

Judges block much of Biden's limited student loan relief program

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On Monday parts of US President Joe Biden's limited student loan relief plan called Save on a Valuable Education (SAVE) were blocked by two separate court injunctions.

The preliminary injunctions in Kansas and Missouri were in response to lawsuits filed by two groups of Republican-led states that challenged the legality of the SAVE program launched by the Biden administration in August 2023.

In Kansas, US District Judge Daniel Crabtree blocked the implementation of the final segment of the SAVE plan which would have cut monthly payments on undergraduate student loans in half beginning in July.

Repayment of loans under this part of the SAVE program is based on income. Undergraduate debt payments were scheduled to be reduced from 10 percent to 5 percent of income above 225 percent of the federal poverty line.

This meant, for example, a household of two people earning a combined \$60,000 per year would have \$44,370 of their income protected and their monthly repayments would have gone down from \$130.25 to \$65.13 per month on July 1.

Graduate students would have their payments capped at 10 percent of the poverty line calculation. Payments on these SAVE plans would continue for 20 or 25 years at which point the balance of the debt would be forgiven.

In his ruling, Judge Crabtree said that three of the eleven states which challenged SAVE—Alaska, Texas and South Carolina—had adequately shown that President Biden overstepped his authority in creating the program without authorization by Congress. The coalition of states was led by Kansas Attorney General Kris Kobach and their lawsuit claimed the debt relief program could harm tax revenue in the states.

In Missouri, US District Judge John Ross blocked Biden's Department of Education from forgiving any more loans through the SAVE plan. Led by Missouri Attorney General Andrew Bailey, six states said that their respective student loan management serving entities would suffer revenue losses when student debts are wiped clean.

Judge Ross also said Congress did not authorize the repayment plan as far-reaching as Biden's SAVE program. The Congressional Budget Office has estimated that SAVE will cost the federal government \$230 billion over the next ten years.

Both judges who ruled in favor of the Republican-led legal effort to shut down Biden's very limited student loan relief program were appointed by Democrat Barack Obama, Judge Crabtree in 2014 and Judge Ross in 2011.

Responding to the preliminary injunctions, White House Press Secretary Karine Jean-Pierre said that it was "unfortunate" that Republicans and "their allies have fought tooth and nail" to block the SAVE program and that "courts are now rejecting authority that the Department has applied repeatedly for decades to improve income-driven repayment plans."

So far, there are 8 million people enrolled in the income-based SAVE repayment plan and 414,000 student loan borrowers have had their debts forgiven entirely. The injunctions do not impact any forgiveness that has already been granted.

The injunctions have put more than 43 million people who owe on student loans worth more than \$1.7 trillion in limbo. As Mike Pierce, executive director of the Student Borrower Protection Center, told the *Washington Post*, "Today two different gangs of right-wing attorneys general got exactly what they were looking for from federal judges in Kansas and

Missouri: a recipe for chaos across the student loan system.”

There are powerful financial interests behind the legal campaign to prevent any relief for those who are burdened with massive student loan debts in the US. The bulk of the federal student financial aid system is administered by private servicing companies that rake in fees on every payment made. Meanwhile, the loans are packaged by the US government and sold off to private investors who are cashing in on repayment terms that include interest rates between 5 and 10 percent.

The latest lawsuits are modeled on the same arguments used to block the Biden administration’s original student loan forgiveness program that was struck down by the Supreme Court one year ago. In that program, Biden had planned to forgive \$10,000 in student debt for borrowers earning up to \$125,000 per year. In its 6–3 decision, the Supreme Court ruled that Biden did not have the authority to forgive what would have been \$400 billion in loans over a 30-year period.

While the courts, acting on behalf of a financial oligarchy that backs both the Democrats and Republicans, have repeatedly intervened to block the most limited relief for crushing financial impact of student debts, there have been no such restrictions placed on bailing out failing banks or funding criminal imperialist wars around the globe.



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