

October 28, 2020

The Honorable Betsy DeVos
Secretary of Education
U.S. Department of Education
400 Maryland Ave., SW
Washington, DC 20202

Dear Secretary DeVos:

We, the 77 undersigned community, civil rights, consumer, labor, and student advocacy organizations, write to urge you to immediately extend the federal student loan suspension and the halt on involuntary collections through at least September 30, 2021.

Current economic projections, coupled with the spike in the average number of new coronavirus cases per day, indicate our nation will remain in a state of emergency for many months ahead.¹ You have the authority under the Higher Education Act to meaningfully solve the student debt problem by canceling federal student loan debt.² At the very least, by extending the repayment pause, your action can support millions of borrowers—particularly borrowers of color, who are disproportionately impacted by the current crises, and others experiencing significant financial distress—who need the financial support this repayment pause brings to their household budgets.

On August 8, 2020, President Trump issued a Presidential Memorandum that effectively extended the repayment suspension on federal student loans and the halt on involuntary collections until December 31, 2020. The Department of Education (“the Department”) has not updated the current end date, nor given any indication it will be renewing the suspension. The memorandum’s upcoming expiration creates a cliff where borrowers would need to begin repaying their loans on January 1, 2021, despite the ongoing public health and economic crises.

If the cliff isn’t resolved, borrowers will find it harder than ever to make ends meet as they are thrown back into repayment or forced collections while the economy continues to suffer. Waiting to address the cliff will cause unnecessary stress, confusion, and errors for borrowers, servicers, and collectors alike. If it isn’t clear by November 15 that more relief is coming for the nation’s student loan borrowers, it will be difficult for them to plan for the holiday season and beyond -- making the Department’s need to act even more urgent.

¹ <https://www.nytimes.com/interactive/2020/us/coronavirus-us-cases.html> (“At least 368 new coronavirus deaths and 47,601 new cases were reported in the United States on Oct. 18. Over the past week, there have been an average of 56,615 cases per day, an increase of 30 percent from the average two weeks earlier.”)

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<https://www.warren.senate.gov/imo/media/doc/Ltr%20to%20Warren%20re%20admin%20debt%20cancellation.pdf>

As borrowers experienced earlier this year, the gears of the government's debt collection machine do not turn on and off easily or quickly. Months after Congress prohibited wage garnishment for student loan defaults, borrowers sued the Department for illegally garnishing 54,000 borrowers' wages³—and, as the Department has told the court, garnishment continues against many borrowers today. Tens of thousands of borrowers in default had their tax returns seized illegally,⁴ and they now have to worry that their 2021 tax returns may be seized as well. Even the largest benefit of the payment pause—the suspension of payments and interest—was not fully implemented until months after the CARES Act took effect.

Although the CARES Act was supposed to protect borrowers' credit, at least one student loan servicer illegally provided inaccurate information on nearly five million borrowers to credit bureaus, which then reported this information to third parties.⁵ As a result, borrowers saw their credit scores drop and, in some cases, lost access to affordable credit. The Department and its debt collectors still are not complying with provisions under the CARES Act. The current myopic approach to restarting repayment has the potential to cause a repeat of these sorts of implementation problems at a time when our economy can least afford it.

Pre-pandemic default and delinquency rates were already extremely high and will likely be even higher in January if the administration does not act. Recent graduates are likely facing permanent negative effects on their lifetime income and wealth accumulation as a result of graduating into a historic recession, and they will have a particularly hard time making payments in the worst job market since 2008.⁶ Struggling borrowers in default will face wage garnishment at a time when every extra dollar they have is vital toward paying for basic necessities. Senior citizens—who are the nation's fastest-growing group of student debtors and often take out student loans on behalf of dependents—risk having their Social Security benefits offset. In 2015 alone, 40,000 borrowers over 65 had their Social Security garnished due to student loans.⁷

If student loan payments resume on January 1, repayment will compound the difficulty created by unprecedented labor shocks and ongoing economic hardship. The most recent Census Household Pulse Survey showed that ten percent of adults were either “sometimes” or “often” without enough food to eat in the last week,⁸ and 31.9% of adults live in households where it has been somewhat or very difficult to pay usual household expenses.⁹ The same survey showed that, of those living in households not up to date on their rent or mortgage payments,

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<https://www.politico.com/news/2020/05/01/devos-sued-for-seizing-student-loan-borrowers-wages-during-pandemic-228519>

⁴ Complaint, *Cole v. Mnuchin*, No. 1:20-cv-01423 (D.D.C. May 29, 2020).

