

Debt Cancellation and Universal Free College Summary

A Real Solution to the Student Debt Crisis -- Broad Debt Cancellation

The student loan debt burden is a result of failed government policies that have left people no choice but to take out huge loans to finance their college education. The debt burden is hurting families and holding back our economy by keeping people from buying homes, starting small businesses, and saving for their families' futures.

We need a bold solution that matches the scale of the problem. Elizabeth's plan **cancels up to \$50,000 in debt for more than 42 million Americans, provides complete debt cancellation for more than 75% of people with student loan debt, substantially increases both Black and Latinx wealth, closes the racial wealth gap, and boosts the economy.** Her plan:

- Cancels \$50,000 in student loan debt for every person with household income under \$100,000
- Provides substantial debt cancellation for every person with household income between \$100,000 and \$250,000
 - The \$50,000 cancellation amount phases out by \$1 for every \$3 in income above \$100,000.
 - For example, a person with income of \$130,000 gets \$40,000 in cancellation, while a person with income of \$160,000 gets \$30,000 in cancellation.
- Offers no debt cancellation to people with household income above \$250,000.

According to an economic analysis by leading experts on student loan debt, Elizabeth's plan:

- Provides relief to **more than 95% of the nearly 45 million Americans with student loan debt.**
- Provides **total debt cancellation to more than 75% of Americans with student loan debt.**
- Reduces both the Black-White wealth gap and the Latinx-White wealth gap.
- Targets relief at the people who are least likely to be able to repay their loans.
- Boosts economic growth by providing a stimulus to millions of American families, improving credit scores, increasing home-buying rates, increasing college completion rates, and producing greater business formation.

Administration

Elizabeth will not require Americans to jump through hoops to receive the relief they are entitled to under her plan:

- For most Americans, cancellation will take place automatically using data already available to the federal government about income and outstanding debt.
- Private student loan debt is also eligible for cancellation, and the federal government will work with borrowers and the holders of this debt to provide relief.
- Canceled debt will not be taxed as income.

Repayment and Servicing Improvements

For people with student loan debt remaining after the cancellation plan takes effect, Elizabeth will:

- Make student loans dischargeable in bankruptcy like other forms of debt.
- Improve the Public Service Loan Forgiveness program by eliminating bureaucratic hoops and obstacles, offering automatic enrollment, expanding eligibility, and forgiving loans more quickly.
- Reform student loan servicing by punishing student loan companies and their executives when they violate the law, cancelling the contracts of bad servicers, and holding servicers accountable to how well they serve borrowers.
- Allow Americans to refinance any remaining student debt to lower interest rates.

Universal Free College

In addition to tackling the student debt crisis, we must fix the underlying problems with our higher education system that created the crisis in the first place.

Elizabeth's Universal Free College plan will dramatically increase federal investment in higher education to **provide free undergraduate tuition and fees at all public two-year and four-year colleges in America, and to expand and redirect federal grants to defray non-tuition college costs at public colleges.**

In addition, Elizabeth will take several steps to **ensure that our higher education system better serves lower-income students and students of color:**

- Expand Pell Grant funding to cover non-tuition expenses: High non-tuition expenses (food, housing, transportation, books) can require students -- particularly lower-income students and students of color -- to take out significant debt. To make sure these students

have a better chance to graduate without debt, Elizabeth will invest an additional \$100 billion over the next ten years in Pell Grants to expand both the maximum size of those Grants and who is eligible for those Grants.

- Create a fund to help Historically Black Colleges and Universities (HBCUs) and Minority-Serving Institutions (MSIs): The fund will have a minimum of \$50 billion, but the Secretary of Education will have the authority to increase the amount of money in the fund as needed to ensure that spending per-student at those schools is comparable to colleges in the area.
- Create financial incentives for states to improve enrollment and completion rates: Additional federal funding will be made available to states that demonstrate substantial improvement in enrollment and completion rates for lower-income students and students of color.
- Cut for-profit colleges off from federal money: After an appropriate transition period, Elizabeth will ban for-profit colleges from receiving any federal dollars (including military benefits and federal student loans), so they can no longer use taxpayer dollars to enrich themselves while targeting lower-income students, servicemembers, and students of color and leaving them saddled with debt.
- Require an annual equity audit: Public colleges will be required to submit an annual audit that identifies issues creating shortfalls in enrollment and completion rates for lower-income students and students of color and that identifies steps to improve those rates.
- Remove artificial barriers to college: Public colleges will be prohibited from considering citizenship status or criminal history in admissions decisions.

The cost of Elizabeth's broad debt cancellation and Universal Free College proposal is \$1.25 trillion over ten years. The entire cost is covered by Elizabeth's Ultra-Millionaire Tax -- an annual 2% tax on wealth above \$50 million and an additional 1% tax on wealth above \$1 billion, which affects just the 75,000 wealthiest families in America and raises \$2.75 trillion in revenue over ten years.