FEDERAL RESERVE BANK PHILADELPHIA
Consumer Finance Institute

SPECIAL REPORT

Expectations of Student Loan Repayment, Forbearance, and Cancellation: Insights from Recent Survey Data

by Tom Akana and Dubravka Ritter[1]

Student debt repayment has been a prominent topic in public policy and public discourse for over a decade. Many worried that the COVID-19 pandemic's economic slowdown, job losses, and income disruptions exacerbated the struggles that many education loan holders were already experiencing. The government quickly provided relief to most borrowers with federal education loans as early as April 2020.

Payments on most federal student loans were temporarily suspended, interest accumulation was paused, collections on delinquent and defaulted loans were suspended, and any evidence of federal student loan delinquency was effectively removed from eligible consumers' credit bureau files.[2] For loans in this *automatic forbearance* or *payment pause*, the full amount of any payments made during the pause reduced the loan principal, though relatively few borrowers have consistently made payments during the pandemic. The U.S. Department of Education recently announced that it has extended the payment pause for a sixth time, through the end of August 2022, with additional extensions possible in late 2022.[3] The result: Nearly 4 out of 5 student loan borrowers have skipped some or all scheduled payments since April 2020.

There has been limited research on student borrower financial health during the pandemic as well as borrower reasons for skipping loan payments, their expectations of successful loan payments once forbearance expires, or

[1] The views expressed in this report are solely those of the authors and do not necessarily reflect the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System. Nothing in the text should be construed as an endorsement of any organization or its products or services. Any errors or omissions are the responsibility of the authors. No statements here should be treated as legal advice. Philadelphia Fed publications relating to COVID-19 are free to download at https://www.philadelphiafed.org/the-economy/covid19.

[2] Private student loans as well as Federal Family Education Loan Program (FFELP) loans held by commercial banks were not eligible for the automatic payment pause.

[3] The announcement of April 6, 2022, that the payment pause was extended came midway through our April survey collection https://www.ed.gov/news/press-releases/biden-harris-administration-extends-student-loan-pause-through-august-31. Our survey asked respondents about their expected ability to pay in May 2022, and we describe it as such in this report.

their expectations of further forbearance extension or debt cancellation.[4] This report adds to our understanding of borrower experiences with and future expectations of student loan repayment, forbearance, and loan cancellation using responses to the January 2022 and April 2022 waves of the *CFI COVID-19 Survey of Consumers* conducted by the Federal Reserve Bank of Philadelphia's Consumer Finance Institute (CFI). We study a national sample of 13,423 consumers who reported high-level information about their past and current loan repayment behavior, their experience with student loan forbearance, and their expectations of future forbearance and student debt cancellation. In addition to these data on education loan holders, all survey respondents provided their demographic characteristics as well as information on their employment, financial situation, and disruptions in employment experienced during the pandemic.

Throughout the report, we focus on individuals ages 25 or older; many respondents younger than 25 may still be enrolled in a study program. Furthermore, we include all education loan holders in our sample, the overwhelming majority of whom will have federal education loans eligible for blanket pandemic-related forbearance. To account for differences in the demographic distribution and to generate more nationally representative estimates for education loan holders, we reweighted the responses in this survey to reflect the American Community Survey along income, education, race, and age categories in our data. See Akana (2022) for more detailed information on the survey sample for the January 2022 collection wave and for the latest update on measures such as job status, income levels, and personal financial security that CFI has been monitoring since the beginning of the pandemic. A comparable report summarizing the April 2022 data is forthcoming.

The trends we identify in the data suggest that continued, chronic repayment struggles are not primarily the result of pandemic-related transitory financial shocks but are more systemic in nature. Borrowers with chronic repayment challenges benefit from automatic forbearance, but our survey responses suggest that, for most of these borrowers, forbearance is simply postponing a day of reckoning with loan payments that the respondents consider unaffordable. We support our interpretation with four main findings:

- About 70 percent of borrowers who were making regular payments before the pandemic expected to be able to make their payments in full after blanket pandemic forbearance ends. Even among this group, 20 percent reported that their payments were currently unaffordable. (See pp. 3–4.)
- Over half of education loan holders — a share significantly higher than observed in respondents without education debt — reported *temporary employment and income disruptions* over a one-year period, such that the Department of Education appears warranted in strengthening and streamlining provisions for

[4] Our colleagues at the Federal Reserve Bank of New York recently published a report on borrower expectations after forbearance ends using the Survey of Consumer Expectations (Chakrabarti, Lu, and van der Klaauw, 2022). The Consumer Financial Protection Bureau (2022) and Goss, Mangrum, and Scally (2022) analyze anonymized credit bureau data to forecast future student loan repayment difficulties.

temporary/occasional forbearance and other time-limited methods for supporting borrowers to remain on track with their payments. (See pp. 4–7.)

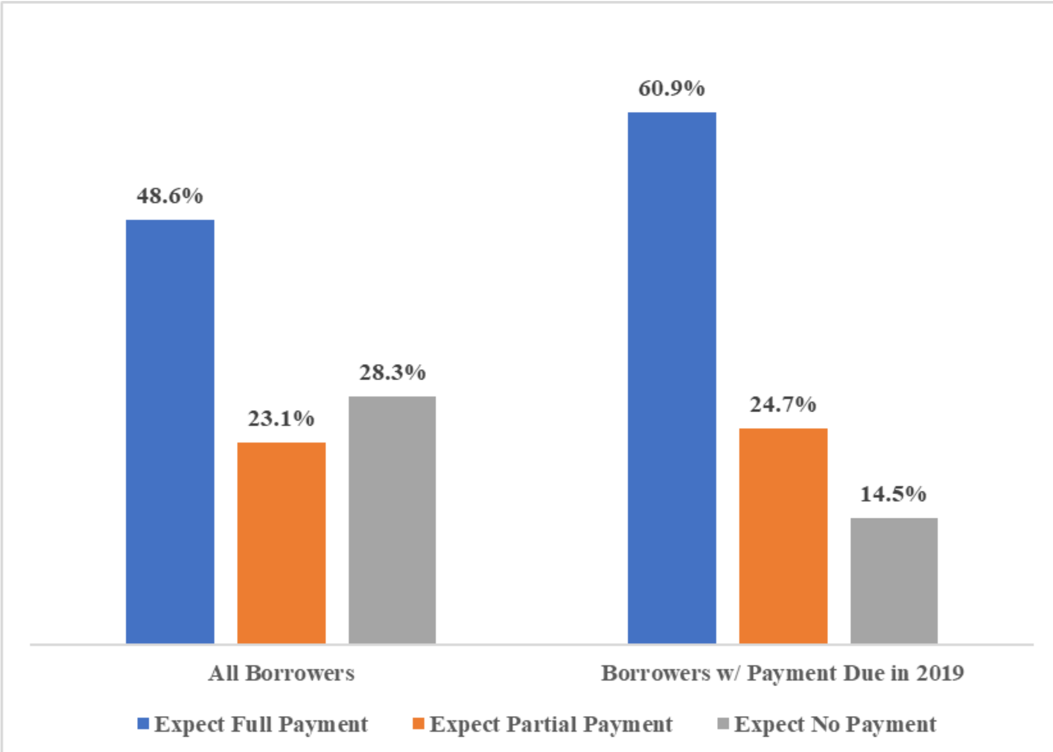
- A significant share of education loan borrowers are *chronically struggling* and would benefit from more comprehensive solutions rather than extending a temporary forbearance. Most respondents who did not anticipate being able to make their payments after forbearance ends reported that their payments were unaffordable. Most of these borrowers were making no or partial payments before the pandemic and do not appear to be in a position to change their financial situation even with the support of a continued blanket forbearance. (See pp. 7–11.) Many of those respondents either did not complete their degree or were working in occupations unrelated to their degrees (pp. 9–10).
- Most respondents without education debt preferred no, or relatively limited, cancellation of federal education debt (e.g., $10,000 or less per borrower). In comparison, those with education debt overwhelmingly (86 percent) preferred some debt relief. However, even among this group, there did not appear to be widespread support for canceling most or all education debt. (See pp. 13–15.) A majority of respondents, with or without education debt, felt that any debt relief provided should be targeted.

