Piling Ever Higher: The Continued Growth of Student Loans

JULY 2019 | RIORDAN FROST

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Compared to 2013, a higher share of US households had outstanding student loans in 2016, and the typical borrower's debt also increased markedly during that period, according to data from the 2016 Survey of Consumer Finances (SCF). This research brief, which updates a JCHS research brief that analyzed data from the 2013 SCF (Lew 2015), also finds that while the incidence and magnitude of loans were especially high among young households in 2016, older households were increasingly likely to include someone with outstanding student loan debt as well. The number of households with high levels of student loan debt is also growing, though the majority of borrowers owe less than $25,000. Regardless of the amount owed, however, this brief finds that young households repaying student loans had less wealth than young households without student loan debt in 2016, across all levels of educational attainment.

Perhaps surprisingly, the data also show that payment levels and burdens have not risen as quickly as total debt amounts, which suggests that borrowers have been opting for longer payback schedules with more manageable payment plans, which would help explain the increasing prevalence of student loan debt among older households. Many borrowers are not making payments, however, and for the first time in SCF data, the number of young renters with student loans who were not making payments in 2016 exceeded the number of young renters who were paying back their loans.

The State of Student Loans

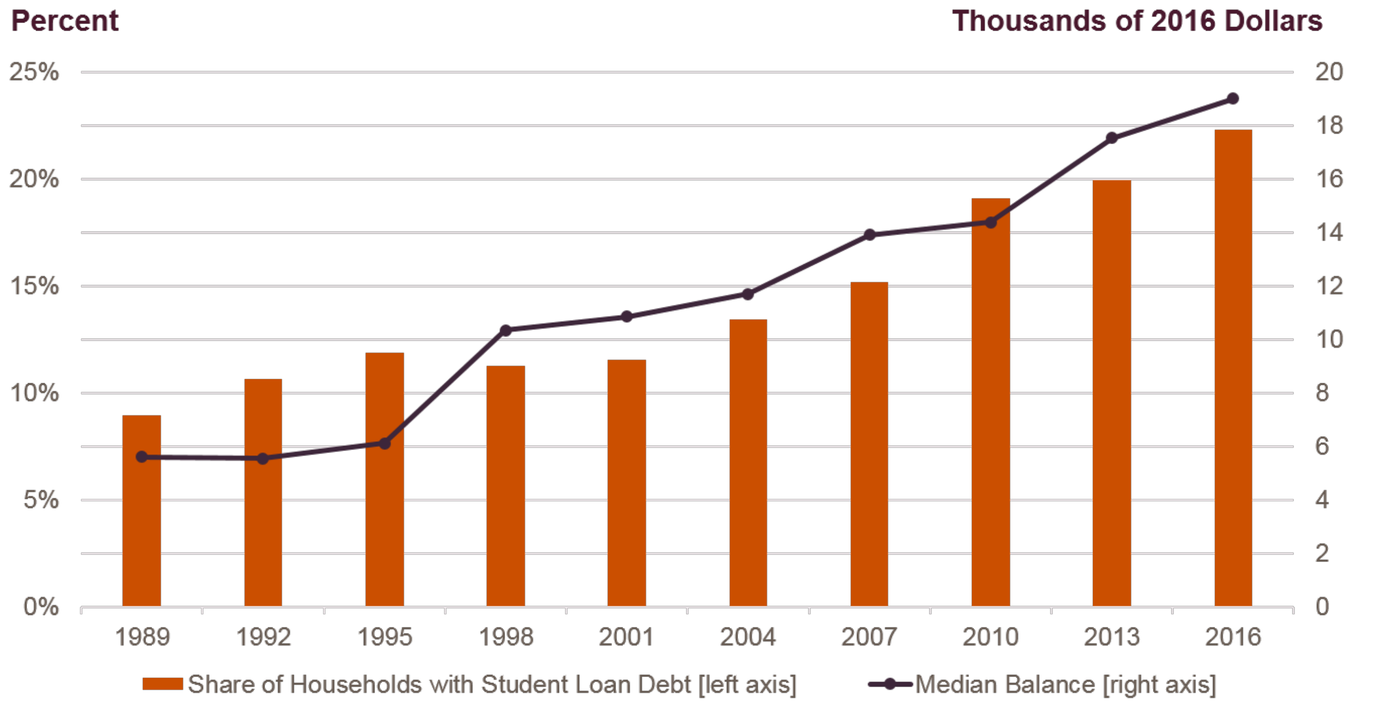
In 2016, 28 million households, which represent more than 22 percent of all households in the United States, included someone with outstanding student loans.[1] The median household balance was $19,000, up from $17,500 (in constant dollars) in 2013, when 20 percent of households included someone with student loan debt **(Figure 1)**.[2] The 2016 figures are substantially higher than the shares and median balances in 1989, the first year of SCF data on student loans, when 9 percent of households had student loan debt and the median constant-dollar balance was $5,600.

