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# Economic Effects of Student Loan Debt

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Last Updated: 2024-11-25

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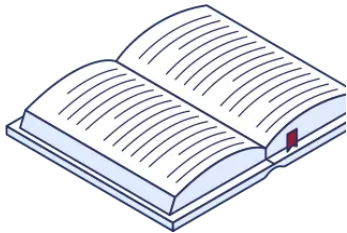
**Report Highlights.** The effect student loan debt has on the economy is similar to that of a recession: it reduces consumer spending, business growth, and homeownership.

**51%** of renting student borrowers have not bought a home due to student loan debt; among homeowners, **29%** delayed purchasing a home due to student debt.

**31%** of student loan debt holders have delayed a car purchase due to their debt; **22%** have postponed starting a business due to student loan debt.

From 2007 to 2022, the average federal student loan debt had a compound annual growth rate (CAGR) of **4.94%**.

Inflation-adjusted starting salaries for college graduates declined **2.58%** from 2007 to 2022; homeownership declined **3.52%**.



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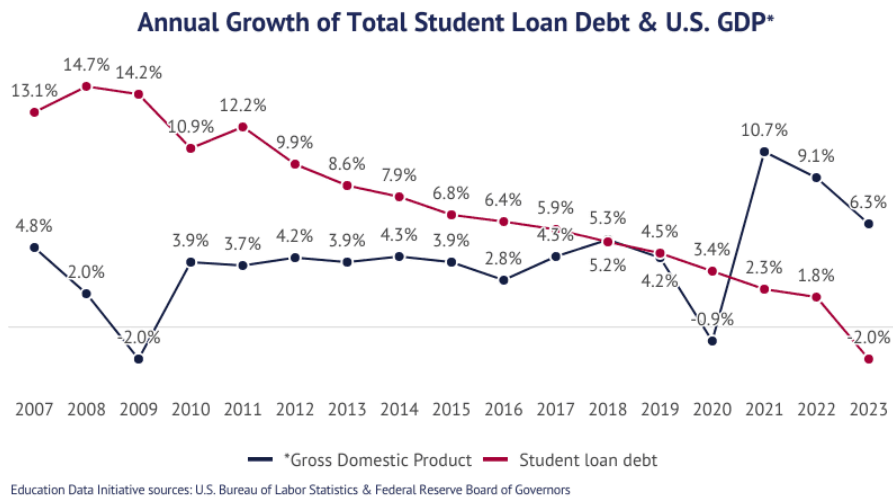
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The total student loan debt balance grew **193.3%** (CAGR 7.58%) from 2007 to 2022; the total mortgage balance grew **31.0%** (CAGR 1.82%).



Related reports include [Total Student Loan Debt](#) | [Average Student Loan Debt](#) | [Education Attainment Statistics](#) | [Student Loan Refinancing](#)

## Student Debt Economic Impact

Economists compare the rise in student loan debt to “the housing bubble that precipitated the 2007-2009 recession” and the subsequent economic downturn.

Each time a consumer’s student debt-to-income ratio increases by 1 percentage point, their consumption declines by 3.7 percentage points.

The average federal student loan debt balance represented 57.0% of the median salary among female bachelor’s degree holders in 2022.

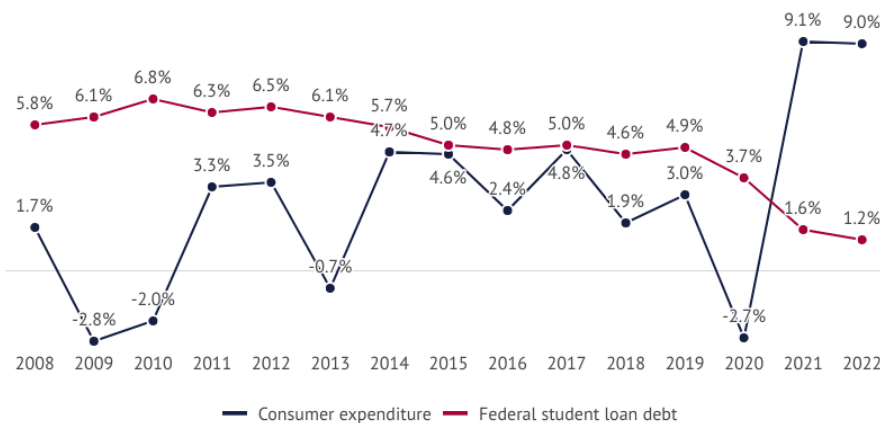
Also in 2022, the average federal student loan balance represented 41.6% of the median salary among male bachelor's degree holders.

