

# How bad is the student debt problem for young people?

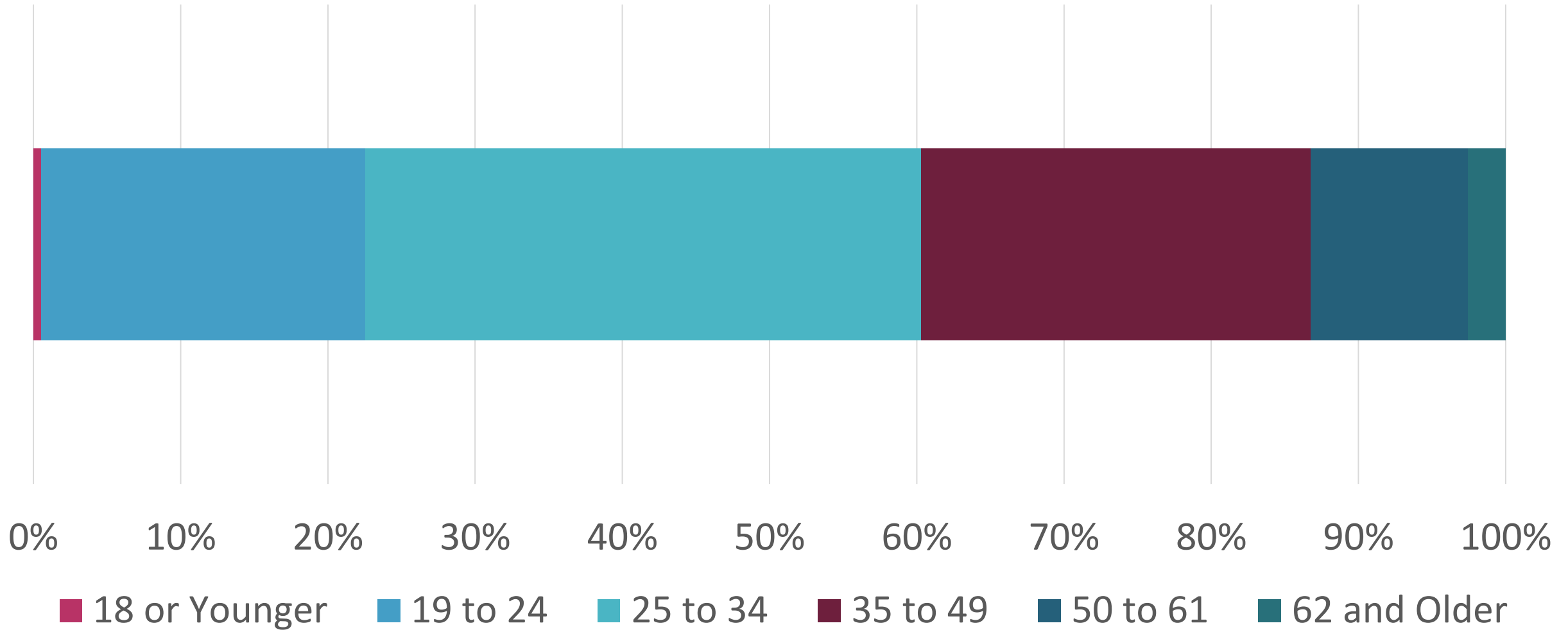
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Center for American Progress

