

STUDENT LOANS

Student debt could hold back economic growth, should be discharged in bankruptcy, Fed chief says

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Jeff Cox

@JEFF.COX.7528

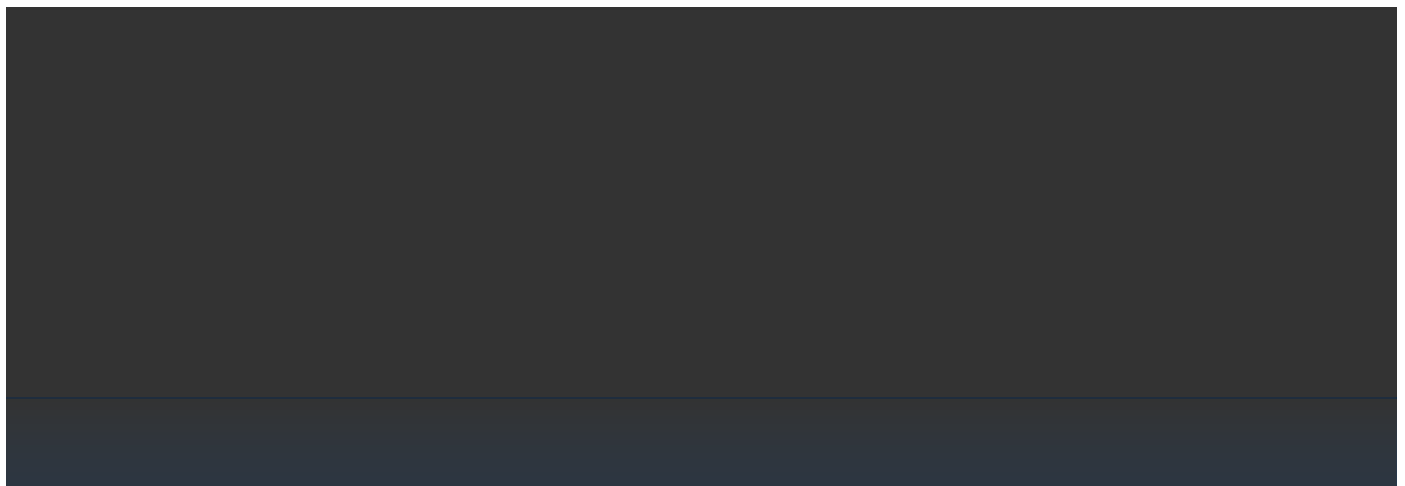
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KEY POINTS

- Education debt has swelled to nearly \$1.38 trillion at the end of 2017, a trend that Fed Chairman Jerome Powell said could hold back economic growth.
- Powell said he generally supports the idea of a vibrant education loan climate, but expressed some concern over how far it's gone.



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Burgeoning levels of student loan debt could slow down economic growth over time, [Federal Reserve](#) Chairman [Jerome Powell](#) said Thursday.

Education debt swelled to nearly \$1.38 trillion at the end of 2017, with 11 percent of borrowers 90 days or more delinquent, according to the New York Fed. Policymakers have sought ways to keep the student loan problem from swelling out of control but have struggled to come up with solutions.

While the issue is primarily one for Congress to tackle, Powell said it could become an economic question.

"You do stand to see longer-term negative effects on people who can't pay off their student loans," he said. "It hurts their credit rating, it impacts the entire half of their economic life."

Powell said he generally supports the idea of a vibrant education loan climate, but added that borrowers need to be informed of the risks they're taking.

He also wondered why student debt can't be discharged in bankruptcy.

"I'd be at a loss to explain why that should be the case," he said, while acknowledging that the issue is one for Congress to tackle.

While Powell said he couldn't quantify what the longer-run economic effects would be, he said there is danger down the road.

"It will over time," he said when asked whether student debt could undermine broader economic growth. "It's not something you can pick up in the data right now. As this goes on and as student loans continue to grow and become larger and larger, then it absolutely could hold back growth."



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