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EDUCATION AND LABOR
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Fellow Americans,

The Biden administration has begun razing the federal student aid system that has balanced providing millions of students access to opportunities for postsecondary education while respecting the interests of taxpayers who fund those opportunities. The president's unlawful, unilateral actions will destabilize our higher education system, harm borrowers' credit, and potentially cost hardworking taxpayers over $500 billion, all to buy votes and advance a radical free college agenda. Since the administration seems bent on hiding the true harm of their proposals, I have laid them out here, so the American people get the full story.

To date, the Department of Education (Department) has wildly overstepped its authority to overhaul the federal student loan program, turning a blind eye to fiscal responsibility and to the intent of Congress. Before detailing the dangers of these proposals, it is important to understand the breadth of the actions the President has authorized. Each one costs the American taxpayers billions of dollars:

1. *Repayment Pause Extensions*: President Biden's extensions cost taxpayers approximately $4.3 billion per month, amounting to at least $85 billion since the President took office.

2. *Temporary Waivers for Repayment Programs:* The changes made to the Public Service Loan Forgiveness (PSLF) program through Biden's illegal waiver made immediate forgiveness available for as many as 3.5 million borrowers holding as much as $145 billion. Under the income-driven repayment waiver, 4.4 million borrowers holding $211 billion in student loans may now be deemed eligible for immediate forgiveness, and countless others will move closer to the time-based forgiveness afforded under an Income Driven Repayment (IDR) plan.

3. *Operation Fresh Start:* The potential cost of this illegal program cannot be estimated, but this action will negatively impact every current and future student borrower's credit access, disproportionately impact the ability for low-income and disadvantaged borrowers to own homes, and threaten the stability of our financial system.

4. *New Regulations for Student Loans:* Recent overhauls to the borrower defense to repayment regulation, Public Service Loan Forgiveness, and other rules regarding federal student loans announced recently will cost at least $85 billion. Biden is also pushing for mass loan forgiveness by creating a new income-driven repayment program. While details of the plan are not public, if the plan is anything like Biden's 2020 campaign proposal, it would lead to tens of billions of dollars in additional loan cancellation each year.

5. *Blanket Forgiveness:* The administration is considering several loan forgiveness policies, which, if enacted, will cost taxpayers additional hundreds of billions. The most prominent is the rumored plan to forgive $10,000 in student debt per borrower, which could cost at least $230 billion. There is no statutory authority for this action.

These program changes have all been announced or will be enacted within the coming months. All of these policies were crafted behind closed doors, without providing the public any information about when the Department would implement them, who would be impacted, or how much they would cost. Obfuscation about the details has allowed the Department to tout alleged benefits without facing any scrutiny over what the implications of these radical changes. However, the facts—which this administration has tried to push under the rug—prove these plans are nothing more than an attempt to skirt the law and enact policies that would never pass Congress.

Repayment Pause Extensions

The most visible example of the administration's actions is the President's refusal to resume student loan repayments. What was once a safety net put in place to help borrowers handle the economic uncertainty during an unprecedented pandemic has become one of the costliest and politically motivated programs ever carried out by a President of the United States. Despite every data point suggesting the repayment pause is unneeded—the low unemployment rate of college graduates,[1] the dramatically different impact of the pandemic for the skilled workforce,[2] among others—the Secretary of Education continues to push this costly and unwarranted policy. In an inflationary environment that disproportionately harms those who do not benefit from holding a college degree, this administration insists on shielding the most affluent borrowers from their moral and financial obligation to their fellow Americans.

Economists agree that the unprecedented COVID-19 spending sent inflation soaring and the continued moratorium on repayment is exacerbating the problem.[3] While most Americans are working to make ends meet, college graduates have received the equivalent of a $6,750 stimulus check—that gets bigger with every extension—adding $4.3 billion to the deficit each month. This is irresponsible and an unjustifiable policy. Since the student loan moratorium began,

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[1] https://www.bls.gov/opub/ted/2022/high-school-graduates-with-no-college-had-unemployment-rate-of-4-5-percent-in-february-2022.htm

[2] https://www.bls.gov/opub/btn/volume-11/how-did-employment-change-during-the-covid-19-pandemic.htm