The total sum of student loan debt for all households reached $962 billion in 2016, according to the SCF. However, as the aforementioned JCHS research brief noted, the SCF relies on self-reported finances, which may lead to underestimates of total debt (Lew 2015). In fact, the Federal Reserve Bank of New York has estimated that total student loan debt had reached $1.3 trillion at the end of 2016 and rose to $1.49 trillion by the first quarter of 2019 (Federal Reserve Bank of New York 2019).

The shares of households with outstanding student loans increased for all age groups. The largest percentage point increases were among households aged 30-39 and households aged 40-49 **(Figure 2)**.[3] The share of 30-39 year-old households with student loan debt increased from 36 percent in 2013 to 41 percent in 2016, and the share of 40-49 year-old households with student loan debt increased from 23 percent in 2013 to 28 percent in 2016. Even though the total number of households aged 30-39 remained virtually unchanged between 2013 and 2016, over one million more of these households had student loan debt in 2016 than 2013. Similarly, despite a drop of nearly 500,000 40-49 year-old households, 900,000 more of these households had student loan debt in 2016. While the largest percentage point increases in households with student debt occurred in these two cohorts, the 20-29 year-old age group still had the largest share of households with student loan debt. Nearly 47 percent of 20-29 year-old households (a total of 6.7 million households) had student loan debt in 2016, an increase of 700,000 households from 2013.

