In lieu of action to lessen crushing debt load

Biden administration announces extension of pause in student loan payments

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On Tuesday, the US Department of Education announced an extension of the pause on student loan repayments, interest and collections, which was initiated by the Trump administration in March of 2020 in response to the COVID-19 pandemic.

The move was in response to court rulings backing suits by Republican-led state governments and right-wing, corporate-funded lobby groups opposing President Biden's executive order discharging a relatively small portion, less than a quarter, of the $1.75 trillion in student debt owed by 43 million federal student loan borrowers.

Biden's plan, announced in August in response to pressure from congressional Democrats fearing a Republican sweep in the November midterm elections, would cancel up to $10,000 in student debt for individuals earning less than $250,000 a year, and by $20,000 for recipients of Pell grants, which go to low-income students.

The Department of Education has sent letters to the 16 million student debtors whose applications for relief have already been approved, telling them that no debt can be discharged. The letter states that "unfortunately, a number of lawsuits have been filed challenging the program, which [have] blocked our ability to discharge your debt at present." It pathetically adds, "Your application is complete and approved, and we will discharge your approved debt if and when we prevail in court."

The letter is a slap in the face to millions of students and youth who fell for Biden's election promise to cancel $10,000 to $20,000 in student debt.

The government's announcement on the temporary debt repayment holiday stipulates a maximum six month extension past the previous cut-off of January 1, 2023. It states: "Payments will resume 60 days after the Department is permitted to implement the program or the litigation is resolved, which will give the Supreme Court an opportunity to resolve the case during its current Term. If the program has not been implemented and the litigation has not been resolved by June 30, 2023, payments will resume 60 days after that."

The extension was announced following a ruling by the Eighth Circuit Court of Appeals, based in St. Louis, Missouri, indefinitely blocking the student loan forgiveness plan. A three-judge panel of the Republican-dominated appeals court granted the request for an injunction made by six Republican-led state governments.

That ruling came on the heels of a ruling by a federal district court judge in Texas striking down the entire plan in response to a suit filed by a right-wing group set up by the billionaire founder and former CEO of Home Depot, Bernie Marcus, and backed by the billionaire Mercer family.

The Biden administration sent a letter to the US Supreme Court last week asking it to allow the program to proceed while the lawsuits play out, a request that has little chance of being granted.

In contrast to Biden's half-hearted student debt forgiveness moves, the White House last week asked for a further $37.7 billion in arms funding for Ukraine in the US/NATO proxy war against Russia. It is a virtual certainty that most if not all of the request will be granted in a bipartisan vote in Congress.

This will bring the total allocation for the war to more than $100 billion just this year. It is estimated that the student loan forgiveness plan would cost $13.3 billion annually, a sum that has been denounced as extravagant and “inflationary” not only by Republicans, but also by the pro-Democratic, Jeff Bezos-owned *Washington Post* and a section of Democratic office-holders and lawmakers.

Education Department Undersecretary James Kvaal warned in a November 17 court filing that blocking the partial debt relief plan would lead to a “historically large increase in the amount of federal student loan delinquency and defaults.”

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He was alluding to concerns that a wave of defaults and delinquencies could threaten the stability of a variety of financial assets. Student Loan Asset-Backed Securities (SLABS) are used in much the same way that sub-prime mortgages were used to anchor the massive edifice of speculative assets that came crashing down in September of 2008, triggering the “Great Recession” and wiping out the savings and jobs of tens of millions of Americans. The Federal Reserve and the Obama administration intervened with trillions in handouts to the banks, under the rubric of “quantitative easing,” rescuing the corporate oligarchy while piling up unprecedented levels of debt.

Now, the policy of low interest rates and virtually free credit for the banks and Wall Street investors has been abandoned under the impact of skyrocketing inflation, exacerbated by the war against Russia. Under conditions of a rising tide of working class struggle in the US and internationally, as workers mobilize to make up for lost wages and decades of union-imposed concessions, the US ruling class has adopted recessionary policies, hoping higher interests rates will produce an economic slowdown and a sharp increase in unemployment, undercutting working class militancy.

But this heightens the prospect of another financial collapse, with Ponzi schemes such as the market in SLABS coming undone, after the manner of the crypto currency platform FTX.

Investopedia remarks that “because of the inherent similarities between the student loan market and the sub-prime mortgage market, there is rampant fear that the student loan industry will be the next market implosion to trigger a financial crisis.”

The other component of the Biden administration response has been to direct the Department of Justice to support student loan debt discharge following a filing for personal bankruptcy, something the federal government has up to now opposed. Essentially, the administration is attempting to palm off bankruptcy as a solution for students struggling with student loans.

This is especially cynical considering Biden’s role as a senator in passing the Bankruptcy Abuse Prevention and Consumer Protection Act, which tightened the bankruptcy code so that private student loans were stripped of bankruptcy protections.