



Strategic Relief for the Student Loan Crisis is Possible

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*A commentary from Lara Sutherlin, DATCP Administrator,
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MADISON – A post-secondary education has long been sold as a path to success. Higher salaries. Increased career potential. Significant return on investment. For many, this plan pans out. But for millions of others throughout the nation, the weight of the student loan investment and its lingering effect on their spending potential could impact their dreams of a “better” life.

According to the Federal Reserve Board, student loan debt is a \$1.5 trillion burden on the national economy, stalling consumer spending on housing needs, health care, vehicles, consumer goods, and more. Behind mortgages, student loans are the second largest credit debt for Americans.

A September 2018 report broke down the national student loan figures by state from the Class of 2017. Wisconsin ranked sixth among states when considering the number of 2017 graduates of four-year colleges who were carrying student loan debts – 64% of Wisconsin’s 2017 graduates were carrying loans at the time of the report. Among those Wisconsin students, the average loan holder carried nearly \$30,000 in school-related debt¹.

The student loan crisis is typically seen as a younger person’s issue, but the facts show otherwise. This is an intergenerational issue where the buying and saving power of older Americans is increasingly affected by the debts accrued through their own student loans and their co-signing obligations on their childrens’ and grandchildrens’ loans. Many in the workforce who returned to school after the 2008 financial crisis may still be carrying the loans that they needed to broaden their marketable skills or to find new employment following a layoff. These people are often forced to turn to retirement funds to keep up on their student loan commitments, and will likely stay in the workforce longer than originally planned to pay back any borrowed funds.

Thankfully, there may be help on the way for Wisconsin residents. A collective of state agencies are working together to help provide relief for Wisconsin consumers who are struggling to move ahead with their student loans. Governor Tony Evers’ 2019-21 budget proposal calls for the creation of a student loan refinancing authority run by the State of Wisconsin. The Wisconsin Department of Financial Institutions, the Higher Education Aids Board and the State Treasurer’s Office would develop a feasibility study to get a closer look at how this program would benefit the state’s economy and the economic well-being of student loan holders throughout Wisconsin.



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¹ Cheng, D. and Gonzalez, V. (Sept. 2018). *Student Debt and the Class of 2017*. The Institute for College Access & Success. Retrieved from https://ticas.org/sites/default/files/pub_files/classof2017.pdf, pg. 10.

While Governor Evers' effort gets underway, student borrowers should be wary of student loan scams masquerading as quick fixes to the complicated problem of paying back student loan debt. For instance, there are many student loan debt consolidation companies that offer costly guidance on choosing the right student loan repayment plan – guidance that can actually be obtained for free from the U.S. Department of Education. Other student loan debt consolidation companies commit outright fraud, taking student borrowers' money in exchange for a promise of lowering student loan debt but providing nothing in return. Contact the Wisconsin Consumer Protection Hotline at 1-800-422-7128 to see if the company you are considering has received complaints. Also, be sure to contact your loan servicer and the U.S. Department of Education for information about student loan repayment plans, or consider contacting a nonprofit financial advisor for guidance on how best to repay your student loans.

When considering higher education in general, be sure to do your research about the institution and whether the cost of its education will yield the outcomes you desire. There are three broad options for post-secondary education: public schools, private non-profit schools, and for-profit schools. It is important to do your homework before enrolling in one of these institutions. Inquire about the school's graduation rate, the percentage of graduating students who obtained full-time permanent employment within their fields of study, and the percentage of students paying back their student loans.

By providing some help through refinancing and consumer education, we may be able to give our fellow Wisconsinites the tools they need to move forward and start building the improved futures that higher education was promising. In the interest of the state as a whole, this is a goal worth pursuing.

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