



The Daily Dish

Groundhog Day Comes Early

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Eakinomics did not want to discuss student loans. But the Biden Administration simply will not quit. Having attempted to write off \$400 billion in student loans, it did not even wait for the courts to adjudicate the legality of this brazen giveaway. It also didn't have the patience to at least wait until February 2 to offer up yet [another way](#) to toss away hundreds of billions of dollars in the name of “transforming” student loan repayment.

Specifically, the Department of Education has proposed a rule that would cap monthly payments at 5 percent of “discretionary” income. The latter is currently adjusted gross income minus 150 percent of the federal poverty level (FPL), but the proposal would also raise the exemption to 225 percent of FPL. The upshot is that anyone who earns less than \$30,600 will not have to pay anything each month. Instead of forgiving loans, this approach simply gets rid of any repayment.

It is useful to remember that the direct loan program dates to the passage of the Patient Protection and Affordable Care Act (ACA). The bill nationalized student lending in part because it would cover part of the cost of the ACA. Put another way, the loan program was not designed on its educational merits, but rather on the basis of what it would “earn” the federal government and make available to plow into health care. In the legislation, income-based repayment plans for borrowers capped monthly payments at a mere 10 percent of their discretionary income and let borrowers discharge remaining debt after 20 years (10 years for those employed by government or nonprofits).

This is important for two reasons. First, it was the clear intent of Congress that income-based repayment be 10 percent of income. How does the Department of Education believe that it has the authority to cut this in half (and re-define discretionary income)? This sure has the feel of a major question that only Congress can address, not Department of Education bureaucrats.

Second, the Biden Administration steadfastly continues to use executive fiat to override the student loan program instead of offering legislation to reform the fundamental problem: the student loan program, itself. Real leadership is found in the legislative approach, not a series of questionable executive actions.