May 14, 2020

Joint Statement: Narrowing Student Debt Cancellation in Heroes Act Leaves Out Millions

We, the 9 undersigned organizations, write to share our concerns about proposed changes to the student debt relief provisions in the Heroes Act.

The original Heroes Act text included up to $10,000 in federal and $10,000 in private student debt cancellation for all borrowers. This debt cancellation would have a significant impact on low-income borrowers and borrowers of color. Student debt exacerbates existing systemic inequities and racial disparities, preventing recovery from extending to already marginalized groups who are still reeling from the effects of the Great Recession even as they navigate the worst of the COVID-19 health crisis.

The manager's amendment changes the student loan cancellation to limit it only to borrowers who are defined as "economically distressed." This strips the student debt cancellation of its economic stimulus potential. Worse, "economically distressed" is defined as those who were in default, delinquent, forbearance, deferral, or who would qualify for a $0 payment in an income driven repayment plan as of March 12th. This means that anyone who lost their job after March 12th would not qualify for debt cancellation. Suspension of loan payments is not enough for those who just lost their jobs, who not only carry the anxiety and financial stress of eventually paying off unmanageable debt in a catastrophic economy, but also must spend down any savings for essentials like rent, food, childcare, and more. Also, as we move from relief to recovery, the debt itself will prohibit many from taking actions that would help the economy rebound, such as buying houses and starting businesses.

In addition to leaving out the recently unemployed, this amendment means that millions of people who are making small, non-zero monthly payments through income driven repayment will also not qualify for student debt cancellation.

Examples of the 25 million borrowers this amendment would leave out:

- Someone currently working at a grocery store and making payments of $25 a month (IBR) on their $3000 debt from a community college would get no cancellation.
- Likewise, a single mother with two school age children who was just laid off from her $30,000 per year job and who had been making $20 payments in an IDR plan would also not receive any cancellation.

Beyond issues with coverage, the plan laid out in the amendment is extremely difficult to implement correctly and efficiently and runs the risk of delaying relief for even the covered borrowers and racking up administrative costs and fees in the process.

We strongly urge you to reject these changes and support students and the economy by providing broad-based relief.

Sincerely,

Action Center on Race and the Economy
American Federation of Teachers
Americans for Financial Reform
Center for Responsible Lending
Demos
Generation Progress
National Consumer Law Center (on behalf of its low-income clients)
Student Borrower Protection Center
Student Debt Crisis