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@collecamp

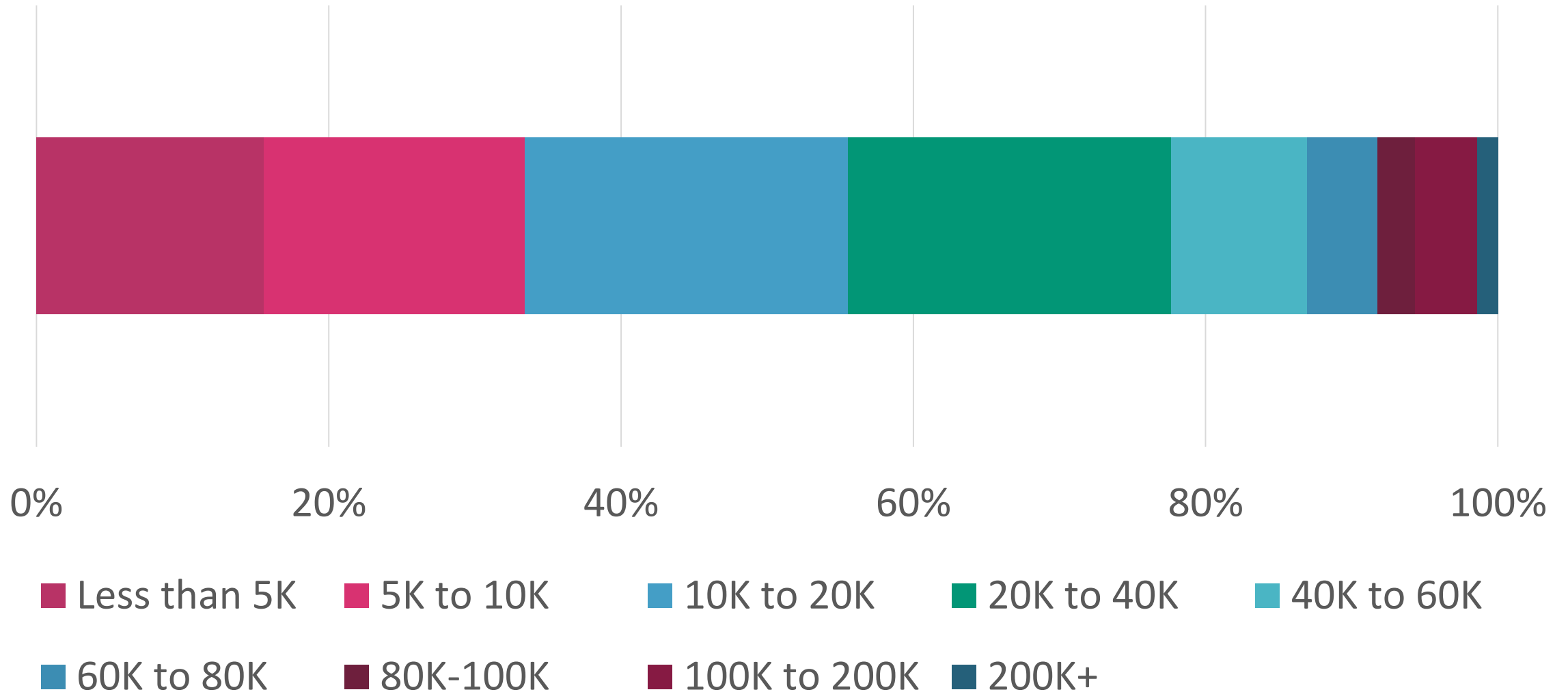
# Distribution of Federal Student Loan Borrowers, by Age



# How many young people have federal loan debt?

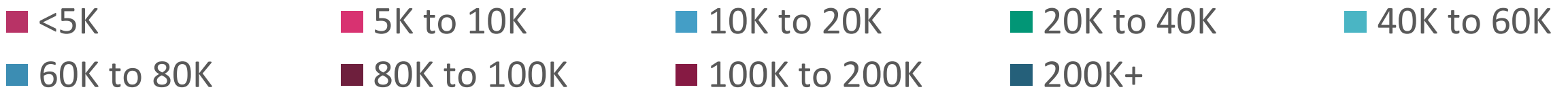
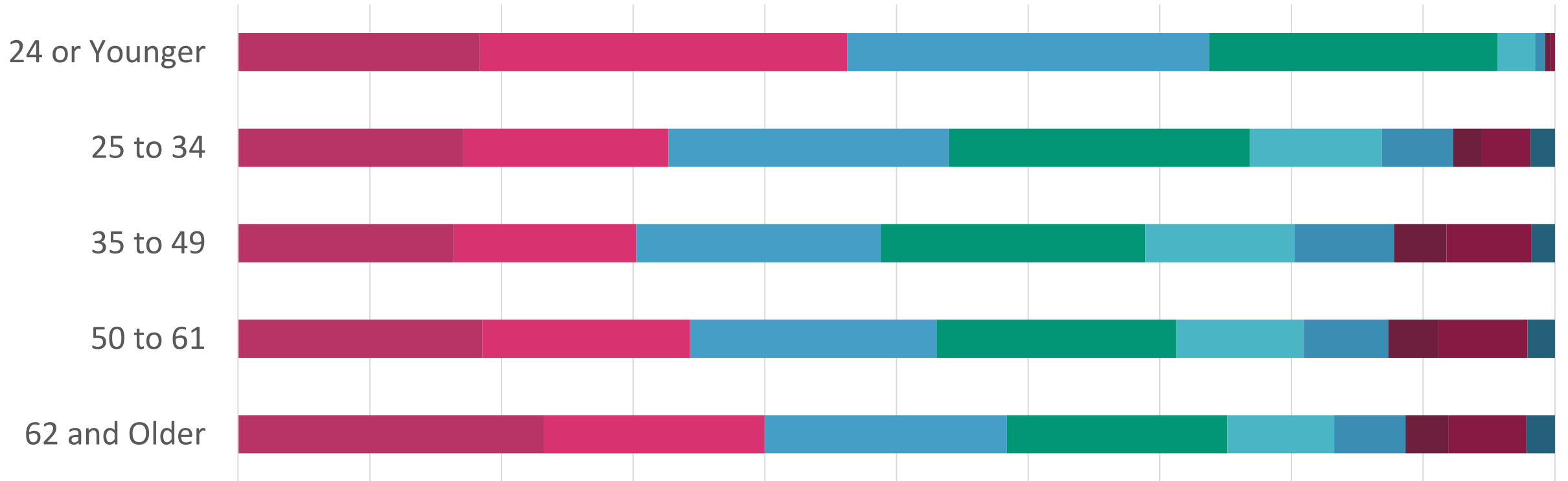
- There are about 68 million people between 19-34 in the US
  - So under 1/3 of that population holds student loan debt
- How much debt do borrowers owe?

