

The Student Loan Crisis:  
Why Traditional Student Loan Debt

## The Student Loan Crisis:

Long-Term Income-Based Repayment Plans Are Not the Answer;

Easing Restrictions on Discharging Student Loan Debt in Bankruptcy is the Answer

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## The Big Short



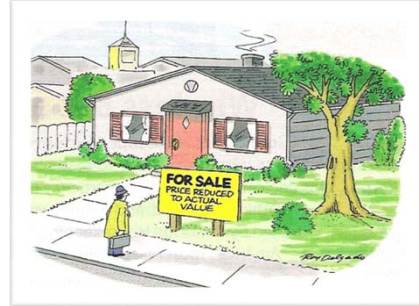
## Mortgage Crisis v. Student Loan Crisis: A Comparison

### Similarities

- Status of both sectors has been misrepresented.
- Product is overpriced.

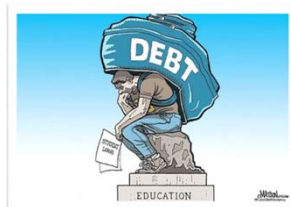
### Differences

- Student loans function as government program, not a market.
- Bankruptcy not an option for most student-loan debtors.
- Defaults unlikely to cause economy to collapse.



## Growing Levels of Student-Loan Indebtedness

- 43 million people have outstanding student loans.
- Nine million people have loans in deferment or forbearance.
- 5.3 million people are in income-based repayment plans.
- 11 million people have either defaulted on their student loans or are delinquent in their payments.
- Almost half of people who borrowed to attend a for-profit college defaulted within 5 years.



## Not all distressed student-loan debtors are young

- 155,000 elderly people are having their Social Security checks garnished due to unpaid student loans.
- Forty percent of borrowers with past due balances were at least 40 years of age.
- One in six borrowers with past due balances are at least 50 years of age.
- Five percent are borrowers with overdue loans are 60 years of age or older.



## In 2016, 387,000 student-loan debtors were totally disabled and 179,000 are in default



- **April 2016: DOE will forgive all loans of people who are disabled without administrative hassles.**

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## Title search: The Student Loan Crisis: Long-Term Income-Based Repayment Plans Are Not the Answer; Easing Restrictions on Discharging Student Loan Debt in Bankruptcy is the Answer

Also available as part of the eCourse

[2016 Bankruptcy eConference](#)

First appeared as part of the conference materials for the  
35<sup>th</sup> Annual Jay L. Westbrook Bankruptcy Conference session

"The Student Loan Crisis and Bankruptcy Relief for Student Loan Debtors Under the Bankruptcy Code's "Undue Hardship" Standard: Are the Courts Ruling More Compassionately Toward Distressed College Loan Debtors?"