Nine Facts About Student Debt and Solutions to Make College More Affordable

1. **Student debt has ballooned as tuition has increased, meaning students must borrow more for the same education**. Since the Great Recession, federal student debt in the United States has increased 144% to $1.566 trillion in 2020, up from $642 billion in 2007. While total debt has increased dramatically, the number of borrowers has only increased 52%, from 28 million to 43 million, over the same time period, causing an increase in the amount of debt carried by the average student.

2. **Default and delinquency on student debt pose a significant problem**. Before the pandemic, 11% of all outstanding federal student loans were in default with 6% of loans more than 30 days delinquent. Additionally, in the first year after graduation, 40.9% of student borrowers experience at least one delinquency in their student loan repayment. Default and delinquency are also higher among attendees of for-profit colleges.

3. **Disparities in student debt exacerbate racial and ethnic inequality.** Rates of borrowing vary greatly across racial and ethnic groups: 86% of Black and 70% of Hispanic students graduating with a bachelor's degree took out loans compared to 68% of white and 44% of Asian graduates. The amount of student loan debt held varies as well. On average, a Black graduate with a bachelor's degree and student loans borrowed $39,500 compared to $29,900 for white borrowers, $28,220 for Hispanic borrowers and $26,500 for Asian borrowers**.**

4. **Growing student debt burdens may be a factor in declining home ownership rates for those in their 20s and 30s.** Millennials at ages 25 to 34 have home ownership rates 8 percentage points lower than baby boomers and 8.4 percentage points lower than Gen Xers did at the same age. A 2019 Fed study found increasing student loan debt by $1,000 leads to a 1 to 2 percentage point drop in the homeownership rate among student loan borrowers in their late 20s and early 30s.

5. **Rising student debt hinders small business formation.** Small businesses are critical to the U.S. economy and account for 99% of all businesses. Yet over the past four decades, entrepreneurial activity has declined, especially among younger generations. For small businesses with 1 to 4 employees, a 3.3% increase in student debt, relative to total household debt, results in the loss of 70 of those firms per county, a 14.4% decline. For small businesses with 20 or more employees, the same student debt increases leads to a loss of 10 new firms.

6. **Making college more affordable is key to addressing the student debt problem.** During the Great Recession states drastically cut higher education budgets leading more colleges and universities to pass these gaps in funding onto students. After accounting for inflation, the real cost of tuition, fees, room and board has increased 18% at public and 7% at private nonprofit four-year colleges since 2006. These price hikes coupled with the eroding value of federal grant aid has led to students turning to loans to finance their education.

7. **Expanding the federal Pell Grant program would allow the most in need students to access higher education without taking on more debt.** The federal Pell Grant program results in higher enrollment rates of low-income students, increased retention and completion rates and reduced need for students to balance work and school. When the Pell Grant program began in the early 1970s, the maximum award covered nearly 80% of the average costs of attending a public four-year college. Today the value has fallen to cover only 29% of those costs. By expanding the program, Pell Grants can continue to increase access to higher education for those most in need.

8. **Providing tuition-free community college to Americans would enable students to access higher education without taking on large amounts of student debt.** Free community college has been found to increase enrollment by 26%, increase degree completions by 20% and increase the well-being of all students.

9. **President Biden has provided critical relief for student debt holders during the pandemic, but more permanent solutions are needed.** The Biden administration has extended the pandemic pause on federal student loan payments through May 2022. The administration also canceled billions of dollars in student debt for 323,000 borrowers with total or permanent disabilities and 18,000 students defrauded by a for-profit college, and simplified the complex rules of the Public Service Loan Forgiveness Program.