# CURRENT ECONOMIC ISSUES: STUDENT LOAN DEBT

The Federal Reserve Bank of New York, in a new study, found that 30-year-olds with student loans were now less likely to have debts like home mortgages than 30-year-olds without student loans — even though most of those with student loans are better educated and can expect to earn more money over their lifetimes. The same pattern holds true for 25-year-olds and car loans.

The weak economy and tight credit standards remain the main culprits preventing young people from making major purchases. But millions now face putting a substantial share of their take-home pay toward past debts rather than present needs. Student loan debt leaves them with less money for things like clothes and restaurant meals. And it is even more likely to suppress purchases of more expensive items that need to be bought with credit. A poor job market is compounding the problem: the educational debt burden of many so-called millennials has sharply increased even as they are being forced to get by on significantly less income than the previous generation.

Student loan debt is not only constraining young adults, but also, at least in the near term, holding back the recovery itself, some economists say. The shadows might remain even as the economy picks up, by making young workers more cautious when it comes to decisions about their careers and their finances. Millennials might end up buying less expensive homes or more often choosing to rent than previous generations.

For most young workers, gaining a college degree remains well worth it in the long run, even if it delays some purchases in the near term. There might, however, be a slice of young workers who paid huge sums for degrees that prove less valuable on the job market, saddled by a debt burden that could end up holding them back for decades.

Adapted from: http://www.nytimes.com/2013/05/11/business/economy/student-loan-debt-weighing-down-younger-us-workers.html?

Exercises:

Answer the following multiple-choice questions.

1. According to the passage, which groups are **more likely** to have home mortgages and car loans?

a) 30-year-olds **with** student loans are more likely to have home mortgages; 25-year-olds **with** student loans are more likely to have car loans

b) 30-year-olds **with** student loans are more likely to have home mortgages; 25-year-olds **without** student loans are more likely to have car loans

c) 30-year-olds **without** student loans are more likely to have home mortgages; 25-year-olds **without** student loans are more likely to have car loans

d) 30-year-olds **without** student loans are more likely to have home mortgages; 25-year-olds **with** student loans are more likely to have car loans

2. Using clues from the passage, determine what the word ‘millennials’ means.

a) People with student loan debt
b) A generation of young Americans, now in their 20s and 30s
c) Any young adults

3. According to the author, how does having millions of Americans with student loan debt effect the American economy?

a) People with student debt spend less money on clothes and restaurant meals
b) People with student debt are less likely to buy cars and houses
c) People with student debt might slow down the economy’s recovery
d) All of the above

4. What is the author’s conclusion in the last paragraph of the passage?

a) Even though they may have to wait to buy cars and houses, most young people with student loan debt are happy that they went to college.
b) For most young workers, the student loan debt is too high.
c) Most young people regret going to college because they have loans now.
d) It is impossible to tell if going to college is worth it in the long run.