

STUDENT LOAN DEBT “CRISIS”

Dear future Mr. / Mrs. President,

The future economy of our great country is currently being choked lifeless. However, the assailant is not the enemy that you may be thinking. It's not an individual, political party, or even country that's making it difficult for our economy to breath. Rather, the villain appears to be a “wolf in sheep's clothing”; something that was created to enhance our future prosperity, individually, and as a nation. This “thing”, *aka* student loan debt, has hastily developed itself into one of this economy's most sinister villains. And if someone does not do something about it soon, we may become defenseless against its effects on our country's social and economic systems.

Over the past decade, student loan debt in this country has become an unyielding force, growing to a size comparable only to the likes of the mortgage debt “bubble” of 2006. In a very short period of time, student loan debt has become the second largest consumer debt market existing in the United States, today.ⁱ Presently, Americans own over 1.2 trillion in student loan debt, which has tripled in the last decade.ⁱⁱ From 2004-2014, we witnessed a 92% increase in the amount of student loan borrowers.ⁱⁱⁱ In 2014, over 43 million Americans possessed some type of student loan debt.^{iv} Most importantly, over 7 million of those individuals were in default of their student loan debts.^v These statistics support many economists' conclusions that student loan debt has become a significant impediment to our country's growth and potential.

Studies have shown that student loan debt is hindering our economy in a multitude of ways.^{vi} In 2014, the average borrower graduated college with \$33,000.00 in student loan debt.^{vii} These numbers become even more alarming when taking into account the students seeking higher education. For example, in 2014, the average debt of a graduating law student was \$84,000. Research has shown that the result of student loan debt on today's younger professional generation (20-30 year-olds) has resulted in an interruption to traditional stages of this country's social and economic growth. As a result of their student loan debt burdens, our younger professional generation, which is typically considered the big spenders,^{viii} is delaying other facets of their lives, such as getting married; starting a family; or purchasing a home. Instead of financially supporting local economies, by going to restaurants or buying new vehicles, graduates are forced to spend a majority of their income on their monthly student loan payments. Personally, I can attest to this research's validity. Around the time that I graduated law school, our economy was experiencing a “recession”, and the legal profession was no exception. Through the last five years, I have barely survived with the skin of my teeth. Due to the size of my current loan debt, I have been handicapped as a citizen in supporting local economies. For example, I have not been able to purchase a vehicle in over ten years. More importantly, I cannot even stomach the thought of about purchasing a home, at the moment, and adding more debt to my name. My mortgage-sized student loan debt will foreseeably prevent me from purchasing a home for years to come.

In addition to the graduates that are bogged down by student loan debt, highly concerning are those individuals who attempted college, but failed, and still possess student loan debt. These individuals naturally tend to struggle in securing adequate employment to assist with their loan repayments. A New York Federal Reserve Bank study evidenced that 35% of students possessing less than \$5,000.00 in debt defaulted within six years. Unfortunately, individuals burdened with student loan debt do not possess as many financial options as other various other types of debt, such as credit cards, mortgages, or taxes. Literally, a person can go on a shopping spree; obtain a mortgage for a beach house; or purchase a Ferrari, and still inevitably discharge these debts, through bankruptcy. However, if someone wishes to advance in their life and obtain a higher education, they may have to carry the debt to their grave.

Currently, more than 7 million Americans are in default of their student loans, and an additional 4 million Americans are behind on their payments.^{ix} Under today's laws, student loans cannot be discharged, through bankruptcy, unless you fall under a narrow category, such as "undue hardship".^x With the Department of Education's recent statements / actions,^{xi} discharging student loans has become almost impossible. In 2013, only 25% of individuals who sought a hardship discharge actually obtained a full discharge.^{xii} However, these statistics only concern those individuals who actually sought a hardship discharge. To obtain a hardship discharge, an individual must pursue litigation, in bankruptcy court, against the student loan creditor. Without the financial ability to obtain proper legal representation, a debtor's odds at obtaining discharge of their student loans greatly diminish, as he / she (who is typically uneducated in law) will likely face opposition, in Court, from a team of highly-paid attorneys. Even if a debtor has a good case for a hardship discharge of his student loans, how can he / she also have the financial ability to pay an attorney to assist them in the process? The odds are very much stacked against them. Although the federal government has introduced new programs to help ease the burden on student load debtors (such as income-based plans, public loan forgiveness programs, and decreasing interest rates),^{xiii} private loan student providers are not required to offer the same relief as federal student loans.^{xiv} Consequently, co-signors and borrowers facing unexpected hardships, such as unemployment or illness, sometimes are faced zero options. In some situations, a parent grieving over the loss of their child becomes shocked when they are hit a large outstanding student loan bill.^{xv}