Would-be entrepreneurs are 11% less likely to start a new business if they owe more than \$30,000 in student loan debt.

Business income is 42% lower for the average business owner with \$10,000 in student loan debt compared to one with no student debt.

Between the first fiscal quarter (Q1) of 2006 and 2024 Q1, the total national student loan debt balance increased 265%.

**Annual Growth of Average Consumer Spending & Student Loan Debt**



Education Data Initiative sources: U.S. Bureau of Labor Statistics & Department of Education

## Student Debt Reduces Spending

Consumer spending is directly linked to personal finance. Economists agree that when consumers have less expendable income due to debt obligations, they decrease spending.

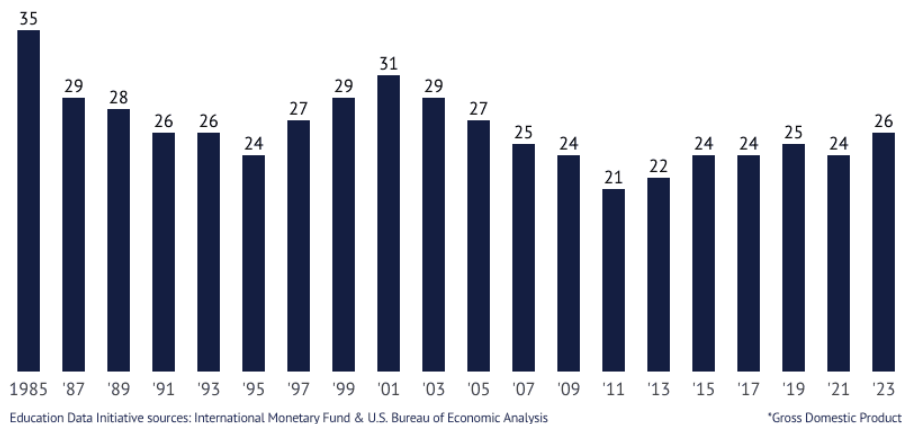
18% of student loan holders find it difficult to buy daily necessities because of their student loans.

Student debt is the 2<sup>nd</sup> largest type of household credit (after mortgages).

Student loan debt may inhibit a consumer's spending for decades as it takes the average student loan borrower 18 ½ years to pay off their loans in full.

Due to student loan debt, 35% of borrowers have opted not to take a vacation.

Annual U.S. GDP as a Percentage of Global GDP



## Student Debt Inhibits Business Growth

Small businesses are especially vulnerable to the economic impact of student loan debt as they are the most likely to rely on personal financing.

\$10,000 in student loan debt may reduce the likelihood of starting a new business by 7.37%.

Young entrepreneurs are 5.56% less likely to have student loan debt than their peers among the general population.

A joint study by Pennsylvania State University and Federal Reserve Banks finds “a significant and

