Summer

JUNE 2026

The Local Impact of Student Debt: Challenges and Opportunities for Municipal Leaders

Introduction

Student debt is one of the largest and most overlooked affordability problems facing American cities. Roughly 43 million Americans carry approximately $1.83 trillion in student loans[1], and for a typical borrower, the monthly payment sits alongside rent, childcare, and healthcare as a fixed cost that absorbs hundreds of dollars of household income before any discretionary spending begins.

Unlike housing prices or wages, addressing student debt is one of the most direct affordability interventions cities can make. They can do it within a single budget year, connecting residents to federal and state relief programs that already exist but are underused. This whitepaper argues that municipal leaders should treat student debt as an affordability lever, on par with the housing, transit, and workforce tools they already use, and outlines what a city-administered program can realistically deliver.

The urgency has grown considerably over the past year. After a five-year pandemic-era payment pause, the full weight of federal student debt has returned to household budgets all at once. In recent analyses, nearly 25% of student loans borrowers are behind on their student loan payments, triple the delinquency rate in 2019[2]. Approximately 9 million of those borrowers are now in default[2], with that number growing quickly. Wage garnishment and tax refund seizures on defaulted loans is expected to resume later in 2026 after a pause of more than five years.

[1] Student Loan Debt Statistics - Education Data Initiative

[2] Trump's Student Loan Delinquency Crisis, Unmasked - Century Foundation

STUDENT LOAN SNAPSHOT

$1.83T
National student debt

43M
Student loan borrowers

12M
Borrowers >90 days delinquent on their loans

9M
Borrowers in default

SHARE OF STUDENT LOAN BALANCES 90+ DAYS PAST DUE

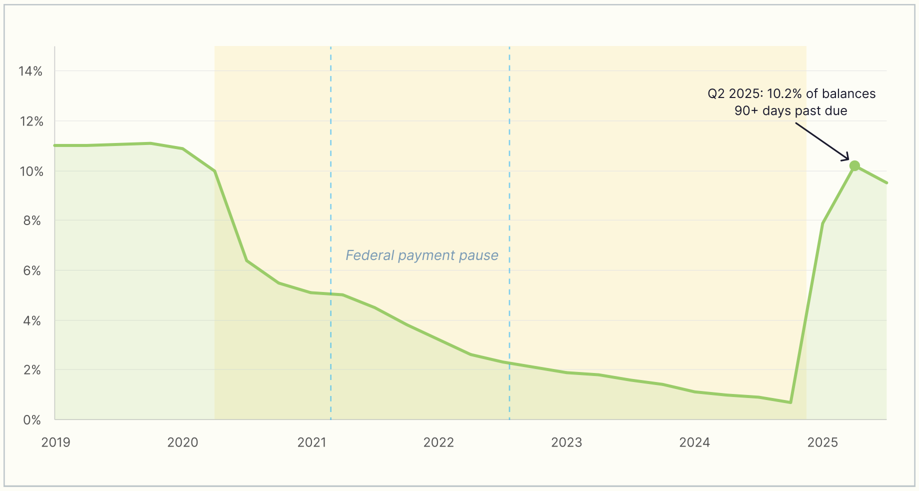


FIGURE 1.

Federal student loan delinquency rates dropped during the payment pause and and has rebounded sharply since repayments resumed.

Source: Federal Reserve Bank of New York, Quarterly Report on Household Debt and Credit, Q3 2025.

On July 1, 2026, the federal repayment rules change substantially. Under the One Big Beautiful Bill Act, the student loan landscape is fundamentally shifting for millions of borrowers, with new or vanishing repayment options and strict deadlines. For a borrower who is confused, underinformed, or simply too overwhelmed to make an active choice, the coming transition carries real financial consequences. For a municipal government willing to act, the window to position residents well before these changes is narrowing quickly.

