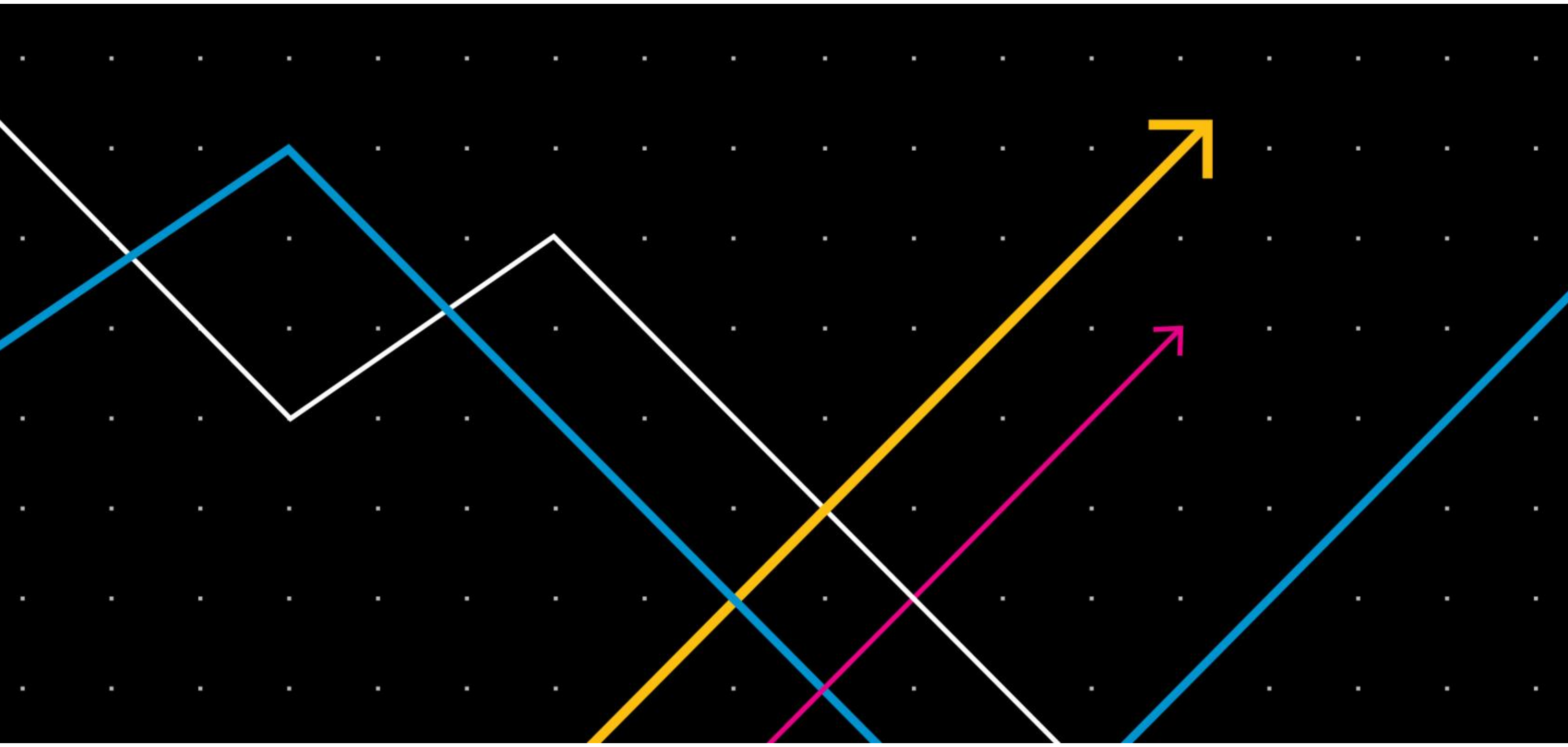

RESEARCH REPORT

Student Loan Debt and Access to Homeownership for Borrowers of Color

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Executive Summary

The homeownership rate among young (ages 25 to 40) Black bachelor's degree recipients is lower than that of young white adults who did not complete high school. Since 2000, homeownership levels among young adults have been falling for all racial and ethnic groups, but this decline has been steepest for Black households, who experienced an 11 percentage-point homeownership rate decline between 2000 and 2019. Over the same time period, the share of the population that holds student loans, and the typical amount of student loan debt, has increased. Black bachelor's degree recipients are more likely than others to graduate with student loan debt and are more likely to struggle with delinquency and default. Among a cohort of beginning postsecondary students who enrolled in the 2003–04 academic year, about half of Black borrowers defaulted on their loans by 2017. This compares with a 29 percent default rate for all borrowers and a 21 percent default rate for white borrowers.[1]

Although research finds a weak causal relationship between student loan debt and homeownership, less access to generational wealth among young Black adults is a root cause of higher student debt burden and a substantial barrier to accessing homeownership. Inability to repay debt, or to build wealth through homeownership, in turn contributes to the persistence and widening of the racial wealth gap. In this report, we describe policy efforts to mitigate the effects of student loan debt on mortgage lending and homeownership and discuss the impact these have on closing the racial homeownership gap. These efforts include the following:

- **Flexibility in treatment of student loan debt for mortgage lending.** Mortgage lenders have revised lending standards to better account for how student loan debt affects lending risk. Those who have debt for their own education have at least some college experience, and larger debt loads tend to signal the completion of bachelor's or graduate degrees, which is highly correlated with greater earnings potential and economic stability. Recognizing this relationship, as well as the income-driven repayment (IDR) options available for federal borrowers, lenders have revised how they incorporate student loan payments into the debt-to-income (DTI) calculations and underwriting more broadly. Research shows that those who enter IDR have a lower likelihood of defaulting on their student loans. IDR options can help young Black adults lower their DTI ratios and reduce negative impacts on credit scores from student loan debt delinquencies, both of which are strong factors for mortgage approvals.
- **Merging student loans into mortgage debt.** Some mortgage lenders have partnered with Fannie Mae to offer a student loan cash-out refinance program, where borrowers can pay off their student loan debt using a home loan refinance. This process would benefit some

borrowers by providing a lower interest rate and a longer repayment period, which would lower monthly payments. But for federal student loan holders, this cash-out process would remove federal borrower safety nets, such as IDR, deferment and forbearance options, the pandemic student loan pause, and eligibility for student loan forgiveness. The recent market interest rate hike also makes this option less desirable.

- **State programs to subsidize borrowers' down payments.** Illinois and Maryland have developed SmartBuy programs, which help potential first-time homeowners who have student loans. Borrowers would receive up to $30,000 (Maryland) or $40,000 (Illinois) in assistance to pay down their student loan debt. But borrowers in the program have to meet certain credit eligibility requirements, which may exclude borrowers who need the assistance the most. Most of the current programs require a relatively high credit score and income and therefore have limited impact on reducing the racial homeownership gap, as Black young adults, on average, have lower incomes and credit scores than white young adults.

These recommendations for adjustments by mortgage-side stakeholders are likely to help only at the margins. The Biden administration recently announced plans to forgive $10,000 to $20,000 in student loan debt for eligible borrowers, provide more generous IDR, and offer borrowers who defaulted on student loan debt an easier path to become current on their loans. We also discuss how these policies could affect student loan debt borrowers' prospects for future homeownership and how Black borrowers are likely to be affected by these policy changes.

The current policies will have only marginal impacts on Black homeownership. To continue to lower barriers to homeownership for student loan borrowers and reduce the barriers created by student loan debt overall, we urge consideration of additional interventions. These interventions include continued work to improve federal student loan repayment programs, such as increasing access to income-driven repayment (IDR) and steps to mitigate the effects of delinquency and default. Increasing access to lower payments through IDR and reducing the impact of student loan debt on credit outcomes will help ensure that more borrowers are mortgage ready. Housing counselors could also play a greater role in helping student loan debt holders understand how different repayment options could affect their debt-to-income ratios and credit scores in the mortgage application process, improving the likelihood that they will have access to homeownership and potentially reducing the cost of owning a home.

Acknowledging that existing programs have had little impact on closing the racial homeownership gap, we encourage policymakers to examine, and possibly pilot, special purpose credit programs aimed at Black student loan borrowers who are otherwise mortgage ready. Finally, we recognize that both the decline in Black homeownership and the burden of student loan debt on Black borrowers are side effects of a broader multigenerational racial wealth gap that has been influenced by both direct and indirect racial discrimination (McCargo and Choi 2020). Ambitious policies aimed at closing this gap overall, outside of the mortgage and student lending spheres, are also needed to reduce disparities within these two areas.

1. Introduction

This report examines how student loan debt affects homeownership among young Black adults and explores ways to diminish the interference of this debt on homeownership attainment. Total student loan debt has risen considerably, and according to the Federal Reserve, a larger share of Black households than of any other racial or ethnic group holds student loans. Among households with student loan debt, Black households have the highest average and median debt levels, despite lower average educational attainment. For example, in 2019, about 30 percent of Black households had student loans, compared with 20 percent of white households and 14 percent of Hispanic households. The median student loan debt for Black households was about $30,000, or $7,000 higher than for white households, and the mean student loan debt for Black and white households was $44,880 and $40,170, respectively.[2]

The homeownership rate among young adults ages 25 to 40 declined from 54 percent in 2000 to 46 percent in 2019. The homeownership rate among young Black adults who completed college also has fallen over the past 20 years and is lower than the homeownership rate among young white adults who did not complete high school.

These trends have increased interest in whether and how student loan debt prevents young households from purchasing homes. Many organizations have argued that student loan debt significantly contributes to racial disparities in homeownership.[3] Direct causal evidence of this phenomenon, however, is not definitive. But because Black students borrow significantly more than others pursuing similar types of education and tend to have more difficulties repaying their debts, an investigation of strategies for narrowing the racial homeownership gap must consider the role of student loan debt and how to reduce the impact it has on the ability to qualify for a mortgage.

About the Racial Equity Accelerator for Homeownership

Homeownership is the primary way many US households build wealth. But because of historical racism and its ongoing legacies, the path to homeownership for Black households is rife with structural barriers, and, even once obtained, homeownership's benefits are not equitably distributed. To address some of the persistent racial disparities in homeownership and wealth, the Federal Home Loan Bank of San Francisco has partnered with the Urban Institute to launch a research and product development initiative called the Racial Equity Accelerator for Homeownership. The accelerator hosts several research workstreams investigating methods for facilitating and sustaining Black homeownership:

- incorporating alternative data into mortgage underwriting
- mitigating the impact of student loan debt on Black homeownership (the focus of this report)
- using artificial intelligence and advancing technologies that can overcome mortgage lending biases
- innovating loss mitigation strategies to help households sustain homeownership during times of stress

Although the accelerator focuses on Black homeownership, many of the barriers Black households face apply to other households of color, and the solutions to reduce the Black-white homeownership gap can help other households who struggle to become homeowners and build wealth.

Addressing the Black-white homeownership gap is essential to achieving racial equity and ensuring all households have access to homeownership. Historically, the mortgage finance system purposefully excluded Black households from homeownership through racist practices such as redlining, and the legacies of these practices persist. To undo the effects of explicit historical racism in housing, an equally explicit commitment must be made to address racial homeownership disparities. Without such a commitment, homeownership and wealth gaps will widen.

Rooting out systemic racism is a complicated process that will require sustained collaboration between many actors in the housing finance system, and the policy and practice changes proposed in this report may improve Black homeownership only at the margins. But our research in this area is promising, and if the housing finance system can rally the necessary political will, we may be able to make tangible improvements for thousands of Black households.

To examine how student loan debt affects Black households and to design and implement policies and programs to support Black borrowers, it is critical to understand the complex features of student loan debt. Student loan debt and mortgage debt account for a large portion of household debt, but they have vastly different lending structures and characteristics. Many people working in the mortgage sector do not fully understand how the US federal student loan system works. Many people in the student lending space may not fully understand how student loan debt is considered in mortgage underwriting, especially flexibilities around IDR plans. This report aims to bridge the knowledge gap between the mortgage and student lending sectors to address the persistent racial disparities in homeownership.

Our study first briefly examines the homeownership trajectories of young Asian, Black, Hispanic, and non-Hispanic white adults by education level and discusses how young Black adults have struggled on the path to higher education and homeownership. Then, we examine research that quantifies how student loan debt affects access to homeownership. In the following section, we explain the US student loan system and then analyze available data to show how student loan debt can affect the two most-cited reasons for mortgage denial: DTI ratio and credit history. Next, we examine two approaches that could help student loan borrowers access homeownership: (1) modifying the way student loan debt is treated in mortgage underwriting and (2) providing subsidies that reduce or eliminate debt. For each approach, we provide examples of existing policies and programs and discuss whether they can help Black student loan borrowers access homeownership. We conclude by suggesting additional policies and programs that could help Black student loan borrowers become homeowners.

