2017’s States with the Most and Least Student Debt

Aug 2, 2017 | Richie Bernardo

Location, location, location are the three most important words in real estate. But the mantra applies to education, too. Indeed, where you live doesn’t just affect the value of your property; it also reflects the worth of your college degree — the same degree that may have put you in debt. With 11 percent of all student-loan debts in delinquency or default as of Q1 2017, graduates need to be selective with the places in which they choose to put their degrees to work. New York City, for instance, might boast a high average salary for a certain profession, but the high cost of living can outweigh the gains, leaving little to pay off college debt.

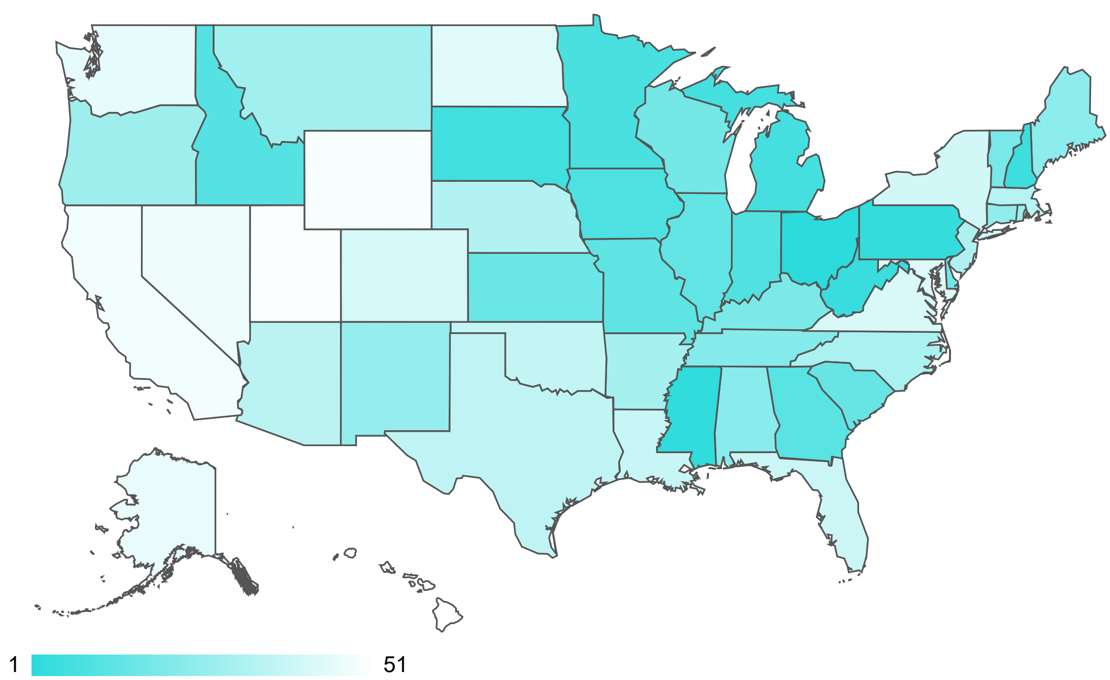
Save for mortgages, student loans make up the largest component of household debt for Americans. And our collective debt keeps growing. At the end of the first quarter of 2017, total outstanding college-loan balances disclosed on credit reports stood at $1.34 trillion, according to the Federal Reserve Bank of New York. The latest figure represents an increase of $34 billion since the end of 2016.

Despite the evidence that income potential rises and chances of joblessness decline with more schooling, many graduates entering the labor market are learning the hard way that a college degree can’t guarantee financial security. Post-college success depends on numerous factors, including where a graduate lays down roots. Student-loan borrowers generally fare better in strong-economy states with low college-debt-to-income ratios.

With student-loan debtors in mind, WalletHub’s analysts compared the 50 states and the District of Columbia based on 10 key measures of indebtedness and earning opportunities. Our data set ranges from average student debt to unemployment rate among the population aged 25 to 34 to share of students with past-due loan balances. Read on for our findings, expert insight from a panel of researchers and a full description of our

Tip: If you’re considering borrowing money for college or are in danger of defaulting, we advise leveraging a Student Loan Calculator to determine an affordable monthly payment and payoff timeline.

