The Effects of Student Loan Forgiveness and the Christian Perspective

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Abstract

On August 24, 2022, President Joe Biden announced his plan for federal student loan forgiveness. The program allows individuals who make less than $125,000 a year and families under $250,000 relieve up to $10,000 of their loan debt. Those who fall under the Pell Grant program can relieve up to $20,000 of their debt. The reactions to this “revolutionary” program were mixed. Typically, those who the program would directly affect were very enthusiastic about this idea while those, most notably Republicans, were less than thrilled. While the idea is good in theory, the execution of debt forgiveness will most definitely have economic consequences on the average taxpayer. In addition, the question remains, is this a precursor to more “free” programs? The next question regarding this plan is the Christian response. How can Christians show mercy and forgiveness regarding debt while also understanding the importance of being good stewards of finances? Finally, alternative policies to debt relief that ease the taxpayer’s load and offer opportunities to those with student loans will be explored.

Introduction

Why is college so expensive? Why are young adults starting out adulthood with so much debt? How can this problem be solved? These three questions have plagued modern society since the mid-twentieth century. Since the advent of federal student loan programs, the accumulation of debt has increased to a total of $1.748 trillion[1], and the federal government owns almost ninety-three percent of it. Federal student loan debt accounts for about five percent of the total federal debt[2]. Due to the creation of federal debt programs and inflation, the cost of higher education and the total federal debt have increased greatly.

Federalism in education has declined, and the State has become sovereign over post-secondary education programs. One suggestion to mitigate the debt problem is to implement free college education, like the European university system. This has been seen as too radical for the time being, but not completely off the table yet. The most popular potential solution during the election, championed by Representative Alexandria Ocasio-Cortez and now President Joe Biden, was to cancel student debt. In response to the Covid-19 pandemic, a moratorium was implemented for federal student loan payments. Due to pressure from the Left two and a half-years after the pandemic began and the impending tight mid-term elections, President Biden unveiled his new plan to start canceling student debt up to $10,000 per student or $20,000 for students who are Pell Grant recipients. This program was met with mixed reactions. The Left has been eager to mitigate the issue of student loan debt, while the Right tends to have disdain due to the potential negative economic consequences on the average taxpayer.

Christians have been divided as well. The concept of debt forgiveness regarding the Year of Jubilee, and Christ's own debt forgiveness for sinners have been deepening the divide between progressive and conservative Christians. Christians should be united in their stance because the Bible specifically discusses how debt should be handled. Yet, the question remains: How should students and families remain faithful stewards of their finances for college educations but still understand when they should take risks for a higher reward post-graduation? This question will be answered throughout the rest of the text.

History of Federal Student Loans

Before WWII loans for higher education came from banks and private institutions. In 1944, the Servicemen's Readjustment Act created the program now known as the GI Bill, in which the government pays for the college of soldiers after serving a select number of years. This was the first time the government became involved with higher education[3]. The program was so popular that the families of GI Bill recipients wanted to partake in the program. The civilian equivalent was known as the College Scholarship Service. Eventually, this scholarship program turned into the Perkins Loan Program which then changed to the National Direct Student Loan program, or NDSL for short. In 1965, as part of President Lyndon B. Johnson's Great Society Initiative, the Federal Family Education Loans program was created. However, the

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[1] Melanie Hanson and Fact Checked, "College Enrollment Statistics [2022]: Total + by Demographic," *Education Data Initiative* (Education Data, July 26, 2022), last modified July 26, 2022, accessed September 25, 2022, https://educationdata.org/college-enrollment-statistics.

[2] Hanson, Melanie, and Fact Checked. "Student Loan Debt Statistics [2022]: Average + Total Debt." *Education Data Initiative*. Education Data, August 28, 2022. Last modified August 28, 2022. Accessed September 25, 2022. https://educationdata.org/student-loan-debt-statistics.

[3] National Consumer Law Center, "1.3 Brief History of Federal Student Loans," *1.3 Brief History of Federal Student Loans | NCLC Digital Library* (National Consumer Law Center, n.d.), accessed September 25, 2022, https://library.nclc.org/sl/0103-0.

FFEL was administered primarily by state or private non-profit entities. Programs with guaranteed loans, such as the FFEL, did not make banks enthusiastic. In fact, banks were unwilling to participate in the program, so Congress sidestepped them and created the Student Loan Marketing Association or SLMA. The colloquial term and present company name is Sallie Mae. This was an act by Congress to protect the government's losses. Once the FFEL and SLMA were created, loan programs shifted to focus on the middle class. In 1992, Congress created the unsubsidized loan. In 1993, the Student Loan Reform Act produced the Federal Direct Loan Program. Now, the government, rather than banks, states, or private entities, are the source for over ninety percent of all student loans. In fact, student loans' original jurisdiction is with the Department of Education. In 2010, the FFEL program was eliminated, thus making the FDLP the primary loan program for student aid. Lastly, in 2017, the Perkins Loan Program expired. During the COVID-19 pandemic, a moratorium was placed and extended for student loans. The moratorium will expire on the last day of December 2022. The last update to the history of student debt came in August 2022, in response to the 2020 Democratic Presidential campaign platform calling for widespread student debt forgiveness, now President Joe Biden unveiled a plan that would cancel or "forgive" student debt for low- and middle-income families.