What Do Borrowers Expect When Required Payments Resume?

Our data were collected in January 2022 (Wave 11) and April 2022 (Wave 12), and we asked borrowers whether they would be prepared to make their required education loan payments once the administrative forbearance expired a few months into the future. The left panel of **Figure 1** shows that about half of all education loan holders expected to be able to make their full education loan payments in May 2022, whereas the rest of the borrowers were split between those who expected to be able to make partial payments and those who did not expect to be able to make any payments.

Some borrowers were not required to make payments, either because they were enrolled in an income-driven repayment plan with a $0 monthly payment or because their loan was still deferred or in a grace period. The right panel of Figure 1 shows that borrowers who had required payments before the pandemic were more optimistic about their ability to make their required payments in May 2022, with over 60 percent stating that they would be able to make full payments, 25 percent expecting to make partial payments, and 15 percent expecting not to be able to make any payments. Of course, some borrowers who had no payments due in 2019 may have been expected to make payments in May 2022, either because their grace/deferment ended or because their income changed. Therefore, we expect that the true share of borrowers who expected payment challenges in May 2022 is somewhere in between the shares displayed in the left and right panels of Figure 1.

Figure 1 — Expected Repayment Capacity After Administrative Forbearance Ends



Notes: Sample includes respondents who report an outstanding education loan and are ages 25 and older. We show statistics for borrowers who expected to be able to make 1) full payments, 2) partial payments, or 3) no payments once forbearance ends. Responses are reweighted to reflect the American Community Survey distribution by income, education, race, and age.

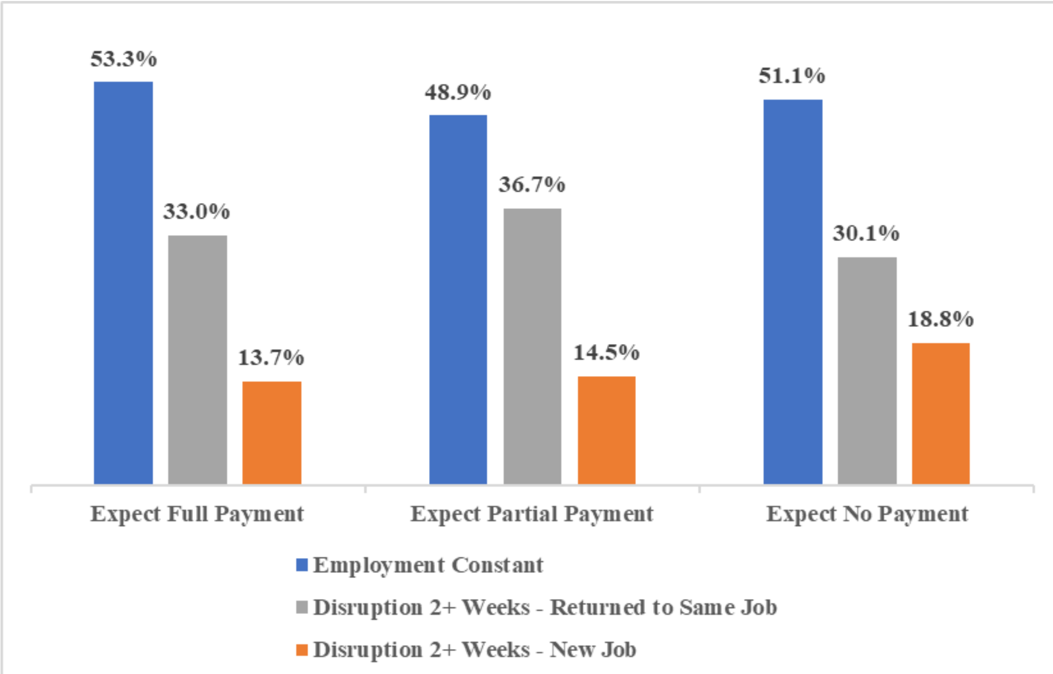
Source: Federal Reserve Bank of Philadelphia *CFI COVID-19 Survey of Consumers*, Waves 11 and 12

Expectations about payment capacity were virtually indistinguishable in the January versus April 2022 surveys, so borrower expectations have been relatively stable in 2022 thus far.

Recent Employment and Income Disruptions and Expected Repayment Capacity

We asked respondents in our surveys for Waves 11 and 12 whether they experienced an employment disruption of more than two weeks over the previous year. **Figure 2** shows that only about half of education loan holders maintained steady employment with the same employer over a one-year period. The other half of education loan holders either experienced a disruption and then returned to the same job or switched jobs after the employment disruption. Borrowers who were expecting not to make payments in May 2022 were 37 percent more likely to have experienced a disruption that required a job change than borrowers who expected to make payments in full (19 percent versus 14 percent, respectively).

