How bad is it?
The Student Loan Default Crisis in Perspective

May 5, 2013

How bad is it?

New Car or Debtor's Prison?

How bad is it?

Knowledge Survey

1) Most of the US population holds a student loan.

2) Among student loan holders, 40% owe less than $10,000.

3) Among student loan holders, student loan debt has increased faster than other forms of debt (e.g., mortgages, credit cards) in the past 7 years.

4) Young (under 35) bachelor's degree holders, with relatively low incomes and little wealth hold most of the student loan debt.

5) Young (under 35), bachelor's degree holders, with relatively high incomes and little wealth pay a significantly greater proportion of their household income to repay student loans today than they did almost 20 years ago,

How bad is it?

Knowledge Survey

6) Under 40% of student loan holders in the 2005 cohort of college entrants were in successful repayment in 2011.

7) Most student loan holders do not default on their loans.

8) Earning a credential has no effect on likelihood of repayment outcomes (such as delinquency or default).

9) Women borrow more in student loans than men.

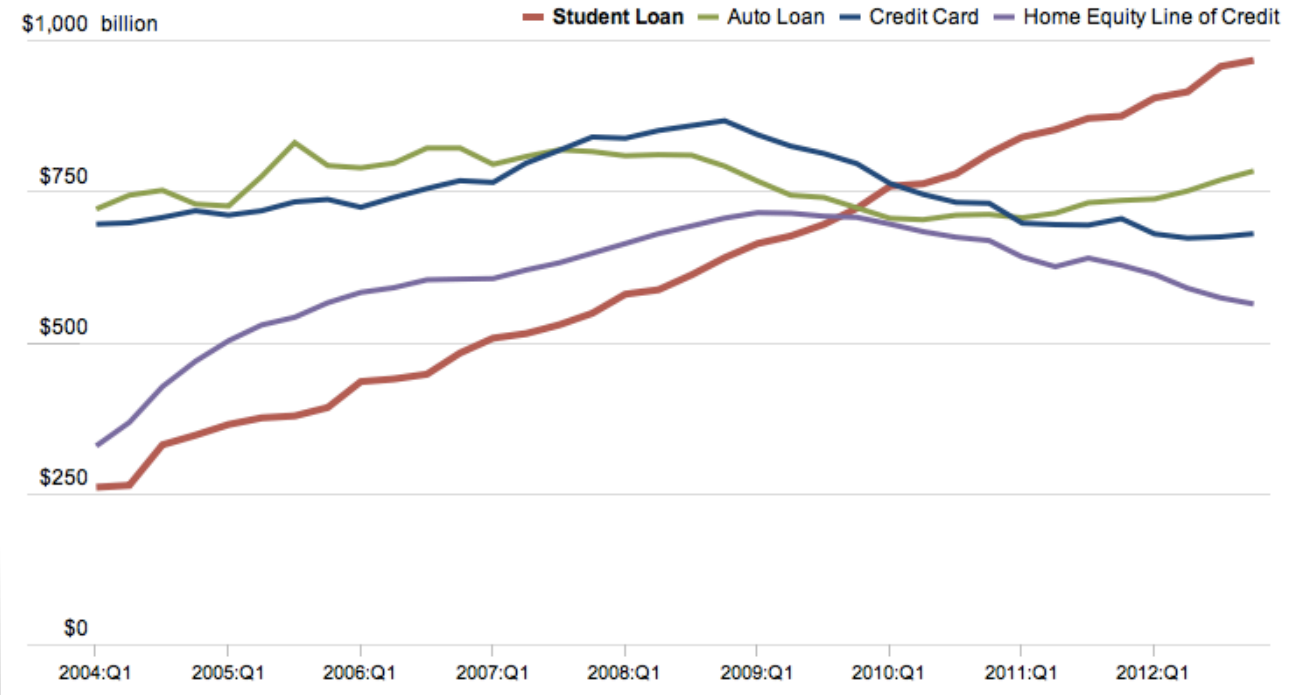
10) College is still worth it in terms of economic payoffs.

How bad is it?

Debt

How bad is it?

