

NOVEMBER 1, 2018

Buried in Debt

A national survey report on the state
of student loan borrowers in 2018

BY SUMMER & STUDENT DEBT CRISIS

Introduction

Current student loan figures are startling: 44 million Americans are in repayment for \$1.5 trillion in outstanding student loans, a total debt size that's tripled since 2005.¹ While the average debt load per borrower has surged over the last two decades, the real wages of young graduates have decreased by 2.5% since 2000—pushing many borrowers onto a financial tightrope.²

Making matters worse, an alarming number of student loan companies have been fined for illegal practices that add further to the hardship that borrowers face.³ The combination of these factors is pushing the system into crisis. Another borrower defaults on his or her loans every 28 seconds, joining eight million others already in default; and the consequences are severe, including seized wages, which further drive the debt spiral.⁴

While much of the news coverage remains focused on these skyrocketing debt statistics, there has been less coverage of the impact that these loans are having on the individuals who carry them. To better understand the impact debt has on borrowers, Student Debt Crisis and Summer—two organizations dedicated to helping student loan borrowers—have partnered to conduct a nationwide survey of 7,095 adults from all 50 states.

The research reveals a somber portrait of high monthly payments fueling high stress levels and low bank balances. Borrowers get little financial support from family members and even less assistance or flexibility from the lenders collecting payments.

Attaining a higher education degree, especially for first-generation students, has long been recognized as a ladder to the American Dream. For many, however, the experience of borrowing to pay for their degree has been more akin to a nightmare.

About the Survey

This survey was conducted by Student Debt Crisis on behalf of Summer among 7,095 adults with student loan debt from all 50 states within the U.S. from October 9 through October 24, 2018.



About Student Debt Crisis

Student Debt Crisis is a non-profit organization dedicated to reforming student debt and higher education loan policies. Student Debt Crisis works with borrowers to understand their repayment obstacles and frustrations, and has realized national prominence for its efforts to represent borrowers on debt resolution solutions through petitions, awareness campaigns, and working with lawmakers.

Summer

About Summer

Summer is a social impact start-up focused on helping student loan borrowers successfully navigate the complex repayment process. Founded in partnership with Yale University in 2017, Summer's software helps borrowers track their loans in one place and uses an innovative recommendation engine to enroll them in the best repayment plan to maximize their savings.

The consequences of student debt are far-reaching:



Less Financial Freedom
Inability to save for retirement or buy a home or car



Fewer Career Opportunities
Less likely to start a business or run for office





Stressful Personal Life
High stress, delaying marriage and having kids

The Student Debt Domino Effect


The survey results reveal the grim reality of financial strain that millions of borrowers face as a result of their student loan debt. In many cases, borrowers owe more than they can pay each month, with little in the way of outside support or resources upon which they can draw. Student debt is a burden that has a serious impact on the lives of borrowers, limiting their choices, opportunities, and control over their own lives.


Many borrowers face significant financial hardship


 **65%** of student loan borrowers reported having less than \$1,000 in their bank account.

 The majority of borrowers reported having a high debt to income ratio. Across all survey respondents, the average total debt was **\$87,500** while the average annual income was \$60,000.

Borrowers spend a significant portion of their monthly budgets on student loan payments


 **30%** reported having a student loan bill higher than their rent or mortgage bill.


 **56%** reported having a student loan bill higher than their health insurance bill.

 **65%** reported having a student loan bill higher than their monthly food budget.

88% of borrowers are struggling to make their payments

 **18%** reported being in default on at least one student loan.

 **20%** reported being unable to make their next loan payment, while **44%** reported that making their next payment would be a struggle.

 **62%** reported that they do not have any family members who can afford to help them with their student loan payments.



The burden of student debt in their own words

“ Student debt has been solely responsible for the majority of my decision-making as an adult. My husband and I had a civil union ceremony as we were unable to pay for a traditional wedding due to student loan debt. We have not purchased a house, have delayed starting a family, have never purchased a new vehicle (only used or hand-me-downs), and have never started or attempted to start any of the many business ideas my husband has (he holds a BA in business management).

- ERIN (MAINE)

“ My student loans have prevented me from really living. They stress me out more than I can explain. I pay and pay and pay, and the balance never seems to go down. I've had to put my federal loans in forbearance just to afford paying my private loans. Two of my loans have interest rates of 15%, and I have a third loan at 12%. I put almost two full paychecks towards my loans a month. It's frustrating and honestly makes me feel completely defeated.



- COLLEEN (PENNSYLVANIA)

Financial Freedom





Respondents reported that the burden of student debt had prevented them from affording certain financial goals.

Student debt has prevented me from...	% Respondents
 Saving for retirement	80%
 Making large purchases	59%
 Buying a home	56%
 Buying a car	42%






Borrowers reported additional hardships.

-  58% reported a decline in their credit score due to their student debt.
-  6% reported having their wages and/or Social Security garnished.

Career Opportunities

-  39% reported being unable to achieve their career goals.
-  28% reported being unable to start a business.
-  9% reported being unable to run for office.
-  10% reported failing a credit check for a job interview due to the impact of student debt on their credit score.

Personal Life

-  86% said student debt is a major source of stress, and of these respondents, one in three said it's their biggest source of stress.
-  19% delayed getting married.
-  26% delayed having kids.
-  50% could not donate to charity.
-  13% failed a credit check for an apartment application.

