Biden’s student debt scam: Restructuring debt, not forgiveness

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An email from the Department of Education obtained by National Public Radio (NPR) indicates that the Biden administration may extend the freeze on student loans, started under the Trump administration, for a fourth time. The email directed loan servicing companies not to reach out to borrowers about the May 1 deadline, despite these companies being required to give a month's notice before repayment begins.

The email follows on the heels of an appearance by White House Chief of Staff Ron Klain on the podcast Pod Save America where he hinted that it was possible the repayment pause could be extended beyond the May 1 deadline.

There is no doubt that the motivation behind the delay in restarting the debt payments is a cynical political calculation. The Democratic Party is planning to use the delay to posture as proponents of some form of debt forgiveness in the midterm elections.

While campaigning for president Biden declared repeatedly that “we should forgive a minimum of $10,000/person of federal student loans, as proposed by Senator Warren and colleagues.”

However, those who hold student loan debt must be warned, the current proposal under consideration for “forgiveness” is actually a restructuring of student debt, a far cry from Biden’s original pledge.

The magnitude of the proposed “relief” pales in comparison to the mountain of student debt.

Even if his campaign promise was applied to all the 43.4 million federal student loan borrowers, it would entail $434 billion in forgiven loans, only a little more than a quarter of the $1.61 trillion in federal student loans. Outstanding private student loans, which stand at $136.31 billion according to Nerdwallet, would not be canceled under this arrangement. Moreover, “Total Parent Plus debt,” where parents take on debt on behalf of their student children, constituting $103.6 billion in debt and 3.6 million borrowers, would be untouched.

Even more importantly, there is no plan to reduce, let alone eliminate the astronomical education costs that currently prevail. This means that the one-time forgiveness would not do anything for future borrowers. Students would still go into massive amounts of debt because of the astronomical cost of college. Loan companies and the federal government would continue to profit off of student loans, and higher education would continue on its trajectory towards being a privilege afforded to the wealthy instead of a public good for all.

Despite this reality, the mainstream media has sought to portray Biden’s actions on student debt as somewhat progressive. Forbes recently reported, for example, that Biden has forgiven $15 billion in debt. Not only does this figure represent a drop in the bucket of the total debt, but it also covers up more devious actions. The figure cited by Forbes includes people involved in public service loan forgiveness, which has existed for decades. Nerdwallet accurately described it as “a federal program designed to encourage students to enter relatively low-paying careers,” forgiveness of now-defunct ITT Tech student loans (ITT is a private university that abruptly closed in 2016), and Borrower Defense to Repayment, which covers loans to defunct institutions.

That is, a small section of student loan borrowers have become disabled and are unable to make repayments, been able to prove they were defrauded by either a scam or hold a degree from a non-existent institution, or work a low-paying job and have therefore been granted “forgiveness.”

Additionally, the Department of Education identified 100,000 borrowers with $6.2 billion in cancellable debt

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as part of an October 2021 change to the Public Service Loan Forgiveness rules, which has also been touted in the media as a great victory for students. This figure constitutes a fraction of the total student loan borrowers and total debt (0.2 percent and 0.4 percent, respectively). Moreover, this change mainly involves adjustments in how payments are counted towards forgiveness, such as counting prior student loan payments towards forgiveness, payments made before loans are consolidated, getting credit towards forgiveness if the wrong repayment plan was used, and similar matters.

Even the debt forgiveness plans that are presented as more radical, upon closer look, are incredibly limited and unserious. For example, Senate Majority Leader Chuck Schumer and Senator Elizabeth Warren proposed student loan cancellation be limited to student loan borrowers who earn up to $125,000, with the possibility of Congress or the president setting an even lower threshold, much like the stimulus check for the COVID-19 pandemic which had a $75,000 income threshold.

Democratic Senator Patty Murray, chairwoman of the Senate Health, Education, Labor and Pensions Committee, who advocated extending the payment freeze to at least 2023 explained that her reason for continuing the freeze is to fix the “broken” repayment system. The *Washington Post* wrote at the time that “Murray said she is pleased to see the administration considering another extension because there is plenty of work to do before payments resume.“

“Chief on the list is to finalize a new income-driven repayment plan.” The “fix” consists of consolidating four “income driven plans” into one, a far cry from canceling student debt, let alone making higher education affordable.

Student loans are also on the government's balance sheet, meaning that any forgiveness would be paid for by a cut to social spending.

Just as the Democrats have removed all remaining pandemic protections amid mass death and infections so that big banks and corporations could continue to profit, they are moving to shift ever more money towards the military as part of the drive by US imperialism to war with Russia and China. The US military budget passed in the Senate stands at a whopping $782 billion. While both parties claim there is no money for student loan forgiveness or for making higher education free, trillions are expended on war and propping up Wall Street.

Biden himself holds a great deal of responsibility for the student debt crisis from his time as a US senator from Delaware. His home state is infamous as the location of choice for giant corporation headquarters seeking to evade taxes, regulations and scrutiny of all kinds, something which the president often brags about. In 2005, along with 17 other Democratic senators, he voted to pass the Bankruptcy Abuse Prevention and Consumer Protection Act, which tightened the bankruptcy code so that private student loans were stripped of bankruptcy protections.

Biden received hundreds of thousands of dollars in campaign contributions from credit card companies preceding the vote. The tightening of bankruptcy protections led to the tripling of debt over the course of a decade, locking student debtors in endless ruinous payments.

For the Biden administration, “student debt forgiveness” is a convenient slogan used to try to deceive a section of young voters.

Workers and youth looking for a solution to this crisis or any of the other major crises must take up the fight for socialism, independent from the parties and representatives of Wall Street.

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