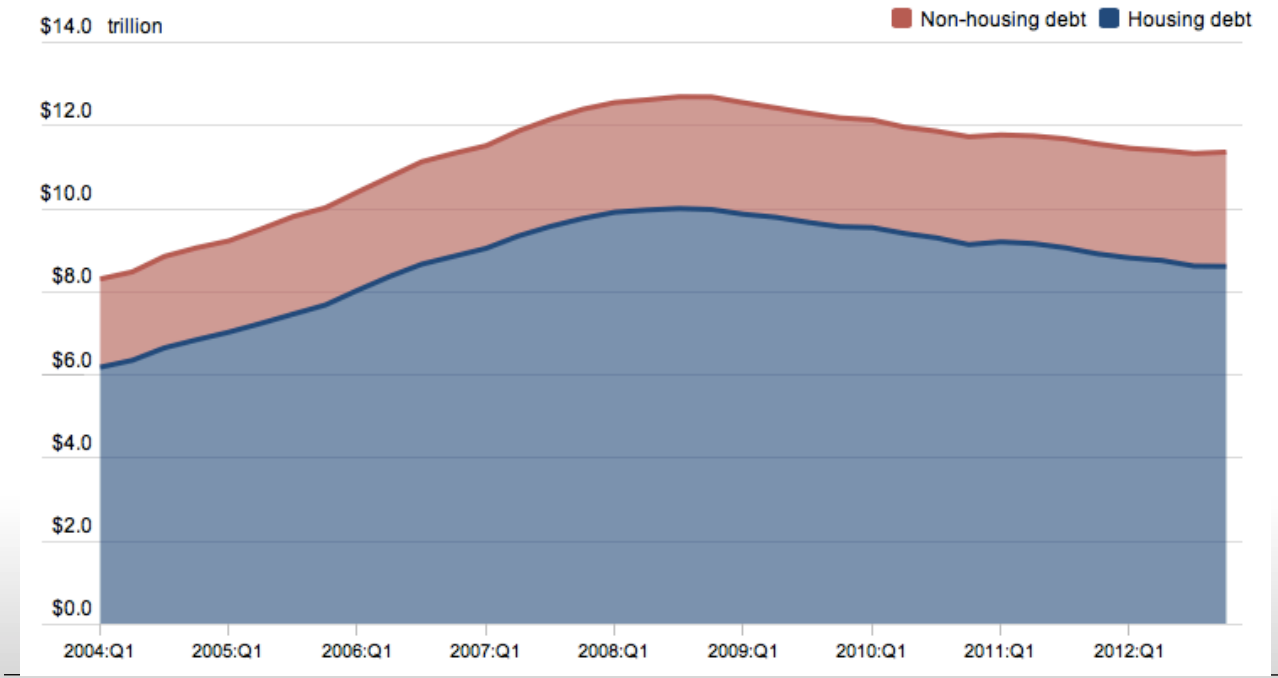
Non-mortgage Debt Balances



Source: FRBNY Consumer Credit Panel/Equifax
http://www.newyorkfed.org/householdcredit/

How bad is it?

Total Debt Balance



Source: FRBNY Consumer Credit Panel/Equifax
http://www.newyorkfed.org/householdcredit/

How bad is it?

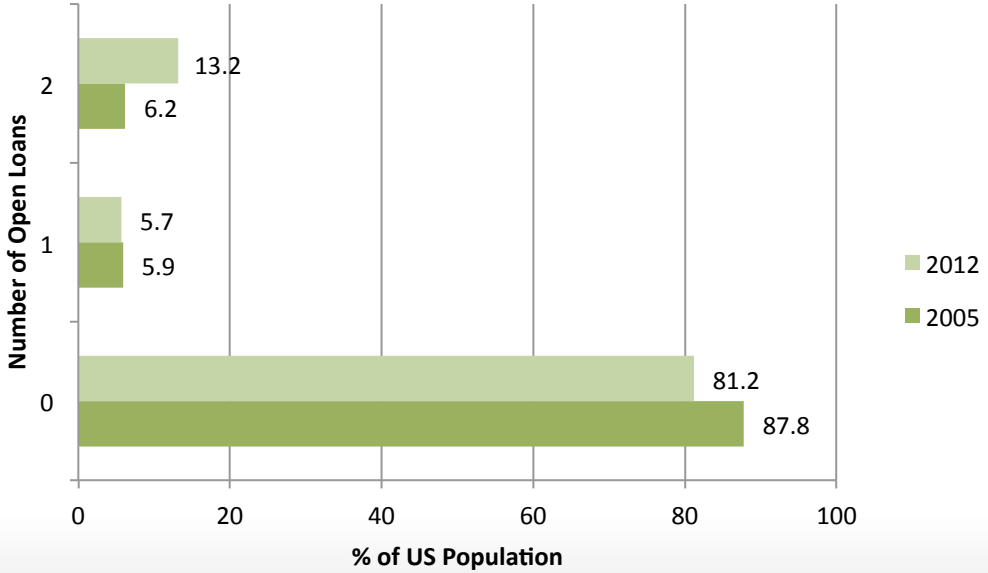
Comparison of Average Consumer Debt

Debt	2005	2012	Change
Student loan	$17,233	$27,253	58%
Credit card	$5,815	$5,101	-12%
Mortgage	$44,864	$49,545	10%
Auto	$5,828	$5,729	-2%
All other	$5,841	$4,629	-21%

Note: Among US consumers with at least one open student loan
Source: "Is growing student loan debt impacting credit risk?" FICO Insights, (65). January 2013 http://www.fico.com/en/Communities/Pages/Insights.aspx

How bad is it?

Proportion of Population with Student Loans



Source: "Is growing student loan debt impacting credit risk?" FICO Insights, (65). January 2013
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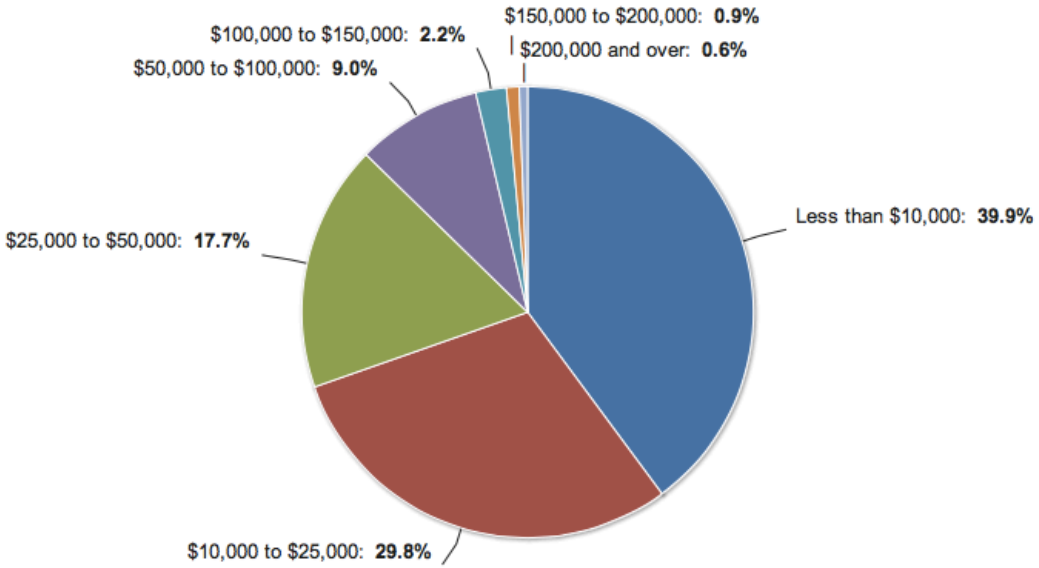
How bad is it?