These trends describe conditions that every mayor can recognize among their own residents: the teacher who has given up on buying a starter home within city limits; the public-sector employee whose credit score has dropped sharply; the family that is choosing in any given month between the loan payment, childcare, and staying current on the electric bill. A September 2025 analysis by Federal Reserve Board staff found that the median borrower reduced consumption by approximately $130 per month after federal payments resumed in October 2023[3]. Multiplied across a community, this withdrawal of consumer spending reaches local restaurants, pharmacies, and hardware stores quickly, and it is among the first mechanisms by which a national policy shift translates into slower local growth.

The purpose of this whitepaper is to make a straightforward case to municipal leaders. The national student loan crisis is fundamentally an affordability problem that your constituents experience every month, and it is one of the most directly actionable levers a local government has available. The sections that follow demonstrate how student debt affects household spending, homeownership, and small business formation in a typical city, describe why federal and state relief programs are so badly underused, and outline how a low-cost, city-administered program can deliver measurable savings to residents within a single budget year.

[3] Debt Payments and Spending: Evidence from the 2023 Student Loan Payment Restart - FEDS Notes

Who Carries Student Debt

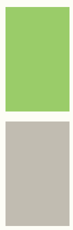
Roughly one in six Americans is currently carrying student loan debt, and the population of borrowers is more diverse than commonly assumed. The average federal borrower owes approximately $39,000 and takes around 20 years to fully repay.[4] These averages, however, mask wide variation based on level of education and interest accrual.

Borrowers are also considerably older, on average, than the stereotype suggests. Federal data indicate that more than a quarter of outstanding federal student loan debt is held by borrowers aged 50 and above[5], many of whom took on additional debt through Parent PLUS loans to support a child's education. Many borrowers never completed the degree their debt was intended to fund, leaving them with the full burden of repayment without the higher earnings a completed degree typically provides. Women, Black borrowers, and LGBTQ+ borrowers also all tend to carry a higher student loan burden than other borrowers[6].

COMMUNITIES LEFT BEHIND BY THE SYSTEM:

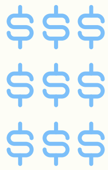
63%

of student debt is held by women



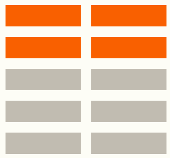
50%

of Black and 40% of Hispanic borrowers have a loan in default compared to 29% of White Borrowers



