

# New NCLC, CRL Report Proposes Roadmap for Student Borrowers to Survive the COVID Debt Crisis

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WASHINGTON, D.C. – Today, the Center for Responsible Lending (CRL) and the National Consumer Law Center (NCLC) released a policy report illustrating a path out of the student debt crisis and proposing solutions for a more equitable and efficient higher education system. *Road to Relief: Supporting Federal Student Loan Borrowers During the COVID-19 Crisis and Beyond* lays out a roadmap with four recommendations for policymakers to provide substantial relief to student borrowers as they navigate the COVID-19 public health crisis and recession, allowing them to emerge with greater financial stability. Nearly all of the proposed actions can be done through executive action and build on the campaign promises of President-Elect Biden. **The report is available at:** <https://bit.ly/Road-to-Relief-Student-Debt>

“The time to cancel student debt and provide student borrowers with significant relief is now. Short-term payment suspension alone will not help struggling borrowers who have lost their jobs or who were already in default or serious delinquency before the public health crisis started,” said **CRL Federal Advocacy Director and Senior Counsel Ashley Harrington**. “Communities of color are bearing a disproportionate burden from COVID-19 and its economic fallout – as they had during the Great Recession and other crises. For many, especially Black and Latino borrowers, repayment has been too onerous and too long, preventing them from achieving financial security even under normal circumstances. To address our current recession and stimulate economic recovery, we urge President-Elect Biden to immediately follow these simple steps and prevent further financial devastation for vulnerable borrowers and communities.”

“The student loan system was broken long before the pandemic hit, disproportionately strapping borrowers of color, women, and veterans with \$1.6 trillion in unaffordable debt. Now these same communities are hit the hardest by the devastating impact of COVID-19,” said **Persis Yu, director of the National Consumer Law Center’s Student Loan Borrower Assistance Project**. “The federal government must stop borrowers from continuing to drown in student loan debt caused by a system that has been inequitable and broken for decades. Abusive debt collection practices seize critical funds, such as Social Security and the Earned Income Tax Credit, and with no time limit on collection these practices can follow borrowers to the grave. This report gives President-Elect Biden the roadmap needed to clear the books by implementing widespread debt cancellation and provide all student loan borrowers with an affordable path forward.”

Specifically, the policy report recommends:

- **Across-the-board debt cancellation.** All federal student loan borrowers (including PLUS loan borrowers and those with commercially- or institutionally held loans) should have their balances reduced. This ensures that the benefits of cancellation reach the most vulnerable borrowers and spurs economic recovery.

- **Clearing the books of bad debts.** After cancellation, the federal government should clear the books of debts currently held by borrowers that have been in repayment for longer than 15 years, debts that have been in default for 3 or more years, and debts held by borrowers who have been receiving federal means-tested benefits for 3 or more years.
- **Restoring limitations on collections.** Federal student loans should have common-sense consumer protection standards. Guardrails should include a statute of limitations, preventing the seizure of the Earned Income Tax Credit and Social Security benefits, limitations on the amount that can be seized, and limits on how long creditors can involuntarily collect. Student loans should also be dischargeable in bankruptcy.
- **Making repayment truly affordable and budget-conscious.** All borrowers on an income-driven repayment (IDR) plan or more than 30 days delinquent at the end of the COVID-19 pandemic should be auto-enrolled in a new IDR plan, the Affordable Budget-Conscious (ABC) repayment plan, that sets monthly payments based on no more than 8% of discretionary income above 250% of the poverty line.