WASHINGTON (Reuters) - Banks wrote off $3 billion of student loan debt in the first two months of 2013, up more than 36 percent from the year-ago period, as many graduates remain jobless, underemployed or cash-strapped in a slow U.S. economic recovery, an Equifax study showed.

The credit reporting agency also said Monday that student lending has grown from last year because more people are going back to school and the cost of higher education has risen.

"Continued weakness in labor markets is limiting work options once people graduate or quit their programs, leading to a steady rise in delinquencies and loan write-offs," Equifax Chief Economist Amy Crews Cutts said in a statement.

Equifax analyzes data from more than 500 million consumers to track financial trends.

U.S. student loan debt reform has become a more pressing issue since the U.S. Consumer Financial Protection Bureau (CFPB) reported in March 2012 that the total surpassed $1 trillion by the end of 2011 and as interest rates on subsidized Stafford loan rates are set to double in July.

The cost of earning a 4-year undergraduate degree has gone up by 5.2 percent per year in the last
decade, according to the CFPB, forcing more students to take out loans. While other forms of debt went down, student loan debt continued to rise through the economic crisis.

Delinquencies have spiked in the last eight years, with about 17 percent of the nearly 40 million student loan borrowers at least 90 days past due on their repayments, a February report from the New York Federal Reserve Bank showed.

The CFPB, a federal consumer agency, is concerned that high student loan debt could affect the rest of the economy because it affects borrowers' credit and could limit their ability to make important purchases such as a home or car.

The CFPB is taking several steps to help reduce the student debt burden on borrowers, including finding ways to offer more flexible repayment options from private lenders and trying to exert more supervisory authority over non-bank student loan servicing companies.

Groups such as the New America Foundation, a nonprofit public policy institute, have said the current student loan repayment system is too complicated for borrowers, and that an income-based repayment system could simplify the process. Some students, they say, simply don't know how to enroll in the different repayment options or put repayment off to take care of more urgent bills such as credit cards and rent.

(Reporting by Elvina Nawaguna; Editing by Richard Chang)
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