



November 29, 2021

Dear Majority Leader Schumer and Senator Warren,

The US Department of Education paused federal student loan payments and collections from March 13, 2020, through January 31, 2022, based on a clear [understanding](#) that Americans “should not be forced to choose between paying their student loans and putting food on the table.”

However, as payments resume on February 1, so will the financial pressures of student loans. Due to structural inequalities and a fragile economy, millions of Americans will continue to face trade-offs between paying off their debt and affording basic necessities. Even in normal times, student loan payments [deepen existing racial wealth disparities](#) without any significant fiscal benefits. But after a severe recession, restarting student loan payments may also dampen our economic recovery.

Prior to the pause, student loan payments drained a monthly average of \$393 from student loan borrowers' budgets, reducing household disposable income and savings. The student loan payment pause allowed borrowers to retain their income when they needed it most, without any financial penalties such as accrued interest. The retained income directly improved the economic security of borrowers and injected necessary consumer spending across communities during the pandemic, complementing the monetary and fiscal policies intended to prevent the American economy from slipping into an unnecessarily long recession. According to our calculations, if the Biden administration chooses to resume collection on student loan payments, approximately \$7.12 billion a month and \$85.48 billion annually¹ will be stripped from 18,125,800 student loan borrowers' budgets.

¹ Sources: Federal Reserve Bank of New York Center for Microeconomic Data [Quarterly Report on Household Debt and Credit](#) and Board of Governors of the Federal Reserve System [Report on the Economic Well-Being of U.S. Households in 2020 - May 2021](#).

Methodology: (number of existing student loan borrowers x share of borrowers covered by student loan pause) - total borrowers behind on payments = total borrowers that are current and make student loan payments
(43,156,600 x 60%) - 7,768,200 = 18,125,800

Total borrowers that are current and make student loan payments x average monthly student loan payment = total potentially retained by student loan barriers

18,125,800 x \$393 = \$7.123 billion

Note: Some share of borrowers covered by the student loan payment pause may have continued to make payments despite the pause.



Importantly, Black and Latinx households would feel a disproportionate negative impact from resuming student loan payments. Borrowers of color typically [borrow more](#) for college expenses than their white counterparts while also holding significantly less wealth. Student debt cancellation can therefore directly decrease the racial wealth gap by reducing the debt burdens of those who carry the biggest loan balances—Black and Latinx borrowers. For example, [analysis](#) in a recent Roosevelt Institute issue brief shows that canceling up to \$50,000 of student loan debt per borrower would immediately increase the wealth of Black Americans by 40 percent.

Based on our analysis, we recommend that the Biden administration should take the lessons learned from the student loan payment pause and implement a full cancellation of student debt via executive order. Cancellation has the potential to add \$173.83 billion (in 2020 dollars) to the nation's GDP the first year after implementation—and billions more over time.²

Now, more than ever, student loan cancellation is a good—and necessary—economic policy. Student debt has fueled the racial wealth gap and suppressed economic growth long enough. Cancellation isn't a panacea, but it can direct our economy toward equitable and inclusive growth.

Sincerely,

Alí Bustamante

Deputy Director of Education, Jobs & Worker Power

² Based on simulation of a single-year \$85.476 billion increase in consumer spending across the entire economy using the REMI economic modeling platform and Keynesian controls with 2020 fixed dollars. Estimates are comparable with the first year estimates of the 10-year Moody's model simulation of real GDP (2016 dollars) resulting from student loan cancellation, from [The Macroeconomic Effects of Student Debt Cancellation](#).