



August 5, 2020

The Honorable Senator Mitch McConnell
Majority Leader – U.S. Senate
317 Russell Senate Office Building
Washington, DC 20510

The Honorable Senator Chuck Schumer
Minority Leader – U.S. Senate
322 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Senator Lamar Alexander
Chairman – U.S. Senate Committee on
Health, Education, Labor, and Pensions
455 Dirksen Office Building
Washington, DC 20510

The Honorable Senator Patty Murray
Ranking Member – U.S. Senate Committee
on Health, Education, Labor, and Pensions
154 Russell Senate Office Building
Washington, DC 20510

The Honorable Senator Richard J. Durbin
U.S. Senate
711 Hart Senate Building
Washington, D.C. 20510

The Honorable Senator Tammy Duckworth
U.S. Senate
524 Hart Senate Office Building
Washington, DC 20510

The Honorable Lisa Murkowski
U.S. Senate
522 Hart Senate Office Building
Washington, DC 20510

The Honorable Dan Sullivan
U.S. Senate
302 Hart Senate Office Building
Washington, DC 20510

RE: COVID-19 Student Loan Relief for Commercially-Held FFEL and Perkins Loan Borrowers

Dear Senators McConnell, Schumer, Alexander, Murray, Durbin, Duckworth, Murkowski, and Sullivan:

We, as Attorneys General of our states and territories, write in support of the critical student loan relief provisions for commercially-held federal student loan borrowers and institutionally-held Perkins loan borrowers in the Student Loan Fairness Act of 2020, S. 4237, recently introduced by Senators Reed and Murkowski and a bipartisan group of cosponsors. S. 4237 creates necessary parity in the student loan relief available for federal student loan borrowers, regardless of who holds the loan. We urge its swift passage, whether as a stand-alone bill, or as part of a larger relief package. We commend Congress for protecting American citizens who are suffering because of the novel coronavirus (COVID-19) pandemic, and urge continued support as the economic fallout from the crisis continues.

The COVID-19 pandemic has upended life for all Americans. Unemployment rose to 14.7%, with over 44 million Americans out of work, the most since the Great Depression,¹ and countless others have had their pay and hours reduced. For student loan borrowers, the economic impact of

¹ U.S. Bureau of Labor Statistics, *Unemployment rates rises to record high 14.7 percent in April 2020*, TED: The Economics Daily, May 13, 2020, available at: <https://www.bls.gov/opub/ted/2020/unemployment-rate-rises-to-record-high-14-point-7-percent-in-april-2020.htm>

the pandemic is especially acute. Indeed, the pandemic has exacerbated a prolonged student debt crisis. Americans hold over \$1.5 trillion in student loans. Eleven percent (11%) of aggregate student debt was already in delinquency or default by the end of the fourth quarter in 2019.² Research has consistently shown the long-term negative impacts of student loan debt, including borrowers' reduced ability to save for retirement, start a business, and build wealth.³

The Coronavirus Aid, Relief and Economic Security (CARES) Act took the first step in providing critical relief for many federal student loan borrowers by suspending their payments for six months without interest, suspending collection on defaulted loans, and providing no adverse credit reporting. Pub.L. 116-136 §3513. Unfortunately, the CARES Act did not provide protections for borrowers of commercially-held Federal Family Education Loan Program (commercial-FFEL) loans or institutionally-held Perkins loans. For many of these borrowers, the economic disruptions caused by the COVID-19 pandemic are particularly devastating, as they are not afforded the same protections, forgiveness programs, and repayment options available to student loan borrowers whose loans are owned by the federal government.

Provide Equal Relief Options For All Federal Student Loan Borrowers

S. 4237 would help a significant number of federal student loan borrowers. As you know, 5.76 million Americans have commercial-FFEL loans – which were made under a now-defunct program whereby the federal government insured loans made by private entities – totaling almost \$140 billion in outstanding student loan balances.⁴ In addition, 1.9 million Americans have Perkins loans – which were made under a shuttered program whereby the federal government subsidized loans made by institutions of higher education – totaling \$5.6 billion in outstanding loan balances.⁵ The principal difference between federally-held loans and commercial-FFEL or institutionally-held Perkins loans is who owns them. Commercial-FFEL and Perkins borrowers face the same financial need and the same uncertainty over the future. Thus, giving commercial-FFEL and Perkins borrowers a similar pause at this critical juncture will reap the same benefits.

