

 NAICU Webinar

Myths and Realities of Student Debt: Breaking Through the Clutter

Sandy Baum, Ph.D.

Thursday, February 20, 2020

NOW SPEAKING:



**Robert (Bo)
Newsome**

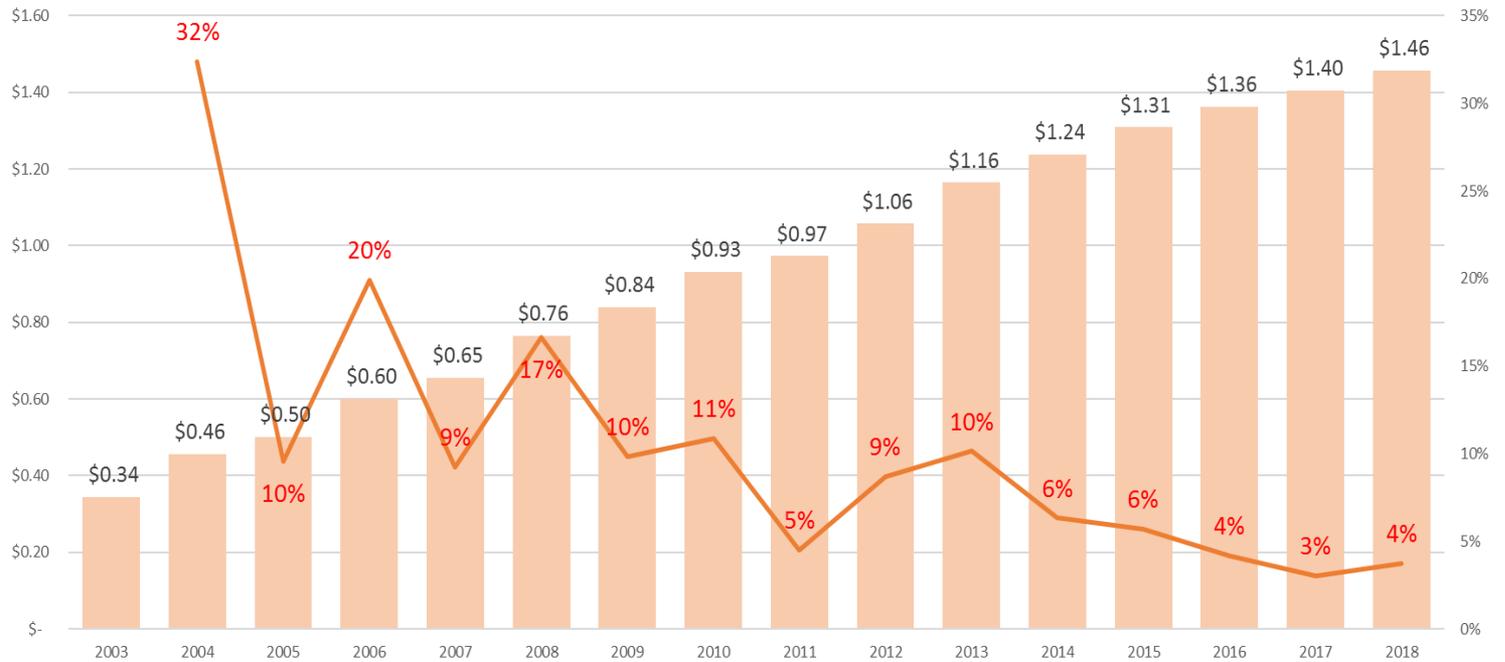
*Director of Outreach
and
State Relations*

Welcome & Introduction



Sandy Baum, Ph.D.
*Nonresident Senior
Fellow,
Urban Institute
Professor Emerita of
Economics,
Skidmore College*

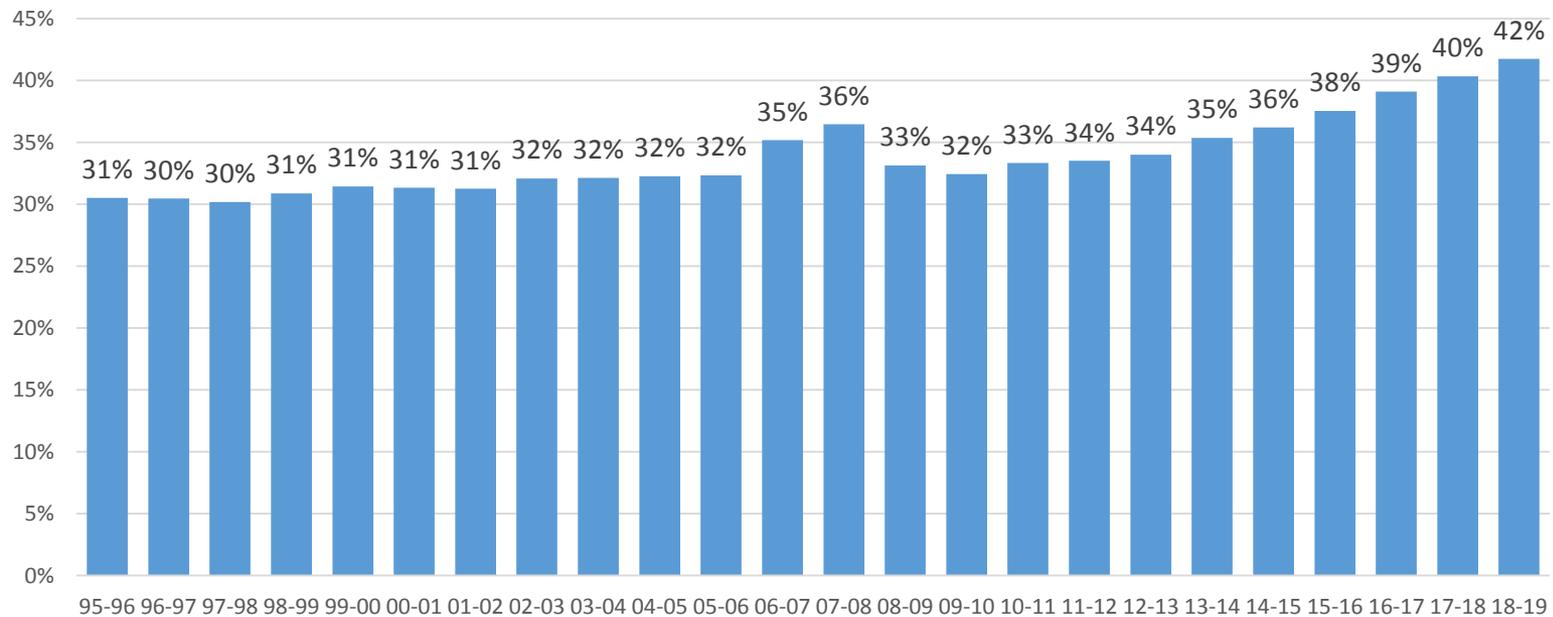
Outstanding education debt continues to increase—but more slowly.



