

THE BIG SHORT
How Wall Street
Got Rich While Poor People Lost Their Homes

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



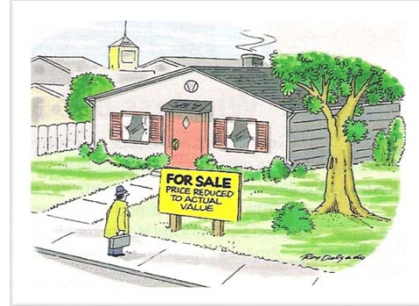
Mortgage Crisis v. Student Loan Crisis: A Comparison

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

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[Issues in Consumer Bankruptcy](#)

First appeared as part of the conference materials for the
35th 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?"