The Biden Administration's Student Debt Relief Plan Explained

The Biden Administration's Student Debt Relief Plan was unveiled in a press conference on August 24, 2022. President Biden and his team developed the plan to help alleviate the burden of student loan debt after the COVID-19 pandemic. Relieving some of the debt accrued by low- and middle-class individuals and families would hopefully return some money into their pockets and kickstart the economy after the pandemic.

President Biden's plan will be completed in three phases[4]. The first phase begins with an extension of the moratorium of student loan debt until December 31, 2022. Then student loan debt forgiveness will begin. The plan has some general guidelines concerning eligibility. Only low- and middle-class individuals and families may receive loan forgiveness. Families or heads of households must make less than 250,000 dollars annually while individuals must earn less than 125,000 dollars. The amount of student debt relieved or forgiven for this category is up to ten thousand. Borrowers who were eligible for and received the Pell Grant during their college years could have up to twenty thousand of their loan debt forgiven. However, these Pell Grant recipients must now make below the maximum annual income to still be eligible for debt relief. Relief is not guaranteed at ten thousand or twenty thousand. If a borrower has an outstanding debt under ten thousand, only the amount of outstanding debt will be forgiven. The application opens in early October, and the Administration recommends applying before November 15 in order to get relief before the moratorium expires. Relief is automatic, and the expected time to receive debt forgiveness is four to six weeks after completing the application. Applications for the debt relief program will end on December 31, 2023.

The final phase of the Biden Administration's Debt Relief Plan is to create a new rule within the Department of Education that will ease the burden of student loan debt on current and future borrowers. It creates an income driven repayment plan where borrowers will pay less monthly. The first part of the new rule would mandate borrowers to pay a maximum of five percent of their monthly discretionary income on undergraduate loans as opposed to the typical

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[4] Federal Student Aid. "The Biden-Harris Administration's Student Debt Relief Plan Explained." *Federal Student Aid*. Federal Student Aid and the Department of Education, August 24, 2022. Last modified August 24, 2022. Accessed September 25, 2022. https://studentaid.gov/debt-relief-announcement/.

ten percent. The second part of the rule is an increase of the threshold that is considered non-discretionary income. Currently, the discretionary income total varies per individual or household as it is the difference between adjusted gross income and the poverty guideline for that certain demographic. The poverty level would also be raised to match an annual income of a full-time fifteen dollar minimum wage earner. The current federal minimum wage is seven dollars and twenty-five cents per hour. The new debt relief rule would guarantee that no person indebted to student loans who earns under 225 percent of the federal poverty level would have to make student loan payments. This new guarantee allows more people to be protected from paying student loans. The third part of this new rule is anyone who owes twelve thousand dollars or less on their student loans after ten years of repayment would have the rest paid off. This is similar to the Public Service Loan Forgiveness Program in which federal, state, local, tribal, military, or qualified non-profit employees would have the rest of their outstanding student loan debt forgiven after 120 payments or roughly ten years. The typical timeline for paying off student loans is twenty years, but the new rule would reduce the timeline to ten years. The final part of the rule is the borrower's unpaid monthly interest would be covered. Separate from preexisting income-driven loan repayment plans, outstanding student loan balances will not grow if someone does not pay their interest. As long as the borrower pays their monthly payment, the unpaid monthly interest will be covered. These four parts have the potential to ease financial burden on the average American taxpayer and potentially increase economic productivity.

Economic and Constitutional Concerns on President Biden's Student Debt Relief Program

The Biden Administration's Plan for canceling student debt has both positive and negative consequences. The most immediate positive effect is the instant relief of potentially thousands of dollars on an indebted individual. The program has the opportunity to increase consumer spending which could pump more money into the economy. However, there are more concerns that outweigh the positive effects.

The Biden Administration Student Debt Relief plan is yet another attempt at Keynesian economics. The federal government is spending more money by forgiving the debt on student loan borrowers in order to try to insert more money into the economy. Money is inserted through increased consumer spending post-debt cancellation. However, reflecting on history, specifically the most recent stimulus packages during the COVID-19 pandemic, Keynesian economics has exacerbated inflation rather than mitigated it. Before the COVID-19 pandemic in March 2020, US inflation was at 2.1 percent. After the third stimulus check was issued in March 2021,[5] inflation jumped from 1.4 percent to three percent[6]. Now, post-pandemic, inflation is at 6.3 percent. The Federal Reserve Bank lowered interest rates during the COVID-19 pandemic to ease the burden of the high level of unemployed persons but from January to September 2022, the interest rate has increased from a consistent 0.25 percent to 3.25 percent[7]. As inflation has grown since the pandemic, interest rates have also grown. In conclusion, the interference with

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[5] USAGov, "Advance Child Tax Credit and Economic Impact Payments - Stimulus Checks," *USAGov* (USAGov, July 20, 2022), last modified July 20, 2022, accessed September 25, 2022, https://www.usa.gov/covid-stimulus-checks.

