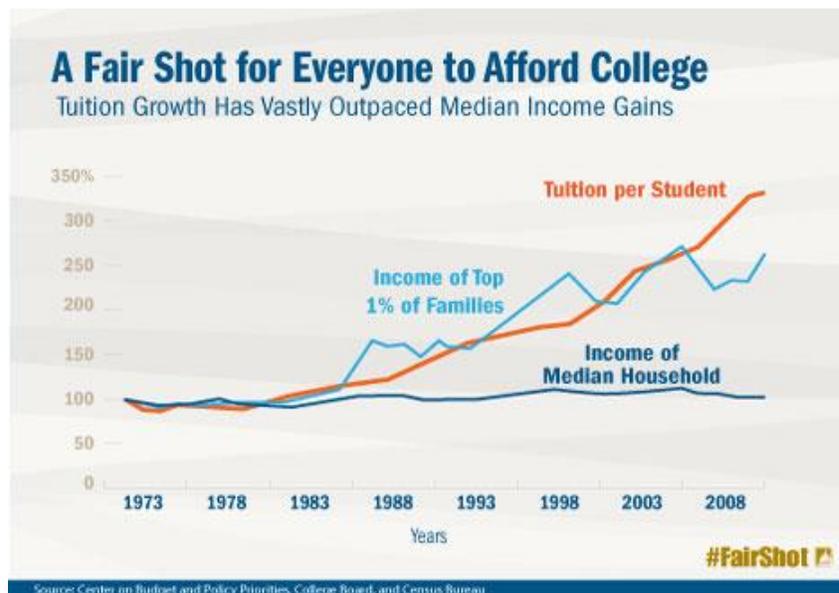


Easing the Burden of Student Loan Debt to Give Everyone a Fair Shot to Afford College

The promise that the next generation will be able to go farther and do better than the last one is the heart of the American Dream. In today's global economy, higher education is increasingly vital to realizing that dream, but also more expensive than ever. As middle-class incomes stagnate and the costs of college continue to grow, more students have been forced to shoulder the cost of a higher education with a mountain of debt. College should be a path to opportunity, not a life sentence of debt and financial strain. That is why Senate Democrats are working to give student borrowers a fair shot by allowing them to refinance their student loans. The Bank on Students Emergency Loan Refinancing Act will allow Americans to refinance their outstanding student debt at today's lower interest rates, putting billions of dollars back into the pockets of people who invested in their education.

Working Families Take on Substantial Debt to Pay for College

The cost of college is skyrocketing while middle-class incomes have stagnated. Over the last 30 years, tuition and fees have increased 167% at private four-year colleges and 307% at public four-year colleges. The tuition and fees for in-state public universities for the 2013-2014 school year (\$8,893) is now more than 17% of the median household income. [Third Way, [1/14](#); College Board, [10/23/13](#); Census, [9/17/13](#); CBPP, [5/1/14](#)]

