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OPINION | REVIEW & OUTLOOK

Student Loan Forbearance—Forever?

Biden extends the debt moratorium again, and more may be coming.

By The Editorial Board Follow
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Demonstrators hold signs calling on President Joe Biden to cancel student debt near the White House on March 15.

PHOTO: STEFANI REYNOLDS/AGENCE FRANCE-PRESSE/GETTY IMAGES

President Biden has used the pandemic to justify doing by fiat what he can't pass through Congress, including his eviction moratorium and vaccine mandate. Now his Administration is effectively canceling student debt on the installment plan.

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That's the import of the Administration's announcement Wednesday that it is again extending the pause on student loan payments and interest accrual, this time through August. Mr. Biden said the economy is stronger than ever and the country can safely "return to more normal routines," but student borrowers apparently still aren't ready to return to making normal loan payments.

If they aren't now, they'll never be. The unemployment rate for bachelor's degree holders in March was 2%. Many borrowers have built a financial cushion from pandemic stimulus payments and the past two-year freeze on loan payments. Some have used the savings, which have averaged $400 per month, to pay off higher-interest debt or invest in stocks.

Like most pandemic relief programs, student loan forbearance was supposed to be temporary. Congress in March 2020 waived payments and interest accrual through September 2020. President Trump and Mr. Biden repeatedly extended the pause, spending money that Congress never appropriated.

The Committee for a Responsible Federal Budget (CRFB) estimates the loan pause has cost taxpayers more than $100 billion, and the latest four-month extension will add another $15 billion to $20 billion.

The extension will mostly benefit those who need it the least—higher earners with graduate degrees. By CRFB's estimate, a new lawyer has already received $30,000 of debt cancellation due to interest cancellation during the pandemic and higher-than-expected inflation. Inflation benefits debtors by eroding the value of current debt balances.

Because graduate degree holders have much more debt, and their loans carry higher interest rates, they benefit most from the government forbearance. A recent master's

degree recipient has received on average $13,500 in relief, three to four times more than someone who just completed a bachelor's or associate's degree.

Mr. Biden points to a recent New York Federal Reserve analysis that supposedly shows borrowers would struggle to resume making payments. On the contrary. The study actually found that delinquency rates for commercially-owned federal loans not covered by the pause fell early in the pandemic and then returned to pre-pandemic levels by the end of 2021. That's not a catastrophe.

Private loan delinquencies have declined steadily throughout the pandemic as borrowers aided by several rounds of stimulus payments reduced their balances. But federal loan borrowers didn't strive to pay down their debt. Why would they if their balances weren't accruing interest?

You can never go broke betting on Washington cynicism, and the Administration's latest extension timeline suggests a political calculation. Could it be teeing up even more sweeping loan forgiveness, to be announced in August as the new school year and the fall election campaign begin?

Progressives are demanding that President Biden forgive at least $50,000 per borrower by executive order. They say the Administration can cancel debt using the same authority that it's using to waive monthly payments. This would be an even bigger usurpation of Congress's power of the purse. What a way to stick it to Americans who didn't attend college or who have diligently repaid their loans.

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