Figure 2 — Prevalence of Employment Disruptions, Education Loan Holders

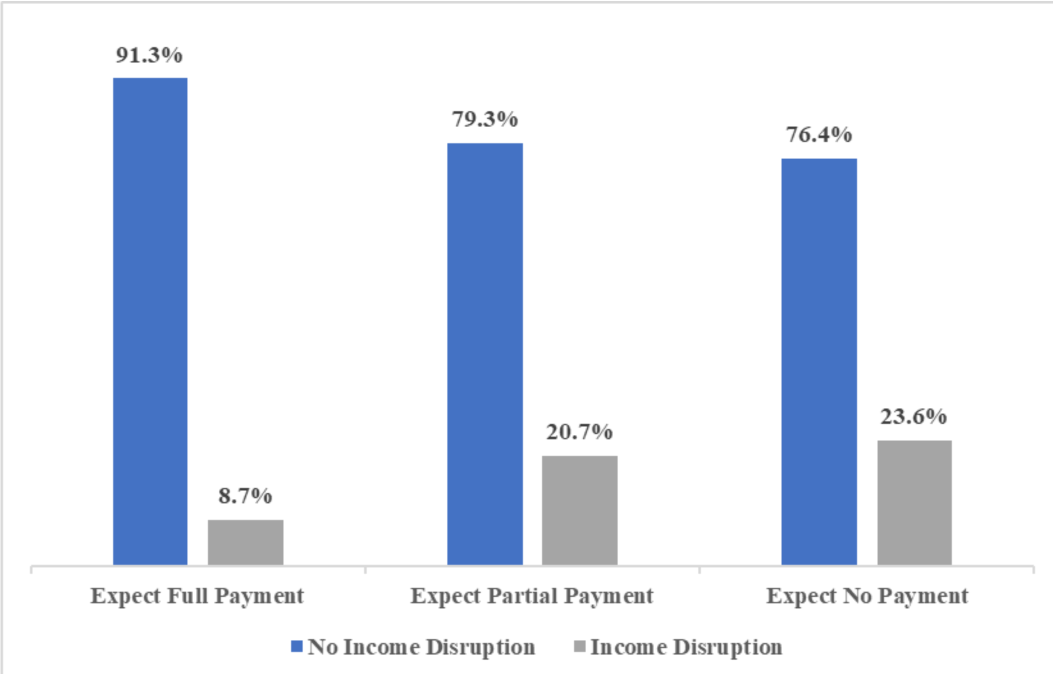


Notes: Sample includes respondents who report an outstanding education loan and are ages 25 and older. We show statistics for borrowers who expected to be able to make 1) full payments, 2) partial payments, or 3) no payments once forbearance ends. Respondents are segmented by their employment experience over the preceding year. Responses are reweighted to reflect the American Community Survey distribution by income, education, race, and age.

Source: Federal Reserve Bank of Philadelphia *CFI COVID-19 Survey of Consumers*, Waves 11 and 12

Figure 3 shows that education loan holders who anticipated being unable to make payments in May 2022 were also more likely to have experienced income disruptions (in our survey, measured as income lower than in the previous year). About 24 percent of borrowers who anticipated being unable to make payments in May 2022 had experienced an income disruption, compared with 9 percent among borrowers who expected to make full payments.

Figure 3 — Prevalence of Income Disruptions, Education Loan Holders



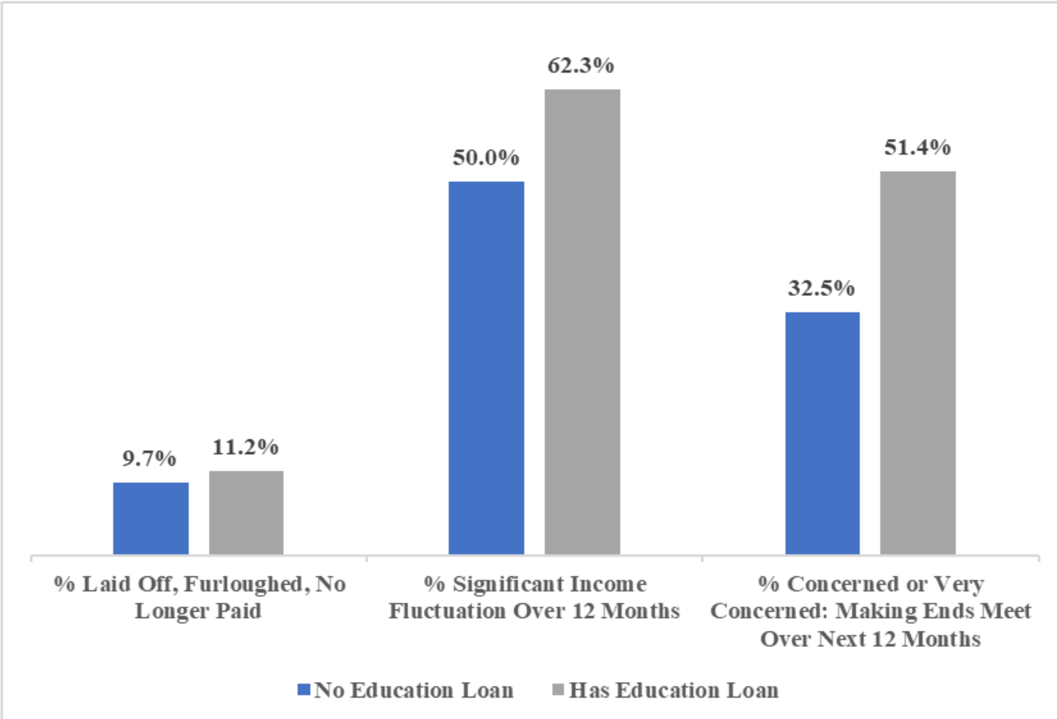
Notes: Sample includes respondents who report an outstanding education loan and are ages 25 and older. We show statistics for borrowers who expected to be able to make 1) full payments, 2) partial payments, or 3) no payments once forbearance ends. *Income disruption* in this figure refers to respondents whose income decreased relative to the previous year. Responses are reweighted to reflect the American Community Survey distribution by income, education, race, and age.

Source: Federal Reserve Bank of Philadelphia *CFI COVID-19 Survey of Consumers*, Waves 11 and 12

Consistent with education loan holders typically being younger and still early in their careers, we see that they experienced considerable change in the job market (employment and income) over a one-year period. In our report summarizing the survey collection undertaken in November 2020 (Akana, 2021), we documented that education loan holders were more likely to have experienced employment and income disruptions in the first six months of the pandemic compared with respondents without education loans.

Similarly, our 2022 data in **Figure 4** show that education loan holders were somewhat more likely to have experienced a fluctuation in income over the previous 12-month period (60 percent versus 50 percent for respondents without education loans). Given their higher exposure to income and employment disruptions, it is not surprising that education loan holders were more likely to be concerned or very concerned about making ends meet over the next 12-month period (about 70 percent) compared with respondents without education loans (about 50 percent). In the next section, we show that, while these employment and income disruptions cause temporary repayment challenges, the primary driver of longer-term repayment challenges is the self-reported unaffordability of payments relative to borrower income.

