

# Supreme Court strikes down Biden's partial student loan forgiveness plan, 43 million borrowers denied debt relief

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The US Supreme Court on Friday with a stroke of the pen blocked a measure that would have provided limited relief for 43 million Americans suffering under a crushing debt burden of \$1.7 trillion in outstanding federal student loans.

On the same day that the Supreme Court struck down the student debt relief program, it sanctioned discrimination against LGBTQ people by the same 6-3 margin, siding with a bigoted web designer who refuses to accept same-sex couples as customers. With these rulings, the unelected and unaccountable justices, appointed for life terms, are exposing the Supreme Court as a thoroughly corrupt instrument and discredited institution.

The fact that the same justices who are snatching desperately needed funds from working class families and opening the door to fascistic persecution of minorities have been exposed as takers of massive payoffs from billionaire sponsors, including those who come before the court, is not lost on the population.

The executive order enacted by President Joe Biden last August fell far short of his 2020 election pledge to forgive all federal student loans and was a transparent effort to boost the Democrats' chances ahead of the 2022 midterm elections. It would have cancelled up to \$10,000 in loan principal for borrowers earning up to \$125,000 a year, and up to \$20,000 for recipients of Pell Grants, which target low-income students. It would have added up to \$400 billion in loan forgiveness over 30 years, or \$13.3 billion a year.

\$10,000 is less than a third of the average \$35,574 student loan debt per federal borrower and the program would have erased only a fraction of the total student debt load. The average US student pays \$2,186 a year in interest each year, or \$43,000 over 20 years.

Average monthly student loan payments are \$234 for those with undergraduate degrees and \$570 a month for those with master's degrees. A nurse with a salary of \$70,000 would have saved \$200 a month under the program.

The explosion in student debt in the US has been fueled by

the skyrocketing cost of higher education, which has more than doubled over the last two decades. The average total cost for a public four-year degree in the US is today over \$100,000. At the same time, government aid to higher education has steadily fallen.

So crushing is the burden of student loan debt that some 22 million borrowers applied for relief under the Biden plan in the first five days following the posting of the website. Nearly 90 percent of the loan applicants came from zip codes where the median income is less than \$59,999, with over 60 percent from zip codes where the median income is between \$20,000 and \$39,999.

The 6-3 ruling in *Biden v. Nebraska*, with the far-right Republican bloc lining up behind the opinion authored by Chief Justice John Roberts and the three Democratic appointees uniting behind Justice Elena Kagan's dissent, was widely anticipated. The Biden administration handed the Republicans the best possible conditions for them to block the program.

In the first two years of his term, when the Democrats controlled both houses of Congress as well as the White House, neither Biden nor the congressional leadership made any serious attempt to get a student debt relief plan passed by Congress. When he finally enacted the program, under pressure from congressional Democrats fearing a rout in the 2022 midterm elections, Biden did so under the provisions of the emergency 2003 HEROES Act, which was passed to lessen the debt burden on soldiers during the wars in Afghanistan and Iraq. The White House used the COVID-19 pandemic emergency to invoke the 2003 law.

In so doing, Biden was following the example of Trump, who had used the HEROES Act three times to extend a moratorium on student loan interest payments and interest accrual due to the pandemic. Biden also used the 2003 law to further extend the moratorium. But with his ending of the official COVID emergency, he has set the stage for borrowers to resume these payments beginning October

1—another cruel financial burden, which will be compounded by the rise in interest rates and price gouging for staple goods and rents.

Avoiding a conflict in Congress was in line with the Democrats' overriding concern with maintaining bipartisan support for the proxy war in Ukraine against Russia and suppressing the growing resistance of the working class at home. Biden announced his student loan forgiveness plan when he was intervening, in alliance for the union bureaucracy, to block a strike by 120,000 rail workers. This ultimately took the form of a bipartisan bill banning a strike and imposing a pro-company contract that had been rejected by tens of thousands of railroaders.

Within days of the debt relief plan's announcement, Republican-led state governments began filing lawsuits to block it, along with right-wing groups funded by billionaire Republican donors and Trump supporters such as Home Depot co-founder Bernie Marcus, Koch Enterprises and the Mercer family. At a point when the Department of Education had already approved the loan relief applications of 16 million borrowers, the Eighth Circuit Court of Appeals put the program on ice and channeled the case to the Supreme Court.

Roberts, in his decision, cynically argued that Biden had overstepped his authority by launching the debt relief program without specific congressional authorization. In his majority opinion, he quoted then-Democratic House Speaker Nancy Pelosi, who told a press conference in July of 2021: "People think that the president of the United States has the power for debt forgiveness, he does not. He can postpone. He can delay. But he does not have that power. That has to be an act of Congress."

Channeling many of the legal shibboleths of the Republican right, Roberts decried the so-called "administrative state" and invoked the "major questions" doctrine that is used to attack federal regulations that impinge on the profit interests of the corporate elite. Echoing Senate Minority Leader Mitch McConnell, who had absurdly denounced Biden's modest plan as "socialism," and expressing the fear within the ruling class of revolution, Roberts wrote:

The [education] secretary's plan has "modified" the cited provisions only in the same sense that the French Revolution "modified" the status of the French nobility—it has abolished them and supplanted them with a new regime entirely.

No faction of the court expressed any concerns about

administrative "overreach" only weeks ago when the Treasury, the Federal Reserve and the Federal Deposit Insurance Corporation unilaterally declared a systemic financial risk and made available hundreds of billions of dollars to guarantee the assets of rich depositors at three failing banks—Silicon Valley, Signature and First Republic—undermined by the Fed's program of interest rate hikes directed at driving up unemployment and slowing wage growth.

As for the scale of the debt relief proposed by Biden—deemed an impossible imposition on the profits and property of banks and loan companies—at \$13.3 billion a year, it would have paled in comparison to Biden's record \$1 trillion fiscal year 2024 military budget, not to mention the limitless funds allocated to arm Ukraine in the war against Russia.

On Friday afternoon, Biden gave a desultory televised response to the ruling striking down his debt relief program. He announced a new plan, based on the 1965 Higher Education Act, to make certain unspecified reductions in student loan debt. He also said he would limit monthly payments for undergraduate loans to 5 percent of disposable income, as opposed to the current level of 10 percent. Finally, he said the Department of Education would refrain for 12 months, beginning October 1, from referring borrowers who miss payments to credit agencies or consider them delinquent.

These measures, which themselves are likely to be challenged in the courts, are driven in large part by concerns that a surge in loan defaults could undermine trillions in financial assets tied to student loans. In November, *Investopedia* warned that "because of the inherent similarities between the student loan market and the subprime mortgage market, there is rampant fear that the student loan industry will be the next market implosion to trigger a financial crisis."



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