

**Questions for the Record from
REPRESENTATIVE ILHAN OMAR**

**HEWD Hearing:
“Breaking the System: Examining the Implications of Biden’s Student Loan
Policies for Students and Taxpayers”
10:15 a.m.**

Representative Ilhan Omar (D-MN)

1. The issue of student debt affects millions of Americans and has worsened over time, becoming a crisis. This burden disproportionately impacts communities of color, who are more likely to take out student loans and face challenges in repaying them. I have personally experienced the hardship of student debt and understand the difficult choices individuals must make while managing high healthcare costs, increasing living expenses, and family responsibilities while interest on their loans accumulates. My constituents and borrowers across the nation, some of whom are present in this committee room, have shared their stories about the transformative impact of student debt relief. Canceling student debt would enable borrowers to embark on the next chapter of their lives, whether that's starting a family, opening a small business, or owning their first home.

Student debt is not just a financial issue, it's a moral issue that affects the fabric of our society. When young people are burdened with massive amounts of debt, it impairs their ability to fully participate in our economy and pursue their desired careers and aspirations. Currently, 43 million student borrowers owe a collective \$1.7 trillion in student loan debt, with an average loan debt balance of approximately \$37,000. Under the debt relief program, 20 million of the most vulnerable borrowers will become entirely debt-free. In my district alone, 111,600 borrowers are eligible for student debt relief, with 49,500 already fully approved for discharge but stuck in limbo due to politically motivated efforts by Republicans.

When I came to Congress, I was proud to introduce the Student Debt Cancellation Act and have been at the forefront of the movement to cancel student debt from within Congress since day one. I have had the privilege of working alongside advocates, researchers, and organizations such as the Student Borrower Protection Center, Student Debt Crisis Center, the Debt Collective, Young Invincibles, and many others present in this room today, fighting for what is right.

- a) Question A: Mr. Gadkaree, can you share why student debt cancellation would boost the economy, benefiting everyone?

Response: College has never been so necessary or so expensive for Americans. Rising costs, state disinvestment, declining household incomes, and grant aid that has not kept pace lead more students to borrow, and borrow more, to go to school. Student debt is a growing problem that affects 44 million Americans; a quarter of direct loan borrowers were in delinquency or default prior to the start of the

pandemic, reflecting the economic hardships borrowers have been facing. The Administration's debt cancellation would deliver benefits for those borrowers, as would its actions to strengthen income-driven repayment and Public Service Loan Forgiveness, create the Fresh Start program, and others. My organization, TICAS, focuses on increasing college affordability and accountability and restoring higher education as a system that promotes racial equity and economic mobility. Unfortunately, we do not have empirical estimates we can offer on the effects of the cancellation on the economy.

- b) Question B: Mr. Gadkaree, can you tell us who would qualify for student debt forgiveness and why that claim that student debt relief will merely pay of the debts of the elite is factually incorrect?

Response: Borrowers with outstanding federal loans with incomes below \$125,000 (\$250,000 for a married couple) would qualify for the one-time debt relief program. The Administration estimated that 90 percent of relief would go to people making less than \$75,000 a year. Further, a Politico analysis showed 98% of debt relief applicants reside in ZIP codes with average incomes below \$75,000.

- c) Question C: Why is it important for Congress to address student debt?

Response: As I noted in my testimony, there has been a sea change decline in college affordability over the last generation. To cover the average cost of attending a four-year public college, students from families making \$30,000 or less would need to spend 93 percent — nearly all — of their total family income. To cover the cost of a two-year college, these students would need to spend nearly two-thirds of their family's total income. In order for us to have a vibrant and prosperous nation, to have teachers, police officers, nurses, x-ray technicians, and IT network engineers; we need more college graduates, and we need them to come from an array of racial and economic backgrounds.

For decades, state funding has declined for public colleges and universities — which enroll more than three-quarters of undergraduates nationwide — and colleges have turned to tuition and fees to make up the gap. Meanwhile, grant aid, including the federal Pell Grant, has not kept up with rising costs.

The current maximum Pell award covers the lowest share of college costs in the program's more than 50-year history. Pell Grants are the federal government's most effective investment in college affordability, and there is clear evidence that need-based grant aid increases college enrollment and completion among low- and moderate-income students. Pell Grants are especially critical for students of color, with nearly 60 percent of Black students, half of American Indian or Alaska Native students, and nearly half of Latino students receiving a Pell Grant each year. Pell Grant recipients today are more than twice as likely as other students to

have student loans, and grant recipients who borrow end up graduating with over \$4,500 more debt than their higher-income peers.