Figure 4 — Prevalence of Financial Hardship



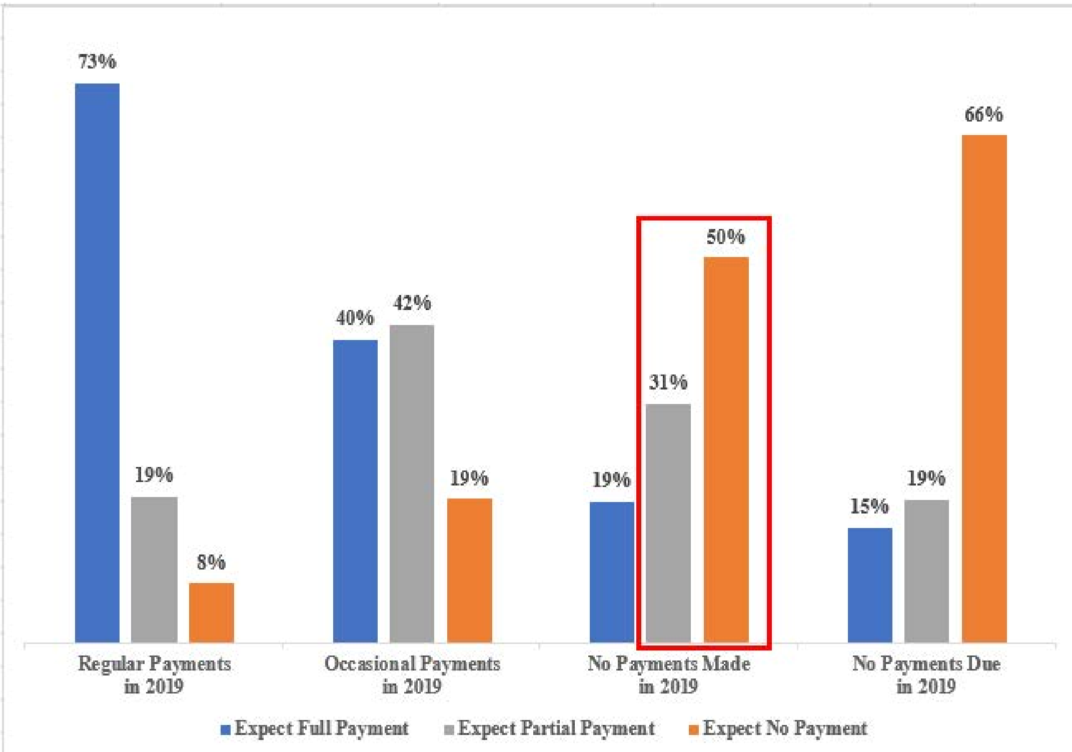
Notes: Sample includes respondents who are ages 25 and older. Employment disruption in this figure is measured at a point in time and not over 12 months. Responses are reweighted to reflect the American Community Survey distribution by income, education, race, and age.

Source: Federal Reserve Bank of Philadelphia *CFI COVID-19 Survey of Consumers*, Waves 11 and 12

Why Do Borrowers Expect to Struggle with Payments?

In our data, the strongest correlation between a borrower's expected payment capacity after forbearance ends (again, anticipated to be in May 2022 at the time of our survey collection) was with their repayment status prior to the pandemic. While the prevalence of shocks during the pandemic matters, as previously noted, it does not appear to matter as much as the repayment capacity of the borrower prior to the onset of the pandemic. Respondents who made occasional or no payments in 2019 reported that they expected to make full payments once the forbearance program ends much less frequently (40 percent and 19 percent of respondents, respectively) than those making full payments in 2019. In contrast, three-quarters of borrowers who reported making regular payments in 2019 reported that they anticipated being able to make full payments after forbearance ends (**Figure 5**). In other words, a significant share of education loan borrowers — over one-fifth of borrowers in our data, in the red box in Figure 5 — are *chronically struggling* and neither made payments in 2019 nor expect to make payments in May 2022. These borrowers would benefit from a more comprehensive solution than simply extending blanket administrative forbearance. That is because their ability to afford payments has not materially changed since before the pandemic.

Figure 5 — Loan Payments in 2019 and Expected Payment Capacity After Forbearance Ends



Notes: Sample includes respondents who report an outstanding education loan and are ages 25 and older. We show statistics for borrowers who expected to be able to make 1) full payments, 2) partial payments, or 3) no payments once forbearance ends. Responses are reweighted to reflect the American Community Survey distribution by income, education, race, and age.

Source: Federal Reserve Bank of Philadelphia *CFI COVID-19 Survey of Consumers*, Waves 11 and 12

We show the distribution of regular payments in 2019 and the expectation of regular payments after forbearance ends across demographic groups in **Table 1**. Both payment consistency in 2019 and expected payment capacity after forbearance ends follow a strong income gradient. Lower-income individuals were much less likely to expect to make full payments and more likely to expect not to make payments. This is the case even though many of those borrowers are likely to be eligible for or are already receiving payment reductions via income-driven repayment plans. Conversely, borrowers with incomes over $75,000 were extremely unlikely to report that they expected not to make payments after forbearance ends. Fully 84 percent of borrowers with incomes over $125,000 expected to make full payments after the payment pause ends.

Consistent with Chakrabarti, Lu, and van der Klaauw (2022), borrowers without degrees, female borrowers, and most non-White borrowers were most likely to report not making regular payments in 2019 and not expecting to make regular payments when forbearance ends.

Table 1 — Payment Consistency in 2019 and Expected Payment Capacity, by Demographic Group

