

Congress of the United States
Washington, DC 20510

December 8, 2021

President Joseph R. Biden
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear President Biden:

We write to bring to your attention alarming new information we have received about the impact of the resumption of federal student loan payments in February 2022.¹ A new analysis, prepared at our request by experts from the Roosevelt Institute, found that the resumption of federal student loan payments—which is scheduled to occur 55 days from today when the coronavirus disease 2019 (COVID-19) payment moratorium ends—will strip more than \$85 billion from approximately 18 million American families over the next year.² In order to prevent the student debt crisis from dragging down on our economic recovery, undermining the effectiveness of the American Rescue Plan,³ and causing unnecessary pain and stress for American families, we strongly urge you to extend the pause on student loan payments and interest and act to cancel student debt.

Prior to the COVID-19 payments pause, student loan borrowers paid an average of \$393 per month toward their student loans – money that could not be spent on their families’ other needs.⁴ These payments hurt individual families and the economy as a whole and will have a significant negative effect if the administration ends the payment pause as scheduled. According to the Roosevelt Institute analysis:

The retained income [from the student loan payment pause] directly improved the economic security of borrowers and injected necessary consumer spending across communities during the pandemic, complementing the monetary and fiscal policies intended to prevent the American economy from slipping into an unnecessarily long recession. According to our calculations, if the Biden administration chooses to resume collection on student loan payments,

¹ U.S. Department of Education, “Biden Administration Extends Student Loan Pause Until January 31, 2022,” press release, August 6, 2021, <https://www.ed.gov/news/press-releases/biden-administration-extends-student-loan-pause-until-january-31-2022>.

² Roosevelt Institute, Letter to Senators Warren and Schumer from Ali Bustamante, November 29, 2021, [Letter on file with the Office of Senator Elizabeth Warren].

³ CNBC, “Struggling student loan borrowers may miss out on big part of child tax credit,” Annie Nova, October 8, 2021, <https://www.cnbc.com/2021/10/08/some-student-loan-borrowers-may-miss-out-on-part-of-child-tax-credit.html>.

⁴ Roosevelt Institute, Letter to Senators Warren and Schumer from Ali Bustamante, November 29, 2021, [Letter on file with the Office of Senator Elizabeth Warren].

approximately \$7.12 billion a month and \$85.48 billion annually will be stripped from 18,125,800 student loan borrowers' budgets.⁵

The pause on federal student loan payments, interest, and collections has improved borrowers' economic security, allowing them to invest in their families, save for emergencies, and pay down other debt.⁶ Restarting payments without cancelling student debt will undermine these families' economic progress.

Moreover, according to the Roosevelt analysis, "Black and Latinx households would feel a disproportionate negative impact from resuming student loan payments. Borrowers of color typically borrow more for college expenses than their white counterparts while also holding significantly less wealth."⁷ Twenty years after starting college, the median Black borrower still owes 95% of their loans, compared to only 6% for the median white borrower.⁸ These significant disparities contribute to the racial wealth gap.

Recent survey data reveals that even among borrowers who are fully employed, 89% are not financially secure enough to be prepared for student loan payments to resume.⁹ More than a quarter of borrowers will be spending at least a third of their income on student loan payments when payments resume, and one in ten will see half their income go to their student loans.¹⁰ Nearly nine in ten borrowers (88%) said that the student loan payment pause has been critical to their financial well-being during the pandemic.¹¹

Furthermore, more than 9 million borrowers were in default on their student loans before the payment pause began; if payments and collections on these loans resume in February, these borrowers could see their wages garnished and tax refunds withheld.¹² This would be disastrous for struggling borrowers and undermine the effectiveness of the President's economic policies, including the Child Tax Credit.¹³ A disproportionate number of borrowers in default are low

⁵ *Id.*

⁶ Wall Street Journal, "A Year Without Student-Loan Payments," Amber Burton and Julia Carpenter, March 20, 2021, <https://www.wsj.com/articles/a-year-without-student-loan-payments-11616252402>.