FIGURE 1

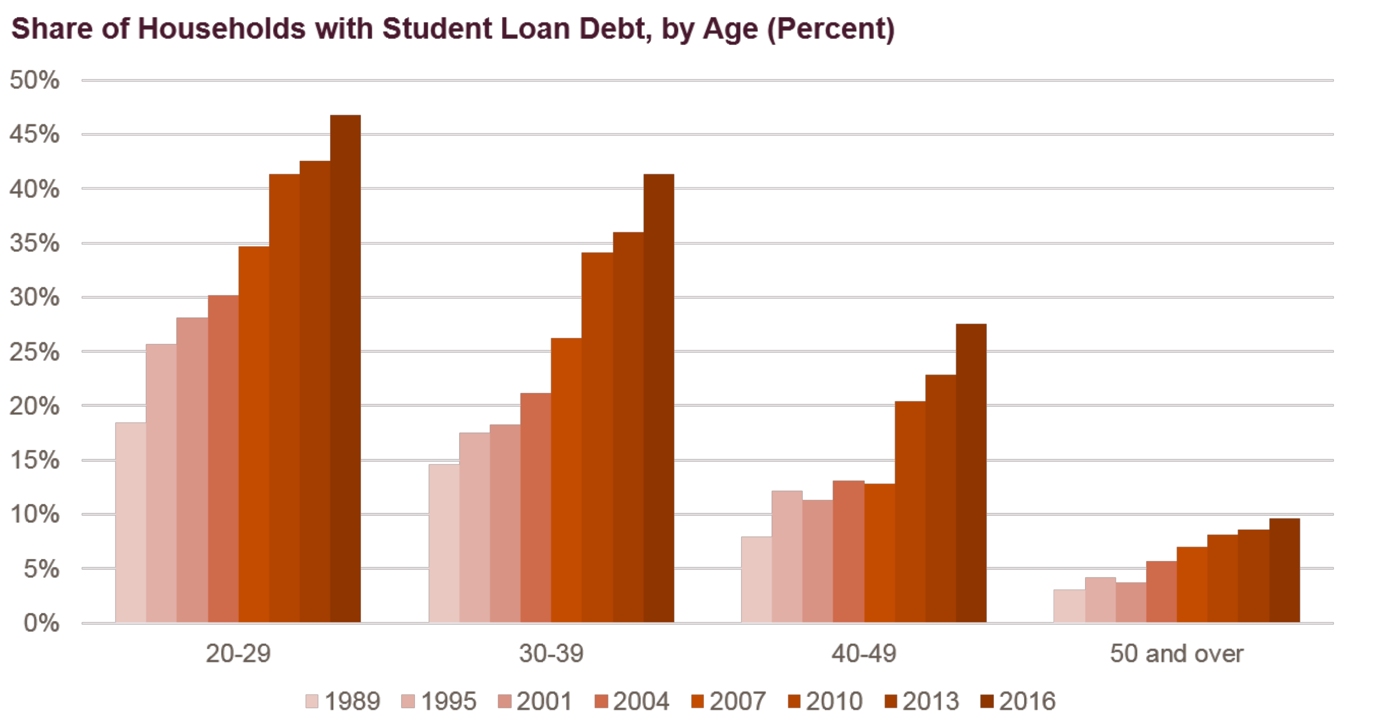
STUDENT LOAN DEBT HAS INCREASED SUBSTANTIALLY OVER THE PAST TWO DECADES



Notes: Dollar values have been adjusted for inflation using the CPI-U for All Items. Households without student loan debt are excluded from the median debt calculation.
Source: JCHS tabulations of Federal Reserve Board, Surveys of Consumer Finances.

FIGURE 2

STUDENT LOAN DEBT IS BECOMING MORE COMMON AMONG ALL AGE GROUPS



Notes: Age is for head of household. Source: JCHS tabulations of Federal Reserve Board, Surveys of Consumer Finances.

High-Debt Households

Of those households with outstanding student loans, 40 percent owe more than $25,000 and 21 percent owe more than $50,000 **(Figure 3)**. The former figure is an increase from 36 percent of households with over $25,000 in student loans in 2013, and the latter figure represents the first time in SCF data that more than half of households with over $25,000 in debt owed more than $50,000. Illustratively, in 2007, before the onset of the Great Recession, 32 percent of borrowers had over $25,000 in debt, and only 13 percent of borrowers had over $50,000 in debt.

Though the shares of borrowers with high amounts of debt increased, most still had less than $25,000 in student loan debt. This was true across almost all degree types. Of those making payments on their student loans, nearly 75 percent of borrowers without a degree, 60 percent of borrowers with an associate's degree, and 55 percent of borrowers with a bachelor's degree had less than $25,000 in student loan debt.[4] Only 30 percent of borrowers with graduate or professional degrees owed less than $25,000, however, and nearly half of borrowers with these degrees owed more than $50,000 in 2016 **(Figure 4)**. However, these households also had higher incomes and more wealth than those with a bachelor's degree, associate's degree, or no degree **(Figure 5)**.

Specifically, in 2016, the median income for households with a graduate or professional degree that were also repaying student loans was $108,000 and their median net wealth was $74,000. In contrast, the median income for households with a bachelor's degree that were repaying student loans was $84,000 and the median net wealth was $69,000 while the median income and net wealth for households without a degree that were repaying loans were $60,000 and $22,000, respectively.