# Distribution of Current Federal Student Loan Borrowers, by Debt Size



# Distribution of Federal Student Loan Borrowers, by Age and Balance

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%



Source: Federal Student Aid Data Center.

# So far, we've learned

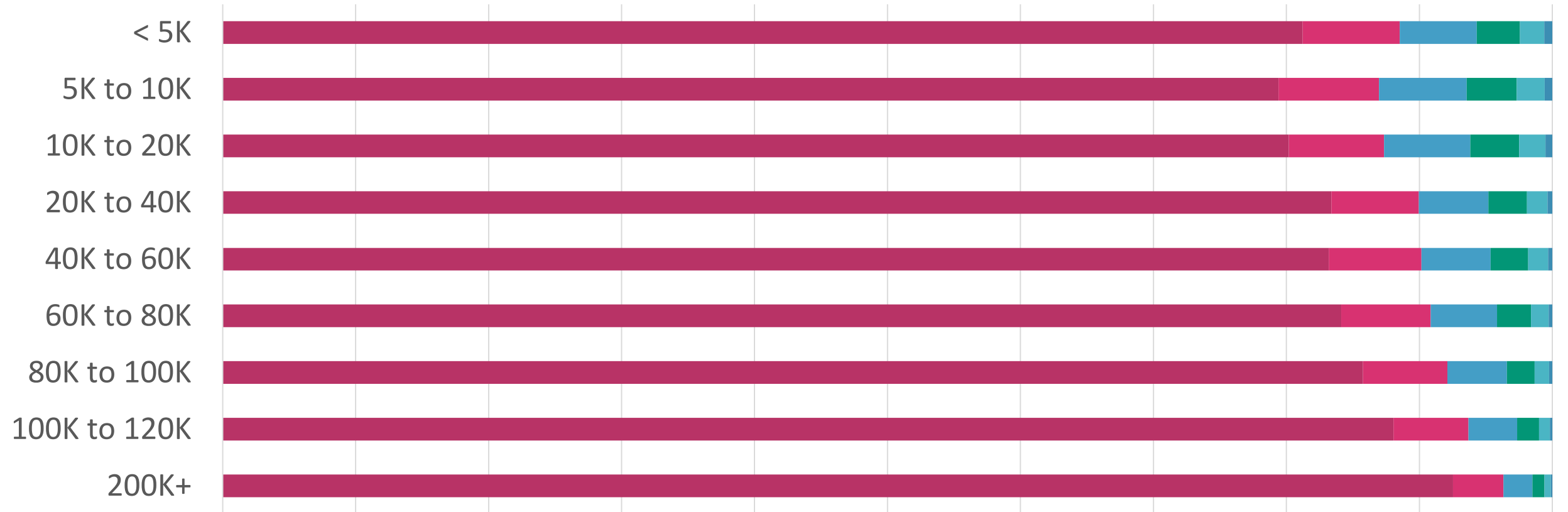
- A minority of millennials hold student loan debt
- Most millennials with debt hold less than \$20K
- The older a borrower is, the more likely they are to have a high debt balance
  
- Who is struggling?

