



The Daily Dish

# Who Benefits from Student Loan Forgiveness

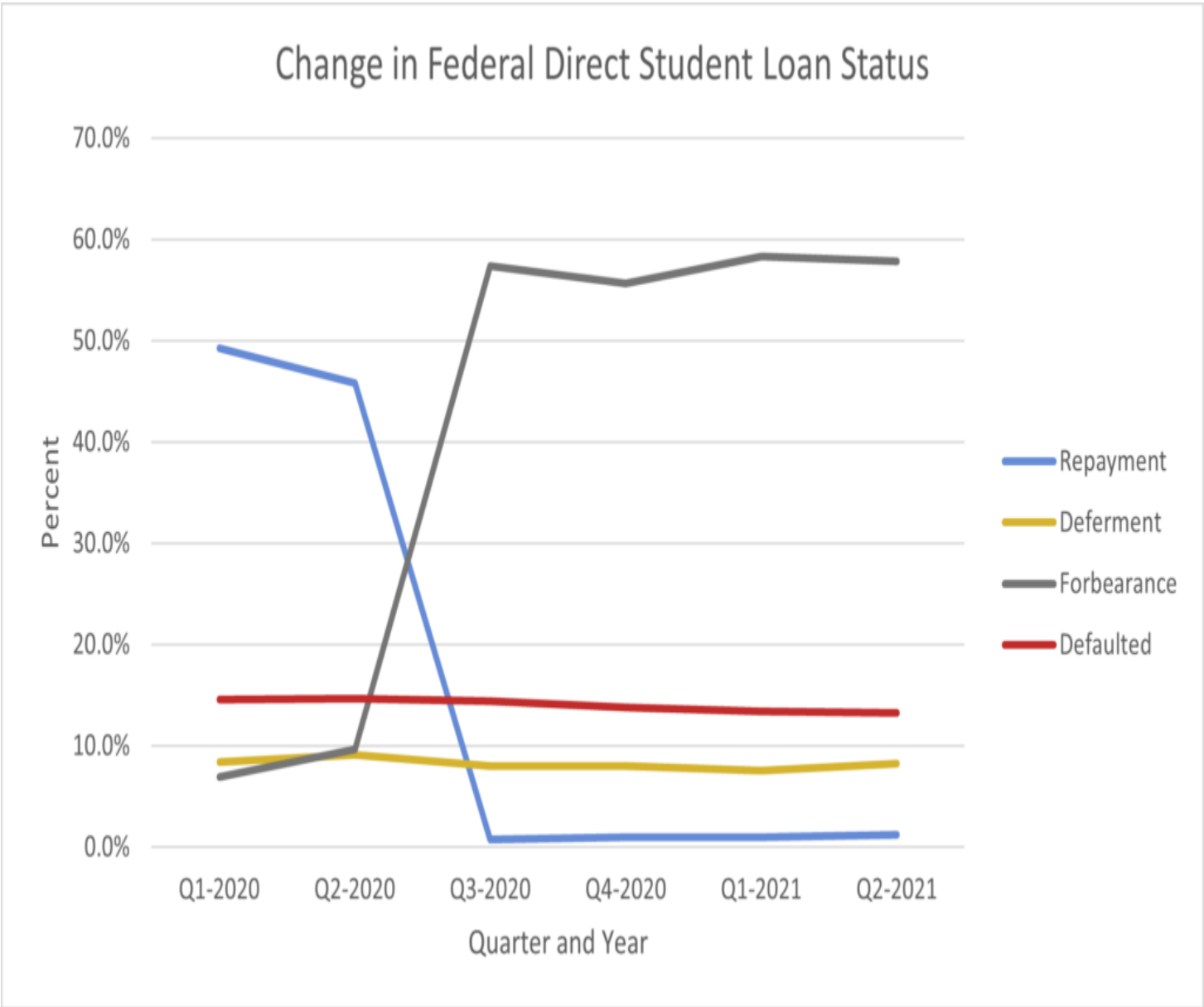
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## Eakinomics: Who Benefits from Student Loan Forgiveness

It's been infrastructure week so long, I nearly forgot that there are other policy issues. It was unsurprising, however, that the minute I started looking the first thing I ran into was student debt forgiveness, with [Fortune reporting](#), "On Friday, the [U.S. Department of Education announced](#) it will discharge student loans totaling \$55.6 million by students who attended troubled schools like Westwood College, Marinello Schools of Beauty, and the Court Reporting Institute." This forgiveness took place under the auspices of the "[borrower defense](#)" policy, but the whole notion of widescale forgiveness remains on the table.

Fortunately, Tom Lee has [run the numbers](#) on the implications of blanket loan forgiveness and they are stunning. To begin, "More than 60 percent of federal student loan holders have entered and remained in forbearance on their loans since the third quarter of 2020, a 47.8 percentage point increase from the previous quarter, while just 1 percent of all borrowers are regularly making payments right now." One, 1, uno percent. So, at least at the moment, nobody is paying their student loans. (The chart is reproduced from Lee's paper.)

Chart 1: Distribution of Federal Direct Loans by Status



The next step being contemplated is a blanket forgiveness of \$10,000 using administrative authorities. The table below, reproduced from Lee’s paper, shows the dramatic implications of doing this. Such a policy would fully eliminate the balances from the smallest categories of balances, but would have a large impact on those with large balances as well.

Table 1: Federal Student Loan Portfolio by Borrower Debt Size as of the Second Quarter of 2021

Amount Owed (\$)	<b>Less than 5K</b>	<b>5K to 10K</b>	10-20K	20-40K	40-60K	60-80K	80-100K	100-200K	200K+
Total Dollars Outstanding (in Billions)	<b>\$19.4</b>	<b>\$54.4</b>	\$136.4	\$274.2	\$208.7	\$179.9	\$125.3	\$324.2	\$271.3
Total Number of Borrowers (in Millions)	<b>7.3</b>	<b>7.5</b>	9.4	9.6	4.3	2.6	1.4	2.4	0.9
Total Dollars Outstanding (in Billions) After \$10,000 Forgiveness	<b>\$0.0</b>	<b>\$0.0</b>	\$42.4	\$178.2	\$165.7	\$153.9	\$111.3	\$300.2	\$262.3

As it turns out, those larger balances are concentrated among more affluent borrowers. As a result, the policy would “reduce outstanding federal student loan debt by \$380 billion, but more than half of this relief would go toward families in the top 40 percent of income, while the bottom 40 percent would receive just a quarter of the relief.”

There are lots of reasons to be skeptical of student loan forgiveness, but blanket, untargeted approaches should be off the table.