



THE US STUDENT DEBT CRISIS IN NUMBERS

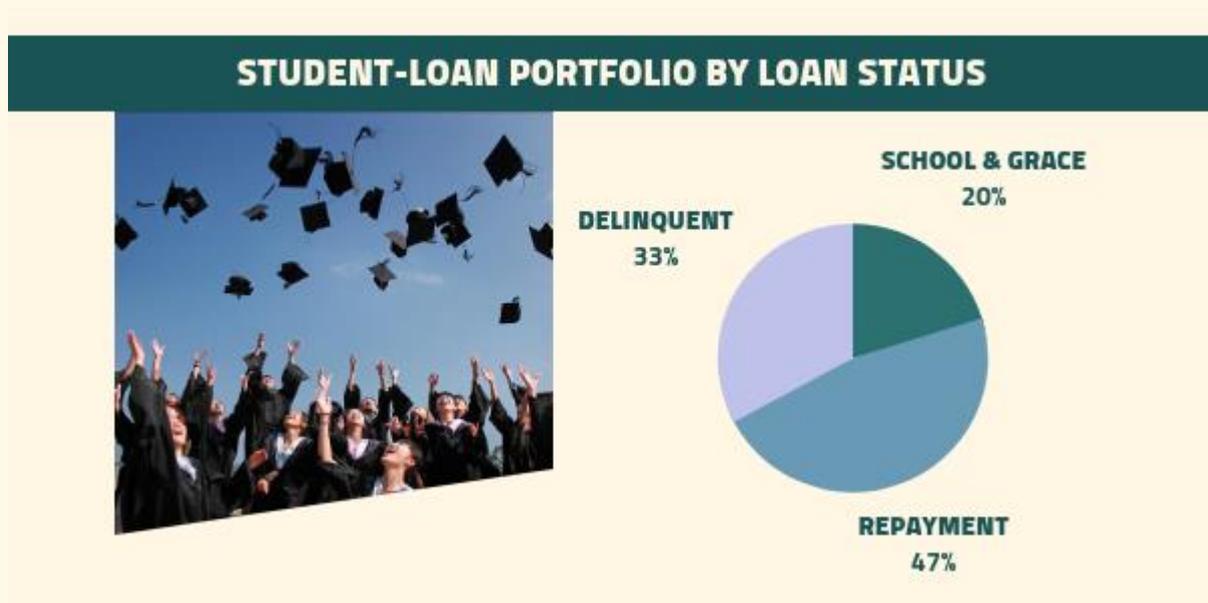


WHAT IS THE SIZE OF THE STUDENT-LOAN CRISIS IN THE UNITED STATES? HOW MANY BORROWERS HAVE DEFAULTED?

In the first quarter of 2019, the student-loan debt reached its highest point ever. Around 44.7 million US borrowers hold a student loan, who collectively owe [\\$1.56 trillion](#). Among consumer debts in the United States, it is only surpassed by mortgages.

Out of the [41.6 million](#) borrowers who have taken out federally-managed loans:

- 7.2 million are in school
- 1.2 million are in grace period
- 19.5 million are in repayment
- 3.4 million are in deferment (loans that have been postponed)
- 2.8 million are in forbearance (payments have been temporarily suspended or reduced)
- 7.3 million are in cumulative default (loans that are more than 360 days delinquent)
- 0.2 million are in non-defaulted bankruptcy and in disability status



Source: National Student Loan Data System (NSLDS)

WHICH UNIVERSITIES AND CAREERS STAND OUT AS PROBLEMATIC?

A substantial problem lies in the fact that one-third of all borrowers [have failed to complete](#) their degrees. According to a Federal Student Aid (FSA) analysis, students who take out loans but do not graduate are [three times](#) more likely to default than those who do. Dropouts [forgo](#) the wage premium associated with a college degree.

The mismatch between job requirements and qualifications accentuates the debt burden. More than 40 percent of college graduates [take jobs](#) that do not require a degree, and at least 1 in 5 college grads do not work a degree-demanding job a decade after leaving school.

Most of the student-loans borrowers in delinquency for 31 days or more [went](#) to public (1.6 million) and for-profit (1.2 million) universities. However, those who attended for-profit schools were [four times](#) more likely to default on their loans than those who went to public or private nonprofit institutions.

The incentives to take out loans for college degrees have funneled funds to [for-profit institutions](#), community colleges, and online programs with weak educational outcomes. A [study](#) conducted by Adam Looney of the US Treasury Department and Constantine Yannelis of New York University identified that, between 2000 and 2014, "most of the increase in default [was] associated with borrowers at for-profit schools, 2-year institutions, and certain other nonselective institutions."

Demographics also help explain the disparity. A 2016 Brookings Institute [report](#) found that "for-profits have the highest proportion of female and minority students, they come from families with the lowest levels of parental education, are the most likely to be single parents, and have the highest average number of dependents among the sectors."