2. Young Adults' Homeownership Rates, by Race and Ethnicity

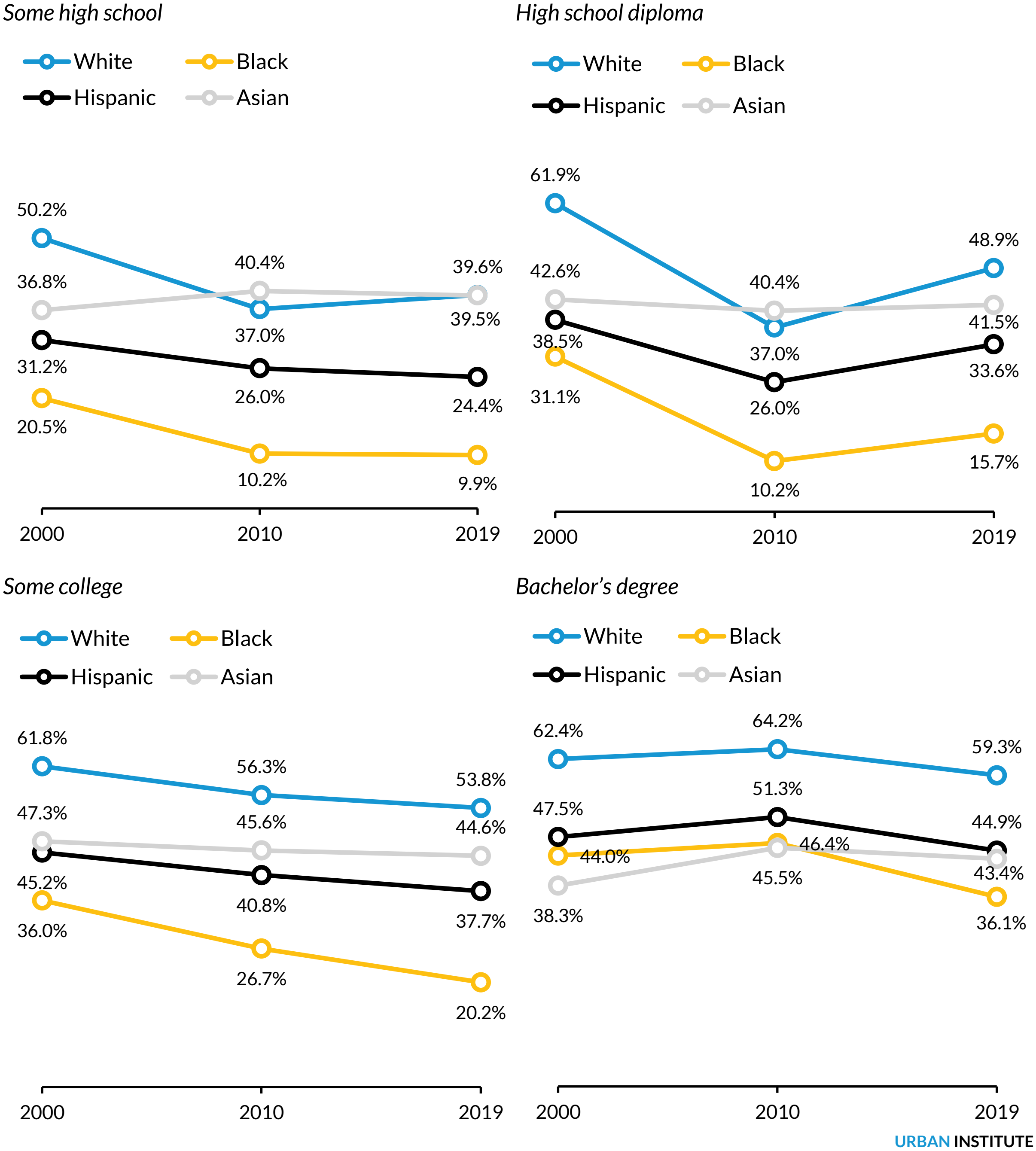
Homeownership among Young Households Has Declined, Especially for Young Black Households

Between 2000 and 2019, white, Black, and Hispanic households ages 25 to 40 all experienced homeownership declines, but young Black households experienced the greatest decline—11 percentage points. In 2019, only 23 percent of young Black households were homeowners, about half the rate for young white households. The decline in homeownership among young Black households is projected to result in 900,000 Black households, or 12.4 percent of Black renter households, who will miss out on homeownership by 2040.[4]

For all racial and ethnic groups, the homeownership rate generally increases with educational attainment (figure 1). But the homeownership rate for Black households with bachelor's-degree-holding heads ages 25 to 40 (36 percent) is lower than the rate for white households with heads ages 25 to 40 without a high school diploma (40 percent). Among those with bachelor's degrees, young Black adults also experienced the greatest homeownership rate decline, from 44 percent in 2000 to 36 percent in 2019. These numbers highlight the struggles young Black adults face in attaining homeownership, even when they have college degrees. But between 2000 and 2019, we observe a homeownership rate decline for all young households except young Asian households, indicating that the rise in student loan debt alone does not fully explain the relative homeownership decline among young Black adults.[5]

FIGURE 1

Homeownership Rates, by Race, Ethnicity, and Educational Attainment, 2000–19, among Borrowers Ages 25 to 40



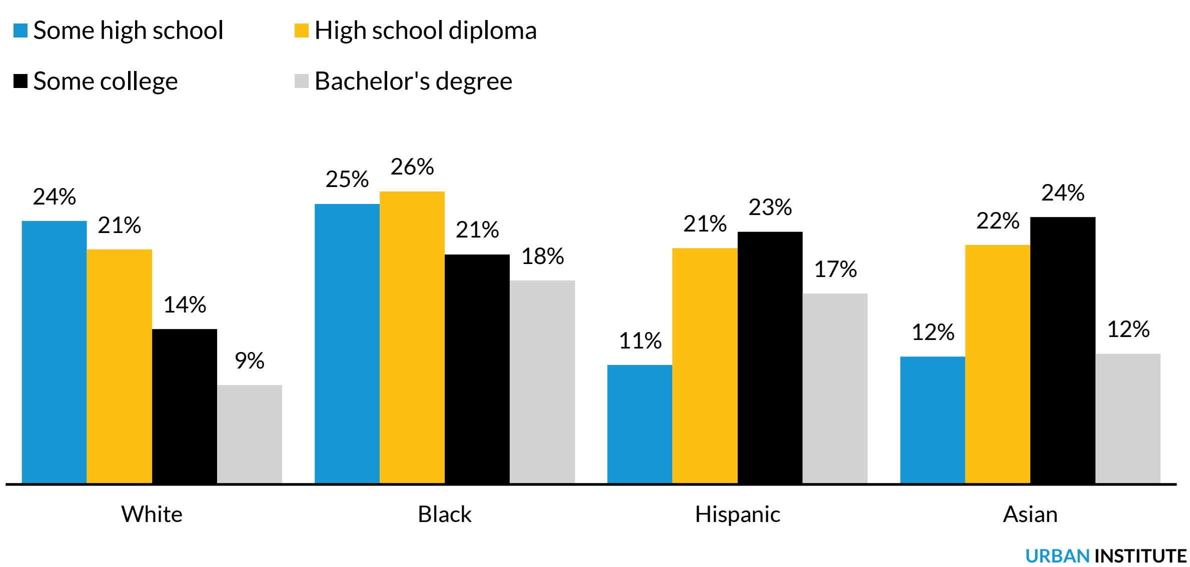
Sources: Decennial censuses and the American Community Survey.

Racial homeownership comparisons may understate the true differences because the homeownership rate is calculated by dividing the total number of homeowner households by the total number of households. Young adults who have not formed independent households are not included in the calculation. Black adults ages 25 to 40 are most likely to live with their parents and delay household formation. The share of all young adults who live with their parents increased from 9 percent in 2000 to 17 percent in 2019, and for young Black adults, this share increased from 14 percent to 23 percent.

Although the share of young adults living with their parents declines with educational attainment, 18 percent of young Black bachelor's degree recipients live with their parents, almost 10 percentage points higher than among white bachelor's degree recipients in this age group (figure 2). This living arrangement can have a long-term negative impact. Choi, Zhu, and Goodman (2019) find that young adults who live with their parents are less likely to form independent households and are less likely to become homeowners 10 years later.

FIGURE 2

Share of 25-to-40-Year-Olds Living with Parents, by Race, Ethnicity, and Educational Attainment



Source: American Community Survey.

The homeownership delay can also affect lifetime wealth. Our analysis finds that those who bought their first homes earlier in life have more average housing wealth later in life.[6] Those who bought their first homes before age 35 had significantly more housing wealth when they turned 55 than those who bought their first homes after age 35. Those who bought earlier were able to build more wealth from realizing greater home price appreciation by sustaining their homeownership for a longer period, moving to a larger property, or paying down their mortgage debt earlier.

3. How Student Loan Debt Affects Homeownership

Student Loan Debt Is a Barrier to Saving for a Mortgage but Increases Access to Higher Education

Student loan debt could hinder access to a mortgage in several ways. First, households have less income remaining after making student loan payments, which lengthens the time required to save for a down payment. And households who have student loan debt may be hesitant to take on more debt, which can also affect the timing of first home purchases. Second, student loan payments increase borrowers' DTI ratios, a key variable lenders evaluate in mortgage underwriting. Federal Housing Administration (FHA) loans, which first-time homebuyers use more often than conventional loans, allow a maximum DTI ratio of 56.9 percent.[7] Although there is no certain threshold, lenders typically allow for DTI ratios up to 43 percent for conventional loans. The ratio can be higher for borrowers with higher credit scores or who make a larger down payment.[8] Student loan debt can affect mortgage approval and the amount of mortgage credit homebuyers can access. As home prices and interest rates rise, young homebuyers with student loan debt are likely to face greater difficulty finding homes they can afford while staying below the DTI limit. Third, credit scores—another critical variable in mortgage underwriting—can decline if borrowers do not make their student loan payments on time and fall into delinquency or default. For young borrowers, in particular, credit history and DTI ratio are the two most common reasons for mortgage denial.

Estimating the causal impacts of student loan debt on homeownership is difficult. Student loans enable access to higher education, and borrowers who have a college education are more financially stable, on average, than those who did not enroll in higher education. Since the early 2000s, homeownership rates at around age 30 have been higher among student loan borrowers than among nonborrowers, reflecting their higher earning capacities.[9]

In addition, students who come from low-wealth families are likely to experience difficulties paying for college and buying a home. In some cases, low family wealth is likely the root cause of high levels of student loan debt and low homeownership rates. Enrollment and success in higher education are correlated with families' financial resources (because of increased access to high-quality schools, financial stability during enrollment, and other advantages), which also affect housing decisions and the ability to purchase a home.

Finally, it is difficult to define a counterfactual scenario for the impact of student loan debt. It is unlikely that students would be in the same financial position—with the same earnings and education—without student loans. Is the relevant question whether people would be more likely to become homeowners if their circumstances were similar but they did not hold student loan debt, or whether they would be more likely to be homeowners if they had avoided student loan debt by not enrolling in college?

To examine the causal impacts of student loan debt on homeownership, recent studies have used a matching method or an instrumental variable method to mitigate the endogenous relationship between student loan debt accumulation and higher education attainment. Overall, the studies find statistically significant effects of student loan debt on homeownership, though the size of the impact varies. Mezza and coauthors (2020) used in-state tuition rates at public four-year colleges in students' home states as the instrument for the amount of student loan debt and estimated that a $1,000 increase in student loan debt delays homeownership by a few months. Although this delay seems small, it can have a large compounding effect as the amount of student debt grows. Miller and Nikaj (2018) used the coarsened exact matching method and found that among all borrowers, a 10 percentage-point increase in student loan debt results in a 0.3 percentage-point decrease in homeownership, with larger effects for borrowers with student loan debt and no degree. Credit bureau data indicate that during the student loan pause, student loan borrowers took out first mortgages at higher rates than nonborrowers, but it is unclear whether this trend was the result of the student loan pause or other factors (e.g., student loan borrowers might have been more likely than nonborrowers to work remotely or been better positioned to take up mortgages when interest rates fell) (Blagg and Cohn 2022).

Enrolling in and completing college—particularly at least a bachelor's degree—increases earnings and therefore homeownership opportunities. But if students borrow at high levels in that process, their debt could interfere with their ability to buy a home. And students who borrow for college but never complete degrees struggle more than others with student loan debt, largely because they are less likely to have incomes that support debt repayment. Research finds that the lack of a degree is negatively associated with homeownership.[10]

Even with Higher Educational Attainment, Young Black Adults Struggle to Become Homeowners

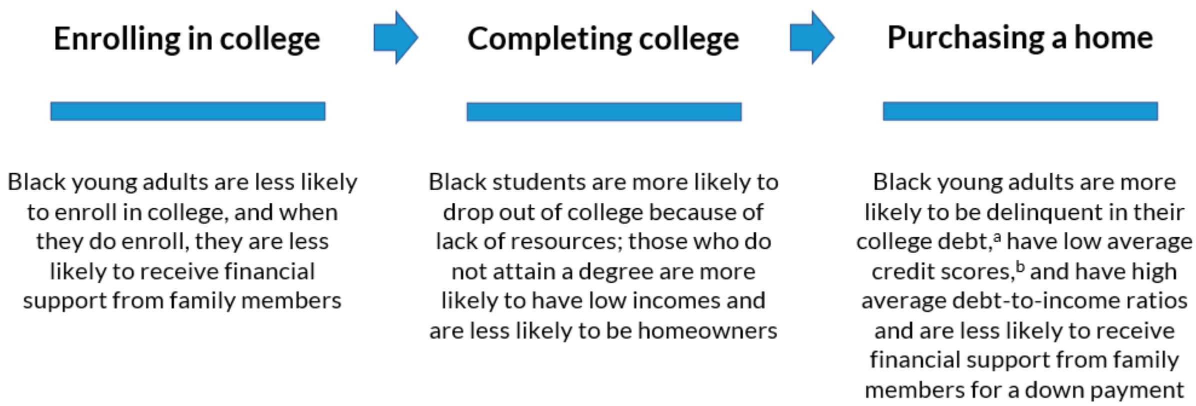
The causal relationship between student loan debt and homeownership, and the size of any student loan debt impact on homeownership, still need more research, but it is clear that young Black adults are struggling to be homeowners even when they have college degrees and are more likely to have student loan debt than young white adults with similar educational attainment. Although some older Americans also struggle with student loans (Baum, Blagg, and Fishman 2019),[11] most student loan debt is held by adults ages 25 to 40 who are in their prime homebuying years. Young Black adults with college degrees have a lower homeownership rate than young white adults who did not complete high school.

