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## United States Senate

April 2, 2021

The Honorable Miguel Cardona  
Secretary of Education  
U.S. Department of Education  
400 Maryland Avenue, S.W.  
Washington, D.C. 20202

Dear Secretary Cardona:

I write to request information on the federal student loan portfolio and the impact that various debt cancellation proposals would have on student borrowers. Nearly 43 million student borrowers are currently struggling under more than \$1.5 trillion in federal student debt,<sup>1</sup> and the Department of Education (ED) has a crucial role to play in informing the public about the scale of this problem, and using its unique legal authorities to help borrowers. You have made several important decisions in recent weeks using these tools to help borrowers,<sup>2</sup> and I appreciate these efforts. But I believe the Department can do even more, and I therefore request that you provide urgent and crucial information on the scope of the student debt crisis and the impact that various student debt cancellation and reform proposals would have on student borrowers.

The burden of student debt is acting as a drag on our entire economy. High student debt is leading young people to delay buying homes<sup>3</sup> and preventing them from starting businesses.<sup>4</sup> It is not only young people who are affected: in 2016, almost 114,000 seniors had their Social Security benefits garnished for student loan debt.<sup>5</sup> Student debt is a significant contributor to the racial wealth gap. Black students are more likely to borrow to finance their education, borrow

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<sup>1</sup> Department of Education, Federal Student Aid Portfolio Summary,” 2020, <https://studentaid.gov/data-center/student/portfolio>.

<sup>2</sup> Department of Education, “Department of Education Announces Action to Streamline Borrower Defense Relief Process,” March 18, 2021, <https://www.ed.gov/news/press-releases/department-education-announces-action-streamline-borrower-defense-relief-process>; Department of Education, “Education Department Announces Relief for Student Loan Borrowers with Total and Permanent Disabilities During the COVID-19 Emergency,” March 29, 2021, <https://www.ed.gov/news/press-releases/education-department-announces-relief-student-loan-borrowers-total-and-permanent-disabilities-during-covid-19-emergency>.

<sup>3</sup> Federal Reserve Consumer & Community Context, “Can Student Loan Debt Explain Low Homeownership Rates for Young Adults?” Alvaro Mezzo, Daniel Ringo, and Kamila Sommer, January 2019, <https://www.federalreserve.gov/publications/files/consumer-community-context-201901.pdf>.

<sup>4</sup> Federal Reserve Bank Philadelphia, “The Impact of Student Loan Debt on Small Business Formation,” Brent W. Ambrose, Larry Cordell, and Shuwei Ma, July 2015, <https://www.philadelphiafed.org/the-economy/the-impact-of-student-loan-debt-on-small-business-formation>.

<sup>5</sup> Government Accountability Office, “Social Security Offsets: Improvements to Program Design Could Better Assist Older Student Loan Borrowers with Obtaining Permitted Relief,” December 19, 2016, <https://www.gao.gov/products/gao-17-45>.

larger amounts, and have more difficulty paying the debt off.<sup>6</sup> Twenty years after taking out their loans, the median white borrower has only 6% of their balance remaining, while the median Black borrower still owes 95% of their balance.<sup>7</sup>

The magnitude of this crisis has led to calls for student debt relief from across the political spectrum.<sup>8</sup> Experts have attempted to evaluate the potential effects of different proposals for student debt cancellation based on publicly available information.<sup>9</sup> However, ED has access to much more granular and timely information about the student debt portfolio than outside experts, including information on how the current pause on payments and interest during the coronavirus pandemic has affected the amount and status of debt held by student borrowers. ED is responsible for the administration of many different student loan programs, including the William D. Ford Federal Direct Loan (Direct Loan) program, the Federal Family Education Loan (FFEL) program, the Federal Perkins Loan program, the Health Education Assistance Loan (HEAL) program, and the Teacher Education Assistance for College and Higher Education (TEACH) Grant program. I am requesting information about how cancellation would affect borrowers in each of these programs.

In the past, both Democratic and Republican presidents have used their authority to modify or cancel student debt.<sup>10</sup> Most recently, under President Trump, ED exercised this authority by suspending payments and interest during the coronavirus pandemic.<sup>11</sup> Secretary DeVos cited the HEROES Act of 2003 as the source of her authority for that decision.<sup>12</sup>

This pause on student loan payments is currently scheduled to expire on September 30, 2021.<sup>13</sup> Restarting these payments will impose a significant burden on millions of borrowers still recovering from the COVID-19 pandemic and economic crisis. Debt cancellation is the first line

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<sup>6</sup> Demos, “The Debt Divide: The Racial and Class Bias Behind the ‘New Normal’ of Student Borrowing,” Mark Huelsman, May 19, 2015, <https://www.demos.org/research/debt-divide-racial-and-class-bias-behind-new-normal-student-borrowing>.

<sup>7</sup> Institute on Assets and Social Policy at Brandeis University, “Stalling Dreams: How Student Debt is Disrupting Life Chances and Widening the Racial Wealth Gap,” Laura Sullivan, Tatjana Meschede, Thomas Shapiro, and Fernanda Escobar, September 2019, <https://heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/stallingdreams-how-student-debt-is-disrupting-lifechances.pdf>.