Mr. / Mrs. President elect, it's time to make a drastic change. It's time to provide our younger professional generation with some help and protect the future of our economy. It's time to have the courage to stand up to the monster that has become student loan debt. It's time to ignore the billions in profit that this country squeezes from the future backbone of this country and make a drastic change. Without a drastic change, the student loan "crisis" will inevitably grow to become the next big "bubble". Unfortunately, to-date, most attempts at thwarting the student loan debt "crisis", as coined by Senator Elizabeth Warren, have been largely unsuccessful.^{xvi} Recent studies have shown that this "crisis" is not only mounting, it's

contradicting the recent downward trends of other various debt categories.^{xvii} The current programs, such as offering additional loan repayment programs and lowering interest rates, have not worked. It is time to expand the bankruptcy options on student loan debt. It is time to create an even playing field for those individuals seeking a hardship discharge of their student loans. Most importantly, it is time to allow discharge of private student loans. It is bewildering that private loan companies have more protection and power, in bankruptcy, if they provide a loan for education rather than for any other purpose. Private loans should dischargeable, regardless of their purpose. The time has come to alter the bankruptcy laws regarding student loans. If you choose to make a drastic change, who knows what could happen? You may be shocked to find the support of 43 million Americans in this country burdened with student loan debt and, ultimately, become our next President. I appreciate you taking the time to read my thoughts. I hope you do not take them lightly.

Sincerely,

Jonathan R. DeTrinis, Esq.

ⁱ <http://www.consumerfinance.gov/newsroom/cfpb-launches-public-inquiry-into-student-loan-servicing-practices/>

ⁱⁱ <http://www.thenation.com/article/we-need-end-student-loan-debt-crisis/> ;

<http://thinkprogress.org/education/2014/04/23/3429825/student-debt-delinquency-data/>

ⁱⁱⁱ <https://blog.iontuition.com/these-student-loan-statistics-are-meant-to-help-you-not-scare-you/>

^{iv} *Id.*

^v <https://blog.iontuition.com/these-student-loan-statistics-are-meant-to-help-you-not-scare-you/>

^{vi} <http://www.wsj.com/articles/mitchell-e-daniels-how-student-debt-harms-the-economy-1422401693>

^{vii} *Id.*

^{viii} <http://www.destinationcrm.com/Articles/Editorial/Magazine-Features/Gen-Y-The-Next-Generation-of-Spenders-79884.aspx>

^{ix} <http://www.businessinsider.com/there-is-finally-some-good-news-on-the-student-loan-front-2015-7#ixzz3fruDNUz4>

^x See 11 U.S. Code § 523.

^{xi} <http://nacbanow.com/2015/07/13/groups-department-of-education-fails-to-respond-to-white-house-call-for-student-debt-relief-in-undue-hardship-bankruptcy-cases/>

^{xii} <http://www.studentloanborrowerassistance.org/wp-content/uploads/2007/03/iulianoresponse.pdf>

^{xiii} (For a summary of current student debt services being offered, visit:

http://www.americanbar.org/groups/legal_education/resources/student_loan_repayment_and_forgiveness.html).

^{xiv} <https://studentaid.ed.gov/sa/types/loans/federal-vs-private>

^{xv} <http://money.cnn.com/2014/07/28/pf/parents-student-loans/>

^{xvi} <http://nacbanow.com/2015/07/13/groups-department-of-education-fails-to-respond-to-white-house-call-for-student-debt-relief-in-undue-hardship-bankruptcy-cases/>

^{xvii} <http://www.warren.senate.gov/?p=news&id=116>; http://libertystreeteconomics.newyorkfed.org/2015/02/just-released-regional-household-debt-and-credit.html#.VaY0I_1VhBd;

<http://www.motherjones.com/politics/2015/03/warren-obama-student-debt-loans>