Source: New York Fed Consumer Credit Panel/Equifax.

More than 40% of federal student loans now go to graduate students.

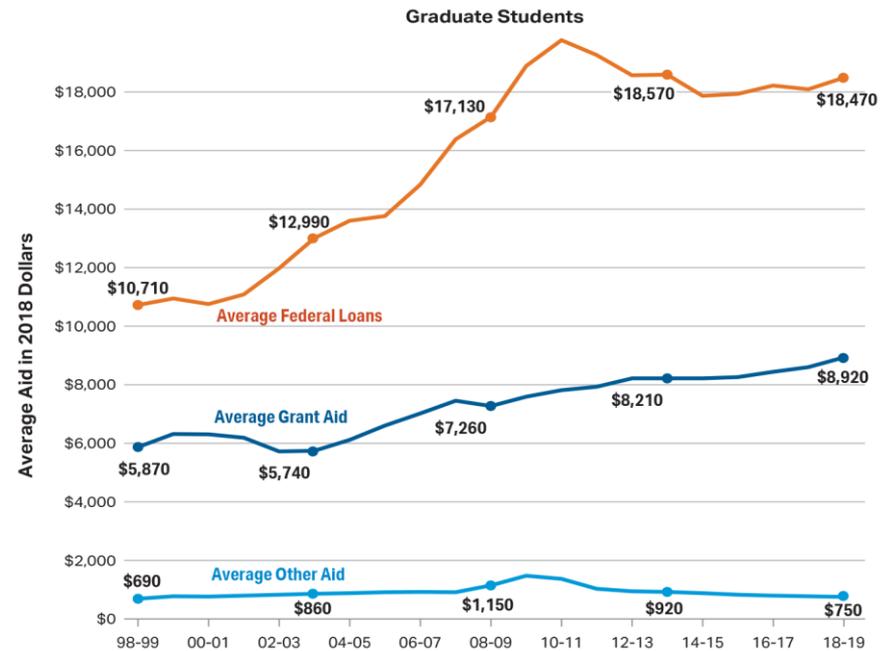
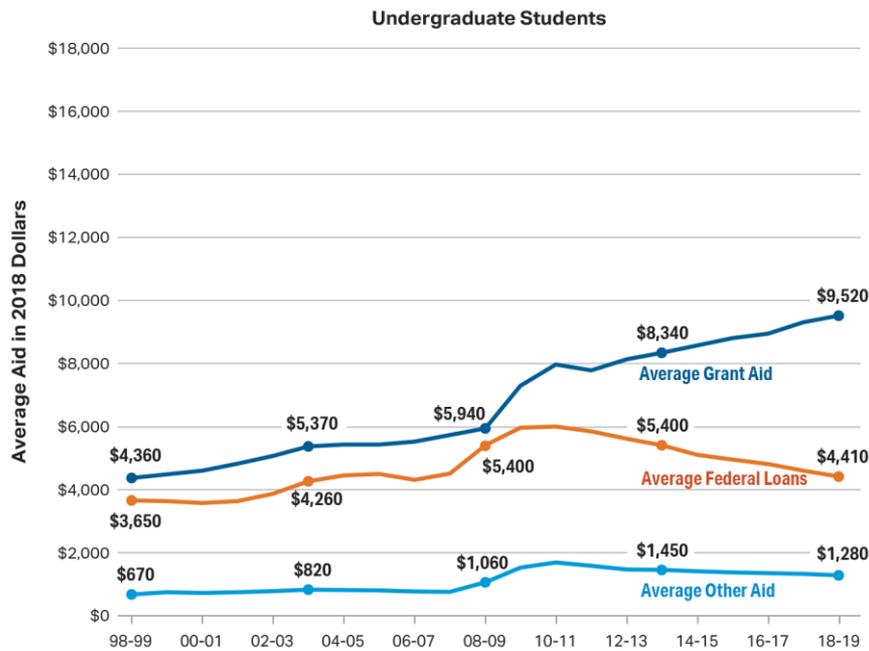
Graduate Share of Federal Borrowing



Source: *Trends in Student Aid 2019*, The College Board.

Loans per undergraduate student are declining; loans per graduate student are not.