FIGURE 3

THE SHARE OF HOUSEHOLDS WITH STUDENT LOAN DEBT OF $25,000 OR MORE IS GROWING

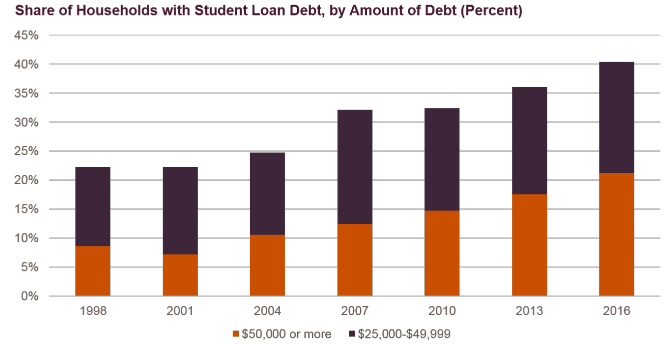


FIGURE 4

NEARLY HALF OF HOUSEHOLDS WITH GRADUATE DEGREES HAVE OVER $50,000 IN STUDENT LOANS...

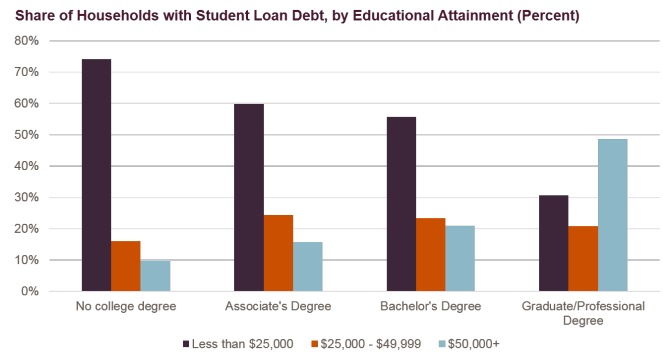
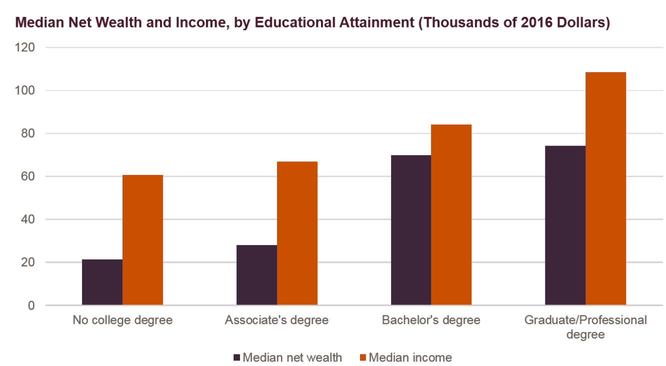


FIGURE 5

...BUT AMONG HOUSEHOLDS IN REPAYMENT, GRADUATE DEGREE HOLDERS HAVE THE BEST FINANCIAL FOOTING



Notes: All dollar values are real 2016 dollars, adjusted for inflation using the CPI-U for All Items. Educational attainment is for head of household only. Figures 4 and 5 show data from 2016 and only include those households that are making payments on student loan debt.
Source: JCHS tabulations of Federal Reserve Board, Surveys of Consumer Finances.

