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Facing Student Loans in 2015

At this point in time it is nearly inevitable. If you happen to be the graduating class of 201X, then you will bear a financial burden like no other, and at the worst time possible.

Due to the nature of buying expensive products, all citizens borrow money which they promise to pay off; This is universal. Be it your car, house, education; everything over $5000 tends to, on average, require some sort of mortgage. As a result, all banks are taking a risk: they are somewhat blindly trusting that you have the capacity to make enough money to pay off your debt at a future time. America is a country that is trusted as a reliable and secure place to store money because we have a strong reputation as a nation that pays back its debts. This is why the US dollar is so universally trusted, why Americans have had the luxury for so long to take out seemingly irrisponsible ammounts of dough from the bread man, and why we are still taken seriously despite having trillions in national debt. However, in recent times people have been slipping. Several years ago the housing bubble crashed and left millions of people in debt and some without a home. A similar “bubble” is forming from student loans, but this is even larger and will effect those who are the most financially insecure, and in an increasingly volatile job market. To appriciate the complexity of the situation at hand, it is vital to look at previous ecenomic crashes to prepare for what is to come and in advance to avoid an abrupt and cataclysmic crash that could hinder national progress for years, or worse, damage the United States’ economic reputation.

The Facts:

According to CNBC, who reported from the Department of Educational Data found that those who borrowed the most were students in graduate school. The majority of borrowers over $50,000 were law and medical students.[**1**]

According to the Institute for College Access & Success: In Pennsylvania the average student will bear $32,528 worth of debt, making PA rank 3rd nationwide in state debt. Right behind New Hampshire in 1st place with an average of $32,795.[**2**]

The Heritage Foundation on Budget and spending found that the National debt limit was reached on May 19, 2013, with an unprecedented $16.7 trillion in national debt LARGER than the entire U.S. economy as measured in gross domestic product (GDP).[**3**]

The Federal Reserve Bank of New York published in it's report "Student Loan Borrowing and Repayment Trends, 2015", that student loans surpass HELOCs by about 700 billion, credit card debt by about 500 billion, and even auto loans by around 200 billion. [**4**]

Continuing from citation 4; The FRBNY also found that while a college education still remains a valuable investment, student loans actually increased as other debts decreased. They point out how because most student debts are federal, strict bank lending did not affect loans much. An increase in borrowers as well as a larger balance per borrower were equally to blame for the rise in total NET debt. The Federal Student Aid website offers several pages and PDF documents explaining how to properly save and pay debts and interests before they become a problem, but even with months of preparation in advance, college loans can quickly add up among all the other expenses a student needs to pay out of college. On the National Student Aid website the PDF "Be a Responsible Borrower: Plan Ahead and Graduate With Less Debt" offers more than enough help. [**5**]. The following list is in order. Firstly, they say to make two lists with your sources of income on one, and all of your college costs on the second. Then calculate your total income and expenses and compare that with your budget. If you do not have enough find some way to save. When possible, students should pay interest during grace periods or holidays. Getting a job parallel to your school work is also a necessary duty to graduate with low debt. While it can be hard for some students to balance the two, having a partner or family member to help can make a world of difference. The article slightly hints that having friends with benefits is an important goal.

Alexander Holt, a policy analyst at the New America Foundation describes yet another serious problem at hand on the Washington Examiner's article: "$1.1 trillion student loan bubble?, Not so fast" – "The people we're worried about are totally on the other end," said Alexander Holt, a policy analyst at the New America Foundation. "They have low balances, but they went to a really bad school, they have not graduated, the debt they have is worthless. ... The time they're spending in college isn't paying off." [**6**] In the beginning I made a comparison between the student loan bubble and the housing bubble and crash. Technically, this is not a "bubble" in the same way that the housing bubble was such. I will explain. An economic bubble is usually the price of an asset increasing beyond said asset's intrinsic value. The housing bubble crashed because houses cost way more than they were worth, but a college education is not a physical thing that you can hold and easily value. In previous decades, as any baby boomer will tell you, if you had a college education, you had a job. What happens when everyone can afford a college education though? You have many graduates but no more job openings then there were before. The value of any specific degree has gone down. Because of this, the bar is raised for everyone.[**7**] It doesn't help that most of the US's working class has been replaced by lower wage countries like China, Mexico, and India [**8**], and even by local companies in the US outsourcing their labor jobs.

All of this information but very few predictions. Let's list a few possible outcomes to this problem, both positive and negative: 1. a college education is easy to get and as a result everyone needs to work twice as hard to keep a competitive edge against their colleagues. 2. That all basic white collar jobs will require a college education by default because of a risen standard. And finally, 3. Unfortunately, colleges will continue to become like businesses, degree mills at worst; taking in a constant flow of students and not challenging them. In part, universities shouldn't be afraid to fail people out, this is supposed to be a competitive and challenging environment where you learn and reach your full potential. Parents of lazy kids become hostile, demanding that their children get A's, some parents are even willing to sue to get their money's worth. This is of course quiet rare, but it has happened [**9**]. With the increasing stress on students to make their debt worthwhile, there is almost no time at all to enjoy youth. This generation has unfortunately been born during an financial trough on the wave that is the US economy.

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Outline