

# Millions of Americans face garnishment and the seizure of benefits as the US Department of Education begins pursuing student loan debtors

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As of May 5, the US federal government officially began collection measures against former students in default on their student loans. Approximately 195,000 borrowers were sent a 30-day notice letter from the Treasury Department, notifying them that federal benefits are subject to seizure.

Approximately 43 million Americans owe nearly \$1.7 trillion in student loans, with 5.3 million currently in default. Later this summer, all individuals in default will receive garnishment letters with a 30-day notice before up to 15 percent of their wages and benefits may be seized. This includes Social Security payments for some 450,000 borrowers ages 62 and older with defaulted loans.

In addition to the 5.3 million Americans already in default on their student loans, nearly 5 million more borrowers are experiencing various stages of payment delinquency.

Secretary of Education billionaire Linda McMahon announced the government's draconian measures with all the hypocrisy of the Biblical "serpent's tongue," saying the Trump administration is beginning, "to help defaulted borrowers back into repayment..."

The consequences of this "help" for borrowers are staggering. Families will be forced to cut back on food and other necessities. And millions will likely experience significant drops in their credit scores, making home or even auto ownership difficult or impossible for years.

The magnitude of the student loan crisis has been cited by commentators as a factor pushing the US economy towards recession. "The bottom line is: it's not going to be good for the economy, given the current economic situation that's already precarious," said Scott Imberman, a professor of education policy at Michigan State University. "It's an additional weight that you're putting on until we tip into a potential recession."

There is little loan repayment relief in place for workers and young people struggling with low-wage jobs and rising prices. The Department of Education's two options are Loan Consolidation and Loan Rehabilitation, both inherently predatory. Consolidation capitalizes all interest and significantly inflates the debtors' principal balance. Rehabilitation takes several months, during which students remain unprotected from collections and garnishment.

Mike Pierce, the executive director for the Student Borrower Protection Center, spelled out the government's approach. "Since February, Donald Trump and Linda McMahon have blocked these borrowers' path out of default and are now feeding them into the maw of the government debt collection machine," Pierce told news outlet The 19th in April. "This is cruel, unnecessary, and will further fan the flames of economic chaos for working families across this country."

These Trump measures ultimately aim to bring an end to the era where college attendance has been possible for most young people. The federal student loan program was first established in 1958 and expanded significantly in 1965 alongside the "War on Poverty" Great Society programs. The number of college students in 1958 was 3.7 million; by 2025, over 19 million attended college. Trump and the oligarchy now intend to reverse such opportunities.

As part of mobilizing the "home front" for expanding US wars of aggression, the administration aims to compel young people to leave college and enter the workforce or military. A key component of the militarization of society are the fascistic and ideological attacks on knowledge and science and the working class.

One recalls the adviser to President Ronald Reagan who warned against free college, saying, "We are in danger of producing an educated proletariat ... That's dynamite! We have to be selective on who we allow [to go to college]."

On May 2, Trump announced his "skinny budget" for fiscal year 2026. It calls for \$1 trillion for the Pentagon, a vast increase for the Department of Homeland Security, and \$163 billion in social cuts. Alongside billions cut from the Department of Education, it eliminates the Federal Supplemental Educational Opportunity Grant (FSEOG), and guts the Federal Work-Study Program, with a reduction of \$980 million, 82 percent.

The Trump budget targets programs that directly assist the poorest students. For example, the small FSEOG grants (between \$100 and \$4,000 per year) are limited to those demonstrating "exceptional need." Demanding a cut of \$910 million from the program, Trump claimed it promotes "radical leftist ideology."

Work-Study, which provides federally subsidized work

opportunities for approximately 600,000 students each year, would be effectively eliminated. The remaining funds will instead be redirected towards career training.

Additional proposed cuts in the Trump FY2026 budget include:

- **Fund for the Improvement of Postsecondary Education (FIPSE)**—Trump’s FY26 budget plan proposes cutting \$195 million of the existing \$262 million budget for FIPSE, shifting responsibility for postsecondary programs to states and colleges. The budget claims FIPSE funds “fund ideologies instead of students.”

