

The causes and solutions of the student loan debt crisis

[Economics](#), [Money](#)



Introduction

My Godfather still owes more than \$25, 000 in student loan debt. He is 49 years old, married, with three kids. His oldest has graduated from college, his middle child is currently in her 3rd year, and his youngest is a freshman in high school. He was sure to encourage his children in every possible way to work hard to obtain scholarships and grants, so that they would not end up like him in the future. There are individuals in the world today who are just like my Godfather. In fact, there are many, much younger than him, who are not able to reach where he is, and many college students, like myself, who have yet to experience the dreadfulness that is student loan debt. The result of this is more and more people not able to fully live out their dream jobs, buy their dream cars and homes; they carry the weight of owing thousands of dollars in student loan debt, which prevents them from doing all these things. There is part of society that has been pulled into the sea of student loan debt and have no way of getting back to the shore. What are some of the causes of the student loan debt crisis and how can we solve it?

The Origin of the Crisis

First, the possible origin of the student debt crisis and how it came to be so disastrous needs to be identified. This can be found in a staff article written by CBS News, a news division for American television and radio. In the article, it is stated that, a decade ago, during the financial crisis, Congress decided that higher education was the factor they needed to cut back on, thus resulting in the rise of tuition and fees. It states that college students

have no other option but to incur high amounts of debt. College is still seen as a great investment, even as tuition and fees have risen in the past years.

This can be compared to mortgages being viewed as a great investment (because homeowners assumed the price of their houses would go up) resulting in the financial crisis. It is also stated that the punishment for individuals who cannot make payments on time is severe, and programs put in place to help, such as The Temporary Expanded Public Service Loan Forgiveness program, are unsatisfactory. In direct correlation, by Mark Strassmann, a correspondent who has been working with CBS News since 2001, entitled “ Millennials Struggle Under the Burden of Student Loan Debt” showcases different individuals who share their situations to increase the awareness of how much student loan debt controls their lives. They reveal the amounts they owe, plus the struggles they have had to encounter after graduating; from quitting their dream jobs, to not being able to buy groceries, and putting off many milestones they would have wished to achieve.

The Ways to Solve the Problem

Maloney’s Opinion

After identifying the cause of the student loan debt crisis, the possible solutions for how it can be solved need to be explored. One of the first solutions can be found in op-ed article, “ The Student Loan Debt Crisis Solution (Politico),” by Carolyn B. Maloney, New York congresswoman and member of the Joint Economic Committee (JEC) where she examines the repercussions acquiring debt from private student loan vendors. Maloney

starts off by introducing the exponentially growing student loan crisis, and how individuals must put a hold on their lives because of it. She then makes known that a recent JEC meeting discussed the alternative of reducing access to federal loans and relying on private loan sectors.

She states that relying solely on these sectors for student loans is dangerous, acknowledging that they do not have the same protections as federal loan programs do. This is in addition to some sectors being exploitative; identifying income-based repayments and extended terms as some of the protections that private loan sectors lack. Maloney follows with a possible solution to this controversy being “income share agreements,” in which a percentage of future income will go towards repayment instead of the amount incurred plus interest. She later recognizes that there are risks and limitations to this alternative as well. Maloney concludes with stating that the solution is not restriction of federal loans or income share agreements, but to enhance dedication to higher education in society.

The Point of View of Harris

Correspondingly, another probable solution can be found in the article “What Happens When a Billionaire Swoops in to Solve the Student-Debt Crisis,” by Adam Harris, staff writer for magazine and multi-platform publisher, The Atlantic. He informs his readers of a charitable act of Robert F. Smith, billionaire founder of the private equity firm Vista Equity partners. In his commencement address to the graduates of Morehouse College, Smith announced that he would be paying off their student loan debts.

Harris goes on to affirm this to be the largest donation to an HBCU, historically black college or university, in history. However, he recognizes that this generosity is not the solution to the student loan debt crisis. After this realization, Harris discusses the current Democratic presidential candidates and their approaches towards obtaining “free college,” even though limitations to these solutions still exist. Some include Senator Bernie Sanders suggestion of making community colleges and trade schools free, and both Senator Kamala Harris And Corey Booker signing debt free acts, but with the possibility of colleges raising tuition prices even more. Harris concludes with a statement made by Smith stating his act of big-heartedness will be carried on by the graduates he awarded, likely encouraging them to pass this on in the future.

Carlson’s Opinion

Representing a completely different frame of mind, in his op-ed piece, “A Call on Congress to Reform Student Debt Laws,” Tucker Carlson, an American conservative politician commentator who has hosted the nightly political talk show “Tucker Carlson Tonight” on Fox News since 2016, argues that colleges are exploiting individuals who take out an abundance of loans to pay for school. Carlson explains this by acknowledging some students drop out of college and perhaps, unknowingly, not be able to get a job afterwards, and have no way of repayment. He notes that colleges raise their tuition prices because they know there is an unlimited amount of money that students can take out in loans, leaving them with no choice but to do exactly that. He provides a possible solution to this problem; colleges co-sign on loans with the students, using the analogy of partnerships in business, where

both parties succeed and share the same risks, stating that colleges are getting all the benefits with no risk. Carlson concludes by saying that Congress should take this into consideration.

