

Student Loan Debt Crisis

“Something called ‘the Oklahoma Standard’ became known throughout the world. It means resilience in the face of adversity. It means a strength and compassion that will not be defeated.” – Brad Henry

Student Borrowers in Oklahoma Falling Through the Cracks

Oklahomans seeking higher education to the betterment of themselves, their families, their neighborhoods, and the communities and state where they live, are climbing a mountain of debt, and they need help.

Our clients seeking help with student loan delinquency often are potentially credit-worthy and may qualify for repayment options offered through their servicer, but they are not aware of these options, and sadly, national loan servicers do not do a good job of helping the student borrower access them. As with other types of debt, for many, when they become delinquent, the servicer becomes an adversary instead of a partner. Students may go months without having made a payment on their loans, avoiding phone calls and letters, and exacerbating the problem.

MANY OF THE CLIENTS WE ASSIST HAVE BECOME CONFUSED OVER THE DETAILS OF THEIR LOAN REPAYMENT, ENDURED A FINANCIAL SHOCK, OR NEVER STARTED LOAN REPAYMENT AFTER GRADUATION. OUR COUNSELING HELPS GIVE THEM A NEW BEGINNING BY HELPING THEM UNDERSTAND AND REPAYMENT OPTIONS.

[Watch now: See why student debt is so confusing compared to other forms of debt.](#)

CCCSOK.org was an early adopter of student loan counseling expertise. We are members of the Center for Excellence in Financial Counseling, a national think tank devoted to providing quality solutions for student borrowers who are in trouble, and have been providing unfunded student loan borrower counseling for the past few years.

A delinquent student loan is not the same as most other types of delinquent debt. The ease of obtaining the loan is high, often due to access to a parent’s good credit, and the collection power and consequences for missed payments are severe:

- **Heavy damage to the borrower’s credit report**
- **The ability to levy wages without a judgment (known as an administrative garnishment)**
- **The ability to seize federal tax refunds**

- **The ability to attach any source of income – including social security**
- **In all but the most extreme and rare cases, the inability to obtain bankruptcy protection**

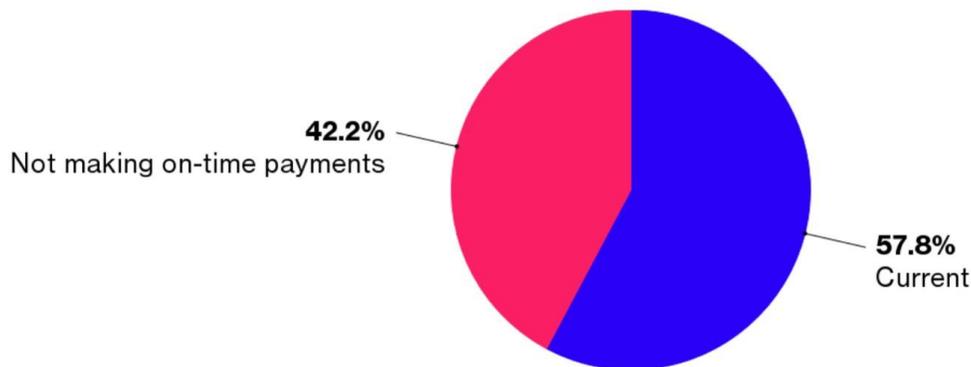
Students are graduating with more debt than ever before. In fact, considering the guideline that total student loan debt at graduation should be less than the annual starting salary of the borrower, over 25% of graduates are graduating with what is defined as excessive debt, and the fallout from that debt can have lifelong consequences.

"College costs have increased two times to three times faster than the rate of inflation every year consecutively for the last 20," said Robert Franek, senior vice president and publisher at The Princeton Review.

Data from the *Baccalaureate & Beyond Longitudinal Study* found that “the percentage of bachelor’s degree recipient’s graduating with excessive debt grew from 9.8% in 1993-94 to 14.4% in 2007-8. If the percentage has continued to grow at the same rate, about 16.7% of college graduates are now graduating with excessive debt.” This number takes into account students who graduate with no debt; however, if we take into account only the students who graduated with debt, the number is much higher. More than a quarter, 27.2%, are graduating with excessive debt.

Many student loans aren't being repaid on time

Two in five are either late, in default, being postponed, in disability, or bankruptcy



U.S. Department of Education data on federally-owned loans, by dollar volume, as of June 30, 2016. Excludes loans not yet expected to be repaid. Bloomberg estimated FFEL loans in in-school deferment.