According to personal-finance websites [Bankrate](#) and [Payscale](#), some career paths that will make very difficult to repay the debt [are](#):

- Exercise science
- Health administration
- Ministry and theology
- Culinary arts
- Social work
- Political science
- Public relations
- School teaching
- Zoology
- Library science
- Veterinary medicine
- News reporting
- Family therapy

For instance, news reporters with a standard industry salary take on average three decades to pay off their student loans.

WHAT ARE SOME PRIVATE-LOAN ALTERNATIVES TO PUBLIC SUBSIDIES?

Bank-Based Private Loans

Financial institutions have been offering loans to students for years, especially in the late 1990s and early 2000s. However, the number of banks and lending agencies participating in the student-loans market has since shrunk.

Most banks provide borrowers with a six-month grace period after degree completion to begin repayment. Interest rates are usually higher than in federal programs, as well as penalties for delinquency.

| Bank | Co-signed | Loan terms (years) | Loan amounts (USD) |
|-------------------------------|--------------------------------------|--------------------|--|
| Ascent | Co-signed and independent | 5, 10, 15 | 2,000 to 200,000 |
| Citizens Bank | Yes, after 36 on-time payments | 5, 10, 15, 20 | 10,000 to 35,000 |
| College Ave | Co-signed and independent | 5, 8, 10, 15 | 1,000 up to the total cost of attendance |
| Commonbond | Co-signed and independent | 5, 7, 10, 15, 20 | 5,000 to 500,000 |
| Discover | No | 15 | 5,000 to 150,000 |
| LendKey | Co-signed and independent | 5, 7, 10, 15, 20 | 7,500 to 300,000 |
| Sallie Mae | Yes, after 12 on-time payments | 5 to 15 | 1,000 up to the total cost of attendance |
| SunTrust | Yes, after 36 on-time payments | 7, 10, 15 | 1,000 to 150,000 |
| Wells Fargo | Yes, after 24 or 48 on-time payments | 15, 20 | 5,000 to 120,000 |

Credit Unions

After banks reduced the number of student-loans offerings, credit unions [expanded](#) their stake in the market. Some credit unions have partnered with state higher-education agencies to provide more affordable interest rates and repayment terms than banks'.

Peer-to-Peer Lending

Circumventing financial institutions, students [are asking](#) friends, relatives, and complete strangers for funds through peer-to-peer platforms. Interest rates there can be significantly lower than those offered by banks, and borrowers can choose among a wide variety of repayment plans.

No-Loan Financial Aid from Universities

The increasingly risky ordeal of student loans has pushed families to seek alternatives that do not imply borrowing. [Universities](#) themselves have instituted award programs that cover the difference between tuition costs and what the family can afford. The award commits students to excellent grades or repayment after graduation in some cases.

WHAT ARE PROMINENT PRESIDENTIAL CANDIDATES PROMISING TO DO ABOUT THE CRISIS?

Sen. Elizabeth Warren (D-MA):

She [proposes](#) a one-time student-debt cancellation based on the borrower's annual household income. The government would pardon \$50,000 of the total amount of the debt for borrowers who earn less than \$100,000. Borrowers who earn between \$100,000 and \$250,000 would be eligible to a smaller amount.

She also offers to make public colleges tuition-free, considerably expand the Pell grant program, and end public funding of for-profit colleges. Her campaign [estimates](#) the debt cancellation would cost \$640 billion and free public college would cost \$1.25 trillion over the next 10 years.

Sen. Bernie Sanders (D-VT):

Sanders [wants](#) to forgive the debt of all 45 million borrowers and pay for it with a tax on every bond and stock trade. He also wishes to offer free college to students with annual household incomes of \$25,000 or less.

His campaign estimates that the whole [plan](#) would cost \$2.2 trillion over 10 years. [Robert Pollin](#), an economics professor at the University of Massachusetts-Amherst, published a paper estimating the transaction tax could bring in \$220 billion per year.

President Donald Trump:

His [proposals](#) to better manage the current student-loans debt are:

Replace all repayment plans with a single one in which borrowers would pay 12.5 percent of their discretionary income.

Debt forgiveness to all borrowers who participate in the income-driven plan after 15 years of repayment (for undergraduates) and 25 years of repayment (for graduates).

Eliminate the Public Service Loan Forgiveness Program ([PSLF](#)), which writes off the remaining balance of a federal loan after the student has worked at a government agency or nonprofit organization for 10 years.

[Allow](#) student loans to be discharged in bankruptcy.

Joe Biden:

Joe Biden has not [released](#) a plan to specifically address the student-debt crisis. His education policies do [include](#) the streamlining and simplification of the PSLF to help teachers. Biden believes teachers should get their loans completely forgiven and also get support for complementary training and certifications.

FURTHER READING

["Student Loans Are Exploitation in Disguise,"](#) *Epoch Times*, by Fergus Hodgson.

["A Solution to Student-Loan Crisis: No More Risk-Free Loans,"](#) *Epoch Times*, by Fergus Hodgson.

["Indebted Students Have Themselves to Blame,"](#) Gold Newsletter, podcast by Fergus Hodgson with Bob Zadek.

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