Moreover, on average, Black adults have lower educational attainment than white adults, contributing to—but not fully explaining—racial income disparities. The college completion rate is significantly lower for young Black adults than for others. According to the National Center for Education Statistics, the share of enrolling students graduating from four-year postsecondary institutions within six years is 64 percent for white students and 40 percent for Black students.[12] Low completion rates are only part of the story. Young Black adults face multiple barriers to both higher educational attainment and homeownership. Despite having higher average student debt, young Black adults are less likely than their white peers to enroll in college (37 percent versus 42 percent, respectively) (Hussar et al. 2020). Black students are also less likely to earn bachelor's degrees. In 2019, only 29 percent of Black adults ages 25 to 29 had four-year college degrees or higher, compared with 45 percent of white adults in the same age group (Hussar et al. 2020).

Among other issues, these differences likely reflect the struggles Black families can face in funding their children's education. When young Black adults enroll in college, they are less likely to receive financial support from their family members and are therefore more likely to take on greater debt. In other words, Black students' lower levels of family resources could interfere with their ability to enroll in and complete college. And after earning a bachelor's degree, the lack of family resources may affect Black students' ability to repay student debt, which interferes with their ability to buy a home after they finish college (figure 3).

FIGURE 3

Barriers Young Black Adults Face on Pathways to Higher Education and Homeownership



[a] From the Center for Responsible Lending.
[b] From Freddie Mac.

These racial differences in educational attainment and the debt associated with it, attributable in large part to family resources, are compounded by the fact that young Black adults are less likely to receive parental support for a down payment. Choi, Zhu, and Goodman (2018) find that parental homeownership and wealth explain 12 to 13 percent of the homeownership gap between young Black and white adults. The multiple disadvantages young Black adults face on the path toward homeownership, which are rooted in historical labor and housing market discrimination,[13] help explain why, despite the positive overall correlation between education level and homeownership, young Black college graduates have a lower homeownership rate than even young white adults who did not complete high school.

Student Loan Debt Has Been Growing but Mainly Because of the Increase in Graduate School Debt

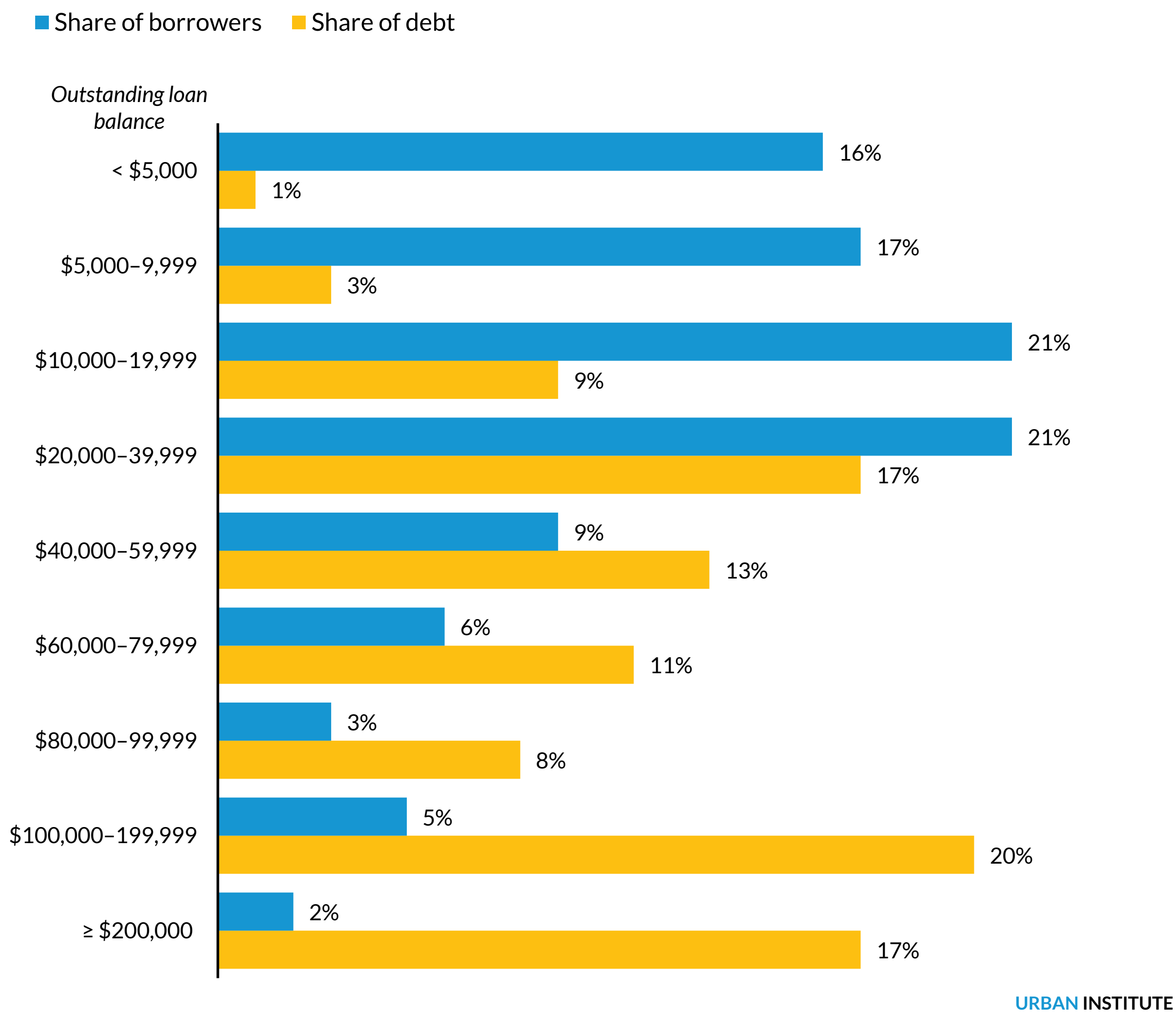
Recent growth in student loan debt has mostly occurred among graduate students who have higher income potential that enables them to access homeownership. Although the annual amount of dollars the federal government lends has declined steadily since 2010–11, the total amount of outstanding student loan debt has increased over the past several decades, as both educational attainment and the price of postsecondary education have increased. In 2022, aggregate federal student loan debt reached $1.6 trillion, more than twice the amount in 2007 (after adjusting for inflation). The number of federal student loan borrowers has increased at a slower rate, from 28.0 million in 2007 to 43.4 million in 2022.

The share of adults ages 25 to 34 with four-year college degrees rose from 30 percent in 2001 to 33 percent in 2011 and to 41 percent in 2021.[14]

President Biden's debt forgiveness plan, announced in August 2022, could eliminate many low-balance borrowers from the system by forgiving $10,000 of debt for borrowers earning less than $125,000 as an individual and less than $250,000 as a couple. The action provides an additional $10,000 of forgiveness for borrowers who received a Pell grant during enrollment. In 2021, one-third of student loan borrowers owed less than $10,000 (figure 4). Another 21 percent owed between $10,000 and $20,000. Only 7 percent of borrowers owed $100,000 or more, but this small group owed 37 percent of all outstanding debt. The 16 percent of borrowers who owed $60,000 or more owed 56 percent of the outstanding debt. Much of the overall debt increase has been driven by recent increases in graduate school debt, as federal undergraduate lending is subject to annual and aggregate limits but graduate lending is not (McFarland et al. 2018). This means that many student loan borrowers with only undergraduate degrees will experience a significant percentage reduction in their overall debt because of the debt forgiveness.

FIGURE 4

Distribution of Borrowers and Debt, by Balances Owed, 2021



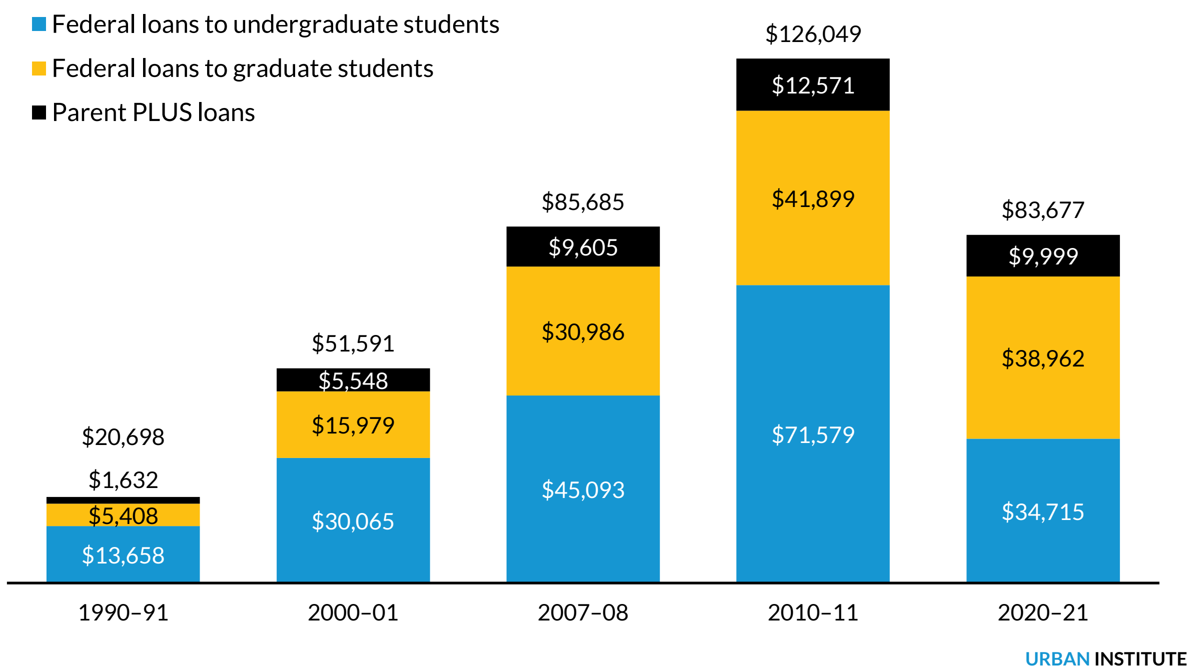
Source: Jennifer Ma and Matea Pender, *Trends in College Pricing and Student Aid 2021* (Washington, DC: College Board, 2021).

4. Understanding Student Loans

Before we can know how student loan debt might affect homebuying across racial and ethnic groups and what could be done, we must understand how the US student loan system works. Education loans can be made to undergraduate students, graduate students, or parents of undergraduate students (figure 5). They can be federal loans (as are about 90 percent of outstanding student loans) or loans from banks or other nonfederal sources (Amir, Teslow, and Borders 2021).[15] Student borrowing has increased significantly, as both the price of attending college and the number of students enrolling have risen. In 2021–22, average annual tuition ranged from $3,800 at public two-year colleges and $10,740 for in-state students at public four-year institutions to $38,070 at private nonprofit colleges and universities. Grant aid covers a significant share of tuition for many students, but some students borrow to cover living expenses in addition to tuition. In 2021–22, average nontuition budgets ranged from $15,000 to $18,000 per school year (Ma and Pender 2021).

FIGURE 5

Total Federal Student Loans, in Millions of 2020 Dollars



Source: Jennifer Ma and Matea Pender, *Trends in College Pricing and Student Aid 2021* (Washington, DC: College Board, 2021).

Types of Student Loans

There are three basic types of student loans: federally guaranteed loans, direct federal student loans, and private loans.

- **Federally guaranteed loans.** Until 1994–95, the federal government did not lend directly to students. Instead, it guaranteed loans made by private lenders, primarily Sallie Mae and large banks. The government paid lenders subsidies and promised to repay almost the full value of loans on which borrowers defaulted.
- **Direct federal student loans.** The Clinton administration introduced Federal Direct Loans, and by 2009–10, about 40 percent of student loans were Direct Loans borrowed from the federal government and serviced by contractors, with the remainder federally guaranteed. When the credit markets crashed in 2008 and 2009, however, the government took over many of the outstanding guaranteed loans. Since 2010–11, all federal student loans have been made with federal funds. These include loans to graduate students and parents of undergraduate students, in addition to loans to undergraduate students.
- **Private loans.** The Great Recession also dramatically affected the private student loan market. Emerging in the 1990s, nonfederal loans from private lenders (many of whom also made federally guaranteed student loans) and from state governments grew to 25 percent of all student loans in 2007–08 but fell to about 7 percent in 2010–11 and were about 13 percent of the total in 2020–21. Private student loans require a credit check and usually a cosigner and generally do not carry the same protections as federal student loans. In particular, they are not eligible for IDR, which sets payments as an affordable share of borrowers' incomes.

