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The Student Loan Crisis and the Future of Higher Education

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The crisis in student loans has been relatively little noted in public discourse, yet it has already reached epidemic proportions and continues to expand. Total outstanding student loan debt will likely exceed $1 trillion early in 2012, and continues to grow at alarming rates. The total amount of loans taken out just for the year 2010 exceeded $100 billion, and total outstanding debt has doubled in just the past five years.[1] One can get some sense of the breadth and depth of the crisis by noting that $1 trillion is enough money for 20 million individuals to be carrying a balance of $50,000 each.

At the same time, however, millions of student loan borrowers are finding it difficult if not impossible to service their debt. This is principally due to the fact that the current and recent annual cohorts of graduating college students, especially since 2008, face the bleakest employment prospects in decades. A recent study of 667,000 students who entered repayment in 2005 found that 15 percent of students in that cohort defaulted outright, and another 26 percent became delinquent in their payments.[2] Another recent study documents the bleak state of the labor market for more recent college graduates. According to this study, only 56 percent of the graduating class of 2010 had held at least one job by the spring of 2011. This is a drastic drop of the 90 percent figure for graduates holding a job in their first year following the classes of 2006 and 2007.[3]

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