

# How Does Gen Z Student Debt Compare with Millennials’?

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Many older Gen Zers (members of Generation Z born between 1997 and 2002) have taken on student loan debt in pursuit of a higher education that may help them achieve economic security. The Biden Administration’s [announcement yesterday of a debt cancellation plan](#) for student loans may ease some of the debt burden facing these borrowers. Yet younger members of Gen Z will continue to face the challenge of paying for education.

## Gen Zers Have More Student Debt than Millennials

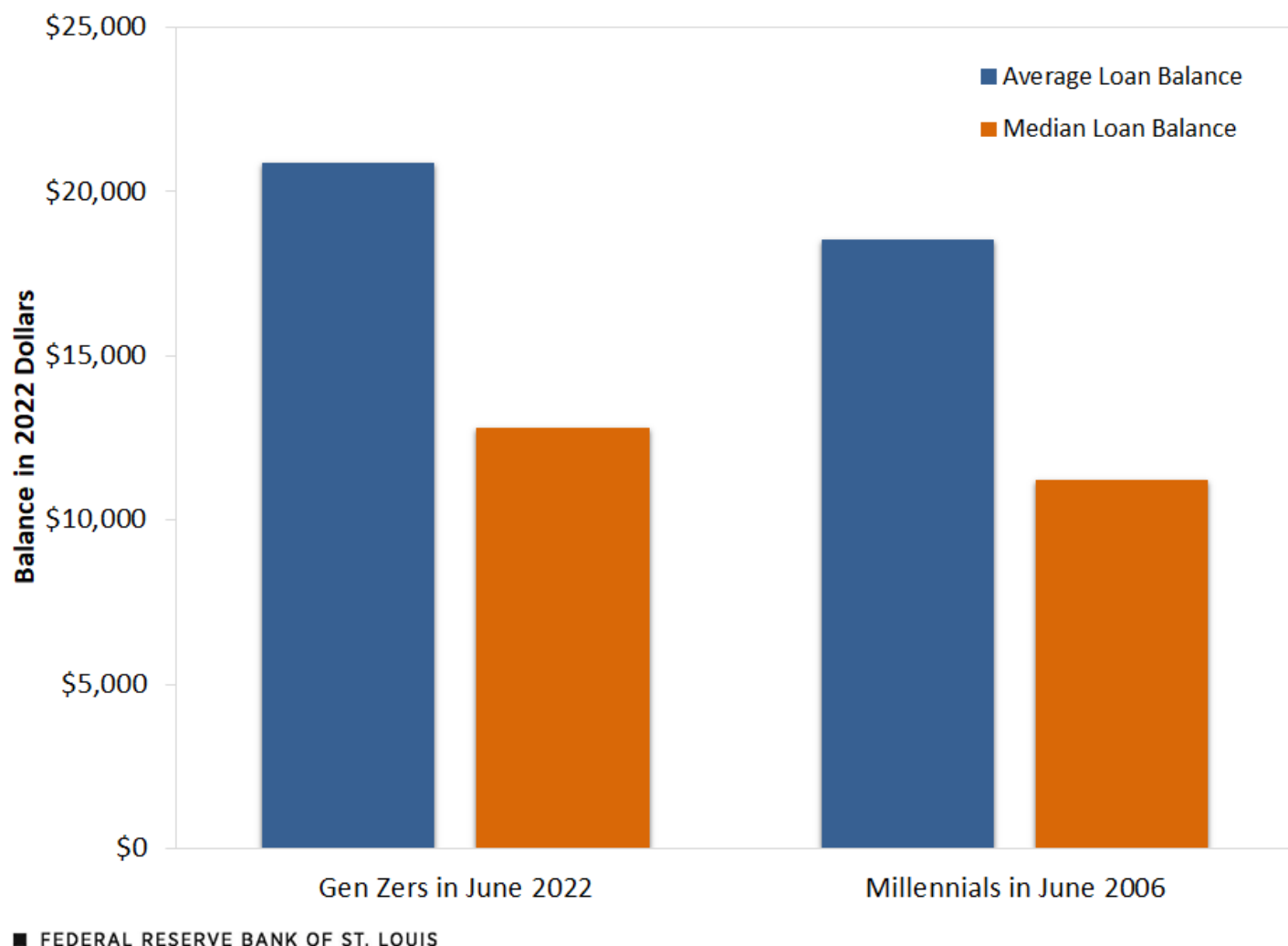
According to the New York Fed and Equifax’s [Consumer Credit Panel](#), over a third (36%) of older Gen Zers had student debt as of June 2022.<sup>1</sup> This includes both federal loans (the vast majority of outstanding student debt) and private loans. At ages 20-25, many of these borrowers have not yet finished their postsecondary schooling, meaning the share of Gen Zers with debt and their loan balances may grow. Additionally, with the [rise in higher education costs \(PDF\)](#), younger generations may have to borrow more often and in greater amounts to attend school. This could present a challenge for Gen Zers as they try to manage that debt and strive for other economic goals, [such as owning a home](#). But is the student debt burden more widespread today than it’s been in the past? How do Gen Zers’ student loans stack up against other generations’ student debt?

