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STUDENT DEBT MAY PREVENT SOME AMERICANS FROM BUYING HOMES

Borrowers are defaulting on student loans and in turn harming their credit and ability to purchase homes, a new report shows

By Josh Mitchell
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Americans continue to default on student loans at a “stubbornly high” rate, and a small share of borrowers are unable to buy homes due to high levels of student debt, according to a new report from the Federal Reserve Bank of New York.

The report offers a mixed assessment on the effect of student debt on the economy. Student debt, which has more than doubled over the past decade to \$1.3 trillion, has risen partly due to an increase in the number of Americans attending college. That has led to higher incomes and, in turn, positioned many Americans to buy homes.

But a significant minority of borrowers are defaulting on their student loans and in turn harming their credit and ability to purchase homes, the report shows.

More than one in 10 borrowers are at least 90 days behind on their student debt. The delinquency rate for student loans is far higher than it is for other forms of credit, including mortgages, credit cards and auto loans.

The report notes that homeownership rates are far higher for those who graduated from college than those who never earned a degree. But it also shows that “those with significant student debt are much less likely to own a home at any given age than those who completed their education with little or no student debt.”

Only about 5 percent of student-loan borrowers owe more than \$100,000. But they account for almost a third of all outstanding student debt. Borrowers on average leave school owing about \$34,000, up nearly 70 percent from a decade ago.

Student debt appears to dampen homeownership rates among those with the same level of education, the report said.

“For a large share of households, housing equity is the principal form of wealth,” William Dudley, president of the New York Fed, said in a prepared statement he was set to deliver Monday morning. “Thus, changes in the way we finance postsecondary education could also have important implications for the distribution of wealth.”