[6] Bureau of Labor, "Bureau of Labor Statistics Data," *U.S. Bureau of Labor Statistics* (U.S. Bureau of Labor Statistics, August 2022), last modified August 2022, accessed September 25, 2022, https://data.bls.gov/timeseries/CUUR0000SA0L1E?output_view=pct_12mths.

[7] Kimberly Amadeo, "How the Fed Funds Rate Has Changed Through History," *The Balance* (The Balance, September 21, 2022), last modified September 21, 2022, accessed September 25, 2022, https://www.thebalancemoney.com/fed-funds-rate-history-highs-lows-3306135.

the Federal Reserve Bank through Keynesian economics after the global pandemic has increased inflation and interest rates.

Currently, the Biden Administration only plans on universally forgiving up to 10,000 dollars of student debt for middle- and low-income classes. However, this scenario inadvertently favors higher classes. JP Morgan Chase conducted a predictive study[8] on the effects of mass debt cancellation. Based on this study, they concluded that the lower income borrowers are put at an economic disadvantage because higher income families and individuals often accrue the most debt. For instance, medical doctors borrow an average of 250,000 to 330,000[9] for school, but their income once completing medical school and residency is roughly 200,000 dollars[10] annually. The study also showed only twelve percent of canceled dollars actually goes to the lower income bracket. Twenty-three percent goes to the highest bracket while the middle-class brackets earn double the lower class. The Committee for a Responsible Federal Budget[11] concluded that if 1.6 trillion dollars of student loan debt was canceled, which is equivalent to the total amount of federal student loan debt, inflation would increase ten to fifty basis points. The Committee, or CRFB, also predicts that the total spending by US households will be upwards of seventy to ninety-five billion more annually. This may sound like the economy is being boosted, but the economy is fragile and "can't support elevated disposable income, strong balance sheets, lingering supply constraints, and other factors." The immediate increase in household spending will drive prices up even higher as well as increase inflation[12].

JP Morgan also discovered a moral dilemma. Current or potential borrowers within the next fifteen months could realize that they may not have to pay as much as often with the new loan readjustment plans and debt forgiveness. This new revelation could enable borrowers to take advantage of the system. Borrowers could take out more debt because they know they won't have to pay for all of it or none at all. In addition, they might readjust their payment plans to longer than twenty years. Finally, JP Morgan foresees an overall smaller incentive to work or work around the system and not report all forms of income. JP Morgan strongly believes that student loan forgiveness should be a one-time program.

Economic issues within the schools themselves are steadily increasing as well. Endowments have expanded outstandingly within the last twenty years. In fact, the total

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[8]Fiona Greig and Daniel M. Sullivan, "Who Benefits from Student Debt Cancellation?," *Who Benefits from Student Debt Cancellation?* (JP Morgan Chase, March 2021), last modified March 2021, accessed September 25, 2022, https://www.jpmorganchase.com/institute/research/household-debt/who-benefits-from-student-debt-cancellation.

[9] Josh Moody, "US News Education | Best Graduate Schools | The Short List," *USNews* (US News and World Report, May 25, 2021), last modified May 25, 2021, accessed September 26, 2022, https://www.usnews.com/education/best-graduate-schools/the-short-list-grad-school.

[10] Zippia, "Attending Physician Salary (September 2022) - Zippia," *Zippia* (Zippia, 2022), last modified 2022, accessed September 26, 2022, https://www.zippia.com/attending-physician-jobs/salary/.

[11]Committee for a Responsible Federal Budget, "Canceling Student Debt Would Add to Inflation," *Committee for a Responsible Federal Budget* (Committee for a Responsible Federal Budget, February 28, 2022), last modified February 28, 2022, accessed September 25, 2022, https://www.crfb.org/blogs/cancelling-student-debt-would-add-inflation.

[12] David Ditch, "5 Reasons Biden's Student Loan Scheme Is Terrible, Corrupt Idea," *The Heritage Foundation* (The Heritage Foundation, September 6, 2022), last modified September 6, 2022, accessed September 25, 2022, https://www.heritage.org/budget-and-spending/commentary/5-reasons-bidens-student-loan-scheme-terrible-corrupt-idea.

