



Statement from The Hope Center on Biden-Harris Administration's Debt Cancellation Announcement

August 24, 2022

Today, [President Biden](#) announced that the [U.S. Department of Education](#) will cancel \$10,000 in student debt for all federal student borrowers earning under \$125,000 and an additional \$10,000 for former students who received Pell Grants and also meet the income cap. This action will eliminate student loan debt for 20 million borrowers and reduce the burden of student debt for nearly 23 million more. Federal student loan payments and interest will also remain paused through December 31, 2022. This announcement is a transformative step in providing relief to many individuals struggling with student debt and retroactively provides relief to many low-income students who should have never been required to borrow in the first place. However, even after today's historic announcement, many borrowers will still struggle with unaffordable debt, and it will be critical for the Biden-Harris Administration to implement other student debt reforms and to assist borrowers who will struggle to complete the application requirement for cancellation before payments resume.

The student debt crisis is the result of a higher education system that has become unaffordable and has been driven by the failure of policymakers to address both the rising costs of college and the basic necessities students need to be successful. For those who will be debt-free as a result of the President's action—including many of those who attended community colleges or left school without completing their degree program—this long-awaited announcement is significant and will change lives. In particular, canceling student loan debt will provide much-needed relief to millions of working class, systemically minoritized Black and Brown borrowers, who have struggled under the weight of student debt for decades, and who are [far more likely](#) to experience basic needs insecurity.

“The Biden Administration's decision to cancel a portion of student loan debt builds momentum toward a higher education system and safety net that reflect basic principles of racial and economic justice. For too long, we have treated the crisis of student loan debt as a result of individual choices rather than what it is: the result of policy decisions that have failed to invest in students—including in their basic needs—and protect student loan borrowers,” said Mark Huelsman, Director of Policy & Advocacy at The Hope Center. “The success of this policy hinges on the Administration doing everything in its power to ensure every eligible family benefits from this announcement.”

Means-testing relief by limiting cancellation to borrowers earning less than \$125,000 per year will also prevent the President's decision from being implemented automatically for 12 million borrowers and will produce [administrative burdens](#) that will stymie some from seeing relief for which they are eligible, including borrowers without updated contact information on file and those experiencing basic needs insecurity, such as borrowers experiencing homelessness, those with time poverty from working multiple jobs or caring for family, and individuals or who do not have reliable internet access. The policy announced today will also occur as payments resume later this year, new income-driven repayment (IDR) plans are announced, and borrowers work to complete Public Service Loan Forgiveness (PSLF) applications during a limited waiver period. To mitigate some of the negative impacts of means-testing and reduce confusion for borrowers, the Biden Administration should:

- Immediately notify all eligible borrowers for whom the Department of Education has income information and who may be eligible for automatic cancellation, including those enrolled in IDR plans.
- Undertake a massive outreach campaign to notify communities and assist borrowers who will otherwise struggle to navigate an application process
- Ensure borrowers who have applied for cancellation will not see their payments resume until any of their application(s) are fully processed
- Implement the new IDR plan before payments resume
- Extend the application deadlines for PSLF and IDR waivers until new plans and rules are fully in place; and
- Take aggressive enforcement actions against predatory debt-relief scams that take advantage of borrowers looking for help.

While the additional cancellation for Pell Grant recipients is a welcome development, the decision to cancel only \$10,000 for other borrowers will leave some with significant remaining debt, often with ballooning balances. In particular, rising student debt is of particular concern for middle-income Black and Latinx families. Black borrowers are far more likely to experience runaway interest on their federal student loans, and [most](#) owe more than they borrowed 12 years after starting school. Without further debt and repayment relief to help these borrowers make a meaningful dent in their balance, such as accessing the new IDR plan, they may see their balances grow again due to accrued interest.

We look forward to working with the Biden-Harris Administration on ways that borrowers can access the cancellation announced today and all other existing programs and benefits which will help students and borrowers afford the full cost of attending college, reduce the burden of student debt, and meet their basic needs.