

[Alan Collinge](#)

223 Followers

[About](#)

Follow



[Sign in](#)

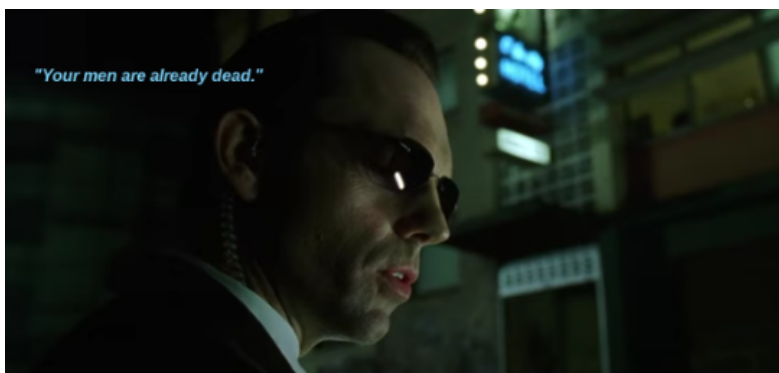
Get started



The Student Loan "Apocalypse" happened 2 years ago.



[Alan Collinge](#) 11 hours ago · 5 min read ★



Defenders of the federal student loan program are nervous. They are trying very hard to turn the federal student loan system back on, so far unsuccessfully, at least until May 1st of next year.

In recent weeks- and in the coming months, we've seen and will see a flurry of articles attempting to "smooth the transition" (Jen Psaki's words) back into loan repayment after a nearly two-year pause. Some, like Mark Kantrowitz, are arguing that there will be no student loan "apocalypse" when payments resume. Others, like Beth Akers, are now making head-scratching arguments that resuming payments will actually *combat* tuition inflation.

This is getting silly.

The increasing desperation- and sheer volume- of these articles betray a fact that everyone who knows the federal program realizes, but few possess the intellectual honesty to admit:

The student loan "apocalypse" has already happened- more than two years ago. The pandemic is the nail in it's coffin. There is no saving it, and there is no good reason to save it.



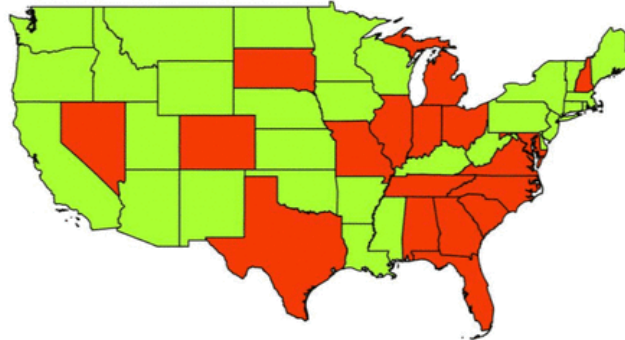
StudentLoanJustice.Org

Before the pandemic, the Brookings Institute estimated that student loan defaults for the Class of 2004 would reach 40%. This is more than double the default rate for subprime home mortgages of less than 20%. These borrowers, however, were borrowing less than a third (roughly \$13,000) of what is borrowed today (roughly \$39,000). Wages have not tripled since 2004. They have flatlined with inflation, at best. Given this, it should not be controversial to say that defaults for all current student loan borrowers were going to be at least 60–70% (if not higher)...*before the pandemic.*

In 2019, Education Secretary Betsy DeVos acknowledged that 75% of all federal student loan borrowers were "unable to pay down their loans". Wayne Johnson, the Federal Student Aid Director, said that this was closer to 80% in the first months of 2020. Department of Education data for that time period shows that before the pandemic, more than half of all borrowers weren't making payments at all.

This is also not a younger person's problem anymore: More than half of all borrowers are now over 35 years old, not under 35. People over 50 with student loans now outnumber people under 25. For both of the older groups, they owe *far more* than their younger counterparts, despite having borrowed far less many years or decades ago. Equally disturbing: student loan debt in over a third of U.S. States now exceeds their state budgets.

In 18 states, student loan debt has exceeded the state budget.



Federal Student Loan Debt by Age

Age Range	# Borrowers	Average Owed	Total Owed
Under 25	7.8 Million	\$14,807	\$115.5 Billion
25-34	14.8 Million	\$33,817	\$500.5 Billion
35-49	14.2 Million	\$42,373	\$601.7 Billion
50-61	6.2 Million	\$42,290	\$262.2 Billion
Under 35	22.6 Million	\$25,256	\$616 Billion
Over 35	22.7 Million	\$41,881	\$950.7 Billion
Over 50	8.5 Million	\$41,058	\$349 Billion
Over 62	2.3 Million	\$37,739	\$86.8 Billion

Source: U.S. Department of Education (Q4 2020)

A default rate 3–4 times higher than the subprime rate. Fewer than half of all borrowers paying before the pandemic. Is this not indisputable evidence of a totally and catastrophically failed lending system?

