As student loan payments resume, millions face a lifetime of debt while Wall Street profits

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Starting on October 1, monthly payments on US student loans held by 43 million youth and workers are due to resume for the first time since March 2020. The resumption of payments on $1.7 trillion in federal student loan debt, as well as the restart of interest accrual this month, will have devastating social consequences for millions of people.

As part of his 2020 presidential campaign, Democrat Joe Biden promised to forgive the federal student debt of borrowers making under $125,000 a year. Like so many of the Democrats' campaign promises, this one too has proven completely worthless. For all of Biden's demagogy, American capitalism is incapable of addressing this or any other significant social issue.

Student loan payments were suspended in March 2020 in response to the mass economic dislocation caused by the COVID-19 pandemic, in which millions of people lost work and pay amid the socially necessary shutdown and quarantine measures taken to stop the spread of the disease. Now, along with the dismantling of any measures to track the virus or stop the continuing and deadly spread of COVID-19, the political establishment is imposing repayments to satisfy the demands of Wall Street to end the 42-month pause.

Since the initial suspension of debt payments, the social crisis has continued to deepen. Over the past three years, the cost of living has increased 20 percent while median wages have fallen.

The scale of the student debt crisis is enormous. According to data maintained by the Federal Reserve, as of March 2023, total US student loan debt was $1.774 trillion, which is greater than the $1.03 trillion credit card debt or the $1.56 trillion auto loan debt. The volume of student loan debt has increased more than three-and-a-half times since 2006, when it was $480 billion. Today, approximately one in five US adults owes money on student loans.

The restart of payments will have a crushing financial impact on students and their families. It comes amid rising interest rates on all types of loans, and at a point when delinquencies on credit card debt and auto loans are the highest they have been in a decade, according to Moody's Analytics.

As Mark Zandi, chief economist at Moody's Analytics, told the *Washington Post*, "The increase in delinquencies and defaults is symptomatic of the tough decisions that these households are having to make right now—whether to pay their credit card bills, their rent or buy groceries."

Since 2006, average student loan debt has increased by a factor of four, rising from $9,366 to $37,338. According to the US Department of Education, nearly two-thirds—more than $1 trillion—of all the student loan debt is owed by some 27 million individuals between the ages of 25 and 49.

Numerous studies have shown that these borrowers have been forced to take second jobs and postpone life decisions, such as starting a family, buying a house or taking vacations, due to their student loan payments.

Additionally, parents have taken on debt to help their children afford a college education. There are 3.7 million Direct Parent Plus loan borrowers, who owe an average of $30,000. Some have debts as high as $200,000.

Many of these parents will be taking this debt into retirement, and since laws have been passed (at the bidding of the banks) to prevent these loans from being discharged through personal bankruptcy, payments will be garnished from their monthly Social Security checks if they are unable to pay and go into default.

With the June 30, 2023 decision of the US Supreme Court to reject the Biden administration's plan for extremely limited student loan forgiveness, the ruling class made it clear that nothing will be permitted that reins in the student loan operations of Wall Street.

Aware that the resumption of interest charges and payments will have devastating consequences for millions of borrowers and is already meeting with popular indignation, the Biden administration has put forward a few palliatives that it presents as great boons to the victims of the student loan racket.

Among these are a temporary "on-ramp," under which no credit reporting or debt collection will be initiated against borrowers who miss payments during the first year of debt payment resumption. However, interest will continue to accrue, and the unpaid debt will be all the greater when the grace period expires.

In addition, Biden's Save on Valuable Education (SAVE) plan is canceling the debt of approximately 800,000 borrowers who have been forced to make payments for more than 20 years and those who took out less than $12,000 and have been repaying for more than 10 years—in all, about 2 percent of student loan debtors.

Other programs, which do not eliminate debt, involve income-driven repayment options that can reduce monthly payments to $0 for a period, but will extend the loan term to 20 or 25 years while interest accrual continues. As a result, the total debt will exponentially increase.

A little-known fact of the government-sponsored system is that the entirety of $130 billion in private loans and a significant portion of federal loans have been securitized in the form of Student Loan Asset-Backed Securities (SLABS).

These are traded by the big financial institutions such as Wells Fargo, JPMorgan Chase and Goldman Sachs. The banks, hedge funds, investment companies and other Wall Street parasites are raking in billions of dollars in profits from the immiseration of tens of millions of student loan borrowers and their families—perhaps a third of the US population in all.

