

July 28, 2020

Senator Mitch McConnell
Majority Leader
United States Senate

Senator Chuck Schumer
Minority Leader
United States Senate

Senator Lamar Alexander
Chairman
Health, Education, Labor, & Pensions
United States Senate

Senator Patty Murray
Ranking Member
Health, Education, Labor, & Pensions
United States Senate

Dear Leader McConnell, Leader Schumer, Chairman Alexander, and Ranking Member Murray:

We write on behalf of the 56 undersigned organizations advocating for students and student loan borrowers in response to the Safely Back to School and Back to Work Act. Although simplifying the FAFSA and establishing clear repayment options are worthy goals, this legislation would actually penalize many borrowers and remove important protections, while ignoring the urgent needs for both student loan debt cancellation and, at the very least, extension and expansion of the automatic forbearance period put in place by the CARES Act.

As Chairman Alexander rightly noted in floor remarks on July 21, the CARES Act's automatic forbearance period--a crucial baseline of support for most student loan borrowers in repayment--is set to expire at the end of September. Unfortunately, provisions offered in lieu of extended forbearance offer little in the way of direct relief for Americans facing the most pressing financial distress.

The burden of student debt is a pressing equity issue for Black and Latino Americans; this is also a women's equity issue. Black graduates borrow at higher rates because of a history of racially exclusionary policies that have resulted in persistent racial inequities in incomes and wealth. On average, Black borrowers owe \$7,400 more on student loans than their white counterparts.¹ Of Latino borrowers in repayment on their student loans, 15% were recently in default and another 29% were seriously delinquent on their payments.² Black Americans and Latino Americans have also been disproportionately affected by both the public health and negative economic consequences of the Covid-19 pandemic.³ In addition, women hold two-thirds of the country's student debt and on average

¹ J. Scott-Clayton and J. Li, "Black-White Disparity in Student Loan Debt More than Triples after Graduation," Brookings, October 20, 2016. Retrieved from <https://www.brookings.edu/research/black-white-disparity-in-student-loan-debt-more-than-triples-after-graduation/>.

² Demos, "Latinos, Student Debt, and Financial Security," October 26, 2016. Retrieved from <https://www.demos.org/research/latinos-student-debt-and-financial-security>.

³ J. Gramlich and C. Funk, "Black Americans Face Higher COVID-19 Risks, are More Hesitant to Trust Medical Scientists, Get Vaccinated," Pew Research Center, June 4, 2020. Retrieved from <https://www.pewresearch.org/fact-tank/2020/06/04/black-americans-face-higher-covid-19-risks-are-more-hesitant-to-trust-medical-scientists-get-vaccinated/>.

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.⁴

Given that the current health and economic crisis has no end in sight, Congress should provide real relief for student borrowers and work to strengthen borrower protections, not roll them back. Instead of allowing already limited relief to lapse, Congress should pass legislation that extends the repayment pause for at least one year, expands eligibility for this repayment suspension to include 2020 graduates and the 9 million borrowers left out by the CARES Act,⁵ and includes more meaningful relief for borrowers during the pandemic through student debt cancellation.

The provisions from the Chairman’s proposal mirror many solutions for borrowers that already exist. Today, direct loan borrowers have an income-driven repayment (IDR) option that can set payments at 10% of discretionary income and as low as \$0 per month. Simply trimming the number of repayment options will not ease the debt burden put on so many Americans by historic disinvestment in higher education, and in fact could exacerbate it if borrowers are forced into more expensive payment plans.

We are also deeply concerned about other provisions of the bill, including those that:

1. Require borrowers to pay more each month than they would owe on the standard repayment plan, even though borrowers enrolled in income-based repayment (IBR) or Pay As You Earn (PAYE) repayment plans are currently protected from paying extra.
2. Allow collection to restart for 9 million defaulted borrowers, including the seizure of wages and Social Security benefits, without providing any additional relief to those borrowers in distress.
3. Extend by an additional five years the repayment period (from 20 to 25 years) for graduate student borrowers now enrolled in the IBR plan for new borrowers after 2014 or the PAYE repayment plan.
4. Make changes to the maximum income exclusion of 150% of the federal poverty level by phasing it out for some borrowers—adding complexity to the system—without addressing the need to raise the maximum in order to cover basic necessities in many parts of the country.
5. Exclude Parent PLUS loan borrowers, especially given the intergenerational nature of the student debt crisis.⁶
6. Make Public Service Loan Forgiveness harder to achieve by penalizing borrowers in the program who would lose credit for payments to date. This provision would effectively reset the clock for PSLF borrowers changing from the income-driven repayment plan to the standard plan.
7. Count, without exception, spousal income when calculating monthly payments.