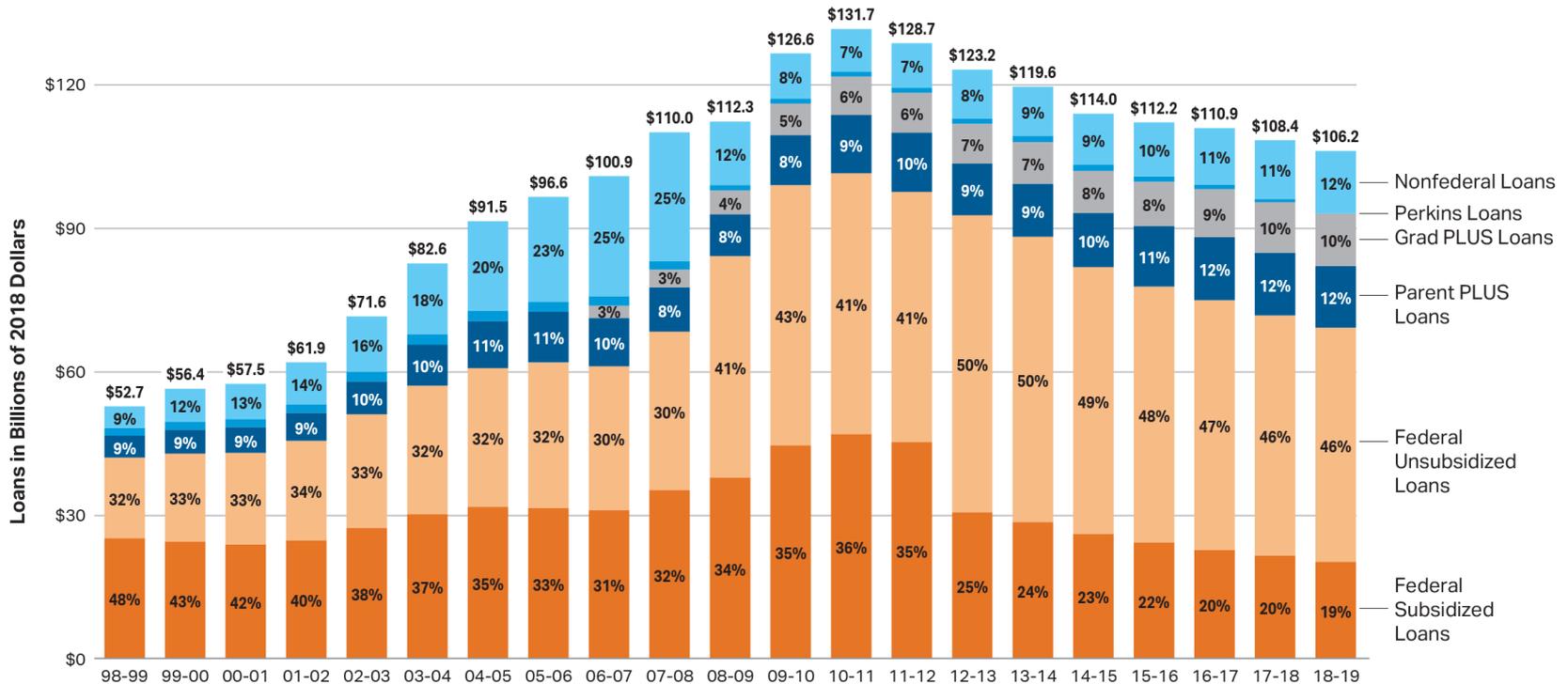
- Average Aid per FTE Student in 2018 Dollars, 1998-99 to 2018-19



Source: *Trends in Student Aid 2019*, Figure 1, The College Board.

Total annual borrowing has declined for 8 consecutive years.

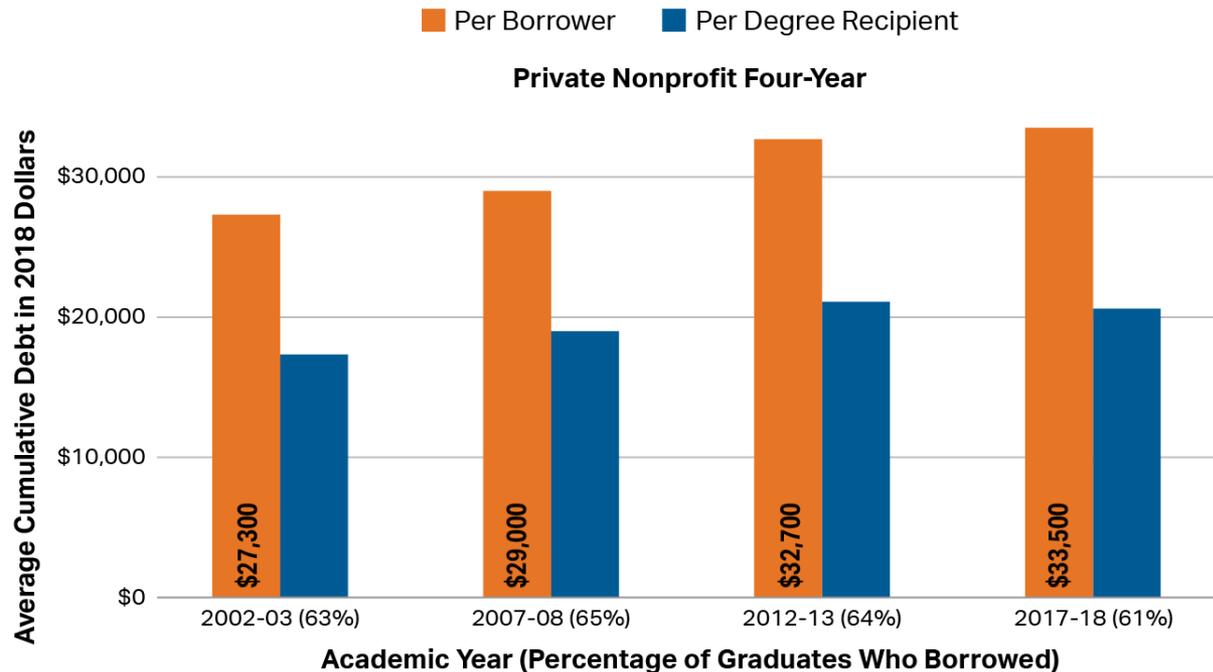
- Total Federal and Nonfederal Loans by Type of Loan, 1998-99 to 2018-19 in 2018 Dollars



Source: *Trends in Student Aid 2019*, Figure 6, The College Board.

Average debt levels for private nonprofit college graduates have leveled off.

