

# ACCESS DENIED: HOW 40% OF AMERICANS ARE LOCKED OUT OF PRIVATE STUDENT LOANS

In March 2026, Protect Borrowers and The Century Foundation released a startling new [report](#) revealing that over 40 percent of Americans would likely be denied access to loans from the vast majority of traditional private and state-affiliated lenders.

The [report](#) comes as the Department of Education implements unprecedented changes to the federal student loan program under the “One Big Beautiful Bill Act” (OBBBA) which limit how much students and families can borrow from the federal government while failing to reduce the cost of college or provide funds to fill gaps with grants. Proponents of the bill argued that reducing federal lending would lower college costs and the private market would cover any funding gaps students face. **Our research directly rebuts these claims by showing that 40 percent of Americans, including a disproportionate amount of low-income students and students of color, are locked out of the private student loan market.** By forcing these students to depend upon an exclusionary private market, the changes Congress made in the OBBBA will force our most vulnerable students to either give up on higher education or take on even more expensive, predatory forms of debt to pay for college.

## Key Findings

Protect Borrowers and The Century Foundation analyzed the underwriting requirements of 34 private and state-affiliated lenders that comprise a significant majority of the private student loan market. We found that:

- ★ **Over 40 percent of Americans would likely be denied the vast majority of private student loans from traditional, prime lenders** based on credit and income underwriting requirements. These requirements include a credit score of at least **640** and a household income of at least **\$30,000**.
- ★ **Nearly 2 in 3 Pell Grant recipients (61.1 percent), who are disproportionately students of color, would not qualify for the vast majority of private student loans** from traditional, prime lenders based on minimum income requirements.
- ★ Every lender requires that the borrower or cosigner must be “creditworthy.” **This requirement likely prevents over 1 in 4 Americans (25.7 percent) from qualifying for practically any private student loan** from a prime, traditional lender.
- ★ **Between 61 percent to 100 percent of loans originated by the lenders in our sample have cosigners.** This underscores the private loan market’s continued reliance upon household wealth and financial stability for underwriting borrowers’ loans, and how the private market continues to disadvantage low-income and underprivileged borrowers.

- ★ **Students of color and those from low-income backgrounds will be overrepresented among those facing sky-high interest rates or simply unable to obtain a private loan. Many will be forced to give up on higher education** as a result of caps on federal student loans and increased reliance upon the private market.
- ★ **About 82 percent of non-profit lenders (18 out of 22) and over half of the total lenders in our analysis (19 out of 34) are residency restricted or require a student to attend a school in a limited number of states**, in order to qualify for a loan. Given non-profit lenders' geographic restrictions and stringent underwriting criteria, they are unlikely to fill the gap for borrowers who are shut out of the private market.

### Context

**Even borrowers who scrape by underwriting requirements and manage to get a private student loan will face higher interest rates and fewer protections than if they obtained a federal loan.** Private loans are generally more expensive—with [interest rates as high as 26 percent](#)—and lack federal protections and benefits including the right to affordable payments; protections in case a borrower loses their job, is defrauded, or becomes permanently disabled; and a pathway to cancellation after ten years of public service.

**While students and families pay the price, both prime and subprime shadow lenders will make windfall profits.** Many lenders, including Sallie Mae, Navient, Earnest, SoFi, and Navy Federal Credit Union, have a long history of breaking consumer protection laws and harming borrowers.

### Recommendations

- ★ **States can increase accountability** by requiring private student loan companies to register with state regulators and mandate public reporting to increase transparency into the growing private student loan market. Protect Borrowers maintains [sample legislation for states](#) to create private student loan lender registries.
- ★ Policymakers and lenders should **NOT expand subprime lending**, which can destroy borrowers' credit and sow financial instability. Nor should states rush to create or expand school or state-affiliated lending programs, which often feature highly exclusionary income and credit score cutoffs and have a history of filing lawsuits against struggling borrowers to collect on loans.
- ★ **Federal and state government leaders should increase direct funding for higher education as a public good**, and not finance it through debt that undermines the very opportunities it is meant to create.