

Generation Debt: The New Economics of Being Young

Six figure student loans. Credit card sharks in cahoots with colleges. Ambitious young people today must take on unprecedented debt simply to reach the middle class.

A college education, once the key to middle-class respectability, has become an albatross wrapped around the necks of millions of Americans trying to keep their heads above water in this uncertain economy. The average college grad owes approximately \$20,000. People who had to borrow their way to a graduate degree are already in the hole \$45,000; median debt for grad students has increased 72 percent since 1997. "The next generation is starting their economic race 50 yards behind the starting line," says Elizabeth Warren, a Harvard Law School professor and author of *The Two-Income Trap*. "They've got to pay off the equivalent of one full mortgage payment before they can make it flat broke, just to pay for their education."

Student loans more than 7 years old used to be dischargeable in bankruptcy under certain circumstances. However, an appropriations bill passed in 1998 removed this provision. Currently, student loans may be discharged if paying the loan will "impose an undue hardship on the debtor and the debtor's dependents." Sadly, it is nearly impossible to meet the burden established by the "undue hardship" exception. For example, a student loan debtor who had nerve damage, bronchitis and arthritis, and whose daughter had epilepsy, mother had cancer, and grandchildren had asthma, failed to convince the bankruptcy court to discharge her student loans.

Similarly situated Canadians have had enough. Drowning in debt and feeling like second-class citizens, some Canadians carrying hefty student loans say their rights are being violated, and they're challenging bankruptcy laws under the Charter of Rights and Freedoms, the analogue to the United States Constitution.

The Canadian Federation of Students is waiting for its day in court after it launched a charter challenge on behalf of student loan debtors. Student loan debtors are currently lumped in with criminals and deadbeat parents as the only citizens with restrictions on declaring bankruptcy. Ironically, Canadian law is not nearly as draconian as the United States restrictions on discharging student loan debt.

The college student has another financial bogeyman, the credit card shills that swarm American college campuses. The colleges make millions off the credit card companies for the privilege of setting up kiosks on campus to market their cards.

Adding insult to injury, Federal Pell Grants are more difficult than ever to obtain. In 1980, the average Pell Grant covered 77 percent of the cost of an undergraduate education; today, it's 40 per cent. The Department of Education recently revised its eligibility guidelines which will reduce financial awards and exclude 84,000 people from the program entirely.

Wealthy kids whose parents paid for their education start their lives debt free. The rest of Americans trying to avoid middle class poverty are stuck treading water with the waves of Sallie Mae, Nellie Mae and Citibank crashing down on them.

Beyond a Chapter 13 consolidation, the bankruptcy code cannot assuage the burden of overwhelming student loan debt. Higher education may mean a lifetime of loan-indentured servitude. The system punishes the young who strive for a better life via higher education. And change is not likely in the near future. The political tradewinds are not influenced by the plight of American's young and the presidential candidates have not offered any solutions. Sadly, American youth pay their "ambition tax" in silence.

Source: The Ambition Tax by Kenner Koerner, The Village Voice