



# *Rodney's Take*

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## **Biden Fixes a 16-Year Student Loan Fiasco**

I'm no fan of forgiving student loans, because there is no actual "forgiveness." Instead, such plans merely shift the burden of repaying the voluntary debt from those who benefit from it (or thought they would) to the general American taxpayer. I've harped on several aspects of this in the past, so there's no reason to go through it again here. But I do want to point out that President Biden's latest action in this space, which forgives roughly \$39 billion in student loans, rights a wrong that started with George W. Bush, and it's about time.

In 2007, Bush signed into law the Public Service Loan Forgiveness (PSLF) program, which forgave the remaining student loan balances of borrowers who worked in public service and also made timely, consecutive loan payments for 10 years. The first borrowers to reach that mark, just before 2020, were in for a rude shock. Through a series of failures at student loan servicing companies and the Department of Education, more than 90% of those who were technically eligible for forgiveness were denied. The reasons varied, but most had to do with the loan servicing companies misapplying loan payments and not informing borrowers that they had to recast their loans. These things happened even though borrowers proactively contacted their servicers to verify that they as borrowers still were employed by a non-profit and that their payments were correctly applied.

The problem was that the law, passed in 2007, gave wide latitude to the Department of Education in implementing the programs, and the department simply passed on that responsibility to student loan servicers. When things

went south, everyone said the same thing: “I’m not responsible.” This meant millions of borrowers, who followed the instructions as best they could, had no way to fix the problems, and thus still had loans outstanding after doing everything that had been asked of them.

Again, I don’t like the forgiveness programs, but that doesn’t excuse Congress and the Department of Education for creating such a convoluted mess and then not fixing it. Biden is cleaning up this mess and, as the law is written, doing what should have been done in the first place. Laws should be clear enough for citizens to understand and abide by, and a clear path should exist for challenging laws and their implementation. Whether the rest of Biden’s changes to student loans and repayments can withstand legal challenges remains to be seen, but at least those dealing with applying the PSLF as intended and as passed by Congress should be up to the test.

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*Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).*