

Timothy Baron
VP ? Senior Loan Officer ? Loan Baron, V.I.P. Mortgage, Inc.
Timothy Baron NMLS #184671 | V.I.P. Mortgage, Inc. does
6390 E Tanque Verde Rd. Suite #200 Tucson, AZ 85715

Office: 520-275-5956
Mobile: 520-275-5956
timothybaron@vipmtginc.com
View My Website

Student Debt Undermining Millennial Homeownership

A new study is providing more evidence that **student debt is disrupting the lifecycle of the housing market.** The survey, conducted jointly by the National Association of Realtors (NAR) and the non-profit American Student Assistance (ASA), found that an overwhelming majority of millennials with student debt currently do not own a home. They blame this debt for what they typically believe will be a seven-year delay in homeownership.

And it isn't just homeownership that is suffering. The survey also revealed that student debt is holding back millennials from **financial decisions and personal milestones.** These include adequately saving for retirement, changing careers, continuing their education, marrying and having children.

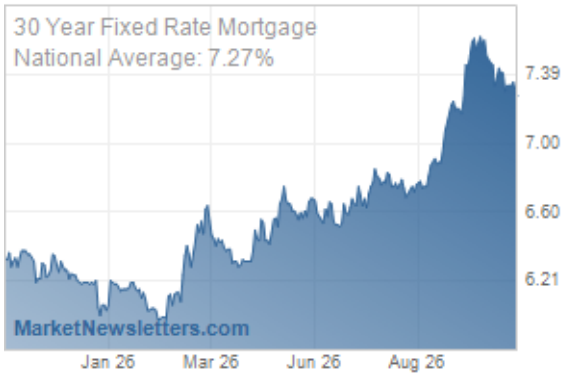
Despite being in their prime homebuying years, only 20 percent of the survey's Millennial-aged respondents currently own a home. Those respondents are typically carrying a student debt load ($41,200) that surpasses their annual income ($38,800). Slightly over half have a loan balance of over $40,000 and 79 percent borrowed money to finance their education at a four-year college.

Of the remaining 80 percent of respondents, 83 percent believe their student loan debt has affected their ability to become homeowners. The median amount of time these millennials expect to be delayed in obtaining that goal is **seven years**. Overall, 84 percent expect to postpone buying by at least three years.

"The tens of thousands of dollars many millennials needed to borrow to earn a college degree have come at a financial and emotional cost that's influencing millennials' housing choices and other major life decisions," said Lawrence Yun, NAR chief economist. "Sales to first-time buyers have been underwhelming for several years now, and this survey indicates student debt is a big part of the blame. Even a large majority of older millennials and those with higher incomes say they're being forced to delay homeownership because they can't save for a down payment and don't feel financially secure enough to buy."

The total burden of student debt is estimated at **$1.4 trillion.** Yun says that, in addition to softer demand at the entry-level portion of the market, about a quarter of those who do own a home say their student debt is a hurdle to selling their current home to buy a new one. Either they are strapped for the cash to upgrade, or their loans have impacted their ability to qualify for a

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.27%	-0.02	0.00
15YR Fixed	6.92%	-0.03	0.00
30YR FHA	6.90%	-0.01	0.00
30YR Jumbo	7.55%	0.00	0.00
7/6 SOFR	6.78%	-0.10	0.00
30YR VA	6.91%	-0.01	0.00

Rates as of: 10/30

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	100.00	+0.19
10 YR Treasury	4.8909	-0.0390
30 YR Treasury	5.2565	-0.0517

Pricing as of: 11/2 10:00AM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 21	195	+3.39%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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future mortgage.

"Millennial homeowners who can't afford to trade up because of their student debt end up staying put, which slows the turnover in the housing market and exacerbates the low supply levels and affordability pressures for those trying to buy their first home," added Yun.

Eighty-six percent of respondents say the debt has forced **sacrifices in their professional career**, including taking a second job, remaining in a position in which they were unhappy, or taking one outside their field. Furthermore, more than half say they have delayed continuing their education and starting a family, and 41 percent would like to marry but are stalling because of their debt.

Yun said it is even more concerning that the debt may be forcing many millennials to put saving for retirement on the backburner. Sixty-one percent said that at times they have been unable to make any contribution to their retirement, and nearly a third said they have, at times, reduced the amount contributed. "Being unable to adequately save for retirement on top of not experiencing the wealth building benefits of owning a home is an unfortunate situation that could have long-term consequences to the financial well-being of these millennials," he said. "A scenario where only those with minimal or no student debt can afford to buy a home and save for retirement is not an ideal situation and is one that weakens the economy and contributes to widening inequality."

Only 20 percent of the borrowers indicated that they **understood all of the expenses**, including tuition, fees, and housing, that would be involved in attending college.

Jean Eddy, ASA president and CEO said "Student debt is a reality for the majority of students attending colleges and universities across our country. We cannot allow educational debt to hold back whole generations from the financial milestones that underpin the American Dream, like home ownership. "The results of this study reinforce the need for solutions that both reduce education debt levels for future students, and enable current borrowers to make that debt manageable, so they don't have to put the rest of their financial goals on hold."

The survey was conducted in April by way of a 41-question survey distributed by ASA to over 90,000 student loan borrowers aged 22 to 35. All were current in their loan payments. Responses numbered 2,203.

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Timothy Baron 

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