One in five US households has student loan debt

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Nineteen percent of all US households in 2010 owed student loans, up from 9 percent in 1989 and 15 percent in 2007, according to the latest report from the Pew Research Center. The average outstanding debt is $26,682. The statistics point to the ever-thickening social quicksand the youth and poor are being forced into.

The study, entitled “A Record One-in-Five Households Now Owe Student Loan Debt,” uses the data from the most recent Survey of Consumer Finances (SCF) that was conducted in 2010, along with historical data from 1989 onwards. It reports on the households of the US, defined as an “economically dominant single individual or couple” and their dependents, and the breakdown of student debt of these households within the US. All data has been adjusted for 2011 dollars.

Overall, a portrait is painted of the overall trend that began 20 years ago—outstanding student debt within the US has increased dramatically over the past two decades and is continuing to grow exponentially. It also reveals the serious hardships that student debt has inflicted on the population. More and more, people are being forced to borrow for higher education that has ever-increasing tuition costs, costs that have *tripled* in the past two decades.

A few facts are worth highlighting:

• 40 percent of all households headed by someone younger than 35 have student debt.

• 26 percent of all households headed by someone between 35-44 have student debt.

• 10 percent of households with student debt owe more than $61,895.

• 24 percent of the annual income of those who make less than $21,044, well below the official poverty line, goes to student debts.

• 45 percent of installment debt paid by households goes towards student debt.

The social dimension of this should be considered in real numbers of those with student loans. Nearly 10 million households headed by someone younger than 35 have student debt; 8.5 million households headed by someone between 35 and 44 have student debt. Some 2.2 million households owe more than $61,895 in outstanding student loans. Of those already in poverty, those making less than $21,044, 4.5 million of these households pay 24 percent of their income towards paying student loans.

This means that tens of millions of people all across the US are mired in tens of thousands of dollars of outstanding student loans. Millions are being forced to choose between having basic necessities and paying student loans because they simply do not have the financial resources to pay off these loans. The younger generations have been saddled with a lifetime of debt.

This is compounded by the high unemployment for recent graduates. According to data from the US Department of Labor, nearly 26 percent of people under 25 with a bachelor’s degree are unemployed and 38 percent are underemployed. Not only are the youth being forced to take on more and more student debt, they are then unable to find work to pay it off.

The Pew study also revealed a high level of indebtedness in the middle class of America. The mean debt of those that make $36,724 to $59,623 per year stands at $29,953, while the debt of those who make between $59,624 and $97,585 per year is $24,076. While more capable of paying debts, these groups, the middle and fourth quintile of income earners in the US respectively, still must contend with debt that can last for decades.

These social conditions, where collective student loan debt has surpassed $1 trillion (more than credit card debt and automobile debt), are directly caused by the policies of the current administration. Obama doubled the interest rate of the un subsidized Stafford loan in July to 6.8 percent. There is no challenge to the PLUS loan interest rate of 10 percent.

As if these interest rates are not high enough, the government also provides a “special allowance” in the federal budget for any lenders that do not feel their revenue is adequate, based on treasury bills. Certain types of loans will no longer have the typical grace period, forcing graduates to begin paying off their debts before they have settled into their post-college life. All of these policies are included in the Consolidated Appropriations Act, signed by president Obama in July.

There is a clear social policy of forced indebtedness of broad layers of the population that are permanently at the mercy of the banks.

The default rate on student loans is high—one in six. This has created a lucrative business for collection agencies, to which the Department of Education alone paid $1.4 billion last year to acquire the $76 billion that are currently in default. The agencies are also now empowered to seize tax refunds of those defaulting on loans.

Collection agencies likewise have the power to seize portions of Social Security checks—if, for example, a grandparent takes out a student loan to help a grandchild pay for school, or an older worker who was laid off went back to school for retraining. The only limit is that such checks cannot be reduced below $750 per month, which is below the poverty line. From January through August of this year, 110,000 retirees have had their Social Security check garnished in this manner.