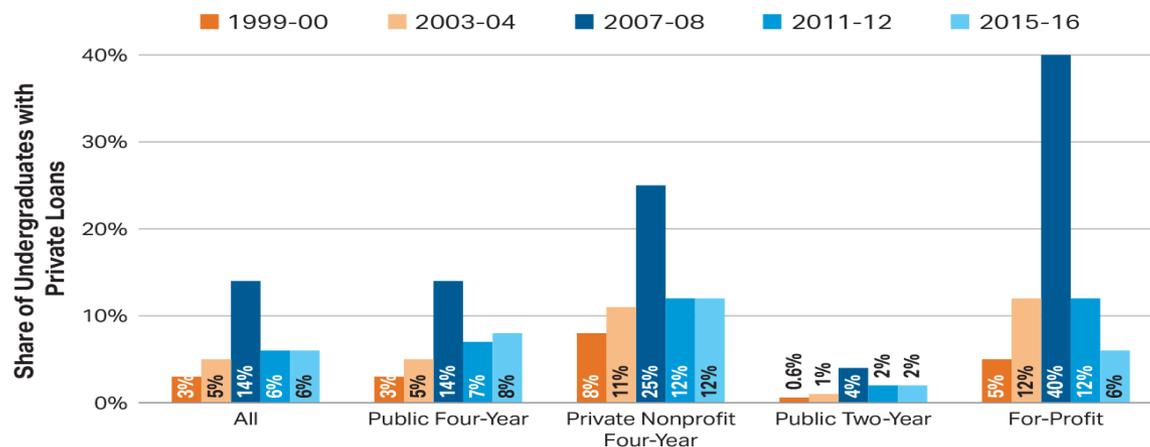
- Average Cumulative Debt Levels in 2018 Dollars: Bachelor's Degree Recipients at Private Nonprofit Four-Year Institutions, 2002-03 to 2017-18, Selected Years



Source: *Trends in Student Aid 2019*, Figure 14, The College Board.

The share of students taking private loans is higher at private nonprofit four-year institutions than in other sectors.

- Share of Undergraduate Students with Private Loans, 1999-00 to 2015-16

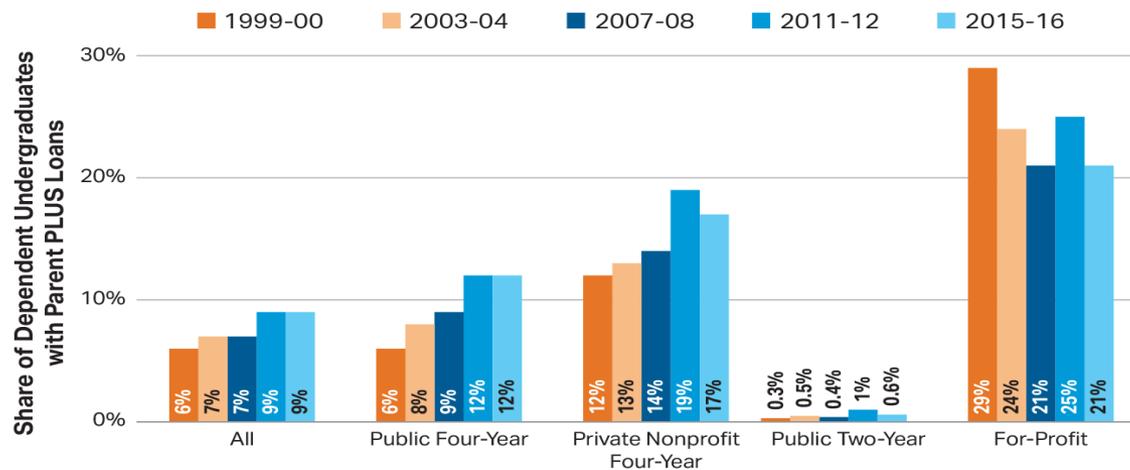


	Average Private Loans Among Borrowers (2016 Dollars)				
	1999-00	2003-04	2007-08	2011-12	2015-16
All	\$7,000	\$7,500	\$7,000	\$6,100	\$8,700
Public Four-Year	\$5,400	\$6,800	\$6,700	\$5,700	\$7,800
Private Nonprofit Four-Year	\$8,400	\$10,000	\$10,100	\$8,200	\$12,400
Public Two-Year	\$5,500	\$4,100	\$3,800	\$3,300	\$4,100
For-Profit	\$8,400	\$7,000	\$6,600	\$6,300	\$8,100

Source: *Trends in Student Aid 2018*, Figure 10B, The College Board.

The share of parents of private nonprofit college students taking PLUS loans has increased over time.

