

NEWS FROM A RURAL WV DEMOCRATIC VIEWPOINT

STUDENT LOANS – Rich Peoples’ Debt, Poor Peoples’ Debt

On the campaign trail in 2020, Joe Biden pledged to cancel at least \$10,000 of student debt per person. “Student debt is holding people up,” he said. “They’re in real trouble.”

That was the catchy part. Behind that was a bigger plan to offer repayment relief on student loans for low income people.

He hasn’t gotten it all done yet. He’s come up against Republicans in Congress and conservatives on the Supreme Court. Still he hasn’t quit, and while seeking solutions, his administration has fixed many persistent problems in the federal student loan programs that he inherited.

Why is student loan debt such a problem for poor people?

Wealthy borrowers are less likely to default or get behind on their loans because they have the most access to wealth – family money, financial assets or their educational degrees.

Although poor people tend to have much smaller debts, their defaults and delinquencies are much higher because they don’t have the same access to wealth. Millions of Americans are putting off having children, buying their first home, or starting a business because they can’t get out from under their student loans.

President Biden’s attempts to work with Congress on student loan debt relief were thwarted by Republicans who said it wasn’t fair. “What about people who don’t have student loans? Or people who paid them off? It’s a slap in the face to them.”

Apparently there’s one morality for business people and another for low-income people.

Businesses, including those owned by many congressmen and women benefited when Paycheck Protection Loans in the hundreds of thousands or millions of dollars were forgiven. No one asked whether that was fair to ordinary people who didn’t have PPP loans.

Due to Covid, in 2020 President Trump had declared all federal student loans in forbearance. Debtors could temporarily stop making monthly student loan payments. As with any debt, though, if you don’t pay, you still owe. That forbearance ends this fall.

Using the same law that President Trump had used to freeze loans, President Biden proposed canceling up to \$20,000 of debt for low-income students with a Pell grant and up to \$10,000 for those with incomes under \$125,000.

But last June, the conservative members of the Supreme Court ruled 6-3 that President Biden overstepped his authority. Since the time Trump used the law, the Court has made up a new rule called the Major Questions Doctrine that says if the issues are

politically or economically significant, Congress must be more specific when it grants power to agencies like the Department of Education.

The power the law gave Trump was no longer available to Biden.

(This is a huge power grab by the Supreme Court. But that's an issue for another day.)

Not daunted, the next day the White House announced that by fixing mismanagement of the education department's income-driven repayment plans, 804,000 federal student-loan borrowers will have their remaining debt wiped out. That's \$39 billion forgiven.

Even before these actions, Biden had already canceled about \$116 billion in student loan debt for borrowers who were misled by for-profit institutions, borrowers with disabilities, and those with loans forgiven for doing public service.

In a 3rd program, the Biden administration will lower monthly payments for low-income borrowers and offer forgiveness sooner for those who borrowed less than \$12,000.

Republicans seem determined to keep Biden from keeping his promises, but Biden is showing that there are many ways to skin the student-loan cat.

It's an important part of his economic plan to grow the lower and middle classes and make the entire American economy stronger.

~ *Deirdre Purdy, Chairperson, Calhoun County Democratic Executive Committee*