

Recent News

Trump & Student Loan Forgiveness

- Trump's 1st budget proposes to end the Public Service Student Loan Forgiveness program (to save a mere \$27B over the next decade) for loans issued 7/1/18 or later (except those provided to a borrower to finish current study)
- Current program: Loans can be forgiven after 10 years of on-time payments & working for an employer deemed to be serving public good (incl. local/state/fed gov agencies and nonprofits) -- created in 2007
- # taking advantage of the program has grown from 25,683 in 2012 to 552,931 in 2017
- Trump proposing a higher income-based repayment plan BUT such debt cancellation is taxed as income

Loan Forgiveness due to Bad Paperwork

- Judges have already dismissed dozens of lawsuits against former students, essentially wiping out their debt, because documents proving who owns the loans are missing. A review of court records by The New York Times shows that many other collection cases are deeply flawed, with incomplete ownership records and mass-produced documentation.
- At the center of the storm is one of the nation's largest owners of private student loans, the National Collegiate Student Loan Trusts...National Collegiate is an umbrella name for 15 trusts that hold 800,000 private student loans, totaling \$12 billion. More than \$5 billion of that debt is in default, according to [court filings](#). The trusts aggressively pursue borrowers who fall behind on their bills. Across the country, they have brought at least four new collection cases each day, on average — more than 800 so far this year — and tens of thousands of lawsuits in the past five years.

<https://mobile.nytimes.com/2017/07/17/business/dealbook/student-loan-debt-collection.html>

Student Loan Debt: Overview

- **Young graduates are burdened by substantial student loan balances (EPI).** Because the cost of higher education has grown far more rapidly than median family income, many students must take out loans that they may find difficult to repay once they graduate.
 - From the 1978–1979 enrollment year to the 2016–2017 enrollment year, the inflation-adjusted cost of a four-year education, including tuition, fees, and room and board, increased 162.0 percent for private school and 151.1 percent for public school (according to the College Board). Median family income increased only 20.2 percent over this 37-year period, leaving families and students increasingly unable to pay for the ticket price for colleges and universities.

- o Between 2004 and 2014, there was a 92 percent increase in the number of student loan borrowers and a 74 percent increase in average student loan balances (according to the Federal Reserve Bank of New York).
 - o For young college graduates, limited job opportunities, stagnating wages, and the rising cost of higher education make college an increasingly difficult investment
 - o <http://www.epi.org/publication/the-class-of-2017/>
- From January 2006 to July 2016, the Consumer Price Index for college tuition and fees increased 63 percent, compared with an increase of 21 percent for all items. Over that period, consumer prices for college textbooks increased 88 percent and housing at school (excluding board) increased 51 percent. (BLS, <https://www.bls.gov/opub/ted/2016/college-tuition-and-fees-increase-63-percent-since-january-2006.htm>)
- The amount of outstanding education debt is closely related to the level of education that the individual acquired. Among respondents who have some college or a certificate, the median outstanding education debt is \$8,000; ⁴¹ for those with an associate degree, it is \$9,900; and among respondents with a bachelor's degree, the median is \$19,162. ⁴² Respondents who have completed a graduate degree are disproportionately likely to have large debt levels: the median debt for respondents with a master's degree is \$36,000 and for those with a professional degree or a doctoral degree it is \$100,000. <https://www.federalreserve.gov/econresdata/2016-economic-well-being-of-us-households-in-2015-education-debt-student-loans.htm> / See racial divides in study on whether loans had been paid off yet
 - o 17 million borrowers under the age of 30
 - o Over 44 million Americans hold a total of \$1.4 trillion in student loan debt.
- average student loan debt for Class of 2016 is \$37,172 / <https://www.makelemonade.co/top-reads/refinancing-student-loans-5-things>
- Student loan debt is greater than credit card debt

For-profit colleges are a scam:

<http://money.cnn.com/2016/09/28/pf/college/student-loan-default-rate/index.html>

And again, they're a scam: "Between 2000 and 2014, the number of students holding education debt doubled to 42 million, their total debt outstanding quadrupling to over \$1 trillion. In 2000,

there was only one for-profit institution among the 25 colleges and universities where students held the most student-loan debt. In 2014, there were 13, and University of Phoenix topped the list. The amount of debt owed by those attending for-profit colleges has grown from \$39 billion in 2000 to \$229 billion in 2014—which is more attributable to increases in the rate of borrowing at those schools than to increases in enrollment.”

