

# [***FACT CHECK: Fact Checking Rachel Maddow's Claim About Student Loans; Maddow made the claim during a recent episode of her show, 'The Rachel Maddow Show,' on MSNBC***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BTT-WMM1-JBFB-H018-00000-00&context=1516831)

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**Body**

[*Link to Image*](https://cdn01.dailycaller.com/wp-content/uploads/2024/04/GettyImages-1587526931-scaled-e1712858815383.jpg)

MSNBC host Rachel Maddow [*claimed*](https://twitter.com/MaddowBlog/status/1777522710865650036) Republicans are suing to block President Joe Biden's student debt forgiveness plan to make sure Americans have to “pay more to banks on student loans.”

Republicans are suing, in multiple states, to make sure that Americans have to pay more to banks on student loans. In an election year. [*pic.twitter.com/zwWouVKtxy*](https://t.co/zwWouVKtxy)

- Maddow Blog (@MaddowBlog) [*April 9, 2024*](https://twitter.com/MaddowBlog/status/1777522710865650036?ref_src=twsrc%5Etfw)

**Verdict: Misleading**

Although Maddow is correct that multiple Republican states are suing the Biden administration over its student loan debt relief program, both sources and experts indicate that the student loan program is funded by the federal government and taxpayers rather than individual private banks.

**Fact Check:**

Biden's latest round of student loan debt relief will cancel student loan debt for “4,890 more borrowers” in Maryland, according to [*WMAR 2 News*](https://www.wmar2news.com/local/president-joe-biden-to-cancel-student-loan-debt-for-4-000-more-marylanders).

Maddow claimed Republicans are suing against Biden's student debt forgiveness plan to make sure Americans have to pay more to banks on student loans.

“Republicans are suing over and over again in multiple states, Republicans are suing, to make sure that Americans have to pay more in student loans. To make sure that you have to pay more interest to banks on your student loans. That is what they are offering America in this election year,” Maddow said.

The claim is misleading. All federal student aid programs, which include student loans, are funded by federal tax dollars, according to [*U.S. and News Report*](https://www.usnews.com/education/blogs/student-loan-ranger/articles/where-do-federal-student-loans-come-from).

Congress sets aside “money to fund these programs as part of the annual budget” and once the budget is passed and signed by the president, Congress “electronically transfers the money from the Department of the Treasury to the Department of Education.” Students who are seeking aid must attend an institution that meets the requirements listed under Title IV of the Higher Education Act, the outlet noted.

The student loan program has evolved since its advent when loans were first issued directly to borrowers under the National Defense Education Act of 1958, according to the [*Peter G. Peterson Foundation*](https://www.pgpf.org/blog/2022/06/why-did-the-federal-government-get-involved-in-student-loans). In 1965, the federal government introduced the Federal Family Education Loan (FFEL) program, which both subsidized and guaranteed student loans issued by “private lenders.”

In 1972, Sallie Mae was established and the institution “originated federally guaranteed student loans under FFEL and worked as a servicer and collector of federal student loans.” Finally, in 1992, the government piloted the direct student loan program to “eliminate the 'middleman' of FFEL lenders and related subsidies.” The direct student loan program operated alongside FFEL until FFEL ended in 2010, according to the group.

Beth Ankers, a senior fellow at the conservative-leaning American Enterprise Institute (AEI), wrote in an [*April 9 blog post*](https://www.aei.org/uncategorized/maddow-spreads-misinformation-on-student-loan-cancellation/) that taxpayers finance student loans, not banks. While banks were once involved in the student loan program, they were “kicked out of the business with the passage of the Affordable Care Act in 2010.” However, when the banks were involved with the program, legislation “set the terms of the loans,” the same blog post states.

Multiple experts offered their perspectives on Maddow's claim with Check Your Fact.

[*Neal McCluskey*](https://www.cato.org/people/neal-mccluskey), director of the libertarian Cato Institute's Center for Educational Freedom, told Check Your Fact in a phone interview that Maddow “is almost totally incorrect.”

“Since around 2010 or so, we've been on an All-Direct Loan system. They're called direct loans because they're from the federal government. Prior to that, there were two systems, some direct loan systems and the FFEL program. Then there were banks involved, but the federal government guaranteed 99% repayment plus fees. The federal government set interest rates and the bank was the middleman,” McCluskey said.

“The bank didn't set any interest rates set by Congress. Originally, the repayment rate was 99% but it dropped to 97%. There was essentially a guaranteed profit for banks participating in this and the guarantee came from the federal government but was made by taxpayer dollars,” McCluskey explained further.

[*Ilya Shapiro*](https://manhattan.institute/person/ilya-shapiro), director of constitutional studies at the conservative Manhattan Institute, said Republicans are suing to ensure that borrowers pay their student loans, not the taxpayers.

“Rachel Maddow is absolutely correct that Republicans are suing in multiple states in an election year to make sure that people who took out loans actually pay those loans, rather than having taxpayers pick up the tab. More precisely, they're suing to ensure that it's Congress-not the president acting unilaterally-that would have to make such a bad economic decision for it to be legal,” Shapiro said.

[*Allison Schrager*](https://manhattan.institute/person/allison-schrager), a senior fellow at the Manhattan Institute, added, “Also, most of the loans are made from the government directly, not private banks.”

Back in June 2023, [*NBC News*](https://www.nbcnews.com/politics/supreme-court/supreme-court-rule-bidens-student-loan-forgiveness-plan-friday-rcna76874) reported the U.S. Supreme Court issued a 6-3 ruling against Biden's student loan debt relief plan as “an unlawful exercise of presidential power because it had not been explicitly approved by Congress.” Following the ruling, Biden asked the Department of Education to “examine its existing authority” to forgive student debt, according to [*CNBC*](https://www.cnbc.com/2024/04/12/biden-to-forgive-7point4-billion-in-student-debt-for-277000-borrowers.html). On April 12, 2024, the Biden administration announced it would “forgive $7.4 billion in student debt for 277,000 borrowers,” also according to CNBC. This latest round of loan cancellations brings the number of cancellations to 4.3 million people and totals $153 billion in aid, the outlet reported. [***(RELATED: Biden's Job Creation Claim Ignores Key Context)***](https://checkyourfact.com/2024/02/15/fact-check-bidens-job-creation-context/)

Furthermore, eleven states, including Alaska, Iowa, and Kansas, have filed a lawsuit against Biden's student debt forgiveness plan, [*Newsweek*](https://www.newsweek.com/republican-states-sue-biden-save-debt-forgiveness-1885130) reported on Mar. 29. Kansas Attorney General Kris Kobach said Biden has “defied” the Supreme Court, “while also seizing power from Congress” in response to Biden's plan, the outlet indicated.

“Fortunately, in America, we live in a constitutional republic and the courts can strike down an illegal or unconstitutional executive act. That is what we are asking the court to do in this case, and we look forward to seeing the president's attorneys in court,” Kobach said during a news conference.

An [*April 12 article from Fox Business*](https://www.foxbusiness.com/politics/white-house-announce-student-debt-cancellation-breathing-room-takes-dig-house-gop) announcing the latest round of student loan debt forgiveness noted that 18 Republican states have now sued the Biden administration.

Check Your Fact has contacted Maddow, the Republican Attorneys General Association, and a wide range of experts, including liberal-leaning ones for comment and will update this piece accordingly if one is received.

**Graphic**

NEW YORK, NEW YORK - AUGUST 02: Rachel Maddow attends Variety & Rolling Stone Truth Seekers Summit at Second on August 02, 2023 in New York City. (Photo by Jamie McCarthy/Getty Images)

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