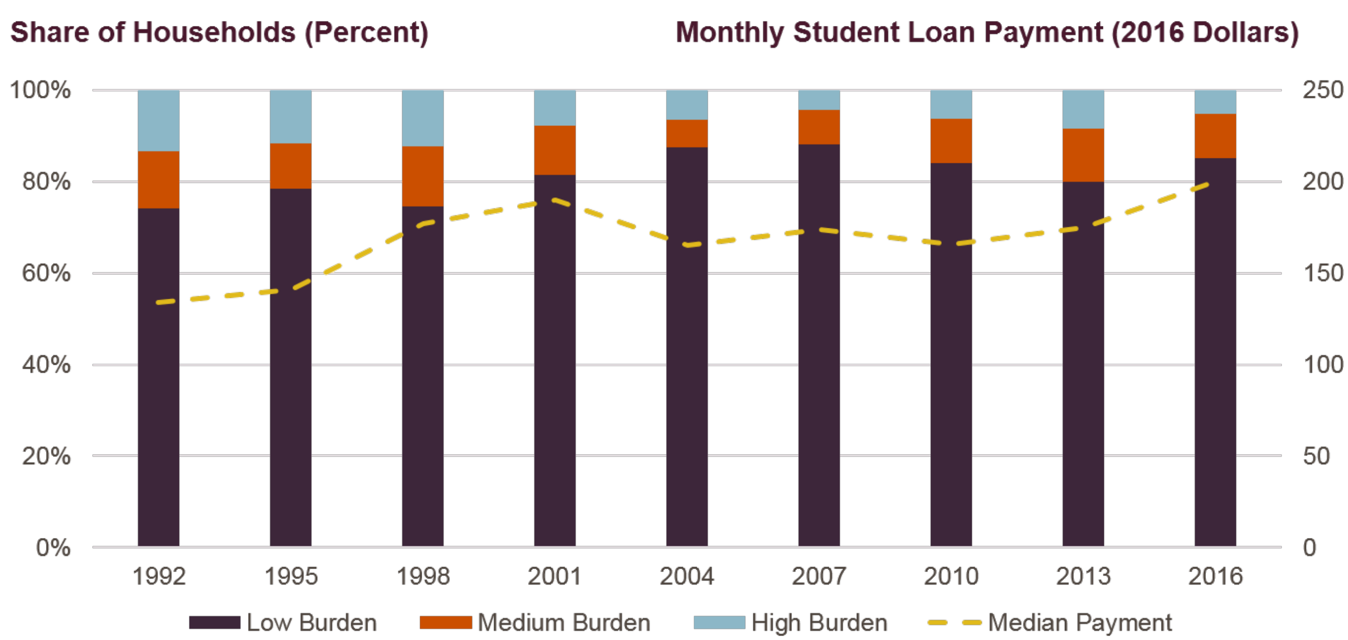
Payments, Loan Burdens, and Defaults

While student loans increased in amount and incidence, payment amounts remained relatively steady, and payment burdens did not appear to grow. The median monthly student loan payment in 2016 was $200, up from $175 in 2013 and $166 in 2010, but similar to the median payment of $190 in 2001, according to SCF data. As expected, median payments go up with the amount owed: in 2016, the median monthly payment for households owing between $10,000 and $25,000 was $200, the median payment for those owing between $25,000 and $50,000 was $290, and the median payment for those owing more than $50,000 was $500.

Student loan burdens, which are calculated based on the ratio of monthly student loan payments to monthly income, were also relatively stable. Fully 85 percent of household borrowers that were repaying their loans in 2016 had low burdens (i.e. they were spending less than 8 percent of their income on loan payments). Another 10 percent had a medium burden (i.e. they were paying between 8 and 14 percent.) Only 5 percent were paying more than 14 percent and had a high burden.[5] These shares have not changed much over time, as evidenced by 2007 SCF data, which showed 88 percent of borrowers in repayment with low burdens, 7 percent with medium burdens, and 4 percent with high burdens **(Figure 6)**. The relatively stable loan payment and debt burdens may help explain why loan amounts do not appear to be the primary drivers of defaults on student loans, which has been a key finding in some recent studies that have pointed instead to such factors as credit scores, institution type (especially for-profit colleges), holding other types of debt, and lack of degree as being most closely associated with defaults on student loans (Hillman 2013; Blagg 2018). Indeed, a recent Urban Institute report found that those with the highest risk of default had less than $5,000 in student loan debt (Blagg 2018).

FIGURE 6

STUDENT LOAN PAYMENTS AND BURDENS HAVE REMAINED STEADY OVER TIME



Notes: Data shown are for all households with student loan debt who are in repayment. Burdens are defined by the US Department of Education as being low if monthly payments are less than 8% of monthly income, medium if payments are between 8% and 14% of monthly income, and high if payments are more than 14% of monthly income. Dollar values have been adjusted for inflation using the CPI-U for All Items. Source: JCHS tabulations of Federal Reserve Board, Surveys of Consumer Finances.

How Have Student Loans Affected Young Households?