⁷ Roosevelt Institute, Letter to Senators Warren and Schumer from Ali Bustamante, November 29, 2021, [Letter on file with the Office of Senator Elizabeth Warren].

⁸ Brandeis University Institute on Assets and Social Policy, "Stalling Dreams: How Student Debt is Disrupting Life Chances and Widening the Racial Wealth Gap," Laura Sullivan, Tatjana Meschede, Thomas Shapiro, and Fernanda Escobar, September 2019, <https://heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/stallingdreams-how-student-debt-is-disrupting-lifechances.pdf>.

⁹ Student Debt Crisis Center, "Survey: Huge majority of student loan borrowers not financially secure enough to resume payments," <https://studentdebtcrisis.org/student-debt-covid-survey-4/>.

¹⁰ *Id.*

¹¹ *Id.*

¹² Washington Post, "Education Department to halt collection of defaulted student loans, refund \$1.8 billion," Danielle Douglas-Gabriel, March 24, 2020, <https://www.washingtonpost.com/education/2020/03/24/student-loans-collection-coronavirus/>.

¹³ National Consumer Law Center, "Protect Tax Refunds from Offset and Garnishment: Preserve Stimulus Payments, Earned Income Tax Credits, and Child Tax Credits for Suffering Families," February 2021, https://www.nclc.org/images/pdf/special_projects/covid-19/IB_Protect_Tax_Refunds.pdf.

income, people of color, first generation college students, veterans, student parents, students with disabilities, and borrowers who did not complete college.¹⁴

The emergence of the Omicron variant is a reminder the virus is still impacting parts of the economy and public health.¹⁵ Additionally, the federal student loan system is facing a number of crucial transitions, with major loan servicers leaving the program and remaining servicers adapting their operations to meet higher standards for performance and accountability.¹⁶ As the Roosevelt Institute analysis shows, restarting student loan payments will exacerbate the economic challenges facing millions of families.

This data does show, however, that a comprehensive solution is needed: the cancellation of up to \$50,000 of student debt would relieve an enormous burden from borrowers while pumping billions of dollars per year back into our national economy. The Roosevelt Institute analysis concluded that:

Based on our analysis, we recommend that the Biden administration should take the lessons learned from the student loan payment pause and implement a full cancellation of student debt via executive order. Cancellation has the potential to add \$173.83 billion (in 2020 dollars) to the nation's GDP the first year after implementation—and billions more over time. Now, more than ever, student loan cancellation is a good—and necessary—economic policy. Student debt has fueled the racial wealth gap and suppressed economic growth long enough. Cancellation isn't a panacea, but it can direct our economy toward equitable and inclusive growth.¹⁷

The authors of the analysis are correct, and we strongly urge you to act without delay. In the meantime, we strongly urge you to extend the pause on student loan payments, interest, and collections until the economy reaches pre-pandemic employment levels. Thank you for your attention to this important matter.

Sincerely,

¹⁴ Center for American Progress, “The Forgotten Faces of Student Loan Default,” Colleen Campbell, October 16, 2018, <https://www.americanprogress.org/issues/education-postsecondary/news/2018/10/16/459394/forgotten-facesstudent-loan-default/>.


¹⁵ CNN, “Omicron poses 3 major threats to the US economy, says Jerome Powell,” David Goldman, November 29, 2021, <https://www.cnn.com/2021/11/29/economy/omicron-jerome-powell/index.html>.

¹⁶ Washington Post, “Navient to exit federal student loan servicing,” Danielle Douglas-Gabriel, September 28, 2021, <https://www.washingtonpost.com/education/2021/09/28/navient-exits-federal-student-loan-servicing/>.

¹⁷ Roosevelt Institute, Letter to Senators Warren and Schumer from Ali Bustamante, November 29, 2021, [Letter on file with the Office of Senator Elizabeth Warren].



Elizabeth Warren
United States Senator



Charles E. Schumer
United States Senator



Ayanna Pressley
Member of Congress