

President Biden's Order Canceling Federal Student Loan Debt Will Bring Transformational Relief to Millions

August 24, 2022

Today, in response to President Biden's announcement on student debt cancellation, advocates at the National Consumer Law Center issued the following statements:

"Today's announcement of widespread debt cancellation with additional debt relief for those from low-income households promises transformational relief to tens of millions of low-income families and people of color who have borne the brunt of the nation's student debt crisis and broken student loan system," **said Abby Shafroth, Director of the National Consumer Law Center's Student Loan Borrower Assistance Project.** "For many borrowers, today's action will mean they can finally be freed from their single largest financial liability and a relentless source of financial stress. It will allow them to imagine a future when they can build savings, a positive net worth, and a better life for themselves and their families instead of being perpetually indebted to the government."

"Now, the government must deliver by making sure that all eligible borrowers, and particularly the most vulnerable, get the relief they have been promised," **Shafroth added.** "Relief should be automatic, without requiring people to jump through hoops, for all Pell Grant recipients, as well as all people the Administration can readily identify as financially distressed and unable to afford their loans, including those in default and those burdened by debt and no degree."

"For years, the student loan system has had numerous design flaws that led financially distressed borrowers to accrue excessive amounts of interest that has been capitalized over and over again, stopped borrowers from obtaining administrative relief, and resulted in many borrowers falling into default," **said Kyra Taylor, staff attorney at the National Consumer Law Center.** "The people suffering most profoundly from these errors are the borrowers who were in default before the pandemic and experienced devastating collections, such as wage and social security benefit garnishment—actions that pushed many further below the poverty level. Over 5 million borrowers who were in default or over 90 days delinquent before the pandemic began are now eligible to have their loans fully canceled and can breathe a huge sigh of relief today."

"Today we are celebrating, and tomorrow there will be more work to do," **said Alpha Taylor, staff attorney at the National Consumer Law Center.** "This relief is huge for the roughly 20 million people whose student loan debt may be wiped out completely, but we also know that many borrowers, including Black women who carry the heaviest student debt burdens, will continue to struggle with their remaining debt until the student loan system is fixed. We will continue to lift borrowers' voices and to work with the Administration to reform the student loan system—and particularly the broken income-driven repayment plans and punishing default policies—so that all borrowers can make meaningful progress toward being debt free."

Additional Resources:

- NCLC/CLASP Report: Disproportionately Impacted: Closing the Racial Wealth Gap through Student Loan Cancellation, Payment Reforms, and Investment in College Affordability (June 2022)

- NCLC/SBPC Report: Collection At All Costs: Examining the Intersection of Mass Incarceration and the Student Debt Crisis (July 27, 2022)
- Group letter calling on President Biden to cancel federal student debt immediately via executive action (May 27, 2022)
- Abby Shafroth, Op-Ed: "Limiting student loan relief by income sounds sensible - it is not" (The Hill, May 12, 2022)
- Leadership Conference on Civil and Human Rights, Civil Rights Principles for Student Loan Debt Cancellation (April 2021)
- NCLC & SBPC, Policy Brief: Education Department's Decades-Old Debt Trap: How the Mismanagement of Income-Driven Repayment Locked Millions in Debt (March 2021)
- NCLC & CRL, Policy Brief: Road to Relief: Supporting Federal Student Loan Borrowers During the COVID-19 Crisis and Beyond (Nov. 2020)