

As federal student loan repayments resume, President Biden covers up government abuse of borrowers

Kevin Reed
6 October 2023

Three days after federal student loan repayments resumed for the first time in more than three years, posing devastating choices for tens of millions of borrowers, President Biden moved to cancel the debt of 125,000 people worth a total of \$9 billion.

Beginning on October 1, as many as 28 million of 43 million borrowers—who owe \$1.7 trillion on U.S. government issued loans—are being forced to decide between meeting their monthly student debt obligation or buying food for their families or paying their rent, not to mention putting off other financial decisions such as buying a house or getting married.

Speaking from the Roosevelt Room in the White House on Wednesday afternoon, the President acknowledged that the US government has been ripping off tens of thousands of student loan borrowers for decades by forcing them to make monthly payments under provisions of the Public Service Loan Forgiveness and Income-Driven repayment programs, only to see their balances grow.

Biden claimed the program, “was designed originally to make sure schoolteachers, firefighters, social workers, and other public servants can get their student loans forgiven if they make 10 years of payments and do 10 years of public service.”

However, the president revealed that, after 15 years of the loan forgiveness program, only 7,000 people had been helped. He gave an example of a couple from Milwaukee, Wisconsin in their 50s who both worked for a public school in the state. The couple had made their monthly \$800 payments, but their loans were never forgiven. Biden blamed this scamming of the public on “red tape.”

With the Income-Driven repayment program, Biden

said, “If you have an undergraduate loan after 20 straight years of straight paying—not missing—paying a debt on a—on a monthly basis, whatever is left of your loan is forgiven at 20 years.”

Biden said, “some people who did pay their loans for 20 years or more did not get the debt relief they had earned.” This instance, the President said, was because of “administrative failures.” In neither case did Biden name any government agency or individual as responsible for these financial crimes.

In this sense, Biden’s announcement on Wednesday—rather than being a genuine student debt relief program—assumes the character of a cover-up by the Democratic Party administration of a decades-long abuse by the US government and its Wall Street benefactors of the American public.

As explained by Josh Mitchell in his recent book, *The Debt Trap: How Student Loans Became a National Catastrophe*, the student loan system began in the 1950s as part of post-war American social reformism. With the collapse of the Johnson Administration’s “guns and butter” politics in the 1960s during the Vietnam War and the transformation of the US into the world’s biggest debtor nation in the 1970s, the student loan program was likewise transformed.

Coinciding with the turn by the ruling elite to a policy of class warfare, beginning with the Reagan administration in 1980, Mitchell says the college loan system, “unleashed an era of runaway tuition in the 1980s and ‘90s,” and the government’s primary college loan institution, Sallie Mae, “became a Wall Street behemoth and the biggest student lender in the early 2000s and how investors stoked the for-profit college crisis in the 2000s.”

Like every other aspect of society, getting a college education has been converted into a financial bonanza for the billionaire elite while the rest of the population is left holding the bag. This fleecing of the American public through college loans, which are guaranteed by the U.S. government and repackaged and sold in the form of Student Loan Asset-Backed Securities (SLABS) to investors on Wall Street, is but another form of the deep-going rot and crisis of the capitalist system.

The parasitic financial interests behind the massive US student debt—it is greater than credit card debt and auto loan debt—have been building fortunes based on the lie that the “American Dream” can be realized by going to college and earning a degree. Instead, for most students and their families, attending college guarantees a lifetime of debt and inability to ever get out from under it.

An article in the *Wall Street Journal* on Wednesday entitled, “When Parents and Kids Both Have Student Loans,” reveals the realities facing working class and middle class families that are saddled with massive college loans.

The report states, “Multiple generations are struggling to get out from their own college loans, compounding unease about their collective financial future. The breakdown also creates a practical problem: The younger generation isn’t able to pay off their loans quickly without help from their parents, and then neither generation is able to save as much for the future.”

The *Journal* report explains that there are an equal number of student borrowers under the age of 34 as there are age 35 and older. “The older category holds nearly two-thirds of outstanding student debt, the data shows. Both groups will be saddled with an extra monthly payment when the \$1.7 trillion in student loans comes due again this month.”

It goes on, “Borrowers aged 50 to 61 hold more than \$296 billion in outstanding student-loan debt, according to the data from StudentAid.gov. Such a financial commitment has a lasting effect across generations.”

The report explains that many parents have assumed the student debt of their children knowing that if they did not, the borrowing would ruin the lives of the younger generation.

Access to a free and high quality college education is

the fundamental right of all students. The solution to the massive student loan crisis can only come through the cancellation of all debts and the commitment of billions of dollars to public education for all.



To contact the WSWWS and the
Socialist Equality Party visit:

wsws.org/contact