Distribution of Student Loan Borrowing, Q4 2012



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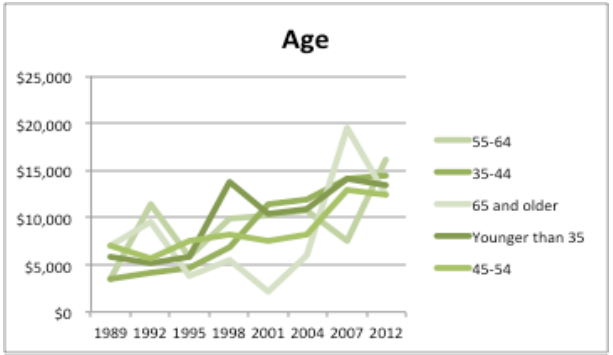
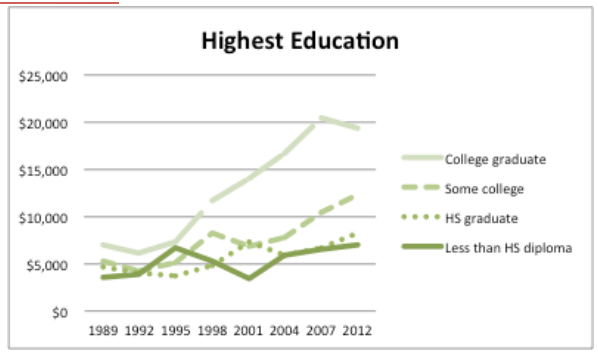
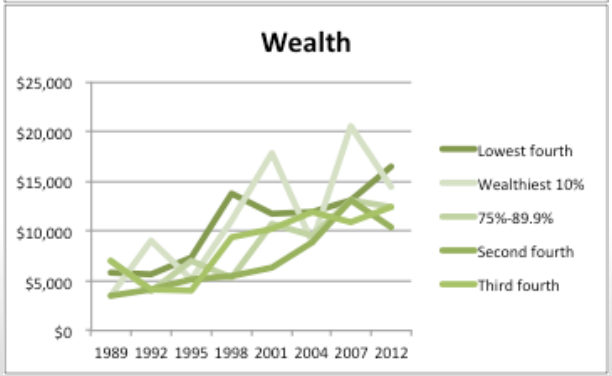
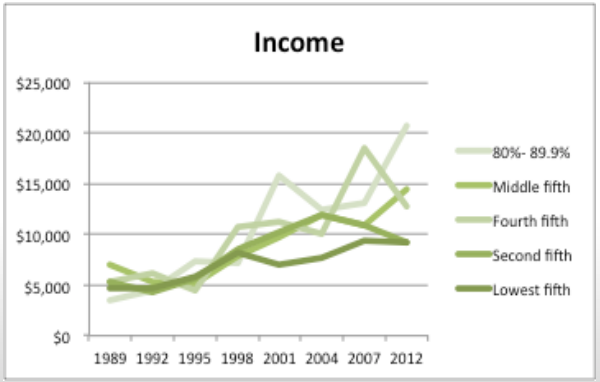
How bad is it?

Median Debt





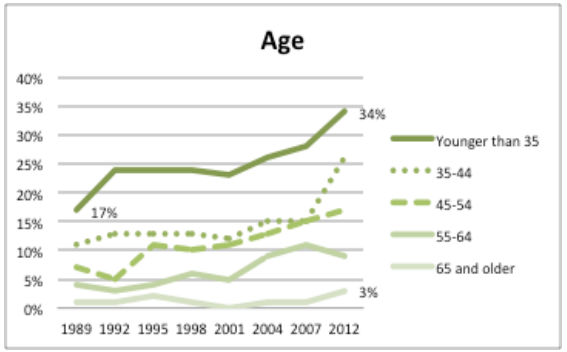


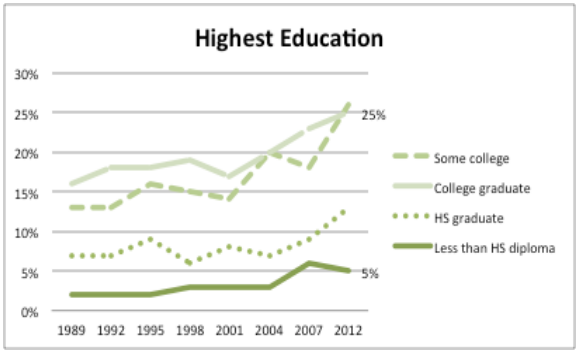


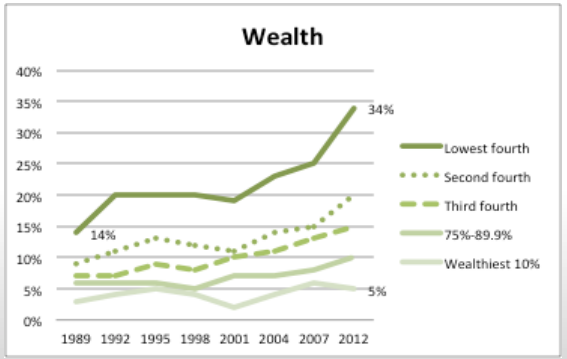
Source: Pew Research Center tabulations of Survey of Consumer Finances data

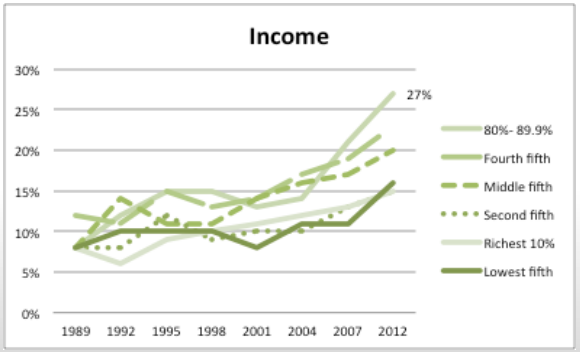
How bad is it?

