



'Forgiving' student loans isn't motivated by kindness. It's all about cold, hard politics.

By Ingrid Jacques

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It's pretty much a given Biden will extend the pause one more time to get his fellow Democrats through their midterm elections. No one wants to be the bad guy who makes borrowers restart payments.

The 40 million Americans who have student loan debt are collectively pondering: What in the world is President Joe Biden going to do? You can be forgiven for not knowing.

With a pivotal deadline of Aug. 31, it's unknown whether Biden will grant another pause in loan payments – or whether he'll follow through on some kind of broad “forgiveness.” Or both.

“My sense is that the administration’s management of the issue has been a total mess,” says Beth Akers, a senior fellow at the American Enterprise Institute and an expert on the economics of higher education. “It’s creating unnecessary confusion and anxiety for borrowers.”

That's putting it mildly. Since Biden took office, the White House’s messaging on student debt has been all over the place, leaving borrowers in purgatory as to their financial future. The only conclusion is that the administration is carefully weighing the ramifications of debt leniency and that political winds are driving decisions – not smart policy.

Biden has extended a pause on payment of federal student loans (along with zero interest) four times since taking office. Former President Donald Trump previously signed off on two continuations during the height of the pandemic. So for more than two years, borrowers have been able to save thousands of dollars each month.

My four-year degree was the expectation. My trade school training got me my job.

Yet Biden’s messaging on the matter has been misleading at best. Recall that in December, the White House stated firmly that payments would restart.

“A smooth transition back into repayment is a high priority for the administration,” then-press secretary Jen Psaki said. “The Department of Education is already communicating with borrowers to help them to prepare for return to repayment on February 1st.”

Guess what? That didn’t happen. The administration continued the pause until May, and then when April came along, it extended it through August.

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That's not all that Biden is mulling, however. He has also hinted throughout the year that he's taking a "hard look" at broader loan forgiveness, and this month White House press secretary Karine Jean-Pierre claimed Biden will have a definitive plan for cancellation by Aug. 31.

I'll believe it when I see it.

Rep. Rashida Tlaib, D-Mich., center, and her son Adam, left, attend a rally to urge President Joe Biden to cancel student debt near the White House in Washington, D.C., Wednesday, July 27, 2022.

Pressure from progressives to go big.

The president is getting serious pressure from progressives to go big on debt forgiveness – from \$50,000 per borrower to all \$1.7 trillion of it.

Biden has consistently said that he's open to a more modest plan, including \$10,000 per borrower with some income caps. Yet these caps are said to be as high as \$150,000 per individual, meaning this widespread forgiveness would reach all but the highest income earners.

President Biden has said he's open to a plan that includes caps for loan forgiveness based on a borrower's income. But those income caps are said to be high.

"Very few people would not qualify for that forgiveness," says Neal McCluskey, director of the Cato Institute's Center for Educational Freedom.

Recall that a majority of student loan debt is held by those with graduate degrees, who are most likely to earn higher incomes.

Don't think that Biden and Democrats are personally getting out their checkbooks. It's easy to play Santa Claus when you're using taxpayer dollars to pay for college debt – even though 60% of Americans don't have a bachelor's degree. Just the continued pause and more targeted loan forgiveness has cost the country \$150 billion so far.

Despite the frustration stemming from uncertainty, borrowers have benefited from the confusion. It's not such a great deal for everyone else.

"The longer these loans are on hold, the harder it will be politically for any lawmaker to turn them back on through legislation or executive action," says Akers of the American Enterprise Institute. "I worry that as we continue to stall, it may lead to us never getting these loans repaid."

Never-ending pandemic governing

That's a real concern. So is this vestige of pandemic governing through executive fiat.

Biden has already been shot down three times by the courts – twice by the U.S. Supreme Court – for overreaching through such orders. He lost in his efforts to extend the eviction ban, his broad vaccine mandate on private businesses and the mask mandate on airplanes.

Red and blue America don't trust each other: It's driving us dangerously apart.

Challenging the pause on student loan payments – or broader cancellation – would prove more difficult, Cato's McCluskey says, because who has legal standing to question the giveaway is less clear. And if it would go to the courts, it would likely be tied up for a long time, essentially offering the same result.

In the meantime, McCluskey says, the Biden administration is like a squirrel stuck in the middle of the road, paralyzed with indecision.

This issue is too important for continued inaction. Biden needs to get his act together, stop playing politics with people's pocketbooks and offer some clarity to the millions of Americans who are waiting.