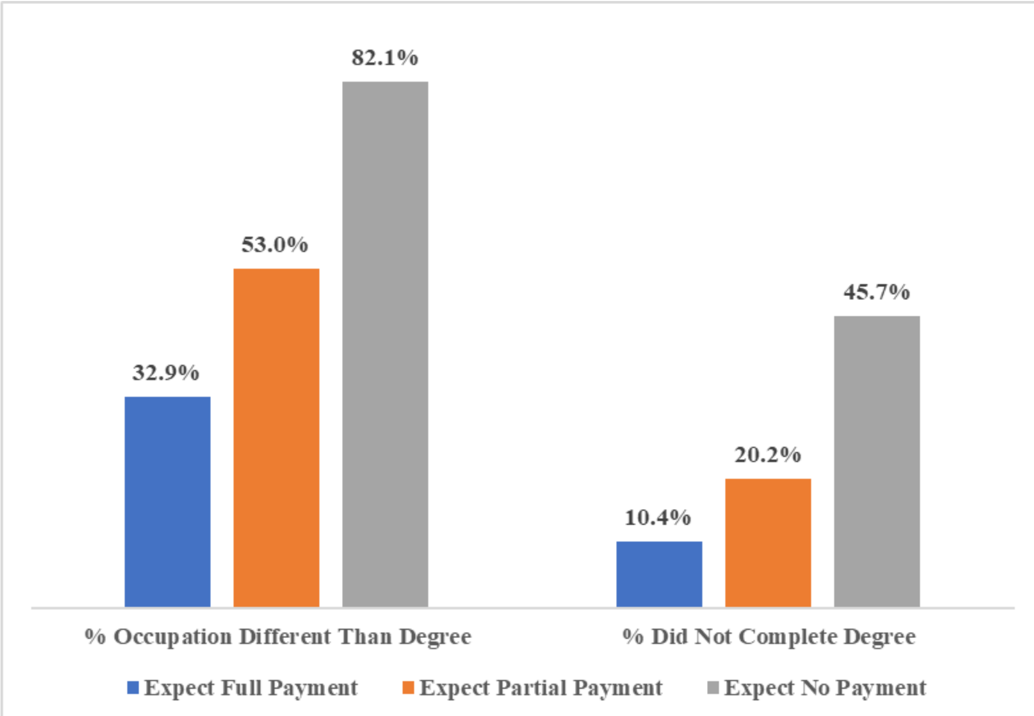
	Payment Consistency in 2019				Payment Capacity After Forbearance (Borrowers w/ Payments Due in 2019)		
	Regular Payments	Occasional Payments	Never Payments	No Payments Due	Expect Full Payment	Expect Partial Payment	Expect No Payment
Income Range							
< $40,000	38.7%	14.7%	11.4%	35.2%	49.0%	29.4%	21.6%
$40,000 - < $75,000	60.1%	12.7%	4.9%	22.3%	64.3%	23.2%	12.5%
$75,000 - < $125,000	70.8%	14.0%	3.6%	11.7%	76.3%	19.6%	4.1%
$125,000 - < $250,000	84.6%	10.7%	0.5%	4.3%	84.0%	15.0%	1.0%
$250,000+	85.3%	6.6%	1.1%	7.1%	90.5%	7.1%	2.4%
Degree Attainment							
Other	34.7%	13.3%	9.0%	43.0%	69.2%	4.6%	26.3%
Less than Bachelors	41.6%	17.8%	11.2%	29.5%	51.3%	29.6%	19.1%
Bachelors	59.5%	7.4%	4.9%	28.3%	68.0%	21.1%	10.9%
Graduate Degree	69.6%	11.9%	3.3%	15.2%	73.7%	18.6%	7.7%
Age Range							
26-36	53.4%	15.1%	8.7%	22.8%	63.2%	25.6%	11.2%
36-55	50.9%	13.9%	8.5%	26.7%	57.4%	25.5%	17.2%
65+	49.2%	9.0%	3.8%	38.0%	65.4%	17.8%	16.9%
Gender							
Male	67.4%	11.6%	4.2%	16.8%	77.0%	16.7%	6.3%
Female	43.8%	14.9%	9.9%	31.4%	50.5%	29.7%	19.8%
Other	25.3%	3.8%	11.2%	59.7%	72.2%	27.8%	0.0%
Race/Ethnicity							
White (Non-Hispanic)	51.6%	12.2%	8.2%	28.1%	61.0%	23.5%	15.6%
African American / Black	45.4%	15.4%	11.9%	27.3%	51.0%	34.6%	14.4%
Hispanic	62.4%	16.8%	1.3%	19.5%	73.7%	17.2%	9.2%
Other	45.9%	13.5%	10.7%	29.9%	54.6%	25.0%	20.4%

Notes: Sample includes respondents who report an outstanding education loan and are ages 25 and older. We show statistics for borrowers who expected to be able to make 1) full payments, 2) partial payments, or 3) no payments once forbearance ends. Responses are reweighted to reflect the American Community Survey distribution by income, education, race, and age.

Source: Federal Reserve Bank of Philadelphia *CFI COVID-19 Survey of Consumers*, Waves 11 and 12

Figure 6 shows that borrowers who take advantage of forbearance were less likely to be working in an occupation related to their major or area of study for which they took out their education loans (80 percent of borrowers who expected not to make payments versus 30 percent of borrowers who expected to make full payments). They were also more likely to be individuals who did not complete the degree for which they took out the education loans (46 percent of borrowers who expected to make no payments versus 10 percent of borrowers who expected to make full payments).

Figure 6 — College Background and Expected Payment Capacity



Notes: Sample includes respondents who report an outstanding education loan and are ages 25 and older. We show statistics for borrowers who expected to be able to make 1) full payments, 2) partial payments, or 3) no payments once forbearance ends. Responses are reweighted to reflect the American Community Survey distribution by income, education, race, and age.

Source: Federal Reserve Bank of Philadelphia *CFI COVID-19 Survey of Consumers*, Waves 11 and 12

Finally, **Figure 7** summarizes the responses we received when we asked borrowers who have not made payments during the pandemic payment hiatus why they did not continue to make their payments.[5] Some borrowers reported obstacles to payment (unable to afford payments, hassle to resume payments), some were building savings, and some were paying down debt.[6] A striking pattern arises when we divide the respondents into categories of those who expected to make full payments after forbearance ends, those who expected to make partial payments, and those who expected not to make payments. *Nearly 70 percent of borrowers who expected not to make payments and over 35 percent of borrowers who expected to make partial payments reported that their payments were unaffordable*.

A common narrative during the pandemic was that the forbearance period enabled many education loan borrowers to save or deleverage. Our survey data are less sanguine. About 20 percent to 30 percent of borrowers who expected

