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INTERNATIONAL

Cato Institute Joins Wave of Lawsuits Against Student Loan Relief Program

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The Cato Institute is the latest group to challenge the U.S. Department of Education's (DOE) student loan relief plan, arguing that the DOE and President Joe Biden do not have the authority to cancel student loans without approval from Congress.

The suit, filed in a Kansas federal court, says that “by providing across-the-board loan-forgiveness, the Biden scheme completely—and unlawfully—undermines Congress’s goal in enacting the Public Service Loan Forgiveness program,” according to a news release from the Cato Institute.

The lawsuit is one of many to challenge the student loan forgiveness program.

“Forcing taxpayers to pick up the tab for other people’s college loans is bad policy,” said Cato President and CEO Peter Goettler in the news release. “But in the case of President Biden’s order, it is also illegal, because neither President Biden nor the Department of Education has the power to cancel student loans without congressional authorization.”

A significant issue in this case, as in others filed against President Biden’s debt-cancellation plan, is the question of standing to sue.

“Cato’s standing is based on the congressionally enacted Public Service Loan Forgiveness program, which was designed to help 501(c)(3) organizations like Cato, the ACLU, the American Red Cross, and others attract employees by providing debt relief to those who choose to work for non-profits,” according to the news release.

A separate state case challenging the DOE’s student loan forgiveness also calls into question the costs and impact on the economy from the student loan forgiveness and payment pause, ACA International previously reported.

That case, a lawsuit in an Oregon District Court, is challenging the Department of Education and Secretary of Education Miguel Cardona’s authority to discharge or forgive student loan debt on a mass basis under the Higher Education Relief Opportunities for Students (HEREOS) Act of 2003.

The Cato Institute, represented by the New Civil Liberties Alliance in the case, is also challenging the student loan plan’s connection to the HEROES Act.

“The [a]dministration’s claim that its plan is legal under the HEROES Act is totally implausible and represents yet another illegitimate attempt by executive-branch officials to usurp Congress’s sole constitutional prerogative to make policy,” said Clark Neily, senior vice president for legal studies at Cato, in the news release.

A new lawsuit against the student loan debt relief program has been filed by a small-business advocacy group, according to PBS.org.

The lawsuit was filed Oct. 10 by the Job Creators Network Foundation and argues that the Biden administration violated federal procedures by failing to seek public input when implementing the student loan debt relief program, ACA International previously reported.

Ongoing Cases and U.S. Supreme Court Petition

Similar lawsuits against the Biden administration and the DOE are ongoing. One case, from the Wisconsin Institute for Law and Liberty, argued the debt collection plan violated the Equal Protection Clause of the 14th Amendment in addition to usurping authority from Congress because the White House claimed the program was intended to improve racial justice. This case was recently dismissed for lack of standing, ACA previously reported.

The Wisconsin Institute for Law and Liberty, on behalf of the Brown County Taxpayers Association, has appealed the case’s dismissal while also recently filing an emergency request to U.S. Supreme Court Justice Amy Coney Barrett to block the student loan relief plan, The Hill reports.

Six state attorneys general have also filed suit against the Biden administration for overreach of its executive powers in its student loan forgiveness plan. This week, a district judge heard the motion for preliminary injunction in that case in Missouri federal court, according to CNN. The state attorneys general seek to temporarily pause the student loan relief program, stating it will worsen inflation, ACA previously reported.

The judge reviewing the preliminary injunction discussed the plaintiffs’ standing in the case, according to the CNN report.

The states said in court documents that the Biden administration does not have the legal authority to implement broad student loan forgiveness.

“The states also argue that the policy would hurt them financially, as well as the revenues of a student loan servicer based in Missouri known as MOHELA,” CNN reports.

ACA’s Take

ACA continues to follow these cases. The case in Oregon was the first one of its kind seen by ACA that notes the student loan relief plan’s potential impact on inflation and that *if* the government’s key tool to fight inflation is raising interest rates, then anyone with

variable/adjustable interest on any loan type—a mortgage, in this case—will suffer an economic loss as their interest costs rise.

An analysis released by the Penn Wharton Budget Model in August said the forgiveness plan could total about \$300 billion in costs initially and reach as much as \$330 billion if the effort continues for new borrowers and others who would be eligible for forgiveness in the future.

ACA members in student loan servicing have successfully helped consumers develop income-driven repayment programs that work. They also explain the many options for consumers who truly cannot afford to pay. In many cases, discussions with servicers can also rectify past financial decisions that were not a consumer's best option.

That continues to beg the question: What is the true problem the student loan forgiveness plan is meant to solve?

“Actions for broad student loan forgiveness ignore structural changes that could be made to the price of college, to the education system in general, and other reforms that would actually address the heart of the problem,” said ACA CEO Scott Purcell.

On Capitol Hill, ACA submitted a letter to the Senate Committee on Banking, Housing and Urban Affairs before a May 2022 hearing, outlining concerns with blanket student loan forgiveness policies and the impact on borrowers and the credit-based economy.