endowment for US universities is estimated to be around seven hundred billion dollars[13]. This is partly due to an increase in administration size coincidentally around the same time that the federal government started exerting its power over student loans. The number of administrators grew about forty-five percent while student populations marginally grew about eleven percent. As a result of this inequality in growth, tuition as well as room and board costs have increased. Though President Biden's student debt forgiveness plan attempts to help those affected by the rising costs, it will do quite the opposite and increase university costs as well as taxes accrued by the taxpayer. In addition, after the plan was announced in August, not even two months later, at the beginning of October, the Biden Administration rescinded some of those who were eligible for the debt relief program. Only borrowers with loans directly given by the Department of Education will be eligible to apply. Students, for instance, who have loans with the Arkansas Student Loan Authority, will not be eligible[14]. Arkansas filed a lawsuit against the Biden Administration claiming injury from potential financial loss due to this recent update. Missouri has as well. These two states have a contractual obligation through the Missouri Higher Education Loan Authority and Arkansas Student Loan Authority to pay administrative costs from servicing loans. Roles in these institutions include "communicating with borrowers, tracking payments, evaluating whether borrowers qualify for various deferral or forgiveness programs, providing borrowers with all the information they need to make decisions about their loans, and reporting all this information to the federal government." As the Department of Education makes changes to loan programs, the state loan authorities must adapt, and they in turn inherit costs stemming from such changes. When loans are transacted, the state loan authorities earn a small commission. Less loans are being granted due to debt forgiveness; the incomes of the loan service providers have decreased. Service provider revenue is also used in other state projects such as public entities and securities. When revenue is cut from cutting loan debt, these programs lose vital funding. Therefore, Arkansas, Missouri, and Nevada are filing lawsuits after citing economic injury.

At the beginning of October 2022, the Congressional Budget Office issued its score report for the costs associated with the Biden Administrations Student Debt Forgiveness Plan. The moratorium extension, or step one, on student loan payments will cost the taxpayer roughly twenty million dollars. The actual debt forgiveness stage of the plan, which is step two, will cost about four hundred billion dollars. With inflation being at all-time highs, repetitive patterns of negative GDP growth, and higher taxes post-COVID stimulus packages, the economy and average taxpayer are financially hurting. Workers' incomes have decreased four percent[15] since the start of the Biden Administration whereas the Trump Administration's sweeping tax cuts

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[13] Aris Folley, "Biden's Student Loan Forgiveness Plan to Cost About $400 Billion: CBO," *The Hill* (The Hill, September 26, 2022), last modified September 26, 2022, accessed October 9, 2022, https://thehill.com/policy/3661875-bidens-student-loan-forgiveness-plan-to-cost-about-400-billion-cbo/.

[14] GianCarlo Canaparo, "6 States Sue to Block Biden's Student Loan 'Forgiveness' Scheme," *The Heritage Foundation* (The Daily Signal, September 30, 2022), last modified September 30, 2022, accessed October 9, 2022, https://www.heritage.org/education/commentary/6-states-sue-block-bidens-student-loan-forgiveness-scheme.

[15] Committee on Ways and Means, "GOP Tax Reform Helped Low-Income Families, but Their Gains Are Declining after Biden Stimulus," *Ways and Means Republicans* (Committee on Ways and Means Republicans, September 30, 2022), last modified September 30, 2022, accessed October 9, 2022, https://gop-waysandmeans.house.gov/gop-tax-reform-helped-low-income-families-but-their-gains-are-declining-after-biden-stimulus/.

increased wages by nearly six thousand dollars[16]. With wages decreasing and higher prices on consumer goods and services, an added tax burden from the Biden student debt forgiveness plan would hurt the taxpayer.

As previously mentioned, those in higher-income tax brackets will most likely have a higher reward if their debt is forgiven. The reason is these hefty loans are going towards higher education specialization for higher paying jobs such as law or medicine. The Committee for a Responsible Budget postulates that fifty-seven to sixty-five percent of the funding for the moratorium extension and debt forgiveness will be given to higher-income persons. It will cover roughly the top fifty percent of income earners. The purpose of President Biden's debt relief program was to aid lower to middle income classes rather than those with higher income. In addition, borrowers who defaulted on their loans typically are removed from the loan system, so it appears that persons in the lower income brackets might have more accessibility issues to being able to apply and receive debt forgiveness/cancellation. Though the Biden Administration intended to target aid towards the lower class, the opposite has occurred.

Shortly after the Biden Administration announced its debt relief plan, six GOP states filed a lawsuit arguing the plan was "economically unwise and downright unfair."[17] The district court did not allow the case to stand because no inherent damages were claimed. However, the case went to the 8th Circuit Court of Appeals and a temporary stay was put into place. This does not drastically change the timeline of the debt relief plan, but it does put a halt to the actual distribution of debt relief until the case is heard in the appellate court. The application will still be open, and the federal government will still be reviewing and accepting loan applications, but the actual dissemination of the federal relief is not allowed to occur for the time being. As of right now, the current appellate court case is still on the docket, and the affirmation or denial of the program by the court is unknown.