A few numbers to consider (and some that bear repeating):

- **The total outstanding student loan debt in the U.S. is \$1.2 trillion, that’s the second-highest level of consumer debt behind only mortgages. Most of that is loans held by the federal government.**

- **About 40 million Americans hold student loans and about 70% of bachelor’s degree recipients graduate with debt.**
- **The class of 2015 graduated with \$35,051 in student debt on average, according to Edvisors.com, a financial aid website, the most in history.**
- **One in four student loan borrowers are either in delinquency or default on their student loans, according the Consumer Financial Protection Bureau.**

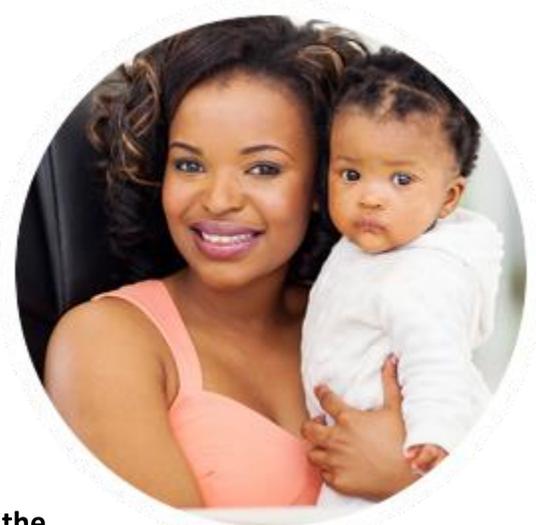
When graduate level psychology students were asked about the effect of debt on their overall well-being, 64% of them reported that concern over finances and debt negatively impacted their sense of well-being with feelings of shame, guilt, and denial.

Getting a degree is a milestone that should be celebrated, and far too many people are graduating with crushing debt. There are options to refinance student loans and/or receive a lower interest rate. At the minimum, recent graduates with debt need to feel they have control of their household finances.

Traditional Students Aren’t the Only Oklahomans at Risk: Using Shame to Promote Debt

Though there are many legitimate institutions offering flexible education options – like online and evening classes for non-traditional students, we also know there are several predators and the marketplace is confusing.

Student borrowers who failed to complete their education are bombarded with pop-up advertisements online, high pressure phone calls, and by television to “finish what you started” with expensive, for-profit, degree mills. Though there have been actions brought against some of these institutions, there are many more to fight than there are heroes to fight them.



- **These predators take advantage of widespread beliefs that the education itself is more valuable than the money (or debt) it costs to obtain it.**
- **They offer credit for “Life experience”**
- **No study, exam, or interaction is required**

- Flat fees may be charged on a per-degree basis
- The degree may be offered in very little time – days, weeks, or a few months.

Disturbing trends show that in Oklahoma, the highest rates of student loan payment delinquency are among middle class families of racial minority.



How can CCCSOK.org Help?

A three part approach would provide huge relief in Oklahoma:

- **Before Enrollment:** Widespread multi-media awareness campaign in Oklahoma targeting high school students, parents of high school students, and potential non-traditional students revealing potential costs, predatory schemes, and giving tools to make good decisions. We need more than the message of: “Student loans are bad.” The environment our students are in requires easy to navigate information and solutions so they can make safe, responsible, consumer decisions.
- **On-Campus:** Working with institutions of higher education to promote awareness and access to debt-free or debt-reduced options for Oklahoma students attending Oklahoma colleges and universities. As campuses move away from a cash basis by encouraging the students to use their student debit credit card, students are finding that they have no idea how much they are spending. We can work on campus, in orientations, and in coursework to promote awareness of expenses and encouraging students to invest in their financial skills.

- **After Campus:** One-on-one credit counseling provided to borrowers who are delinquent and navigation assistance through the complicated student loan repayment system. Counseling provides analysis and orientation of repayment and loan forgiveness options, and education on how to understand and apply for options to forgive the loan, bring the loan current, and potentially qualify for lower monthly payments to help with cashflow issues. In addition to the student loan analysis and assistance, CCCSOK.org Nationally Certified Credit Counselors will provide full analysis on repayment options for other household debt, help building a balanced budget that promotes saving for the future, and provide a credit report review and coaching to help these borrowers experience the positive financial benefits of healthy finances and credit.

Research sources:

<https://nces.ed.gov/surveys/b&b/>

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<http://www.marketwatch.com/story/americas-growing-student-loan-debt-crisis-2016-01-15>

<http://www.bloomberg.com/news/articles/2016-08-29/this-is-how-badly-we-re-managing-our-student-debt>