

Student Loan Relief and Home Purchase

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Abstract: Amid the COVID-19 pandemic, the U.S. Department of Education implemented administrative forbearance for some student loan payments from March 13, 2020 to September 1, 2023. This unexpected policy, affecting all eligible loans and preventing anticipatory plans or selective participation, ensures a sample free from selection bias or endogeneity concerns related to home purchases. This study investigates the impact of student loan relief on home purchases using the 2022 Survey of Consumer Finances. Among the households with a student loan, those benefiting from student loan relief were 72% more likely to purchase a home during 2020-2022. Our finding is direct evidence that student loan payments hinder homeownership and possibly subsequent wealth accumulation.

Keywords: Student Loan, Loan Relief, Home Purchase, Survey of Consumer Finances

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