Main Findings



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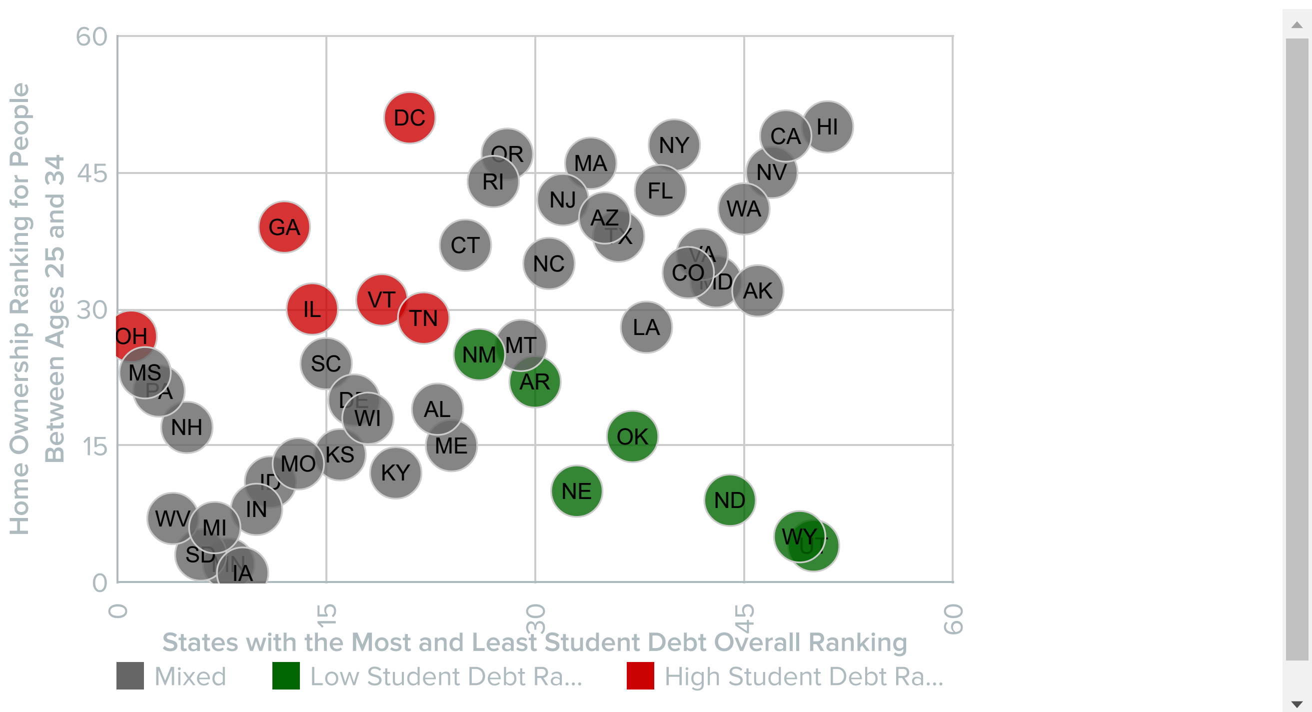
Overall Rank*	State	Total Score	‘Student-Loan Indebtedness’ Rank	‘Grant & Student Work Opportunities’ Rank
1	Ohio	64.25	3	20
2	Mississippi	64.14	5	5
3	Pennsylvania	64.05	4	10

Overall Rank*	State	Total Score	'Student-Loan Indebtedness' Rank	'Grant & Student Work Opportunities' Rank
4	West Virginia	62.92	8	1
5	New Hampshire	62.83	2	39
6	South Dakota	62.35	1	49
7	Michigan	60.02	9	16
8	Minnesota	59.67	6	42
9	Iowa	58.42	7	36
10	Indiana	56.73	10	30
11	Idaho	56.66	11	27
12	Georgia	55.81	12	34
13	Missouri	55.41	13	29
14	Illinois	55.03	15	25
15	South Carolina	54.17	17	18
16	Kansas	54.15	16	31
17	Delaware	53.31	18	22
18	Wisconsin	53.23	19	17
19	Vermont	52.62	14	45
20	Kentucky	52.43	21	11
21	District of Columbia	50.92	25	15
22	Tennessee	50.77	27	10
23	Alabama	50.01	34	2
24	Maine	49.90	20	47
25	Connecticut	49.87	24	28
26	New Mexico	49.26	31	6
27	Rhode Island	49.08	22	38
28	Oregon	48.97	28	32
29	Montana	48.86	30	23
30	Arkansas	48.84	29	24
31	North Carolina	48.54	32	7
32	New Jersey	47.71	26	41
33	Nebraska	46.38	33	33
34	Massachusetts	46.23	23	48
35	Arizona	43.85	39	12