In 2020–21, 7 million students borrowed $84 billion from the federal government to help finance postsecondary education. Forty-seven percent of those dollars went to graduate students, 41 percent went to undergraduate students, and 12 percent went to parents of undergraduate students. In addition, students borrowed about $12 billion from nonfederal sources, including banks, states, credit unions, and other lenders. An estimated 90 percent of these loans, which generally require cosigners, went to undergraduates (Ma and Pender 2021).

Loan Amount Limits

Available federal loan amounts depend on dependency status, undergraduate versus graduate enrollment, and year of undergraduate study. Most dependent undergraduate students—generally, students younger than 24[16]—cannot borrow more than $31,000 in federal loans over the course of their college careers. Independent students and dependent students whose parents are not eligible for federal parent loans can borrow up to $57,500. Graduate students face a limit of $138,500 under the Stafford Loan program. But they are also automatically eligible for the Grad PLUS program, which allows them to borrow a virtually unlimited amount—enough to cover all their tuition, fees, and living expenses for as long as they are in graduate school. This provision explains why each year, about half of federal student loan dollars go to graduate students, who constitute only 16 percent of postsecondary students.[17]

Those who pursue graduate school may delay homeownership until they complete their education. With higher tuition and loan limits, they are likely to have more student loan debt, but they also tend to have higher incomes to offset the impact of student loan debt on DTI ratios.

TABLE 1

Federal Student Loan Limits

	Dependent undergraduate	Independent undergraduate or dependent student whose parents do not qualify for PLUS loans	Graduate student
Annual limits			
First-year undergraduate	$5,500	$9,500	N/A
Second-year undergraduate	$6,500	$10,500	N/A
Third-year-or-later undergraduate	$7,500	$12,500	N/A
Graduate or professional student	N/A	N/A	$20,500
Aggregate limits			
Subsidized plus unsubsidized	$31,000	$57,500	$138,500[a]

Source: "The U.S. Department of Education Offers Low-Interest Loans to Eligible Students to Help Cover the Cost of College or Career School," US Department of Education, Office of Federal Student Aid, accessed September 22, 2022, https://studentaid.gov/understand-aid/types/loans/subsidized-unsubsidized.

Note: N/A = not applicable.

[a] Including undergraduate loans.

Interest Rates

In addition to regulating the amounts students can borrow, Congress sets the interest rates on federal student loans.[18] The government covers the interest on some undergraduate loans (subsidized loans) while students are in school and for a six-month grace period after they leave school. Interest accrues on other undergraduate student loans (unsubsidized loans) and all graduate student loans from the time the funds are disbursed. For loans made in 2020–21, the interest rates were 3.73 percent for undergraduate students, 5.28 percent for Direct Loans to graduate students, and 5.28 percent for Parent PLUS and Grad PLUS loans. For 2022–23, those rates are 4.99 percent, 6.54 percent, and 7.54 percent, respectively. Interest rates for undergraduate loans were as high as 6.8 percent between 2006–07 and 2012–13. Interest rates on private student loans are based on borrowers' credit scores and generally range from 3 percent to 13 percent.[19]

Repaying Student Loans

There are multiple federal student loan repayment plans, but many borrowers are unaware of all their options or find them confusing (Pew 2020). If they do not make another choice, borrowers are placed in the standard 10-year repayment plan, where they make the equal monthly payments required to retire the debt in 10 years. A student who borrows $30,000 (about the average for a bachelor's degree recipient with debt) at 4 percent interest would pay about $300 a month.

About one-third of borrowers are enrolled in an IDR plan that bases monthly payments on borrowers' incomes. No payments are due until income exceeds 150 percent of the federal poverty level for the borrower's household size ($20,385 for a single person and $34,545 for a family of three in 2022). Required monthly payments are generally 10 percent of borrowers' incomes exceeding that level. A single borrower earning $40,000 a year would pay $163 a month, regardless of the size of the debt. Payments depend only on income, not on the amount borrowed. Unpaid balances are forgiven after a specified period—under the most recent plan, 20 years for borrowers with only undergraduate debt and 25 years for those with graduate debt.[20]

Borrowers in any federal repayment plan can ask for forbearance or deferment if they cannot make their payments. Interest is likely to accrue, but they will not have to make payments while they are experiencing temporary financial hardship.

Virtually all federal loan borrowers are eligible for at least one IDR plan, but many are not aware of this option, have difficulty navigating the application process, or do not meet the requirements for lower payments (e.g., partial financial hardship for Pay As You Earn). Borrowers with private loans are not eligible for IDR. Lack of access to the lower payments IDR offers can increase DTI ratios for low- and moderate-income borrowers, interfering with access to mortgages.

Student Loan Debt Delinquencies and Default

Despite provisions for IDR, forbearance, and deferment, which are designed to reduce or eliminate unaffordable payments, many borrowers default on their student loans, and many others fall behind on payments, becoming delinquent.

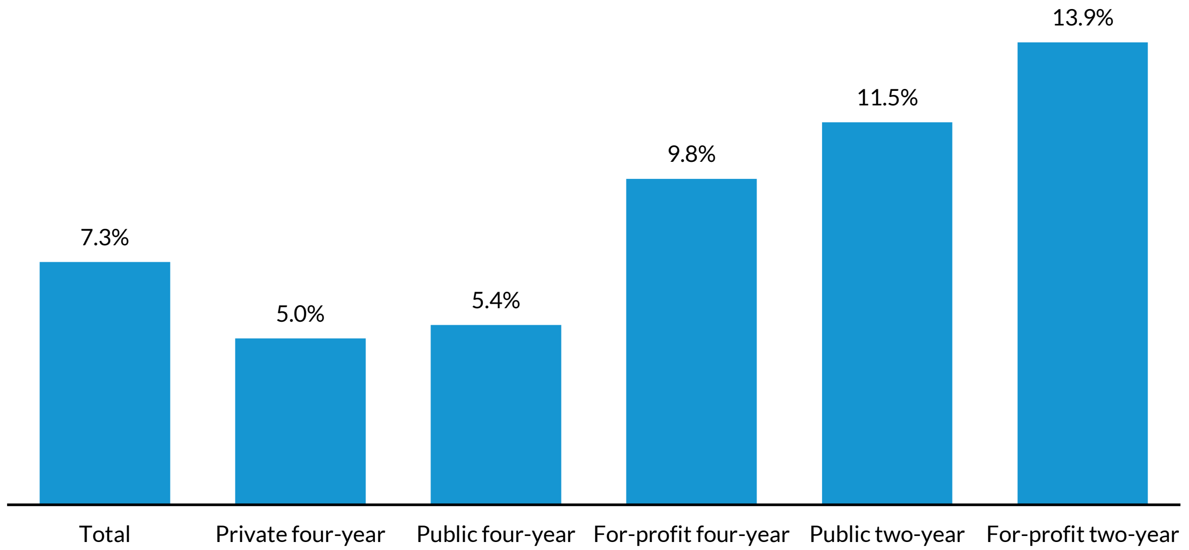
IDR programs reduce payments when borrowers show an income decline, and borrowers in other repayment plans frequently qualify for deferment or forbearance, postponing loan payments when they face financial hardship. But many borrowers do not know about these options or face bureaucratic hurdles to accessing them. Moreover, like private student loans, federal student loans are more difficult to discharge in bankruptcy than other forms of debt. Borrowers must file a separate action, and the court must find that repayment would impose an undue hardship.[21]

According to the Congressional Budget Office, just under 20 percent of undergraduate borrowers beginning repayment in 2012 and enrolling in IDR defaulted on at least one loan within five years. The default rate among borrowers in other repayment plans was almost twice as high. Default rates on graduate school loans are lower (Karamcheva, Perry, and Yanellis 2020).

Perhaps counterintuitively, borrowers with low levels of debt are most likely to default on their loans. About one-third of those borrowing less than $5,000 default at some point, compared with less than 20 percent of those borrowing more than $100,000.[22] In addition, borrowers who left school without a degree or certificate and those who attended for-profit institutions have higher-than-average default rates (Armona, Chakrabarti, and Lovenheim 2022). These two categories overlap; many of those who borrow small amounts never completed their programs, whereas those with the largest debt went to graduate school and have generally higher earnings to support their payments.

FIGURE 6

Official Default Rates on Federal Student Loans, Fiscal Year 2018



Source: "(LOANS-21-09) National Default Rate Briefing for FY 2018 Official Cohort Default Rates," US Department of Education, Office of Federal Student Aid, accessed September 30, 2022, https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2021-09-29/national-default-rate-briefing-fy-2018-official-cohort-default-rates.
Note: Default rates measure the share of borrowers defaulting within three years of entering repayment.

Default rates on federal student loan debt declined between 2011 and 2018 as the economy recovered from the Great Recession (table 2). The unemployment rate increased during the first year of the COVID-19 pandemic, but because of the student loan payment pause, it has been impossible to default on most federal student loans since summer 2020.

TABLE 2

Official Default Rates on Federal Student Loans, Fiscal Years 2011–18

	2011	2012	2013	2014	2015	2016	2017	2018
National rates	13.7%	11.8%	11.3%	11.5%	10.8%	10.1%	9.7%	7.3%

Source: "(LOANS-21-09) National Default Rate Briefing for FY 2018 Official Cohort Default Rates," US Department of Education, Office of Federal Student Aid, September 29, 2021, https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2021-09-29/national-default-rate-briefing-fy-2018-official-cohort-default-rates.
Note: Default rates measure the share of borrowers defaulting within three years of entering repayment. Defaults on private student loans are typically less than 2 percent.

Racial Disparities in Student Loan Debt

Overall student debt patterns obscure Black students' particularly difficult circumstances. Black students are more likely to borrow than students from other racial and ethnic groups pursuing similar degrees and are more likely to borrow large amounts. They are less successful in repaying their loans and are more likely to default. Differences in precollege circumstances and postcollege earnings correlated with race contribute to the difficulties Black students face in college and beyond.

Twenty-nine percent of 2015–16 bachelor's degree recipients graduated without debt, but only 14 percent of Black graduates did so (table 3A). About one-third of Black bachelor's degree recipients accumulated $40,000 or more in debt, compared with 18 percent overall and 13 percent of Hispanic graduates. The pattern among associate degree and certificate recipients is similar. Some differences in borrowing are associated with institution type. For example, in 2015–16, when 11 percent of associate degrees were from for-profit institutions, 20 percent of Black associate degree recipients were from this sector. But among public community college graduates, 43 percent of Black students were debt-free, compared with 59 percent overall; 20 percent of Black graduates borrowed $20,000 or more, compared with 12 percent overall.

Only 19 percent of Black master's degree recipients completed their degrees without borrowing for graduate school, and 16 percent borrowed $75,000 or more. In contrast, 43 percent of white master's degree recipients avoided borrowing, and just 7 percent borrowed $75,000 or more for graduate school.

TABLE 3A

Total Borrowed for Undergraduate Education, by Race and Ethnicity, 2015–16 Graduates

Certificate, associate degree, and bachelor's degree recipients

	$0	$1–9,999	$10,000–19,999	$20,000–29,999	$30,000–39,999	≥ $40,000
Bachelor's degree						
All	29%	11%	13%	17%	12%	18%
White	30%	10%	13%	18%	12%	18%
Black	14%	12%	10%	15%	16%	33%
Hispanic	33%	14%	15%	15%	10%	13%
Asian	41%	11%	14%	16%	9%	9%
Associate degree						
All	51%	17%	13%	10%	5%	5%
White	49%	18%	15%	10%	4%	4%
Black	33%	20%	14%	13%	9%	10%
Hispanic	64%	16%	8%	6%	4%	2%
Asian	70%	10%	8%	11%	11%	11%
Certificate						
All	33%	30%	21%	9%	4%	4%
White	34%	30%	18%	8%	4%	5%
Black	17%	33%	27%	13%	6%	4%
Hispanic	38%	30%	20%	8%	2%	2%
Asian	53%	16%	23%	8%	8%	8%

TABLE 3B

Total Borrowed for Undergraduate Education, by Race and Ethnicity, 2015–16 Graduates

Master's degree recipients

	$0	$1–24,999	$25,000–49,999	$50,000–74,999	≥ $75,000
All	38%	21%	20%	12%	9%
White	43%	22%	19%	10%	7%
Black	19%	18%	26%	22%	16%
Hispanic	27%	24%	24%	16%	8%
Asian	50%	11%	14%	12%	13%

Source: 2016 National Postsecondary Student Aid Study.

Young Black adults struggle more than others with repaying their student loans. They are more likely to be delinquent on their student loan debt than young white adults. A Federal Reserve Bank of New York study found that, by age 30, the likelihood of student loan debt delinquency for Black adults with associate degrees was 12 percentage points higher than for white adults with the same level of education.[23] For borrowers with bachelor's degrees, the difference between the two groups in likelihood of delinquency was 16.9 percentage points. Delinquency records negatively affect credit scores, lowering the potential to access mortgages and raising the cost of the mortgage for those who are approved for one.