# Failure to repay

- Delinquency
  - Reported to credit bureaus at 90 days
  - No late fees
- Default
  - Technical default happens at 270 days
  - Credit repercussions
    - Bad credit can prevent borrowers from:
      - Receiving an occupational license
      - Renting an apartment
      - Purchasing a car
      - Getting a phone plan
  - Borrowers lose access to federal student aid
    - Prevents re-enrollment
  - Collections fees upwards of 20% of outstanding balance

# Distribution of Current Borrowers, by Debt Size and Delinquency Status

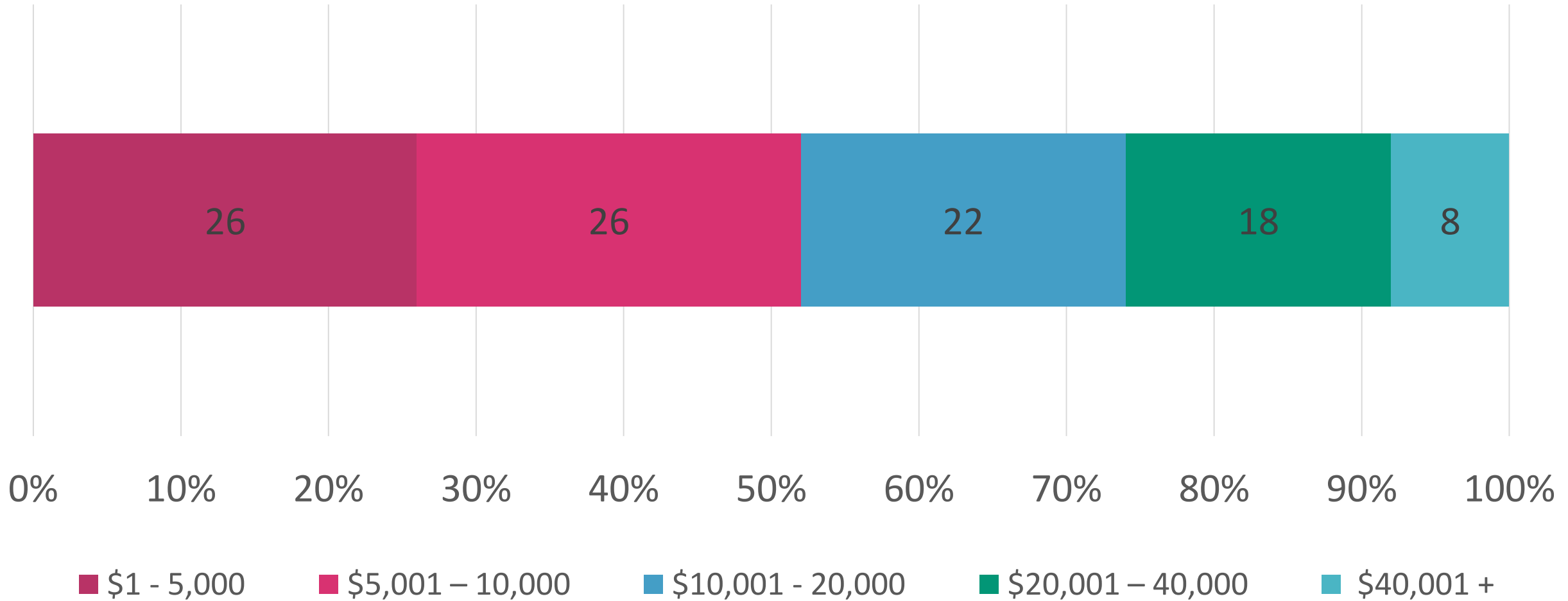
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%



■ Current Repayment
 ■ 31-90 Days Delinquent
 ■ 91-180 Days Delinquent
 ■ 181-270 Days Delinquent
 ■ 271-360 Days Delinquent
 ■ 361+Days Delinquent



# Distribution of Undergraduate Defaulters



# Low-balance borrowers have the highest default rates

Cumulative amount borrowed	Undergraduate default rate
\$1 – 5,000	38%
\$5,001 – 10,000	38%
\$10,001 - 20,000	22%
\$20,001 – 40,000	23%
\$40,001 +	25%

Source: Beginning Postsecondary Students (BPS 04/09), table bkabmb6e.