$93 Billion

total debt carried by LGBTQ adults



40%

of student loan borrowers haven't completed their degree and have damaged scores

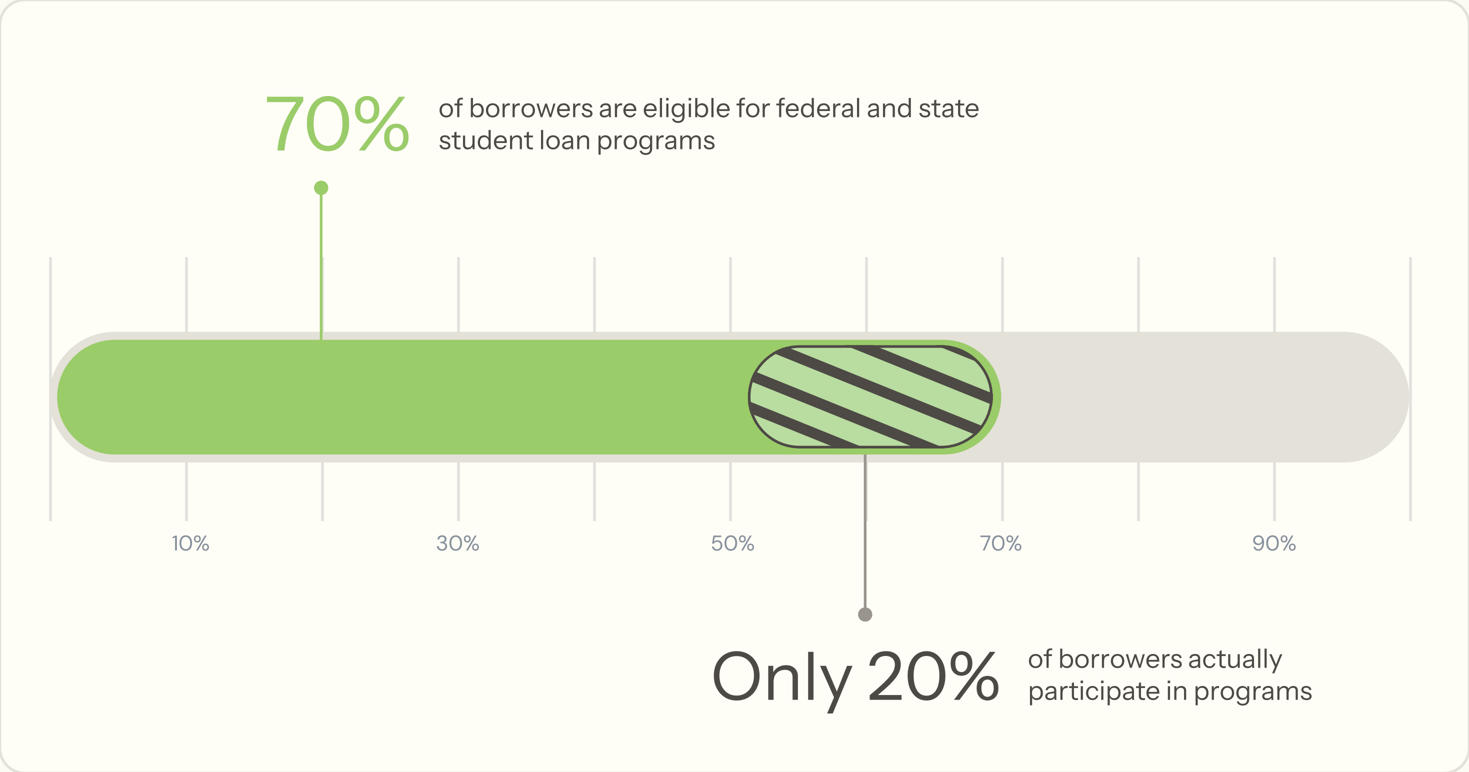
[4] Average Student Loan Debt - Education Data Initiative

[5] Federal Student Loan Portfolio - Federal Student Aid

[6] Federal Student Loan Debt Among LGBTQ People - UCLA Williams Institute

The structural challenge these borrowers face is not primarily a lack of relief programs. Federal and state governments collectively administer more than 150 income-driven repayment plans, forgiveness programs, and targeted relief options, and by most estimates, roughly 70 percent of borrowers are eligible for at least one form of meaningful assistance. The challenge is that these programs are difficult to identify, complicated to apply for, and require annual recertification that many eligible borrowers fail to complete. The practical result is that approximately 20 percent of borrowers actually participate in the programs for which they are eligible. The remaining 50 percent, who qualify but do not enroll, are effectively leaving billions of dollars in federal assistance unclaimed each year.

Student debt is a constituent problem in every American city. The decision local officials face is whether to treat it as a lever they can actually pull, or to leave it to federal action that may not come.



Economic Impact of Student Loans

Student debt places downward pressure on the consumer spending that drives local economies. As stated earlier, there is clear correlation between having student debt and consumer spending on everyday categories like groceries, restaurants, and retail. Almost one in five student loan borrowers report finding it difficult to buy even daily necessities because of student loans[7]. Scaled to a city with tens of thousands of borrowers, this withdrawal of consumer spending represents tens of millions of dollars per year that no longer circulates through local businesses.

Fortunately, survey data indicates that the average borrowers who lowers their monthly student loan payments spends 64% of their savings back into the local economy[8].

