

How to Avoid Becoming a Casualty of Student Loan Debt

More frequently, college graduates are [reporting](#) that student loan debt dictates almost every aspect of their lives, including “jobs, children, marriage, buying a house, and saving for retirement.” Some feel “trapped” and bear crushing guilt for having others cosign on ill-advised loans.

Graduates are suffering not just financially, but physically as well. A recent [survey](#) showed that “[m]ore than 61 percent of respondents said they fear their student loan debt worries are spiraling out of control – and more than 70 percent reported suffering from headaches due to the stress of it.”

[Current statistics](#) about it are frightening and show how widespread the problem is:

- \$1.48 trillion in total U.S. student loan debt
- 44.2 million Americans with student loan debt
- Student loan delinquency rate of 11.2% (90+ days delinquent or in default)
- Average monthly student loan payment (for borrower aged 20 to 30 years): \$351
- Median monthly student loan payment (for borrower aged 20 to 30 years): \$203

The main issue is that unlike auto loans and mortgages, student loan debt is not dischargeable in bankruptcy. In March of this year, Jerome Powell, the recently appointed chairman of the Federal Reserve’s Board of Governors, said that he’s “at a loss” as to why this is the case, and that the loan burden will greatly hinder economic growth.

The question then becomes: what can we do about it?

The Wall Street Journal recently posted an [article](#) online about judges who are trying to work around current legal codes to forgive more loans. Many of these judges have done so out of sympathy for people's plights, especially because some have debt-ridden children of their own.

However, while the judges' actions may come from good intentions, having potentially hundreds of judges all interpreting loan forgiveness laws differently is obviously not a reasonable solution. And yet, as the article points out, bills in Congress to make student debt more forgivable and easier to pay off have stalled in committee.

A market response to the issue has emerged in the introduction of what are known as income share agreements (ISA's). Instead of students taking out loans to finance tuition costs, universities or investment groups bear the costs while students agree to pay the relevant parties a percentage of their future income.

Purdue University created the first ISA program in 2016 and many other private universities have [followed suit](#). Purdue's program has different repayment terms based on major (which makes sense given different earnings potentials among majors), but others such as Loma Point Nazarene University offer the same terms to every student: 2 percent of their income for 6 years for each \$5000 borrowed.

Solutions like ISA's have the potential to alleviate some worry of future college students, but ultimately the government must stop giving out student loans so freely and modern culture must stop elevating a college degree as the only way to personal wealth and fulfillment. Trade schools and vocational schools remain perfectly viable and potentially lucrative options for many students.

If people stop taking out so many loans for 4-year programs and enrollment numbers drop, colleges will be forced to lower prices. But it's hard for students to fully understand the financial ramifications of college, especially if parents

neglect to help them and have a possibly uncomfortable discussion.

Financial illiteracy remains prevalent among students, so much that a [2018 survey](#) found more than half of students don't know that interest accumulates on their student loans, in addition to many other troubling findings. No one wants to talk about money, but doing so is needed more than ever.

In the meantime, what options are there for students who want to go to college but avoid student debt?

1. Start at a community college and transfer to a state school

CC's are far cheaper than 4-year programs and can be a great way to complete classes (especially for general education requirements) that count towards a degree at a state school.

2. Go to a trade or vocational school

Mike Rowe, star of hit TV show "Dirty Jobs" has been a prominent advocate of this position, and even inspired *Forbes* to create a [rankings list](#) of trade schools.

3. Take a gap year to work

Building up funds to support yourself through college can greatly reduce the student loan burden you have to bear.

While Congress deliberates on student loan relief, how else can parents help their kids make informed life decisions and avoid student debt?

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