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FACT SHEET

Impact of Refinancing Student Debt for Senior 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 seniors.

The burden of student loan debt on senior citizen borrowers.

- Senior citizens are still taking out student loans.
  - In some cases, seniors have co-signed for loans with their children or grandchildren to help them afford rising tuition costs, or they have gone back to school to become more competitive in the job market themselves. **[The Washington Post]**
  - In 2011, 90 percent of borrowers who took out private student loans had a co-signer, up from 55 percent in 2005. **[Columbus Dispatch]**
- Senior citizens still owe millions in education debt.
  - The number of education loan borrowers over the age of 60 has tripled since 2005. **[Columbus Dispatch]**
  - Americans 60 and older still owe about $36 billion on outstanding student loans. Since 2005, the number of those borrowers behind on loan payments has tripled from 63,000 to 198,000. **[Federal Reserve Bank of New York]**
- Defaulting on debt affects senior citizens more than any other age group.
  - Heading into retirement and fixed-income years, seniors face an average balance of $20,000. **[Columbus Dispatch]**
  - It's not uncommon for Social Security checks (sometimes the only source of income) to be garnished for debt collectors who harass borrowers over student loans that are sometimes decades old. **[Think Progress]**

Benefits of refinancing student loans for senior citizen 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.