TABLE 4

**Borrower loan default rate within 12 years after entry, by attainment status and race and ethnicity**  
 Students who entered college in 2003-04 and took out federal loans for undergraduate education

	Overall	Attained bachelor's degree	Attained associate degree	Attained certificate	No degree, still enrolled	Dropped out
White	21	6	17	40	23	38
Black or African American	49	23	33	54	46	65
Hispanic or Latino	36	14	21	51	30	48
Overall	29	9	22	46	29	46

Source: Author's analysis of data from National Center for Education Statistics, "2003-04 Beginning Postsecondary Students Longitudinal Study, Second Follow-up (BPS:04/09)," Table gmbhk66, available at <https://nces.ed.gov/datalab/powerstats/default.aspx> (last accessed October 2017).



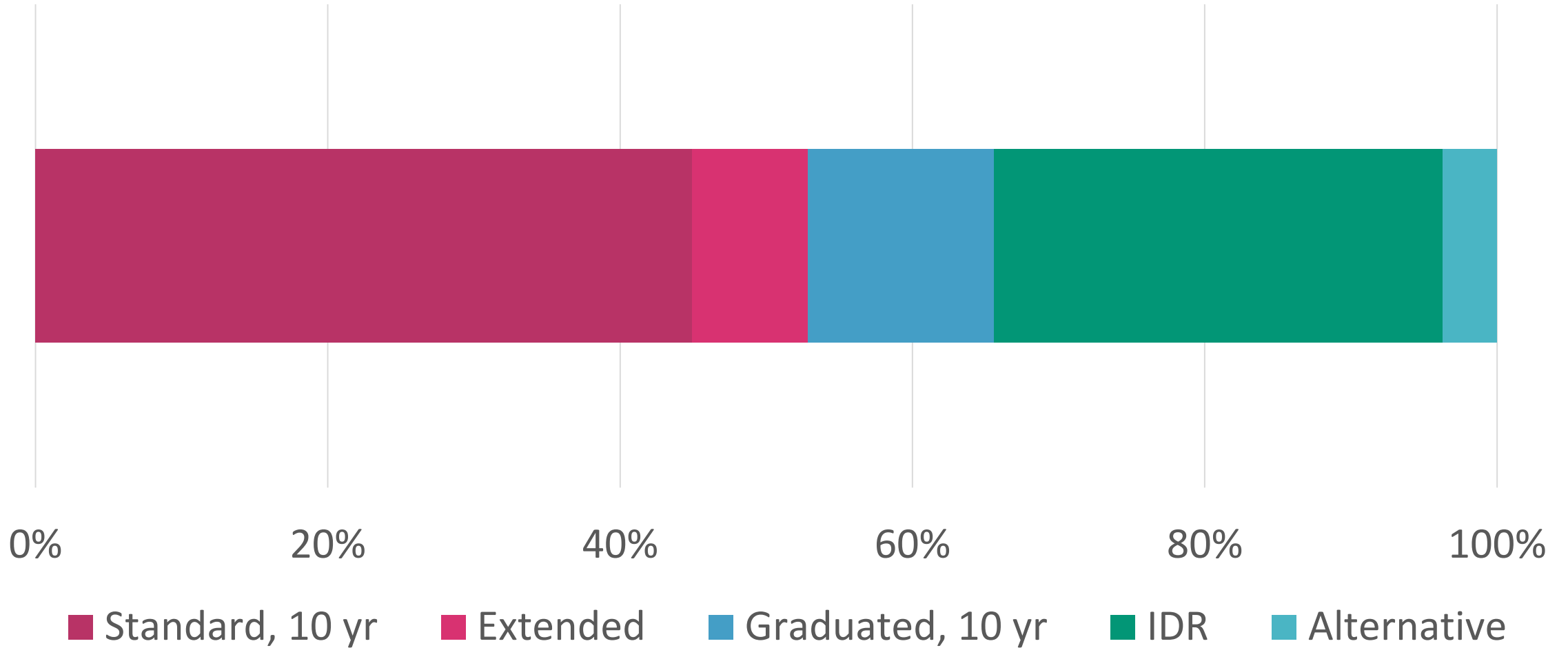
# Another recap

- Low-balance borrowers are the ones with the greatest delinquency and default rates
  - They are also the majority of borrowers
- Borrowers of color are struggling in spite of their educational outcomes
- What programs exist to help borrowers?