- Share of Dependent Undergraduates with Parent PLUS Loans, 1999-00 to 2015-16

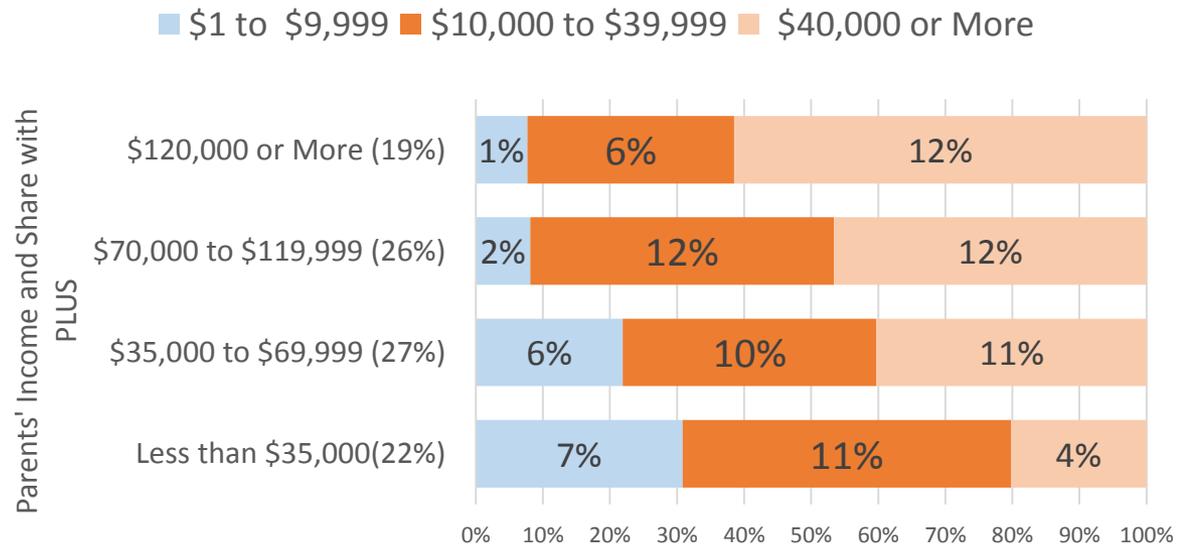
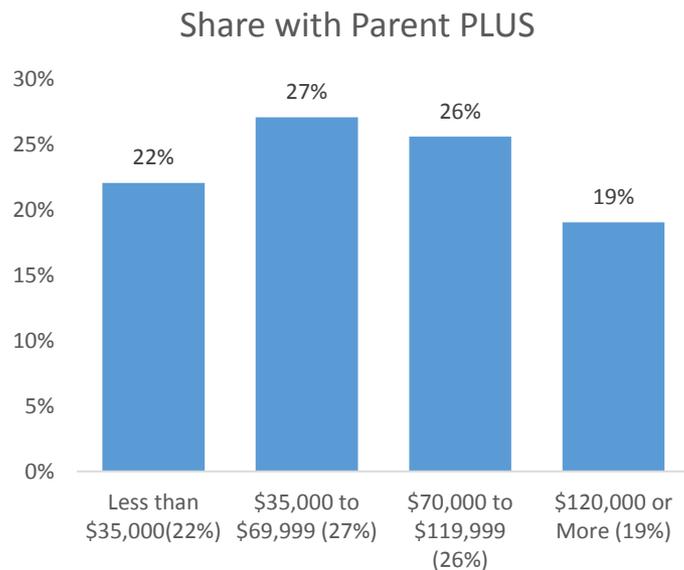


	Average Parent PLUS Loans Among Borrowers (2016 Dollars)				
	1999-00	2003-04	2007-08	2011-12	2015-16
All	\$9,800	\$11,300	\$11,700	\$12,700	\$14,000
Public Four-Year	\$8,600	\$9,800	\$10,500	\$11,700	\$12,800
Private Nonprofit Four-Year	\$12,100	\$14,300	\$15,300	\$15,500	\$17,500
Public Two-Year	—	\$6,900	\$5,100	\$9,100	\$7,700
For-Profit	\$8,200	\$11,000	\$9,900	\$11,900	\$12,600

Source: *Trends in Student Aid 2018*, Figure 10A, The College Board.

The share of parent borrowing does not increase with income, but higher-income parents who borrow, borrow more than others.

- The PLUS Loans of Parents of 2015-16 Graduates of Private Nonprofit Institutions, by Income



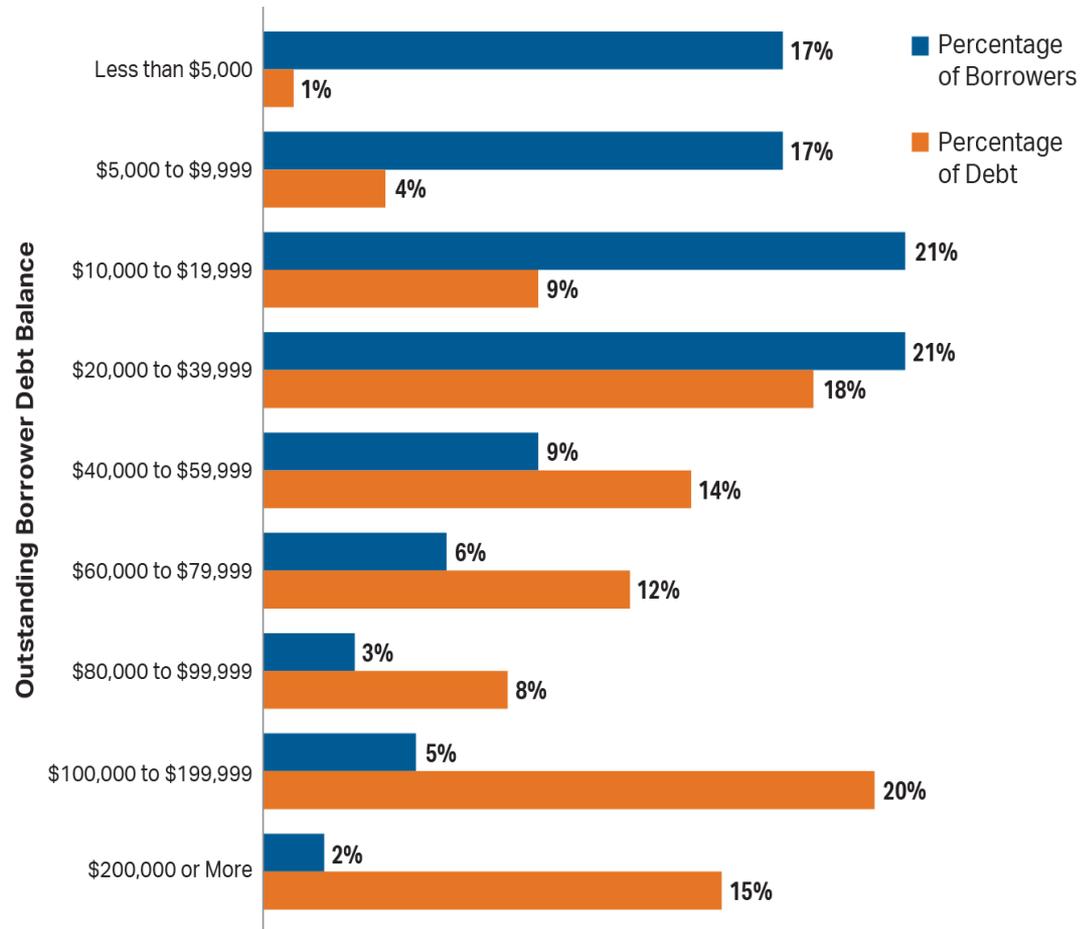
Note: 2% of private nonprofit college parents borrow \$40,000 or more.

