FACT SHEET
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](https://www.newyorkfed.org)
  - 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](https://www.usnews.com)

- 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](https://www.americanprogress.org)

- 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](https://www.newyorkfed.org)

- 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](https://www.collegeaccess.org)

**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.

*Note: Interest rate calculations are based on proposed legislation that would allow borrowers to refinance at those rates. Debt amounts are based on average debt for college graduates.*