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SOARING STUDENT DEBT PROMPTS CALLS FOR RELIEF

Real-estate agents, farmers and others from outside the education sector lobby for measures to reduce the loan burden

By Josh Mitchell
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The industry warnings are urgent and often dire: The housing market could stall. Marriages are being postponed. Workers won't have the savings to retire. The nation's food supply will be disrupted.

They point to one threat: soaring student debt.

A tripling of student debt over the past decade to more than $1.3 trillion has unleashed a torrent of Washington lobbying from outside the education sector, with various industries describing a "crisis" requiring federal intervention.

Real-estate agents, farmers, architects, startup lenders, lawyers, tech companies, benefits administrators – even podiatrists – have sent lobbyists to Capitol Hill over the past two years to push for legislation to forgive or at least reduce what workers and consumers owe on their student loans.

The efforts reflect the federal government's unique position as the nation's primary lender to college and graduate students. Its student-loan portfolio – topping $1 trillion – is big enough to rival the holdings of some banks, but it is controlled by elected leaders who are subject to the kind of political pressure that private lenders aren't. And while colleges and universities have long been a big lobbying presence on Capitol Hill, increasingly the pressure is coming from the private sector.

"If you like to eat, this is pretty darn important, especially looking 10, 20, 30 years out," Zachary Clark, a lobbyist for the National Farmers Union, says of the pitch he gives lawmakers on student debt.

The typical farmer makes a healthy $64,000 a year, government data show. But Mr. Clark's group argues many farmers are retiring and their younger replacements might not qualify for business loans due to their high student-debt burdens. It has asked Congress to classify farmers as public-sector workers, making them eligible for a program that forgives big portions of student debt alongside public defenders and teachers.

Congress has responded to the frenzy with bills that would likely add up to billions in taxpayer costs. The proposals, which have gained bipartisan support, would forgive huge sums of student debt for some workers, slash interest rates and provide tax breaks to encourage employers to pay down their workers' balances. The bills have largely stalled, though at least some are expected to face votes next year after the new president and Congress take office.

Democratic presidential nominee Hillary Clinton has backed lowering interest rates on many school loans and allowing students to attend public colleges without having to borrow. She has also signaled support for providing incentives to employers to help pay off workers' debt. Republican nominee Donald Trump has said he wants to help borrowers but hasn't provided details.

Economists disagree precisely about how student debt is affecting the economy. Recent reports suggest concerns of a national crisis are exaggerated since many college grads are finding decent-paying jobs. Experts say the biggest problem lies with a minority of borrowers who are in default. The White House said in a recent report that the educations financed by student debt would help the economy overall, as workers with new degrees and skills settle into high-paying careers and lift the nation's productivity.

The proposals in Congress are drawing critics from the left and the right.

Alexander Holt, a policy analyst for the left-leaning New America think tank, said the proposals would generally benefit workers with the biggest student-debt balances—white-collar workers who attended pricey colleges and graduate schools.

"This is just a growing group of highly active voters and people who donate, who are younger and engaged politically," Mr. Holt said.

Federal figures show most people in default on student debt owe relatively little – under $10,000 – because they dropped out of school. They tend to work in low-paying jobs or are unemployed. Among all Americans between 20 and 30 with student loans, the typical borrower pays $203 a month toward the debt, research from the Federal Reserve Bank of Cleveland shows.

But many industries argue that freeing up student debt, even for well-paid workers, would help the economy. The National Association of Realtors says student debt is a big factor behind a drop in the share of younger Americans owning homes, with the debt preventing them from saving for down payments. It has lobbied for Congress to cut student-loan interest rates.

Groups for doctors and lawyers – many of whom work for nonprofits and thus are considered public workers – are fighting a White House proposal to limit how much debt they can have forgiven. Architects have also argued for workers in their industry to have debt forgiven if they are employed at certain nonprofits.

The proposal with the most traction would allow employers to contribute up to $5,250 a year toward an employee's student debt without it being taxed. Currently, such contributions are treated as ordinary income and subject to income and payroll taxes. The bill would increase the amount of net compensation an employer could give to a worker while saving him or her hundreds of dollars in taxes.

Tech startups such as Boxed.com, which created an app that sells goods in bulk, and lender Social Finance Inc., or SoFi, have backed the bill.

San Francisco-based SoFi specializes in making and refinancing student loans for graduate students with strong credit. It also administers benefit plans under which employers pay down student-debt balances, and thus it would stand to get a boost in business if the bill goes through.

Rob Lavet, SoFi's general counsel, says the bill would benefit many modestly paid employees of retailers who currently provide the benefit, as well as white-collar workers.

The bill’s author, Rep. Rodney Davis (R., Ill.), who took office in 2013 after campaigning on a plan to relieve student debt, says he doesn’t yet have an estimate on the bill’s cost but said it would reduce defaults.

“Graduates who aren’t able to invest in their 401(k), who aren’t about to go out and buy a home and start a family because they’re worried about paying their student debt,” he said. “It would allow them an alternative.”

Independent experts say borrowers who work with employers that provide benefits such as helping paying down student debt, are typically well-paid and the least likely to default.