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A very interesting thing happened in 2011 - the tables on student loan debt turned. That is to say, there was a reversal in fortunes for those who hold student loan debt versus those who don’t. Prior to 2011, young Americans aged 25 to 30 with student loan debt were more likely to be homeowners and have car loans as compared to people without student loan debt.

After 2011, that all changed. According to a 2013 New York Federal Reserve report, young Americans with student loan debt are less likely to buy a house or have a car loan, and their credit scores are worse than non-debt holding 27-30 year olds.

As we look at the overall economy, a lack of income may not be the only culprit. It is just as likely that the state of the economy is forcing new grads to reconsider their consumption patterns. Also, we can’t negate the impact of tighter qualification standards imposed by lending institutions. But those factors still wouldn’t explain the shift depicted above.

As you can see from the chart, the reality is that secured debt accrual (like homeownership) has been declining for both groups since 2008, but the decline has been steeper for those with student loan debt. However, a more important issue than debt accrual is the delinquency rate on student loans.

Featured MOOC

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Featured Tool

Want to learn more about student loan debts and household debt and credit? Read the entire 2013 New York Reserve report here.

Featured Policy

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Recently, there has been a lot of discussion on the potential impact of a “student loan bubble” as ever increasing numbers of students default on their loans. While much of the discussion is hyperbole (there is no bubble analogous to the housing crisis), this potential debt crisis is definitely a problematic area of concern for both the federal government (which insures much of the debt) and families weighing their choices about their futures.

How does North Carolina fare in the student loan landscape? The most interesting data point provided by the Richmond Fed is the delinquency rate. Sixty-seven percent of our counties have delinquency rates higher than the national average.

This is a problem that affects both rural and urban counties. The exceptional I-40/85 corridor is not an exception in this case. Comparatively, the state of Virginia is doing much better in this category than the state of North Carolina, while South Carolina fares worse than us.

So what are the takeaways? First, at some point we need to further the discussion on the rising cost of education - What are the cost drivers and how can we get a handle on them? Second, we need to look at the job and income prospects for college degree holders in some of our rural counties with the highest delinquency rates like Northampton, Warren, Cherokee, Anson, and Montgomery. And lastly, but most importantly, we need to answer a rather scary question: given the debt that many students take on in order to get a college degree, is the payoff to a college education still the same as it was years ago?
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