As was the case with the subprime mortgage Ponzi scheme that crashed the housing market and brought the entire capitalist financial system to the brink of collapse in 2008, the private lenders and the government are providing loans to borrowers known to have little or no means of ever repaying. In the financial ruins left by the collapse of the subprime racket, tens of millions of workers lost their jobs, their homes and their life savings. However, the predator bankers and speculators were bailed out to the tune of trillions of dollars by the Bush and Obama administrations, the Federal Reserve and the two big business parties.

So they moved on from profiteering off of housing to looting the population through the soaring cost of higher education.

The sweetheart arrangement between the government, the financial industry and the educational institutions has been built up over decades to fleece the public, using the false promise that a college education will guarantee a good paying job and high standard of living.

As explained by Josh Mitchell in his recent book, *The Debt Trap: How Student Loans Became a National Catastrophe*:

> The student loan program is the quintessential form of crony capitalism. It privatized profits and socialized losses. In an echo of the housing bubble, all the risks fell to students and their families, who have been told repeatedly that college and grad school are safe and necessary investments.

Among the most indebted students are those pursuing graduate degrees. The average debt of grad students is $71,000, and for those seeking a law, medical or dental degree, the average owed is $130,000, $203,000 and $301,000, respectively. Many of these students are forced to work as teaching assistants and paid at minimum-wage rates.

Penny, a graduate student at West Virginia University, told the *World Socialist Web Site*:

> I did the math recently for an income-based repayment plan where I could pay on my loans for 10 years, and I would owe more at the end of that 10 years than what I started with, despite paying something like 75k.

The ballooning of student loan debt is not only a means of intensifying the economic exploitation of the working class, it is also part of a systematic attack on the right to education.

The *New York Times* recently reported that since 1992 the price for attending four-year private colleges has almost doubled, while the price at four-year public colleges has more than doubled, even after adjusting for inflation. The average cost of attending a private college, including living expenses, is now about $58,000 per year. Prestigious public institutions like the University of Michigan can cost more than $80,000 a year.

More and more, attending college has become an almost unbearable financial burden for working class and lower-middle class families. Since 2008–2009, college enrollment has been steadily declining, from 21 million in 2010 to 18 million in 2021, and only a third of Americans now say they have a great deal of confidence in higher education, once seen as the prime lever of social mobility.

As a result, higher education, especially at a top university, has increasingly become the prerogative of the very wealthy. Only about 10 percent of students are enrolled in selective colleges, and the most selective—often the most expensive—are largely attended by the children of the top 10 percent and even top 1 percent of income earners.

While the public is told there is no government money available for education, trillions of dollars are being spent on war as well as massive bank bailouts. The US has so far spent more than $60 billion on the proxy war against Russia in Ukraine, including $43 billion in direct military aid, such as for weapons and equipment. For 2024, the Biden administration requested a $1 trillion military budget to prepare for a world conflict, including against China.

And when Silicon Valley Bank and several other banks collapsed last spring, the Biden administration stepped in to provide more than $150 billion in funds to protect rich investors.

As the Russian revolutionary Vladimir Lenin emphasized, imperialism means “reaction all down the line.” All social needs in society are subordinated to the financial and the geopolitical interests of the financial oligarchy. The money spent for war and the destruction of human life abroad is being plundered from the working class at home, through attacks on its living standards and its democratic rights, including the right to public education.

The profiteering on college loans by the financial elite is part of a broader attack on education, including the shutdown of public schools and their government-backed takeover by private companies, cuts in public school budgets, and attacks on educators’ wages and working conditions.

The extreme parasitism of the student loan racket is one expression of the decomposition of the capitalist system and the insatiable drive by the financial elite to subordinate everything and everyone in society to the accumulation of personal wealth.

Access to a free education, without accumulating a lifetime of debt, is a fundamental right for all students. The *World Socialist Web Site*, the Socialist Equality Party and the International Youth and Students for Social Equality (IYSSE) put forward the following socialist demands for students and working class families to fight for this right:

• Cancel all student debt! Free and high-quality education for all!

• Stop the war in Ukraine! No more money for war or bailouts of the rich! Instead, billions for public education and public health!

• Expropriate the banks! Place the financial system under public ownership and the democratic control of the working class!

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact