



# Attorney General Doug Peterson

# News Release

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## **Six States File a Challenge to the Biden Administration’s Student Loan Cancellation Program**

Today, six states filed a challenge to the Biden Administration’s student loan cancellation program in federal court in Missouri. In it, they ask the Court for an immediate temporary restraining order pausing the program. Prompt relief is being sought because the Biden Administration has indicated it will start cancelling loan balances as early as next week.

Just a few months ago, the Supreme Court warned federal agencies against “asserting highly consequential power beyond what Congress could reasonably be understood to have granted” by statute. Yet the Biden Administration’s recently announced student loan cancellation program—the Mass Debt Cancellation—does precisely that.

Determined to pursue across-the-board debt cancellation and stymied by repeated failures to achieve that goal through legislation, the Administration resorted to the now-concluded COVID-19 pandemic and a federal law that applies in the context of military operations or national emergencies as its justification for taking this dramatic action.

In addition to being economically unwise and inherently unfair, the Biden Administration’s Mass Debt Cancellation is another example in a long line of unlawful regulatory actions. No statute permits President Biden to unilaterally relieve millions of individuals from their obligation to pay loans they voluntarily assumed.

This burden of economic loss will do little to benefit the working class and the poor. The majority of the Mass Debt Cancellation will accrue to the debt borrowers in the top 60 percent of the income distribution. It is fundamentally unfair for those who can least afford it to provide through their tax dollars relief to the well-off who can afford to pay their own loans.

The law that the Biden Administration relies on is known as the Higher Education Relief Opportunities for Students Act of 2003 (HEROES Act). But it has never been used to do anything like this before. It is inconceivable that when Congress passed the HEROES Act, it thought it was authorizing the President to unilaterally decree something like the Mass

Debt Cancellation, which will result in around half a trillion dollars in losses to the federal treasury.

The Mass Debt Cancellation is not remotely tailored to address the effects of the pandemic on federal student loan borrowers, as required by the HEROES Act. The Cancellation instead disregards the Act's objectives and express requirements and distorts the Act beyond recognition in the service of the Administration's political agenda on student loans. It is unlawful and arbitrary agency action, and it should be immediately set aside.

No borrower will be disadvantaged by an immediate court order delaying the loan cancellation program because loan repayments and interest accruals have been paused since March 2020.

States joining in the filing include: Arkansas, Iowa, Kansas, Missouri, Nebraska, and South Carolina.

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*Court Filing Attached*

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