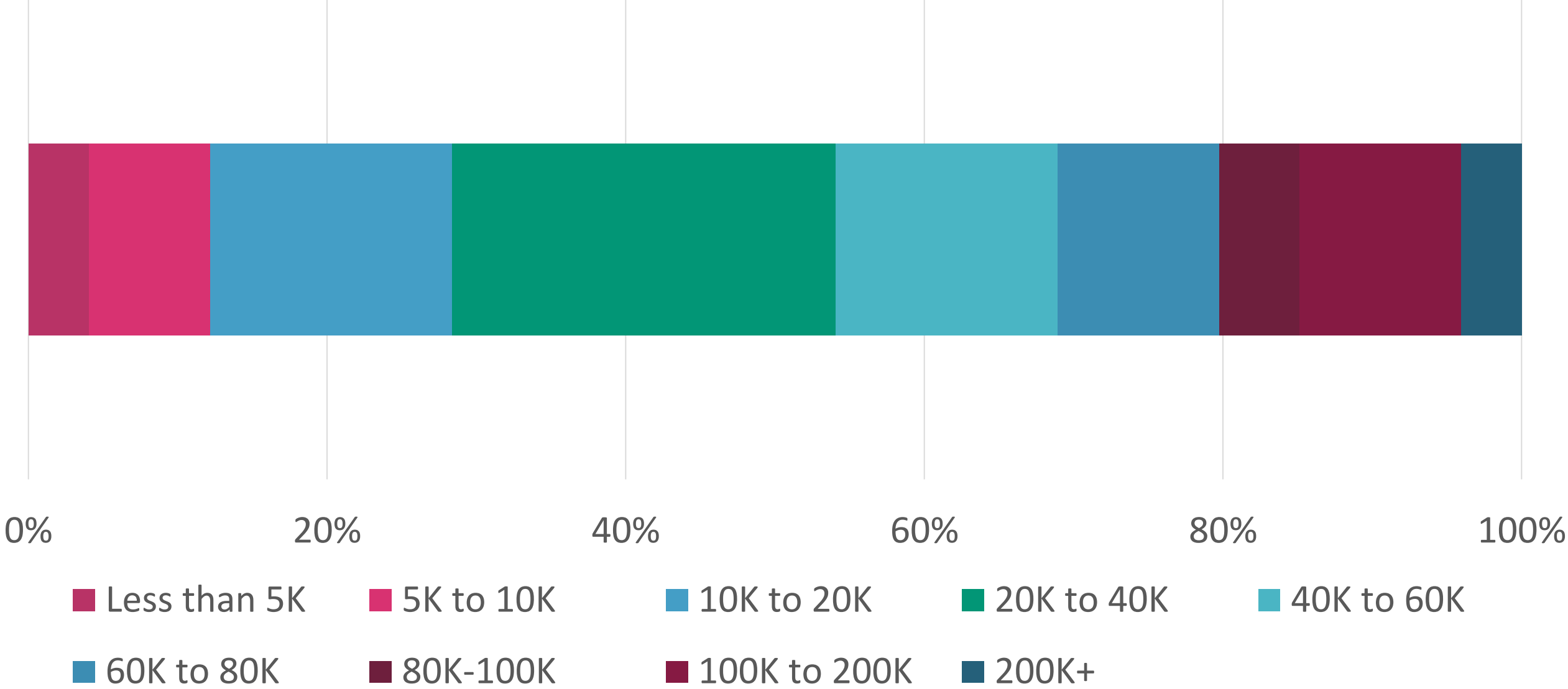
# Insurance programs for federal borrowers

- Income-driven repayment plans (IDR)
  - Opt-in
  - Require proactive annual sharing of income information
  - Five plans
  - Eligibility depends on loan type and when the loan was borrowed
  - Can have \$0 payment amount
- Forgiveness
  - Connected to IDR
  - 20-25 years depending on the plan
  - Public Service Loan Forgiveness (PSLF) available after 10 years
    - Congress wrote complicated rules