My Opinion

Although all authors acknowledge the issue of the student loan debt crisis, both Harris's and Maloney's solutions are impractical and far-fetched. Harris's suggestion is unrealistic, and Maloney does not present any clarifications as to how her proposal will work, whereas Carlson provides a plausible approach to solving the student loan debt crisis. In its entirety, the subject matter helped me to better understand the amount of influence student loan debt truly has over people's lives and to examine the perspective of others on how this crisis should be solved.

While both Harris and Maloney address the student debt crisis for all its adversity, their solutions are illogical. Harris's suggestion solely relies on society's generosity and while it is commendable, it is not the answer to the student loan debt crisis. " Perhaps this is the start of a new trend; HBCUs are not used to receiving such large donations from living donors, and now the record- first a \$30 million gift to Spelman back in December, now \$40 million to Morehouse- has been broken twice in the past six months." (Harris, 2019, para. 7) One cannot simply rely on individuals with wealthy backgrounds to pay off the debt of every graduating class in America. This act of kindness could be the " start of a new trend;" instead perhaps, an assessment for what these billionaires can do to bring awareness to the seriousness of this problem and what they could do to support, other than paying off one

graduating classes' debt, would have made for a better conclusion. Notably, Maloney also expressed deep concern, identifying the repercussions of depending entirely on private student loan sectors as an approach to the crisis. " There's a long history of predatory practices with private student loans that includes inflating billing statements, deceiving borrowers to maximize late fees and illegally calling borrowers early in the morning and late at night." (Maloney, 2015, para. 6)

However, she neglected to explain how her own concluding solution would work. In her article, she describes a meeting with the JEC, in which depending solely on private student loan sectors and restricting access to federal loans is volunteered as a way to " get out of this mess." "

Republicans argue that federal loans are too easy to get and that easy money allows colleges to raise their prices. But they omit private lenders are doing a full- court press to sell their loans- targeting students aggressively on campus, off campus, in gyms, on Pandora, wherever they can find them." (Maloney, 2019. para. 8) She quickly refutes this idea by identifying that private loan sectors do not have the same advantages as federal loans, meaning no income- based repayments or extended terms. Maloney uses strong words, such as " predatory" and " aggressively targeting" for an alerting appeal to her audience, describing ways in which some of these sectors aim at college students during their everyday lives.

She even notes, in agreement with Strassmann's (2019) showcase of different graduate's struggles, " anxiety [felt] about how their loans will impact the rest of their lives." (para. 21) Stating that it also greatly affects

the economy, yet when implying her own personal solution to the problem, “to strengthen [our] public commitment to higher education,” (Maloney, 2015, para. 14) she gives a vague response. This results in the strong emotional appeal shown earlier, falling flat. Setting this aside, both authors express deep concern for the student loan debt crisis and offer solutions that, while they lack proper context to be carried out properly, are commendable.

In complete contrast, Carlson effectively introduces a method that has potential in solving the student loan debt crisis. He explains his point of college being a “scam,” through examples of real-life situations. Carlson explains that “if they [students] drop out of college or their degrees turn out to be worthless (as so many are) and they can’t repay what they have borrowed, so what? The college doesn’t care; they’ve got no stake in the outcome.” (para. 3) stating that colleges are negligent and apathetic regarding students that may have no way of repayment. These individuals struggle and have a huge burden putting a hold on their lives, while colleges get all the profit, all the benefits. To solve this problem, Carlson (2019) suggests “[to] have colleges co-sign the loans.” (para. 3) Using the analogy of a business partnership; “if you and I enter into partnership in business and we succeed, we share the rewards, but we also share the risk. If we fail, we’re both on the hook for that. That’s how honest arrangements work,” (Carlson, 2019, para. 3) Carlson further illustrates his suggestion, delivering a clear description, which made for better persuasion to readers unlike Maloney and Harris’s propositions.

Conclusion

In the course of reading these articles, I have become progressively mindful of how alarming the student loan debt crisis is. I also concur that it is a grave issue destined to greatly affect more college students and America's economy. I believe there are a few solutions that will be able to solve the student debt crisis and help individuals that are already affected by this. I trust that Carlson's solution, having colleges co-sign on the loans, can be carried out properly; though, certain policies should be implemented should any unforeseen setbacks take place. Referring back to Carlson, (2019) "Right now, the federal government allows young people to take out an almost unlimited amount in student loans. Colleges know this, of course, and they hike their tuition to capture as much of that money as they can," (para. 2)

I also believe there should be a limit to how much individuals can take out in student loans to avoid disastrous balances. Furthermore, it is necessary to assist individuals, like my Godfather, who have already accumulated immense amounts of debt. In order to do this, programs, such as The Temporary Expanded Public Service Loan Forgiveness, need to be reformed. The composition of these solutions will aid in solving the student loan debt crisis.

Although both Harris and Maloney's solutions were unrealistic compared to Carlson's, all authors identify and address the student loan debt crisis for its adversity and seriousness. Their efforts of bringing awareness to this issue

will not be for naught. After reviewing and establishing which solutions will be put in place, people, like my Godfather, can get their lives back on track.