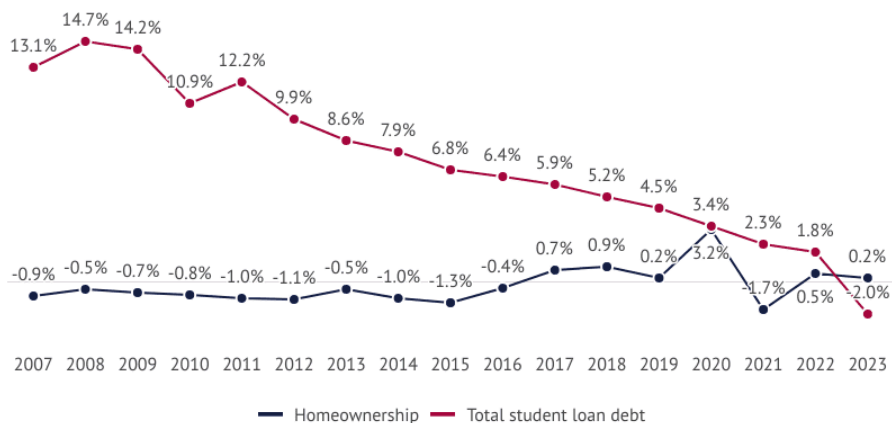
economically meaningful negative correlation between changes in student debt and net new businesses employing one to four employees...”

Businesses with fewer than 20 employees create a net of 1.2 million new jobs annually.

99.9% of businesses in the U.S. have fewer than 20 employees.

Small businesses with fewer than 500 employees employ 47.3% of the civilian workforce.

**Annual Growth of Homeownership & Student Loan Debt**



Education Data Initiative sources: U.S. Bureau of Labor Statistics & Department of Education

## Student Debt Hampers Housing Markets

Consumers with student loan debt have lower credit scores on average and are more likely to live with their parents.

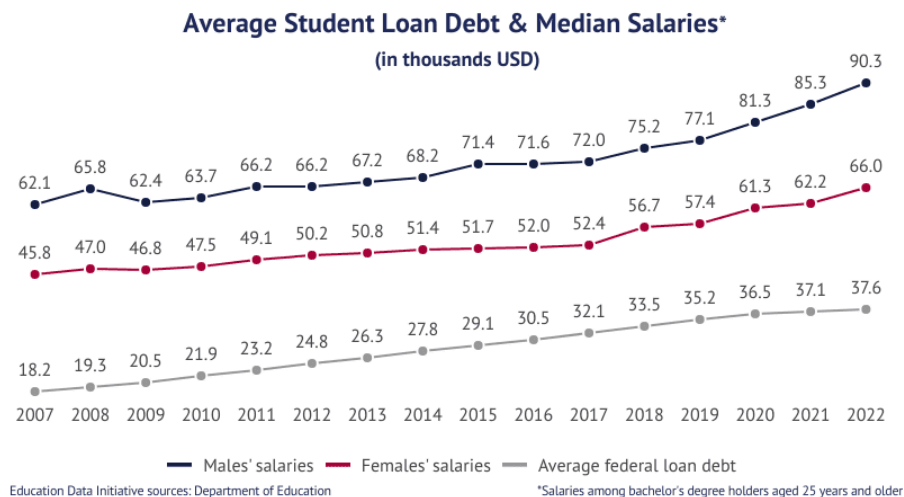
13.32% of millennial renters indicate they will never be able to afford to buy a home.

In 2019, 8.28% said they would never be able to buy a home.

In two years, the rate of millennial renters giving up on homeownership increased by 60.9%.

The national homeownership rate hit its peak in 2004 at 69.2%.

Homeownership declined 1.1% in the 2010s; its low was 62.9% in 2016.



## Student Debt Stresses Social Programs

As more Americans take on greater amounts of student loan debt, they rely on social programs to make ends meet.

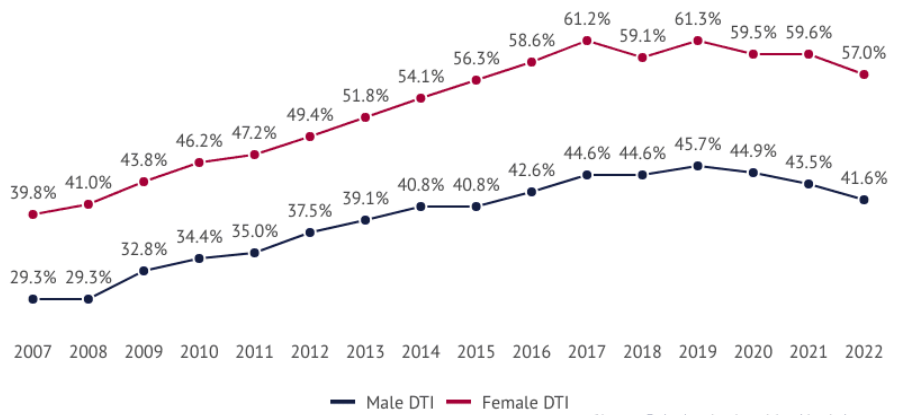
1 out of every 5 recipients of food stamps (SNAP) holds a postsecondary degree.