Share Having Debt









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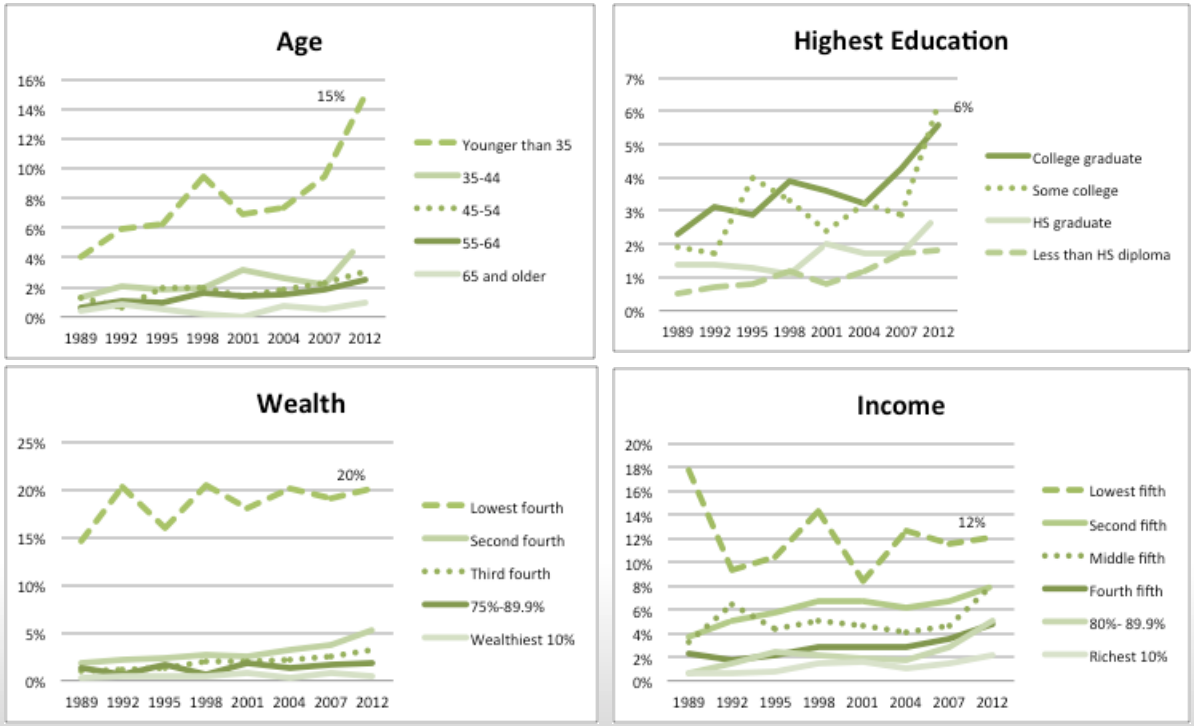
How bad is it?

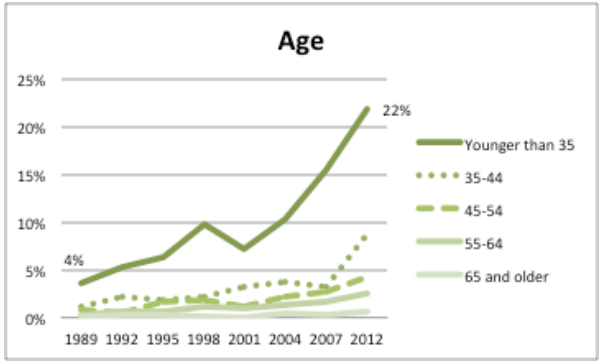
Student Loan Debt as Share of all Household Debt

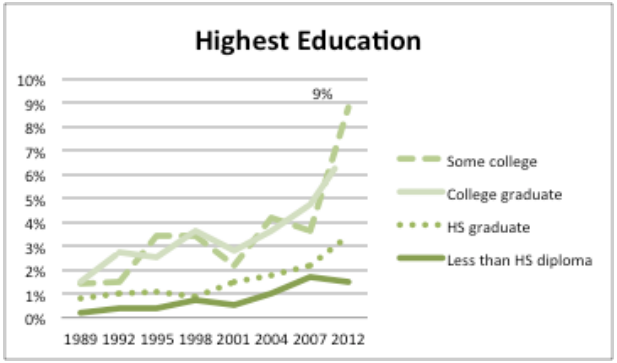


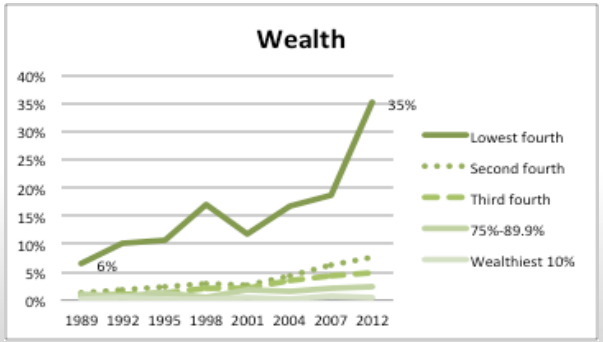
Source: Pew Research Center tabulations of Survey of Consumer Finances data

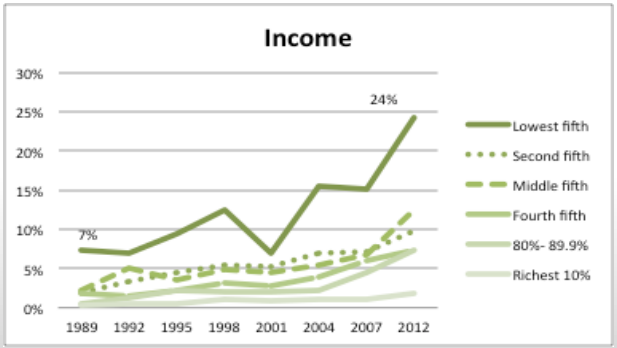
How bad is it?

Ratio of Student Loan Debt to Household Income









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Repayment Outcomes

How bad is it?

Repayment Outcomes

Payment Outcome	%	Category %
Repayment without event	37	37
Deferment only (in-school enrollment)	7	23
Deferment only (economic hardship)	4	
Forbearance only	6	
Forbearance and deferment	6	
Delinquency only	5	26
Delinquency and deferment	5	
Delinquency and forbearance	8	
Delinquency with deferment/forbearance	8	
Default	15	15

Source: Institute for Higher Education Policy, "Delingquecy: The Untold Story of Student Loan Borrowing" (March 2011)
http://www.ihep.org/assets/files/publications/a-f/Delinquency-The_Untold_Story_FINAL_March_2011.pdf

How bad is it?