As shown in **Figure 2**, younger households were the most likely to hold student loan debt, with over 40 percent of both 20-29 year-old households and 30-39 year-old households holding this debt in 2016. Several trends among these households are especially notable.

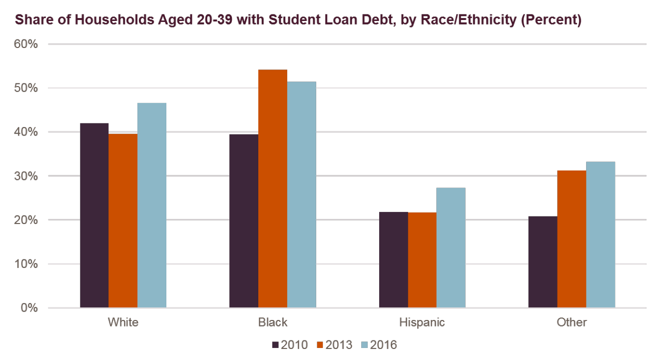
First, there are some notable racial and ethnic differences.[6] In 2016, 51 percent of young (aged 20-39) black households had outstanding student loans, as did 47 percent of young non-Hispanic white households, 27 percent of young Hispanic households, and 33 percent of all other young households. While the share of young black households with student loans fell between 2013 and 2016, it increased for the other three groups **(Figure 7)**.

Second, the data shows that young households with outstanding student loans were financially worse off than those without them, even when excluding those with loans who are not making payments. Among 20-39 year-old households with an associate's degree, for example, those without outstanding student loans had a median net wealth of over $8,000 in 2016, but those who had loans and were repaying them had a median net wealth of -$3,700. The gap was even wider for those with bachelor's or graduate/professional degrees. For example, the median net wealth for 20-39 year-old households with a bachelor's degree and no outstanding student loans was $26,900 in 2016, but for those repaying student loans, the median net wealth was -$6,100. While similar disparities exist for two other metrics – median cash savings and median assets – these relationships did not hold for those without a post-secondary degree **(Figure 8)**.

Third, in 2016, for the first time in SCF data, over half of renter households aged 20-39 years old with outstanding student loans were not repaying those loans. Specifically, 4.7 million households were not making payments, compared to the 4.2 million households that were. In contrast, 3.6 million 20-39 year-old renter households were in deferment in 2013, while 4.5 million households were making payments **(Figure 9)**. The growth in deferment might be due to rising numbers of students pursuing undergraduate and postgraduate education and deferring while in school. Alternatively, it could be due to rising numbers of people eligible for deferment or forbearance because they were serving in the military, were unemployed, were facing financial difficulties, or had a qualified internship, clerkship, fellowship, or residency (US Department of Education 2018b).

FIGURE 7

STUDENT LOAN DEBT INCIDENCE IS HIGHEST AMONG YOUNG BLACK HOUSEHOLDS



Notes: Data shown are for 20-39 year-old households. Age is for head of household. Race/ethnicity is for survey respondent. White, black, and other households are non-Hispanic. Hispanic households may be of any race.
Source: JCHS tabulations of Federal Reserve Board, Surveys of Consumer Finances.

FIGURE 8

STUDENT LOAN DEBT POSES FINANCIAL STRAIN FOR YOUNG RENTER HOUSEHOLDS ACROSS DEGREE TYPES

Median Net Wealth, Cash Savings, and Assets of Renter Households Aged 20-39, by Educational Attainment and Presence of Student Loan Debt (Thousands of 2016 Dollars)

Education	No college degree		Associate's Degree		Bachelor's Degree		Graduate/Professional Degree	
Debt Status	No Debt	Has Debt	No Debt	Has Debt	No Debt	Has Debt	No Debt	Has Debt
Median Net Wealth	6,200	1,500	8,230	-3,740	26,900	-6,100	58,000	-34,000
Median Cash Savings	500	1,000	2,160	1,550	6,000	4,350	15,700	8,180
Median Assets	10,750	16,920	19,121	17,970	38,100	31,320	66,000	58,600

