

Administrative Student Debt Relief

Sponsored by Majority Leader Charles E. Schumer (D-NY) and Senator Elizabeth Warren (D-MA)

The United States is facing [historic public health and economic crises](#) caused by the pandemic, but long before the pandemic, the United States also faced a historic student debt crisis, with more than 40 million Americans crushed under [more than \\$1.6 trillion in federal student loan debt](#).

Flat wages, labor market discrimination, and rising costs of living have [made it impossible](#) for many individuals to ever fully repay their student loans. Today, [more than 9 million borrowers](#) are currently in default, and student loans have [much higher rates of delinquency](#) than any other type of household debt. This ever-growing crisis has prevented millions from being able to [start a small business, buy a home, or even finish college](#).

A crisis of this magnitude requires bold action. This bicameral resolution outlines a bold plan for President Biden to tackle the student loan debt crisis by using [existing legal authority](#) under the Higher Education Act to cancel up to \$50,000 in student loan debt for Federal student loan borrowers. This resolution:

- 1) Recognizes the Secretary of Education's broad administrative authority to cancel up to \$50,000 in Federal student debt, [using the modification and compromise authority Congress has already granted the Secretary](#) in law.
- 2) Directs the IRS and Treasury to prevent debt cancellation from resulting in a tax bill for borrowers, and
- 3) Directs coordination across the executive branch to overcome any budgetary or legal challenges.

This comprehensive executive action should cover other forms of student debt relief, including: an extension of the COVID-19 student loan payment, interest, and collections pause (if necessary); better implementation of public service loan forgiveness; relief for borrowers filing for bankruptcy; and relief for disabled borrowers, defrauded borrowers, and borrowers who attended failed for-profits colleges. This executive action would give tens of millions of Americans and our entire economy [an immediate economic boost](#) and improve racial equity by closing the racial wealth gap. President Biden could make this a reality today, correcting a policy failure that's harming a generation.

Administrative Student Debt Cancellation Improves Racial Equity:

Black and Brown communities, which have been hit hardest by the health and economic consequences of the pandemic, [disproportionately](#) shoulder the burden of student loan debt. The average Black borrowers still owe [more than 100% of their loan balance](#) even 12 years after college and experience [higher rates of default](#). Black students are on average nearly 20 percentage points [more likely to take out federal student loans](#) and [half of Black borrowers and a third of Latinx borrowers default](#) on their loans within 12 years. Cancelling student debt would substantially [increase Black and Latinx household wealth, help close the racial wealth gap](#), and help them avoid default.

Administrative Student Debt Cancellation Stimulates the Economy:

The student debt crisis left tens of millions of Americans unprepared for the recession triggered by the pandemic. In today's struggling economy, the student debt crisis acts like an anchor, preventing a swift recovery and restricting opportunity and prosperity for millions of American families.

Cancelling student debt is the single most effective executive action available to provide [massive consumer-driver stimulus](#), providing relief to millions who are struggling during this recession. Doing so will result in greater home-buying rates and housing stability, expanded access to more affordable financial products, higher college completion rates, [higher incomes and increased geographic mobility](#), [job creation and higher GDP](#), and greater small business formation.

Administrative Student Debt Cancellation Has Widespread Support: Student debt cancellation [is popular](#). Over [325 civil rights, climate, health, labor, consumer rights, and student organizations signed a letter](#) in support of administrative debt cancellation, including American Federation of Teachers, National Education Association, The Education Trust, Hispanic Federation, NAACP, National Urban League, UnidosUS, League of United Latin American Citizens (LULAC), Minority Veterans of America, National Women's Law Center, SEIU, the American Psychological Association, Sunrise Movement, the United States Student Association, and Young Invincibles.