



The Daily Dish

The Insanity Initiative

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It's never a dull moment with the Biden Department of Education. This past Wednesday it laid out the details of its [Fresh Start](#) program (first announced in April). The administration advertises this as a way to put 7.5 million student loan borrowers who are in default back into good standing. How would this magic happen?

Defaulted borrowers will have one year from the end of the student loan repayment moratorium to arrange new payments on past debt. During that one-year period, there will be no collection efforts, such as having wages garnished or tax refunds revoked.

Notice that this has nothing to do with the pandemic or the loan payment moratorium. Nobody has had to pay a dime on student loans since March 2020, so nobody has gone into default in that period. These loans were all in default prior to the pandemic.

Even better, participants can get more cash. Those in the program “regain *Title IV HEA* federal student aid eligibility, including Federal Pell Grants and campus-based aid like Federal Work-Study. Access to federal student aid can provide a pathway for additional education, which can help these borrowers compete in the job market and ultimately improve their ability to fully repay their loans, among other benefits.”

You gotta hand it to those crafty creditmeisters at the Department of Education. Unlike the gold standard of progressive student loan policy – broad student loan forgiveness – that showers benefits indiscriminately and with no attempt to improve educational outcomes, this is supposedly a “pathway for additional education.” And whom did they target for this opportunity? Those borrowers who could not finish school and repay in the roaring job market prior to the pandemic. This is literally a program designed to identify the worst of the worst loan borrowers and give them more money.

How does that saying go? Repeating the same policy and expecting a different outcome is the definition of insanity. Welcome to the Insanity Initiative.

There is a perspective from which this is, believe it or not, even worse. One way to think about this is that the Biden Administration has created a new loan program targeted at a specific population: deadbeat borrowers. If the U.S. taxpayer is going to be on the hook for a new lending program, shouldn't it be debated by their representatives on the floor of the House and the Senate? Some lawyer might opine that the Department of Education has the legal authority to do this. But I severely question the moral correctness of its unilateral actions.