Source: *Trends in Student Aid 2019*, Figure 17, The College Board.

The 1/3 of borrowers owing less than \$10,000 hold 5% of outstanding student debt.

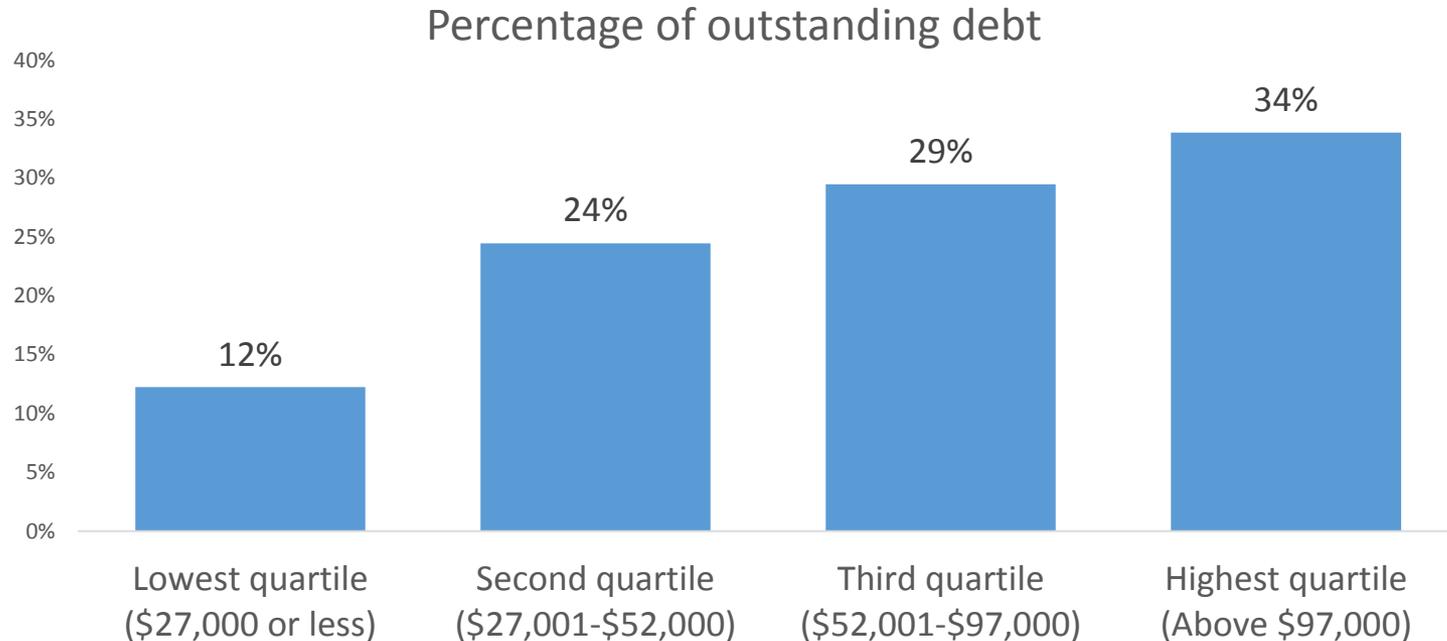
The 7% of borrowers owing \$100,000 or more hold 1/3 of outstanding debt.

- Distribution of Borrowers and Debt by Outstanding Balance, Second Quarter of FY2019



Source: *Trends in Student Aid 2019*, Figure 10, The College Board.

Education debt is concentrated in the upper half of the income distribution.

