



April 8, 2013

Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street, N.W.
Washington, DC 20552

Re: Request for Information Regarding an Initiative to Promote Student Loan
Affordability
Docket No. CFPB-2013-0004
Due: April 8, 2013

AARP¹ appreciates the opportunity to submit this letter in response to the Request for Information Regarding an Initiative to Promote Student Loan Affordability, Fed. Reg., Vol. 78, No. 39 (February 27, 2013). AARP has long been an advocate for consumer protections for financial products, including all types of loans. Among the many issues of concern to AARP is the financial security of older Americans and how debt impacts financial security in retirement.

The AARP Public Policy Institute recently released a series of reports that examine America's middle class. The Middle Class Security Project looked at factors that address middle class security from a variety of perspectives, including a detailed look at trends in assets and debt by age groups.² This report used data from the Federal Reserve's Survey of Consumer Finances to calculate the average amount of assets and debt by age group and how they have changed over time.³ Middle class is defined as

¹ AARP is a nonprofit, nonpartisan membership organization that helps people 50+ have independence, choice, and control in ways that are beneficial and affordable to them and society as a whole. We produce AARP The Magazine, AARP Bulletin, AARP Viva, NRTA Live and Learn, and provide information via our website, www.aarp.org. AARP publications reach more households than any other publication in the United States. AARP advocates for policies that enhance and protect the economic security of individuals.

² More information about the Middle Class Security Project can be found at: www.aarp.org/security.

³ Lori A. Trawinski, *Assets and Debt across Generations: The Middle Class Balance Sheet 1989-2010*, (Washington, DC: AARP Public Policy Institute, 2013).
http://www.aarp.org/content/dam/aarp/research/public_policy_institute/security/2013/middle-class-balance-sheet-1989-2010-AARP-ppi-sec-pdf.pdf

families with incomes between the 20th and 80th income percentiles. The age of the head of the family was used to develop the age grouping.

Average Outstanding Debt of Middle Class Families 2010 (dollars)								
	Age 25-49	% of Total Debt	Age 50-64	% of Total Debt	Age 65-74	% of Total Debt	Age 75+	% of Total Debt
Mortgage-related	70,477	80.4%	67,225	83.4%	44,103	87.3%	26,116	83.5%
Credit Cards	2,734	3.1%	3,427	4.2%	1,861	3.7%	1,276	4.1%
Education Loans	7,420	8.5%	3,114	3.9%	658	1.3%	420	1.3%
Vehicle Loans	4,647	5.3%	3,821	4.7%	2,911	5.8%	1,676	5.4%
Other *	2,366	2.7%	3,064	3.8%	970	1.9%	1,776	5.7%
Total Debt	87,644		80,651		50,503		31,264	
* Includes lines of credit, installment, and pension, life insurance and margin loans								

Source: AARP Tabulation of Survey of Consumer Finances Data.

The study found several troubling trends regarding average levels of debt accumulation across all age groups over the past two decades. This debt includes mortgages, credit cards, education loans, vehicle loans, and other types of loans:

- The average debt of middle class families has increased sharply since 1989, and the rate of increase rises with age.
- Rising debt often reflects intergenerational stress, as each age group is affected by financial circumstances of surrounding generations, including the cosigning of loans for education and other purposes.

The data presented above are based on the average debt of all families in an age group, regardless of whether they hold a particular type of debt. The report also examined average debt levels for families that hold certain types of debt.⁴ Examination of trends in education debt levels for those families that carried such debt show a strong increase in education debt over the past two decades. However, the data source does not identify whether the debt is for the respondent, or a respondent's child, grandchild, or anyone else. The data does also not identify the type of student loan, i.e., federal or

⁴ Examination of only those who hold a given debt results in higher average debt levels, since families who hold zero debt are excluded from the calculation.

private. Strong growth in the incidence and amount of student loan debt of middle class families was observed:

Families Age 25-49:

- 12 percent of families had education debt in 1989 with an average (mean) balance of \$10,700.⁵
- 30 percent of families had education debt in 2010 with an average balance of \$24,767.

Families Age 50-64:

- 7 percent had education debt in 1989 with an average balance of \$8,039.
- 11 percent had education debt in 2010 with an average balance of \$28,090.

Education debt of families age 50-64 increased faster over the past two decades than it did for families under the age of 50. However, it is important to note that while education debt has increased, it accounts for a relatively small percentage of total debt for families of all ages. As debt levels increase, the amount of money required for monthly repayments also increases. For younger families this may lead to a delay in saving money for other purposes, such as financing a home purchase or saving for their retirement. For families age 50-64, increasing debt threatens their ability to save for retirement or accumulate other assets, and may end up requiring them to delay retirement.

Growing debt burdens appear to pose a threat to the financial security of Americans of all ages. Increasing amounts of education debt, though not currently a problem for most older American families, is cause for concern for those families that carry it. There are two concerns specific to older Americans:

1. Social Security payments can be garnished for unpaid federal student loan debt—one of the very limited debts that can be repaid in this manner.
2. Older families who are delinquent on federal debt are also not eligible for a federally-insured reverse mortgage until the debt is repaid.

Conclusion

AARP encourages the CFPB to pay specific attention to the unique needs of older Americans as you develop policies, regulations and disclosures regarding student

⁵ Figures have been adjusted to 2010 dollars.

loans, and to work to protect older Americans from Social Security garnishment and ensure that they have access to the full spectrum of financial tools that can help them to age in place. AARP appreciates the opportunity to provide our perspective on these important issues. We look forward to working with you and your staff to develop effective policies to protect the financial security of older Americans. Please contact Cristina Martin-Firvida at 202-434-6194 if you have any additional questions.

Sincerely,

A handwritten signature in black ink, appearing to read "David Certner", with a long horizontal flourish extending to the right.

David Certner
Legislative Counsel and Legislative Policy Director
Government Affairs