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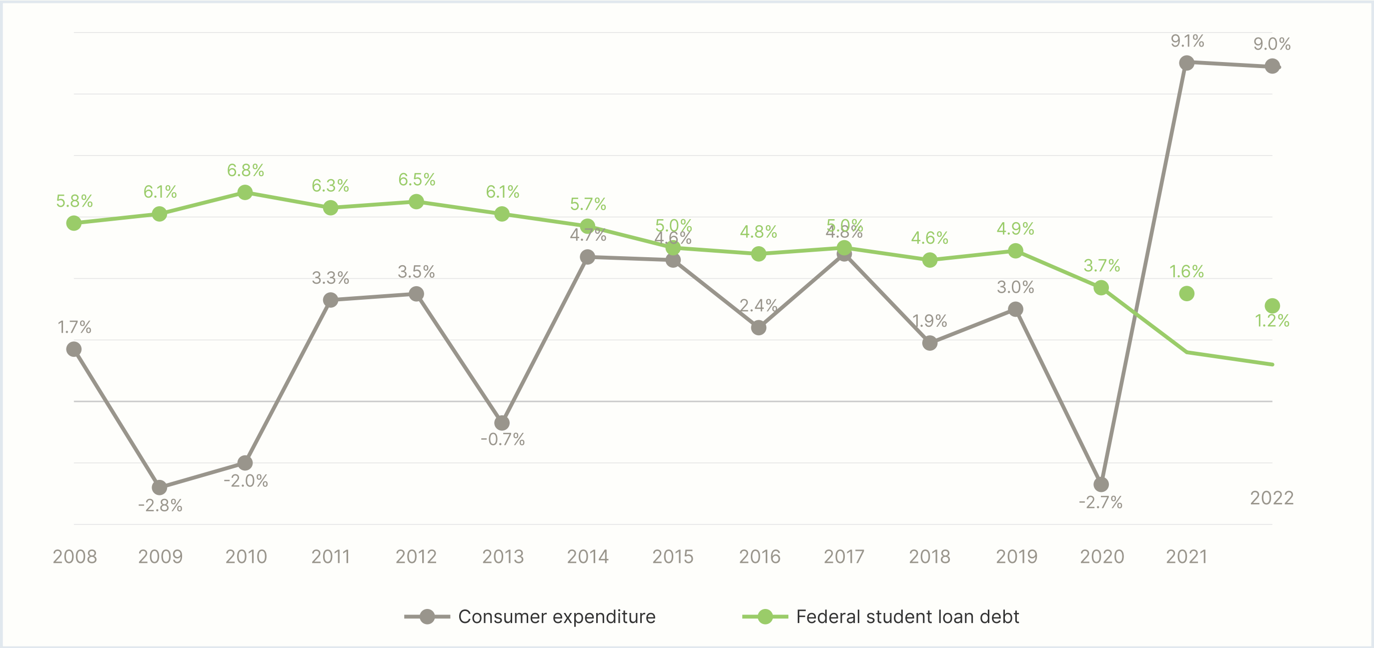
[7] Economic Effects of Student Loan Debt – Education Data Initiative

[8] Based on Summer analysis

Annual Growth of Average Consumer Spend & Federal Student Loan Debt (percentage)



Source: Education Data Initiative

Homeownership

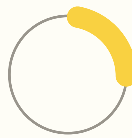
The consequences extend well beyond monthly consumption to the principal mechanism by which American households have historically built wealth: homeownership. 72 percent of student debt holders who do not own homes say student loan debt will delay homeownership[9], and 24 percent said they would purchase a home if they did not have to pay student loans every month[10].

The barrier is not always the monthly payment itself. With millions of borrowers now in default, a growing share of residents cannot qualify for a mortgage at all. A defaulted federal student loan can damage a credit score by over 100 points and remain on a credit report for seven years, locking borrowers out of the mortgage market regardless of whether their income could support a payment.

These findings matter especially in today's housing market. Local leaders cannot build more homes overnight or reduce home prices, but they can lower the burden of student loans, freeing up income that residents can put toward a home.

