

[Banking and Finance Law Daily Wrap Up, LOANS—Resolution introduced to cancel \\$50,000 in student loan debt for borrowers, \(Feb. 5, 2021\)](#)

Banking and Finance Law Daily Wrap Up

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By [Stephanie K. Mann, J.D.](#)

The proposed resolution, which was introduced in both chambers, is supported by a wide range of civil rights, climate, health, labor, consumer rights, and student organizations.

A [resolution](#) to cancel \$50,000 of federal student load debt per person has been introduced by Reps. Maxine Waters (D-Calif), Chair of the House Finance Services Committee, and Ayanna Pressley (D-Mass). The resolution would call on President Biden to use his executive authority to cancel student loan debt and ensure that no tax liability would result for federal student loan borrowers for the administrative debt cancellation. A similar bill was introduced in the Senate by Sens. Chuck Schumer (D-NY) and Elizabeth Warren (D-Mass).

The bill was originally introduced in the last session of Congress by Waters. "The time to cancel student debt is now," [said](#) Waters. "For over a year, people all across this country have been struggling to find work, put food on the table, and keep a roof over their head due to the coronavirus pandemic that has crippled our economy and ravaged our communities. Canceling \$50,000 of student debt is the right and just thing to do, and it is well within the Biden Administration's authority. This action would help to alleviate the burden so many borrowers face after pursuing an education, change their lives, and jumpstart our economy." Pressley added that the student debt crisis is "a racial and economic justice issue."

Currently, over 43 million people in the United States owe more than \$1.6 trillion in federal student load debt. According to Pressley's [press release](#), studies show that cancelling student debt would substantially increase "Black and Latinx household wealth and help narrow the racial wealth gap, provide immediate relief to millions of Americans during the pandemic and recession, and provide massive consumer-driven stimulus to our economy."

According to resolution's [one-pager](#), the action would:

- recognizes the Secretary of Education's broad administrative authority to cancel up to \$50,000 in federal student debt, using the modification and compromise authority Congress has already granted the Secretary in law;
- call on President Biden to take executive action to administratively cancel up to \$50,000 in federal student loan debt for federal student loan borrowers using existing legal authorities under section 432(a) of the Higher Education Act of 1965 and any authorities available under the law;
- encourage President Biden to use the executive's authority under the Internal Revenue Code of 1986 to prevent administrative debt cancellation from resulting in a tax liability for borrowers;
- encourage President Biden, in taking such executive action, to ensure that administrative debt cancellation helps close racial wealth gaps and avoids the bulk of federal student debt cancellation benefits accruing to the wealthiest borrowers; and
- encourage President Biden to continue to pause student loan payments and interest accumulation for federal student loan borrowers for the entire duration of the COVID-19 pandemic.

The bill has received support from the Center for Responsible Lending, NAACP, Association of Latino Administrators and Superintendents, Americans for Financial Reform, nonprofit organization of Student Debt Crisis, American Federation of Teachers, Public Citizen, Student Borrower Protection Center, National Consumer Law Center. More than 325 civil rights, climate, health, labor, consumer rights, and student organizations have called on President Biden to use executive action to cancel federal debt.

Companies: American Federation of Teachers; Americans for Financial Reform; Association of Latino Administrators and Superintendents; Center for Responsible Lending; NAACP; National Consumer Law Center; Public Citizen; Student Borrower Protection Center; Student Debt Crisis

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