

Back to Normal Means Ending the Student Loan Payment Pause

As the White House considers extending the student loan payment moratorium, we believe it's important for you to be fully informed on facts, including public sentiment, on how unnecessary another extension of the federal student loan payment moratorium is.

Borrowers Are Financially Secure:

A substantial percentage of student loan borrowers are better off financially than at the start of the pandemic and can easily afford to resume repayment. A study conducted in the summer of 2021 by YouGov in collaboration with the American Fintech Council (AFC), found that a majority of borrowers feel more secure in their jobs, financially stable, and optimistic about future economic conditions.

Specifically:

- About 3-in-4 student borrowers (74%) expect their financial situation to get better over the next 12 months (40%) or remain the same (34%).
- Nearly 7-in-10 student borrowers (69%) say their income has increased (31%) or remained the same (37%), while just 22% of borrowers have experienced declines in income.
- Nearly two-thirds of student borrowers with loans (64%) feel equally or more financially stable now than they were in March 2020, including a sizable plurality (35%) who report feeling more financially stable today.
- 85% of employed student loan borrowers feel their employment is just as secure (44%) or more secure now (41%) compared to March of 2020, including 22% that feel their employment is now much more secure.

Industry Data - People with private Student Loans are Paying at High Rates

Data sample from a market-leading student loan refinance company clearly shows that a substantial segment of federal student loan borrowers have the means to resume repayment on their student loans.

- SoFi has refinanced approximately \$39B in student loans since the start of the company in 2012.
- SoFi's data on an aggregate current student loan portfolio of \$13 billion shows that:
 - The percentage of the portfolio in forbearance went from 13% at the beginning of the pandemic (May 2020) to under 0.5% by Nov 2021—a more than 2,500% drop.
 - The percentage of the portfolio that is 60 days or more delinquent is under 0.2%

Exacerbating Inflation

A blanket extension of the payment moratorium including borrowers who have the means to resume repayment will fuel inflation.

According to a survey completed by YouGov in January, 2022:

- Many Americans believe government spending during the pandemic has played a role in mounting inflation.
- Almost 9-in-10 (89%) Americans say they are concerned by the current rate of inflation, including 61% who say they are very concerned by the pace of rising prices.
- 80% of Americans think that government spending during the pandemic helped cause the current rate of inflation, including nearly half (47%) who think spending was a primary or major cause.
- Almost 9-in-10 Americans (86%) think additional increases in government spending will increase inflation.

Inflation is poised to be a key issue in the upcoming 2022 midterm elections:

- More than 4-in-5 Americans (84%) think inflation will be an important issue in the upcoming 2022 midterms, including 25% who think it will be the most important issue.
- When asked to consider additional action on student loan relief, Americans are more likely to say we need to put aside talk of cancellation or additional extensions because of the high rate of inflation.
- More Americans agree that the government is spending too much on social programs and should put aside talk of student loan cancellation or additional extensions (52%) than those who believe student debt relief shouldn't be held up just because of inflation (48%).

Brookings Institute

According to the Brookings Institute, a blanket extension of the student loan payment moratorium is taxing working families to pay for wealthy students' grad degrees. A study notes that:

- Only 10% of the benefits go to the bottom 40% of families
- Those who would benefit from student debt forgiveness policies like this are “higher income, better educated, and more likely to be white compared to other social spending beneficiaries.”
- Those with the most debt almost exclusively have graduate degrees, which carry an even larger earnings premium.
- The top fifth of households holds \$3 in student loans for every \$1 held by the bottom fifth, according to an analysis by the People's Policy Project.

The payment pause, first put in place in 2020, was designed to support those who were struggling to make ends meet during the peak of the pandemic. The economic circumstances that called for the moratorium have significantly changed and further extension, on a blanket untargeted basis, would have negative policy implications impacting the entire U.S. economy. Additionally, another pause will also put student loan providers, including federal student loan servicers, in a difficult position where they may consider laying off workers because of the extension.

As an alternative, we feel strongly that the Biden Administration must do more to target its relief to support those in dire need. **The president should make good on his campaign promise to forgive \$10,000 in federal student loan debt for those in severe distress.** This adds much needed support to existing programs, such as forgiveness through borrower defense to repayment, disability discharges, Public Service Loan Forgiveness, and income-driven repayment (IDR) plans. The president should also initiate a 90-day grace period for missed payments, put in place measures that bring defaulted borrowers back to current, and aggressively campaign these last six and a half weeks to put people into an IDR plan where those in severe financial hardship could pay as little as \$0 a month.

The student loan payment moratorium must end for all the above reasons.