Overall Rank*	State	Total Score	'Student-Loan Indebtedness' Rank	'Grant & Student Work Opportunities' Rank
36	Texas	43.35	35	35
37	Oklahoma	43.09	40	21
38	Louisiana	42.69	44	3
39	Florida	42.04	42	13
40	New York	41.01	38	44
41	Colorado	40.22	36	46
42	Virginia	39.78	41	43
43	Maryland	39.32	43	40
44	North Dakota	37.98	37	51
45	Washington	36.68	45	9
46	Alaska	35.20	46	8
47	Nevada	32.92	47	4
48	California	31.60	48	14
49	Wyoming	27.71	49	26
50	Utah	15.83	51	37
51	Hawaii	14.44	50	50

*No 1 = Most Student Debt



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GET YOUR FREE CREDIT SCORE & REPORT

Highest Avg. Student Debt

1. New Hampshire
2. Pennsylvania
3. Connecticut
4. Delaware
5. Rhode Island

Lowest Avg. Student Debt

46. Florida
47. Wyoming
48. California
49. New Mexico
50. Utah

Best State vs Worst State

2x Difference

Highest Proportion of Students with Debt

1. New Hampshire
2. South Dakota

T-3. Idaho

T-3. Pennsylvania

T-5. Minnesota

T-5. Wisconsin

Lowest Proportion of Students with Debt

46. Louisiana
47. Hawaii
48. Nevada
49. Wyoming
50. Utah

Best State vs Worst State

2x Difference

Highest Student Debt as % of Income (Adjusted for Cost of Living)

1. Mississippi
2. Alabama
3. Georgia
4. Arkansas
5. Tennessee

Lowest Student Debt as % of Income (Adjusted for Cost of Living)

46. New Jersey
47. Connecticut
48. Massachusetts
49. Alaska
50. Hawaii

Best State vs Worst State

3x Difference

Highest Unemployment Rate for People Aged 25 to 34

T-1. Alabama

T-1. West Virginia

3. New Mexico
4. Louisiana

Lowest Unemployment Rate for People Aged 25 to 34

T-47. North Dakota

T-47. Vermont

T-49. Massachusetts

T-49. New Hampshire

Best State

4x Difference

Highest % of Student-Loan Balances Past Due or in Default	Lowest % of Student-Loan Balances Past Due or in Default
1. West Virginia	47. Vermont
2. Arkansas	48. Nebraska
3. New Mexico	49. Connecticut
4. Mississippi	50. Minnesota
5. Oklahoma	51. Massachusetts

Best State vs Worst State

2x Difference

Borrowers Aged 50+	Borrowers Aged 5
1. Vermont	47. Tennessee
2. Minnesota	48. Utah
3. New Hampshire	49. Nevada
4. South Dakota	50. Arkansas
5. Massachusetts	51. Hawaii

Best State vs Worst State

3x Difference

Ask the Experts

Incurring more student debt than one can handle can produce significant repercussions in the future. To advance the discussion, we asked a panel of experts to share their advice and insight with current and potential student-loan borrowers. Click on the experts’ profiles to read their bios and responses to the following key questions:

1. What tips can you offer students looking to minimize the amount of debt they take out for higher education?
2. Should the government reduce the amount of money students can borrow? How about basing the total amount a student can borrow on the quality of the university and employability of the degree/field?
3. How do we slow the growth of higher-education expenses?
4. How will the policy proposals of the Trump Administration impact student borrowing and higher-education finance more generally?
5. How does the growth of student-loan debt affect the economy?
6. How should students and their parents think about the return on investment to spending on higher education?

Korok Ray

Back to All Experts

Associate Professor of Accounting in the Mays Business School at Texas A&M University

What tips can you offer students looking to minimize the amount of debt they take out for higher education?

Pick a major that has long-term employability. Currently there is a secular shortage in STEM skills. This may not minimize the amount of debt, but it will allow the student to repay that debt quickly with good job prospects. This means picking majors like Computer Science over Gender Studies.

Should the government reduce the amount of money students can borrow? How about basing the total amount a student can borrow on the quality of the university and employability of the degree/field?