Proportion of Consumers 90 days late on payment

Credit Obligation	October 2005-2007	October 2010-2012	Change
Auto finance	6.6	7.6	15.2%
Bankcard	14.4	4.2	-70.8%
Mortgage	5.3	11.7	120.8%
Student loan	17.0	25.1	47.6%

Note: Among US consumers with at least one open student loan
Source: "Is growing student loan debt impacting credit risk?" FICO Insights, (65). January 2013 http://www.fico.com/en/Communities/Pages/Insights.aspx

How bad is it?

Repayment Outcome by Credential Status

Payment Outcome	No credential	Credential	All borrowers
Timely repayment	26	48	35
Deferment/forbearance without delinquency	15	14	15
Delinquency without default	33	22	28
Default	26	16	21

Source: Institute for Higher Education Policy, "Delingquecy: The Untold Story of Student Loan Borrowing" (March 2011)
http://www.ihep.org/assets/files/publications/a-f/Delinquency-The_Untold_Story_FINAL_March_2011.pdf

How bad is it?

Repayment Outcomes by Institution Type

Payment Outcome	Public 4yr	Private 4yr	Public 2yr	Proprietary 2yr	Proprietary 4yr
Timely repayment	45	53	24	32	35
Deferment/forbearance, but not delinquent	21	20	16	5	12
Delinquent, but not defaulted	24	20	36	27	29
Default	10	8	24	36	24

How bad is it?

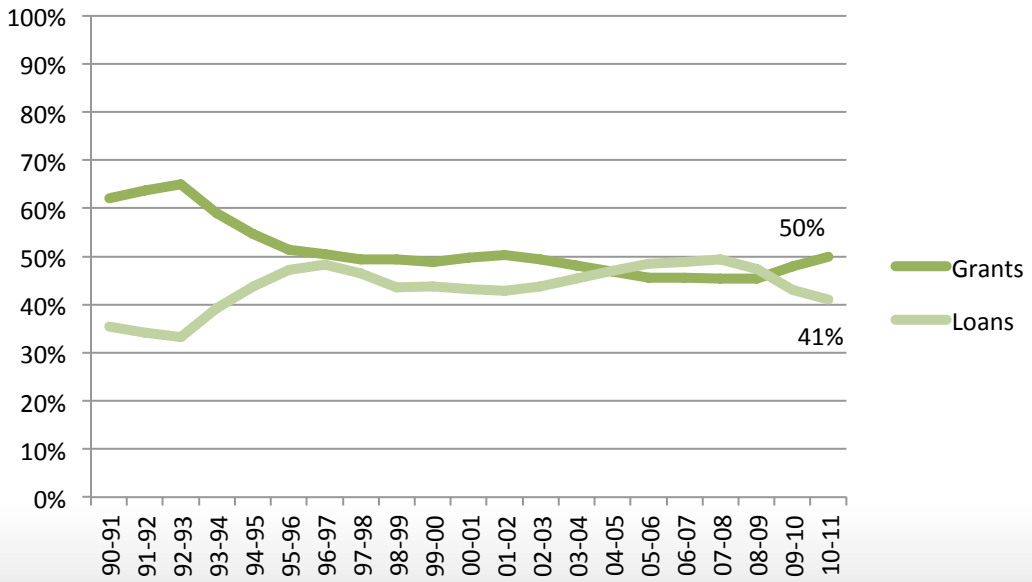
We lack information on other differences

- Race/ethnicity
  - Students of color likely to borrow more, are less likely to graduate, and face higher unemployment rates than white peers (Source: Center for American Progress)
  - About 27% of African American had debt of $30,500 or higher compared to 16% of white peers in 2010 (Source: College Board Policy & Advocacy Center)
- Gender: American Association of University Women report in 2009 found
  - Women and men tend to borrow the same amount
  - Men tend to earn more than women
  - In 2009 47% of women were paying 8% of their salary to repay student debt compared to 39% of men
  - 20% of women were paying 15% of their salary to repay student debt compared to 15% of men

Three Points to Consider

How bad is it?

% of Total Aid in Grants & Loans



Source: College Board "Trends in Student Aid" (2012), Table 4

How bad is it?

