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FACT SHEET | Higher Education Reform Initiative

The Biden-Harris Student Loan Bailout is Illegal, Unfair, and Inflationary

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The Biden-Harris Administration's unrelenting effort to transfer hundreds of billions of dollars in student loan debt to taxpayers is not just expensive. It is also unlawful, counterproductive, and deeply unfair. Student loan bailouts saddle Americans, including those without a college degree, with new tax liabilities and will lead to higher tuition prices without increasing educational quality. Federal courts have also blocked the Biden-Harris Administration's efforts— on the grounds of executive overreach—adding to borrowers' confusion after years of repayment pauses and program changes.

10 REASONS THE BIDEN-HARRIS STUDENT LOANS AGENDA MUST BE STOPPED NOW

1. The Exorbitant Cost and Misleading Messaging. The Biden-Harris Administration's use of the terms "forgiveness" and "cancelation" to describe their student loan policies is misleading. Loan balances do not just disappear. The forgone revenue requires taxpayers to fill in the gap, or else it adds to the deficit and national debt. The Biden-Harris Administration has already "canceled" $167 billion in loans and seeks to "cancel" hundreds of billions more, ignoring court rulings in the process. This is on top of the three-and-a-half-year COVID-19 repayment pause, extended six times by the Biden-Harris Administration, which cost taxpayers $240 billion. If two additional proposed regulations go into effect, the total cost is likely to reach almost $1 trillion over 10 years.

2. Inflationary Effects. Backdoor subsidies to colleges and universities (in the form of "canceled" student loans) without strong accountability mechanisms drive up the cost of college by making it easier for universities to raise tuition rates—knowing increases will ultimately be passed on to taxpayers. This fuels wasteful spending on luxury amenities and administrative bloat. Loan "forgiveness" also allows borrowers to take on new consumer debt because they don't expect to repay the full balance of the loan. This can cause prices to rise in the broader economy, a point of caution prominent economists across the political spectrum have underlined.

3. A Slap in the Face to Hardworking Taxpayers. Instead of offering narrowly targeted programs to help low-income Americans who cannot repay their loans, the Biden-Harris Administration's agenda is designed to provide large benefits to borrowers with graduate and professional degrees who have high lifetime earnings potential. Loan cancelation therefore concentrates benefits to highly-educated Americans—shifting the costs to taxpayers, including those without a college degree and those who paid off their loans or sacrificed to avoid borrowing.

Workers in all sectors of the economy build their skills and businesses by borrowing responsibly. Why should electricians, software coders, and Uber drivers be forced by the government to assume debts college degree-holders choose to incur when non-college goers also depend on loans to make a living and upskill?

4. Behavior-Changing Incentives that Punish Responsibility. Loan cancelation undermines individual incentives to be budget-conscious while shopping for college because students will expect taxpayers to assume a large portion of their debt down the road. Families that could pay tuition or have built up a 529 account to fund college will instead be incentivized to take out government loans, expecting taxpayers to assume a proportion. Why save for college if the government eventually shifts the cost to others?

5. A Violation of the Law. When the Supreme Court struck down blanket loan forgiveness in *Biden v. Nebraska*, it scolded the executive branch for "seizing the power of the Legislature." President Biden has since boasted that the Court "didn't stop me" while promising to cancel debt in other ways, including through a radical rewrite of an income-driven repayment regulation called SAVE. SAVE enshrines student loan bailouts as a permanent feature of the higher education system.

6. A New Entitlement Program by Executive Fiat. SAVE creates a new and ongoing entitlement program by executive fiat, an unprecedented usurpation of congressional authority. The program caps undergraduate loan repayment at 5% of income above 225% of the federal poverty line and waives any remaining balance in as little as 10 years. As a result, very few loans will be repaid in full. One analysis found that only 22% of bachelor's degree holders with typical levels of debt will repay their loan in full, and the Department of Education (ED) calculated that some borrowers in the highest lifetime earnings quintile should expect a subsidy. If it is not struck down, SAVE will cost taxpayers at least $475 billion over the next decade. That's about $3,000 per taxpayer.

7. Ongoing Legal Battles. The Biden-Harris Administration's SAVE regulation has also been paused by a federal appeals court. The Eight Circuit Court of Appeals blocked implementation of the regulation this summer while it considers the case. SAVE raises the same issues of executive overreach the Supreme Court cited striking down the Biden administration's first attempt at blanket forgiveness. In the meantime, confusion reigns for borrowers whose repayment status and monthly payments have been in constant flux for years now.

8. Not a Long-Term Solution. Transferring student loan debt to taxpayers does not drive the quality of education up or prices down. One analysis determined that 23% of bachelor's degree programs and 43% of master's programs have a negative expected return on investment (ROI). The Biden-Harris student loan agenda fails to hold colleges accountable when they steer students into low-ROI programs, nor does it cease originating loans that are unlikely to be repaid.

9. More is Coming this Fall. The Biden-Harris Administration has signaled that it will finalize another slate of regulations to transfer student loan debt to taxpayers this fall. The new programs will apply automatically to four categories of borrowers: those who owe more now than they did at the start of repayment, those who entered repayment before 2005, those who are eligible for forgiveness but did not apply, and some who enrolled in low-ROI programs. The projected cost to taxpayers is almost $150 billion and it, too, is tied up in court while a federal judge considers a challenge to the plan.

10. A Rank Abuse of Public Confidence to Advance a Political Campaign. The Biden-Harris Administration knows its unrelenting agenda to transfer student loan debt to taxpayers is unconstitutional. And yet, it is using ED to send campaign-style emails to millions of borrowers, taking credit for "relieving the burden of … student loan debt" and promising "a new path to deliver more debt relief to as many borrowers as possible" in the future. In one recent email blast, ED Secretary Miguel Cardona included language denigrating political opponents on the Right, triggering two complaints from state attorneys general that Secretary Cardona violated the Hatch Act, a 1939 law designed to ensure federal programs "are administered in a nonpartisan fashion."