A New Look At The Lasting Consequences Of Student Debt

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Recent college graduates who borrow are leaving school with an average of $34,000 in student loans. That's up from $20,000 just 10 years ago, according to a new analysis from the [Federal Reserve Bank of New York](https://www.newyorkfed.org/press/pressbriefings/household-borrowing-student-loans-homeownership).

In that report, out this week, the New York Fed took a careful look at the relationship between debt and homeownership. For people aged 30 to 36, the analysis shows having any student debt significantly hurts your chances of buying a home, compared to college graduates with no debt. The cliche of "good debt" notwithstanding, the consequences of borrowing are real, and they are lasting.

The report paints a mixed picture of how student borrowing has evolved over the last decade, since the financial crisis. There are some bright spots: For example, student loan defaults peaked five years ago and have declined ever since.

And repayment seems to have slowed down among high-balance borrowers —those who owe $75,000 or more. Meaning, after 10 years, they have paid down only one-quarter to one-third of what they owe. On the face, this isn't necessarily good. But taken alongside the decline in defaults, Fed president William Dudley said in a press briefing Monday, it reflects something good. That is, graduate students, in particular, are signing up for government programs intended to help make payments more affordable.

[The fate of one of those programs, Public Service Loan Forgiveness, was in doubt last week after a [legal filing](http://www.npr.org/sections/ed/2017/04/01/521902888/how-schools-are-like-uber-trump-u-settlement-and-other-education-news-of-the-wee) by Betsy DeVos's Department of Education.]

Regardless of what happens with that program and others, nothing is holding back the rise of college tuition —[up nine percent](https://trends.collegeboard.org/college-pricing/figures-tables/tuition-and-fees-and-room-and-board-over-time-1976-77_2016-17-selected-years), after inflation, in the past five years at public universities. Dudley pointed out that in the last several years, public colleges have generally become less, not more, accessible to middle-income students, when you look at tuition and aid policies.

Living expenses are also a continuing burden for students, a significant number of whom are dealing with [homelessness and hunger at the nation's community colleges](http://www.npr.org/sections/ed/2017/03/15/520192774/national-survey-shows-high-rates-of-hungry-and-homeless-community-college-studen)in particular. In the absence of more targeted grant or scholarship programs, more people are taking out student loans, and they are borrowing more. All that borrowing adds up to a total of $1.3 trillion, nearly triple what it was a decade ago.

So, is college still worth it? In the most simplistic terms, yes.

Let's look back at homeownership. Attending a four-year college — even if you borrow, and even if you do not graduate — still increases your chances of owning a home, compared to people who never enroll.

More, results show that if even you come from a low-income family, graduating from college makes you almost as likely to own a home, by age 36, as someone from a high-income family.