

The Student Loan Debt Relief Act

House Majority Whip James E. Clyburn (D-SC) and Senator Elizabeth Warren (D-MA)

The student loan debt burden in the United States is a growing crisis. Currently, almost 45 million Americans hold over \$1.5 trillion in student loan debt, and nearly 7.2 million of these borrowers are in default, with more and more borrowers defaulting by the day.ⁱ Black and Latinx Americans face the worst effects of this crisis – with many Black borrowers still owing more than 100% of their loan balance even 12 years after graduating.ⁱⁱ Stagnant wages, labor market discrimination, and rising costs of living have made it nearly impossible for many individuals to ever fully repay their loans. As millions of American families continue to struggle, the country’s massive student debt burden is placing a drag on our entire economy by depressing home ownership rates, preventing people from starting businesses, and making it harder for people to finish college.ⁱⁱⁱ The country’s student debt crisis affects *all* of us.

In order to address this crisis, House Majority Whip James E. Clyburn and Senator Elizabeth Warren introduced the *Student Loan Debt Relief Act*, legislation to cancel student loan debt for 42 million Americans. This legislation will:

- Cancel up to \$50,000 in student loan debt for borrowers with \$100,000 or less in household gross income.
- Provide partial debt cancellation for each borrower with household gross income between \$100,001 and \$250,000 by reducing the cancellation amount by \$1 for every \$3 in income over \$100,000.
- Provide automatic cancellation using data already available to the federal government about household income and outstanding student loan debt.
- Allow private student borrowers to receive loan cancellation by converting their private student loans to federal student loans through student loan refinancing.
- Not treat canceled debt as taxable income.
- Provide a year-long freeze on: the collection of student loan payments and fees from borrowers; wage garnishment, tax return seizure, and social security garnishment by the federal government on troubled loans; and interest accrual on student loans while the debt cancellation is being implemented.
- Repair the credit of defaulted borrowers who have their loans discharged.
- Automatically refinance remaining federal student loans to the interest rates specified in the *Bank on Student Emergency Loan Refinancing Act* (S. 768/H.R. 1707).
- Allow borrowers to discharge their loans in bankruptcy, similar to the *Student Borrower Bankruptcy Relief Act of 2019* (S. 1414/H.R. 2648).

An independent economic analysis found that this legislation would substantially reduce both the Black-White and Latinx-White wealth gaps while increasing wealth for Black and Latinx families. Black families with student loan debt would see their wealth grow by about \$15,700, and Latinx families would see their wealth grow by over \$27,000. This legislation would also boost the economy through “consumer-driven economic stimulus, improved credit scores, greater home-buying rates and housing stability, higher college completion rates, and greater business formation.”^{iv}

The *Student Loan Debt Relief Act* is endorsed by AFL-CIO; AFSCME; American Federation of Teachers; Americans for Financial Reform; Asian Pacific American Labor Alliance, AFL-CIO; Association of Young Americans; Augustus F. Hawkins Foundation; Center for Law and Social Policy; Council for Opportunity in Education; CREDO Action; Demos; The Education Trust; HBCU Collective; the Leadership Conference on Civil and Human Rights; National Alliance for Partnerships in Equity; National Association for Equal Opportunity in Higher Education; National Association of Consumer Bankruptcy Attorneys; National Consumer Law Center (on behalf of its low-income clients); National Education Association; National Indian Education Association; People's Action; Progressive Change Campaign Committee; Public Citizen; Public Higher Education Network of Massachusetts; Service Employees International Union; Social Security Works; Southern Poverty Law Center; Student Debt Crisis; Thurgood Marshall College Fund; UnidosUS; and Young Invincibles.

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- i <https://studentaid.ed.gov/sa/about/data-center/student/portfolio>
- ii <https://www.demos.org/sites/default/files/2019-06/Debt%20to%20Society.pdf>
- iii <https://www.federalreserve.gov/publications/files/consumer-community-context-201901.pdf>
- iv <https://www.warren.senate.gov/download/experts-letter-to-senator-warren>