

Federal appeals court blocks Biden's student loan forgiveness plan indefinitely

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On Monday, an appeals court ruled that a temporary stay blocking Joe Biden's student loan forgiveness plan, which would cancel up to \$20,000 in student debt per borrower, will be turned into an injunction, shelving the plan indefinitely. The ruling was made by the Eighth Circuit Court of Appeals in response to a lawsuit by six Republican-led state governments—Nebraska, Missouri, Arkansas, Iowa, Kansas and South Carolina, which claimed that forgiving the debt would impact them economically.

The Republican plaintiffs deliberately filed their suit in the territory covered by the Eighth Circuit so that any appeal of the lower court ruling by either side would go before one of the most right-wing appeals courts in the country. All but one of the 11 active judges on the Eighth Circuit were appointed by Republicans, including four appointed by Donald Trump. The three-judge panel that issued Monday's ruling was composed of two Trump appointees and one George W. Bush appointee.

Biden announced the student debt forgiveness program in August, issuing an executive order based on a 2003 federal law that allows the secretary of education to modify financial assistance programs for students "in connection with a war or other military operation or national emergency." That law was first cited by the Trump administration to suspend student loan debt payments during the COVID-19 pandemic. The debt suspension is due to end at the beginning of 2023.

Monday's appeals court ruling followed the striking down of Biden's student loan plan by a Trump-appointed Texas federal judge last Thursday. Judge Mark Pittman, ruling on a separate suit from the one filed by the Republican-led states, claimed Biden's executive action creating the program unlawfully

encroached on Congress's power. This is a completely hypocritical statement coming from the same far-right that argues for the authoritarian "unitary executive theory," which radically attacks the constitutional principle of separation of powers and claims the president has unilateral power to wage war and imprison and even kill alleged terrorists and "illegal enemy combatants," including US citizens.

Pittman's ruling halted the acceptance of new applications and processing of pending ones. Some 16 million applications were already approved at the time of the ruling, with 26 million people having already applied.

Monday's appeals court ruling focused on the impact the Biden plan would have on the Missouri Higher Education Loan Authority (MOHELA), a private company headquartered in St. Louis, Missouri created by the state in 1981 along the lines of Freddie Mac. It is one of the largest holders and servicers of student loans in the country, providing student loans to 2.7 million recipients.

The ruling said: "It is alleged MOHELA obtains revenue from the accounts it services, and the total revenue MOHELA recovers will decrease if a substantial portion of its accounts are no longer active under the Secretary's plan. This unanticipated financial downturn will prevent or delay Missouri from funding higher education at its public colleges and universities."

It continues: "Due to MOHELA's financial obligations to the State treasury, the challenged student loan debt cancellation presents a threatened financial harm to the State of Missouri."

Nothing is said about the "financial harm" that the \$1.7 trillion in student debt imposes on 43 million borrowers (of which Biden's plan addresses less than a quarter).

This very argument was previously dismissed by a district judge, who stated, “Missouri has not met its burden to show that it can rely on harms allegedly suffered by MOHELA. MOHELA, not the State, is legally liable for judgments against it.”

MOHELA itself stated it wasn’t involved in the case, saying on November 2, “MOHELA’s executives were not involved with the decision of the Missouri Attorney General’s Office to file for the preliminary injunction in federal court on September 29, 2022.”

What the argument essentially boils down to is the protection of the sacred right of loan service companies to maximize profits made off the backs of student debtors. It doesn’t have anything to do with protecting the public, whom the states claim to represent.

The ruling shows that even the most modest social reform is not possible under the capitalist two-party system, which, on the contrary, is moving toward cuts in core programs such as Social Security and Medicare.

Biden did not bring his student loan plan before Congress because he knew it would fail, due not only to blanket opposition from the Republicans, but also because a section of the Democratic Party opposed it. During the midterm election campaign, Colorado Senator Michael Bennet declared his opposition, as did Congressman Tim Ryan of Ohio, who failed in his race for the Senate against Trump-backed J. D. Vance.

While the political establishment will not permit even a modest reduction in student debt, Biden is asking for another \$37.7 billion to fund the imperialist proxy war against Russia in Ukraine. The US had already committed \$66 billion in military aid to Ukraine just this year.

The ruling class has endless money for the war, which is threatening to go nuclear, but supposedly no money to moderate the crushing debt burden on student youth. According to the Congressional Budget Office, Biden’s plan would cost \$400 billion over 30 years, which works out to \$13.3 billion annually, a third of the additional money that Biden is asking for the war, and a sixth of that which has already been committed this year.



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