⁴ National Women’s Law Center, “Higher Education, Recession, and COVID-19: What Students and Student Borrowers Need from a Federal Stimulus Package,” April 2020. Retrieved from <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2020/04/COVID-Stimulus-and-Higher-Ed-Factsheet.pdf>.

⁵ T. Habash, “The CARES Act Leaves Behind Millions of Student Loan Borrowers,” Student Borrower Protection Center, March 27, 2020. Retrieved from <https://protectborrowers.org/the-cares-act-leaves-behind-millions-of-student-loan-borrowers/>.

⁶ K. Terrell, “Across Generations, Struggles With Student Loan Debt,” AARP, September 2018. Retrieved from <https://www.aarp.org/money/credit-loans-debt/info-2018/student-loan-debt-across-generations.html>.

We share a concern for borrowers' ability to access affordable repayment options when the payment suspension eventually ends. However, removing repayment options--without improving options that remain and extending them to all borrowers--will not solve that problem. To the contrary, doing so in the midst of an ongoing public health and economic crisis will only hurt millions of already-struggling borrowers. We instead recommend implementing mechanisms such as auto-enrolling borrowers in IDR if they become delinquent after the repayment suspension ends and providing a \$0 payment level until their 2020 tax-year income tax information is available. These steps would ensure that payment calculations are based on the most accurate income information.

Any modification should be paired with retroactive action cancelling loan balances and freeing capital for millions of people being held back by their student loan debts. As economic analysis has demonstrated, broad student loan debt forgiveness would both provide additional financial security to millions of borrowers and enable them to invest in homes, businesses, their families, and the nation's economic recovery.⁷

To better support student borrowers, our organizations and others will continue to advocate for needed structural reforms. In the present crisis, however, we urge you and your colleagues to take urgently needed action that relieves the real financial fears faced by millions of students and student borrowers during this unprecedented time of public health and economic emergency. Doing so requires extending and expanding automatic forbearance, strengthening Public Service Loan Forgiveness and income-driven repayment options, and enacting real student loan debt relief for millions of Americans.

Thank you for your continued leadership and commitment to our nation's students.

Sincerely,

Americans for Financial Reform
Center for Responsible Lending
National Consumer Law Center (on behalf of its low-income clients)
Student Borrower Protection Center
Young Invincibles

Joined by:

Action Center on Race & the Economy (ACRE)
American Association of University Women (AAUW)
American Federation of Teachers
Augustus F. Hawkins Foundation
Bucks County Women's Advocacy Coalition
Center for Economic Integrity

⁷ S. Fullwiler, S. Kelton, C. Ruetschlin, & M. Steinbaum, *The Macroeconomic Effects of Student Debt Cancellation*, Levy Economics Institute, Bard College, February 2018. Retrieved from http://www.levyinstitute.org/pubs/rpr_2_6.pdf.

Center for Law and Social Policy (CLASP)
Clearinghouse on Women's Issues
Consumer Action
Consumer Federation of America
Consumer Federation of California
Consumer Reports
Convención Bautista Hispana de Texas
Daybreak in Alabama
Delaware Community Reinvestment Action Council, Inc.
East Bay Community Law Center
Education Reform Now
The Education Trust
Feminist Majority Foundation
Florida Alliance for Retired Americans
Friends of the Earth U.S.
Friendship of Women, Inc.
Generation Progress
Heather Jarvis, Student Loan Expert LLC
Hildreth Institute
Housing and Economic Rights Advocates
Legal Aid Society of Milwaukee, Inc.
National Alliance for Partnerships in Equity (NAPE)
National Association of Consumer Bankruptcy Attorneys (NACBA)
National Association of Social Workers
National Education Association
National Urban League
New York Public Interest Research Group (NYPIRG)
PHENOM (Public Higher Education Network of Massachusetts)
Project on Predatory Student Lending
Public Citizen
Public Justice Center
Public Law Center
SC Appleseed Legal Justice Center
Southeast Asia Resource Action Center (SEARAC)
Student Debt Crisis
Tax March
THE ONE LESS FOUNDATION
The Women's Resource of Greater Houston
Tzedek DC
U.S. Public Interest Research Group (PIRG)
United Way of Southern Cameron County
UnKoch My Campus
VOICE-OKC

Watsonville Law Center
Wisconsin Faith Voices for Justice