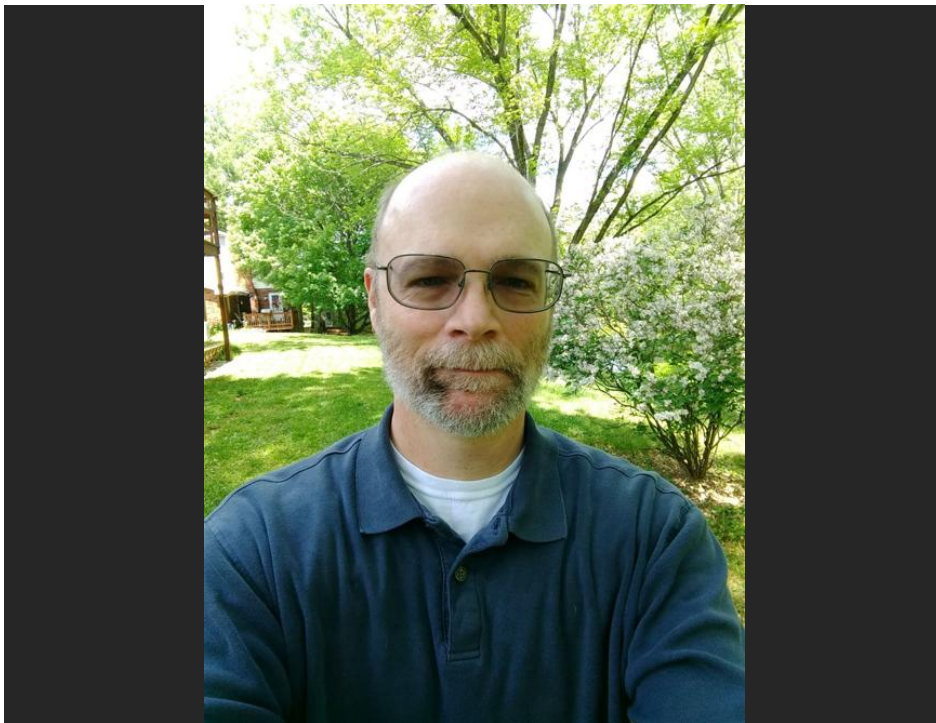


# Lindholm: Forging student loans

Bruce Lindholm Aug 15, 2021 5

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Bruce Lindholm

Courtesy of Bruce Lindholm



Bruce Lindholm

During the 2020 presidential election campaign, Joe Biden promised to forgive up to \$10,000 in federal loans per student.

He won the election and became president Jan. 20.

Six months have gone by, and there has been no student loan forgiveness.

Administration officials are apparently divided as to whether or not

federal law would permit such an action. As an added twist, Speaker of the House Nancy Pelosi warned on July 28 that people might not be happy about “paying taxes to forgive somebody else’s obligation”.

While it pains me to defend Nancy Pelosi, I must agree with her here. Joe Biden’s proposed \$10,000 of student loan forgiveness would make a great many people unhappy. Who would it make unhappy, might you ask?

Well, some object to the entire concept of loan forgiveness and say, “you should pay what you owe.” Others worry that the loan forgiveness would create “moral hazard” by rewarding those who were most financially irresponsible.

Then there are those who received student loans many years ago. Many scrimped and struggled and saved to finally pay off their loans, and now they’d get zip.

Others suffered financial setbacks and missed payments, and the resulting late fees and interest have ballooned into balances far too large to repay. For these people, \$10,000 is utterly inadequate to the crisis at hand.

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And then there are the future borrowers. I have a niece entering college next year, and if current trends hold, she and her classmates will borrow an average of \$50,000 each to finance their educations.

Will they receive \$10,000 in student loan forgiveness? Inquiring minds want to know. And I mean that quite seriously. People planning for college are making big decisions, and they need to know if there be debt forgiveness in the future.

In summary, Biden’s proposal to forgive \$10,000 of federal student loan debt would mainly benefit recent college graduates, most of whom have midsized loans that are still unpaid. It does nothing (or too little) for most long-ago graduates, and it does nothing at all for future graduates. And most significantly, it does absolutely nothing to address the relentless climb of college tuition rates, which is one of the prime drivers for this mess in the first place. In short, even if a one-time debt forgiveness of \$10,000 is legal, it’s bad policy. And it would definitely make many people unhappy.

Pelosi may be fearful that all of this would come back to haunt the Democrats. I can just see the 2024 debate stage now, with a Republican saying to a Democratic opponent, “Wait a second ... Joe Biden forgave billions of dollars in student loans back in 2021, and now you’re saying that it didn’t really fix the problem and we have to do it AGAIN? Can’t you guys fix anything right?”

Now there are several potential actions that could be taken to permanently address the student loan crisis going forward: imposing strict lending standards on federal student loans, direct federal funding of colleges, price controls on tuition, and (please oh please oh please) restoration of bankruptcy protection. But President Biden is discussing none of these. All he’s offering is a one-time, limited-effect “band-aid” for a problem that will continue to worsen long after he’s gone.

*Lindholm is a mechanical engineer who lives in Roanoke.*



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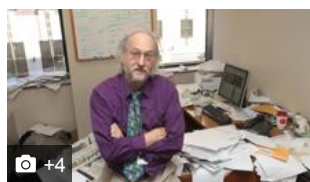
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