[3] *See* Larry Summers (https://www.washingtonpost.com/opinions/2021/11/15/inflation-its-past-time-team-transitory-stand-down/), Jason Furman (https://www.cnbc.com/2021/11/10/fed-behind-curve-on-inflation-former-obama-economist-jason-furman.html)

taxpayers have spent three times as much annually than is spent to provide educational opportunities to low-income students through the Pell grant and 850 percent more than in workforce development programs to upskill workers displaced by the pandemic.[4] Moreover, the benefits of the repayment pause are disproportionately targeted to aid high-income households and borrowers with graduate degrees. While programs such as the Women, Infant and Children program provide an average of $35 per month to help pregnant women, new parents, and young children eat well and stay healthy,[5] the repayment pause provides college graduates an average $225 in monthly benefits and $1,784 if they were lucky enough to earn a professional degree.[6] In other words, this administration provides medical doctors, dentists, and lawyers with a monthly benefit 51 times greater than what they offer to single mothers struggling to find baby formula on the shelves.

The total cost and implications of the repayment pause will not be realized for several years. For a large share of borrowers, their student loan payments are not just paused: they are being forgiven entirely. Existing programs such as PSLF and IDR allow for any remaining balance of borrowers to be forgiven after making payments for periods ranging from 10 to 25 years. Even before President Biden's radical actions, taxpayers were set up to foot the bill for over $200 billion in loan forgiveness over the next decade;[7] included in this amount is forgiveness for nearly three quarters of loans made to graduate students through the Grad PLUS program.[8] At the writing of this letter, nearly half of borrowers will have had 30 months of payments cancelled due to this repayment pause, sending that cost skyrocketing.

PSLF and IDR Waivers

On October 6, 2021, the Department announced a PSLF waiver that widely expands borrower participation and ignores Congressional intent. This action comes on top of flat out lies about the management and implementation of the program thus far. Despite claims about a "broken" program, in fact PSLF is working just as Democrats wrote it: costing taxpayers at least $28 billion over the next decade,[9] with 87 percent of that amount going towards loan forgiveness for borrowers with graduate degrees. But they are not content. Democrats continue to attempt to enact increasingly expansive policies that disproportionately benefit higher salaried-Americans.

This new administrative re-write opened the floodgates for mass cancellation of student loans without the authorization of Congress, the body constitutionally responsible for making these decisions. Indeed, according to a recent analysis published by the National Bureau of Economic Research, as much as $145 billion in student loans are eligible for cancellation through this unlawful action alone.[10] While the administration touts this as a benefit for public service employees, this obscures the truth of how PSLF will actually impact Americans.

[4] https://www.cbo.gov/system/files/2021-02/51304-2021-02-pellgrant.pdf;
[5] https://fns-prod.azureedge.us/sites/default/files/resource-files/25wifyavgfd$-7.pdf
[6] https://www.insidehighered.com/views/2022/06/28/student-loan-repayment-pause-regressive-opinion
[7] https://www.cbo.gov/system/files/2020-02/55968-CBO-IDRP.pdf
[8] https://www.insidehighered.com/views/2022/06/28/student-loan-repayment-pause-regressive-opinion
[9] https://www.cbo.gov/budget-options/56822
[10] https://www.nber.org/papers/w30208

Over one-fourth of all professions are eligible for forgiveness under PSLF,[11] including those not traditionally thought of as public service roles, such as Planned Parenthood employees, leftist college professors, and high-level staff for the Democrat party.[12] Progressives also do not mention that nearly one-third of those receiving forgiveness under PSLF are making six-figures such as Georgetown lawyers[13] or that medical doctors stand to receive an average $134,000 in loan forgiveness from the administration's waiver.[14] A policy that benefits such high-earning professionals is undoubtedly flawed and this administration's unilateral decision to wipe away up to $145 billion in debt on the backs of taxpayers is an abuse of power, exacerbated by the shielding of the facts of the policy from the American people.

This is only one instance of the manipulation of this administration. The Department used a blatantly false spin of a government-issued report on the management of income-driven repayment plans to expand the program even further without Congressional approval. Using the fact that a fraction of borrowers were failed by the Department of Education,[15] the administration announced it was unilaterally re-writing the rules and requirements for the repayment option that was intended to provide targeted relief to a subset of borrowers. The Department claims this proposal will result in immediate forgiveness for 40,000 borrowers. But that, too, misrepresents the facts. Correspondence between the Department and congressional Democrats reveals that the real number of borrowers impacted by this plan exceeds 4.4 million people who stand to see as much as $211 billion in loan forgiveness if this illegal action is successful.[16] In fact, coupled with the benefits of the repayment pause for borrowers enrolled in these programs, the Department confirmed that approximately 5.4 million borrowers will have nearly six years of future loan payments cancelled in full. But these true numbers were not made known to the American people—and it seems like the Department has no intention of doing so either.

