



FROM: RSC Staff

TO: RSC Members

RE: Biden's Student Loan Bailouts – More Borrowed Spending and Inflation

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Biden's Latest Radical Student Loans Plan

On April 17, 2024, the Biden administration issued [yet another](#) extreme, costly, unfair, and potentially illegal plan to “cancel” student loan borrowers’ debts. In this proposal, the Biden administration announced major policy changes on student loans, including:

- 1) Canceling up to \$20,000 in student loan debts for borrowers who are in standard repayment and owe more than they did at the start of repayment due to accrued interest. Biden’s proposal would also cancel all remaining debt held by borrowers who are enrolled in any [income-driven repayment \(IDR\) plan](#), who owe more than they did at the start of repayment due to accrued interest, and whose income is at or below \$120,000 if the borrower’s tax filing status is single or married filing separately, \$180,000 if the borrower files as head of household, and \$240,000 if the borrower is married and files jointly.
- 2) Canceling all remaining debt for undergraduate student borrowers who entered repayment 20 years ago.
- 3) Canceling all remaining debt for graduate student borrowers who entered repayment 25 years ago.
- 4) Automatically cancelling loans for borrowers in standard repayment plans who would be eligible for cancellation had they applied for programs such as the [Public Service Loan Forgiveness \(PSLF\) plan](#) or Biden’s so-called [“Saving on a Valuable Education” \(SAVE\) plan](#).
- 5) Canceling debts for borrowers who enrolled in “low-financial-value” programs.
- 6) Canceling debts for borrowers experiencing “hardship.” The Biden administration indicated that it will release a separate rule addressing “hardship” loan cancellation “in the coming months.”

This cancellation plan represents just the [latest controversial effort](#) by the Biden administration to transfer the debts of borrowers who willingly took out student loans to finance their higher education onto the backs of hardworking taxpayers.

Put simply, the Biden administration is trying to buy votes during an historically important election year, which will require the government to borrow money and exacerbate inflation further. Taxpayers will ultimately be on the hook to pay down this increased debt.

The Conservative Position

- Conservatives understand that such student loan “cancellation” is a slap in the face to the millions of responsible borrowers who either worked hard to pay off their (or their children’s) student loans or chose to pursue a career that did not require a college degree. Both groups of people would now be forced to subsidize someone else’s tuition through their hard-earned tax dollars.
- Additionally, conservatives believe that mass debt cancellation could incentivize institutions of higher education to drive up tuition prices and encourage future student loan borrowers to take out even more debt with the expectation of loan forgiveness.
- Reckless proposals such as student loan cancellation do nothing to lower the cost of college and, if anything, further inflate tuition prices.
- Biden’s plan is extremely costly. The Committee for a Responsible Federal Budget [estimates](#) that it could cost anywhere from \$250 billion to \$750 billion, depending on how the additional “hardship” loan forgiveness is designed.
- This expensive policy will require the government to borrow money, which will further exacerbate existing inflation. In the last year, consumer prices have risen by 3.5 percent, due in part to the federal government’s excess spending since COVID-19. Our country is already \$34 trillion in debt, and borrowing even more money to cover the costs of a \$250-\$750 billion loan bailout will only make matters worse.
- Conservatives recognize that student loan cancellation is deeply regressive, as much of the financial benefit would go to those in the top half of the income spectrum. Graduate students in particular, including students enrolled in or who have completed programs in lucrative fields such as medicine and law, would disproportionately benefit as they owe [approximately half](#) of outstanding student loan debt.

Biden’s Past Student Loan “Cancellation” Schemes

Since taking office, the Biden administration has approved the cancellation of approximately \$153 billion in federal student loans for 4.3 million borrowers. This is more than any other President. Below is a bulleted list of just some of Biden’s student loan cancellation schemes.

- On October 12, 2022, the Biden administration [issued a rule](#) that would cancel up to \$20,000 in federal student loans for borrowers making up to \$125,000 (or \$250,000 for married couples) who received a Pell Grant, as well as cancel up to \$10,000 in federal student loans for borrowers making up to \$125,000 (or \$250,000 for married couples) who did not receive a Pell Grant. The Supreme Court [deemed this plan unconstitutional](#) and invalidated it on June 30, 2023. A detailed RSC Legislative Bulletin can be found [HERE](#).
- On July 10, 2023, the Biden administration [issued a rule](#) to create a new [income-driven repayment \(IDR\) plan](#) called the SAVE Plan for federal student loan borrowers that would: (1) increase the amount of income exempted from the calculation of monthly payments; (2) cut the percentage of discretionary income borrowers must pay on a monthly basis; (3) cancel any remaining interest if borrowers’ payments do not cover their full monthly interest, so loan balances would not increase; and (4) forgive loan balances after just 10 years for borrowers with lower balances, instead of after 20 or 25 years. This rule is [potentially illegal](#) and it has been challenged in the courts. The House passed a Congressional Review Act (CRA) resolution to overturn this rule by a [bipartisan 210–189 vote](#) on December 7, 2023, and currently, the bill awaits a vote in the Senate. A detailed RSC Legislative Bulletin can be found [HERE](#).

- On August 14, 2023, the Biden administration [approved](#) \$39 billion in student debt cancellation for more than 800,000 borrowers because of “fixes” to IDR plans.
- On October 4, 2023, the Biden administration [approved](#) \$9 billion in student debt cancellation for 125,000 borrowers, through “fixes” to IDR and [Public Service Loan Forgiveness \(PSLF\)](#) plans, and granting “automatic relief” to borrowers with total and permanent disabilities.
- On December 6, 2023, the Biden administration [approved](#) \$4.8 billion in student debt cancellation for more than 80,000 borrowers, through “fixes” to IDR and PSLF programs.
- On January 19, 2024, the Biden administration [approved](#) \$4.9 billion in student debt cancellation for almost 74,000 borrowers, through “administrative adjustments” to IDR payment counts and the PSLF program.
- On March 21, 2024, the Biden administration [approved](#) \$5.8 billion in student debt cancellation for almost 78,000 borrowers, through “fixes” to the PSLF program.
- On April 12, 2024, the Biden administration [approved](#) \$7.4 billion in student debt cancellation for 277,000 borrowers who signed up for the SAVE Plan and as a result of “fixes” made to IDR forgiveness.

Republicans must remain vigilant and stand together against such reckless, costly, unfair, and potentially illegal actions by the Biden administration.