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<https://bergermontague.com/news/great-lakes-equifax-transunion-and-experian-sued-for-damaging-millions-of-student-loan-borrowers-credit/>

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<http://www.equitablegrowth.org/great-recessions-lost-generation-shows-importance-of-policies-to-ease-next-downturn/>

⁷ https://files.consumerfinance.gov/f/documents/201701_cfpb_OA-Student-Loan-Snapshot.pdf

⁸ <https://www.census.gov/data-tools/demo/hhp/#/?measures=FIR>

⁹ <https://www.census.gov/data-tools/demo/hhp/#/?measures=EXR>

one-third believe they will face eviction or foreclosure in the next two months.¹⁰ Relatedly, recent research indicates that the national economic crisis and unresponsive social safety net have forced 8 million Americans into poverty since May 2020.¹¹

The pandemic has disproportionately affected Black and brown communities that are also disproportionately affected by the burdens of student loan debt and default because of exclusionary policies and systemic barriers that have resulted in persistent racial inequities in incomes and wealth.¹² The pandemic has also caused a disproportionate number of women, and especially Latinas, to leave the workforce.¹³ Meanwhile, women hold two-thirds of the country's student debt and on average borrow \$3,000 more than men to attend college—yet because of the wealth and wage gaps, women find it harder to repay their loans.¹⁴ Of Latino borrowers in repayment on their student loans, 15% were in default and another 29% were seriously delinquent on their payments.¹⁵

The uncertainty looming over the country's 43 million student loan borrowers will affect the nation's small businesses and the broader retail sector, as ongoing uncertainty about upcoming loan repayments could lead many people to hold back from the holiday shopping season that so many retailers depend on for a substantial portion of their annual revenues. Some borrowers have already started receiving notices from servicers about their payments resuming in the near future.

As one indicator of broad-based support, almost nine in ten (86%) student borrowers in North Carolina support an extension through September 2021, with two-thirds (67%) strongly supporting the extension.¹⁶ But the nation's student loan borrowers are not alone in feeling the impact of the uncertainty of the looming cliff and needing action from the Department. Failing to extend the suspension and prohibition on involuntary collections now will also create serious complications for the nation's student loan servicers, which would need to rapidly implement and communicate changes to millions of accounts during this ongoing emergency. Servicers and collectors struggled to promptly comply with the CARES Act and related emergency relief, and an abrupt end to relief or stop-start guidance would generate more complexity and a higher likelihood of errors.

We urge you to immediately extend the repayment pause *at least* through the end of the current fiscal year: September 30, 2021. Doing so would bring both certainty and relief to the nation's student loan borrowers. As the pandemic continues to wreak havoc, borrowers need to know they won't be pushed over this cliff.

¹⁰ <https://www.census.gov/data-tools/demo/hhp/#/?measures=EVR>

¹¹ <https://www.povertycenter.columbia.edu/news-internal/2020/covid-projecting-monthly-poverty>

¹² <https://www.brookings.edu/research/the-looming-student-loan-default-crisis-is-worse-than-we-thought/>

¹³ <https://www.wnycstudios.org/podcasts/takeaway/segments/pandemic-economic-toll-latinas-us>

¹⁴

<https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2020/04/COVID-Stimulus-and-Higher-Ed-Factsheet.pdf>

¹⁵ <https://www.demos.org/research/latinos-student-debt-and-financial-security>

¹⁶ <https://www.responsiblelending.org/issues/student-loans>

Sincerely,

National Groups:

Action Center on Race and the Economy (ACRE)
Affordable Homeownership Foundation, Inc.
African American Ministers In Action
Allied Progress
American Association of University Women (AAUW)
American Federation of Teachers
Americans for Financial Reform
Center for Disability Rights
Center for Economic Integrity
Center for Justice & Democracy
Center for Law and Social Policy (CLASP)
Center for Responsible Lending
Clearinghouse on Women's Issues
Consumer Action
Consumer Federation of America
Consumer Federation of California
Consumer Reports
Empowering Pacific Islander Communities (EPIC)
Feminist Majority Foundation
Friendship of Women, Inc.
Generation Progress
Hildreth Institute
Indivisible
Japanese American Citizens League
Justice & Local Church Ministries, United Church of Christ
Kids Forward
Laotian American National Alliance
Modern Military Association of America
NAACP
National Action Network
National Alliance for Partnerships in Equity (NAPE)
National Association for College Admission Counseling
National Center for Law and Economic Justice
National Community Reinvestment Coalition (NCRC)
National Consumer Law Center, on behalf of its low-income clients
National Down Syndrome Congress
National Education Association
National Equality Action Team (NEAT)
National Urban League
National Workrights Institute

National Young Farmers Coalition
New Economics for Women
People For the American Way
Public Citizen
Public Good Law Center
Public Justice Center
Public Law Center
Revolving Door Project
Social Security Works
Student Borrower Protection Center
Student Debt Crisis
Tewawomenunited.org
The Debt Collective
The Education Trust
U.S. Public Interest Research Group (PIRG)
UnidosUS
Veterans Education Success
Young Invincibles

State Groups:

Alaska PIRG
Arkansas Community Institute
Arkansas Community Organizations
CASH Campaign of Maryland
The Collaborative of NC
Convencion Bautista Hispana de Texas
Maine Center for Economic Policy
Maryland Consumer Rights Coalition (MCRC)
Massachusetts Affordable Housing Alliance
Michigan League for Public Policy
The New Georgia Project
North Carolina Council of Churches
North Carolina Justice Center
Pennsylvania Council of Churches
Pisgah Legal Services
Public Higher Education Network of Massachusetts (PHENOM)
Tzedek DC
Virginia Poverty Law Center
Wisconsin Faith Voices for Justice