# Distribution of Borrowers, by Repayment Plan

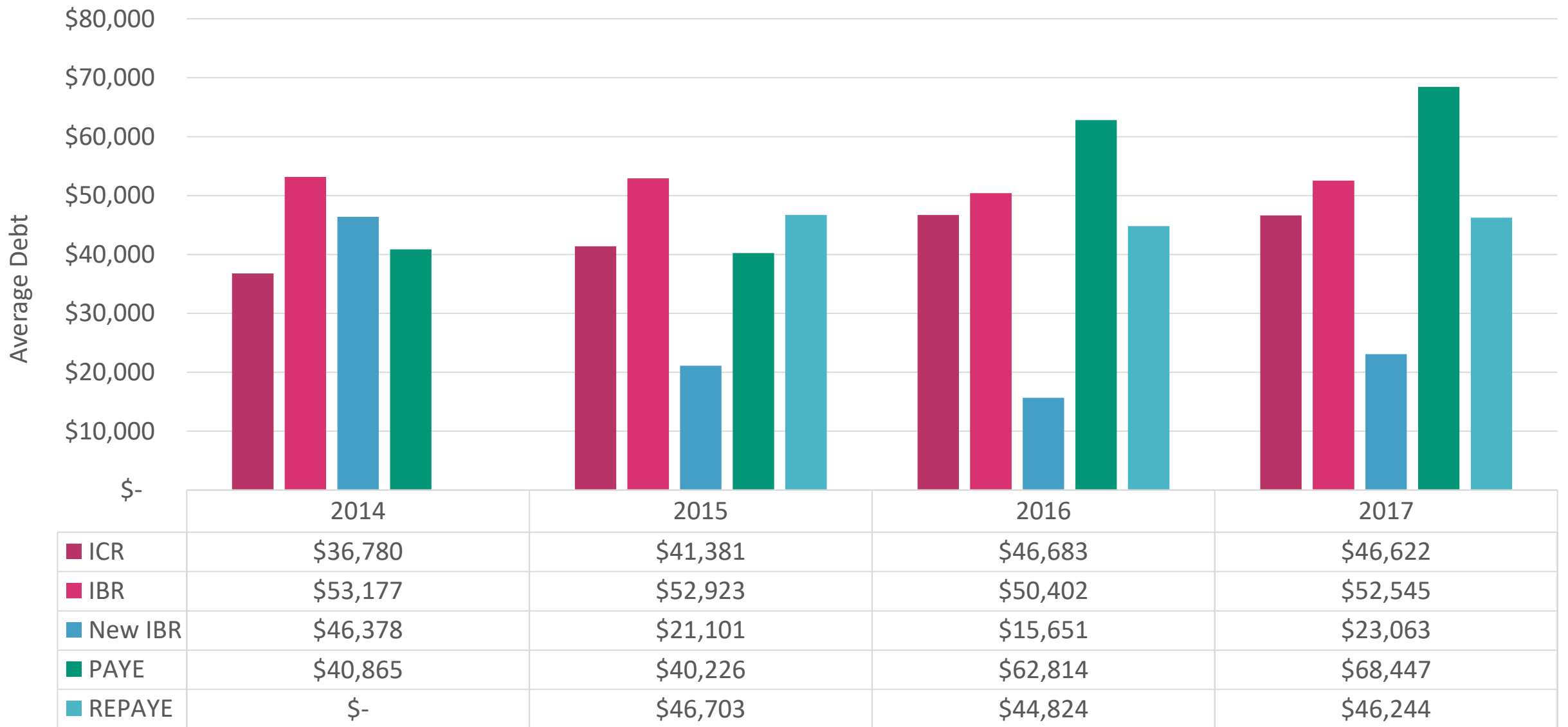


# Distribution of Borrowers Enrolled in IDR



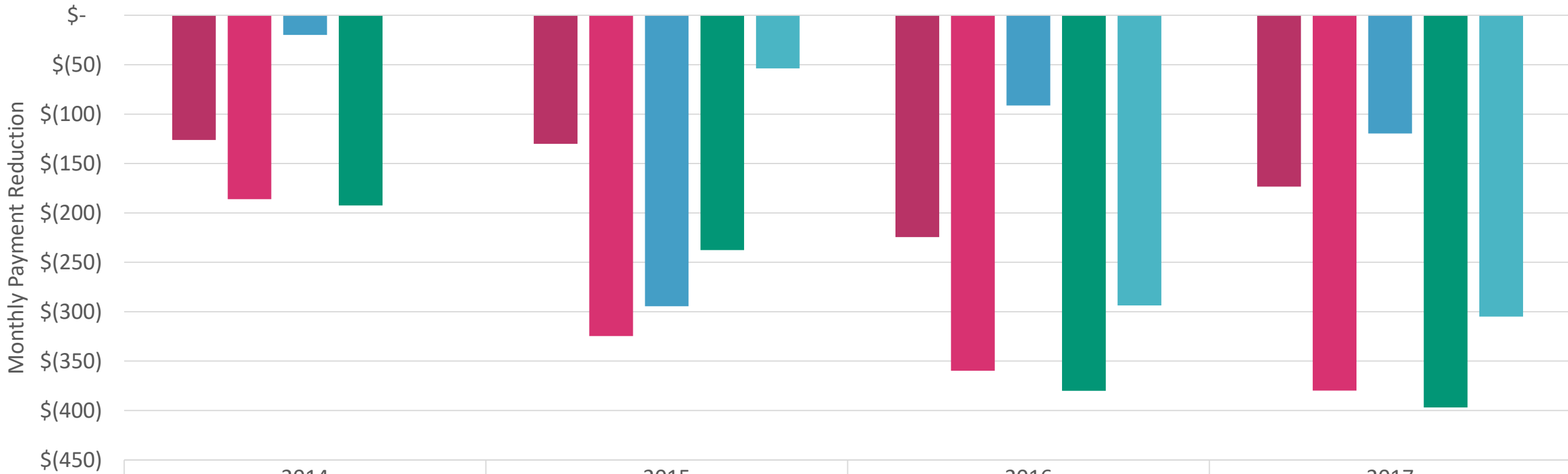
Source: Federal Student Aid Data Center.

## Average Debt of Borrowers Entering an IDR Plan from non-IDR Plan





# Average Decrease in Monthly Payment for Borrowers Entering IDR plan from non-IDR Plan



	2014	2015	2016	2017
ICR	\$(126)	\$(130)	\$(224)	\$(173)
IBR	\$(186)	\$(325)	\$(360)	\$(380)
New IBR	\$(20)	\$(294)	\$(91)	\$(120)
PAYE	\$(193)	\$(238)	\$(380)	\$(397)
REPAYE	\$-	\$(54)	\$(294)	\$(305)

Debt insurance programs are being used by the people with the most debt – but they are not the ones with the worst outcomes

## Repayment Plan Options for a low-debt, low-income person

<b>Principal Balance</b>	\$5,000				
<b>Income</b>	\$25,000				
<b>Repayment Plan</b>	<b>Initial Monthly Payment</b>	<b>Final Monthly Payment</b>	<b>Total Amount Paid</b>	<b>Projected Loan Forgiveness</b>	<b>Repayment Period</b>
<b>Standard</b>	\$54	\$50	\$6,513	\$0	120 months
<b>Graduated</b>	\$31	\$92	\$6,873	\$0	120 months
<b>REPAYE</b>	\$61	\$110	\$6,061	\$0	75 months
<b>PAYE</b>	Ineligible				
<b>IBR</b>	Ineligible				
<b>ICR</b>	\$32	\$40	\$8,032	\$0	224 months

Source: Author's calculations using the Office of Federal Student Aid, U.S. Department of Education Repayment Estimator: <https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action>.

