



Rodney's Take

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Student Loans Won't Come Due in May

President Biden pushed back the date for restarting student loan payments from February 1 to May 1, and now that date is fast approaching. The government is required to send student loan borrowers six notices about restarting payments before the first one comes due, and so far, none have been sent. There's no mystery to this. White House Chief of Staff Ron Klain said that the president will make a decision on student loan forgiveness before allowing the suspension to end, so we can expect the administration to kick the can down the road a few more months. That will make the timing tricky.

Roughly 43 million Americans have student loans direct from the government, federal student loans on which they have not been required to pay anything for two years. Only an estimated 500,000 borrowers continued to make payments during the suspension. As I wrote last fall, half of the borrowers say they saved the money, while one quarter spent it. The rest either paid down debt or invested the funds. In a survey last November, the Student Debt Crisis Center showed that 89% of borrowers did not feel financially secure enough to begin repayment on February 1. The numbers might have changed a bit with continued low unemployment and the repayment date pushed out a few months, but even at 75%, that's a big percentage of borrowers who claim that this is a problem.

As long as we're in a state of emergency, the president can direct the Treasury to stop collecting the payments. The current state of emergency runs out in October, just ahead of mid-term elections.

The government collects around \$6 billion per month in student loan payments. That's not a lot in a \$21-trillion-plus economy, but it's not zero, either. It would leave a mark if tens of millions of consumers suddenly cut their consumption to make student loan payments, but then again, that's what they signed up for. Around 70% of Americans support some form of student loan debt forgiveness, including a majority of Democrats and minority of Republicans. The longer President Biden delays dealing with the issue, the closer he gets to November, which will make it a campaign issue.

Maybe that's the goal.

If Biden wipes away student debt at any level, to \$10,000, \$50,000, or completely, with the stroke of a pen, opponents will certainly sue, claiming that he doesn't have the authority. If he acts now, then the issue would end up in court, likely for months, and fade from the front page by the fall. However, if the issue is a solid winner for the president, then he can sign the executive order closer to the mid-terms, claim a victory, and then point to anyone who opposes such a move as going against mainstream America.

To make this happen, Biden just needs to issue yet another extension of the moratorium on repayment, pushing it out to some time between now and October. He then can bide his time until late summer or early fall, announce a loan forgiveness program, and let the votes fall where they may!

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Got a question or comment? You can contact us at info@hsdent.com.