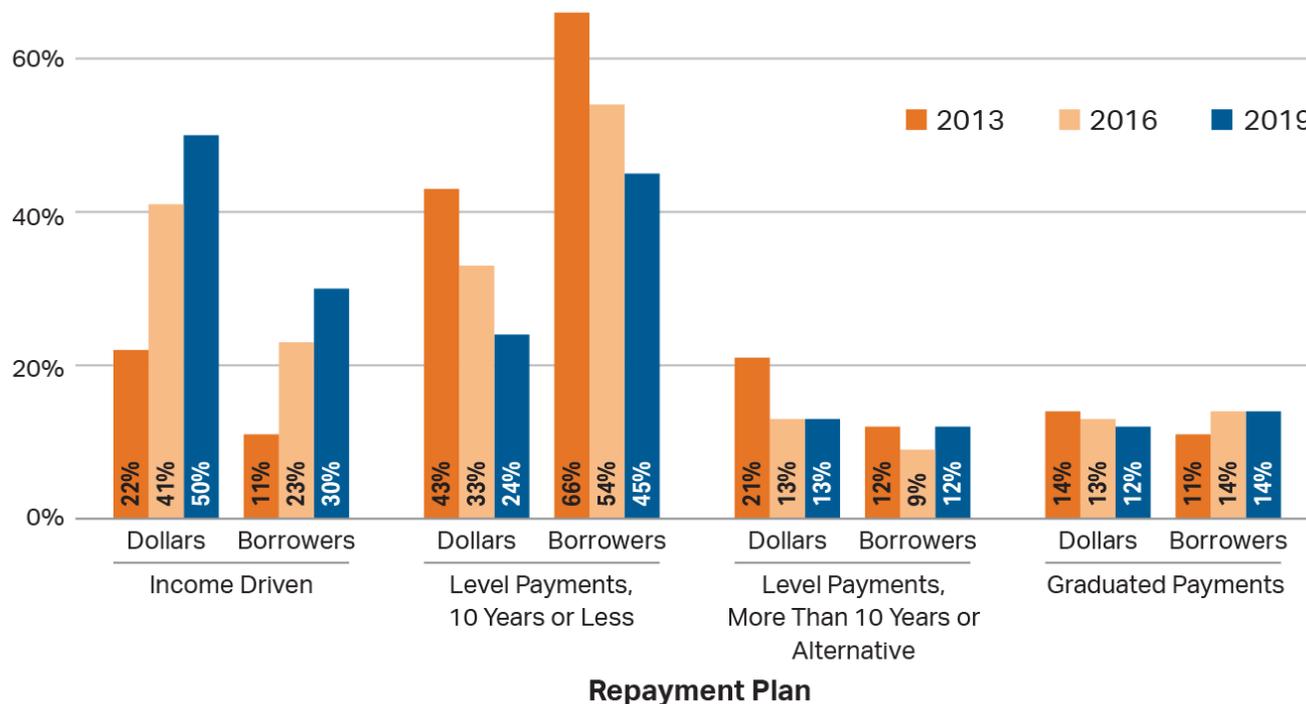


Notes: Households age 25 and older.

Source: Baum, Lee, and Tilsley (2019) "Which Households Hold the Most Student Debt?" *Urban Wire*. <https://www.urban.org/urban-wire/which-households-hold-most-student-debt>; Data from Survey of Consumer Finances 2016

Half of the dollars and 30% of the borrowers in repayment are in income-based repayment plans.

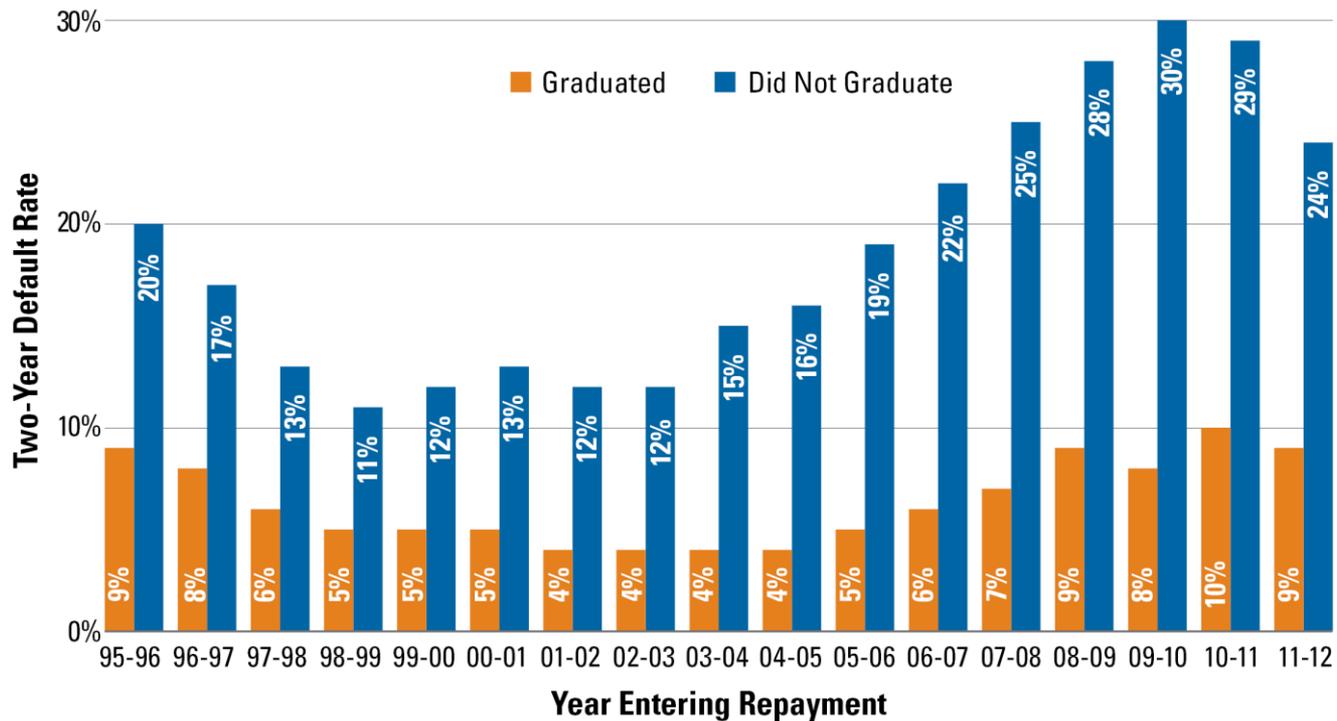
- Distribution of Outstanding Federal Direct Loan Dollars and Borrowers by Repayment Plans



Source: *Trends in Student Aid 2019*, Figure 12A, The College Board.

Default rates are about three times as high for non-completers as for completers.