Operation Fresh Start

Other actions by this administration have implications that stretch far beyond the student loan program and the federal budget. In providing students access to thousands of dollars in loans, regardless of the outcomes of their education program or their ability to repay, the federal student loan program does not set borrowers up for success. For those students who are unable to repay, the consequences of default are severe, including lasting impacts on a borrower's ability to access credit. Despite the vast number of repayment and loan forgiveness options currently available to borrowers, there are still about 8 million borrowers whose federal student loans are in default, meaning these borrowers have not made any payments on their loans in 270 consecutive days.

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[11] https://www.bls.gov/bdm/nonprofits/nonprofits.htm; https://www.gao.gov/assets/gao-15-663.pdf
[12] https://www.consumerfinance.gov/about-us/newsroom/cfpb-spotlights-borrower-complaints-about-student-loan-servicers-mishandling-public-service-loan-forgiveness-program/
[13] https://www.washingtonpost.com/news/wonk/wp/2013/08/09/how-georgetown-law-gets-uncle-sam-to-pay-its-students-bills/
[14] https://www.nber.org/papers/w30208
[15] https://www.gao.gov/products/gao-22-103720
[16] https://www.warren.senate.gov/imo/media/doc/Education%20Department%20Response%20to%20Sen%20Warren%20-%204-8-21.pdf

Buried in the latest announcement to extend the repayment pause in April, the Department previewed[17] a far-reaching plan impacting borrowers that have defaulted. They offered no real information to borrowers, giving just enough information to grab headlines while ignoring the potential of long-term harms inflicted to every loan borrower in the nation. So-called "Operation Fresh Start" is a misnomer in the context of the significant harm posed by this plan.

While few details have been made available to the public and the millions of borrowers who remain in limbo until additional guidance is provided, the consequences of this action are deeply concerning—starting with the fact that many borrowers formerly in default will immediately be able to receive additional taxpayer dollars in the form of student loans. Secondly, this plan could substantially limit Americans' access to credit regardless of whether they are part of this small subset of the population or not. This in turn could harm the stability of our financial system and the health of the U.S. economy.

In particular, the Department is expected to require the removal of predicative information—such as default history on student loans—from borrowers' credit reports, meaning lenders will have no way to distinguish whether a borrower was indeed current on his or her loan payments or unable to pay them back as scheduled. This removes a factor private lenders and credit rating agencies regularly use to evaluate the financial health of the individual.

Student loans are often the first test of a consumers' credit worthiness and millions of Americans build a strong credit profile through faithful repayment of these loans. But this "Fresh Start" could lead to the removal of predictive information for all borrowers, including those who have never missed a payment, thus limiting their ability to use their successful repayment to close on a loan for a car or a home at a reasonable rate. This will increase the cost of credit, particularly for borrowers who have limited credit histories, which often includes the very population this administration claims to be helping: minorities, young professionals, and those from disadvantaged backgrounds.

From the beginning of the federal student loan program, it has provided two key benefits to borrowers. First and foremost, it provides access to higher education for those unable to afford college and couldn't qualify for Pell Grants or other need-based aid. In turn, it allows borrowers to build a strong credit profile. Repayment of federal student loans helps borrowers establish the credit history necessary to purchase a home, an automobile, or finance a new business. "Operation Fresh Start" guts these benefits and harms every hardworking American looking to take out a loan.

New Regulations

The Department is using, at best, legally shaky authority to enact these temporary waivers; to make matters worse, it is currently working to pair those actions with sweeping regulatory changes to the federal student loan program. The flaws and misguided policies included in the most recent regulatory package, including the $85 billion in new spending, are proof this

[17] https://www.ed.gov/news/press-releases/biden-harris-administration-extends-student-loan-pause-through-august-31

administration has no plans to limit spending taxpayer funds.[18] The proposal includes new rules for the PSLF program that may cost as much as $59 billion on top of the costs discussed above. By the time the administration has implemented its changes to PSLF, the program may well cost as much as the annual budget of the Department of Education.[19]

At the very least, the administration should have provided taxpayers with the details of these policies before enacting them. However, Biden appears content rushing through his radical policies without any oversight. For example, the Department allowed just 30 days for comments on a 750-page set of regulations before closing debate and going back to finalize their agenda behind closed doors. Now Biden is considering blanket loan cancellation. If what we have seen is any indication for the future, it seems clear they intend to craft a policy that cancels and forgives as much student debt as possible—all financed by hardworking taxpayers, including those that never went to college and those who accepted their responsibility to pay back loans.