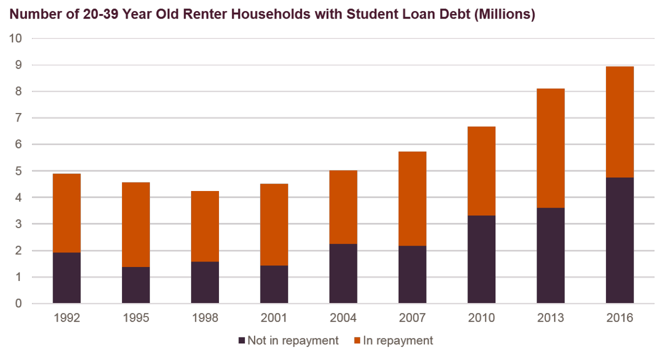
Note: Data shown are for 20-39 year old renter households and exclude households with student loan debt who are not making any payments. Educational attainment and age are for head of household only. Dollar values have been adjusted for inflation using the CPI-U for All Items. Source: JCHS tabulations of Federal Reserve Board, 2016 Survey of Consumer Finances.

Whatever the reason for the growth in the number of households not making payments on student loans, the amount owed by young renter households not making payments exceeded the amount owed by those who were making payments. The total amount of outstanding student loans owed by 20-39 year-old renter households not in repayment was $163 billion in 2016, up from $130 billion in 2013 and more than the $144 billion owed by 20-39 year-old renter households that were repaying their loans in 2016 **(Figure 10)**. While 2016 was the first year in which a majority of young renter households were not in repayment, the amount owed by these households has exceeded the amount owed by households that were making payments since 2010, when those not in repayment owed $103 billion and those in repayment owed $78 billion.

Finally, while the question of whether the growth in student loans is affecting homeownership is beyond the scope of this research brief, it is worth nothing that a small but growing body of work has been examining this question, generally finding a negative relationship between student loan debt and homeownership. A 2017 study produced by researchers at the Federal Reserve Bank of New York, for example, concluded that increases in tuition and student loans in the 2000s contributed to at least part of the decline in homeownership rates for young households (Bleemer et al. 2017). Similarly, authors of a 2015 paper published in Social Science Review found that data from the National Longitudinal Survey of Youth indicated that the presence (not the amount) of student loans depressed homeownership (Houle and Berger 2015). And a 2017 survey by the National Association of Realtors and American Student Assistance found that 76 percent of millennials with student loans reported that their loans impacted their ability to purchase a home (National Association of Realtors and American Student Assistance 2017).

