EBRI FAST Facts
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Student Loan Debt: What Types of Families Hold the Most?

One of the most pressing issues for many American families is the high cost of a college education. The average cost of tuition and fees for attending a public four-year college has grown, in inflation-adjusted terms, 162 percent from 1992 to 2019.[1] Consequently, given this sharply increasing cost, more American families have taken on student loan debt.

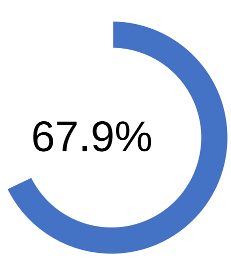
But who is most impacted by student loan debt? In this *Fast Fact,* the characteristics of families with student loan debt, including income, age, educational level, race, and net worth, are explored. The data come from the Federal Reserve's Survey of Consumer Finances (SCF), which is the most complete data on the wealth of American families with comprehensive breakdowns of all assets and debts that could potentially be held.[2]

Student Loan Debt Held Primarily by Families With Higher Incomes and More-Educated Heads

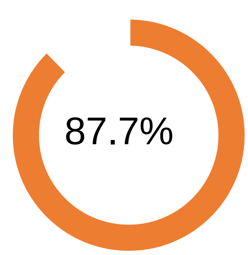
The SCF shows that $1,114.7 billion was held in student loan debt in 2019 (see figure). Families with incomes in the upper half held 64.6 percent of this debt. Furthermore, 68.1 percent of this debt was held by families with a head who had a college degree or higher. Sixty percent of it was held by families with heads who were white, with only 22.2 percent and 4.9 percent held by families with Black/African American and Hispanic heads, respectively. However, 74.9 percent of the debt was held by those with net worths in the lower half, primarily because these families often have younger heads.

In aggregate, student loan debt is overwhelmingly (87.7 percent of the value of the debt) held by families with incomes in the top half, with net worths in the top half, or who have heads with a college degree or higher. Two-thirds (67.9 percent) of student loan debt was held by families with incomes or net worths in the top half. In other words, the SCF data paints a picture wherein most of the student loan debt is held by those who appear to have a higher earnings ability or at least a higher potential earnings ability.

Value of Student Loan Debt Held by Families With Incomes or Net Worths in the Top Half



Value of Student Loan Debt Held by Families With Incomes in the Top Half, Net Worths in the Top Half, or Heads With a College Degree or Higher



Distribution of the Aggregate Student Loan Debt Held by Families, 2019		
	Total	Percentage
	(billions)	
Total	$1,114.7	100.0%
Family Income Quartile		
Lowest	125.1	11.2
Second	269.3	24.2
Third	342.6	30.7
Highest	377.7	33.9
Age of Family Head		
<35	460.5	41.3
35-44	301.7	27.1
45-54	203.7	18.3
55-64	110.8	9.9
65 or Older	38.0	3.4
Education of Family Head		
Below HS Diploma	13.6	1.2
HS Diploma	89.3	8.0
Some College	253.0	22.7
College Degree	338.5	30.4
Advanced Degree	420.2	37.7
Race		
White Non-Hispanic	669.7	60.1
Black/African-American	247.5	22.2
Hispanic	54.5	4.9
Other	143.0	12.8
Net Worth Percentile		
Bottom 25%	629.7	56.5
25-49.9	205.4	18.4
50-74.9	173.2	15.5
75-89.9	81.5	7.3
Top 10%	24.9	2.2
Groups		
Net Worth Top 50%, Income Top 50%, or College Degree or Higher	977.7	87.7
Net Worth Top 50% or Income Top 50%	756.8	67.9

Source: EBRI estimates of the 2019 Survey of Consumer Finances.

Policy Implications of Student Loan Debt

The fact that two-thirds of student loan debt is held by families with incomes or net worths in the top half has important policy implications. Namely, a universal student loan forgiveness program — which has been discussed in some policy circles — would be of greater benefit to those with higher incomes. A targeted forgiveness program could focus the help on those most in need.[3] Furthermore, lowering the cost up front may be more effective in allowing individuals from families with lower resources to be able to afford college, instead of having these individuals face significant debt when they graduate (or don't graduate), which may dissuade them from seeking a college education altogether.

In the meantime, the federal government has addressed this student loan debt issue temporarily during the COVID-19 pandemic by putting federal student loans into forbearance with a zero-interest rate until September 30, 2021. Furthermore, as part of the CARES Act, employers are allowed to pay student loan debt tax free for employees, similar to tuition reimbursement programs.

Employers' Role in Helping With Student Loan Debt

Employers have, to a certain extent, shown interest in offering employees various student loan debt assistance programs. However, the EBRI Financial Wellbeing Employer Survey found that many employers expressing an interest in providing these programs have not added them. This appears to be due to cost considerations and a focus on addressing more immediate financial concerns.[4] Employer programs for student loan debt can cover various benefits in addition to payment subsidies, such as offering consolidation services and help with refinancing the loans.[5]

Yet, it must be acknowledged that the presence of student loan debt acts as a hindrance for younger workers, preventing them from contributing to retirement plans. For those who don't finish their college degree, it can be the worst of both worlds — more debt without a better job. Lastly, the choice of paying for a child's education can have long-term consequences if the family is forgoing retirement savings to do so.

For this reason, one potential employee benefit that has gained attention is employer 401(k) matching contributions that are tied to employee student loan debt payments. Under this approach, employees who can't make a 401(k) plan contribution due to having to pay back their student loans can still benefit from the 401(k) plan. However, a lack of specification legislation for this type of benefit and/or regulatory clarification of its legal status has muted the widespread adoption of it.

The EBRI report, "Student Loan Debt: Who Has It and How Much?," is published as the January 2021 *EBRI Issue Brief*, and is available online here.

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[1] See The College Board, "Trends in Higher Education," for the costs of attending college: https://research.collegeboard.org/xlsx/trends-college-pricing-excel-data-2020.xlsx Table CP-2. Values are in 2020 dollars, but the trend from 1992 to 2019 was chosen to match the years of the data used in this study.

[2] See Bhutta, Neil et al., "Changes in U.S. Family Finances from 2016 to 2019: Evidence from the Survey of Consumer Finances." *Federal Reserve Bulletin*. vol. 106, no. 5 (September 2020): 1–42, https://www.federalreserve.gov/publications/files/scf20.pdf (last reviewed February 2021) for more information on the Survey of Consumer Finances.

[3] For a further discussion on the distributional effects of student loan debt forgiveness and an idea for a targeted response, see Catherine, Sylvain, and Constantine Yannelis, "The Distributional Effects of Student Loan Forgiveness." NBER Working Paper, December 2020, https://www.nber.org/papers/w28175

[4] See Copeland, Craig, "2020 EBRI Financial Wellbeing Employer Survey: COVID-19 Driving Benefit Offerings and Potentially Forcing Tough Budget Decisions," *EBRI Issue Brief* no. 515 (Employee Benefit Research Institute, October 22, 2020) for further information about the survey and its results.

[5] See Lucas, Lori, "How Employers are Tackling Student Loan Debt: Evidence from the EBRI Employer Financial Wellbeing Survey," *EBRI Issue Brief* no. 479 (Employee Benefit Research Institute, April 18, 2019) and Copeland, Craig, Neil Lloyd, and Alex Smith, "Student Loan Debt Trends and Employer Programs to Help," *EBRI Issue Brief* no. 467 (Employee Benefit Research Institute, December 6, 2018) for a discussion of employer programs addressing their employees' student loan debt.