Elevate's
Center for the
New Middle Class

Student Debt & Credit Scores:

Data from the Center for the New Middle Class finds that student debt has lasting impact on financial stability

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Introduction

On August 24, 2022, President Biden announced a program to forgive up to $10,000 in student loans for individuals (up to $20,000 for Pell Grant recipients) who make less than $125,000 a year, or couples who make less than $250,000. The question of what to do about student loans has been a significant political, policy, and business issue for several years, but few understand the true impact in people's lives. With the increased focus this week of journalists and financial analysts around student loan debt, The Center for the New Middle Class is releasing the following statistics.

When looking at the impact of student loans on American households, we divided the population into prime and non-prime populations. Non-prime is defined by people with credit scores below 700 and therefore may have trouble accessing credit that can help them overcome challenges or build wealth.

Non-prime Americans (credit scores below 700)

Non-prime Americans are 50% more likely to have student loans compared to prime Americans (21% vs. 14%). Non-prime Americans who have student loans are much more likely to struggle in other aspects of their lives.

Education

- 28% of non-prime Americans have attended some college without earning a degree
- 21% more likely to feel they are under-employed based on their education, skills, and experience compared to non-prime without student debt
- Non-prime respondents are half as likely as prime to have earned a bachelor's degree (15% vs. 32%)

Day-to-day financial management of non-prime student debt holders

- 12% more likely to report that at least one monthly expense was causing "a lot" of strain on their finances compared to non-prime without student loans
- 21% more likely to have experienced an unexpected expense that disrupted their household finances within the last three months compared to non-prime without student debt
- 35% say that their day-to-day finances are less manageable than they were a year ago
- 35% are not confident they can meet their short-term savings goals
- 62% say that they are "one unexpected expense away from being broke"
- 63% don't know if they will be able to retire comfortably
- 68% say that their finances cause them "significant stress"

Other debt of non-prime student debt holders

- 29% who have a short-term installment loan also have student loan debt
- 29% say that student loan debt is a burden on their household budget
- 33% say that their personal debt levels are less manageable than they were a year ago
- Compared to non-prime Americans who do not have student loans, non-prime student debt holders are…
    - 23% more likely to carry a balance on a credit card
    - 32% more likely to have a payday loan
    - 33% more likely to owe money to family and friends
    - 40% more likely to have a bank loan
    - 40% more likely to be on a payment plan for a bill
    - 46% more likely to pawn a belonging
    - 54% more likely to have a short-term installment loan

Prime Americans (credit scores of 700+)

- Prime Americans who hold student loans also have distinct financial characteristics compared to prime Americans who do not have student debt:
- 18% less likely to have a mortgage
- 23% more likely to run out of money at some point in the year
- 36% more likely to report that their income decreased over the prior 12 months
- 37% more likely to have experienced an unexpected expense that disrupted their household finances within the last three months
- 39% more likely to hold more than one job
- 96% more likely to have a loan against their 401k
- 118% more likely to owe money to family and friends
- More than twice as likely to have a short-term installment loan

Methodology or study details:

The Survey of American Household Finances is a longitudinal study measuring all aspects of American household finances. It collects responses from prime and non-prime consumers every month and has been running since September 2018, with 22,760 respondents. This analysis included responses recorded between January 1, 2021 and August 25, 2022 with a response total of 8,842.

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Elevate's Center for the New Middle Class (CNMC) is a non-profit research group sponsored by Elevate Credit (ELVT). The CNMC's mission is to research the challenges, behaviors, and attitudes of American household finances, especially the impact of credit constraint on households' financial resilience. Our studies can be accessed on our website NewMiddleClass.org or you can contact us directly with the email address NewMiddleClass@elevate.com.