



Cato Institute Sues Education Department Over Student Loan Cancellation

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Libertarian think tank the Cato Institute on Tuesday sued the Department of Education over the Biden administration's plan to cancel some student loan debt.

“Forcing taxpayers to pick up the tab for other people’s college loans is bad policy, 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,” Cato Institute President and CEO Peter Goettler said.

The organization filed the suit in a Kansas federal court and is represented by the New Civil Liberties Alliance, a group that assists in cases “protecting civil liberties from unlawful administrative power,” according to the Cato Institute.

The Biden administration officially launched its student debt relief application on Monday. The White House said that as many as 8 million people have already applied for forgiveness through the Department of Education as of Monday, and Biden said on Tuesday that an additional 4 million people had applied.

The president's student loan forgiveness program, which he unveiled in August, is set to forgive up to \$10,000 in federal student loan debt for borrowers earning under \$125,000 and as much as \$20,000 for borrowers who received Pell Grants.

Other lawsuits have also sought to end the program, including one from six Republican-led states filed in September that argued it is unlawful because there is no statute from Congress authorizing the cancellation of student loan debt.

Additionally, the public interest firm Pacific Legal Foundation filed a lawsuit last month, challenging the administration through a plaintiff who is currently paying off loans and would be subject to an expensive tax in the event of debt relief because he lives in Indiana. Indiana is one of several states that considers debt cancellation taxable income.

Since those first set of lawsuits, the administration updated the plan to exclude borrowers with privately held federal student loans, saying loans not held by the Education Department are no longer eligible.

Biden on Monday, in remarks about the application launch, noted that litigation is underway, adding that "our legal judgment is that it won't" stop the program.

The White House has cited the Heroes Act to justify the forgiveness program in the face of legal challenges. The law allows the Education Department to waive or modify statutes or provisions related to student financial assistance programs during war or national emergencies, with the COVID-19 pandemic being one justification for debt cancellation.