Student Loan Debt is Soaring

August 9, 2025 - Student loan debt in the United States has climbed to $1.64 trillion, according to second-quarter 2025 data from the Federal Reserve Bank of New York. That marks a $7 billion increase from the previous quarter and comes alongside a sharp rise in delinquency rates following the end of the federal repayment moratorium.

The share of student loan balances 90 or more days past due reached 10.9% in Q2 2025 and the number of loans that are more than 30 days past due is 12.9% - the highest level in 21 years of available data. Before the pandemic, serious delinquency rates for student loans typically ranged between 10.7% and 11.8%. The recent jump reflects the resumption of delinquency reporting to credit bureaus and renewed collection efforts after nearly five years of suspended payments.

The rise in delinquency stands out compared to other debt types. Auto loan and credit card serious delinquency rates remained elevated but stable, while mortgage and home equity loan delinquencies edged up slightly. In contrast, student loan delinquency rates increased sharply across nearly all age groups, with the steepest increases among borrowers aged 50 and older.

Defaults on student loans carry direct financial consequences. Borrowers in default may face wage garnishment, seizure of income tax refunds, and offsets to federal benefits, including Social Security. Default also limits eligibility for additional federal student aid and appears on credit reports for up to seven years, affecting access to other forms of credit.

The economic implications extend beyond individual borrowers. Higher default rates reduce consumer purchasing power and can restrict participation in the housing and auto markets. According to the U.S. Department of Education, institutions with high default rates risk losing access to federal student aid programs, which could affect more than 1,000 colleges if current trends continue.

The second-quarter data also showed that overall household debt rose by $185 billion, reaching $18.39 trillion. While mortgages, auto loans, and credit cards made up the bulk of the increase, the surge in student loan delinquencies was the most notable development in the report.

New York Fed researchers indicated that student loan delinquencies are expected to continue rising in the coming quarters as repayment activity returns to pre-pandemic patterns. If these trends persist, defaults are likely to increase, further impacting both borrowers and the broader economy.
by Jim Malmberg
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