



## **Growing Chorus of Conservatives Calling for the Return of Bankruptcy Protections to Student Loans**

*Student loan debt has skyrocketed past credit card debt, yet Trump's silence is deafening.*

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The nation owes about \$1.5 Trillion in student loans today. Nearly \$1 Trillion of this was added during the last president's term. Student loan debt has skyrocketed past credit card debt, and all other revolving consumer debt combined. By the end of next year, the country will past the \$2 Trillion mark. This debt is strapped to 44 million people in the country who carry an average debt of \$34,000. Interest alone on this amount is about \$90 Billion per year. In President Trump's joint session address last night, however, he said absolutely nothing about the student loan problem.

When Trump was running for office, he criticized the profiteering of the federal government on the student loan program. In an interview with The Hill, he remarked, "That's probably one of the only things the government shouldn't make money off — I think it's terrible that one of the only profit centers we have is student loans," In his inauguration speech, the President lamented that our schools were "flush with cash". So his silence last night was both surprising and disappointing.

Trump was right about student loans being revenue. The Department of Education is sitting on well over \$1 Trillion in loans, and is booking some \$50 Billion in profit per year on the program, probably far more than that in more recent years. What is worse: In the absence of bankruptcy protections, statutes of limitations, and other bedrock consumer protections, the federal government is actually making a profit on defaulted student loans- something that no other lender for any other type of loan can claim. And make no mistake: The Department fights tooth-and-nail behind the scenes to keep bankruptcy gone from student loans.

Trump was also right about the colleges being flush with cash. Not only have administrative salaries and capital improvements exploded at college campuses across the nation, their cash reserves (separate from their endowments) have ballooned over the past decade. Since the financial crisis of '08, the colleges have managed to build up reserves- aka slush funds- that could possibly be greater than the combined value of all college endowments!

If Trump and the republicans want to actually fix this problem, they will do what they should have done a long time ago, and return standard bankruptcy protections by repealing 11 USC 523(a)(8). This will force the Department of Education to crack the whip on the schools to lower their prices, tighten the federal lending limits (or impose them where currently there are none), and administer the lending system- including the forgiveness programs like what Trump proposed- in a fair manner. This will stabilize the lending system, bring prices back to rational levels, and win over tens of millions of voters, whether want to file or not (most would not).

President Trump knows the reasons for the bankruptcy system in this country. He knows firsthand that bankruptcy is a critical mechanism for ensuring fair lending, rational pricing, and good faith in a lending relationship. That the Founders demanded a uniform system of bankruptcies ahead of the power to raise an army, coin currency, and even declare war when they wrote the U.S. Constitution demonstrates the importance of having bankruptcy rights, and the student loan counter example proves their wisdom in spades.

Trump and the republicans cannot kick this can and not have it blow up in their faces. A study following the undergraduate class of 2005 found that as of 2010, a whopping 63% of these people were in default, forbearance, deferment, or were otherwise delinquent on their loans. Given that these students were leaving with an average of about \$13,000 in loans where today they are leaving with more than \$35,000, it is not much of a stretch to assume that the entire lending system is on the brink of total failure.

They should listen to the growing chorus of conservatives calling for the return of bankruptcy protections to student loans. This includes people like Jeb Bush, David Brooks, and groups like the Cato Institute. If they don't, then they will certainly find themselves having to explain to the taxpayers why the entire lending system evaporated into a mist of illegitimacy on their watch.