FIGURE 9

OVER HALF OF YOUNG RENTERS WITH STUDENT LOANS ARE NOT IN REPAYMENT



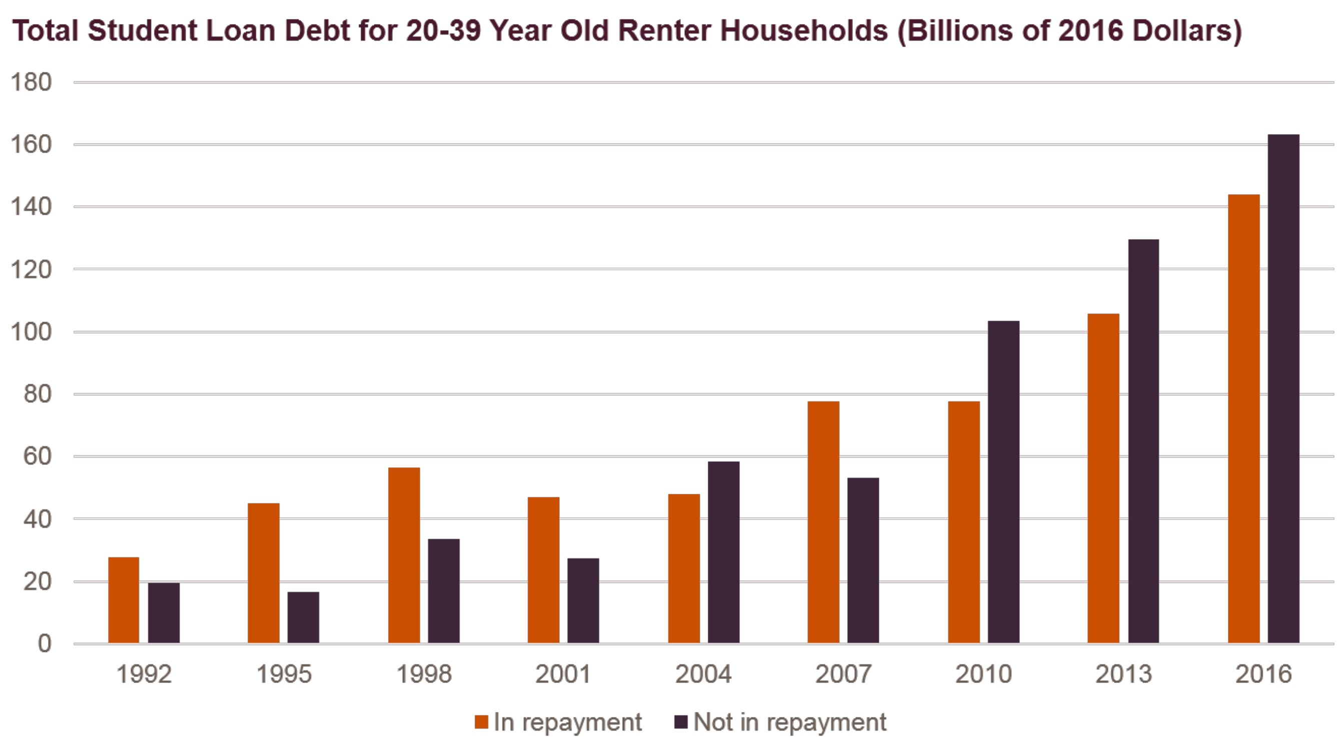
Notes: Data shown are for 20-39 year old renter households, excluding households without student loans. Age is for head of household.
Source: JCHS tabulations of Federal Reserve Board, Surveys of Consumer Finances.

The Outlook

As other researchers have pointed out, rising tuition costs have not deterred people from pursuing higher education (Bleemer et al. 2017). Instead, more students have turned to loans to finance the growing costs of education. As a result, the incidence and amount of student loans have increased substantially, and many different types of households now have outstanding student loans. The number of households deferring payments and the amount of debt in deferment has grown rapidly as well. These trends are likely to continue, which means that student loans are likely to create continued financial obstacles for young households – including those looking to buy a home – for the foreseeable future.

FIGURE 10

TOTAL AMOUNT OWED IN STUDENT LOANS IS HIGHER FOR YOUNG RENTERS NOT IN REPAYMENT



Note: Data shown are for 20-39 year old renter households, excluding households without student loans. Dollar values have been adjusted for inflation using the CPI-U for All Items. Age is for head of household.
Source: JCHS tabulations of Federal Reserve Board, Surveys of Consumer Finances.

Endnotes

1. The survey unit for the SCF is the primary economic unit, which is treated in this brief as a household, as is common practice when using this dataset (see Hanna, Kim, and Lindamood 2018).

2. All SCF dollar amounts contained in this brief are real 2016 dollars, adjusted for inflation using the CPI-U for All Items.

3. Ages here are for head of household, listed as household age for brevity.

4. So as to not inflate the loan amounts for those without a college degree who are in school and therefore not required to make payments, these figures are limited to student loan borrowers in repayment. Repayment status is determined using SCF data, based on whether a household has student loan debt and whether that household has any monthly student loan debt payments. If a household has debt but not payments, they are classified as being in deferment.

5. These low, medium, and high burden categories were set by the US Department of Education (2018a).

6. In SCF data, race and ethnicity are for survey respondent, while age is for head of household. While these two are often the same, they are not necessarily so. According to Hanna, Kim, and Lindamood (2018), in 45% of couple households in the 2016 SCF, the respondent and head of household were different members of the household.

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