Equally as troubling, the Biden administration is currently drafting a new income-driven repayment plan. While few details are available, Biden's 2020 campaign proposal and recent negotiated rulemaking proposal reveal that the administration is set on designing the costliest IDR plan yet, with the goal of forgiving as many loans as possible and cost taxpayers hundreds of billions over the next decade.[20] Under the rumored plan, student loan payments would be so low that it would effectively transform the loan program into a grant program—since very few loans would be repaid before borrowers qualify for loan forgiveness.

The End Goal: Free College Through Student Loans

These actions shouldn't surprise anyone. The President went far beyond calling for the cancellation of student debt when on the campaign trail: he joined even the most radical Democrats in calling for free college for every American making under $125,000.[21] Despite the fact that this unilateral attempt to provide that is likely illegal,[22] even $10,000 in cancellation per borrower would cost Americans at least $230 billion[23] in new taxes for this poorly targeted policy.[24] Doctors, lawyers, and borrowers that attend graduate school would receive massive

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[18] https://www.ed.gov/news/press-releases/education-department-releases-proposed-regulations-expand-and-improve-targeted-relief-programs

[19] https://www2.ed.gov/about/overview/budget/history/index.html

[20] https://www.urban.org/sites/default/files/2022-02/examining-the-biden-administrations-proposed-income-driven-repayment-plan-for-student-loans.pdf ; https://www2.ed.gov/policy/highered/reg/hearulemaking/2021/10idrsess3.pdf ; https://www.forbes.com/sites/adamminsky/2020/10/01/bidens-income-based-student-loan-plan-would-dramatically-lower-payments-for-some---heres-how/?sh=457fe46d6354

[21] https://www.forbes.com/sites/wesleywhistle/2020/07/08/biden-sanders-unity-task-force-free-college-student-debt-forgiveness-and-crack-down-on-for-profit-colleges/?sh=33b72350111a

[22] https://www.wsj.com/articles/mass-student-debt-cancellation-legally-risky-says-top-obama-education-lawyer-11651689489

[23] https://www.crfb.org/blogs/rumored-student-loan-cancellation-would-cost-230-billion

[24] https://www.brookings.edu/policy2020/votervital/who-owes-all-that-student-debt-and-whod-benefit-if-it-were-forgiven/

student loan forgiveness checks from the government, while hardworking Americans that already paid off their loans or never borrowed or went to college in the first place would get nothing.

Democrats know blanket forgiveness and their radical regulatory agenda won't make it through Congress so instead ***they are forcing de facto free college through the student loan program.***

All these actions leave colleges free to continue increasing costs that greatly impact all American taxpayers. These policies deny any accountability to borrowers and evade any responsibility to help those students turn their degree into a job. The predictable results are more borrowing for degrees with little to no return on investment and more students watching their loan balances balloon until President Biden sends taxpayers the bill. Degree inflation has resulted in master's students working as baristas and too many entry level jobs requiring a college degree without any real justification. This market saturation will only become worse in the coming years if this Administration gets its way. Fewer individuals will make the completely rationale and acceptable decision to enter the workforce and instead pursue an unnecessary graduate degree. Why? Because they aren't the ones paying for it: you are.

Reform is hard—and it should be. Reform takes commitment from all parties and a willingness to reach a common goal of fixing a very broken system. Reform is not accomplished when the executive branch enacts sweeping policies that will upend our college financing system with the "stroke of a pen." Simply put, the President is giving a handout to those who least need it. All the while harming borrowers' credit potential, enabling schools to continue increasing their prices, and further burdening the middle class. It is time to retire the executive pen. It is immoral to place the burden of as much as $500 billion in student debt on taxpayers by executive fiat. Any administration that is worthy of the office it holds should have greater respect for taxpayers and the Constitution. It is time for Congress to stop deferring to the President and get to work.

Sincerely,

Virginia Foxx

Virginia Foxx
Ranking Member
U.S. House Committee on Education and Labor