The 45 million borrowers have obviously inculcated this. They have had a chance to reflect on the debt. They've seen trillions in economic stimulus (including \$1 Trillion in PPP loans that don't need to be repaid) thrown out to the country. Much of this stimulus has gone to millionaires, billionaires,

and even colleges, who have never been in a stronger financial position than they are right now. All of these giveaways added to the national debt, and required money to be printed, or drawn from the Treasury. Federal student loans, on the other hand, can be cancelled without drawing even a penny from the Treasury or adding even a dime to the national debt.

Incidentally, "Student Loan Voters" represent, *by far*, the largest untethered voting bloc in modern American politics. The Biden campaign managed to temporarily win their votes in the 2020 Presidential election by promising to both return bankruptcy protections, and "eliminate" federal student loan debt for public college/HBCU borrowers earning less than \$125k/year, but this allegiance has all but evaporated in view of his blatant betrayal of these voters in the days and months after his election.

The people have come to understand this, whether intellectually, or just viscerally. Most weren't paying before the pandemic, almost none are paying at the present time, and when (if) the Biden Administration gathers the nerve to attempt to turn this failed, rigormortised lending system back on, it would be surprising if even 25% were paying a few months after they flip the switch.



Turning the Federal Student Loan System Back On

And frankly, they shouldn't pay. Conservative Grover Norquist once said that government should be small enough that if needed, it could be "taken to the bath, and drowned in the tub". This is precisely what is needed for this lending beast. It should not be fed. It should be starved, and that is what is happening.

Federal student loans are, for better or worse, vanishing into a mist of illegitimacy, and time only hardens this popular rejection. There is literally

nothing that can be done to change this fact.

Lending systems fail from time to time. This has been true dating back to biblical times, and continues to be true to the present day. In the mid-eighties, for example, the S&L crisis saw the failure of a third of U.S. Savings and Loan Institutions, and the dissolution of the Federal Savings and Loan Insurance Corporation (FSLIC). More recently, the aforementioned Subprime Mortgage Crisis nearly took down the entire world economy. This current failure differs from the previous two, in that bankruptcy protections existed for those loans, but it has been stripped (along with statutes of limitations). This only exacerbates the suffering of the borrowers. It no longer has any utility for compelling repayment. The lending system is too far gone.

Biden would do well to immediately order the Department of Education to stop opposing student loan borrowers in bankruptcy proceedings. Congress would do well to immediately pass [S.2598, a bipartisan bill](#) that will return bankruptcy rights to federal student loans, and compel modest repayment from the colleges when loans are discharged. At this late date, however, it really is easier, cheaper, and far more stimulative to simply cancel all of the loans, call it stimulus, and start from scratch.

President Biden can spend the next 3 years pretending that the federal student loan system is viable, and preside over a painful, messy, probably civilly-unrestful unwinding. Or, he can toss this failed wreck on the scrap heap of failed U.S. experiments, and spend (possibly) the next 7 years creating an efficient, fair, and uncorrupted higher education financing system that actually works.

Pretty easy choice, one would hope.

Get an email whenever Alan Collinge publishes.

Your email

 Subscribe

By signing up, you will create a Medium account if you don't already have one. Review our [Privacy Policy](#) for more information about our privacy practices.

[Student Loans](#)

[Bankruptcy](#)

[Student Loan Cancellation](#)

[Biden](#)

[Student Loan Justice](#)

 1.4K 



obviously not looked closely- if at all- at the student loan problem. ...

[Read more - 7 min read](#)

 952 

[Nov 10](#)

Department of Education: Over half of federal student loan borrowers were not paying before Pandemic.



November 11th, 2021

(updated 11/12/21)

Recent ([Q3, 2021](#)) [data](#) from the Department of Education reveals several disturbing and unreported facts about both the Federal Direct Student Loan Program, and also the Federal Family Education Loan Program (FFELP). ...

[Read more - 3 min read](#)

 1.4K  1

Aug 5 ★

Press Release



Durbin, Cornyn Introduce Critical Bankruptcy Legislation for Student Loans: S. 2598

August 5, 2021

We strongly applaud Senator’s Dick Durbin (IL) and John Cornyn (TX) for introducing *S. 2598: The Fresh Start Through Bankruptcy Act of 2021.* Returning bankruptcy protections to federal student loans is the first step that must be taken to address this national crisis. ...

[Read more - 2 min read](#)

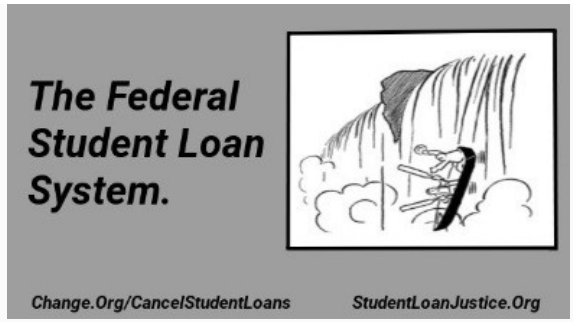
 383

 1

Jun 8 ★

An Open Letter to President Biden.



This message was submitted to the White House on June 8th, 2021:

Mr. President,

Before the election, you said you would "eliminate" federal student loans for people who went to public colleges and earned less than \$125,000 per year, and that you were endorsing a bankruptcy plan that included both...

[Read more · 2 min read](#)



842



3

[About](#) [Write](#) [Help](#) [Legal](#)