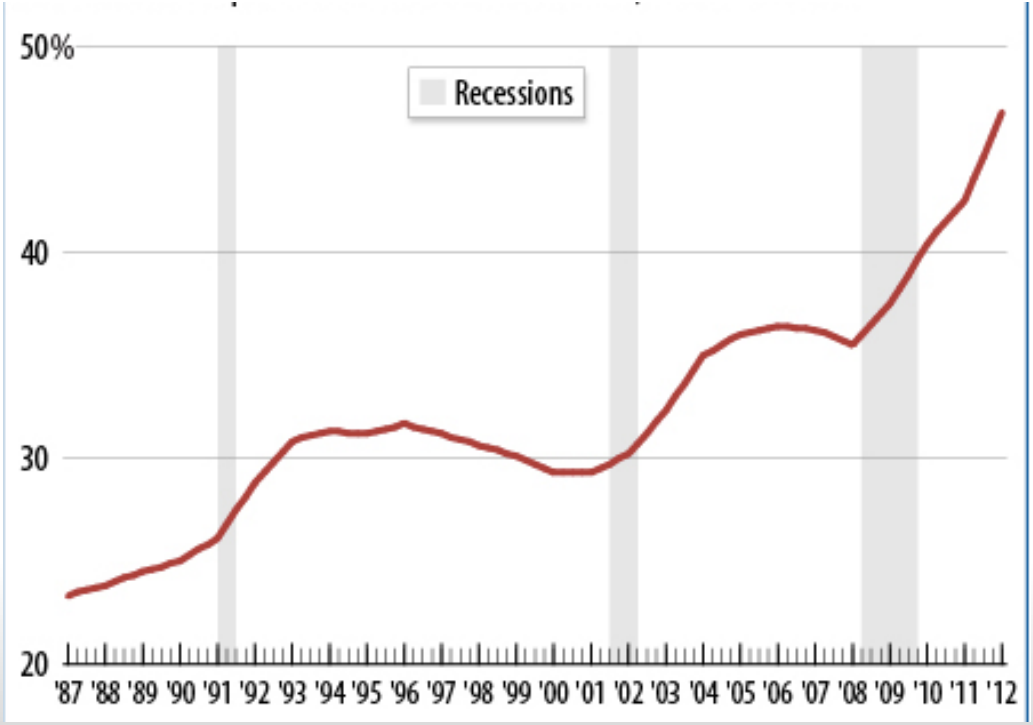
Shifts in Funding Higher Education

	2007-2008	2012-2013	Change
State appropriations for higher education	$87,172,406,161	$70,361,814,675.0	-19%
FTE enrollment at public college & universities	10,271,685	11,471,488	12%
State appropriations per FTE student	8,487	6,134	-28%

Sources: Center on Budget Policy & Priorities, "Recent deep state higher education cuts may harm students and the economy for years to come" (March 19, 2013) http://www.cbpp.org/cms/?fa=view&id=3927;

How bad is it?

Tuition revenue as % of total educational revenue, FY 1987-FY 2012



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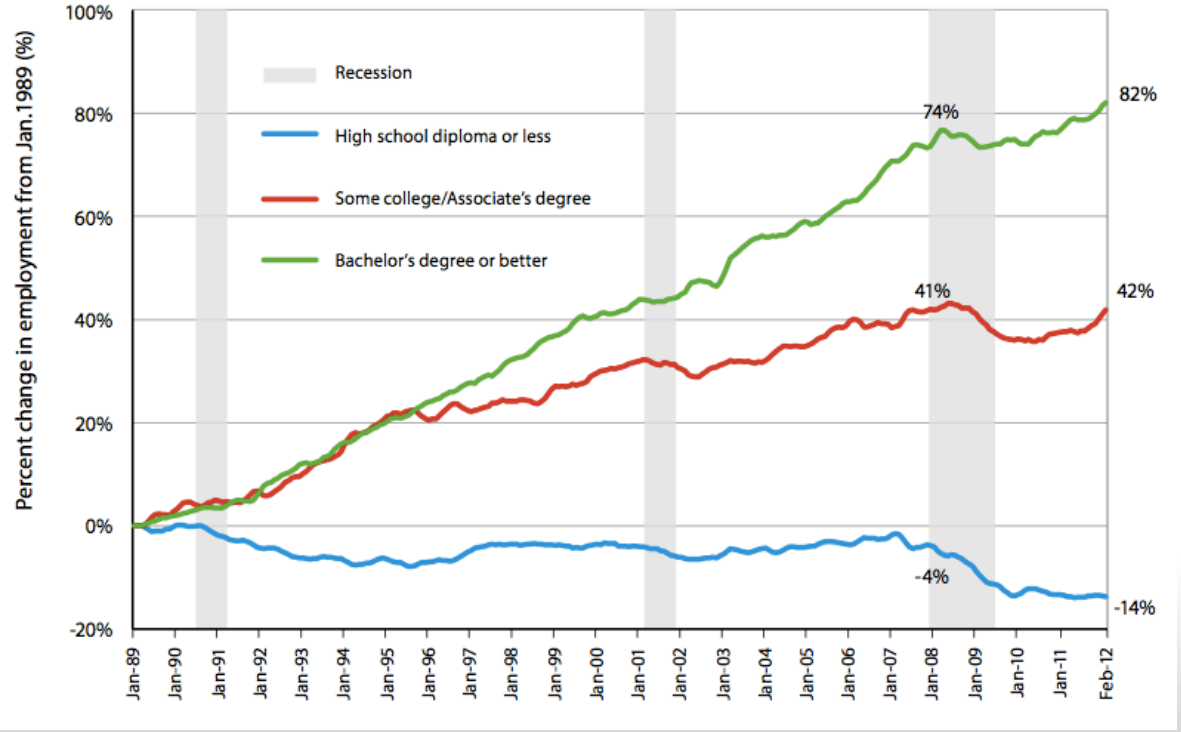
Employment by Highest Education



Source: "The College Advantage: Weathering the Economic Storm" (August, 15, 2012)
http://cew.georgetown.edu/collegeadvantage/

How bad is it?

The ‘crisis’ crisis in higher education

Burnbaum & Shushok studied claims of crisis swirling around higher education a decade ago

- Looked at periodicals from 1970-1994
- Concerns about college finances occurred every year & accounted for 27% of claims of crisis

How bad is it?

Knowledge Survey Answers

1) Most of the US population has a student loan.

False: Less than 20% had a student loan

2) Among student loan holders, 40% owe less than $10,000.

True: All together, about 70% of loan holders owe less than $25,000.

3) Among student loan holders, student loan debt has increased faster than other forms of debt in the past 7 years.

True: Student loan debt has increased about 58% since 2005, compared to 105 for mortgage debt and decreased in credit card, auto, and other forms of debt.

4) Young (under 35), bachelor's degree holders, with relatively low incomes and little wealth hold most of the student loan debt.

False: Young (under 35), bachelor's degree holders with relatively **HIGH** incomes and little wealth hold most of the student loan debt.

How bad is it?

Knowledge Survey Answers

5) Young (under 35), bachelor's degree holders, with relatively high incomes and little wealth pay a significantly greater proportion of their household income to repay student loans today than they did almost 20 years ago,

True

6) Under 40% of student loan holders in the 2005 cohort of college entrants were in repayment without event in 2011.

True: 37% of student loan holders were in repayment without event.

7) Most student loan holders do not default on their loans.

True: Only 15% of the 2005 cohort of students were in default.

How bad is it?

Knowledge Survey Answers

8) Earning a credential has no effect on likelihood of repayment outcomes (such as delinquency or default).

False: Students who completed a credential were more likely to be in timely repayment than students who did not earn a credential.