The Biden Student Debt Relief has constitutional questions of concern. In Article I of the US Constitution[18], Congress, particularly the House of Representatives, has the "power of the purse," or the ability to lay and collect taxes and pass spending bills. The Executive Branch, as outlined in Article II, has been granted the power to sign bills into law, such as the federal budget and other spending measures, and enforce such legislation. Enforcement comes first through signing into law by the President. Then, the President designates the power of regulating a law and offering new updates to enforcing the legislation through various federal departments and/or agencies. The debt relief plan which mandates the federal government pay for up to ten or twenty-thousand dollars in student loans per applicant is technically a spending measure. For the government to gather the proper fiscal resources to fund the program, Congress either has to reallocate funds or earn more revenue. This can be done through new taxes or increases in taxes. As mentioned before, Article I grants the legislature with the power to levy taxes. With this being said, Congress should have the rightful authority to pass such a measure. Yet, the Biden Administration, through use of executive order, authorized the Department of Education to create and enforce the student debt forgiveness program. The money must come from somewhere, and

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[16]Trump White House Archives, "Economy and Jobs," *National Archives and Records Administration* (National Archives and Records Administration, n.d.), accessed October 9, 2022, https://trumpwhitehouse.archives.gov/issues/economy-jobs/.

[17] Jared Gans, "Here's What the Decision Blocking the Student Debt Forgiveness Plan Means," *The Hill* (The Hill, October 23, 2022), last modified October 23, 2022, accessed October 23, 2022, https://thehill.com/policy/finance/3699630-heres-what-the-decision-blocking-student-debt-forgiveness-plan-means/.

[18] "Constitution of the United States - Congress," *Constitution.Congress* (Congress, n.d.), accessed October 23, 2022, https://constitution.congress.gov/constitution/.

since the Department of Education does not make the federal budget, it only proposes their own portion of it, the plan violates the Constitutional powers of the Executive and Legislative Branches.

In summary, though the Biden Administration's Student Debt Forgiveness Plan offers some relief to families in an attempt to stimulate the economy, especially after the COVID-19 pandemic, the economic consequences and constitutional concerns provide reason to believe the program should not occur. With issues surrounding the authority of the program's creation and funding, potential tax and interest rate increases, inflation, and problems with the future of the program, the current idea from the Biden Administration needs to be either thrown out or reworked. New alternative solutions need to be discussed, and the courts should consider the expressed powers of the executive and legislative branches in the US Constitution.

A Biblical Perspective on Student Debt Relief

When discussing a proper Biblical view of the new student debt relief plan by the Biden White House, there are multiple views. One such view is in favor of the plan. Proponents of this view believe that Jesus' is the ultimate example of debt being paid. Since Christ was the utmost sacrifice and paid humanity's debt for their sins, the Biden Administration's debt relief plan is no different. The popular post that took Instagram by storm said, "Let me remind you that the entirety of your faith is built upon a debt you couldn't pay that someone stepped in and paid for you." This has circled more of the progressive Christian side of the spectrum. More conservatives believe that Jesus' sacrifice was voluntary and paid a debt that no human could pay. The Biden Administration's plan for payment forcibly transfers debts from one taxpayer to another. When the government forces a taxpayer to cover someone else's responsibility, it is not self-government but rather tyranny. Of these two perspectives, a Christian with a Biblical worldview should understand that the government must not force, or in this case, tax a person without representation. In addition, the reasoning of canceling student debt would allow a domino effect in which all debts should be canceled. In this section, both perspectives will be explored, and new perspectives will be discussed.

In the book of Leviticus in the Old Testament, God gave the Israelites the Sabbath Year and Year of Jubilee. The Sabbatical Year came every seven years[19]. Just as God worked for six days and rested on the seventh, the Israelites were supposed to work hard for six years and rest in the seventh. All debts were to be forgiven, harvesting and cultivating were supposed to be stopped, and Hebrew servants were released. The sixth year's harvest, before the Sabbatical Year, was made plentiful by God, and the Israelites were commanded to store up the excess for the coming year. They were to not cultivate nor harvest during the seventh year. However, a volunteer crop would still spring up, by God's blessing, and the Israelites could glean from it as well. The leftovers from the sixth year's harvest would last for three years, during the seventh, eighth, and ninth year. This symbolized God's providence for the Israelites, and they needn't worry about what to eat because God is Jehovah Jireh. After seven rounds of seven-year sabbath cycles, which totals forty-nine years, the Israelites would undergo the Year of Jubilee[20]. This year had all the characteristics of the Sabbath Year, but it recognized universal redemption. It was a full year of release from all forms of bondage and indebtedness. Property was returned, slaves were released, debts were canceled, and freedom from labor. The Year of Jubilee was

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[19] GotQuestions.org, "What Is a Sabbatical Year?," *GotQuestions.org* (GotQuestions, July 10, 2009), last modified July 10, 2009, accessed October 23, 2022, https://www.gotquestions.org/sabbatical-year.html.
[20] GotQuestions.org, "What Is the Year of Jubilee?," *GotQuestions.org* (GotQuestions, December 3, 2009), last modified December 3, 2009, accessed October 23, 2022, https://www.gotquestions.org/Jubilee.html.

made for rest and continuous praise for God's blessing, mercy, and deliverance on the Israelites. This was only a one-year temporary stop-gap measure to allow the Israelites to focus on God's presence, and then once the year was over, the Israelites went back to their everyday duties.