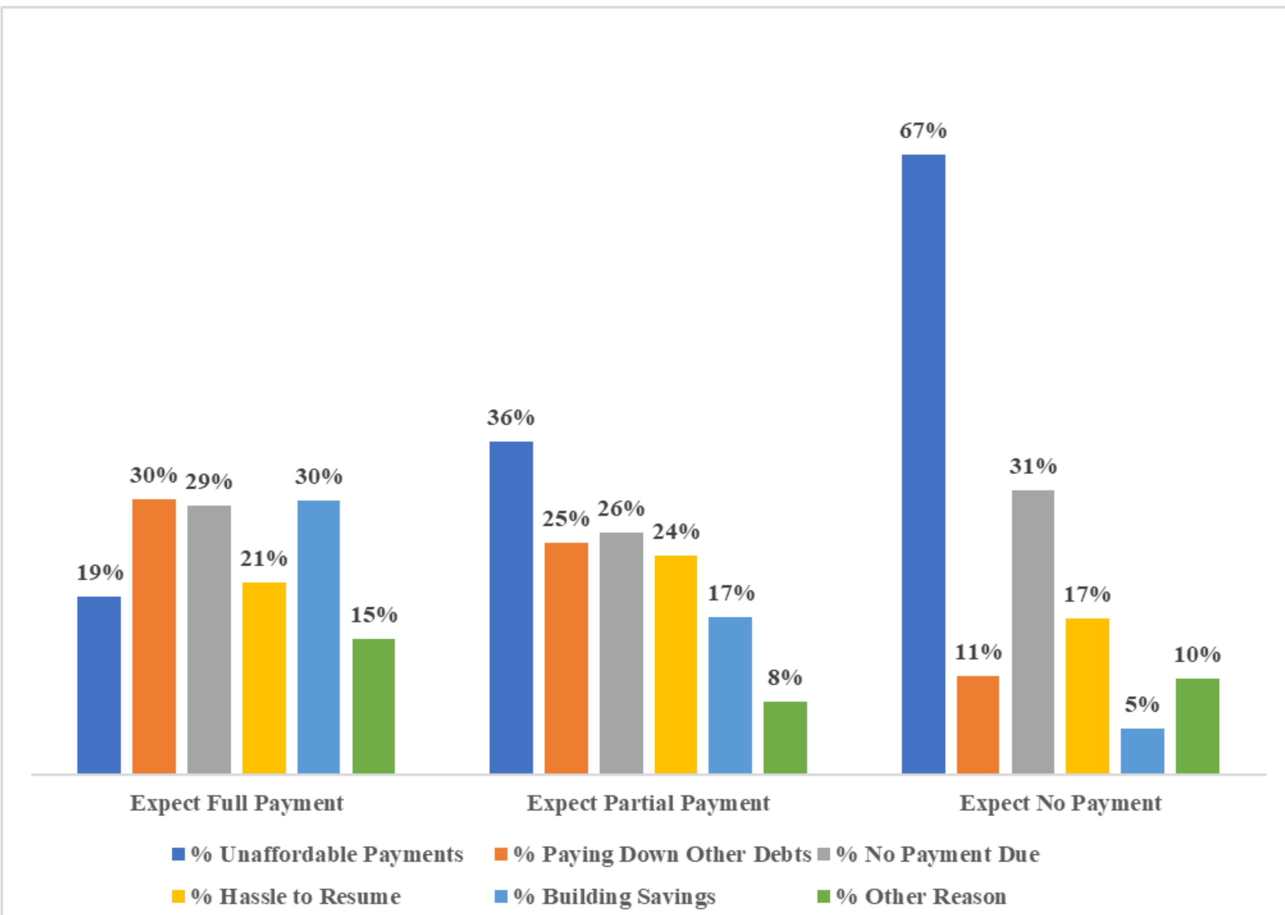
[5] Borrowers eligible for the blanket administrative forbearance offered by the federal government had the option of resuming their payments by calling their servicer. Any payments would have been applied fully to the loan principal since interest accumulation was suspended during the pandemic for eligible loans. Most borrowers did not resume payments.

[6] Respondents were able to select multiple responses; as a result, the presented categories do not add up to 100 percent.

to make full or partial payments after forbearance ends were paying down other debts or building savings, and only 10 percent of borrowers who expected not to make payments were paying down other debts and less than 5 percent were building savings.

Taken together, these survey responses suggest that continued, chronic repayment struggles are primarily the result of education debt that did not lead to income and employment outcomes to support that debt. This appears to be more important, in most cases, than the transitory labor market and income shocks that occurred during the pandemic. Borrowers with chronic repayment challenges benefited from the administrative forbearance provisions of the CARES Act but, in the long run, their problems require a more comprehensive solution than to simply extend temporary forbearance.

Figure 7 — Reasons for Skipping Payments During the COVID-19 Pandemic



Notes: Sample includes respondents who report an outstanding education loan and are ages 25 and older. We show statistics for borrowers who expected to be able to make 1) full payments, 2) partial payments, or 3) no payments once forbearance ends. Responses are reweighted to reflect the American Community Survey distribution by income, education, race, and age.

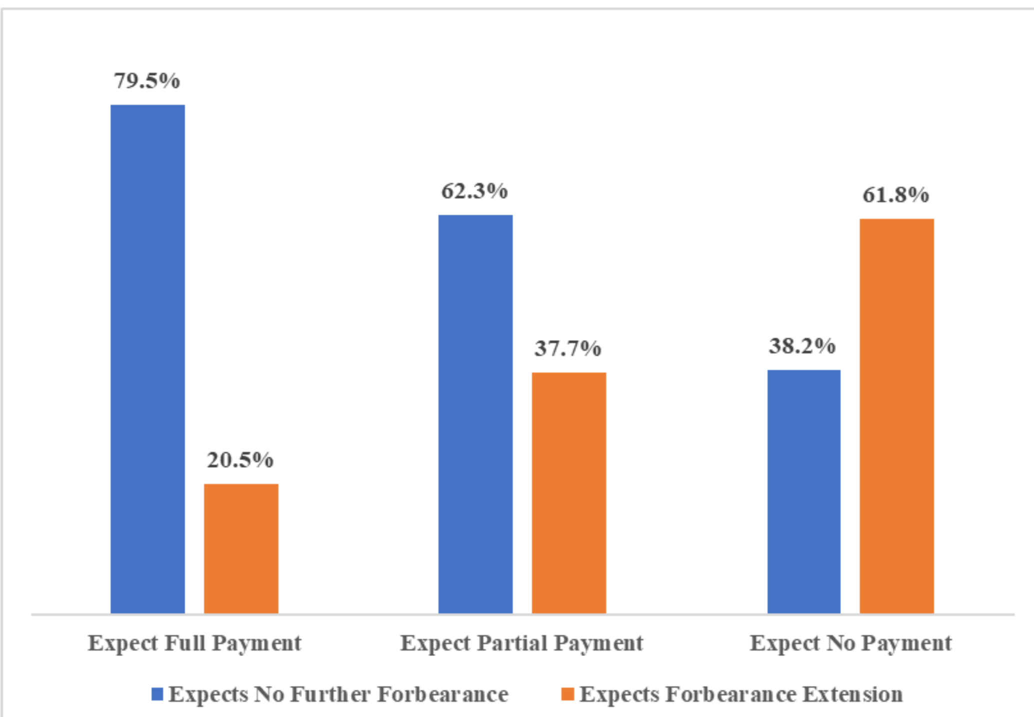
Source: Federal Reserve Bank of Philadelphia *CFI COVID-19 Survey of Consumers*, Waves 11 and 12

Expectations of and Preferences for Continued Borrower Relief

Next, we asked respondents whether they believed that the administrative forbearance will be extended further, as well as what their expectations and preferences were for education debt cancellation. Of those respondents who favored some debt cancellation, we asked whether they preferred that all borrowers receive the same amount of relief or that borrowers receive different amounts based on lower incomes, lower assets, or higher amounts of education debt. The responses are summarized in **Figures 8–11**.

Education debt holders overall were more pessimistic about the likelihood of further forbearance extensions past May 2022. Some 50 percent of respondents without education debt expected more extensions to the relief program, while only 37 percent of education loan holders expected the same. However, as displayed in **Figure 8**, borrowers who expected not to be able to make loan payments after forbearance ends were much more likely to think that additional forbearance was likely (62 percent), compared with borrowers who expected to make full payments (20 percent) or borrowers who expected to make partial payments (38 percent).