9) Women borrow more in student loans than men.

False: Women and men borrow about the same, but women tend to earn less and therefore must devote more of their salary to repayment of student loans.

10) College is still worth it in terms of economic payoffs.

True

Contact Information

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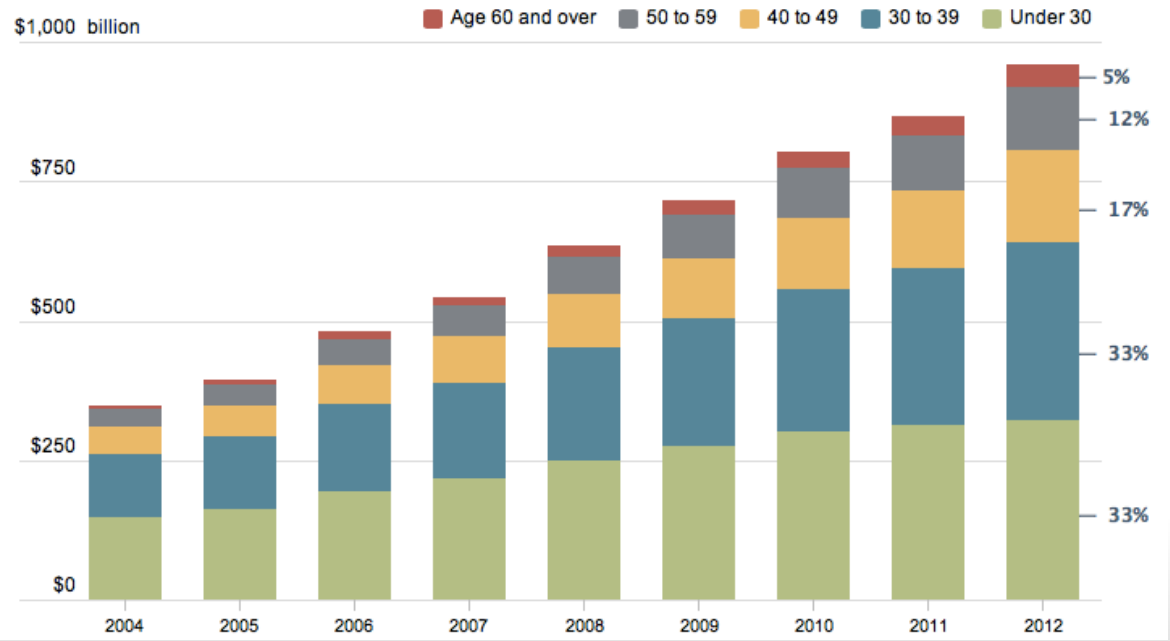
Appended Slides

How bad is it?

Loan Balances, by Age Group



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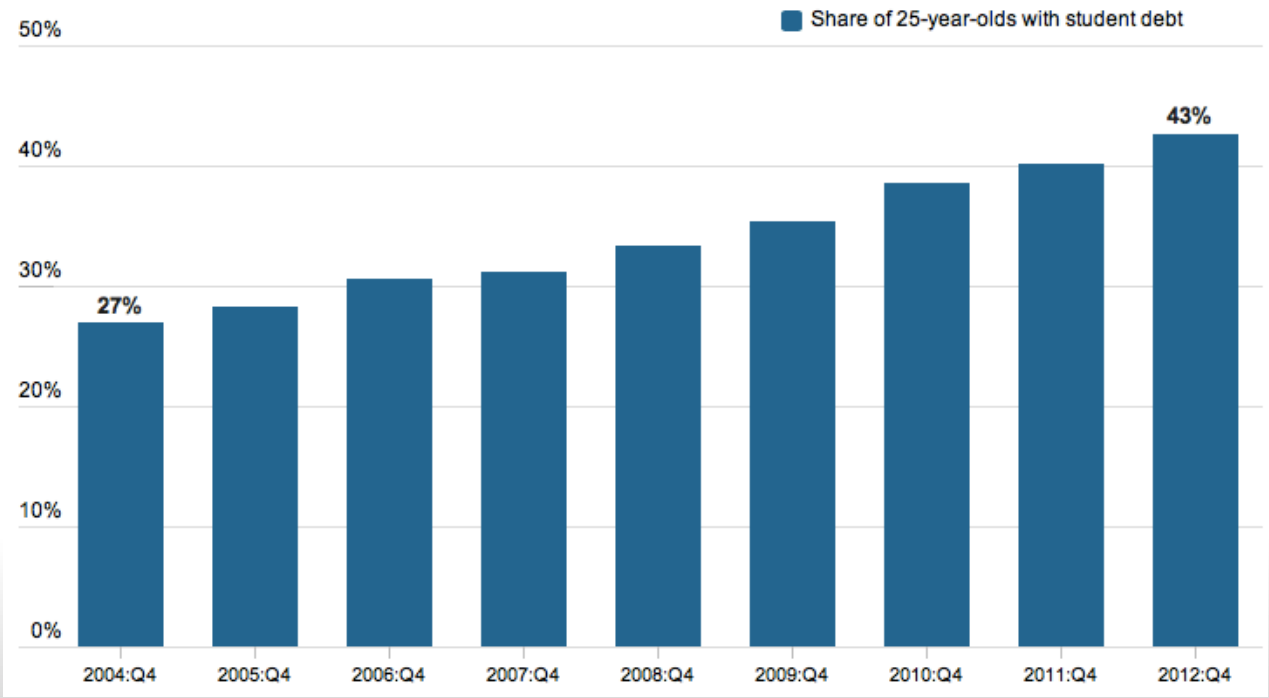
Prevalence of Student Borrowing