Black borrowers are also more likely than others to default on their student loans. Twelve years after they first enrolled in 2003–04, about half of Black borrowers had defaulted on at least one federal loan, and more than half owed more than they originally borrowed. This could occur because they returned to school for further education and borrowed again or because interest accrued when borrowers made no payments or made monthly payments too small to cover the interest. In contrast, the average overall default rate was 29 percent, and, on average, borrowers were able to pay down 40 percent of their original debt.[24]

The overall default rate 12 years after enrolling in college is almost three times as high for borrowers with associate degrees as for those who earned bachelor's degrees (22 percent versus 8 percent). But the default rate among Black four-year college graduates (23 percent) is slightly higher than the overall default rate for associate degree holders (Taylor et al. 2020, tables 5.16 and 5.17).

Most federal student loans are classified as being in default if payments are at least 270 days overdue. Many borrowers who are not in default are delinquent on their payments—a status that begins as soon as a payment is late. Loan servicers report delinquencies to credit bureaus after 90 days.[25] Delinquency is more prevalent among Black borrowers than among borrowers from other racial and ethnic groups. Among those who began college in 2012 and left without a credential, delinquency rates for Black borrowers were similar to overall delinquency rates. But among those who earned certificates, 84 percent of Black borrowers were delinquent within five years, compared with 71 percent overall. Among those who completed any credential, 62 percent of Black borrowers were delinquent, compared with 42 percent overall (table 4).

Borrowers facing financial difficulties can avoid delinquency by entering forbearance, which postpones their loan payments. Black borrowers are more likely than others to take advantage of this provision, with 96 percent of those leaving school without a credential, 92 percent of those completing a certificate, and 64 percent of those completing any credential entering forbearance. These shares are higher than the 91 percent, 83 percent, and 49 percent for borrowers overall. In other words, the high delinquency and default rates among Black borrowers occur even though many take advantage of forbearance.

TABLE 4

Delinquency and Forbearance, by Race, Five Years after First Enrollment

	Delinquency			Forbearance		
	Completed credential	No credential	Completed certificate	Completed credential	No credential	Completed certificate
Black students	61.9%	75.4%	84.3%	63.7%	96.3%	92.2%
All students	41.6%	72.6%	70.7%	49.1%	91.1%	83.4%

Source: Morgan Taylor, Jonathan M. Turk, Hollie M. Chessman, and Lorelle L. Espinosa, *Race and Ethnicity in Higher Education: 2020 Supplement* (Washington, DC: American Council on Education, 2021), tables 5.16 and 5.17. Based on data from the Beginning Postsecondary Students Longitudinal Study, 2012/17.

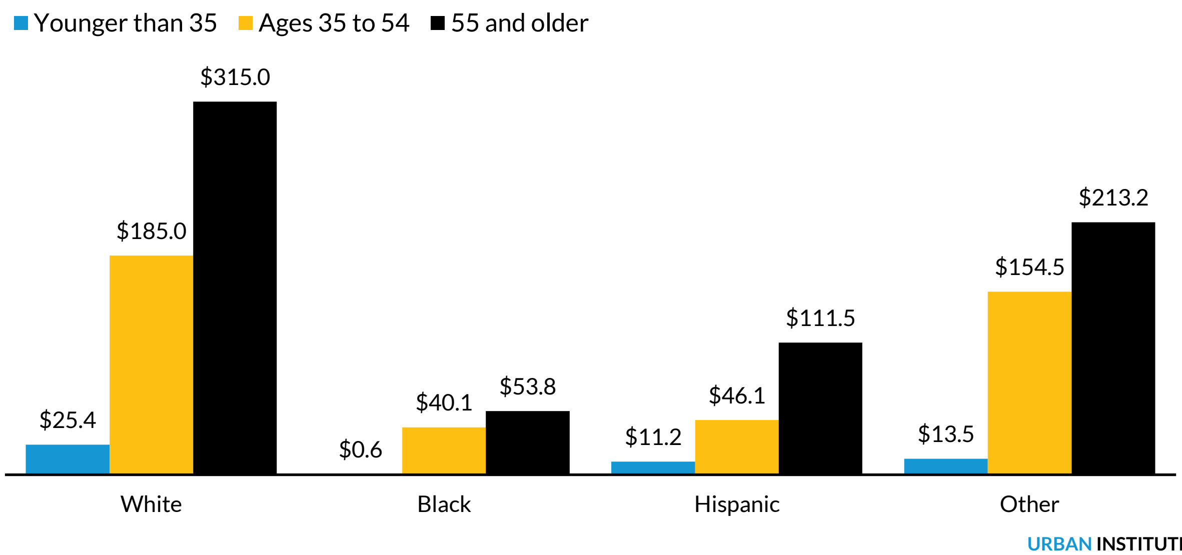
Racial income and wealth gaps contribute to differences in student loan debt. Black parents in the age range when children are typically ready for college have a median income equal to about 70 percent of the overall median. More than half of 2015–16 Black bachelor's degree recipients were from the lowest income quartile of students completing these degrees. Only 9 percent came from the top quartile, with parent incomes of $136,200 or higher.

In addition to their low incomes, Black families have less wealth than families of other races and ethnicities—even slightly less than Hispanic families. In 2019, the median wealth for Black families ages 35 to 54 was $40,000, 22 percent of the median for white families and 86 percent of the median for Hispanic families.[26] For those younger than 35, the median wealth for white families was $25,400, while the median wealth for Black families was only $600. This means young Black adults generally cannot support their education or homeownership with their wealth and cannot get financial support from their parents.

FIGURE 7

Median Wealth, by Race, Ethnicity, and Age

Thousands of dollars



Source: 2019 Survey of Consumer Finances.

The unequal experience of debt burden between white and Black student loan holders may help explain why the homeownership rate for young Black college graduates (36 percent) is even lower than the rate for white people who dropped out of high school (40 percent). And Black people who can attain homeownership are nearly twice as likely as white homebuyers to report having student loan debt (Yun et al. 2022). Additionally, homeowners with student loan debt tend to have less home equity than homeowners with comparable education levels but no student loan debt, diminishing the economic benefits of homeownership (Elliott and Lewis 2015).

5. Mortgage Underwriting and Student Loan Debt

College attainment is a key driver of greater earnings and is important for long-term financial well-being. But taking on student loan debt can make it harder to build wealth after college, in part by interfering with homeownership. Monthly student loan payments increase DTI ratios and limit the prices of the homes borrowers can afford (and thus the equity they can build). A history of default or delinquency on student loans damages credit ratings, making it difficult for borrowers to qualify for a mortgage or leading borrowers to pay higher rates and fees.

Evaluating the relationship between racial differences in student loan debt and racial differences in homeownership requires a clear understanding of mortgage underwriting.

The Basics of Mortgage Underwriting

Unlike student loan debt, in which most of the funding is provided at the federal level, the government does not issue mortgages or lend money directly to borrowers (though through certain mortgage programs, the government provides a form of mortgage insurance to some borrowers). Those who buy homes with government-insured FHA mortgages are more likely to be first-time homebuyers or homebuyers of color, who are riskier (estimated to have a higher default probability based on financial characteristics) than those who can obtain conventional loans, which are not guaranteed by the federal government.[27] In any case, the lender goes through a thorough underwriting process to evaluate the borrower's likelihood of defaulting on the mortgage payment to decide whether to approve lending.

The lender examines credit, collateral, and capacity. Lenders typically use a 620 FICO score as the minimum threshold for approving conventional loans; without compensating factors, the minimum score is often higher. The FICO score and the loan-to-value ratio, the amount borrowed relative to the property value, are used when determining interest rates. Lower FICO scores and higher loan-to-value ratios result in higher interest rates. Capacity indicators measure borrowers' financial resources, including DTI ratios, down payment funds, and cash reserves. Collateral is the value of the home purchased with the mortgage, which the lender can seize if the borrower defaults.

According to Home Mortgage Disclosure Act (HMDA) data, which cover most mortgage applications in the US, credit history and DTI ratio are the two most common reasons lenders deny home purchase mortgages.[28]

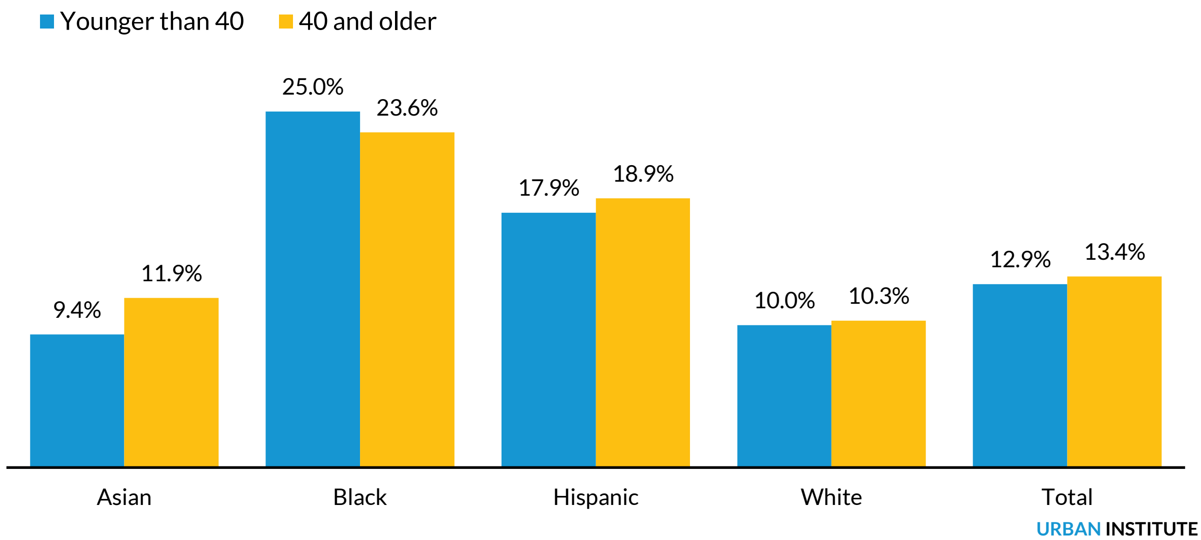
Black Mortgage Applicants Are More Likely Than Other Groups to Be Denied Because of Credit History

To understand barriers borrowers of color experience in the current mortgage underwriting process, we analyzed mortgage denial rates and reasons using 2018–20 HMDA data. These data have no marker for applicants with student loan debt, so our analysis includes all applicants in the dataset. We classify applicants by those younger than 40 and those ages 40 and older[29] and by race and ethnicity.

Overall, we find that the denial rate for white and Asian applicants is lower for both age groups than the denial rate for Hispanic and Black applicants. Black households have the highest denial rate among all racial and ethnic groups. Within the same racial and ethnic groups, we do not see large differences in the mortgage denial rates across the two age groups. But we find that, except for Black households, households with applicants ages 40 and older are slightly more likely to be denied than those younger than 40. Although more research is needed, student loan debt could be contributing to higher denial rates among young Black adults (figure 8).

FIGURE 8

Mortgage Denial Rates for Home Purchase Loans, by Age, Race, and Ethnicity



Source: 2018–20 Home Mortgage Disclosure Act data.

These differences persist when applicants are broken into income groups. Even among the highest income group, which has the smallest percentage-point difference between Black and white applicants, the Black denial rate is more than double the white denial rate. In fact, the denial rate of young Black applicants with household incomes above 150 percent of the area median income is higher than the denial rate of white applicants with incomes between 50 and 75 percent of the area median income (table 5). This suggests that income alone cannot fully close the racial homeownership gap and reflects differences in generational wealth and access to credit that still block Black households from obtaining homeownership.

TABLE 5

Mortgage Denial Rates for Home Purchase Loans, by Race, Ethnicity, and Income, for Borrowers Younger Than 40

	Asian	Black	Hispanic	White	Total
< 50% of the AMI	21.5%	39.9%	29.2%	20.5%	25.4%
50–75% of the AMI	10.4%	20.8%	15.9%	9.3%	12.1%
75–100% of the AMI	8.5%	17.0%	12.9%	6.9%	9.1%
100–150% of the AMI	6.9%	14.3%	10.7%	5.2%	6.9%
≥ 150% of the AMI	6.9%	13.7%	10.1%	5.0%	6.3%

Source: 2018–20 Home Mortgage Disclosure Act data.
Note: AMI = area median income.

Except for Asian applicants, credit history and DTI ratio are the most common reasons for denial for all racial and ethnic groups in both age groups. Credit history was the most frequently mentioned reason for Black households in both age groups, accounting for 41.8 percent of denials for those younger than 40 and 39.2 percent for those ages 40 and older. For Asian and Hispanic households, DTI ratio was more frequently mentioned in both age groups (possibly because these borrowers are more concentrated in high-cost markets), while for white households, the most mentioned reason differed across the two age groups (table 6).

TABLE 6

Reasons for Home Purchase Mortgage Denials, by Age, Race, and Ethnicity

	Debt-to-income ratio	Credit history	Collateral
Younger than 40			
Asian	35.8%	10.4%	11.5%
Black	32.1%	41.8%	5.6%
Hispanic	33.5%	33.0%	7.4%
White	28.0%	33.1%	9.9%
Total	30.3%	32.9%	8.7%
40 and older			
Asian	40.0%	10.9%	9.5%
Black	32.6%	39.2%	6.2%
Hispanic	36.1%	29.4%	8.6%
White	31.4%	28.2%	11.9%
Total	32.9%	29.5%	9.9%

Source: 2018–20 Home Mortgage Disclosure Act data.

