

Legislation Text

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Authorizing Philadelphia City Council's "Special Committee on Student Loan Debt" to investigate the impact of student loan debt on older borrowers in the City of Philadelphia.

WHEREAS, According to a January 2017 report from the Consumer Financial Protection Bureau (CFPB) entitled "Snapshot of older consumers and student loan debt," the number of people age 60 and older with student loan debt quadrupled over the last decade in the United States, increasing from about 700,000 individuals to 2.8 million; and

WHEREAS, At the same time, the average amount these older borrowers owed almost doubled from 2005 to 2015, increasing from \$12,100 to \$23,500. In 2015, older consumers owed an estimated \$66.7 billion in student loans; and

WHEREAS, While most student loan borrowers are young adults between the ages of 18 and 39, people age 60 and older are the fastest growing age-segment of the student loan market, with the share of all student loan borrowers that are age 60 and older increasing from 2.7 percent in 2005 to 6.4 percent in 2015; and

WHEREAS, This trend is not just because borrowers are carrying more student loan debt later in life, but also because more and more parents and grandparents are now taking out loans to finance their children's and grandchildren's education; and

WHEREAS, The majority of older student loan borrowers have loans that were used to finance their children's or grandchildren's education, and they may have taken out these loans directly, or co-signed on a loan with the student as the primary borrower. In 2014, 73 percent of student loan borrowers age 60 and older reported that their student loan debt was owed for a child's and/or grandchild's education, whereas only 27 percent reported that their student loan debt was for their own or their spouse's education; and

WHEREAS, Unlike younger student loan borrowers, older borrowers also tend to have other types of debt in addition to their student loans. In 2013, 63 percent of older student loan borrowers also owed mortgage debt, 67 percent also owed credit card debt, and 45 percent also owed auto loan debt; and

WHEREAS, Many older borrowers are behind on their student loan payments. For example, the proportion of delinquent student loan debt held by borrowers age 60 and older increased from 7.4 percent to 12.5 percent between 2005 and 2012; and

WHEREAS, Many older borrowers are in default on their loans, and at higher rates compared to borrowers of younger ages. For example, in 2015, 37 percent of federal student loan borrowers age 65 and older were in default, compared to 29 percent of borrowers age 50 to 64 and 17 percent of borrowers age 49 and under; and

WHEREAS, Student loan debt is also taking a toll on retirement security for America's seniors. A growing number of older federal student loan borrowers had their Social Security benefits offset because of unpaid student loans, increasing from 8,700 older borrowers in 2005 to 40,000 borrowers in 2015. For many older

borrowers, Social Security may be their only source of retirement income, and benefit offsets such as these can lead to serious financial hardship; and

WHEREAS, A large portion of older student loan borrowers struggle to afford basic needs. In 2014, 39 percent of consumers age 60 and older with student loan debt said they skipped necessary health care needs such as prescription medicines, doctors' visits, and dental care, compared to 25 percent of older consumers without any student loan debt; and

WHEREAS, Among households nearing retirement, age 50 to 59, those with outstanding student loan debt have less saved for retirement than their counterparts without student loan debt. For example, in 2013, within this age range, the median retirement savings balance for consumers without student loans was \$65,000 in employer-based retirement accounts, compared to \$55,000 for consumers with student loans. For those with IRAs, the median retirement savings balance for consumers without student loans was \$56,000, compared to \$31,000 for consumers with student loans; and

WHEREAS, Older borrowers also face unique issues when it comes to repayment of their student loans. For example, many older borrowers have faced problems when trying to enroll in income-driven repayment plans after moving from being a salaried worker to being a retiree on a fixed income. Others have faced issues with servicers misallocating their payments to other loans owed only by the primary student borrowers; and

WHEREAS, Seniors can also be more susceptible to debt collectors' aggressive and hostile tactics, and some older borrowers have said these tactics cause fear, high levels of stress, and sometimes, undue strain on their health; and

WHEREAS, According to an August 2017 CFPB report entitled "Older consumers and student loan debt by state," the number of student loan borrowers age 60 and older in Pennsylvania increased from 128,448 individuals in 2012 to 201,744 individuals in 2017, an increase of 57 percent. At the same time, the median student debt balance per older borrower in Pennsylvania grew from \$12,637 to \$14,495, an increase of 15 percent; and

WHEREAS, Across the entire state, the total student loan debt balance for borrowers ages 60 and older more than doubled in the past five years, growing from \$3,299,605,000 in 2012 to \$6,830,725,000 in 2017; and

WHEREAS, In Pennsylvania, the portion of borrowers age 60 and older in delinquency grew in the past five years. In 2012, just 9 percent of older borrowers were in delinquency, and this grew to 12 percent by 2017. More alarmingly, the number of borrowers age 60 and older in delinquency almost doubled, growing from 12,192 in 2012 to 23,520 in 2017, an increase of 93 percent; and

WHEREAS, Because more older student loan borrowers are struggling, their struggles are becoming more severe, and the solutions to assist them may be different than those solutions aimed at younger borrowers, it is of the utmost importance to further investigate the impact of student loan debt on older borrowers in Philadelphia; now, therefore, be it

RESOLVED, THAT THE COUNCIL OF THE CITY OF PHILADELPHIA, Hereby authorizes the Philadelphia City Council's "Special Committee on Student Loan Debt" to investigate the impact of student loan debt on older borrowers in the City of Philadelphia.

