Lawsuit against US Department of Education claims wages being garnished to pay off student loan debt

By Alexander Fangmann
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Last week, upstate New York resident Elizabeth Barber filed a lawsuit against the United States Department of Education, alleging that employers continue to garnish the wages of 285,000 people over unpaid student loans, in violation of the Coronavirus Aid, Relief and Economic Security (CARES) Act signed into law by President Trump on March 27. The continued collection practices are entirely in line with the priorities of the Trump administration and Education Secretary Betsy DeVos in the continued privatization and financialization of higher education.

Barber, a 59-year-old home health aide who makes under $13 per hour, is seeking class-action status for the lawsuit on behalf of all the others who have been similarly affected.

Aside from ostensibly stopping wage garnishment for student loan debt, the CARES Act implemented a number of other temporary measures to alleviate pressure on the nearly one in seven Americans who owe money on student loans, many of whom have no doubt lost their jobs as a result of the COVID-19 pandemic. Most of those owing money on federally administered student loans were placed into “administrative forbearance,” essentially suspending their loan payments through September 30. Interest capitalization, that is, adding unpaid interest to the balance owed, was also temporarily stopped.

One of the apparent reasons for the continued garnishments is that many of these deductions are applied automatically by employers, who receive instructions from the Education Department to seize wages on behalf of the federal government, which holds or administers much of this student loan debt. As a result, even though the garnishment has been formally suspended as a legal matter, the Education Department has not told all employers to stop the practice.

As Seth Frotman, executive director of the Student Borrower Protection Center, told the Washington Post, “We have built a student loan debt collection monster that we cannot physically stop, even in violation of the law.”

Additionally, because the CARES Act was passed March 27, but provided relief for the period of March 13 to March 26, student loan borrowers who had wages garnished during that time are eligible for refunds. Those eligible for refunds include those who made payments that were due before the law passed. In many cases, these refund requests have been met by complete silence or interminable waits to speak to a representative from the loan servicing companies contracted by the government to act as go-betweens.

Huge numbers of student loan borrowers are receiving no relief under the CARES Act because they either hold ineligible federally administered loans, or because they have entirely privately issued student loans. The number of these borrowers is estimated at around seven million. Most of these students had little or no choice in the matter, because which type of student loans they were even offered is often a decision made by colleges and universities.

Even before the wave of coronavirus-related layoffs, which have already hit over 30 million Americans and are expected to exceed the worst levels seen in the Great Depression, many student loan borrowers were struggling under the weight of their loans. More than 9 million student loan borrowers have not made payments on their student loans in over a year, making
them eligible to have their wages garnished.

Before the start of the pandemic, household debt had already topped existing records. According to a Tuesday report from the New York Federal Reserve, US household debt rose 1.1 percent to $14.3 trillion. By way of comparison, this is $1.6 trillion more than the level of household debt total recorded in 2008. Outstanding student debt alone amounts to $1.54 trillion, $27 billion more than in the previous quarter.

A group of Democratic Senators and House members, most prominent among them Dick Durbin and Elizabeth Warren, have attempted to position themselves as being on the side of students. They proposed immediately discharging student loans for students who attended for-profit schools ITT and Corinthian, among others, measures that target only the most egregious abusers of the student loan system. DeVos has repeatedly opposed discharging loans for for-profit schools, an industry to which she has close ties.

Democratic Party presidential candidate Joe Biden has called for a paltry $10,000 in student loan forgiveness. Aside from providing little relief to many borrowers, there is no reason to believe the Democrats are even committed to making it happen. The same proposal to forgive $10,000 in student loan debt for all borrowers was proposed by Democratic Party leaders during the passage of the CARES Act, only to be negotiated away.

The Socialist Equality Party calls for the immediate forgiveness of all student loan debt. Education should be free to all, not an entry into a glorified form of debt peonage. The trillions that have been squandered on Wall Street through the bipartisan CARES Act must be diverted to actually fighting the pandemic, while expanding funding for public education and relieving the working class of the crippling debt that it faces.

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