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6 ways $1.6 trillion in student loan debt affects the U.S. economy

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STUDENT LOAN DEBT IS DELAYING MARRIAGE AND FAMILY FORMATION

A 2014 study found a link between a woman's student loan repayment schedule and marital timing. A $1,000 increase in student loan debt lowered the odds of marriage by 2 percent a month among female bachelor's degree recipients in the first four years after graduation.

Research has shown that marriage confers myriad economic benefits: Married people, particularly men, tend to earn more. And children raised in two-parent households tend to be better off as adults.

STUDENT LOAN DEBT IS HAMPERING THE GROWTH OF SMALL BUSINESSES

A 2015 study by the Federal Reserve found "*a significant and economically meaningful negative correlation*" between rising student loan debt and falling small-business formation. If you're paying off a student loan, you're less able to start a business. The effect is significant: The increase of one standard deviation in student debt translated into a decrease of 70 new small businesses per county — a decline of approximately 14.4 percent. The authors note that small businesses are responsible for "approximately 60 percent of net employment activity in the U.S."

STUDENT LOAN DEBT IS TAKING A BITE OUT OF THE HOUSING MARKET

This year, the Federal Reserve reported that student loan debt prevented about 400,000 young families from purchasing homes, accounting for about a quarter of the drop in home-ownership rates. Researchers also noted that the rise in education debt increased those borrowers' odds of default, which can adversely affect their credit scores and ability to qualify for a mortgage.

STUDENT LOAN DEBT MAKES IT HARDER TO WEATHER FINANCIAL CRISES

Another Federal Reserve report found that student loan debt jeopardizes the short-run financial health of households. Most obviously, it found that households with student debt had a lower median net worth ($42,800) than those with no student debt ($117,700). More troubling, however, was the finding that the Great Recession took a bigger chunk out of the net worth of student-loan-indebted households: From 2007 to 2009, households with student loans saw 12.4 percent of their total net worth evaporate, while the net worth of those without such loans fell by 9.3 percent.

STUDENT LOAN DEBT IS PREVENTING YOUNG PEOPLE FROM SAVING FOR RETIREMENT

A 2018 study by the Center for Retirement Research at Boston College found that while student debt didn't affect 401(k) participation rates, it did affect how much young workers were able to sock away. "Those with debt have only about half as much in assets by age 30 as those without debt," the report found.

STUDENT LOAN DEBT CAN CAUSE GRADUATES TO GIVE UP ON THEIR DREAMS

A 2017 working paper found that "students with debt are less 'choosy' on the job market: They are more inclined to accept part-time work and jobs that are less related to their degree and offer limited career potential." Earlier research showed that higher education debt "reduces the probability that students choose low-paid 'public interest’ jobs.” New graduates with loan debt, in other words, appear to have an understandably greater interest in paying off their loans than in making the world a better place.