

How Much Would It Cost to Cancel Student Debt?



Emilija Manevska / GettyImages.

While the Biden administration has already canceled almost \$168.5 billion in student loan debt, the President has plans for further debt cancellation.¹ However, debt cancellation does come at a price to taxpayers. If all student loan debt is forgiven, it would cost taxpayers an estimated \$1.6 trillion.²

Key Takeaways

- The Biden administration has canceled nearly \$169 billion in student loan debt as of July 2024.
- Approximately 8 million borrowers are enrolled in the Saving on a Valuable Education (SAVE) plan, which is proposed to cancel their

student debt after a certain amount of time.

- Canceling all student loan debt in the U.S. would cost approximately \$1.6 trillion.

Current Proposals for Student Debt Cancellation

There are a few different proposals for [student debt cancellation](#), with both the Biden administration as well as several members of Congress offering possible solutions.

Biden-Harris Administration's Plan

President Joe Biden has canceled nearly \$169 billion in [student loan debt](#) since taking office.¹ The Biden-Harris administration planned to accelerate its recently developed [Saving on a Valuable Education \(SAVE\) plan](#).

Borrowers currently enrolled in the [income-driven repayment \(IDR\) plan](#) for their federal student loans who originally took out \$12,000 or less to pay for college and have been repaying for at least 10 years could have their remaining loans forgiven.³

However, recent federal rulings have blocked key aspects of the SAVE plan, putting [student loan debt cancellation](#) for borrowers on hold. On July 18, 2024, a federal appeals court blocked the SAVE plan until two court cases centered around the IDR plan can be resolved. The Department of Education has moved the approximately 8 million borrowers enrolled in the SAVE plan into an interest-free forbearance while the litigation is ongoing.⁴

It has also outlined options for borrowers who were nearing Public Service Loan Forgiveness (PSLF)—borrowers can either "buy back" months of PSLF credit if they reach 120 months of payments while in forbearance or switch to a different IDR plan.⁵

[Private student loans](#) aren't typically eligible for forgiveness, so it's important to take advantage of as much federal student aid as you can get. Ideally, you

should only use private student loans to fill any remaining funding gaps after you've exhausted all possible sources of federal aid.

Senators Warren, Pressley, Schumer, and Sanders' Plan

U.S. Senator Elizabeth Warren (D-Mass.), alongside several other senators, wants President Biden and the U.S. Department of Education to expand the relief for student loans. She's proposed the following:

- Eliminating all student loan debt that's more than the original [principal](#) balance of the loan. So if a borrower's debt has accrued so much [interest](#) that it's greater than what they originally took out, that debt is forgiven.
- Cancel all debt for borrowers who have paid their original principal balance.
- Bump up the date for borrowers who entered repayment at least 25 years ago.
- Expand hardship qualifications. While there are already some hardship indicators that help folks qualify for cancellation, this proposal suggests adding non-income-based measures, such as incarceration or a history of evictions. The senators also want to see a catch-all provision so borrowers can qualify on a case-by-case basis, rather than be disqualified if their hardship isn't listed.
- Include borrowers who have been victims of student loan servicer misconduct. This includes people who may have been forced into [forbearance](#) or those who were qualified for IDR plans but were not put into them.
- Remove the currently lengthy application process to qualify for relief. Instead, the senators propose that borrowers automatically qualify.

Factors Affecting the Cost of Student Debt Cancellation

Student loan debt has risen to nearly \$1.6 trillion. While less than 1% of that debt is more than 90 days [delinquent](#), the Federal Reserve Bank of New York expects that number to grow at the end of 2024. This is when federal student loan delinquencies will start to be reported to the [credit bureaus](#).⁷

Borrowers who become delinquent on their student loans will see their [credit scores](#) take a hit. If you're struggling to bring your credit score back up after missing student loan payments, you may want to consider working with a reputable [credit counseling service](#).

While total student loan debt in the U.S. is still less than total mortgage debt (\$12.90 trillion), it's also still more than total credit card debt (\$1.14 trillion). That means [borrowers have higher student loan balances](#) than credit card balances. Essentially, student loan debt is the largest non-mortgage debt in the U.S.⁷

Most borrowers are repaying federal student loans, which is about \$37,852.80 per borrower.⁸ Even though President Biden has been able to cancel billions of dollars in student debt, the U.S. Supreme Court struck down his original cancellation plan in 2023. If it had gone through, it would've cost taxpayers an estimated \$330 billion to \$390 billion, according to the Committee for a Responsible Federal Budget. If all federal loans are forgiven for all 43 million borrowers, it would cost about \$1.6 trillion.²

Is Canceling Student Loan Debt a Good Idea?

If you have student loan debt, canceling student loan debt likely seems like a good idea, as it would let you and other borrowers put money toward paying for necessities, saving for retirement, or [discretionary expenses](#). But if you didn't have any student loan debt or already paid yours off, you may feel that taxpayers shouldn't be responsible for paying off other people's student debt.

How Much Will it Cost Taxpayers for Student Loan

Forgiveness?

If all student loan debt is forgiven, it would cost taxpayers upwards of \$1.6 trillion. A plan proposed by President Biden, which was later struck down by the Supreme Court, would have cost taxpayers an estimated \$330 billion to \$390 billion.²

Are Student Loans Forgiven After 20 Years?

By default, student loans aren't forgiven after any amount of time. However, for borrowers who qualify for an IDR plan, any remaining balance on their loans will be forgiven after 20 or 25 years (depending on the plan) of on-time payments.⁹

The Bottom Line

Canceling student debt can have its upsides, especially for folks who can't pay for the things they need, whether that's housing, food, or basic utilities. With nearly \$1.6 trillion in student loan debt, those who have their federal loans forgiven [can put those funds back into the economy](#). But canceling student loan debt can also negatively impact other folks, costing Americans roughly \$1.6 trillion to cancel all outstanding student loan debt.²