

States Sue the Biden Administration to Stop Loan Relief Plan

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On April 9, 2024, seven states [filed](#) suit against the Biden administration in an attempt to block its new “SAVE” plan, an income-driven repayment plan that leads to eventual loan forgiveness. The case is pending in the U.S. District Court for the Eastern District of Missouri.

Plaintiff states claim that the plan is unlawful because it evades limits Congress imposed for income-based repayment plans and sets arbitrarily high thresholds that would effectively create a grant program for student borrowers. Plaintiffs allege that the US Supreme Court struck down a similar plan last year proposed by the Biden administration which would have cost taxpayers \$430 billion. See *Biden v. Nebraska*, 143 S. Ct. 2355, 2362 (2023). The states allege that the plan violates the Higher Education Act of 1965 and subsequent amendments, which allows student-loan cancellation to occur only after a borrower pays 15% of their disposable income (which is defined as 150% above the poverty line) after 25 years.

The states further allege that the disposable income threshold would increase from 150% to 225% above the poverty line and that the plan would only require borrowers to pay 5% of their income for 10 years before loans are cancelled, “gut[ting] the statutory purpose of providing loans.”

Plaintiffs seek a declaratory judgment that the relief plan is unlawful and injunctive relief.

Putting It Into Practice: State attorneys general continue to challenge Biden regulatory actions through litigation (previously discussed [here](#) and [here](#)). Given the success they have achieved thus far, it will be interesting to see how this litigation develops. We will continue to monitor the case for developments.

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