

# Joe Biden's Role in Creating the Student Debt Crisis Stretches Back to the 1970s

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A graduate is silhouetted during the Boston College commencement at Alumni Stadium in Boston on May 21, 2018. Photo: David L. Ryan/The Boston Globe via Getty Images  
A graduate is silhouetted during the Boston College commencement at Alumni Stadium in Boston on May 21, 2018. Photo: David L. Ryan/The Boston Globe via Getty Images

Joe Biden played a central role in the creation of the student debt crisis that he and other candidates are now promising to fix, according to a close look at the legislative history around the spiraling phenomenon.

Today, more than 44 million Americans collectively owe nearly \$1.6 trillion in student loan debt, a figure that has surpassed similar numbers for nearly every other form of debt, including credit cards and auto loans. The issue of student loan debt has even radicalized a high-ranking Trump administration student loan official, A. Wayne Johnson, who resigned from Betsy DeVos's Education Department last October to launch a Senate campaign in Georgia centered on mass student debt forgiveness.

Early in his senatorial career, Biden played a role in making it easier for students and parents to take out burdensome loans, spanning across several decades. Later, his landmark bankruptcy reform legislation made it nearly impossible to discharge student loans, birthing a predatory industry and sinking millions into unsustainable levels of debt.

The former vice president has enjoyed a relatively leisurely stroll through the Democratic primary over the past year, as his opponents waited for the three-time presidential candidate to fade harmlessly away. After watching Julián Castro wilt in the wake of his attack on Biden in an early debate, none wanted to be seen as the one holding the knife when the lights came on.

Yet Biden has refused to go quietly, stubbornly remaining atop the field. And so the knives are coming out. Former South Bend Mayor Pete Buttigieg has recently attacked his judgment for supporting the Iraq War and allowing his son to profit from a natural gas company in Ukraine while Biden was leading anti-corruption efforts there. Vermont Sen. Bernie Sanders unloaded on him Monday night on CNN, hitting everything from his vote for the war and damaging trade deals to his push for a major bankruptcy reform bill, “which has caused enormous financial problems for working families.”

On Tuesday morning, Massachusetts Sen. Elizabeth Warren pointedly released a plan to repeal the “harmful provisions” in the bankruptcy bill, reviving a bitter fight she had with the then-Delaware senator more than a decade ago. A surrogate, Adam Green of the Progressive Change Campaign Committee, linked the bankruptcy plan to the line of attack against Biden that progressives see as the most potent: He is unelectable. “When thinking about electability, it would be complete malpractice to nominate someone who conspired in backrooms for years with credit card lobbyists and voted for every corporate bankruptcy bill, Wall Street deregulation, and trade deal that voters hate,” Green said.

“So if we’re going to beat Trump, we need turnout,” Sanders said Monday night. “And to get turnout, you need energy and excitement. And I don’t think that that kind of record is going to bring forth the energy we need to defeat Trump.”



In 1978, Biden supported the Middle Income Student Assistance Act, which eliminated income restrictions on federal loans to expand eligibility to all students. Biden helped write a separate bill that year blocking students from seeking bankruptcy protections on those loans after graduation. (The income restrictions on federal loans were reinstated in 1981.) Then he went on to vote to create the Parent Loan for Undergraduate Students, or PLUS, program in 1980 and the Auxiliary Loans to Assist Students, or ALAS, program in 1981, which extended loan eligibility to students with no parental financial support.

“Within a few years, the crackdown [on student debtors filing for bankruptcy] that began in 1978 would extend beyond just government loans. In 1984, as Biden was gaining seniority on the Judiciary Committee, the Delaware lawmaker reprised his role as one of his party’s top negotiators on a new legislative proposal,” the International Business-Times reported in 2015.

“Under that bill — which was signed into law by President Ronald Reagan — bankruptcy exemptions were extended to non-higher-education loans like those for vocational schools, according to the U.S. Department of Education.”

Early in his senatorial career, Biden played a role in making it easier for students and parents to take out burdensome loans.

Though Biden ultimately missed the vote for the Higher Education Amendments of 1986, he co-sponsored the legislation and said he would have voted for it if he were able to. (According to the Congressional Record, he had to be in Delaware for a family matter.) One of the most significant changes in the Higher Education reauthorization was a provision that prevented students in default under the Guaranteed Student Loan program from receiving new federal assistance. It also imposed new regulations that “helped fuel the development of lending-industry giants like Sallie Mae by creating barriers to entry to smaller, newer companies wanting to enter the field,” the think tank Education Sector wrote in a 2007 report.

