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Explosive Rise of Student Debt Threatens Workers' Happiness, and Economic Stability

By Mitch Draizin

For many, going to college is the first chance for young adults to stretch their wings. It gives them the chance to be independent, to pursue their interests, and to set themselves up for success in the field of their choice. Unfortunately, for more than half of graduates, their degree comes at a hefty price. With federal student loan payments due just six months after graduation, the next step must be lucrative and chosen quickly, lest they risk financial ruin.

This widespread problem, sadly, has not led Congress to act on lowering the nation's accumulated student loan debt. In fact, Republicans would rather discuss a second round of tax cuts our federal budget cannot afford instead of addressing this ticking time bomb of a financial disaster that threatens our entire economy, not to mention the happiness and mental health of a significant portion of our workforce. This fall, as another generation of Americans head off to school, they tie their personal and professional lives to their projected earning ability instead of their interests, and add on millions of dollars to the impending debt crisis in the process.

Last quarter, outstanding student loan debt soared to **$1.5 trillion**, past credit card and medical bill debt. As of this year, the average student loan borrower owes **$37,172** in loans. Due to this, the independence of many graduates is weakened by their debt burden. Often, students are forced by their debt to make **money the priority**, according to Stephen Seaward, a career development director at St. Joseph's College in Connecticut. Those with a large amount of debt may be forced to take the job which pays the most, regardless of whether or not it is the position they actually want to pursue. "This looks like it's becoming pervasive among a generation of students graduating with all this debt," Seaward says. Research supports this, with one study finding that **47%** of recent graduates' career pursuits are influenced by loan payments.

For many who do not allow their debt to dictate their career choices, financial ruin is real possibility when missed payments pile up. This is because it is nearly impossible to discharge federal student loan debt, even in bankruptcy. Unlike private student loan servicers, which weigh the costs of litigation and how much they'll probably receive from borrowers, the **Education Department** fights bankruptcy discharges "regardless of the circumstances." Litigation, which requires lawyers well-versed in federal education policy, is almost always unaffordable for those who already cannot meet their monthly loan payment, thus making federal student loan debt unshakable.

If the individual impact is not enough, perhaps a financial crisis will get Congress moving. Federal Reserve Chairman **Jerome Powell**, who suggested that student loan debt should be discharged in bankruptcy, also believes that the economy's growth will be hindered "as student loans continue to grow and become larger and larger." For perspective, **11%** of student loan balances are 90 days overdue, which is "significantly worse than mortgage delinquencies during the subprime crisis."

While the student loan bubble has not burst yet, our economy still suffers from the student debt crisis. As stated above, graduates' career pursuits are affected by large amounts of debt. This makes for a growing percent of our workforce that is unhappy, which should concern those with and without college debt alike. A number of studies, such as the one conducted by the **University of Warwick**, show happiness makes workers more productive. A more productive workforce means a more robust economy, with the inverse holding true as well. Not just for their sake, but for the sake of the entire economy, we simply can't afford to let our graduates choose between debt and unhappiness any longer.

Mr. Draizin is the founder and President of Longview Capital Advisors which serves as investment and mortgage bankers to New York Metro based real estate developers, owners and owner-occupiers. He serves on multiple national boards focused on Education, LGBT and Progressive issues, and is a member of the Patriotic Millionaires, a coalition of high-net worth Americans concerned about the destabilizing concentration of wealth and power in the U.S.

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