Comparing Black and white applicants at similar income levels for applicants younger than 40, DTI ratio is roughly equally likely to be the primary reason for denial for both groups. As income increases, DTI ratios are less likely to be the main reason for both Black and white applicants. But credit history is a more common reason for denial for Black applicants at all income levels. As income increases, credit history is still a dominant reason for denying Black mortgage applicants but is less so for white applicants. Even for the highest income group, 37 percent of denied Black applicants are denied because of credit history, compared with only 17 percent of denied white applicants (table 7). Although not presented, we find similar patterns for those ages 40 and older.

TABLE 7

Black and White Applicants Younger Than 40 Denied Because of DTI Ratio or Credit History, by Income

	DTI ratio	Credit history
Earning < 50% of the AMI		
Black applicants	39.7%	41.1%
White applicants	37.0%	34.7%
Earning 50–75% of the AMI		
Black applicants	27.9%	42.8%
White applicants	22.8%	36.4%
Earning 75–100% of the AMI		
Black applicants	21.6%	44.1%
White applicants	19.4%	33.7%
Earning 100–150% of the AMI		
Black applicants	18.2%	41.9%
White applicants	17.8%	27.2%
Earning ≥ 150% of the AMI		
Black applicants	15.5%	36.8%
White applicants	16.1%	17.3%

Source: 2018–20 Home Mortgage Disclosure Act data.

Note: AMI = area median income; DTI = debt-to-income.

Student loans are a type of installment credit that affect a borrower's payment history, the most important factor in determining a credit score. Loan servicers report on-time and missed payments to the credit reporting agencies, either improving or worsening credit scores. Although servicers vary, delinquencies on private student loans are typically reported after 30 days, and all federal loan servicers report delinquencies of more than 90 days. Delinquencies remain on credit reports for seven years. Default occurs after 120 days of nonpayment for private loans and after 270 or 360 days of nonpayment for federal loans.

Student loans also contribute to a borrower's DTI ratio, the ratio of one's monthly debt payments to gross income. Having student loan debt might affect credit scores in either direction but can only increase the DTI ratio. As income rises, the DTI ratio is less likely to be a core reason for mortgage denial for Black borrowers with postsecondary education. As income and education are highly correlated, this suggests that even with student loan debt, the DTI ratio for high-income borrowers is less of a barrier to homeownership.

Additionally, compared with other forms of debt, student loan debt, because of IDR options, can be more flexibly adjusted based on borrower income. Borrowers may not be fully aware of this option, which is an area that needs more promotion, but student loan debt could have a lower impact on the DTI ratio than the mortgage industry recognizes.

Credit history has a substantial effect on Black borrowers across all income levels when they apply for a mortgage. Below, we analyze the relationship between student loan debt and credit scores.

Student Loan Debt Delinquencies and Default Can Affect Credit Scores

Because credit history is the most common reason Black mortgage applicants are denied at all income levels, we examine credit bureau data—disaggregated by the predominant race or ethnicity in a zip code—to learn what in the credit history might be causing these denials. Many individuals are denied mortgages because of their credit histories, but their negative credit records may relate to holding delinquent or defaulted student loans, other forms of debt, or both.

For our analysis, we leverage credit bureau data from one of the three major credit bureaus using a random 2 percent sample of Americans with credit records, collected in August 2019. We use 2019 data because, at the start of the COVID-19 pandemic, the federal government announced a student loan debt freeze, which makes it difficult to analyze the relationship between student loan debt delinquencies and credit scores. The credit bureau data include borrower-level information on the amount of student loan debt in repayment, deferment, and collections, as well as the total amount initially borrowed. But credit bureau data do not include information on race or ethnicity, whether a borrower earned a college degree, or current income. We bring in demographic data by linking our credit bureau data on borrowers' home zip codes to American Community Survey data on these zip codes' median incomes, average educational attainment, and shares of residents by race and ethnicity.

According to credit bureau data, nearly 10 million Americans ages 25 to 40 have student loans, no mortgage, and low credit scores (660 or below). Credit bureau data offer VantageScores, which are not used in mortgage underwriting but are a reasonable proxy for our purposes. There is no official method for converting VantageScores to FICO scores, so we rely on commonly used cutoffs for nonprime borrowers, or borrowers who are likely to be denied a mortgage because of their credit history.

As of 2019, 40 percent of student loan holders with low credit scores and without mortgages had at least one student loan delinquency in the past 24 months (table 8), compared with 22 percent of all student loan holders, suggesting that student loan delinquency is likely to contribute to lower credit scores. But these borrowers struggle not only with their student loans. Of those who had a student loan delinquency, 79 percent also held a different type of collections debt or were delinquent on a credit card or auto loan. In other words, it is difficult to separate student loan repayment issues from other financial struggles that might affect credit scores and mortgage eligibility.

TABLE 8

Share of Credit Record Holders with Student Loans and Low Credit Scores Who Have Delinquencies and Collections Debt, by Neighborhood Demographics

	Median credit score	Share with student loans	Share with Delinquency in the Past 24 Months			Share with Collections Debt			
			Student loan	Auto loan	Credit card	Utility	Medical	Bank	Retail
Credit record holders with student loans									
Predominantly Black neighborhood	537	N/A	45%	17%	28%	46%	39%	24%	13%
Predominantly nonwhite neighborhood	550	N/A	41%	14%	28%	37%	34%	24%	13%
Predominantly white neighborhood	563	N/A	39%	12%	28%	30%	38%	20%	12%
All	557	N/A	40%	13%	28%	33%	36%	22%	12%
All credit record holders									
Predominantly Black neighborhood	524	36%	18%	13%	20%	47%	40%	20%	11%
Predominantly nonwhite neighborhood	547	29%	13%	11%	22%	36%	33%	19%	10%
Predominantly white neighborhood	552	31%	13%	10%	22%	32%	42%	18%	10%
All	552	30%	13%	11%	22%	34%	38%	18%	10%

Source: Urban Institute analysis of credit bureau and American Community Survey data from the National Historical Geographic Information System.

Notes: Low credit score is 660 or below. The table includes only those ages 25 to 40 without a mortgage. Neighborhoods are defined as predominantly Black, nonwhite, or white if more than 60 percent of those living in the area are members of the named group.

The most common types of collections debt held by student loan holders with low credit scores were medical and utility debt (36 percent and 33 percent, respectively). Using regression analysis, we found that having at least one student loan delinquency is associated with a 59-point decrease in credit score (appendix table A.1). Holding utility collections debt is associated with a slightly smaller (57-point) decrease in credit score, and holding medical debt is associated with a slightly larger (61-point) decrease.[30] There is a substantial difference between the share of households with utility debt among those living in predominantly Black neighborhoods and those living in predominantly white neighborhoods, which may contribute to the lower average credit scores in predominantly Black neighborhoods.

Although they are not as prevalent as utility and medical collections debt, credit card delinquencies appear to be a more significant issue for student loan holders than for borrowers without student loans. Notably, credit card delinquencies are associated with a larger decrease in credit score (73 points) than other delinquencies or collections debt (appendix table A.1).

We see evidence of many types of debt contributing to student loan holders' low credit scores, but student loan delinquencies, utility collections debt, and medical collections debt appear to be the most prevalent drivers of these low credit scores, particularly in predominantly Black neighborhoods (table 8).

We combine our analysis of credit bureau data with our analysis of HMDA data on mortgage denials to estimate the potential impact on mortgage access of more lenient treatment of student debt in credit score calculations. Because the two datasets cannot be merged, the numbers presented should be considered rough estimates. We estimate that 3.2 percent of mortgage applications likely to be denied because of credit history (3.7 percent in predominantly Black neighborhoods) would have qualified for a mortgage if not for their student loan's impact on credit history. Because about one-third of all denials are attributable to credit history, around 1 percent of all denied applications would have qualified for a mortgage if student debt were not included in the credit score calculation (appendix table A.2). This share is slightly higher in predominantly Black neighborhoods (1.5 percent). This is a conservative estimate, as we looked only at borrowers who are delinquent only on student loan debt and not on other debts. In most cases, we find that borrowers are delinquent on multiple debts, but for those borrowers, it is difficult to estimate how much student loan debt is affecting access to mortgages. Our analysis shows that although the impact of more lenient treatment of student debt in credit reports may not be large, it could lead to a small improvement in homeownership equity. Appendix table A.2 shows how we calculated these numbers.

6. Current Programs That Improve Access to Homeownership for Student Loan Borrowers

The best long-term strategy for reducing the impact of education debt on homeownership is to reduce reliance on borrowing for higher education, particularly among students from low-income households and underrepresented racial and ethnic groups. Research shows that student loan debt delinquencies occur more often for borrowers who have smaller loans and are likely to have fewer financial resources, especially during times of economic crisis. Strong need-based grant aid policies at the federal and state levels are most important for this effort. More generous state funding for public institutions can also reduce the rate of growth of tuition prices and ensure these institutions have the resources to support student success.

But in the current policy environment, many students will continue to accrue debt for higher education, and Black students are likely to continue to be particularly vulnerable to both high debt levels and repayment difficulties. So strategies to ensure student loan debt does not have an outsize impact on the ability to get a mortgage are also important. Potential solutions fall into two categories: modifying the way education debt is treated in mortgage underwriting and providing subsidies that reduce or eliminate debt. We identified three types of programs or policies, including subsidies and underwriting flexibility, that are currently used to improve student loan borrowers' access to mortgages. These programs include

- flexibility in the treatment of student loan debt during mortgage underwriting (specifically, in terms of calculating DTI ratios),
- programs that allow for the student loan debt to be rolled into a 30-year mortgage (cash-out refinance programs), and
- state-funded subsidies for student loan borrowers to help pay down their education debt when obtaining a mortgage (SmartBuy programs).

The first two methods are related to modifying debt in mortgage underwriting, and the third provides subsidies directly to student loan borrowers. Direct subsidies can lower DTI and LTV ratios. Below, we provide details for each method and discuss whether they can reduce racial disparities in access to homeownership.

DTI Flexibility for Student Loan Borrowers

Student loans are included as part of the DTI calculation. Although student loan debt accounts for a large portion of debt for many young adults with college degrees, there are several ways to adjust for student loan payments that can reduce the student loan debt portion of the DTI ratio. One option is counting the lower monthly payments required in IDR plans rather than the payments that would be required to amortize the debt under standard repayment plans. Student loan payments may also be considered more favorably than other debt payments. These approaches are likely to be easier to scale than direct subsidies.

For example, Fannie Mae employees told us they put less weight on student loan debt than on other debt in their underwriting system, as they have found that, unlike other debt, student loan debt is positively correlated with on-time mortgage payment. The FHA has also changed the way it calculates student loan debt in mortgage underwriting. Before 2021, the FHA required that lenders calculate a borrower's student loan monthly payment as 1 percent of the outstanding student loan balance. The FHA changed this policy in 2021 to use the actual student loan monthly payment (if above $1), improving the likelihood that homebuyers using IDR will qualify for a loan. (The government-sponsored enterprises, or GSEs, formerly adopted this process; we provide the FHA as a recent example.) This change better aligned FHA policy with the GSEs in how they account for payment based on income.[31] This change and others like it that consider the actual payments potential homebuyers make rather than basing payments on loan size could help more people access mortgages. The Biden administration's newly announced IDR plan,[32] which, if implemented, would increase the income threshold and lower the repayment rate from 10 percent to 5 percent of gross income, would also reduce DTI ratios for prospective homebuyers.[33]

To further understand the impact of IDR, it is important to understand the demographics of student loan borrowers who use it. Previous research on IDR enrollment shows that households with low or modest incomes are more likely than those with higher incomes to use IDR repayment plans.[34] Black borrowers are more likely than white and Hispanic borrowers to qualify for $0 monthly IDR payments (Miller 2019). Given that a greater number of Black borrowers are in IDR and a greater share of Black borrowers in IDR have $0 payments, lenders accounting for actual monthly payments will reduce DTI ratios for more Black borrowers and may reduce the difference between the number of Black borrowers and other borrowers eligible for mortgages.

To approximate borrowers in IDR plans, we use the credit record data described above to calculate borrowers' expected monthly payments for a 10-year standard plan using student loan debt in repayment. We consider borrowers to be in an IDR plan if their actual payment is less than 90 percent of the expected payment.

We find that about 47 percent of young adults with student loans have enrolled in IDR.[35] Among those with a mortgage, this share is 54 percent, while among those without a mortgage, this share is 44 percent. This suggests that a greater share of homeowners has enrolled in IDR, which lowers the DTI ratio.

Using IDR also has a notable relationship with the credit scores of student loan borrowers both with and without mortgages. For both groups, borrowers in IDR have higher credit scores than those in other repayment plans.

For borrowers with and without mortgages, a higher share of borrowers enrolled in IDR have good or excellent credit scores (above 660). Specifically, 51 percent of student loan borrowers ages 25 to 40 in IDR plans who do not hold a mortgage have good or excellent credit scores, compared with 46 percent of those in other repayment plans. Similarly, among mortgage holders, 78 percent of borrowers in IDR and 75 percent of those in other repayment plans have good or excellent credit scores (table 9). In other words, about half of borrowers for whom IDR lowers required student loan payments have credit scores that would likely allow them to qualify for mortgages. Borrowers without mortgages who are not in IDR plans have higher rates of student loan delinquency than others. Although more analysis is needed, this suggests that enrolling in IDR could lower the likelihood of student loan debt delinquency and improve credit scores.

