

## Press Release



# Potential Consequences of Continued Student Loan Forbearance, and Blanket Loan Forgiveness

PAULINA ENCK | MARCH 29, 2022

More than half of federal student loan holders entered forbearance in 2020 when they were allowed to pause principal and interest payments in response to the COVID-19 pandemic; this forbearance continues today. Meanwhile, President Biden and congressional Democrats have proposed blanket student loan forgiveness. In a new insight, Data and Policy Analyst Tom Lee walks through the impacts of the ongoing loan forbearance and explores potential consequences should blanket forgiveness be enacted.

### Key points:

- Just over 1 percent of all borrowers are regularly making student loan payments, in large part due to COVID-19 forbearance provided by the Trump and Biden Administrations.
- Over half of federal student loan holders have entered and remained in forbearance since the third quarter of 2020, yet there remain calls for blanket student loan forgiveness.
- A \$10,000 or \$50,000 blanket forgiveness would reduce outstanding federal student loan debt by \$380 billion or \$1.1 trillion, respectively; provide greater relief to the affluent as half of the benefit would go to the top 40 percent of the income distribution; and would create moral hazard problems with future student loans.

[Read the analysis](#)