These two events allowed the Israelites to receive mercy for their debts. It was temporary relief from financial responsibility and indebtedness. In today's time, the concept of mercy based on the Year of Jubilee and Sabbath Year could be applied. However, the government should not be the entity responsible for such an endeavor. If banks were the servicers of student loans, which is rare nowadays, it would be more understandable for temporary relief of loans to be had. The government is a public entity and not Christian either. It would be considered injustice if the government implemented student loan relief. In the Bible, debt was a personal agreement and transaction between two people. It was private only through the debtor and indebted. The banks function as a private entity with personal relationships with its clients. Banks implementing temporary or even permanent student loan forgiveness could be considered Biblical if both parties have completed most of the agreement and it happens only once.

The Bible, in Romans 13 most notably, discusses the importance of government and taxation. As Jesus said, "render unto Caesar what is Caesar's. (English Standard Version, Rom. 13)" God ordained government and raises up kings and brings them down (Dan. 2:21, English Standard Version). Government has been given the authority to levy taxes. However, since God is sovereign over government, taxation should be conducted in a just manner. Jesus told the tax collectors in Luke 3 that they should only collect what has been commanded to them and no more (English Standard Version, Lu. 3:13). However, taking more than what is necessary is theft, which is breaking a commandment (English Standard Version, Ex. 20:15). The Biden Administration's Student Debt Forgiveness Plan places the burden of forgiven debt on the government, adding to the deficit. In order for the federal government to recover its losses, there must be an increase in tax revenue in one sector. Ultimately, the American people will have to cover the loss with increased taxes most likely in wages or income. Inflation also will increase, so Americans will have to pay more for the same amount of goods and/or services. This is legalized theft, a clear unjust measure. In addition, the Biden Administration overstepped their jurisdiction when Congress did not pass a bill authorizing the debt forgiveness program. When a spending bill is passed in Congress, it is deemed to be more just because the will of the people was in mind. The elected representatives and senators had their constituents' interests at heart when the bill passed. Taxation with representation is just while the Biden Administration's unconstitutional negation of creating federal programs is unjust.

In addition, the canceling of all student debt is a Trojan horse for what is to come. Democrats, particularly of the far left such as Senators Bernie Sanders and Elizabeth Warren have advocated for "free" or subsidized college and cancellation of all federal student loans[21]. The Biden Administration was reluctant to go all the way and cancel loans forever, so instead, they canceled some student loan debt for only those with debt now. Since some people are now able to pay less than the original loan price, future borrowers would not want to pay more than their predecessors, so they might campaign for student loan forgiveness. In order to appease the masses, the Biden Administration may implement a sweeping plan to cancel all student loan debt. A similar type of situation has happened before. As mentioned before, the G.I. Bill was established to encourage veterans to attend college post-service. The program was so popular

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[21] Adam Harris, "The College-Affordability Crisis Is Uniting the 2020 Democratic Candidates," *The Atlantic* (Atlantic Media Company, February 26, 2019), last modified February 26, 2019, accessed December 10, 2022, https://www.theatlantic.com/education/archive/2019/02/2020-democrats-free-college/583585/.

that families and eventually average Americans wanted to reap the benefits too. Thus, the creation of federal student loans occurred. Once a federal program is implemented, it is very hard for it to go away. Most of the time, federal programs only get larger. Wanting student loan debt to be forgiven shows poor stewardship of finances. Followers of God have been commanded to be generous and wise stewards of finances, to be meager in spending, and only pay for what is financially possible (English Standard Version, Prov. 3:6, 9-10). Christians are not supposed to spend beyond their means. If they decide to go outside of those parameters, as is often the case with student loan debt, they must agree to pay their fair share since carrying the weight of such debt is their own responsibility. In conclusion, providing sweeping debt relief does not encourage Biblical stewardship of finances and perpetuates greed and entitlement.

Alternatives to the Biden Administration's Student Loan Forgiveness Plan

All hope is not lost. There are Biblical alternatives to the current administration's student debt forgiveness plan. The most effective short-term solution is a lengthy process. Prior to the 1940s, student loans were serviced through banks instead of the federal government. Over the course of several years, the federal government would start to relinquish its grasp on student loans and hand them over to state, private, and national banks. Banks establish personal relationships with their clientele which allows receiving and paying off loans to bear the notion that humans, not just another Social Security number, is trying to pay for college. Understanding that clients are humans with emotions attached opens the door for more merciful policies to be implemented[22]. In addition, private banks will have less attachment to the federal government, which has the potential to reduce inflation and increase fiscal productivity in American homes. Banks also would be more selective in providing loans, similar to providing home loans, which provides just assessments for people wanting to go to specific colleges. Schools with high tuitions would end up receiving more students who could afford the school close to out-of-pocket instead of through several years of student loans. Private student loan financing also has the ability to reduce college tuition costs. When the federal government began taking over the servicing of student loans, colleges started losing valuable revenue[23], so when the federal government is out of the picture, college tuition prices are most likely set to decrease, making college more affordable and more opportunities for less-fortunate students able to attend the schools of their dreams.