Source: FRBNY Consumer Credit Panel/Equifax
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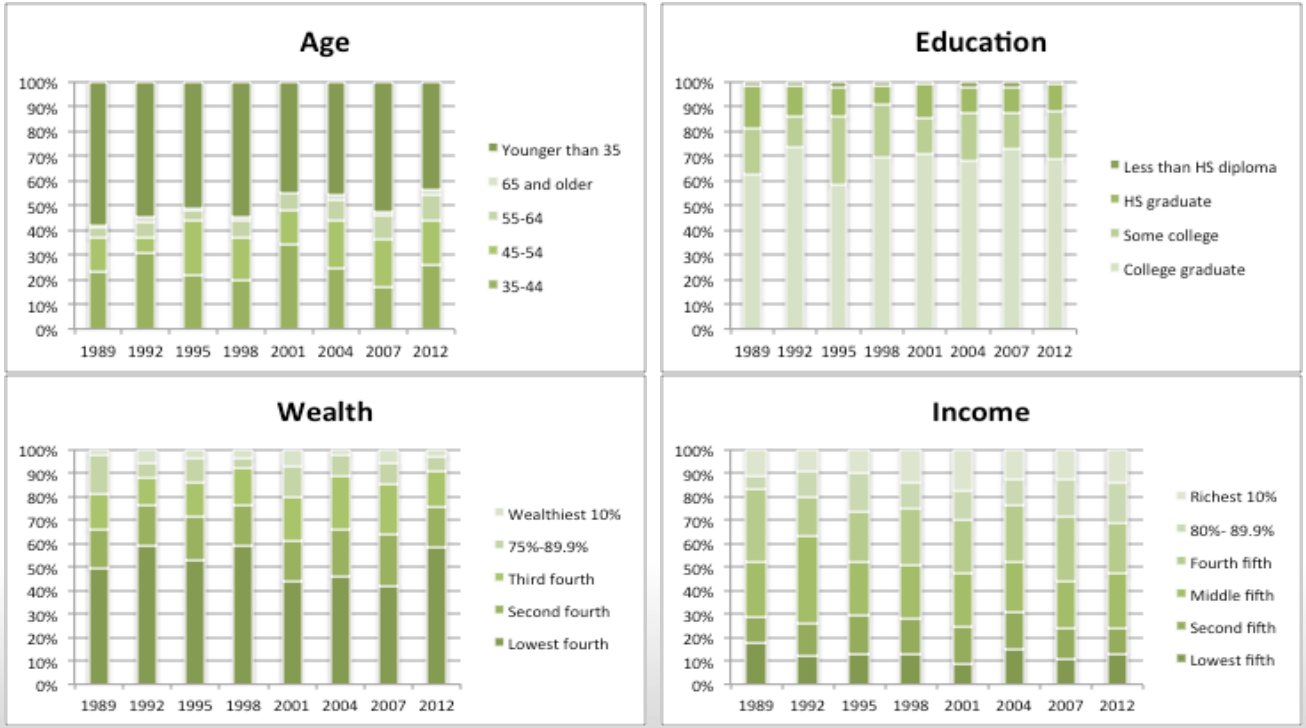
How bad is it?

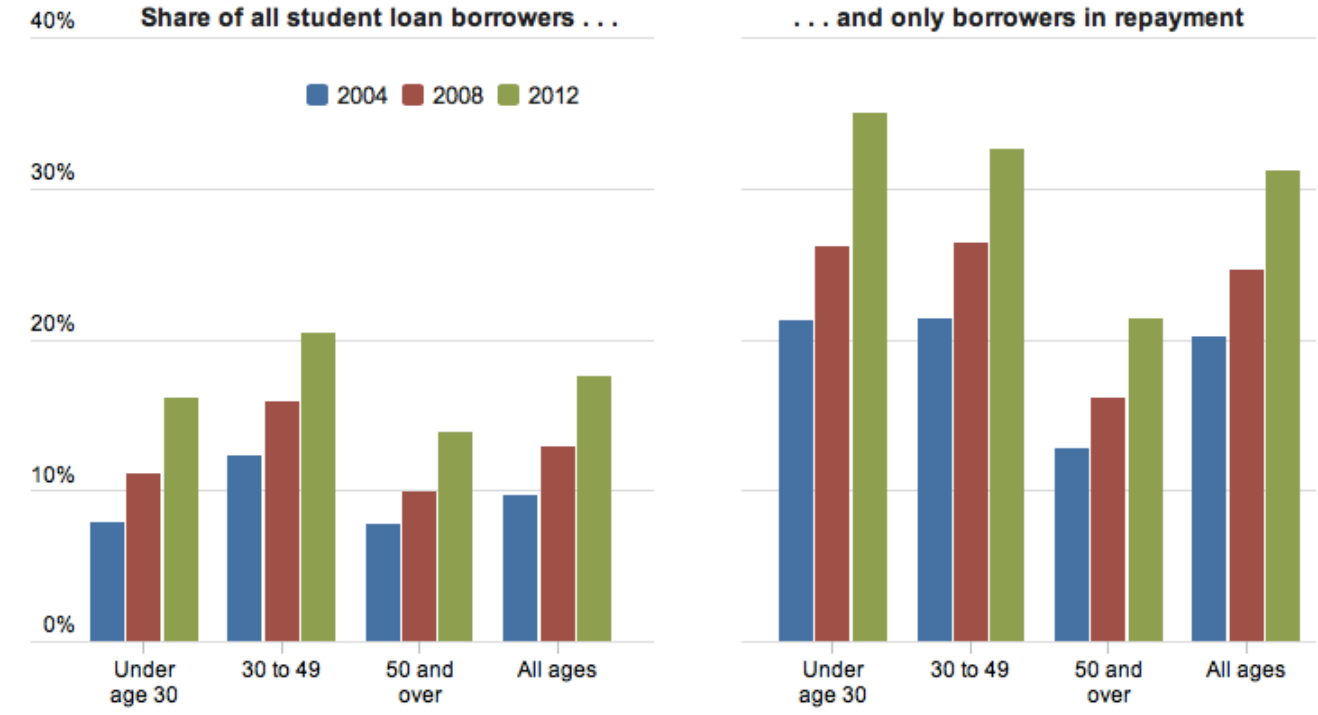
Distribution of Aggregate Student Loan Debt Outstanding



Source: Pew Research Center tabulations of Survey of Consumer Finances data

How bad is it?

% Borrowers 90+ Days Delinquent



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