



# **Biden's Administration Being Sued For Modification In Student Loan Forgiveness Policy**

Selina Gomes

August 8, 2023

While the Supreme Court towards the end of June struck down the president's biggest student debt forgiveness program, the administration of Joe Biden is also being sued on some of its other modifications to policies intended to make it simpler for borrowers to repay their loans.

## **Borrower Defense To Repayment Rule**

To make it simpler for borrowers to get their loans forgiven when they are misled or deceived by their schools, new measures that were scheduled to take effect in July were temporarily barred on Monday by the US 5th Circuit Court of Appeals. This change is known as the "borrower defense to repayment" rule. The law has been in effect for many years. However, the complaint targets recently enacted regulations that are now being enforced, such as one that permits immediate debt releases a year after an institution closes and another that prohibits colleges from compelling borrowers to consent to mandatory arbitration.

## **Legal Issues Of Student Loan Forgiveness Policy**

Career Colleges as well as Schools of Texas, a collection of for-profit colleges, filed the emergency injunction motion. The appeals court judgment stated that the matter would be handled on November 6 but did not provide the explanation behind the choice. While the court's decision is in effect, student loan borrowers can continue to submit requests for debt relief under the lender defense rule, but the Department of Education won't judge or handle affected petitions under the new regulations. In a related lawsuit lodged last week, 2 conservative organizations sought to prevent the team headed by Biden from making a single adjustment to the accounts of some borrowers to more precisely credit certain payments made in the past under a repayment strategy based on income.

## **All About Biden's Loan Forgiveness Initiatives**

Regardless of the borrower's total outstanding debt, these plans determine payments based on income and family size. Typically, they cut monthly payments to aid borrowers in avoiding loan default and wipe away outstanding sums following 20 to 25 years of qualifying payments. The one-time adjustment is claimed to be substantively and procedurally illegal in the lawsuit, which was brought by the New Civil Liberties Alliance to represent the conservative organizations Cato

Institute as well as the Mackinac Center for Public Policy. It is claimed that this is similar to the more comprehensive student loan forgiveness program that the Supreme Court invalidated.

Shortly after the other remission scheme was shut down, the Department of Education declared in July that it would start informing the 804,000 debtors of their impending debt cancellation. The one-time change, however, had been prepared for over a year. The change, which was first revealed in April 2022, was intended to assist debtors whose payments were incorrectly tallied and who were already qualified for debt relief through a repayment plan based on income

Department of Education was having problems keeping track of borrowers' payments and was not doing enough to ensure that all qualified borrowers received the remission to which they are eligible. 7,700 loans that are currently in repayment, or nearly 11% of the loans examined, may already be eligible for forgiveness. The recent legal dispute does not seem to have an immediate effect on the new SAVE income-driven repayment plan put forth by the Biden administration.