TABLE 9

Characteristics of Mortgage Borrowers and Non–Mortgage Borrowers with and without IDR

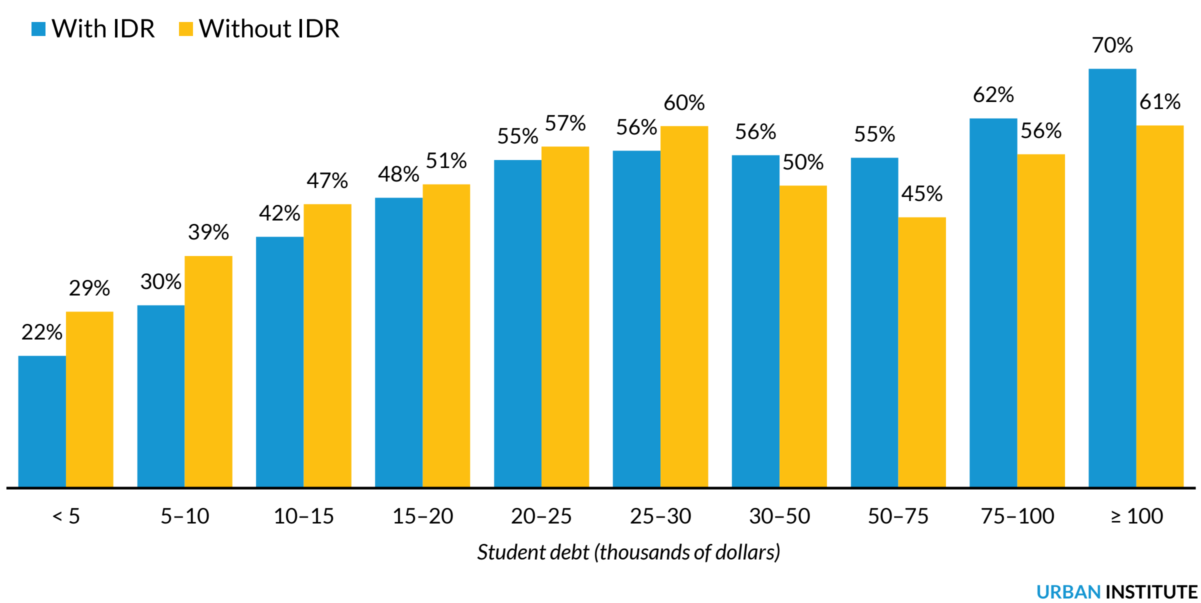
	Without Mortgage		With Mortgage	
	Without IDR	With IDR	Without IDR	With IDR
Average credit score	634	657	710	721
Median credit score	649	664	732	741
Count	112,637	88,035	33,566	39,865
Share with credit scores > 660	46%	51%	75%	78%
Share with a student loan debt delinquency	25%	13%	8%	5%

Source: 2019 credit bureau data.

For all borrowers, this difference in credit scores appears for those with student loan debts of $30,000–50,000 or higher but not for those with smaller debts (figure 9).

FIGURE 9

Share of Student Loan Debt Holders with Credit Scores above 660

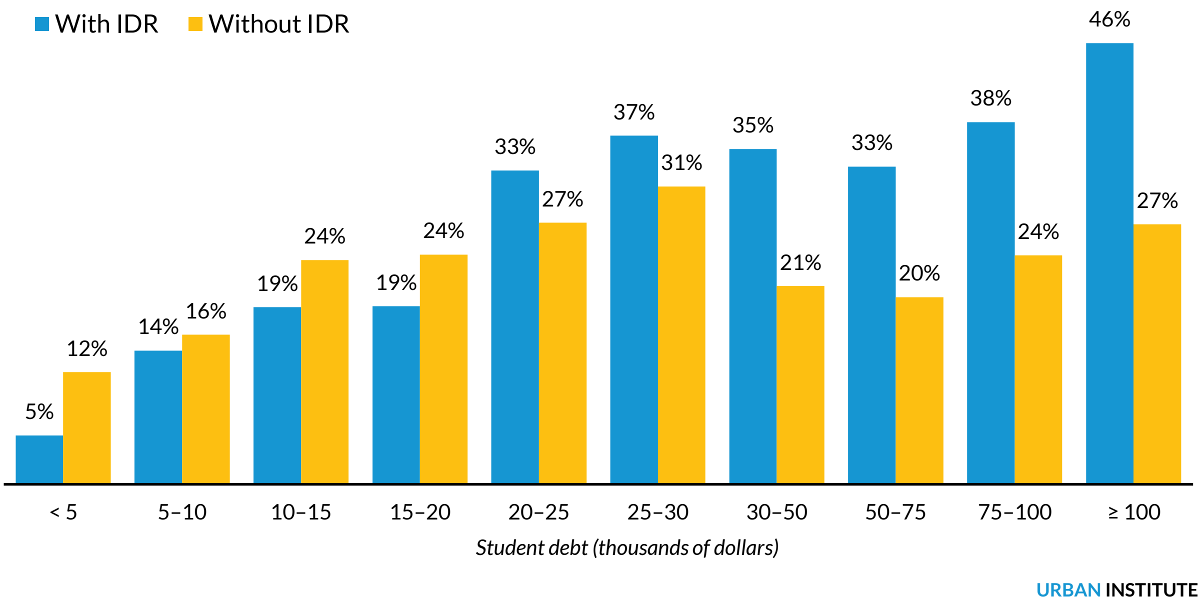


Source: 2019 credit bureau data.

Patterns differ across demographic groups. For instance, the difference in credit scores appears at lower levels of debt—in the $20,000–25,000 range and higher—for those living in predominantly Black neighborhoods (figure 10).

FIGURE 10

Share of Student Loan Debt Holders Living in Predominantly Black Neighborhoods with Credit Scores above 660



Source: 2019 credit bureau data.

Considering actual student loan payments, which, under IDR, are frequently lower than the payments assumed under standard underwriting procedures, is likely to disproportionately benefit Black borrowers, who are more likely than others to participate in IDR.

Merging Student Loan Payments with Mortgage Payments

One mechanism for easing the student loan repayment process is Fannie Mae's Student Loan Cash-Out Refinance program, which allows mortgage borrowers to pay down their student loan debt using their home equity. Fannie Mae has partnered with several lenders—one notable example is SoFi—to implement this program.

With their lenders, mortgage borrowers would first take out a cash-out refinance loan, which replaces their current mortgage with a larger one and allows borrowers to access the difference between the two mortgages in cash. Through the program, their mortgage lender would then directly interface with their student loan servicer, using the cash taken out to pay down the student loan balance.

The program's primary advantage is increasing the loan's repayment term and reducing monthly payments. A standard student loan repayment term is 10 years, while many mortgages are amortized over 30 years. Further, for borrowers with high-interest debt (e.g., for a graduate degree), this process may also reduce the interest rate borrowers are required to pay on their outstanding debt.

But there are also significant drawbacks for borrowers. Homeowners would be using their homes as collateral—unlike student loans, which lack collateral—so if they cannot make the payments on their new, larger mortgages, they could risk foreclosure. Without refinancing, the borrower could have chosen to default only on the student loan debt but avoid foreclosure by continuing to make payments on the old mortgage. Additionally, federal student loans offer greater repayment flexibility and forbearance options than mortgage loans, a feature homebuyers would lose by refinancing all their debt into their mortgage. For example, borrowers who used this cash-out refinance option would not have had their student loans paused during the pandemic (though mortgage forbearance was also broadly extended and often deferred). And borrowers who traded student loans for larger mortgages would not benefit from President Biden's student loan forgiveness program.

Finally, though this is a helpful program that can relieve borrowers of the burden of student loan debt, it targets current homeowners who have home equity to tap into. Because Black homeowners, on average, have higher loan-to-value ratios, they are less likely to qualify. In some ways, the program may make homeownership more sustainable for student loan borrowers, but it does not help more student loan borrowers access homeownership to begin with.

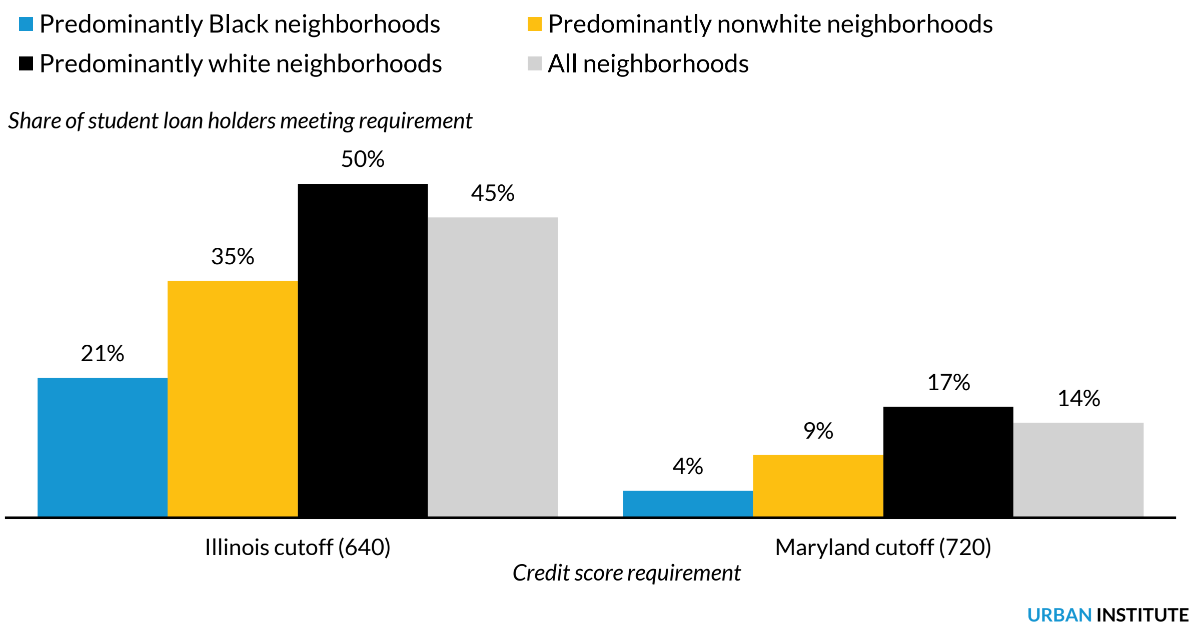
State Programs to Subsidize Borrowers' Down Payments

Some state-level programs help student loan borrowers pay off their student loan debt while obtaining mortgages. Illinois has previously used a SmartBuy program, and Maryland currently uses one.[36] SmartBuy programs provide down payment assistance to student loan borrowers who are buying homes. These programs also provide a share of the home purchase price (up to $30,000 in Maryland and $40,000 in Illinois) to help borrowers pay off their student loan debt. But some of these programs' eligibility requirements prevent them from helping close racial homeownership gaps.

For example, both programs have minimum credit score requirements. In Maryland, the minimum score to participate in the program is 720. Credit bureau data reveal that, nationwide, this bar is more difficult to clear for student loan borrowers who live in predominantly Black neighborhoods than for those in predominantly white neighborhoods (figure 11). Just 4 percent of student loan holders ages 25 to 40 who do not already have mortgages and live in predominantly Black neighborhoods would be eligible based on this credit score, compared with 17 percent in predominantly white neighborhoods. If the minimum credit score requirements were lower, like the one Illinois used for its SmartBuy program (640), a substantially larger share of student loan borrowers in predominantly Black neighborhoods would be eligible (21 percent). But those who live in predominantly white neighborhoods would still be much more likely to qualify (50 percent). A relevant question is whether lowering the required credit score would improve homeownership rates for Black borrowers without increasing the share of those who cannot make their mortgage payments.

FIGURE 11

Share of Homebuying-Age Student Loan Holders without Mortgages Who Meet Minimum SmartBuy Credit Score Requirements, by Neighborhood Race or Ethnicity



Source: Urban Institute analysis of credit bureau and American Community Survey data from the National Historical Geographic Information System.
Notes: We assume minimum credit scores are FICO scores. We have data on VantageScore 3.0 scores, so we estimate that the VantageScore 3.0 equivalent of a 640 FICO score is 641 and the VantageScore 3.0 equivalent of a 720 FICO score is 747. Homebuying age is 25 to 40.

Although the SmartBuy programs have maximum income limits for participation, these limits are all above $100,000 a year, which allows many high-income student loan borrowers, who are more likely to be white, to participate in the program. Lower income limits could change the relative impact on Black and white borrowers if a lower maximum income limit excluded more additional white borrowers than Black borrowers.

A nationwide look at student loan holders who are of homebuying age and have eligible credit scores shows that many can obtain mortgages even absent SmartBuy programs, particularly when credit score requirements are set higher. Using a 720 credit score minimum, 44 percent of student loan borrowers ages 25 to 40 who clear that bar already have mortgages. Reducing the minimum to 640 changes things somewhat, but still, a third of these borrowers already have mortgages.