HOW STUDENT LOANS ARE CUTTING SPENDING AND DELAYING LIFE MILESTONES

Student loan borrowers are saying that due to their student loans[11]:

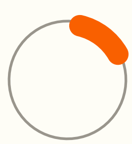


22%

have delayed moving out of their parents' home

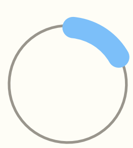
20%

have delayed starting their own business



13%

have delayed getting married



15%

have delayed having children

[9] Student Loan Debt & Homeownership - Education Data Initiative

[10] The Impact of Student Loan Debt - National Association of Realtors

Business Growth

Student debt also suppresses one of the most important engines of local economic growth: small business formation. Most new small businesses are financed in their first years through the founder's personal credit, including a business credit card, a small bank loan with a personal guarantee, or a line of credit secured against personal assets. Borrowers struggle to qualify for the credit lines that new businesses depend on, and they are less likely to take the risks involved in scaling up their businesses. Conversely, those without student debt or who were able to receive financial aid are more likely to start their own business and have higher sales[12]. In a recent survey, one in five student loan borrowers report having delayed starting a business because of their loans[11].

The implication is direct. Communities with higher student debt burdens will see fewer new small businesses, fewer locally created jobs, and slower growth than otherwise comparable communities. A program that reduces monthly debt payments for even some residents will, over time, support more new small businesses.

Family Formation

Student debt also delays decisions about marriage and starting a family. Fifteen percent of borrowers report delaying having children and 13 percent report delaying marriage because of their loans[11]. Recent research has also found that during the federal payment pause, some borrowers used the freed-up funds for the very things their debt had been keeping out of reach: weddings, fertility treatments, and the costs of expanding a family. When payments resumed, those plans were put back on hold[13].

[11] Most Student Loan Borrowers Have Delayed Major Life Events - Gallup

[12] Research Roundup: The Student Debt Crisis is a Crisis for Small Businesses and Entrepreneurship - Protect Borrowers

[13] Lessons from the Loan Pause: More Evidence that Student Debt is Reducing Marriage and Childbearing - Council on Contemporary Families

Opportunities for Local Governments

City governments are uniquely positioned to address the local consequences of the student loan crisis in ways that federal and state actors cannot. Federal policy changes take years to design and implement, and they are standardized nationally in ways that cannot account for local conditions.

Municipal programs, by contrast, can be launched within months and integrated with the channels residents already use to access city services. By helping residents navigate federal and state relief programs, a city can reduce monthly debt payments for tens of thousands of households. That preserves consumer spending that would otherwise leave the local economy, and removes one of the principal barriers to homeownership and small business formation.

The first function such a program serves is informational. The federal and state student loan system is extraordinarily complex. More than 150 distinct relief programs operate across federal and state levels, each with its own eligibility criteria, application requirements, and recertification schedules. The pace of policy change has accelerated considerably over the past several years, with the phase-out of the SAVE plan, the introduction of the Repayment Assistance Plan, the end of the payment pause, and the July 2026 transition all happening in quick succession. Even financially literate borrowers find this landscape hard to navigate, and borrowers without that background often cannot identify or enroll in the right program at all.

Cities are already the trusted point of contact for residents navigating similarly complex systems, from property tax abatements and housing assistance to public benefits and tax preparation. Student loan support fits naturally alongside these services.

The second function is direct, individualized enrollment support. A well-designed program pairs digital tools, which can screen a borrower for eligibility across all relevant federal and state programs in minutes, with expert human support for the cases that require it. Borrowers who are eligible for income-driven repayment are enrolled, with annual recertification built into the program so that savings are preserved year over year. Borrowers who qualify for Public Service Loan Forgiveness or similar forgiveness programs are guided through the application, verification, and recertification process. Borrowers who have already defaulted are guided through rehabilitation or consolidation to restore their eligibility for federal relief. The cost of such a program to the city is modest, typically in the range of $15 per enrolled user per year to unlock hundreds of dollars of savings per month or thousands per year.