Twice as many SNAP recipients have associate's degrees vs. bachelor's degrees.

About 3 million college graduates receive SNAP benefits.

Roughly 63% of women with bachelor's degrees receive SNAP benefits.

### Student Loan Debt-to-Income Ratios\*



Education Data Initiative sources: Department of Education

\*Average Federal student loan debt with salaries among bachelor's degree holders aged 25 years and older

## National Economic Trends

While the U.S. appears to have made relatively little economic progress in years following explosive student debt growth, there is no definitive link between market performance and student loan debt.

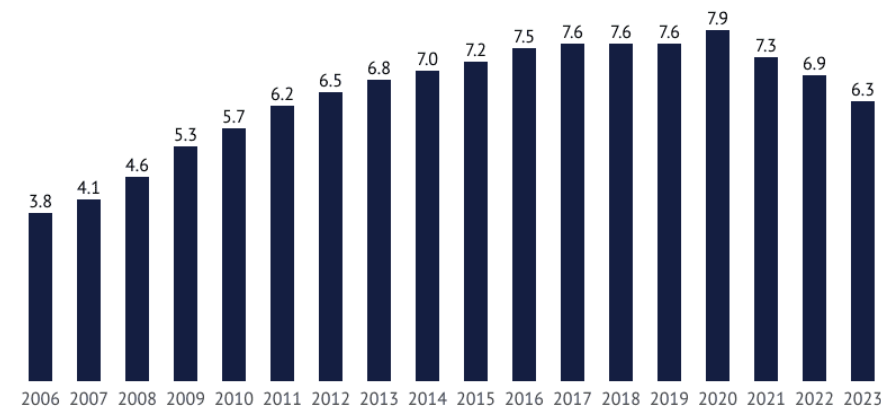
The total student loan debt balance (\$1.753 trillion) exceeds the economic output of several national industries, including shipping (\$1.749 trillion), mining (\$701.7 billion), and agriculture (\$616.5 billion).

The inflation-adjusted U.S. gross domestic product (GDP) increased 28.1% from 2007 to 2022 while its share of the global economy increased 3.37%.

The national economy declined 3.5% from 2019 to 2020.

During that same period, the average student loan debt increased by 3.4%.

At 8.00%, USD inflation in 2022 was about double the 4-year average inflation rate of 3.93%.

**Total Student Loan Debt as a Percentage of U.S. GDP**

Education Data Initiative sources: U.S. Bureau of Economic Analysis & Federal Reserve Board of Governors

## Postsecondary Education Value

The ultimate cost of an education determines its effect on the economy. Some argue that the benefits of a college education outweigh the burdens of student loan debt.

6.7% of the world's population has a bachelor's degree or higher.

40% of Americans aged 25 to 34 years old have a bachelor's degree or higher.

The average bachelor's degree holder earns up to \$22,000 more annually than a high school diploma holder.

Considering student loan interest and loss of income, the ultimate cost of a bachelor's degree may exceed \$400,000.

Women with bachelor's degrees earn \$506,430 more over a lifetime than women without bachelor's degrees.

The average undergraduate borrows \$7,753.

Graduate students borrow an average of \$27,747.

Among all student borrowers, the average amount borrowed has increased 352% since 1995; after adjusting for inflation, the total increase is 128%

The median annual income for bachelor's degree holders is \$59,600.

For graduate and professional degree holders, the median annual income is \$69,700.

The average undergraduate interest rate is 4.9%.

Graduate loans carry an average interest rate of 6.54%.

Undergraduates are 3 times more likely to default on loans than Graduate student borrowers.

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