<sup>8</sup> CNBC, “‘The fabric of America is being destroyed.’ Why this ex-Trump official says student debt needs to be canceled,” Annie Nova, November 3, 2019, <https://www.cnbc.com/2019/11/03/why-this-ex-trump-official-says-student-debt-needs-to-be-cancelled.html>.

<sup>9</sup> Roosevelt Institute, “Student Debt Forgiveness Options: Implications for Policy and Racial Equity,” Raphael Charron-Chenier, Louise Seamster, Tom Shapiro, and Laura Sullivan, August 2020, [https://rooseveltinstitute.org/wp-content/uploads/2020/08/RI\\_StudentDebtForgiveness\\_WorkingPaper\\_202008.pdf](https://rooseveltinstitute.org/wp-content/uploads/2020/08/RI_StudentDebtForgiveness_WorkingPaper_202008.pdf).

<sup>10</sup> U.S. Department of Education, “U.S. Department of Education Announces Final Regulations to Protect Students and Taxpayers from Predatory Institutions,” October 28, 2016, <https://www.ed.gov/news/press-releases/us-department-education-announces-final-regulations-protect-students-and-taxpayers-predatory-institutions>.

<sup>11</sup> U.S. Department of Education, “Secretary DeVos Extends Student Loan Forbearance Period Through January 31, 2021, in Response to COVID-19 National Emergency,” December 4, 2020, <https://www.ed.gov/news/press-releases/secretary-devos-extends-student-loan-forbearance-period-through-january-31-2021-response-covid-19-national-emergency>.

<sup>12</sup> *Id.*

<sup>13</sup> Washington Post, “After Biden request, Education Department extends pause on federal student loan payments through September,” Danielle Douglas-Gabriel, January 20, 2021, <https://www.washingtonpost.com/education/2021/01/20/biden-student-loan-payment-freeze-extension/>.

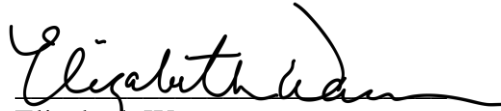
of defense against economic hardship for these borrowers; it is therefore essential that policy makers have full information about the state of the student loan portfolio and the effects of various cancellation proposals as soon as possible to inform decisions that must be made in the next few months.

In order to better evaluate the policy implications of various proposals for student debt cancellation and reform, I request answers to the following questions by April 8, 2021:

1. According to FSA's data, how many borrowers would have their debt burdens completely forgiven under plans to cancel \$10,000 of student debt, \$25,000 of student debt, and \$50,000 of student debt?
  - a. For each amount of debt cancellation (\$10,000, \$25,000, and \$50,000), please include the number of borrowers whose loans were in default or delinquent prior to March 2020 who would have their debt burdens completely forgiven.
  - b. For each amount of debt cancellation (\$10,000, \$25,000, and \$50,000), please identify the number of loans and amount of debt forgiven in the Direct Loan program, the FFEL program, the Federal Perkins Loan program, the HEAL program, and the TEACH Grant program, if those TEACH Grants have converted into loans.
  - c. If possible, please provide information on the racial and ethnic backgrounds of borrowers at each debt level.
  - d. If possible, please provide information on the average wealth or assets of borrowers at each debt level.
2. During the COVID-19 pandemic, ED has exercised its authority to modify or cancel student debt by waiving payments and interest. Among the amounts forgiven, what is the total value of student loan payments suspended during the pandemic to date? What is the total value of the interest waived on student loan payments?
3. How many borrowers have achieved cancellation through IDR or PSLF programs during the current pause on student loan payment?
4. For each program described in question 1(d) above, please provide the number of borrowers and the outstanding balance that have been in repayment for less than 5 years, 5-10 years, 10-15 years, 15-20 years, 20-25 years, and more than 25 years.
  - a. Of the outstanding balances in each of these categories, how much of the balance is interest, including capitalized interest?
  - b. What percentage of loans in each category were in default or more than 90 days delinquent before the current pause on student loan payment?
  - c. How many borrowers in each of these categories would receive full forgiveness under plans to cancel \$10,000, \$25,000, and \$50,000 of student debt?
5. Secretary DeVos requested a legal opinion on the Secretary's statutory authority to cancel, compromise, discharge, or forgive broad categories of student loans, which has

since been removed from ED's website.<sup>14</sup> Has ED prepared a new legal opinion or review? If so, please provide this opinion or review. If not, do you plan to prepare a new opinion?

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth Warren", with a long horizontal flourish extending to the right.

Elizabeth Warren  
United States Senator

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<sup>14</sup> US Department of Education Office of the General Counsel, "Memorandum to Betsy DeVos, Secretary of Education, Re: Student Loan Principal Balance Cancellation, Compromise, Discharge, and Forgiveness Authority," Reed Rubinstein, January 12, 2021, <https://web.archive.org/web/20210113182246/https://www2.ed.gov/about/offices/list/ope/ogcmemohealoans.pdf>.