

Student Loan Refinancing Impact on Senior 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 seniors.

Student loan debt has a significant impact on senior borrowers.

- Senior citizens are still taking out student loans.
 - In some cases, seniors have co-signed for loans with their children or grandchildren to help them afford rising tuition costs, or they have gone back to school to become more competitive in the job market themselves. [[Washington Post](#)]
 - In 2011, 90 percent of borrowers who took out private student loans had a co-signer, up from 55 percent in 2005. [[Columbus Dispatch](#)]
- Senior citizens still owe millions of education debt.
 - The number of education loan borrowers over the age of 60 has tripled since 2005. [[Columbus Dispatch](#)]
 - In 2011, Americans age 60 and older still owed about \$36 billion in outstanding student loans. Since 2005, the number of those borrowers behind on loan payments has tripled from 63,000 to 198,000, and this represents more than 10 percent of those loans are delinquent. [[Federal Reserve Bank of New York](#)]
- Defaulting on debt affects senior citizens more than any other age group.
 - Heading into retirement and fixed-income years, seniors face an average student loan balance of \$20,000. [[Columbus Dispatch](#)]
 - It's not uncommon for Social Security checks (usually the only source of income) to be garnished for debt collectors who harass borrowers over student loans that are sometimes decades old. [[Think Progress](#)]

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.