Figure 8 — Expectation of Further Forbearance Extension

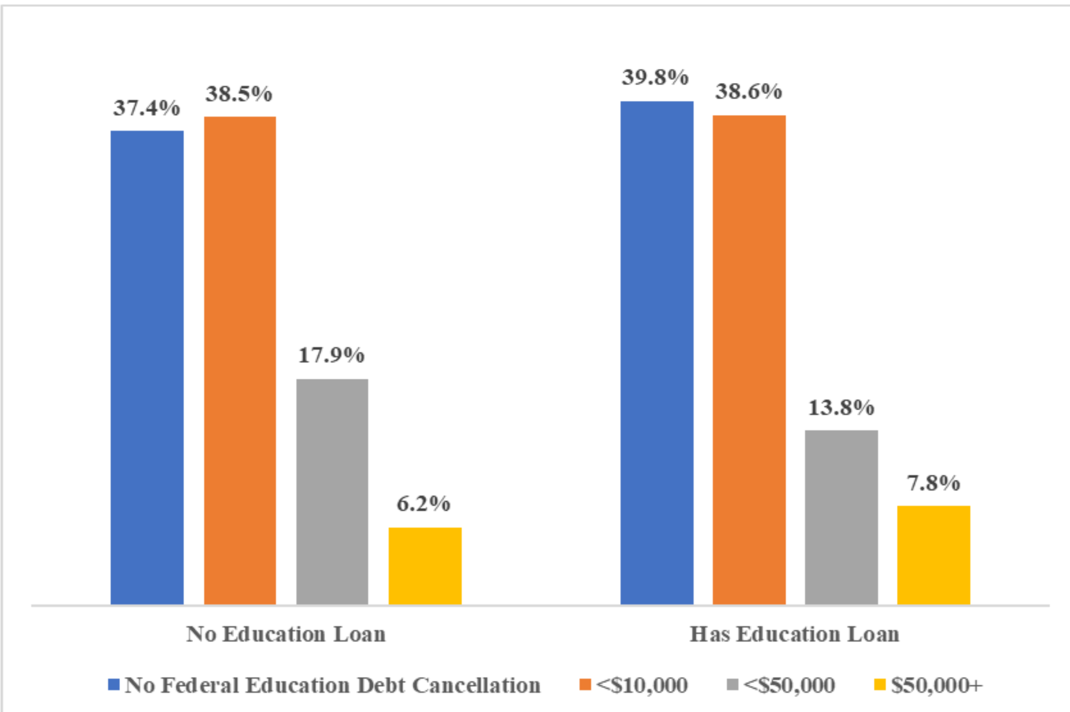


Notes: Sample includes respondents who are ages 25 and older. We show statistics for borrowers who expected to be able to make 1) full payments, 2) partial payments, or 3) no payments once forbearance ends. Responses are reweighted to reflect the American Community Survey distribution by income, education, race, and age.

Source: Federal Reserve Bank of Philadelphia *CFI COVID-19 Survey of Consumers*, Waves 11 and 12

When it came to ideas about canceling federal education debt, respondents with and without education loans had similar opinions regarding whether some education debt cancellation was likely to materialize, as displayed in **Figure 9**. About one-third of respondents expected no debt cancellation, another third expected less than $10,000, while the last third was split between those expecting $10,000 to $50,000 or more than $50,000 per borrower to be canceled. Only 24 percent of respondents without education loans and 22 percent of respondents with education loans expected more than $10,000 of federal education debt to be canceled.

Figure 9 — Expectation of Federal Education Debt Cancellation

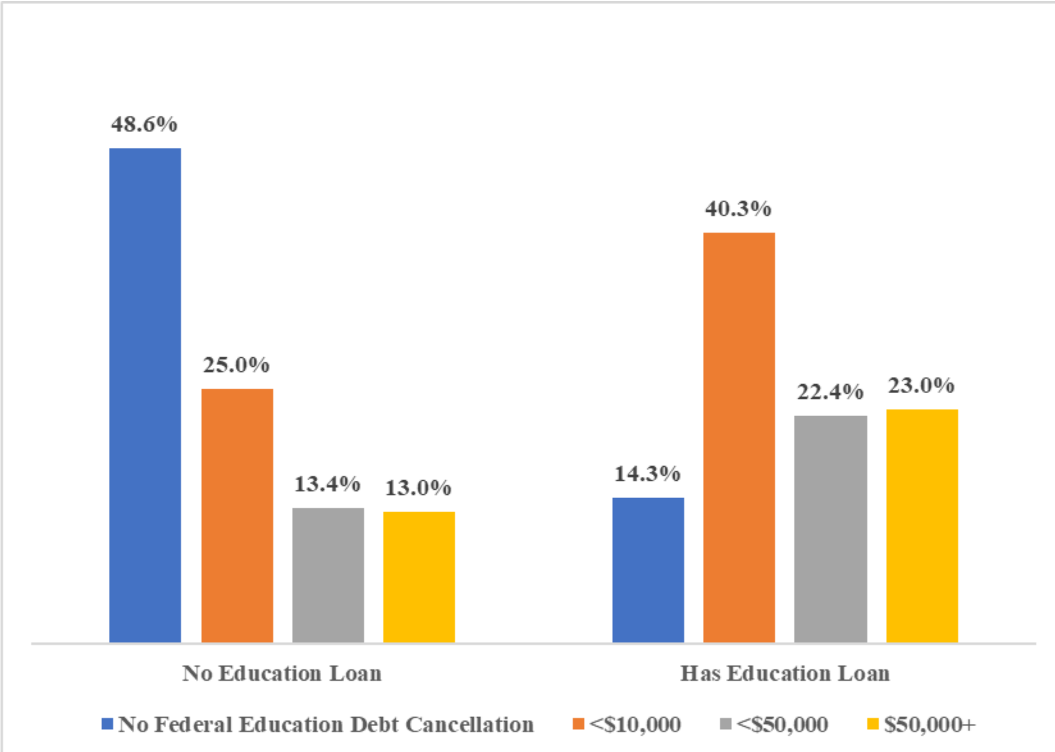


Notes: Sample includes respondents who are ages 25 and older. Responses are reweighted to reflect the American Community Survey distribution by income, education, race, and age.

Source: Federal Reserve Bank of Philadelphia *CFI COVID-19 Survey of Consumers*, Waves 11 and 12

When we asked borrowers whether they preferred (as opposed to expected) federal education debt cancellation, as displayed in **Figure 10**, the responses varied more between education debt holders and other respondents. Half of respondents without education debt preferred no debt cancellation, one-quarter preferred $10,000 or less per borrower, and another quarter preferred $10,000 or more or all federal education debt be canceled. By contrast, 86 percent of education loan holders preferred some debt cancellation, with 40 percent favoring less than $10,000, 22 percent favoring less than $50,000, and 23 percent favoring $50,000 or more in federal debt cancellation.