Understanding that the Board of Education, and the federal government, tend to desire to bypass constitutional authority for the possibility of more funding or power is essential when considering the current federal student loan debt crisis. Congress needs to maintain a tight leash, and if the program was able to return to the states, the state legislatures must watch Congress to make sure it does not overstep its boundaries. Now, this policy would not strip the Department of Education of any possibility of servicing student loans. Since the Department of Education deals with loans such as the GI Bill, the Federal Student Loan Program could be restructured so that it is an option to choose federal, state, or private loans. This would promote competition and could

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[22] Alejandro Drexler and Antoinette Schoar, "Do Relationships Matter? Evidence from Loan Officer Turnover," *World Bank Blogs* (World Bank Group, August 12, 2013), last modified August 12, 2013, accessed December 10, 2022, https://blogs.worldbank.org/allaboutfinance/do-relationships-matter-evidence-loan-officer-turnover.

[23] David O. Lucca, Taylor Nadauld, and Karen Shen, "Credit Supply and the Rise in College Tuition: Evidence from the Expansion in Federal Student Aid Programs," *Federal Reserve Bank of New York* (Federal Reserve Bank of New York, February 2017), last modified February 2017, accessed November 28, 2022, https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr733.

potentially bring the cost of tuition and interest rates down[24]. As mentioned above, if the loan program returned to private banks, tuition costs might decrease which enhances the possibility of increasing student applications. If more students are able to pay for school, universities might have increased enrollment. With increased enrollment comes higher paychecks for faculty and staff as well as higher profits. In conclusion, incentivization and diffused powers is the key to larger profits and expansive enrollment numbers.

A similar yet slightly different policy would not enlist private banks but actually relinquish the current powers of Congress and the Department of Education to state governments. Legislatures of the states fund public universities. Though student loans are serviced through the federal government, state governments are the primary authorities of public universities. Since this is the case, state legislatures might benefit from creating a program similar to the federal government. States could also use the power of tax incentives and proper cooperation between public and private entities to create a program that benefits each state constituency well while also solving a crisis that the federal government has been responsible for several years. This is a strong long-term solution but will take time to complete the infrastructure plan and budget.

Another option for solving the student debt crisis is to extend loan payment timelines[25]. For instance, if loans were to be paid off within a ten-year timeframe, the extension might be to twenty years. This would decrease the monthly payment amount. However, this concept is not necessarily the most Biblical alternative. While the Bible does not forbid debt, it does not condone debt. In fact, if one does accrue debt, they need to be able to have the means to cover the debt because God has instructed His people to live within their means. God also warns both Jews and Gentiles alike to take caution when dealing with debt. Once someone becomes a debtor or a guarantor of a specific debt, they will obtain some form of damages whether that be economic, physical, or monetary. This could have serious implications because the purpose of the student debt relief reallocation is to alleviate debt and protect people from becoming hurt by debt.

The goal of establishing new policies in place of the federal student debt program is to alleviate debt, promote proper fiscal education and habits, and incentivize lower cost education. Transferring power back to the original facilitators of such programs is a necessity to foster proper government. As the federal government creates more and more programs, the original intent of the Framers for limited government becomes lost in translation. The government also loves collecting taxes because taxes are revenue. Revenue is of utmost importance to the government because without it, there is less opportunity to create new programs to "care" for the people. A restructured plan that authorizes states and local banks to create their own debt relief programs rather than the federal government yields the possibility for new opportunity and more prosperous lifestyles. The states and private entities have the opportunity to create new financial institutions that have less of a tie to federal entities. If school costs were lower, it might enable families to have more disposable income, therefore, pushing them to a higher tax bracket. It is a true concept of supply-side economics.

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[24] Daniel Kowalski, "How Government-Guaranteed Student Loans Killed the American Dream for Millions," *FEE Freeman Article* (Foundation for Economic Education, February 26, 2019), last modified February 26, 2019, accessed December 10, 2022, https://fee.org/articles/how-government-guaranteed-student-loans-killed-the-american-dream-for-millions/.

[25] Dana George, "The Pros and Cons of Longer Repayment Terms on Personal Loans," *The Motley Fool* (The Ascent, March 4, 2022), last modified March 4, 2022, accessed December 10, 2022, https://www.fool.com/the-ascent/personal-loans/longer-repayment-terms-personal-loans-pros-cons/.

The issue with establishing such a unique plan does come with its drawbacks. The first issue is gaining support first with the public and then Congress. The public has taken issue to the student debt crisis as evidenced by the increase in chatter on the campaign trail as well as the decrease in undergraduate enrollments[26]. However, the concept of tax incentives, more school choices, and higher disposable incomes excites the general public. The second obstacle is in Congress. As mentioned before, once a federally funded program starts, it is hard to stop. The federal government loves increasing tax revenue through whatever means necessary and the concept of transferring that power to the states is hard to digest. Yet, it must be done and can be done.