Although lowering credit score requirements may help these programs become more inclusive, any credit score requirement could make it difficult for them to contribute to closing racial homeownership gaps. Among student loan holders ages 25 to 40 who do not already hold mortgages, 38 percent have good or excellent credit scores. But in predominantly Black neighborhoods only 16 percent have good or excellent scores.

Although states have used SmartBuy programs to help student loan borrowers pay off their debt, there is little evidence about the impact of these programs. Based on our analysis of credit bureau data, these programs—at least in part because of their credit score requirements—seem more helpful for borrowers who would be able to obtain a mortgage without the program, including many white borrowers, than for borrowers of color. Therefore, these down payment assistance and student loan payoff programs will need to adapt if they aim to contribute to closing homeownership gaps. This approach also requires external funding from a state or other organization. There may be a trade-off between funding subsidies on the back end as student loan assistance and devoting resources to need-based grant aid to reduce reliance on loans for school.

7. The Biden Administration's Plans Provide Additional Support for Future Homebuyers with Student Loans

The current generation faces both a lack of intergenerational housing wealth and student debt burdens, creating a double bind to building wealth. Breaking this bind will require more than adjustments to mortgage underwriting. Actions to alleviate student debt burdens could provide some relief, particularly if they disproportionately help households of color. For example, the Biden administration recently announced plans to forgive $10,000 in student debt for all borrowers with incomes below $125,000 for single people and $250,000 for married couples, and an additional $10,000 for those who received Pell grants (federal grants for low- and moderate-income students). This forgiveness proposal is paired with a new IDR proposal that substantially reduces monthly repayment amounts by reducing the assessment rate from 10 percent to 5 percent for undergraduate loans and increasing the discretionary income threshold. In addition, when payments restart, borrowers in default can apply for a Fresh Start and have their previous defaults removed from their credit records. Each of these proposals could improve borrowers' total debt, payment amounts, or credit records, disproportionately for nonwhite borrowers, which will affect their likelihood of becoming homeowners. But these policies could induce increased student loan borrowing in the future, making any positive impact on access to homeownership temporary.

- **Student loan forgiveness.** Because of their financial circumstances, Black students are more likely than others to qualify for Pell grants and, thus, for additional student loan forgiveness. About 89 percent of Black students with federal student debt who were enrolled in 2017–18 received a Pell grant at least once, compared with 82 percent of Hispanic students and 62 percent of white students.[37]
- **More generous IDR.** The administration's proposed IDR plan would reduce payments substantially, especially for undergraduates. By increasing the amount of discretionary income that is protected from repayment and by reducing the assessment rate of income above that amount, a larger share of borrowers could see $0 payments or see their payments reduced substantially. We still have more to learn about who will be eligible for this new plan and how it

will be implemented, but this more generous IDR plan could disproportionately benefit Black borrowers. Among those who attained bachelor's degrees and entered repayment six years after starting higher education, a third of Black borrowers used IDR, compared with 18 percent of white borrowers and 22 percent of Hispanic borrowers (Miller 2019). These lower payments would transfer over to DTI ratio calculations (increasing mortgage eligibility).

- **Fresh Start.** The administration will also offer currently defaulted borrowers an easier path toward becoming current on their loans. This could allow some borrowers with poor credit histories to improve their credit scores, thus improving their likelihood of getting a mortgage or a better interest rate on a mortgage. This policy may benefit Black borrowers more than other groups. Among Black students who started higher education in 2003–04 and had any federal student debt by 2009, about 52 percent had experienced a default by 2017, compared with 23 percent of white borrowers and 39 percent of Hispanic borrowers.[38]

Ensuring that student debt relief reaches the borrowers who could benefit most will require concerted effort to inform them of the opportunity and the process for receiving relief. Here, mortgage housing counselors, lenders, and servicers could play a critical role.

8. Additional Recommendations for Increasing Homeownership among Black Student Loan Borrowers

To support student loan borrowers applying for mortgages, policymakers and businesses have changed underwriting guidelines, provided subsidies for borrowers who are otherwise ready for a mortgage, and provided an opportunity to reduce monthly payments on student loans by rolling the payments into a 30-year mortgage. Black households have high median and average student loan debts and a high share of households with student loan debt, despite having lower educational attainment than white households. Down payment subsidies for college graduates are not available to graduates with low credit scores and therefore will not help narrow the racial homeownership gap.

Further smoothing the pathway to a mortgage—particularly for Black student loan borrowers—may require new interventions, such as simplification of federal student loan repayment programs; better counseling for students before, during, and after college; special purpose credit programs that target specific disadvantaged groups; and programs that aim to remedy the underlying multigenerational racial wealth gap.

Our analysis identified credit history and DTI ratio as the most common reasons for mortgage denials for young applicants. Black applicants are more likely than those from other racial or ethnic groups to be denied a mortgage because of credit history, even after controlling for income. Holding student loan debt may make people more vulnerable to having a delinquency or default record. The complexity and bureaucratic hurdles in the federal student loan repayment system may contribute to these poor repayment outcomes (Naimon, Leonhardt, and Meehan 2020). Federal policies that streamline and simplify repayment options or reduce the punitive credit consequences for delinquency and default in the future could help more borrowers become eligible for mortgages.

Potential approaches to using underwriting to increase eligibility among Black applicants with student loan debt might include treating student loan payments more favorably than other types of debt, in terms of calculating DTI ratios and evaluating credit history. Both GSEs and the FHA are moving in this direction.

Further, we need more work to increase borrowers' awareness of how student loan debt affects mortgage underwriting and help them reduce their DTI ratios by enrolling in IDR or preventing credit score drops by entering temporary student loan forbearance during times of economic difficulty. In addition to a need to strengthen the role of student loan servicers, housing counselors could play a large role in this space. It would be beneficial to give counselors templates to guide borrowers on different options for student loan repayment that could help them lower their DTI ratios or improve their credit scores. Additionally, earlier education on how student debt affects credit, DTI ratios, and homeownership prospects could help young adults become mortgage ready.

Some have suggested using the earnings potential associated with postsecondary education in assessing mortgage eligibility. If prospective incomes are incorporated into the income calculation, it could benefit student loan borrowers who are more likely to experience steeper income trajectories than those with less educational attainment. But such an approach would likely advantage white borrowers and would thus be unlikely to narrow the racial homeownership gap, because white adults have higher expected earnings than Black adults with similar educational attainment. Moreover, white student loan borrowers have higher levels of educational attainment than Black student loan borrowers. For example, among students who began college in 2011–12 and accrued student loan debt, 47 percent of white students had completed bachelor's degrees by 2017, compared with 26 percent of Black students. A quarter of white student loan borrowers had left school without a credential, as had 39 percent of Black borrowers (table 10).

TABLE 10

Educational Attainment in 2017 of Students Who Began College in 2011–12

	Bachelor's degree	Associate degree	Certificate	Still enrolled	No degree, not enrolled
All	41%	11%	10%	12%	27%
White	47%	11%	7%	10%	25%
Black	26%	10%	10%	16%	39%
Hispanic	32%	12%	20%	13%	23%
Asian	62%	8%	6%	12%	12%

Source: Beginning Postsecondary Student Aid Study 2012/17.

Another possibility, aligned with state student loan payoff programs, is to use special purpose credit programs to target Black student loan borrowers.[39] Paying off student loans for mortgage applicants risks favoring student loan debt holders who are in relatively strong circumstances and close to being mortgage ready over those whose student loan debt is a greater hardship. But if the subsidies can be targeted to Black borrowers, or at least first-generation homebuyers, they might increase homeownership among a group that has long suffered from systemic racism in the housing market. An adaptation of this type of program should be linked to a study that can directly examine its impacts to learn whether the benefits reach those most in need of help. For example, a down payment assistance program could be designed to provide subsidies to young Black adults with student loan debt. But helping only those with higher education can lead to disparities between Black households. Young Black bachelor's degree holders have a lower homeownership rate (36 percent) than adults of other racial and ethnic groups with similar educational attainment, but their homeownership rate is much higher than that of young Black adults who do not have high school diplomas (10 percent) or have only high school diplomas (16 percent).

Targeting Black college graduates—who, on average, have more debt, less wealth, and lower incomes than white households with similar educational attainment—with additional homeownership assistance can partially compensate for historical discrimination Black households have faced that limited opportunities to own homes and build wealth. But we also need comprehensive policies to support Black households who are struggling to access both higher education and homeownership. Lending and savings programs could target the wealth gap more generally, as racial and ethnic differences in family resources contribute to disparities in access to higher education, as well as student loan debt and homeownership. Policymakers could allocate subsidies for those who are first-generation homeowners, a group that includes disproportionate numbers of Black households.

In addition to making need-based financial aid more generous, policymakers could better help students decide about enrolling in and financing college. Black students disproportionately attend for-profit institutions, which charge higher tuition than public colleges, have low completion rates, and account for a disproportionate share of student debt and loan defaults. For example, in 2015–16, when 8 percent of undergraduate students attended for-profit institutions, 16 percent of Black students were enrolled in this sector.[40] About 40 percent of borrowers who defaulted on their federal loans in the 2012 repayment cohort had attended for-profit colleges, more than three times the share who were enrolled in this sector (Armona, Chakrabarti, and Lovenheim 2022).

Preventing students from borrowing to attend programs and institutions that are unlikely to serve them well could significantly reduce the number of households facing difficulties with student loan debt. The federal government could strengthen accountability requirements for institutions participating in federal student loan programs, which would limit the role of schools and programs that saddle students with debt they likely could not pay off.

9. Conclusion

Programs to reduce the racial homeownership gap are critical, as are policies to reduce the student loan debt burdens borne disproportionately by Black students. Although the overall impact of student loan debt on homeownership is difficult to quantify, evidence suggests that there are many young Black adults for whom student loan debt makes homeownership a more distant dream than it might otherwise be.

Changes in mortgage underwriting that can disproportionately help Black borrowers include relying on actual student loan payments required of borrowers in IDR programs, in addition to ideas such as allowing rental and utility payments to be incorporated in evaluating creditworthiness. But as our discussion of existing policies indicates, some efforts designed to tackle these two serious problems together likely provide only a limited narrowing of the racial homeownership gap.

Many Black adults struggling to buy homes do not have student loan debt and need other assistance. Some adults struggling with student loan debt are far from being mortgage ready because of other circumstances, and Black adults are particularly likely to be in this situation. Using limited funds to pay off student loan debt for aspiring homeowners—excluding those who never went to college and those who are not mortgage ready—is less likely to effectively narrow the racial homeownership gap than focusing on special purpose credit programs targeting Black borrowers or Black neighborhoods.

Both the racial homeownership gap and the disproportionate impact of student debt on Black college students are serious problems that demand immediate attention and constructive action. But despite the visible potential link between these two phenomena for some individuals, the evidence leads us to conclude that although some strategies may be marginally effective, these two problems need to be addressed separately.

Appendix

TABLE A.1

Relationship between Financial Variables and Credit Scores

Variables	(1)
Student loan delinquency	-58.6076**
	(0.2520)
Age	0.5119**
	(0.0127)
Auto loan	5.5963**
	(0.1250)
Auto loan delinquency	-43.5601**
	(0.2965)
Credit card	49.7359**
	(0.1475)
Credit card delinquency	-72.8210**
	(0.2057)
Mortgage	39.0392**
	(0.1449)
Mortgage delinquency	-57.0754**
	(0.7256)
Utility collections	-57.2794**
	(0.1639)
Medical collections	-61.4420**
	(0.1468)
Bank collections	-29.4052**
	(0.2213)
Retail collections	-18.2698**
	(0.2896)
Zip code median income	0.0001**
	(0.0000)
Zip code share of residents with a BA	61.9600**
	(0.4812)
Constant	602.8932**
	(0.4427)
Observations	1,373,898
R^2	0.6085

Source: Urban Institute analysis of credit bureau and American Community Survey data from the National Historical Geographic Information System.

Notes: Robust standard errors are in parentheses. This analysis includes only those ages 25 to 40. Delinquency variables are binary, where 1 equals having at least one delinquency in the past 24 months.

** $p < 0.01$.

TABLE A.2

Potential Impact on Mortgage Access of More Lenient Treatment of Student Debt in Credit Scores

	All	Black	White
Share of mortgage applications denied[a]	13.00%	25.00%	10.00%
Share of denials attributable to credit[a]	33.00%	42.00%	33.00%
Share of those likely to be denied because of credit with only a student loan delinquency[b]	3.15%	3.68%	3.43%
Share with only a student loan delinquency, as share of all denials[a,b]	1.04%	1.54%	1.14%

Source: Urban Institute analysis of Home Mortgage Disclosure Act (HMDA) data, credit bureau data, and American Community Survey data from the National Historical Geographic Information System.

Notes: This analysis includes only those younger than 40 in HMDA data and ages 25 to 40 in credit bureau data. For calculations from HMDA data, race is at the individual level. For calculations from credit bureau data, race is at the zip code level (i.e., Black = more than 60 percent of the zip code's residents are Black). We assume individuals are likely to be denied because of credit score if they are ages 25 to 40 with no mortgage and have a VantageScore between 580 and 660. Individuals have only a student loan delinquency if they have been delinquent on a student loan in the past 24 months but have no other delinquencies or collections debt of any type. Data in the fourth data row are calculated as products of the second and third data rows.

[a] From Home Mortgage Disclosure Act data.

[b] From credit bureau data.

Notes

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