Durbin, Colleagues Unveil New Plan To Cancel Student Loan Payments For Duration Of Coronavirus Emergency

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WASHINGTON—U.S. Senator Dick Durbin (D-IL), along with Senators Chuck Schumer (D-NY), Patty Murray (D-WA), Sherrod Brown (D-OH), and Elizabeth Warren (D-MA) unveiled an emergency student loan payment and relief plan, which would provide much-needed relief to federal student loan borrowers through immediate cancellation of monthly student loan payments for the duration of the national emergency caused by the spread of the coronavirus, and a pay down of a minimum $10,000 for all federal student loan borrowers. The Senators' proposal requires that Congress authorize the U.S. Department of Education to make monthly student loan payments on behalf of borrowers, equivalent to the amount due for all federal student loan borrowers (including Direct Loans and Federal Family Education Loans (FFEL)) for the duration of the national emergency declaration. The Senators' proposal guarantees a minimum $10,000 loan payoff for all federal student loan borrowers.

"Too many student borrowers are drowning in student loan debt. Even before the coronavirus pandemic, experts warned that student loan debt was already having a negative impact on our economy, and will now only get worse. As Congress continues to address the economic impact of the coronavirus crisis, it'll be imperative that we provide real relief to these borrowers who are in serious need of our help," Durbin said.

Students and federal loan borrowers were particularly hard-hit by the last economic crisis and remain under significant financial strain, an issue compounded by the coronavirus outbreak. The Senators' new proposal would provide immediate relief to students and borrowers through targeted, sustained financial assistance for, at minimum, $10,000 in payments. Borrowers will receive credit toward forgiveness and loan rehabilitation for payments made by the Department on their behalf, and all payments made by the Department would be tax-free for borrowers. The proposal also suspends all involuntary debt collections and wage garnishment for borrowers who have defaulted while the Department is making payments on borrowers' behalf. Importantly, at the termination of this program, the Department will institute a 90 day “grace period” during which missed payments will not result in fees or penalties, including negative credit reporting.

The proposal is included as part of Senate Democrats’ bold Phase 3 proposal for at least $750 billion to wage war against COVID-19 and the economic crisis facing every American. Senate Democrats’ phase three proposal puts workers and families first while ensuring that necessary resources are delivered to address every corner of the public health crisis, including funds to address burgeoning capacity issues at hospitals, child care and education, and more.

A summary of the emergency student loan payment and relief plan can be found here and below:

Making payments on behalf of federal student loan borrowers. The last economic crisis hit student loan borrowers particularly hard, many of whom never fully recovered financially. To provide immediate relief to federal student loan borrowers, we propose that Congress authorize the U.S. Department of Education (“Department”) to make month student loan payments on behalf of borrowers.

Summary of Proposal: The Department will make payments equivalent to the amount due for all federal student loan borrowers (including Direct Loans and Federal Family Education Loans (FFEL)) duration of the national emergency, or public health emergency, declarations. Garnishment of wages, tax refunds, and Social Security benefits will also stop, and all interest capitalization (including from interest accrued prior to the President’s March 13th announcement) will cease. The proposal will also codify the President’s waiver of interest on federal student loans held by the Department, and extend this waiver to FFEL loans.

This suspension of payments will be a new policy distinct from “deferment” and “forbearance,” which are opt-in procedures that do not count toward student loan forgiveness under income-driven repayment (IDR) or Public Service Loan Forgiveness (PSLF). During the period of suspending payments, borrowers will receive credit toward forgiveness and loan rehabilitation for payments made by the Department on their behalf. All payments made by the Department will be tax-free for borrowers.

The Secretary will be directed to send monthly notices to all borrowers to allow them to opt-out of the suspension and payment contribution and to notify them that the program is temporary and will end at some point when the national emergency has ceased. At the termination of this program, the Department will institute a 3-month “grace period” during which missed payments will not result in fees or penalties, including negative credit reporting. Furthermore, no more than 90 days after the conclusion of the national emergency, the Department shall apply additional payments to the balance due to ensure that each federal student loan borrower received a minimum of $10,000 in student loan relief over the course of the national emergency.