<https://www.theatlantic.com/business/archive/2015/09/the-failure-of-for-profit-colleges/405301/>

Roots of Higher Tuition Costs: Disinvestment (2015)

- “We find that declining state appropriations for higher education is indeed the primary driver of rising tuition, responsible for 79 percent of tuition hikes at public research universities between 2001 and 2011 and 78 percent of tuition hikes at public master’s and bachelor’s universities over the same decade. Increased spending on administration accounts for another 6 percent and 5 percent, respectively, at the two categories of institutions, and increased grant and loan aid has had a negligible effect, at most. Finally, the purported construction boom’s impact on tuition has been minimal as well, as we estimate spending on construction has accounted for 6 percent of tuition increases at both research and master’s/bachelor’s universities.” (Demos)
- If neither rising spending nor increased aid is primarily driving tuition increases, what is? If we turn to the revenue side of the balance sheet, the answer becomes clear: declining state support. As Figure 5 shows, over the past decade, state support for research institutions fell by \$3,081 and declined \$2,067 at master’s and bachelor’s universities, in near-lockstep with tuition increases. Because education and related expenses are funded nearly entirely by tuition and state monies, declining state support has caused a dramatic shift in the share of these expenses paid for by students and the government. As Figure 5 shows, more than half of education and related expenses at public universities is now paid for through tuition, up from about 35 percent in 2001.
- <http://www.demos.org/publication/pulling-higher-ed-ladder-myth-and-reality-crisis-college-affordability>

Polling

June survey from MoneyTips.com: nearly 42% agreed with the statement, I believe President Trump's Department of Education should forgive all federal student debt to help the economy. Less than 37% disagreed, while the remaining 21% neither agreed nor disagreed.

- Women and < 50 more likely to favor than men
- "The average student loan debt has increased around \$19,000 in just the past 14 years"
- Clinton voters and non-voters favor it

<http://www.ajc.com/business/consumer-advice/more-americans-want-forgive-trillion-dollar-student-loan-debt-than-want-repaid/wI5xkXb3sgjANCuhEzg6hO/>

Student Loan's Drag on the Economy

Demos (2013), <http://www.demos.org/what-cost-how-student-debt-reduces-lifetime-wealth>

- Our model finds that an average student debt burden for a dual-headed household with bachelors' degrees from 4-year universities (\$53,000) leads to a lifetime wealth loss of nearly \$208,000.
- Nearly two-thirds of this loss (\$134,000) comes from the lower retirement savings of the indebted household, while more than one-third (\$70,000) comes from lower home equity.
- We can generalize this result to predict that the \$1 trillion in outstanding student loan debt will lead to total lifetime wealth loss of \$4 trillion for indebted households.
- The wealth loss will be greater for households with larger-than-average levels of student debt: students from low-income families, students of color, and for-profit students.

Why Forgive Loans?

It's good for the economy, and businesses get to get debt forgiven

<https://www.forbes.com/sites/robashghar/2016/02/11/a-fresh-start-for-millennials-the-case-for-forgiving-student-debt/#7c734ebf64e2>

- "Lenient bankruptcy laws are a quintessentially American way of offering its citizens the bright light of a new start. "[The latest research](#) shows that bankruptcy protection makes life better for people," says [Orlando](#), a public policy researcher at the University of Southern California and a lecturer in the College of Business and Economics at California State University, Los Angeles. "They earn more money, they're less likely to lose their house, and they live longer. Debt relief saves lives."....Consider too how General Motors, American Airlines and Eastman Kodak used bankruptcy in recent years for the purpose of new beginnings, as did entrepreneurs like Henry Ford (twice) Milton Hershey and Walt Disney in early stages of their empire building. Second chances

offer incredible power...“But what’s the hardest debt [to get rid of](#) in bankruptcy?” Orlando asks. “Student loans.”

Because the government can

- The Department of Education [has the power](#) to forgive debt if a borrower’s college defrauded them—if they were duped into paying for an education that wasn’t as valuable as they thought it was. So far, that law has only been used in egregious cases like Corinthian College, which was so bad at fulfilling the promises it made to its students that it had to shut down. I think this is a narrow definition of fraud. The problem isn’t confined to a handful of colleges. It’s the *system* that’s the problem. Millennials who went to college were promised good-paying jobs like the generation before them, and guess what? They got stuck with the worst job market since the Great Depression. An entire generation has been sold a product that does not work as advertised!

Can We Afford It?

- “A short bit of math on that: total household wealth in this country is \$60 trillion,” Josh Hoxie, the student debt expert for the [Institute for Policy Studies](#), said. “Of that, the top 1% owns 42%, so that’s \$25 trillion. A mere 1% tax on this \$25.2 trillion would raise over \$2.5 trillion in 10 years. So that’s nearly double what we need in order to eliminate student debt.”
- The last time there was a major government bailout was when taxpayers paid \$700 billion to save the banking industry from collapsing in 2008. That was more than half of what the collective student debt is right now. Jeb Bush, who pundits apparently think is “[reasonable](#)” and “[wonky](#),” has a tax plan, for example, that would cost the government [\\$3.4 trillion over 10 years](#). That’s about three times what it would cost to erase student debt.

<http://fusion.net/video/219685/government-erase-student-loan-debt/>