The final more unfortunate option that is needed to start the process of student loan reform restricts people from certain loans if they fall under certain income brackets. In the home buying process, those with poor credit scores or too low of income are not eligible for home loans, especially if the house is priced on the higher side. The drawback of this option is it starts to prohibit prospective students from attending very expensive and potentially prestigious schools, however it opens the door for decreasing student debt. It does not prohibit students from applying to schools because scholarships are available based on merit and/or financial need. It most likely prevents students, particularly undergraduate, from taking two hundred thousand dollars or more out of student loan debt.

Update on Progress with Biden Administration Student Debt Forgiveness Plan

The Biden Administration was hit with a curveball to their student debt forgiveness plan on October 21 when the 8th Circuit Court of Appeals issued a temporary injunction to the plan in order to let a multi-state case play out[27]. Borrowers could still apply for loan forgiveness, but no relief would be distributed. The multi-state case was dismissed, and, on November 4, Supreme Court Justice Amy Coney Barrett rejected an emergency bid to block the debt forgiveness plan on the grounds that it lacked standing. This is not news to the Pacific Legal Foundation, the plaintiff, as every court before had said the case did not have standing. Yet, some hope for the conservatives was given when, on November 10, a federal district judge in Texas ruled the Biden Administration's student debt forgiveness plan was unlawful[28]. Though the Biden Administration has appealed the judge's decision, as of now, the loan application has been taken off of the Department of Education's website. On December 1, 2022, the Supreme Court agreed to hear the case most likely in February 2023[29]. Two cases will be argued at the end of February: Biden v. Nebraska and Department of Education v. Brown. The decisions for these two cases are most likely to come out in May or June. On February 3, 2023, 126 House Republicans led by Congresswoman Virginia Foxx, who is chairwoman of the Education and the Workforce

[26] Michael T. Nietzel, "College Enrollment Losses Continue, but at a Slower Rate, According to New Report," *Forbes*(Forbes Magazine, October 21, 2022), last modified October 21, 2022, accessed December 10, 2022, https://www.forbes.com/sites/michaeltnietzel/2022/10/20/college-enrollment-decline-continues-but-at-a-slower-rate-according-to-new-report/?sh=2e1838a43910.

[27] Alex Gangitano, "Political, Legal Battle Heats up over Student Loan Forgiveness," *The Hill* (The Hill, October 25, 2022), last modified October 25, 2022, accessed December 10, 2022, https://thehill.com/homenews/3702337-political-legal-battle-heats-up-over-student-loan-forgiveness/.

[28] Julia Shapero, "Federal Judge Strikes Down Biden Student Debt Relief Program," *The Hill* (The Hill, November 11, 2022), last modified November 11, 2022, accessed December 10, 2022, https://thehill.com/regulation/court-battles/3730347-federal-judge-strikes-down-biden-student-debt-relief-program/.

[29] Dan Mangan, "Supreme Court Takes Biden Student Debt Relief Case, Holds Program for Now," *CNBC* (CNBC, December 1, 2022), last modified December 1, 2022, accessed December 10, 2022, https://www.cnbc.com/2022/12/01/supreme-court-rules-in-biden-student-loan-forgiveness-plan-case.html.

Committee, and Congressman Jeff Duncan filed an amicus brief to the Supreme Court opposing the Biden Administration's plan[30]. On February 7, 2023, more than forty Republican senators on February 7, 2023, led by Senator Bill Cassidy, followed suit.[31]. The path of the new student debt plan appears to be very similar to that of the Affordable Care Act and immigration policies during the Trump Administration where it will continue to make its way through several courts, decisions, and appeals for years to come.

Conclusion

The Biden Administration's new Student Debt Relief Plan attempted to fulfill a 2020 campaign promise and "cancel" some student debt, particularly those who have been affected by the COVID-19 pandemic. However, in attempting to do so, the Biden Administration bypassed Congress and attempted to create the program via the Department of Education. However, due to its controversial origins and future tax burden implications, the plan is currently blocked from a temporary injunction.

The plan has several issues regarding the constitutionality and Biblical soundness of the measure. However, due to switching to a Biblically minded policy standpoint and creating policies that are constitutionally sound, the Biden Administration has the opportunity to formulate a new plan that is more beneficial, fair, and economically viable.

[30] Jared Gans, "More Than 100 House Republicans File Amicus Brief on Biden Student Loan Forgiveness," *The Hill* (The Hill, February 4, 2023), last modified February 4, 2023, accessed February 13, 2023, https://thehill.com/homenews/house/3843516-more-than-100-house-republicans-file-amicus-brief-on-biden-student-loan-forgiveness/.

[31] Lexi Lonas, "Republican Senators Submit Amicus Brief to Supreme Court Arguing Against Student Loan Relief," *The Hill* (The Hill, February 7, 2023), last modified February 7, 2023, accessed February 13, 2023, https://thehill.com/homenews/senate/3847140-republican-senators-submit-amicus-brief-to-supreme-court-arguing-against-student-loan-relief/.

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