- **Pell Grant Programs**—The qualification for the \$30 billion Pell Grant program, the premier funding source for low-income students across the US, would be drastically altered. Students taking 12 credits per semester would see their maximum Pell Grant subsidy cut by \$1,500, receiving only 80 percent of the current maximum award. The credit requirement for full-time Pell eligibility would rise from 12 to 15 credits per semester, making it harder for students with work or family obligations to qualify for full aid. Students enrolled less than half-time (fewer than six credits) would lose Pell Grant eligibility entirely, affecting about 912,000 low-income students, many of whom attend community colleges or balance school with jobs and caregiving. These changes would especially hurt parenting students, working students and those already struggling with basic needs, potentially forcing many to drop out or never enroll in college.

- **TRIO and GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs)** would be eliminated, cutting \$1.6 billion in student aid. TRIO includes Upward Bound, Veterans Upward Bound, Upward Bound Math/Science, Talent Search, Student Support Services, and several other programs that assist low-income students. The administration calls them “relics of the past” and fraudulently claims that college access is no longer a significant obstacle for low-income students.

- **Other Education Cuts**—The budget proposes a \$12 billion (15 percent) reduction in the Education Department’s overall budget, including significant cuts to K-12 programs, adult education, English proficiency services for immigrants, and preschool development grants.

However, Trump’s enumerated cuts are only a framework. On April 29, the House Education and Workforce Committee passed the “Student Success and Taxpayer Savings Plan,” endorsed by Trump as a “Big Beautiful Bill.” This bill details many more planned cuts. It eliminates current repayment and forgiveness plans, ends loan subsidies, tightens Pell Grant eligibility, and institutes a new system to penalize colleges for students’ delinquent repayments.

This “skin-in-the-game” initiative will further defund colleges. According to *Forbes*, colleges must reimburse the government for a portion of unpaid debt if students fail to repay it. The magazine railed against colleges that “admit students likely to fail to matriculate.”

Tim Wahlberg, the far-right Michigan Republican chair of the House Education Committee, motivated the bill and attacked schools that admit low-income students without regard to their ability to pay: “Colleges have ridden this gravy train of taxpayer dollars without any accountability ... it’s time to fix this broken

cycle that is costly to taxpayers and that leaves students worse off than if they ever went to college.”

Each of these proposed provisions increases the financial burden of college for students, incentivizes young people to forgo college, and frees up resources for Trump’s proposed massive tax cut for the ultra-wealthy. Typically, student borrowers will pay thousands more annually, as interest is capitalized and compounded. They will be trapped in debt for three decades or longer, with little to no recourse. Here is a breakdown:

- **Subsidized Loans**—Beginning July 1, 2026, subsidized loans for undergraduates would be eliminated. Such loans do not accrue interest while the student is in school. After this change, all new borrowers would only be eligible for unsubsidized loans, which accrue interest immediately. According to Federal Student Aid, over 30 million students are currently on subsidized loans, totaling \$294 billion.

- **Graduate and Parent PLUS Loans**—The same House GOP plan would end the Grad PLUS program for graduate students and restrict eligibility for Parent PLUS loans, further reducing federal support for higher education borrowing. Graduate student debt comprises half of the outstanding \$1.7 trillion. The plan calls for capping graduate students’ loans at about \$100,000 and professional students’ loans at \$150,000. These measures will force students into the private loan market with higher interest rates.

- **Income-Driven Repayment (IDR)**—These plans would consolidate 12 possible repayment plans with two: either fixed payments over 10-25 years or an income-driven repayment program that would base payments on adjusted gross income (between 1 percent and 10 percent) and extend repayment up to 30 years. While the current plans offer loan forgiveness after 20 or 25 years, the new plan would not. Also, new borrowers would no longer have a share of their income protected.

- **Forgiveness** provisions under Closed Schools Discharges or Borrower Defense to Repayment are being threatened with revocation. Previously, student borrowers who proved via lawsuits that they were lied to by schools (for the most part, for-profit career institutes) were entitled to loan forgiveness. Likewise, those students affected by sudden closures like that of Corinthian Colleges were eligible for loan forgiveness. The bill would also remove Public Service Loan Forgiveness for medical residents.



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