S. 4237 recognizes the injustice of treating commercial-FFEL and Perkins loans borrowers differently by creating parity between all federal student loan borrowers. We urge you to join your colleagues and swiftly pass the relief embodied in this measure. Passage of these provisions will afford relief for *all* federal student loan borrowers, not just those whose loans are owned by the federal government, in this time to crisis. Payments for *all* federal loans will be suspended until September 30, 2020. The interest rate will be zero percent for *all* federal student loans. For credit reporting purposes, suspended payments will be treated as regularly scheduled payments for *all* federal student loan borrowers. Involuntary collections will be suspended for *all* federal student loans.

² *Household Debt and Credit Report*. Q4 2019. Federal Reserve Board of New York, available at: <https://www.newyorkfed.org/microeconomics/topics/student-debt>

³ Student Loan Borrower Protection Center, et al, "Data Point: The Secret Price of Student Debt," May 2020, available at: <https://protectborrowers.org/wp-content/uploads/2020/05/The-Secret-Price-of-Student-Debt.pdf>

⁴ Federal Student Aid, *Location of Federal Family Education Loan Program Loans*, Federal Student Loan Portfolio, available at: <https://studentaid.gov/data-center/student/portfolio>, last accessed: July 14, 2020.

⁵ Federal Student Aid, *Federal Student Aid Portfolio Summary*, Federal Student Loan Portfolio, available at: <https://studentaid.gov/data-center/student/portfolio>, last accessed: July 14, 2020.

Provide Student Borrowers Longer-Term Solutions

The relief in S. 4237 is very important, but also short term. CARES Act relief runs out, for all borrowers, in September of this year, but the economic toll of the COVID-19 pandemic will likely be protracted. Some economic forecasts predict a drawn-out recovery with upwards of 40% of the jobs lost during the pandemic disappearing for good.⁶ We therefore urge the Senate to formulate long-term and sustainable solutions for student loan borrowers such as those in the recently-passed HEROES Act. *See*, Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act, H.R. 6800, §§150113 – 150116 (suspending all federal student loan payments, interest, and involuntary collections until at least September 30, 2021).

Equally, we urge the Senate to require servicers of federal student loans to evaluate struggling borrowers for income-based repayment plans immediately. We are sincerely concerned that, whenever suspended payments end, servicers may be overwhelmed by a flood of calls from borrowers looking for help. For many of these borrowers, alternative repayment plans are the best long-term option; as such, servicers should be tasked with evaluating borrowers for income-driven repayment plans as a matter of course.

We, as Attorneys General, remain committed to protecting student loan borrowers during the COVID-19 pandemic and the ensuing economic fallout. We will use all investigation and enforcement tools at our disposal to ensure that borrowers are not subjected to unfair and deceptive practices in attempting to access relief during this crisis. We urge you to create parity in relief between federally owned and privately owned federal student loans to help *all* federal student loan borrowers weather the economic fallout from the pandemic.

Sincerely,



Kevin Clarkson
Alaska Attorney General



Xavier Becerra
California Attorney General



William Tong
Connecticut Attorney General



Kwame Raoul
Illinois Attorney General



Phil Weiser
Colorado Attorney General



Kathleen Jennings
Delaware Attorney General

⁶ Jose Maria Barrero, Nick Bloom, and Steven J. Davis, *COVID-19 Is Also A Reallocation Shock*, Working Paper No. 2020-59, U. of Chicago, May 2020 available at: https://bfi.uchicago.edu/wp-content/uploads/BFI_WP_202059.pdf ("We anticipate a drawn-out economic recovery ... even if the pandemic is largely controlled within a few months.")

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Sen. Cory Gardner
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Sen. Richard Blumenthal
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