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# Coronavirus Emergency Student Loan Refinancing Act of 2021

**Background and Need for Legislation:**
As of January 2021, Americans owed more than $1.7 trillion in student loan debt.[1] The student debt crisis has been further strained over the past year as the financial impact of COVID-19, many student loan borrowers faced the uncertainty of meeting their monthly repayment obligations in addition to paying for necessities.

Studies indicate that higher student loan debt is strongly correlated with lower homeownership rates, less consumer spending, and small business failures.[2] Tackling this crisis is a critical step toward moving the country in the right direction in the midst of the pandemic.

The burden of student debt is even heavier for Black and Latino borrowers. About 90% of Black students and 72% of Latino students take out loans, compared to 66% of white students.[3] The student loan crisis has always contributed to inequality in the U.S., and the COVID-19 pandemic continues to exacerbate the problem.[4]

Allowing borrowers to refinance their student debt to lower interest rates will ease the burden of student debt for Americans and stimulate the economy at a time when it is most needed.

**The *Coronavirus Emergency Student Loan Refinancing Act of 2021* will ease the burden of the student debt crisis during the pandemic and beyond by:**

- **Allowing student loan borrowers to refinance their federal student loans.** Borrowers who are in good standing and meet eligibility requirements based on income or the debt-to-income ratio established by the Department of Education to refinance their Direct Loan or FFEL program loan. Borrowers would have to apply to have their debt refinanced.
- **Giving borrowers the option to refinance their federal student loans at lower interest rates.** Interest rates would be equal to the lowest yield of the 10-year Treasury note in the preceding six months, plus a fixed percentage rate established by the *Student Loan Certainty Act of 2013.*
  - For undergraduate borrowers with Federal Direct Stafford, Unsubsidized, PLUS, and Consolidated loans, the interest rate would be equal to the lowest yield on the 10-year U.S. Treasury note in the preceding six months plus 2.05%;
  - For graduate borrowers with Federal Direct Stafford or Unsubsidized loans, the interest rate would be equal to the lowest yield on the 10-year U.S. Treasury note in the preceding six months plus 3.6%; and
  - For borrowers with PLUS loans, the new interest rate would be equal to the lowest yield on the 10-year U.S. Treasury note in the preceding six months plus 4.6%.

**Supporting Organizations:**
Georgetown University Center on Education and the Workforce, Disability Rights Education & Defense Fund (DREDF), National Association of Realtors, and The Center for Law and Social Policy (CLASP)

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[1] https://educationdata.org/student-loan-debt-statistics
[2] https://www.brookings.edu/wp-content/uploads/2016/07/pdflooneytextfallbpea.pdf
[3] https://www.nbcnews.com/news/us-news/student-debt-crisis-creates-vicious-cycle-inequality-black-latino-neighborhoods-n1232388
[4] https://www.cnbc.com/2020/06/27/how-covid-19-has-made-the-student-loan-crisis-even-worse.html