



Senate majority gives Biden path to student loan forgiveness

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President-elect [Joe Biden](#) and congressional Democrats secured a rare chance to wipe out student loan debt for millions of Americans with last week's victories in the Georgia Senate runoffs.

The Democratic takeover of the Senate means Biden is in a much stronger position to deliver on a campaign pledge to sign legislation canceling up to \$10,000 in student loan debt for borrowers who make less than \$125,000 a year.

Biden has called student loan forgiveness a crucial step toward recovering from the coronavirus recession, and there's a growing expectation that his proposal would be included in a new COVID-19 relief bill — the top legislative priority for Biden and Democrats.

“With Democratic Senate control now assured, and our base case that Democrats pass another multi-trillion Covid-19 relief bill, there is a high likelihood that some form of federal student loan debt relief is included in such a package,” Beacon Policy Advisors, a Washington-based research firm, wrote last week.

Biden's embrace of a progressive priority has put unprecedented momentum behind the left's push to cancel much of the student debt held by the federal government.

“The real question in our minds is not if federal debt relief is included, but how much and which borrowers will benefit,” Beacon added.

Progressives and advocates have pushed for years for lawmakers and the federal government to take bold action against what they characterize as a student debt crisis. Roughly 44 million Americans owe the U.S. government \$1.5 trillion in student loans, and many have not reaped the rewards of their heavily financed college education.

“It's a good bet, but for the people who are suffering the most, this bet didn't work out,” said Dalié Jiménez, a law professor and director of the Student Loan Law Initiative at the University of California, Irvine.

“There's a lot of people who are actually really worse off for having taken student loan debt — far worse. And we need to help them.”

While the Trump administration has placed all federal student loans in forbearance through Jan. 31 and waived interest on them since April, borrower advocates say forgiveness is still essential to a strong recovery.

“Right now, when so many folks are struggling economically due to the COVID pandemic, providing that release valve would both be hugely beneficial to those borrowers and would allow them to recover from this pandemic and the economic crisis, much faster and more fully,” said Persis Yu, director of the National Consumer Law Center's Student Loan Borrower Assistance Project.

Biden's proposal would wipe out education debt for about 40 percent of borrowers, potentially generating more consumer spending for the damaged economy and relieving a major financial burden for millions of households.

Canceling that amount of debt could create a massive headache for the 10 companies with contracts to collect student loan payments on behalf of the federal government.

"Depending on how the federal government does the forgiveness, the servicers could also incur huge new costs in carrying this out, with the end result of having fewer accounts to work with," said Brandon Barford, a partner at Beacon Policy Advisors, in an email.

"There could also be legal liability, as I am sure the [Consumer Financial Protection Bureau] and Dept. of Ed will be watching like hawks to ensure that borrowers are not harmed in the process."

The president-elect's efforts to eliminate student loan debt is also ripe to encounter pushback, from Republicans and Democrats alike.

Republicans and some moderate Democrats say they're concerned about the effect it would have on the deficit, while many progressives say Biden should go big and cancel \$50,000 per borrower.

Even liberal economists are split on the potential macroeconomic benefits of student loan forgiveness, arguing that the money could be more effective if used as direct relief for those struggling with unemployment or food insecurity. Just one moderate defection in the Senate would make Biden rely on Republican support for a COVID-19 relief package, which could also compromise his student debt forgiveness push.

“There is no justification for any broad student loan cancellation. There may be some justification for very focused cancellation, but I haven't seen much talk about that, and even in

those cases, there are usually already programs in place to help those people,” said Neal McCluskey, the director of the libertarian Cato Institute’s Center for Educational Freedom.

Even so, McCluskey acknowledged that some Republicans could back an economic relief bill that includes a measured debt relief proposal, especially as a counter to the ambitious debt wipeout sought by progressives.

Senate Democratic Leader Charles Schumer (N.Y.) and Sen. Elizabeth Warren (D-Mass.) have called on Biden to cancel \$50,000 in debt per borrower, which would leave roughly 80 percent of student borrowers debt-free, according to Beacon.

Warren — no stranger to pushing Democratic presidents to the left — asserted in December that Biden had a “moral obligation” to forgive \$50,000 per borrower.

“We owe it to our fellow Americans to address this crisis head on. We need to broadly cancel student loan debt and put those monthly payments back into our economy, canceling student loan debt as soon as possible,” she said last month.

While Biden may be able to thread the needle and deliver debt relief through an act of legislation, advocates say he should sidestep the political constraints of a narrowly divided Congress and take executive action.

Jiménez and Yu — along with several progressive lawmakers — said Biden should instead direct the Education Department to forgive a much greater portion of student loan debt with the broad authority it has over its massive balance sheet.

Doing so, they argue, will allow Biden to make the greatest impact on student loan borrowers and even narrow the racial wealth gap while letting the Senate focus on a broader COVID-19 relief bill and confirming his nominees.

“Given the unknowns of the political situation, it's still better to do it administratively,” Yu said.

“It's a tool that he has in his toolbox that can help a whole lot of people right now, so why not use it?”