

Student Loan Debt Sweeping Off – Part 1



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This is the first in a two-part series of emails that will provide an overview of the rise of student loan debt. Many students have the opportunity to attend college, however, many are not so fortunate to leave college as debt free as they came in. “19 percent of US households had student loan debt as of 2010, and 68 percent of 2012 grads left school with more than just a diploma” (Wiersch). The Consumer Financial Protection Bureau (CFPB) recently estimated that there are nearly 40 million students with loans outstanding with a total at around \$1.2 trillion. This amounts to approximately \$30,000 of debt on average per student. More interestingly, the facts show that total student loan debt has quadrupled since 2003 and student loan debt now exceeds all other forms of consumer debt, even credit cards (Wiersch). These facts are intriguing but lead to the question of what is causing the drastic increase in student loan debt over the past several years?

Like any controversial topic, there are countless explanations for the debt increase coupled by a million different individuals’ perspectives. This article examines a few possible reasons as to the sweeping increase in student loan debt.

Lack of Standards Governing Student Loans

The vast majority of student loans is currently using government money and made by colleges on an individual basis. Because of this, rules and regulations are vague and there are few limits as to who can borrow and how much can be borrowed (Norris). With that being said, many problems could possibly be alleviated if student loans had uniform, specific guidelines as to how much can be borrowed, what exactly the money must be used for, and when payments must begin being made across all colleges and universities. According to a recent New York Times article, “Nearly half the student loans outstanding do not currently require any payment at all, either because the student is still in school or because the student has taken advantage of other ways to defer payment” (Norris). Without having supporting criteria governing student loans, many students learn to work the system by taking advantage of the student loan offerings.

Recession Aftermath

Many automatically link the drastic increase in student loan debt to the rising cost of tuition. On the other hand, experts tend to point to the aftermath of the recession as the principal driver in the increase in student debt (Wiersch). Along with the recession came job cuts, increased unemployment, and rising costs (i.e. tuition). This caused parents/families to be less likely to provide funding for college educations.

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