## Repayment plan options for a low-balance, very low-income person

<b>Principal Balance</b>	\$5,000				
<b>Income</b>	\$14,000				
<b>Repayment Plan</b>	<b>Initial Monthly Payment</b>	<b>Final Monthly Payment</b>	<b>Total Amount Paid</b>	<b>Projected Loan Forgiveness</b>	<b>Repayment Period</b>
<b>Standard</b>	\$54	\$50	\$6,513	\$0	120 months
<b>Graduated</b>	\$31	\$92	\$6,873	\$0	120 months
<b>REPAYE</b>	\$0	\$64	\$3,603	\$5,135	240 months
<b>PAYE</b>	\$0	\$54	\$3,380	\$6,880	240 months
<b>IBR</b>	\$0	\$54	\$7,466	\$4,534	300 months
<b>ICR</b>	\$26	\$32	\$7,948	\$2,167	300 months

Source: Authors' calculations using the Office of Federal Student Aid, U.S. Department of Education Repayment Estimator: <https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action> and Student Loan Hero Repayment REPAYE Calculator: <https://studentloanhero.com/calculators/student-loan-revised-pay-as-you-earn-calculator/>.

# So?

- Millennials may be struggling, but few are suffering the worst consequences
  - Those with the worst outcomes are marginalized communities
  - Debt issues are compounded by wage stagnation and job discrimination
- Federal programs are often too complex to access, so benefits don't feel real
- Effects of debt on home ownership are small
- Universal debt forgiveness would increase black-white wealth gap
- Tackling debt does nothing to improve college affordability