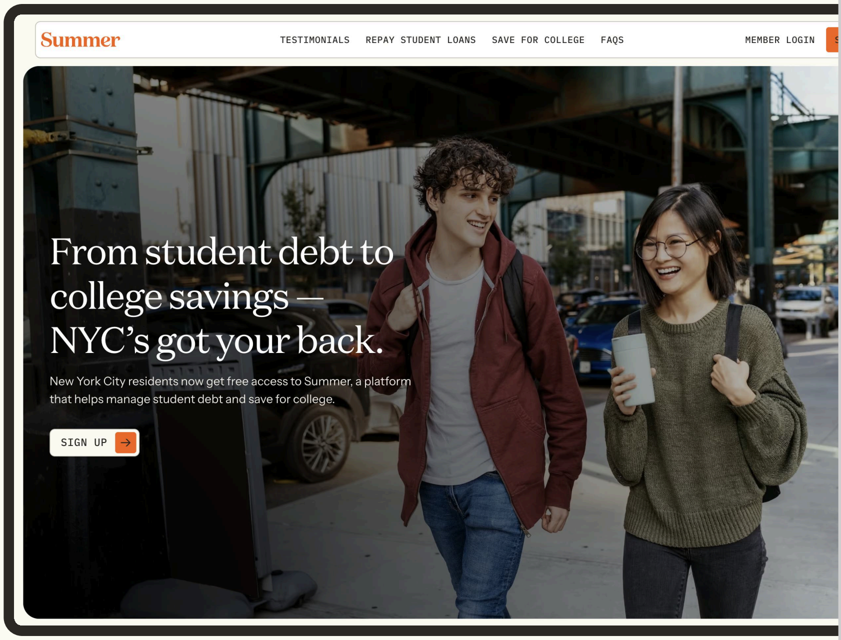
CASE STUDY

Helping New Yorkers save

Summer offers free student loan assistance and college savings tools to New York City residents, making it the largest city-level student loan initiative in U.S. history. The program began as a partnership between the City of New York and Summer to help municipal employees access the loan programs they qualified for. After the initial success of the employee program, the city expanded the partnership to offer free student loan support to all New Yorkers.

In its first year, this program has seen:

- **$94.4M** in savings
- **10,000 borrowers** supported with personalized guidance
- Reduced student loan payments by an average of **$478 per month,** equivalent to an 11 percent increase in take home pay
- Detected errors on more than **20 percent of applications** that would have likely been rejected without Summer's intervention



Projections for the program include:

$3,000/year
Average reduction in student loan payments for NYC residents

$10K per child
Average saved through college planning resources

Conclusion

Cities already perform the hard, unglamorous work of making daily life function for their residents. Buses that run on time. Garbage that is picked up on schedule. Parks, permits, and 311 systems that operate around the clock. Student loan support belongs on that list of basic municipal services. It is a program that meets residents where they are, uses relief programs they are already entitled to access, and returns meaningful sums of money to household budgets that would otherwise be exported from the local economy to Washington. On average, a resident who enrolls in such a program can expect to recover approximately $3,000 per year in reduced repayments, a sum large enough to affect household financial stability.

The practical case for municipal action is straightforward. A city-led program can be designed, procured, and launched within a single fiscal year. The per-user cost is modest, typically on the order of $15 per year to unlock approximately $3,000 per year in reduced payments For a mid-size city, this translates into thousands of residents on lower monthly payments, millions of dollars in annual consumer spending retained locally, and fewer residents pushed into default, wage garnishment, and long-term credit damage.

Residents cannot fix the federal student loan system on their own. What a city can do is help them navigate it, and by doing so, protect the financial health of the community it serves.

To explore what a program of this kind could look like in your city, contact Summer directly or visit www.meetsummer.com/government.

We are happy to share implementation resources and an estimate of the local economic impact a similar program could produce for your community.