Biden administration announces new limited student loan forgiveness program for 804,000 borrowers

Kevin Reed
14 July 2023

The Biden administration announced on Friday a new plan for a total of $39 billion in “automatic loan forgiveness” for more than 804,000 student loan borrowers. This is just over 2 percent of the $1.78 trillion collective student loan debt held by 43 million borrowers.

The new limited program comes less than two weeks after the US Supreme Court struck down an earlier plan by the Biden administration to forgive more than $400 billion in federal student loan debt for all eligible borrowers.

In a statement from the US Department of Education, Secretary of Education Miguel Cardona claimed that the measure is “another historic step” by the Biden administration to right wrongs and ensure that “everyone gets the forgiveness they deserve,” including “students who were cheated by their colleges, and borrowers with permanent disabilities, including veterans.”

Cardona also asserted that the Democratic Party administration “will not stop fighting to level the playing field in higher education.” However, other than a vague reference to “past administrative failures,” neither the education secretary nor anyone else in the Biden-Harris White House named precisely who or what entities were involved in cheating students and their families out of their hard-earned wages for decades as part of the US student loan racket.

Instead of stating the obvious—that powerful financial interests have taken advantage of laws passed in 1976 that make it impossible for student borrowers to discharge crushing debt obligations through personal bankruptcy filings—the administration is presenting the crisis facing millions of working class families as the result of “mistakes,” a case of borrowers falling “through the cracks of a broken system” and “historical inaccuracies” in the manner payments were counted toward forgiveness.

It is notable that—just at the point when the American ruling elite began changing laws to make it possible for a layer of billionaires to game the financial system for personal wealth accumulation and also reduce their tax obligations—Congress amended the Higher Education Act in 1976 and, two years later, modified the bankruptcy code to make it nearly impossible for student loan debt to be discharged in bankruptcy court.

In 2005, Congress passed the Bankruptcy Abuse Prevention and Consumer Protection Act and adopted rules against private student loans being eligible for bankruptcy protections just like other forms of private credit. This measure was passed with the support of the 18 Democratic Party senators, including then-Senator from Delaware Joe Biden, an enthusiastic advocate of the credit industry that had given him hundreds of thousands of dollars in campaign contributions.

Indicating the scaled down nature of the new plan as compared to Biden’s original loan forgiveness program, department Under Secretary James Kvaal said the administration was “holding up the bargain we offered borrowers who have completed decades of repayment.”

The new program will bring relief to student loan borrowers who have made 240 or 300 monthly payments on an income-driven repayment (IDR) plan. Borrowers have been able to enroll in IDR programs that allow their monthly payments to be set based on a range of factors, including monthly income and family size.
The announcement says that borrowers will receive notifications in the coming days, including “those with Direct Loans or Federal Family Education Loans held by the Department (including Parent PLUS loans of either type) who have reached the necessary forgiveness threshold as a result of receiving credit toward IDR forgiveness,” based on the duration of their account status, whether it is in repayment, forbearance or deferment.

On June 30, the Supreme Court blocked an executive order issued by the President which would have provided up to $20,000 per borrower for up to 43 million Americans, 90 percent of whom come from zip codes with a median income of $60,000 or less and over 60 percent from zip codes with a median income of between $20,000 and $40,000.

The far-right dominated court voted 6-3 and sided with the Republican Party, billionaires and some Democrats who complained bitterly that the White House did not have the authority to forgive student loan debts under provisions of the HEROES Act emergency powers granted to the President. It was, according to the reactionary court majority, an end run around the US Congress, which controls the purse of the American government.

Meanwhile, there has been no hue and cry within any branch of the US government about the trillions of dollars spent on wars and on bailouts of the banks and corporations.

According to media reports, the Department of Education claims the authority to implement the new plan announced on Friday because it falls within the education secretary’s power to administer loan repayment programs.

This, of course, is not stopping the right wing from continuing its campaign against any relief, no matter how limited, for the working class.

For example, Lindsey Burke, director of the Center for Education Policy at the Heritage Foundation, said, “In the wake of the court decision, the administration is really abusing its authority and trying to give people breaks that they didn’t earn. This is ultimately going to continue to drive up college tuition and drive up prices and is going to lay the groundwork for more borrowers to demand loan cancellation in the future.”

The Washington Post quoted Republican Representative from North Carolina Virginia Fox on Friday, saying, “The Biden administration is trampling the rule of law, hurting borrowers, and abusing taxpayers. From day one, this administration has encouraged borrowers not to repay their loans and has expected taxpayers to foot the bill.”

The Wall Street Journal editorial board called the plan a “new entitlement,” adding that it is “debt cancellation on the installment plan.”

These statements and others like it are thick with cynicism, since everyone in the Washington D.C. political establishment is well aware that massive sums were handed out to the financial and corporate elite with no strings attached during the 2008 crash and again during the bailout of Wall Street with the USA CARES act in the early months of the pandemic.