

Student Loan Refinancing Impact on Middle-Class Borrowers

With the growing problem of student debt in America – now \$1.2 trillion – we need to have a conversation about allowing borrowers to refinance student debt, which disproportionately affects certain demographic groups, including middle-class borrowers.

Student loan debt has a significant impact on middle-class borrowers.

- Student loan debt has become more pervasive.
 - The number of borrowers, between the ages of 40 and 60 has increased slightly, but steadily since 2005. [[Federal Reserve Bank of New York](#)]
 - Borrowers from upper-middle-income families have been taking on increasing amounts of student debt, as the incomes for their families have fallen about 19 percent since 2007. [[US News & World Report](#)]
- College tuition has skyrocketed in the last 30 years, while middle-class incomes have fallen.
 - While middle-class incomes have fallen, college tuition has increased by more than 1000 percent due to a variety of factors including decreases in state funding for higher education. [[Center for American Progress](#)]
- This “student debt bubble” is about to pop, and threatens the existence of a strong middle class.
 - Student debt now exceeds \$1 trillion, and more than 1 in 10 borrowers are seriously delinquent. Our elected officials in Washington, DC, will have to make a decision to either reduce this burden, or cripple the core of the nation. [[Federal Reserve Bank of New York](#)]
- The middle class is shrinking, and student debt is keeping borrowers from reaching it.
 - When borrowers take out an average of \$27,850 in loans, which acts as a tax on future wages, it postpones their ability to settle down, buy a home, or start a family. [[College Access and Success](#)]

Middle-class borrowers would greatly benefit from refinancing student loans.

- Allowing for refinancing of student loans would relieve pressure from borrowers.
 - If \$30,500 of debt was paid back at a flat 6.8 percent interest rate over 25 years, it would cost borrowers \$63,500.
 - Refinancing this debt to a 3.86 percent interest rate would decrease the burden to \$47,600, saving around \$16,000, and lowering monthly payments by about \$53.
 - Refinancing this debt to a 4.8 percent interest rate would decrease the burden to \$52,400, saving around \$11,000, and lowering monthly payments by about \$40.
 - If \$26,600 of private loan debt was paid back at a flat 13.6 percent interest rate over 25 years, it would total \$93,600.
 - If borrowers were given the power to refinance to a 4.8 percent interest rate, it would lower the total payment to around \$45,725, saving the consumer around \$48,000.
- Implementing student loan refinancing will protect borrowers, and their financial security.
 - Allowing borrowers to refinance for a lower interest rate will help them afford reasonable and flexible monthly loan payments that will not economically cripple the borrower.