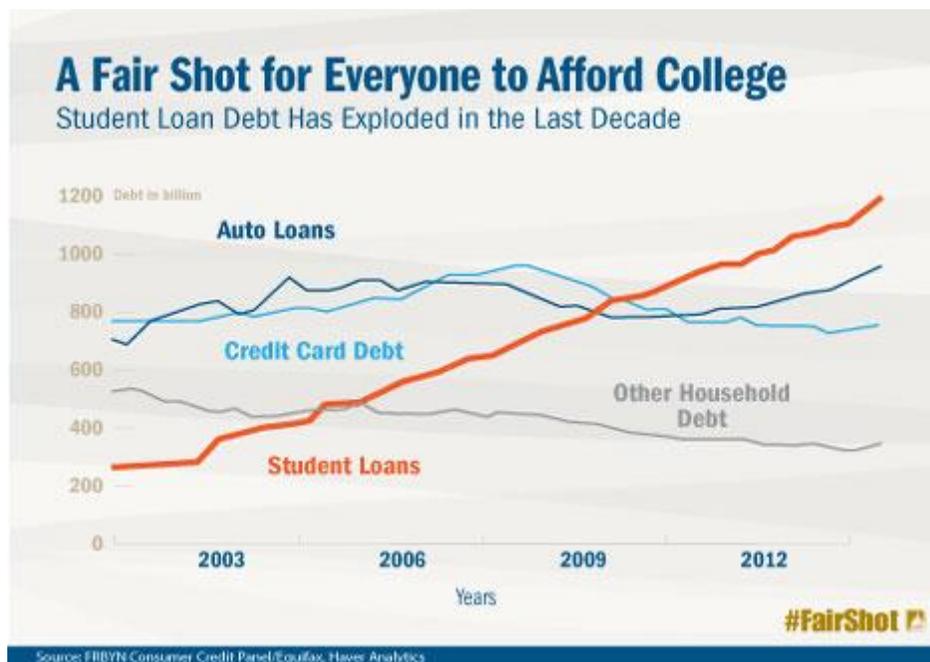


Americans are increasingly relying on debt to pay for college. In 1993, less than half of graduates had to take out student loans to pay for college. This number jumped to 71% of students in 2012. Among those that borrowed to pay for college, the average debt of graduates who borrowed was \$29,400 in 2012, up from \$26,000 in 2011 (a 13% jump in just one year). Since 2004, the number of borrowers and the average debt per borrower has risen by 70%, while average credit card balances and car loan balances have decreased. [Think Progress, [5/6/13](#); TICAS, [12/4/13](#); NY Times, [5/12/12](#); FICO, [1/30/13](#)]

Student loan debt has exploded. Student debt has skyrocketed over the past decade, quadrupling from \$240 billion in 2003 to almost \$1.2 trillion today. More than 40 million Americans currently have student loan debt. If current borrowing patterns continue, it is estimated that student debt levels will reach \$2 trillion in 2025. Among households headed by an adult under age 40, 37% current have some student debt – the highest share on record. [Pew Research, [5/14/14](#); Brookings, [5/14](#); Demos, [8/13](#)]

Student Loan Debt is Holding Back Our Economy

Student loan debt has become the largest component of consumer debt outside of mortgage debt. In 2013, consumer credit increased 6% to \$3 trillion. More than \$1 trillion of that was outstanding student loans. [Washington Post, [5/8/14](#)]



Student loan borrowers are having a tough time keeping up with mounting debt. In 2012, 17% of student loan borrowers were 90 or more days delinquent on their loans compared to less than 10% of borrowers in 2004. A recent study of borrowers found that paying off college debt was 58% more economically stressful for students who graduated in 2010 compared with students who graduated in 2000. As more people default on their student loans, their credit scores will drop, making it more difficult for borrowers to access new credit and help grow the economy. [Brookings, [5/14](#); Progressive Policy Institute, [1/12](#); FICO, [1/30/13](#)]

- **Delinquency among student loan borrowers is more common than all other major components of debt.** The delinquency rate on student loans rose to 12% at the end of 2013. This outpaces delinquency on credit cards, mortgages, home equity, and auto loans. [Washington Post, [5/8/14](#)]

Student debt is holding back consumer spending. Americans under the age of 30 are spending an unprecedented \$43.5 billion annually to pay back student loans. Student loan debt accounts for more than 7% of annual income for people under the age of 30 with education beyond high school. Consumer spending has been a major force behind economic growth in our nation's past, and accounted for 70% of GDP growth from 1982 to 2007. [PPI, [5/3/13](#); Think Progress, [5/13/13](#); St. Louis Fed, [1/12](#)]

Student debt prevents entrepreneurs from starting businesses and creating jobs. A recent study found that areas with higher relative growth in student debt show lower growth in small business formation. Because small businesses depend the most heavily on personal debt to finance startups, student loan borrowers have less capacity to get a new business off the ground. Entrepreneurial activity among 20-34 year olds is at the lowest level in 20 years. [NY Times, [5/24/14](#); Kauffman, [4/13](#)]

