

## EXECUTIVE ORDER

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### CONTINUED STUDENT LOAN PAYMENT RELIEF DURING THE COVID-19 PANDEMIC

When initially created in the Higher Education Act of 1965, the modern student loan program was meant to help make our higher education system more equal. Today it does the opposite, imposing huge burdens on those households with the least inherited wealth, deepening the racial wealth gap and making higher education an enormously risky endeavor for those with the least capacity to bear risk. Student loan debt now prevents millions of people from pursuing their dreams. It prevents or delays pursuing public service work, buying a home, getting married, retiring, starting a business. It causes stress, anxiety, depression, and even suicide. Meanwhile, it distorts the way we provide education, making increasingly many programs focused narrowly on vocational training rather than pursuit of a broad set of competencies.

The burden of student debt has become all the sharper during the unprecedented global pandemic through which we are still living. Most student loan debtors have benefited from a payment pause during the pandemic, and forcing them to start payment again just as their lives and our economy begins to recover would be cruel and counterproductive. Student loan experts expect default rates to rise precipitously if the payment pause is lifted without cancelling debt.

It is time to wipe the slate clean, both as the first step toward building a more just and sustainable higher education system and as a crucial part of the recovery from the rolling crises brought on by the COVID pandemic.

Accordingly, by the authority vested in me as President by the Constitution and the laws of the United States of America, it is hereby ordered as follows:

Section 1. Cancellation of Federal Student Loans. (a) The Secretary of Education shall immediately use the full extent of his power under the Higher Education Act and any other applicable law to cancel all obligations to repay federal student loans.

(b) The Secretary shall, through application of the HEROES Act of 2003, 20 U.S.C. 1098bb(a)(2), waive all preconditions for taking possession of FFELP and Perkins Loans and immediately all actions necessary to take possession of those loans.

(c) The Secretary shall then cancel student loans owed directly to the Department of Education – including all Direct Loans and Department-held FFELP and Perkins Loans – by use of his settlement authorities, 20 U.S.C. §§ 1082(a)(5), (6), his HEROES Act waiver authorities, 20 U.S.C. 1098bb(a)(2), and any other applicable legal authority.

#### Sec. 2. Budgetary Treatment of Student Loan Cancellation.

(a) Administrative PAYGO shall not be an obstacle of any sort to the actions ordered in Section 2. The Director of the Office of Management and Budget shall take all necessary actions to prevent Administrative PAYGO from causing the Department's efforts to relieve the burden of student debt to impede the Department's other lawful efforts.

(b) To the extent possible under current law, budgetary arrangements between executive branch agencies shall not be an obstacle of any sort to the actions ordered in Section 2. The Secretary of the Treasury and the Chair of the Federal Reserve shall determine the most expeditious and proper means by which to ensure that the Department of Education can effectuate the actions ordered in Section 2 without undermining its programmatic capacity. In particular, any promissory notes between the Treasury and the Department shall be waived or renegotiated as appropriate.

Sec. 3. Tax Treatment of Student Loan Cancellation. (a) Subject to 26 U.S.C. § 108(f)(5), as modified by Section 9675 of the American Rescue Plan Act of 2021, cancellation of indebtedness subject to the actions ordered in Section 2 is not taxable income.

(b) The Internal Revenue Service shall not issue Form 1099 to recipients of debt cancellation or otherwise require any declaration of student debt cancellation as income or any explanation from taxpayers as to why it is not income.

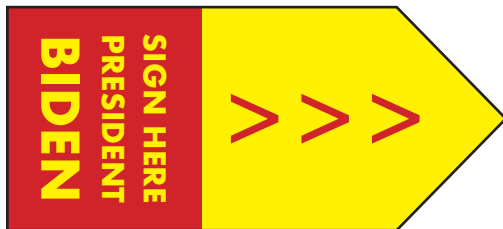
Sec. 4. General Provisions. (a) Nothing in this order shall be construed to impair or otherwise affect:

(i) the authority granted by law to an executive department or agency, or the head thereof; or

(ii) the functions of the Director of the Office of Management and Budget relating to budgetary, administrative, or legislative proposals.

(b) This order shall be implemented consistent with applicable law and subject to the availability of appropriations.

(c) This order is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the United States, its departments, agencies, or entities, its officers, employees, or agents, or any other person.



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