

# US appeals court blocks Biden student debt plan

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On July 18, the 8th US Circuit Court of Appeals, based in St Louis, granted an emergency motion for an administrative stay filed by the state of Missouri and six other Republican-led states against the Biden administration's Saving on a Valuable Education (SAVE) plan, blocking it. The plan would have lowered monthly payments for some of the millions of Americans paying off student loans.

Republicans made an appeal to the Supreme Court to strike the plan altogether in *Alaska v. Cardona*, filed July 9 by three Republican-led states, Alaska, Texas and South Carolina. The case is on the Court's "shadow docket" which contains emergency motions and other matters the court can decide on rapidly.

Student loan forgiveness is overwhelmingly popular, with 7 in 10 voters supporting action and 50 percent supporting partial or complete loan cancellation, according to a March 2024 poll by research and consulting firm SocialSphere, which was released by Protect Borrowers Action, an advocacy group.

This court action follows a ruling last month by US District Judge John A. Ross in St Louis that partially blocked the US Department of Education from granting any further loan forgiveness under SAVE.

SAVE was announced in 2022 by Biden alongside a broader \$430 billion plan, which would have canceled up to \$20,000 in debt for up to 43 million borrowers. The latter was blocked by the US Supreme Court in June 2023 in *Biden v. Nebraska* after facing a number of challenges by right-wing federal courts.

The SAVE plan has already been partially implemented, with eight million enrolled and 4.5 million of those enrolled having had monthly payments eliminated. The Education Department said it had already granted \$5.5 billion to 414,000 borrowers. This calculates to about 0.3 percent of the \$1.75 trillion in student debt. According to the White House's estimates, the plan could benefit over 20 million borrowers.

SAVE would allow those who originally borrowed less than \$12,000 and have been paying for at least 10 years to

cancel remaining student debt. Debtors are required to pay at a rate of at least 10 percent of their "discretionary" income under current plans, with SAVE reducing it to 5 percent in order to cancel their remaining student debt balance. The discretionary income is defined as household income minus 150 percent of the federal poverty guidelines for family size and location.

Those with incomes of less than \$32,800, or less than \$67,500 for a household of four, would be exempt from loan payments. The program is a somewhat more generous re-hash of a previous program, REPAYE, that forgives a borrower's balance after 20 or 25 years of payments.

For every thousand dollars over the \$12,000 figure, one year is added to the length of time which one must wait until it is possible to have the debt discharged. The maximum, or "cap," for this length is 20 years for those with undergraduate loans, and 25 years for those with graduate loans.

Half of undergraduates graduate with \$29,400 in student loan debt, according to the College Board. Experian puts the average balance for all student loan borrowers at \$38,787 upon graduation. For both the average undergraduate and graduate degree debt holder, this would put them in their respective cap categories, requiring them to work around a quarter or a third of their remaining life to reach "forgiveness" for their student loans.

Education Secretary Miguel Cardona said all borrowers enrolled in SAVE would be placed in an interest-free forbearance, in which borrowers will not have to make payments, but the time in forbearance will not count towards either Public Service Loan Forgiveness or Income-Driven Repayment loan forgiveness, while the Biden administration defends SAVE in court.

Andrew Bailey, the attorney general of Missouri and a Republican, praised the ruling, claiming in right-wing populist fashion that the plan would have "saddled working Americans with half-a-trillion dollars in Ivy League debt," and that the court's granting of his emergency motion to block the plan was a "HUGE win for every American who

still believes in paying their own way.”

Biden himself, in February 2021, made essentially the same argument as Bailey in response to a question about forgiving \$50,000 in student loans, saying that it didn’t make sense to forgive student debt “for people who have gone to Harvard and Yale and Penn.”

As a CNBC article at the time pointed out “just 0.3 percent of federal student borrowers attended Ivy League colleges.” A disproportionate amount—though still a minority—of the debt is owed by Ivy League and elite university students.

Between 2017 and 2018, according to the Department of Education’s College Scorecard, elite or highly selective colleges (including but not limited to Ivy League colleges) accounted for about 12 percent of all student debt, but only 4 percent of all borrowers. This would come out to around \$200 billion.

Democrats put forward the token student debt forgiveness plan in the first place as a cynical ploy for their re-election campaign. By and large, the effort to appeal to the youth has utterly failed in the face of the Gaza genocide, which has been armed and fully supported by the Biden administration.

Student loans barely existed in the past. In 1967, the first federally insured student loan was issued. The first major government student loan program was started in 1973 under the Student Loan Marketing Association (Sallie Mae). In 1975, just one in eight students used student loans to pay for college. Now, 29 percent, or over one in four, take on debt to pay for undergraduate degrees, while a whopping two-thirds of graduate students borrow federal loans.

There is massive financial predation of loan borrowers through student loan servicers and also through private student loans and some legacy federal student loans. Student debt has become a source of financial speculation in the form of Student Loan Asset-Backed Securities (SLABS), which are based on \$125 billion in private debt and a significant portion of federal loans as well.

Significant social reforms like Social Security and Medicare, which were concessions won by the working class and given to stave off socialist revolution, established some limited social rights, such as that to a retirement. No genuine social reforms can be enacted today, and those of the past, including Social Security and Medicare, are under attack, as the US ruling class has moved since the Depression and post-war period from a policy of limited class compromise to class warfare in response to the sharp decline in the global economic position of American capitalism.

Even minor bandaid measures such as SAVE evoke concentrated opposition from dominant sections of the political establishment, implemented through a court system packed with reactionaries. This reflects the total domination of political life by a corporate-financial oligarchy, operating

through both capitalist political parties.

SAVE itself does nothing to do away with the federal or private student loan framework and instead works within it. It does not challenge the exploitation of students forced to take on massive debt as a result of soaring tuition costs by private banks and profiteering middlemen.

The ruling class refuses to allocate any significant portion of society’s resources to higher education, in large part because that would subtract from the budget for the war with Russia, the Gaza genocide and preparations for war with Iran and China, for which nearly \$1 trillion in the federal budget has been earmarked.

Students should not be deprived of higher education because of financial want or forced to live under an onerous debt burden to pay for it. Free higher education must be made a right for all, all the more so considering the increasingly complex character of technology and production and the rising need for specialized workers. Recent studies have found that around 40 percent of students who dropped out cited financial reasons as the primary reason for leaving college.

The establishment of higher education as a social right is, in fact, a revolutionary demand. It is possible only under a socialist economy, where society is planned according to human need, not profit.

The wealth of just a few individuals in today’s society could substantially fund public and higher education. If one were to expropriate the top 12 billionaires on the “Forbes Real Time Billionaire” list, starting with Elon Musk, who has a net worth of \$233 billion, one would have more than the total of all student loans, at over \$1.84 trillion. Musk’s personal wealth is greater than fiscal year 2024 federal budget for the US Department of Education, at \$224.3 billion.



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