The government should condition the size of the loan based on field of study. So, allow bigger loans for STEM fields. Also, the return from a degree in a technical field is less sensitive to university quality than for a non-technical field. For example, an engineering major out of Texas A&M does as well as an engineering major out of the University of Pennsylvania, but an English major does not. This is another reason to condition the loan amount on field of study.

How do we slow the growth of higher education expenses?

University administrators have increased in both price and quantity over the last twenty years. Rather than force universities to hire fewer administrators, ask states to require their public universities to disclose the total cost and number of administrators relative to faculty to the marketplace. This disclosure can then be used in university rankings, with more efficient universities (with lower administrator to faculty ratios) ranked higher. Once the public universities disclose, private universities will follow suit.

How will the policy proposals of the Trump Administration impact student borrowing and higher education finance more generally?

The main proposal is a decrease in student loan funding of roughly $143 billion. This will make progress in reducing the enormous amount of student loan debt currently held by U.S. households. However, two things need to happen in addition. First, universities need to control their costs, and second, students need to shift into more economically relevant careers, like STEM. Shrinking the student loan programs is a step in the right direction, because it reduces the huge debt overhang, and puts more financial incentive on students to pick majors that will have economic value after graduation.

How does the growth of student loan debt affect the economy?

According to the Federal Reserve, student loan debt is the second largest class of household debt outside of mortgages. There is a risk of a student debt bubble similar to the housing bubble of 2007-2008. In general, modest amounts of debt are fine. However, excessive debt loads that cannot be repaid can have pernicious consequences, if those effects ripple through the economy. This is what happened with the housing crisis in the last major recession. This is especially true because the taxpayer is largely on the hook, as the government is the main lender in student loans. If the excessive debt levels continue to rise, then this will place undue burden on taxpayers, and likely to result in higher taxes in the future, which will drain economic output and dampen growth.

How should students and their parents think about the return on investment to spending on higher education?

The best ROI to a higher education is to provide a mix of technical and liberal arts skills. As I said, the STEM shortage is real, so majoring in STEM is a great way for immediate and long-term employability in the information economy. At the same time, liberal arts matter because creativity and problem solving in the future will still be important.

Methodology

In order to determine the best and worst states for student debt, WalletHub’s analysts compared the 50 states and the District of Columbia across two key dimensions, including “Student-Loan Indebtedness” and “Grant & Student Work Opportunities.”

We evaluated those dimensions using 10 relevant metrics, which are listed below with their corresponding weights. Each metric was graded on a 100-point scale, with a score of 100 being granted to the state with the most student debt.

Finally, we determined each state and the District’s weighted average across all metrics to calculate its total

Student-Loan Indebtedness - Total Points: 85

- Average Student Debt: Full Weight (~9.44 Points)
- Proportion of Students with Debt: Triple Weight (~28.33 Points)
- Student Debt as Share of Income: Double Weight (~18.89 Points)
  Note: This metric was calculated by dividing overall state-level student debt per borrower by median household income (adjusted for cost of living).
- Share of Student Loans in Past-Due or Default Status: Full Weight (~9.44 Points)
- Share of Student-Loan Borrowers Aged 50 & Older: Double Weight (~18.89 Points)
  Note: This metric was adjusted for the population aged 50 and older.

Grant & Student Work Opportunities - Total Points: 15

- Unemployment Rate Among Population Aged 25 to 34: Double Weight (~5.00 Points)
- Underemployment Rate: Full Weight (~2.50 Points)
- Availability of Student Jobs: Full Weight (~2.50 Points)
  Note: This metric measures student jobs per total civilian population aged 16 to 24 in the labor force.
- Availability of Paid Internships: Full Weight (~2.50 Points)
  Note: This metric measures paid internship listings per total civilian population aged 16 to 24 in the labor force.
- Grant Growth: Full Weight (~2.50 Points)
  Note: This metric measures the percentage change (2015 vs. 2014) in state- and local-government grants per in-district and in-state undergraduate student.

Sources: Data used to create this ranking were collected from the U.S. Census Bureau, Bureau of Labor Statistics, Institute for College Access & Success, Federal Reserve Bank of New York, Council for Community and Economic Research, U.S. Department of Education College Affordability & Transparency Center, The Withe House, United Health Foundation, Internships.com and Indeed.

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