

Fact Checking Biden's Student Loan Bailout

1 MYTH: Student loan forgiveness is critical to ensuring millions of Americans are not buried under a mountain of debt.

FACT: There is no such thing as “forgiveness,” and student loan debt does not go away—it remains on the federal government’s books. Cancellation alone is estimated to cost at least \$400 billion dollars. The Biden administration simply moved the loan debt, agreed to by millions of student loan borrowers, onto the backs of American taxpayers. Biden’s student loan bailout will cost every taxpayer, even those who never went to college, at least \$2,500.

2 MYTH: Since 2000, the cost of college has increased nearly [200 percent](#)—leaving students with no choice but to borrow if they want a degree. Biden’s so-called forgiveness plan will help students afford college.

FACT: A one-time erasure of student debt does nothing to address why college costs have risen. Rather, it emboldens colleges to continue raising tuition and forces students to borrow even more—with taxpayers ultimately footing the bill. In fact, one study by the Federal Reserve found that schools [raise tuition](#) by up to 60 cents for every dollar in additional grants provided by the federal government.

3 MYTH: Biden’s bailout will make the student loan system more manageable for current and future borrowers.

FACT: Even before the repayment pause extension and loan cancellation announcement, federal loan servicers warned the administration that the “situation would only be made far more complicated and riskier operationally with any additional changes to the loan program.” The Biden administration continues to confuse borrowers by announcing yet another extension of the repayment pause while proposing a swath of new burdensome and complicated regulations.

4 MYTH: Student loan forgiveness is the fair way to help Americans escape massive amounts of debt.

FACT: Borrowers signed on the dotted line for their loans. Erasing these loans does not teach borrowers to manage their debts. Moreover, the cancellation is an insult to those who diligently paid off their loans. Further, it will not help student borrowers who enroll in college after debts are wiped clean. Instead, the Biden administration is forcing the [87 percent of Americans without student debt](#) to pay the bills of college graduates.



MYTH: 5 Republicans supported loan forgiveness for the Paycheck Protection Program (PPP) loans. It is hypocritical for them to oppose student loan forgiveness.

FACT: Offering PPP loans and “forgiving” federal student loans is not an apples-to-apples comparison. Congress created the PPP loans when state and local governments mandated small businesses to shut down, which halted large portions of the economy. PPP loans were made to those small businesses to keep their workforce employed only during the COVID-19 pandemic and ended on May 31, 2021.

MYTH: 6 The Biden administration’s plan offers targeted debt relief and makes the student loan system more manageable for working families.

FACT: Even with the income caps of \$125,000 for individuals, and \$250,000 for married couples, [up to two-thirds](#) of the benefit from the President’s bailout goes to borrowers in the top half of the income distribution. Moreover, graduate students and high-income earners disproportionately benefit from his unlawful action.

MYTH: 7 Biden’s plan is necessary to keep bad debt off the federal government’s plate.

FACT: Unlike PPP loans, federal student loans are still being given, and waiving these obligations for borrowers creates bad incentives for borrowers to continue taking out more loans under the assumption of continued “forgiveness.”

MYTH: 8 Forgiving student loans will help the economy and will not affect inflation.

FACT: Mass student loan cancelation alone will likely [boost inflation](#) by 15 to 27 basis points over the next year, which already reached 40 year highs because of Biden's radical policies. Moreover, the repayment pause provided [medical students \\$107,000 in tax free forgiveness](#) while Americans without degrees struggled to put food on the table.

MYTH: 9 Republicans supported the *Tax Cuts and Job Act (TCJA)*—a \$2 trillion tax cut for the wealthy. The Biden administration is supporting middle class families with this loan cancelation.

FACT: Student loan cancelation is a regressive transfer of wealth. The top-earning 40 percent of households hold [nearly two-thirds](#) of outstanding student loan debt. The Biden administration’s plan will wipe out \$10,000 of debt for households making up to \$250,000 or for an individual making up to \$125,000. If a student received a Pell Grant, he or she will receive \$20,000, no matter how wealthy he or she is today. Additionally, the TCJA was not a tax cut for the wealthy. After the passage of TCJA, the Congressional Budget Office data showed that “the share of income taxes paid by the top 1 percent of taxpayers reached a near-record high of 41.7 percent. The same group paid almost 26 percent of all federal taxes—twice the share paid by the [bottom 60 percent](#) of Americans combined.”

MYTH: 10 The HEROES Act of 2003 gave the Secretary of Education broad authority to cancel student loans during times of national emergencies.

FACT: The HEROES Act was passed in the wake of 9/11 and later reauthorized during the first days of Operation Iraqi Freedom. The HEROES Act authority is narrow, and by using it to justify this bailout Biden is abusing authority intended for individual cases of hardship in a limited term war, military operation, disaster, or national emergency. Further, when HEROES was debated, the topic of “forgiveness” never came up.