Student loan debt impacts career choices and post-graduation employment with graduates less likely to work in government, nonprofit, or education sectors. A recent study found that for every \$10,000 in student loan debt, the likelihood that a graduate will accept employment in the government, nonprofit, or education sectors is reduced by 6%, particularly for jobs in education. The American Medical Association noted that high debt burdens are impacting the career choices of new doctors, leading some to choose more lucrative specialties over caring for the elderly or children. Since 2009, the share of new medical school graduates pursuing primary care specialties has declined steadily and student debt has been found to have been a statistically significant deterrent on the selection of primary care practice by some medical students. Student loan borrowers are also 60 to 70% less likely to apply to graduate school – after controlling for other factors – than those without student debt. [Brookings, [5/14](#); CFPB, [6/4/14](#)]

Student Loan Debt is Stifling the Housing Market

As student debt has risen, household formation has declined. High levels of student loan debt are threatening the housing market, acting as a drag on both household formation and higher prices. At the height of the housing boom, the U.S. was producing 1.4 million additional households every year. During the recession, that the number plunged to 500,000 and currently remains stuck at 700,000 – half the peak level. On average, every new household contributes an estimated \$145,000 in economic activity. [CAP, [4/10/13](#); Time, [10/18/13](#)]

- Among Americans ages 25 to 34 living with their parents, from 2007 to 2011, the number of increased from 4.7 million to 6 million. According to the CFPB, 75% of the decrease in household formation can be directly correlated to student debt. [CAP, [4/10/13](#); CFPB, [5/13](#); Time, [10/18/13](#)]

For the first time in decades, people with student loan debt are less likely to buy a house than those without debt. Prior to the recession, homeownership rates were substantially higher for 30 year olds with a history of student debt than those without debt because student debt holders typically have higher levels of education and higher income potentials. However, 2012 marked the first time in at least a decade that 30 year olds without student debt were more likely to have a mortgage than those with student debt. [Federal Reserve Bank of New York, [5/14](#)]

Student debt is preventing borrowers from getting mortgages. High student loan debt is disqualifying many borrowers from taking on mortgage debt and preventing borrowers from saving for a down payment. Among homebuyers in 2013, 12% of homebuyers and 20% of first time homebuyers reported difficulties saving for a down payment. Of those who had a hard time saving, 43% of homebuyers and 54% of first time homebuyers reported that their student debt was the reason for their delayed home purchase. [Brookings, [5/14](#); National Association of Realtors, 3/3/14]

Student debt is hurting credit scores. A recent study found that a 30 year old with student loan debt has an average credit score that is 24 points lower than a 30 year old without student debt. In 2003, there were essentially no differences between the credits scores of 30 year olds with student debt and those without student debt. The median FICO scores of student borrowers have also fallen from 670 to 665 overall. [Brookings, [5/14](#); CNBC, [1/30/13](#)]

Homeownership among the millennial generation has declined to record lows.

Homeownership for Americans 35 years old and under declined to 36.2% in the first quarter of 2014. This is the lowest ownership on record for this age group since the census started tracking homeownership by age in 1982. Meanwhile, a record-breaking high of 21.6 million young adults (ages 18-31) are living in their parents' homes. [US News, [4/30/14](#); Pew, [8/1/13](#)]

Easing Student Loan Debt Will Help Graduates Get Ahead

Refinancing will help 25 million borrowers save an average of \$2,000. The Department of Education estimates that 25 million borrowers are likely to refinance under the Bank on Students Emergency Loan Refinancing Act, with these borrowers receiving an average of \$2,000 in savings over the life of the loan.

Refinancing will help the most burdened borrowers. Of the almost \$1.2 trillion in student loan debt, more than \$200 billion is private student loans. According to the CFPB, 81% of the most burdened borrowers – those with more than \$40,000 of student debt – have private student loans with interest rates of 8% or higher. The Bank on Students Emergency Loan Refinancing Act will allow eligible borrowers to refinance their high-interest private loans down to the rates offered to federal student loan borrowers. [CAP, [11/21/13](#); Time, [10/18/13](#); Brookings, [5/14](#)]

Refinancing is particularly important to women and borrowers of color. Although women now represent 57% of graduating classes, college-educated women under 30 only earn 82 cents for every dollar paid to their male counterparts. This amounts to an annual wage loss of more than \$7,600, making student loan repayment for women all the more difficult. Further, African Americans and Hispanic borrowers are about twice as likely to have student loan debt as whites. [NCES, AAUW, [10/24/12](#); Urban Institute, [6/13](#)]