In cave-in to the banks, Biden changes student loan forgiveness rules to make 800,000 people ineligible

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The Biden administration's Department of Education quietly changed its criteria for federal student loan forgiveness on Thursday. Without any previous or public announcement, the department's website posted a new guidance on whether some four million borrowers whose loans are guaranteed by the federal government but held by private lenders are eligible for the $10,000 in student loan forgiveness announced by President Biden in August.

Until Thursday, the guidance said that these borrowers, who received loans under the now defunct Perkins and Federal Family Education Loans programs, would be eligible for the debt write-off if they consolidated their loans into federal Direct Loans.

But the new guidance said the opposite. It stated that as of that day (September 29, 2022), borrowers with federal loans not held by the government "cannot obtain one-time debt relief by consolidating those loans into Direct Loans." In other words, all those with such loans who had not already consolidated into federal Direct Loans were ineligible for the debt write-off.

The change came the same day that a lawsuit was filed in federal court by six Republican-led states (Missouri, Arkansas, Kansas, Nebraska, Iowa and South Carolina) arguing that Biden's executive order providing limited debt relief to some of the 41 million student loan borrowers was an abuse of executive power. The suit also argued that provisions encouraging borrowers with loans held by private banks to turn them into federally owned loans, so as to receive a debt write-off, illegally deprived private lenders of income from loan payments.

Additional lawsuits against the student loan forgiveness program have been filed or are being prepared.

Nebraska Attorney General Doug Peterson argued: "In addition to being economically unwise and inherently unfair, the Biden administration's Mass Debt Cancellation is another example in a long line of unlawful regulatory actions. No statute permits President Biden to unilaterally relieve millions of individuals from their obligation to pay loans they voluntarily assumed."

Plaintiffs further argued that forgiveness would constitute "depriving them [private loan holders] of the ongoing revenue" earned from "servicing those loans."

One lawsuit by the Pacific Legal Foundation has already been struck down by a judge, but other lawsuits may progress further.

Biden's decision to immediately cave to these lawsuits demonstrates the Democratic Party's unwavering loyalty to Wall Street.

Privately held federal student loans comprise a relatively small part of the immense total of $1.7 trillion in student debt. Private loans stand at roughly $108 billion among four million borrowers. While this is a small portion, the financial impact is significant.

Roughly $159 billion worth of student loans are held in Student Loan Asset Backed Securities (SLABS). SLABS package loans into securities that can be traded on an open market to investors.

These securities are incredibly profitable, due to the reliability of the loans. Students who take out loans are fully responsible for the payments and cannot file for bankruptcy. Additionally, much of the value of these securities are federally insured, meaning that investors bear none of the consequences of non-payment and can even profit from debt default.

As of 2019, a total of $600 billion worth of student loans had been traded through SLABS, and there are untold billions in financial instruments connected to these securities.

SLABS are so foundational to financial markets that the

Nebraska state pension fund is invested in these securities. The state's lawsuit against the Biden administration references potential losses to its pension fund as a result of the student loan write-off.

Student loans held by the federal government are not traded as SLABS, but with interest rates ranging around 5-8 percent, many people may be forced into refinancing to privately held loans, which often promise lower interest rates. Average monthly student loan payments are $234 for those with undergraduate degrees and $570 for those with master's degrees. As inflation erodes real wages and interest rates rise, the burden on workers to pay off their debts becomes increasingly unbearable.

Even if Biden's plan were to go through in full, it would make only a small dent in the total student debt crisis. With $1.7 trillion in student debt, Biden's plan to forgive $10,000 for those making under $125,000 a year will erase less than $400 billion over the next 10 years.

This would somewhat ease the financial burden on many people, but still leaves intact the vast bulk of student debt. Additionally, the annual cost in lost government revenue will be offset by additional cuts to social programs, as the capitalist class moves to direct ever greater resources towards war with Russia and China.

Critics claim this paltry aid is too expensive, and they include Democrats as well as the entire Republican Party. Billionaire Jeff Bezos' *Washington Post*, generally aligned with the Democratic Party, published an editorial on Thursday citing various bipartisan, right-wing think tanks claiming the debt forgiveness program will cost hundreds of billions more than the $300 billion over 10 years estimated by the Education Department.

Calling the program unconstitutional, the *Post* wrote, "If there is any abuse the Constitution was designed to prevent, it would be the distribution of vast sums of public money, based on little more than executive say-so." This, according to Bezos' newspaper, is the heart of the Constitution, not the ban on hereditary orders, the Bill of Rights' guarantees of freedom of the press, assembly and expression, and protection from arbitrary search and seizure, or the post-Civil War amendments abolishing slavery and enshrining due process and equal protection of the law, as well as the right of former slaves to citizenship and access to the ballot box.

Even the inflated annual cost estimates of right-wing think tanks, moreover, are less than what the United States government has shipped in weapons to Ukraine so far this year alone.

Prominent Democrats have joined with the Republicans in opposing Biden's proposal. Both the Republican and Democratic parties are opposed to serious student debt relief. Rep. Tim Ryan of Ohio, who is running for the Senate and previously supported student debt relief, responded to Biden's announcement in August by saying, "while there's no doubt that a college education should be about opening opportunities, waiving debt for those already on a trajectory to financial security sends the wrong message to the millions of Ohioans without a degree working just as hard to make ends meet."

This demagogic language serves only to divide the working class and obscure the underlying problems of exorbitant college expenses and oppressively high interest rates. A student paying off a typical student loan may never actually complete the payments, as the interest on the loan outstrips his or her ability to pay each month. Moreover, millions of college graduates are unable to find a secure and decent-paying job.

Another Democrat, Senator Michael Bennet of Colorado, has also spoken out against student debt forgiveness. His brother, James Bennet, is the senior editor of the *Economist* and former editorial page editor of the *New York Times*. He notoriously allowed the publication of an op-ed by Senator Tom Cotton calling for the use of military violence to suppress protests against police violence in 2020. Bennet was forced to resign from the *Times* as a result of backlash against the article.

Opposition to student loan forgiveness runs deep in the ruling class and in both major political parties. Despite Biden's promise to forgive $10,000 worth of debt, legal challenges may result in a reversal of the plan in its entirety. It is also entirely possible that the Biden administration will acquiesce to demands from opponents of debt aid and further slash the amount of debt that will be forgiven after the midterm elections, having used it as a false promise to garner votes.

Regardless of how the current legal battles over student debt proceed, it is clear that the ruling class has no intention of adequately addressing the crisis of high college costs and crushing debt.