“ Student debt has been difficult for my marriage as we are both working mainly to pay off student debt. We are waiting to have children and buy a home because our combined student debt is more than a mortgage on a home. This debt has been a huge burden and point of contention throughout our last 10 years. I think my wife and I will both weep the day we are debt free.

– SEAN (MAINE)

“ Student debt has prevented me from doing many of the things my parents took for granted: having kids, buying a house, taking vacations, buying a car, etc.

– AMANDA (ILLINOIS)

“ I have put off having children, marrying, or purchasing a home due to the high costs of student debt repayment. Regularly, I contemplate selling everything and living in my car to help free up money to pay off the debt sooner.

– MELISSA (TEXAS)

Sloppy Loan Servicing

As borrowers experience the financial burden of student loan repayment, they also struggle with confusing, unhelpful loan companies that collect their monthly payments. Borrowers have difficulty finding which company to pay, finding accurate information about their loans, and getting helpful, trustworthy advice from these companies. Beyond that, loan servicers are failing to provide effective guidance to borrowers about repaying their loans, and adding to their burden with unexpected fees, inflexible repayment options, and erroneous billing.

Borrower face confusion over their loans and loan servicers

- 35% of borrowers reported having difficulty accessing information about their loans and repayment status.
- 57% reported experiencing an unexpected change to their loan servicer, where a new company requested payment without notice.
- 40% reported making payments to more than one student loan company each month.

Borrowers are receiving ineffective guidance and support from their loan servicers

- 31% of respondents described their loan company's customer service as "very unhelpful" or "unhelpful."
- 27% described the information they receive from their student loan company as "very untrustworthy" or "untrustworthy."
- 59% experienced unclear guidance about their repayment situation and options from their loan servicer.

Loan servicers are adding to, not alleviating, borrowers' financial burdens

- 25% of borrowers reported having their loan servicers charge an unexpected fee to their account.
- 19% experienced their student loan company billing them the wrong amount while 23% experienced receiving wrong information about their loans.
- 42% had trouble negotiating a different repayment plan or payment amount when they had unexpected financial hardships.

“ My loans are now almost equal to my rent, but once were nearly double my rent. I have begged multiple times for Sallie Mae to assist in lowering the monthly payments when a medical event happens, to which they have told me to quit my job and find a better-paying one.

– MELISSA (TEXAS)

“ Every month is a juggle as to which paycheck will be the one hit with the loans. I've had inaccurate reporting to my credit. Most recently my loan companies mis-handling of my information led to a 100 point drop in my credit score! Their answer? Sorry, call the credit bureaus.

– ADAM (NORTH CAROLINA)

“ It's definitely been an uphill battle. I find that I am more informed than my own loan companies. In one instance, I had to explain to them changes in legislation/policy on new Income Driven Repayment requirements.

– CASSANDRA (OREGON)

“ I spend an inordinate amount of time managing my student loan account and my budget to make those payments. This month alone I have sent 5 emails, uploaded the same document 3 times, and been on the phone with my student loan company to straighten out errors that occurred on their end twice.

– STEPHANIE (UTAH)

Survey Methodology

The primary objectives of this survey report are to better understand the impact student debt has on borrowers across a variety of domains and to collect feedback on their repayment experiences. The 32-question survey was distributed online to a database of self-reported student loan borrowers and resulted in 7,305 responses collected between October 9, 2018 and October 24, 2018. The database includes approximately 900,000 borrowers, implying an email response rate of 0.81% with an 85% survey completion rate.

All respondents included in the report were confirmed to have at least one student loan borrowed in the United States that is currently in repayment, forbearance or deferment, or default. Removing respondents who did meet these criteria resulted in 7,095 respondents whose data served as the basis for the report.

Age

Answer choices	Responses
15 to 19	0.09%
20 to 24	1.16%
25 to 29	6.69%
30 to 34	18.07%
35 to 39	18.30%
40 to 44	14.96%
45 to 49	11.51%
50 to 54	9.61%
55 to 59	7.37%
60 to 64	6.61%
65 and above	5.64%

Ethnicity

Answer choices	Responses
White or Caucasian	73.59%
Hispanic or Latino	9.01%
Black or African American	16.54%
Native American or American Indian	3.24%
Asian / Pacific Islander	2.93%
Other	3.76%

Gender

Answer choices	Responses
Male	26.55%
Female	71.61%
Non-binary	0.69%
Prefer not to answer	1.14%

Education

Answer choices	Responses
Some college credit, no degree	8.78%
Associate degree (ex: AA, AS)	6.87%
Bachelor's degree (ex: BA, BS)	31.65%
Master's degree (ex: MA, MS, MEd)	38.50%
Professional degree (ex: MD, DDS)	6.54%
Doctorate degree (ex: PhD)	7.66%

END NOTES

- 1: https://www.federalreserve.gov/releases/g19/HIST/cc_hist_memo_levels.html
- 2: https://www.federalreserve.gov/releases/g19/HIST/cc_hist_memo_levels.html
- 3: <https://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-discover-bank-to-pay-18-5-million-for-illegal-student-loan-servicing-practices>; <https://www.reuters.com/article/us-citigroup-education/citi-hit-with-6-5-million-in-u-s-fines-over-student-loans-idUSKBN1DL2MM>
- 4: <https://www.pewtrusts.org/en/research-and-analysis/articles/2018/10/09/the-us-is-facing-a-student-loan-repayment-crisis>; <https://nypost.com/2017/01/28/the-student-debt-crisis-is-worsening-at-the-hands-of-loan-servicers>