“Loosened loan eligibility requirements, together with two new federal loan programs, increased student borrowing from \$1.8 billion in 1977 to \$12 billion in 1989,” the report said, referring to the Middle Income Student Assistance Act, and the PLUS and ALAS programs.

Years later, as a senator from Delaware, Biden was one of the most enthusiastic supporters of the disastrous 2005 bankruptcy bill that made it nearly impossible for borrowers to reduce their student loan debt. The Bankruptcy Abuse Prevention and Consumer Protection Act raised the bar for families to pursue Chapter 7 bankruptcy protections. It overwhelmingly passed in the Senate at the end of the Clinton administration, over the objections of Warren, then a bankruptcy expert who had tangled for years with Biden over the issue. She lobbied first lady Hillary Clinton, who herself persuaded Bill Clinton to veto it.

Biden came back to the legislation under the Bush administration; it passed the Senate in 2005 on a 74-25 vote, with most Democratic lawmakers, including then-Sen. Barack Obama, voting against it. (Clinton, by then a senator from New York, voted for it.) George W. Bush signed it into law, and private student loan debt skyrocketed in the wake of its passage. The total amount of private

student loan debt more than doubled between 2005 and 2011, growing from \$55.9 billion to \$140.2 billion, according to the Consumer Financial Protection Bureau.

A 2011 study from the Federal Reserve Bank of New York found that the 2005 bankruptcy bill led to a surge of foreclosures that may not have happened otherwise, translating to an additional 29,000 foreclosures every three months. To defend his support of the bill, Biden's campaign told Politico that "knowing that the bill was likely to make it through the Republican-led Congress, he worked to moderate the bankruptcy bill and protect middle class families. He believed that if you have income and consumer debts you can pay, you should agree to a repayment plan that you can afford."

In 2002, during an earlier version of the legislation, Warren, who was a Harvard bankruptcy law professor at the time, singled out Biden for his push to make it harder for struggling people to file for bankruptcy — arguing the change would be particularly harmful to women.

"The point is simply that family economics should not be left to giant corporations and paid lobbyists, and senators like Joe Biden should not be allowed to sell out women in the morning and be heralded as their friend in the evening," she wrote in her 2003 book, "The Two-Income Trap." "Middle-class women need help, and right now no one is putting their economic interests first."

Out of the current primary field, only Sanders and Warren are proposing to eliminate student loan debt. Sanders goes the furthest on the issue, with a universal plan that would cancel every last dollar of student debt. Warren's means-tested plan would offer no debt forgiveness for those making more than \$250,000 a year and would cap the amount that can be forgiven at \$50,000, regardless of income. But her new bankruptcy reform plan also addresses the issue: It would end "the absurd special treatment of student loans in bankruptcy," making them dischargeable like other consumer debts.

Young people, particularly students, flocked to the Vermont senator's first long-shot bid for the Democratic nomination in large part because of his promise to make college free. According to a September Hill-HarrisX poll, a majority of voters support the elimination of all student debt and making

higher education free. Seventy-two percent of Democratic voters said they are in favor of the two policies, compared with 40 percent of Republicans and 58 percent of independents.

Biden, who has said he's still paying off \$298,000 in student debt for his three children, opposes free college and student debt forgiveness, calling it unrealistic. (The former vice president has a net worth of more than \$15 million, according to the tax returns his campaign released last July. Oddly enough, the campaign video in which he mentions his children's debt with the system is captioned "We Need a President Who Will Forgive Student Debt.") The Biden Plan for Education Beyond High School, which was released in October, aims to "expand" the accessibility of community college and "simplify" income-based loan repayment programs.

During the Democratic primary, he has characterized loan forgiveness as something that would help wealthy students.

"I don't think you should be paying for my son [Hunter] going to Yale Law School. I don't think you should be paying for my daughter [Ashley] to go to the University of Pennsylvania," he said at a campaign stop in New Hampshire, according to a Washington Post reporter. "I do think we should make it more affordable to attend school." The reporter clarified in a follow-up tweet that Biden was specifically referring to loan forgiveness and not the related debate about tuition-free college.