student loan payments would not only harm borrowers, the Democrats argued. It would also create challenges for loan servicers and the Department of Education, who would have to recalculate rates for borrowers whose employment status or incomes changed.

Sen. Warren used the upcoming deadline to push for complete loan forgiveness. "President Biden should cancel student debt, but in the meantime he should extend the payment pause so

that borrowers aren't hurt," she wrote. Warren has previously pushed Biden to unilaterally cancel up to \$50,000 in student debt per borrower.

Senate Majority Leader Schumer argued that Oct. 1 was "too soon" and that resuming payments at that time risked "putting millions of student borrowers back into financial hardship."

On Monday, he reiterated his message at a Brookings Institution event, urging Biden to extend the loan payment freeze and cancel \$50,000 in debt "with the flick of a pen."

"There's never been a better time to take action," Schumer said. "And I promised that I'll keep pushing the Biden administration to do it."

Before the pandemic, at least 1 million borrowers defaulted on their student loans every year and more than 11% were 90 days or more behind on their payments. Lawmakers expressed concern that ending the pause could create a wave of student loan defaults that could permanently affect borrowers.

The original pause took effect after the March 2020 signing of the CARES Act to prevent a cascade of defaults. All federally-owned student loan payments were put on hold and interest rates were set to zero. All collection activities against borrowers who were already behind on payments were also suspended.

The order was extended twice under former President Donald Trump and once by President Biden on his first day in office.

Some critics argued that the dire economic conditions that existed when the pause was enacted and extended no longer exist, particularly for individuals with a college education, and that lawmakers are conflating the issues of a freeze and debt forgiveness.

"The freeze was enacted because we thought we were facing economic catastrophe," said Neal McCluskey, the director of the Cato Institute's Center for Educational Freedom. "But when we see unemployment among college graduates almost back to where it was [pre-pandemic] and college graduates having by far the lowest unemployment rate of any group based on education level, it's hard to see a justification for continuing it."

The unemployment rate for college graduates was 3.2% in May, more than twice as low as it was for high school graduates. College graduates held three times as much of the \$1.6 trillion student loan debt as those who attended but did not complete college and have been shown to have higher lifetime earning potential.

The pressure on Biden to extend the loan relief is also coming from outside groups who view pause as an opportunity to reform the student loan system. A group of 128 organizations led by the Student Borrower Protection Center, signed a letter last week urging Biden not to resume student loan payments until he made good on his campaign pledge to "fix the broken student loan system and cancel federal student debt."

"Before we throw tens of millions of borrowers back into the system, we need to fix what was broken about it," said Seth Frotman, executive director of the Student Borrower Protection Center (SBPC). "That's why payment pause needs to be extended, to allow that critical work to happen."

The letter, which was signed by top unions, student advocacy groups and others, went beyond calls for blanket forgiveness and cited examples of existing student loan relief programs that are virtually impossible to access.

The Public Service Loan Forgiveness program was authorized by Congress to provide debt relief for anyone who served for ten years in the military, or in public sector or nonprofit jobs like firefighters, police officers, teachers and nurses. That program has a 98% denial rate, according to the SBPC, meaning millions of people who served are denied the benefits they were promised.

The income-driven repayment plans program is another forgiveness program that can lower monthly payments based on income and amortize debts after 25 years. Out of 4 million qualifying low-income borrowers, only 32 people successfully navigated the federal government's income-driven repayment plans over the last 14 years, according to the National Consumer Law Center.

"These are borrowers who did everything right. They served in the military ten years, served in their communities and the law recognizes they should have their loans forgiven," Frotman emphasized. "What most people want is a fair shake to get what they're entitled to under the law."

It's unclear what steps President Biden will take to either extend the student loan freeze or address broader student debt relief issues. Earlier this month, Secretary of Education Miguel Cardona told lawmakers that the administration was "continuing conversation" about the best time for borrowers to restart payments.

During the presidential campaign, Biden pledged to forgive \$10,000 in student loan debt for every borrower and make college more affordable. He also said he would expand the Public Service Loan Forgiveness program, to allow \$10,000 in debt relief to anyone who worked in a public-sector or nonprofit job for at least five years.

During his first months in office, Biden canceled roughly \$1 billion in student debt for borrowers who were defrauded by their colleges. He canceled another \$1.3 billion in debt held by borrowers who were permanently disabled.

Under pressure from progressives, the White House announced the Department of Education to study the president's authority to unilaterally cancel up to \$50,000 in student debt. That was almost three months ago and the White House has been relatively quiet about student loan reforms since.

Biden's pace has been slower and his actions more measured than some members of his party have demanded. Neither the \$1.9 trillion American Relief Plan or President Biden's \$6 trillion 2022 budget included any explicit student loan relief, though his budget requested funding for two years of free community college. That has raised questions about whether it's still a priority.

"The political optics may not look very good of forgiving debt for people with college degrees who tend to be doing the best economically," McCluskey noted. "I think many people would perceive forgiveness of student debt as benefiting those people who don't need assistance, or at least, don't need it as badly as other groups."

Critics have argued that canceling student debt would be regressive and would require taxpayers of all education levels to pay for the personal benefits accrued to individuals with a college education.

The progressive Roosevelt Institute recently released a report asserting that the largest portion of debt cancellation dollars would go to people with the least wealth under the Warren-Schumer debt cancellation plan. The group also asserted it would work to close the racial wealth gap.

According to the Department of Education, the 15-month student loan pause has provided \$72 billion in relief. Much of the money that was not spent on student debt was reinvested into the economy, with borrowers paying down other debts and buying goods to support themselves and their families during the pandemic.