

FACT SHEET

Impact of Refinancing Student Loans for Middle-Class Borrowers

With the growing problem of student debt in America – which now tops \$1 trillion – we need to have a conversation about allowing borrowers to refinance student debt, which disproportionately affects certain demographic groups, including middle-class borrowers.

The burden of student loan debt on middle-class borrowers.

- Student loan debt has become more pervasive.
 - The number of borrowers between the ages of 40 and 60 now make up a significant portion of student loan borrowers. [\[Federal Reserve Bank of New York\]](#)
 - Borrowers from upper-middle-income families have been taking on increasing amounts of student debt, as the incomes for their families has fallen 19 percent since 2007. [\[US News & World Report\]](#)
- 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 400 percent in the last 30 years due to a variety of factors including decreases in state funding for higher education. [\[Business Insider\]](#)
- This “student debt bubble” is about to pop, and threatens the existence of a strong middle-class.
 - Student debt now exceeds \$1 trillion, over \$85 billion of which is overdue, and it keeps growing. Our elected officials in Washington DC will have to make a decision to either alleviate this burden, or cripple the core of the nation. [\[Voxxi\]](#)
- The middle-class is shrinking, and student debt is keeping borrowers from reaching it.
 - When borrowers take out an average of \$26,600, which acts as a tax on future wages, it postpones their ability to settle down, buy a home, or have children. [\[The Atlantic\]](#)

Benefits of refinancing student loans for middle-class borrowers.

- Allowing the refinancing of student loans would relieve pressure from borrowers.
 - If \$30,500 of debt was paid back at a flat 6.8% interest rate over 25 years, it would cost borrowers \$63,500.
 - Refinancing this debt to a 4.1% interest rate would decrease the burden to \$49,000, saving around \$18,000, and lowering monthly payments by about \$50.
 - Refinancing this debt to a 6.1% interest rate would decrease the burden to \$59,500, saving around \$4,000, and lowering monthly payments by about \$20.
 - If \$26,600 of private loan debt was paid back at a flat 13.6% interest rate over 25 years, it would total \$93,600.
 - If borrowers were given the power to refinance to a 6.1% interest rate, it would lower the total payment to around \$51,900, saving the consumer around \$41,000.
- 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 won't cripple the borrower.