

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

The Honorable Kevin McCarthy
Minority 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
Minority Leader
United States Senate
322 Hart Senate Office Building
Washington, DC 20510

April 13, 2020

Dear Speaker Pelosi, Majority Leader McConnell, Minority Leader McCarthy, and Minority Leader Schumer:

The 69 undersigned community, civil rights, consumer, and student advocacy organizations thank you for taking swift action to pass the CARES Act to begin to grapple with the ongoing economic fallout caused by the coronavirus. However, much more must be done to ensure that student loan borrowers and the economy recover when this crisis ends. We urge you to include student debt cancellation in the next coronavirus package, and for those who will still have federal student debt, to extend suspension of those payments through March 2021.

We are concerned about the increasingly grim predictions we hear about the state of our economy. Without a comprehensive long-term solution, the CARES Act suspension of federal student loans for eighty percent of borrowers merely kicks the problem down the road to this fall, when jobless claims are predicted to exceed Great Depression-era levels, and the financial crisis will have severely deepened. The president of the Federal Reserve Bank of St. Louis, James Bullard, predicted the U.S. unemployment rate may hit 30% in the second quarter, a level five percent greater than was reached during the Great Depression.¹² Goldman Sachs is projecting a record-breaking 24 percent drop in GDP for the second quarter of 2020, and that the world economy is expected to contract by 1 percent this year—which would be a greater

¹ James Bullard, *Expected U.S. Macroeconomic Performance during the Pandemic Adjustment Period*, Federal Reserve Bank of St. Louis (March 2020), <https://www.stlouisfed.org/on-the-economy/2020/march/bullard-expected-us-macroeconomic-performance-pandemic-adjustment-period>.

² Jeffry Bartash, *The soaring U.S. unemployment rate could approach Great Depression-era levels*, Marketwatch (April 2020), <https://www.marketwatch.com/story/the-soaring-us-unemployment-rate-could-approach-great-depression-era-levels-2020-04-03>.

worldwide contraction than the one following the 2008 financial crisis.³ And the downturn is expected to last well beyond this year: Morgan Stanley predicts that GDP in developed markets won't return to pre-virus levels until the third quarter of 2021.⁴

The student debt relief in the CARES Act fails to address this looming economic crisis. First, the six-month suspension on federally-held federal student loans leaves out an estimated one in five borrowers who owe on commercially-held FFEL loans or Perkins loans. Second, even for the eighty percent of borrowers who benefit from a six-month suspension, many will face the daunting prospect starting in October of choosing between paying for necessities including food, medical care, and rent, or making their student loan payment.

The next stimulus package must take the necessary steps to ensure economic recovery down the line: this means federal student debt cancellation, so the hardest hit don't struggle, and an extended federal student loan payment suspension that is expanded to all borrowers to at least March 2021, so those who will continue to have payments will have more breathing room to get back on their feet. Without taking these additional steps, the CARES Act sets up millions of federal student loan borrowers to face the daunting prospect of trying to find the means to pay their student loans in the middle of economic devastation.

Cancelling federal student debt would bring impactful relief to 43 million Americans and their families.⁵ Loan cancellation would provide the greatest benefit to many struggling low-income borrowers who would likely see their debt extinguished.⁶ For those who would still have a balance, suspending payments until the end of the year would prevent them from facing yet another financial shock when the CARES Act federal student loan suspension expires in October. An extended payment suspension would enable many economically distressed borrowers to focus on recovering from a once-in-a-lifetime national emergency and free up extra dollars to inject into the economy. It would 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.

³ Simon Kennedy, *30% GDP drop: Morgan Stanley joins Goldman Sachs in upping estimates of coronavirus economic pain*, Fortune (March 2020),

<https://fortune.com/2020/03/20/coronavirus-economic-predictions-goldman-sachs-recession-gdp-2q-2020/>

⁴ David Goodman, *World Economy Faces \$5 Trillion Hit That's Like Losing Japan*, Bloomberg (April 2020),

<https://www.bloomberg.com/news/articles/2020-04-08/world-economy-faces-5-trillion-hit-that-is-like-losing-japan>.

⁵ Federal Student Aid, *Portfolio Summary*,

<https://studentaid.gov/sites/default/files/fsawg/datacenter/library/PortfolioSummary.xls>.