In 2006, older millennials (those born between 1981 and 1986) were the same age as today’s older Gen Zers. We found that relatively fewer millennials had student debt (31% versus 36% for older Gen Zers), which means this financial weight falls more broadly on the younger generation.

Not only are Gen Zers more likely to hold student debt, but they also tend to have higher balances. The figure below shows student debt balances outstanding for those with this type of debt, adjusted for inflation. Both the average and median (i.e., middle) debt levels were higher for older Gen Zers (in June 2022) than for older millennials (in June 2006).

- Gen Zers had, on average, \$20,900 in student debt, 13% more than millennials.
- The median value of Gen Zers’ loans was \$12,800, about 14% higher than millennials’ median value.
- However, a similar share of Gen Z (7.8%) and millennial (7.1%) borrowers had large student loan balances of over \$50,000. For Gen Z borrowers holding this much debt, the Biden Administration’s proposed debt forgiveness will provide some relief, but the bulk of their balance will remain.

## Student Loan Balances Were Higher for Younger Generation



SOURCES: New York Fed Consumer Credit Panel/Equifax Data and authors' calculations.

NOTES: Average and median balances are shown for older members of Generation Z (those born between 1997 and 2002) and older millennials (those born between 1981 and 1986) with student loan debt. Balances have been adjusted for inflation.

## How Might Loan Forgiveness Impact Gen Z and Millennial Student Debt Holdings?

The Biden Administration announced a plan on Aug. 24, 2022, to provide student loan forgiveness to federal student loan borrowers. Up to \$10,000 in federal loans could be forgiven if a borrower's annual income falls below \$125,000 (for individuals) or \$250,000 (for married couples or heads of households). If they had received a Pell grant while in college and they meet the income threshold, borrowers could be eligible for up to \$20,000 in debt cancellation. The amount of debt cancellation is also limited by the borrower's total balance of student loan debt if it falls below the forgiveness amount. Importantly, this forgiveness is limited to federal student loan borrowers, leaving private loans unaffected.

As of June 2022, 25.7% of older millennials and 40% of older Gen Zers had a total student loan balance valued at \$10,000 or less. Additionally, 43.5% of older millennials (those about 36 to 41 years old in 2022) and 66.7%

of older Gen Zers had a total balance at \$20,000 or less.

So how much of older Gen Z and millennial student debt might be cancelled? That isn't yet clear, for several reasons:

- The credit bureau data don't include the income for these borrowers, so we can't say if they are under the qualifying income thresholds.
- The credit bureau data also don't include whether they received Pell grants.
- These balances likely contain some private student loan debt, which is ineligible for forgiveness based on the Biden Administration's plan.

## Is College the Right Path?

The COVID-19-induced school shutdowns and stay-at-home orders upended the college experience for most students. Many Gen Zers found themselves taking virtual classes and were unable to socialize with classmates and friends. Today, even though in-person learning and social events have resumed, [college enrollment has continued to fall \(PDF\)](#). Undergraduate enrollment in four-year programs dropped 2.7% in spring 2022 relative to a year earlier, while enrollment in two-year programs sank 8.3%. Some high school students may be questioning whether college is worth the cost.

Is it? A few years ago, we studied whether the economic return from a four-year college degree had faded—in other words, if college was still economically worth it. We found the answer for older millennials was yes—for income: Four-year college grads make significantly more money than those without a bachelor's degree. [The wealth boost, however, had shrunk across generations and was relatively small.](#)

According to our calculations using the 2021 [Survey of Household Economics and Decisionmaking](#), only 15% of college graduate Gen Zers said the costs of college were greater than the benefits. Most Gen Zers with an associate's or bachelor's degree (57%) said the benefits outweighed the costs. For them, at least, college was economically worth it.

## Pressing Play after the Student Debt Pause

When the government implemented administrative forbearance on student loan repayment in March 2020, people were automatically enrolled—[more than 40 million borrowers](#) experienced relief from that financial obligation. When payments resume in January 2023, millions of adults will have to go back to paying off their loans. Even with the proposed debt forgiveness, some may have to delay their financial goals like saving for a home or other types of investment.

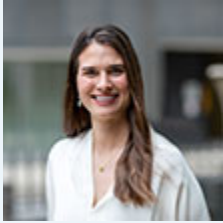
### Note

1. Student debt is any debt taken out for postsecondary education, including trade schools, two-year and four-year colleges and universities, and graduate schools. Some student loan servicers did not report approximately \$50 billion in student debt to credit bureaus in the second quarter of 2022. Therefore, our estimates of how widespread student debt is among Gen Z could be on the low end. It's less clear how the

average and median balances may be affected by these missing loans.

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## ABOUT THE AUTHORS



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Ana Hernández Kent is a senior researcher with Community Development Research at the Federal Reserve Bank of St. Louis. Her research interests include economic disparities and the role of systemic biases and historical factors in wealth outcomes. [Read more about Ana's research.](#)



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