



## The Student Debt Emergency Relief Act

### Background

The COVID-19 pandemic is devastating our nation's workers, families and economy. Schools have closed, small businesses have been forced to shut their doors and entire workforces face massive layoffs. The COVID-19 pandemic has exposed the deeply entrenched social and economic inequities in our nation.

Our student loan debt crisis began long before the COVID-19 pandemic. The burden and severe financial repercussions of this debt are far reaching. Today, 45 million borrowers are crushed under more than \$1.6 trillion in student loan debt. The Commonwealth of Massachusetts ranks in the top 10 for the states with the highest student loan debt - with more than 855,000 people owing \$33 billion.<sup>1</sup>

During this public health emergency, no person should have to choose between paying their student loan payment, putting food on the table or keeping themselves and their families safe and healthy. Millions of borrowers—predominately low-income people, seniors, people of color and those who were preyed upon by the predatory for-profit college industry—are facing financial ruin after falling behind on their student loans.<sup>2</sup> Every 26 seconds, another borrower goes into default, resulting in over 9 million defaulted borrowers.<sup>3</sup> Forty-thousand seniors are seeing their Social Security benefits, tax refunds, and other critical government benefits garnished because they have defaulted on their loans.<sup>4</sup> Our student debt crisis stands in the way of any meaningful economic recovery effort during and after this pandemic.

### The Student Debt Emergency Relief Act

The [Student Debt Emergency Relief Act](#) will provide immediate relief for workers and families crushed by record levels of student loan debt during the COVID-19 public health emergency and boost the economy by:

1. **Cancelling at least \$30,000 in outstanding student loan debt per borrower.** Cancelling student debt will help jumpstart the economy by boosting consumer spending and reducing the financial pressure on workers during this pandemic. The bill would also ensure that all cancelled debt is exempt from taxation from the Internal Revenue Service.
2. **Providing immediate monthly payment relief for federal student loan borrowers.** The bill requires the Department of Education to immediately assume responsibility for the monthly payments of federal student loan borrowers during this public health emergency. By directly covering monthly payments, workers and families will be able to prioritize essential services such as keeping food on the table and their families safe without the worry of falling behind.
3. **Shielding borrowers from any involuntary collections or garnishments during the COVID-19 public health crisis.** The bill would protect borrowers from any federal offsets that would prevent them from receiving critical benefits and supports during this time. For the millions of our most vulnerable borrowers in default, the seizure or garnishment of wages, federal salaries, Social Security Benefits, and federal income tax returns like the Earned Income Tax Credit and the Child Tax Credit will be disastrous during this public health crisis.

<sup>1</sup> Student Borrower Protection Center. Massachusetts: State of Student Debt. 2019 (May 2019), <https://protectborrowers.org/wp-content/uploads/2019/02/MA-Shareable.jpg>

<sup>2</sup> Federal Reserve Bank of N.Y., Report on the Economic Well-Being of U.S. Households in 2018 (May 2019), <https://www.federalreserve.gov/publications/2019-economic-well-being-of-us-households-in-2018-student-loans-and-other-education-debt.htm>

<sup>3</sup> New Data Show Student Loan Defaults Spiked in 2019 – A Warning to Industry and DeVos Amid Economic Fallout, The Student Borrower Protection Center (March 13, 2020), <https://protectborrowers.org/every-26-seconds>

<sup>4</sup> Minda Zetlin, 3 Million Americans Over 60 Are Stuck With Student Loans. They Owe a Total of \$86 Million, Inc (May, 2019), <https://www.inc.com/minda-zetlin/senior-citizens-student-loans-student-debt-social-security-garnished-retirement.html>