⁶ *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>

In response to the COVID-19 pandemic and its devastating economic impact, it is crucially important to include student loan debt cancellation as a part of any economic stimulus. We support the proposals that Senate and House Democrats have put forward to cancel student debt by establishing a program to make principal and interest payments on outstanding federal student loans throughout the duration of this crisis. Such a program would ensure that loan balances go down throughout the duration of the crisis, putting millions of households in a better position to deal with the long-term economic fallout this crisis will create. We also support the Student Debt Emergency Relief Act by Representatives Ayanna Pressley and Ilhan Omar to cancel a minimum of \$30,000 in federal student loans.⁷

Cancelling student debt would ensure that borrowers are able to shoulder the ongoing 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 student loan servicers are [shuttering call centers](#) or [reducing capacity](#), student 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.⁸

Reports show that cancelling student debt 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.⁹ 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.¹⁰

Even before the COVID-19 pandemic, the United States was facing a student debt crisis: outstanding student debt surpassed \$1.6 trillion, over 9 million borrowers were in default on their

⁷ Representative Ayanna Pressley, *Reps. Pressley & Omar Introduce Bold Plan to Cancel Student Debt Amidst COVID-19 Pandemic* (March 2020), <https://pressley.house.gov/media/press-releases/rep-pressley-omar-introduce-bold-plan-cancel-student-debt-amidst-covid-19>.

⁸ 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").

⁹ Jillian Berman, *Cancelling \$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>.

¹⁰ Marco Di Maggio, Ankit Kalda & Vincent Yao, *Second Chance: Life without Student Debt* (March 2020), <https://www.nber.org/papers/w25810>.

federal student loans, and another borrower goes into default every [26 seconds](#).¹¹ The burden of default falls particularly hard on communities of color.¹² Black students must borrow at higher rates and in larger amounts due to racial inequities in incomes and wealth.¹³ 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.¹⁴ Three million Americans over the age of 60 still have student debt. More than [40,000](#) people over 65 have their Social Security payments, tax refunds, or other government payments offset or garnished because they have fallen behind on their student loan payments.¹⁵ 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 prescription medicines, doctors' visits, and dental care because they could not afford it.¹⁶

Now more than ever, we must ensure that all people prioritize their health and economic wellbeing and that of their families and neighbors. Federal student debt cancellation is an essential factor in making that possible, and we strongly urge you to include this relief in the next COVID-19 package.

Sincerely,

National organizations:

AFSCME
Allied Progress

¹¹*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/>.

¹² *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>.

¹³ Mark Huelsman, *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>.

¹⁴ *Higher Education, Recession, and COVID-19: What Students and Student Borrowers Need from a Federal Stimulus Package*, National Women's Law Center (April 2020), <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2020/04/COVID-Stimulus-and-Higher-Education-Factsheet.pdf>

¹⁵ Minda Zetlin, *3 Million Americans Over 60 Are Stuck With Student Loans. They Owe a Total of \$86 Billion*, Inc (May 22, 2019), <https://www.inc.com/minda-zetlin/senior-citizens-student-loans-student-debt-social-security-garnished- retirement.html>.

¹⁶ *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.

American Federation of Teachers
Americans for Financial Reform
Association of Young Americans (AYA)
Center for Digital Democracy
Center for Economic Integrity
Center for Justice & Democracy
Center for Law and Social Policy (CLASP)
Center for Responsible Lending
Center for Survivor Agency and Justice
Consumers for Auto Reliability and Safety
Demos
Disability Rights Education & Defense Fund (DREDF)
Economic Opportunity Institute
The Education Trust
EMPath
Hildreth Institute
NAACP
National Association of Consumer Advocates
National Association of Consumer Bankruptcy Attorneys (NACBA)
National Center for Transgender Equality
National Consumer Law Center (on behalf of its low-income clients)
National Women's Law Center
The Midas Collaborative
OCA - Asian Pacific American Advocates
Public Citizen
Public Justice Center
Public Law Center
Student Action
Student Borrower Protection Center
Student Debt Crisis
Young Invincibles

State and local groups:

ACTION - Allied Communities of Tulsa Inspiring Our Neighborhoods
Alaska PIRG
Arkansans Against Abusive Payday Lending
Arkansas Community Organizations
Bucks County Women's Advocacy Coalition
Charlotte Center for Legal Advocacy
Convencion Bautista Hispana de Texas
Delaware Community Reinvestment Action Council, Inc.
East LA Community Corporation

Fairbanks Climate Action Coalition
Faith Action Network - Washington State
Georgians Against Predatory Lending
Habitat for Humanity of Anderson County, TN
Just-A-Start Corporation
Lawrence CommunityWorks
Maine Center for Economic Policy
Maryland Consumer Rights Coalition
Massachusetts Affordable Housing Alliance
Massachusetts Education Justice Alliance
Michigan League for Public Policy
Michigan Poverty Law Program
Montana Organizing Project
New Jersey Citizen Action
New Jersey Tenants Organization
NextGen California
PathWays PA
Pennsylvania Council of Churches
PHENOM (Public Higher Education Network of Massachusetts)
Project LIFT
SC Appleseed Legal Justice Center
Tennessee Citizen Action
Tzedek DC
Virginia Citizens Consumer Council
VOICE OKC
Wisconsin Faith Voices for Justice
WV Citizen Action Group