Figure 10 — Preference for Federal Education Debt Cancellation

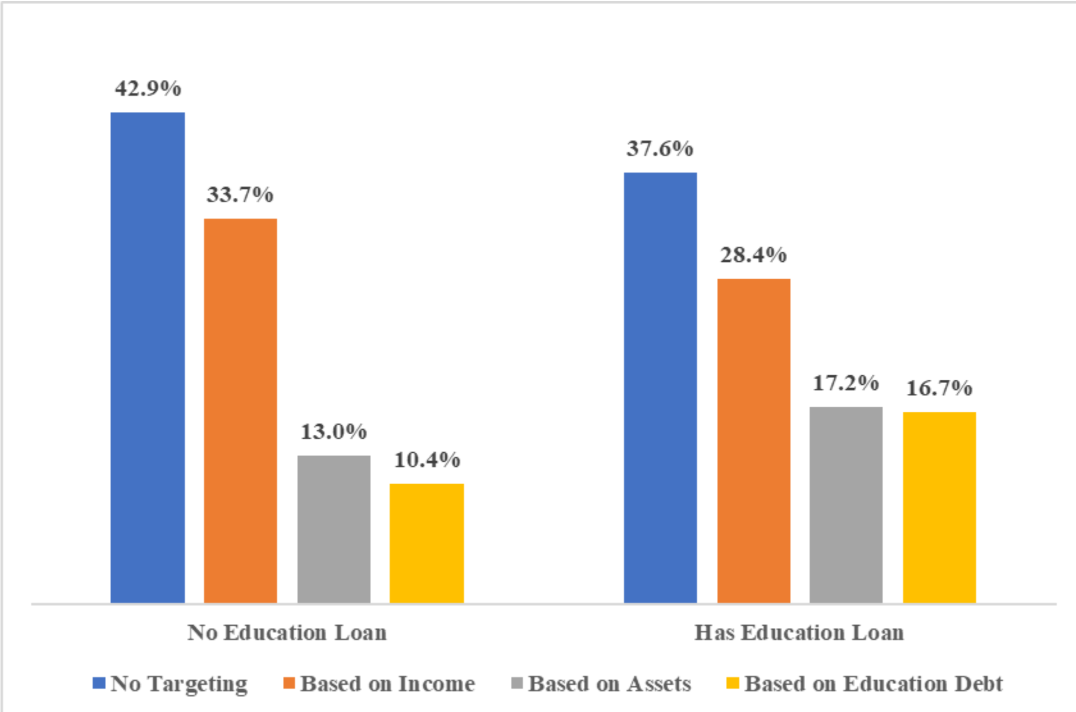


Notes: Sample includes respondents who are ages 25 and older. Responses are reweighted to reflect the American Community Survey distribution by income, education, race, and age.

Source: Federal Reserve Bank of Philadelphia *CFI COVID-19 Survey of Consumers*, Waves 11 and 12

Finally, we asked respondents who preferred at least some federal education debt to be canceled whether they preferred that all borrowers receive the same debt relief or that the amount of relief be conditioned on the borrowers' income, assets, or education debt balance. Most respondents preferred that debt relief be targeted. Respondents with education debt were more likely to prefer some type of means testing, with 28 percent preferring an income-based system, and 17 percent each preferring targeting based on assets or outstanding education debt. Respondents without education debt clearly preferred an income-based test for debt cancellation of the three targeting mechanisms we presented.

Figure 11 — Preferences for Targeted Loan Cancellation



Notes: Sample includes respondents who are ages 25 and older. Responses are reweighted to reflect the American Community Survey distribution by income, education, race, and age.

Source: Federal Reserve Bank of Philadelphia *CFI COVID-19 Survey of Consumers*, Waves 11 and 12

Concluding Remarks

Our data provide rich detail on the experiences and expectations of education loan borrowers once blanket administrative forbearance for most federal education loans ends. We show that three-quarters of borrowers who were making regular payments before the pandemic expected to be able to make their payments in full once forbearance ends. Even among this group, 20 percent reported that their scheduled payments were currently unaffordable, indicating that there is scope for increased enrollment in one of the available income-driven repayment plans offered by the federal government. Beyond this group of borrowers, however, continued blanket forbearance extensions are costly and benefit the majority of borrowers who neither expect to struggle with their payments when the payment pause ends nor appear to be shoring up their savings or paying off other debts.

Over half of education loan holders — a share significantly higher than observed in respondents without education debt — reported *temporary employment and income disruptions* over a one-year period. These disruptions are unsurprising, given that respondents with outstanding education loans tend to be in their early career stages, as well as transitioning back and forth between education and the workforce. For these borrowers, the Department of

Education appears warranted in strengthening and streamlining provisions for temporary/occasional forbearance and other time-limited methods for supporting borrowers to remain on track with their payments.

A significant share of education loan borrowers — over one-fifth of borrowers in our data — are *chronically struggling* and would benefit from more comprehensive solutions than extending a temporary forbearance. Most respondents who did not anticipate being able to make their payments after forbearance ends reported that their payments were unaffordable. Most of these borrowers were making no or partial payments before the pandemic and *do not appear to be in a position to change their financial situation, even with the support of a continued blanket forbearance*. Furthermore, chronically struggling borrowers were also more likely to be individuals who did not complete the degree for which they took out the education loans. In other words, for some borrowers, additional forbearance extensions are simply postponing a day of reckoning with loan payments that are unaffordable. Our data show that a more effective and equitable solution would be to design and implement a thoughtful set of policies that address the different root causes of those payment challenges.

Our survey identifies a significant share of existing borrowers who appear to be chronically struggling with unaffordable monthly payments and/or unaffordable outstanding balances. While our surveys focus on current borrowers, these findings suggest a need for the Department of Education to consider policies that reduce unaffordable loan burdens for future borrowers. This might be accomplished, for example, by substituting more grant aid for student loan aid for low-income students and by strengthening the design, implementation, and adoption of effective income-driven repayment plans. There also appears to be scope for improving the allocation of financial aid funding to educational institutions that consistently enable their students to support debt payments on the education loans they take out (which the Department of Education is already considering).[7]

Finally, our data show that most respondents without education debt preferred no, or relatively limited, cancellation of federal education debt (e.g., $10,000 or less per borrower). In comparison, those with education debt overwhelmingly (86 percent) preferred some debt relief, but even among this group, there did not appear to be widespread support for cancellation of most or all education debt. Across respondents, targeted debt relief was preferred over equal cancellation across borrowers, with income-based tests receiving a larger share of votes than tests based on assets or outstanding education debt. Together with our insights regarding causes of repayment challenges described above, limited federal educational debt cancellation that is targeted to struggling borrowers would be more effective at reducing the incidence of unaffordable payments and more appealing to the average respondent than a revenue-equivalent implementation with an equal amount of debt forgiveness across borrowers. If debt relief were to be targeted based on income, our data suggest that borrowers with incomes below $40,000 or $75,000 would benefit from debt cancellation much more than those with incomes above $75,000.

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[7] See, e.g., https://www2.ed.gov/policy/highered/reg/hearulemaking/2021/isspap3gainempl.pdf.

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