



## Student loan forgiveness: Biden's new debt elimination plan faces lawsuit

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Two groups sued the Biden administration last week over its plan to forgive up to \$39 billion in student loan debt for more than 800,000 people.

The suit, which was filed by the Cato Institute and Mackinac Center, argues that not only is the administration working on an accelerated schedule to “evade judicial review” of its program, but that the federal government doesn’t have the authority to forgive the debt in the first place.

“Before the ink dried on the Supreme Court’s June 30 decision striking down a \$430 billion student-loan cancellation program ... the (Education) Department announced a host of equally unlawful loan cancellation schemes,” the groups’ lawsuit reads. The suit targets Education Secretary Miguel Cardona and the head of the Federal Student Aid office, Richard Cordray.

“A forgiveness program of this magnitude should have gone through rulemaking,” said Sheng Li, an attorney at the New Civil Liberties Alliance, which is representing the groups in the lawsuit. “The administration cannot impose a policy like this without going through the proper channels.”

The suit says Biden’s plan undercuts Public Service Loan Forgiveness. The Mackinac Center and Cato Institute said in the suit that they employ borrowers who are working toward student loan cancellation through the program, The Associated Press reported. They say Biden’s action illegally accelerates progress toward relief, diminishing the benefit for nonprofit employers.

“This unlawful reduction in the PSLF service requirement injures public service employers that rely on PSLF to recruit and retain college-educated employees,” the suit alleges.

A spokesman from the Education Department called the lawsuit “a desperate attempt from right-wing special interests to keep hundreds of thousands of borrowers in debt, even though these borrowers have earned the forgiveness that is promised through income-driven repayment plans.”

The spokesperson told The Washington Post, “We are not going to back down or give an inch when it comes to defending working families.”

**The plan announced by Biden in July** is supposed to adjust the way the Education Department calculates certain student loan payments. The adjustments are being made, the department said, **to correct past errors** in counting payments and the result would show that borrowers made payments that were not counted correctly toward their debt.

The new math would result in about 804,000 people having the balance of their loans erased over the next few months.

The plan affected those with federally backed student loans who enrolled in “income-driven payment plans,” or plans that align payments with a person’s income. While the plan has helped some with lowering monthly payments, borrowers have found that some payments they made have not been correctly credited.

In April, the administration announced it would make a one-time adjustment to make sure the payments submitted by borrowers with properly credited.

The suit came days ahead of the date the plan was to go into effect. Loan servicers were to be notified by Aug. 12 of which borrowers had met their 20–25-year commitment to have their outstanding debt forgiven.

The U.S. Supreme Court in June **rejected Biden’s student loan forgiveness program**, which would have canceled as much as \$20,000 in student loan debt for individual borrowers, totaling \$430 billion.