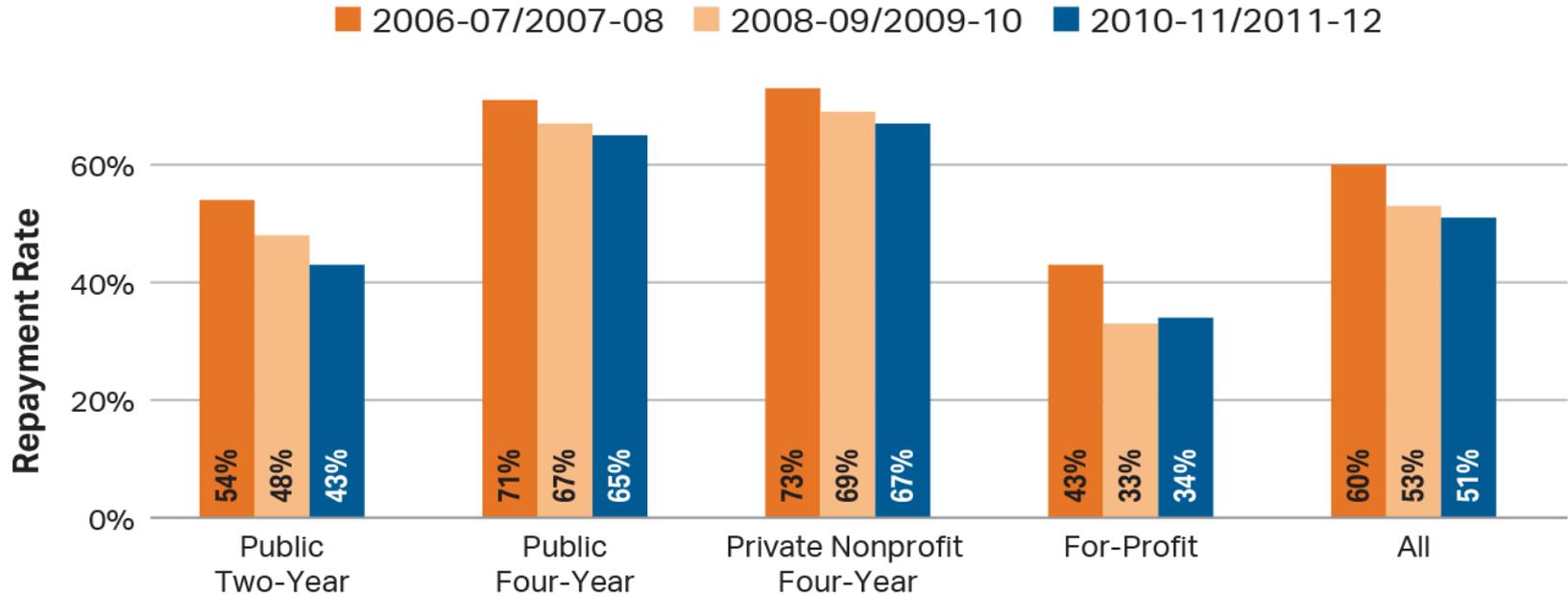
- Two-Year Student Loan Default Rates by Degree Completion Status, 1995-96 to 2011-12



Source: *Trends in Student Aid 2015*, Figure 14A, The College Board.

Public and private nonprofit four-year college borrowers are more successful than others at paying down their loan principal.

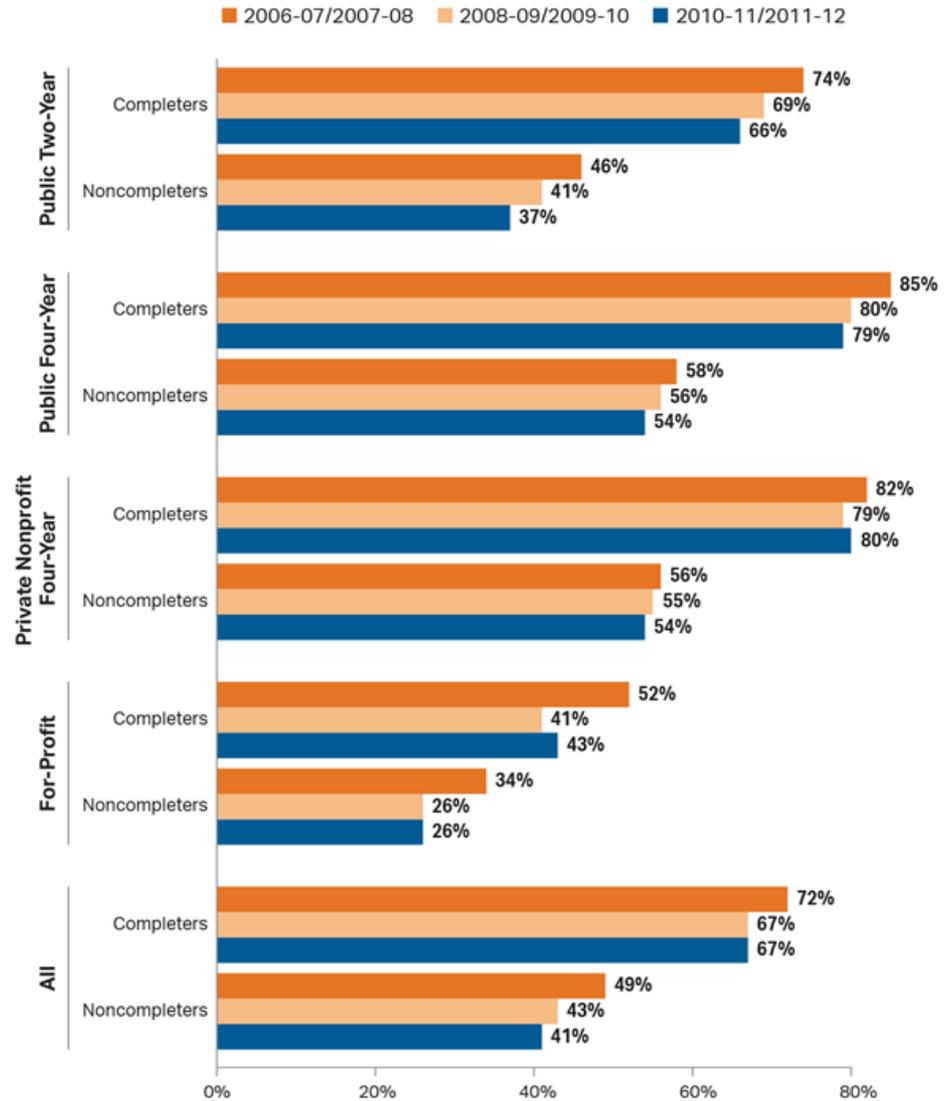
- Federal Student Loan Five-Year Repayment Rates Over Time: Borrowers Entering Repayment in 2006-07 Through 2011-12



Source: *Trends in Student Aid 2019*, Figure 13A, The College Board.

The differences in repayment rates by sector are smaller among those who complete their programs.

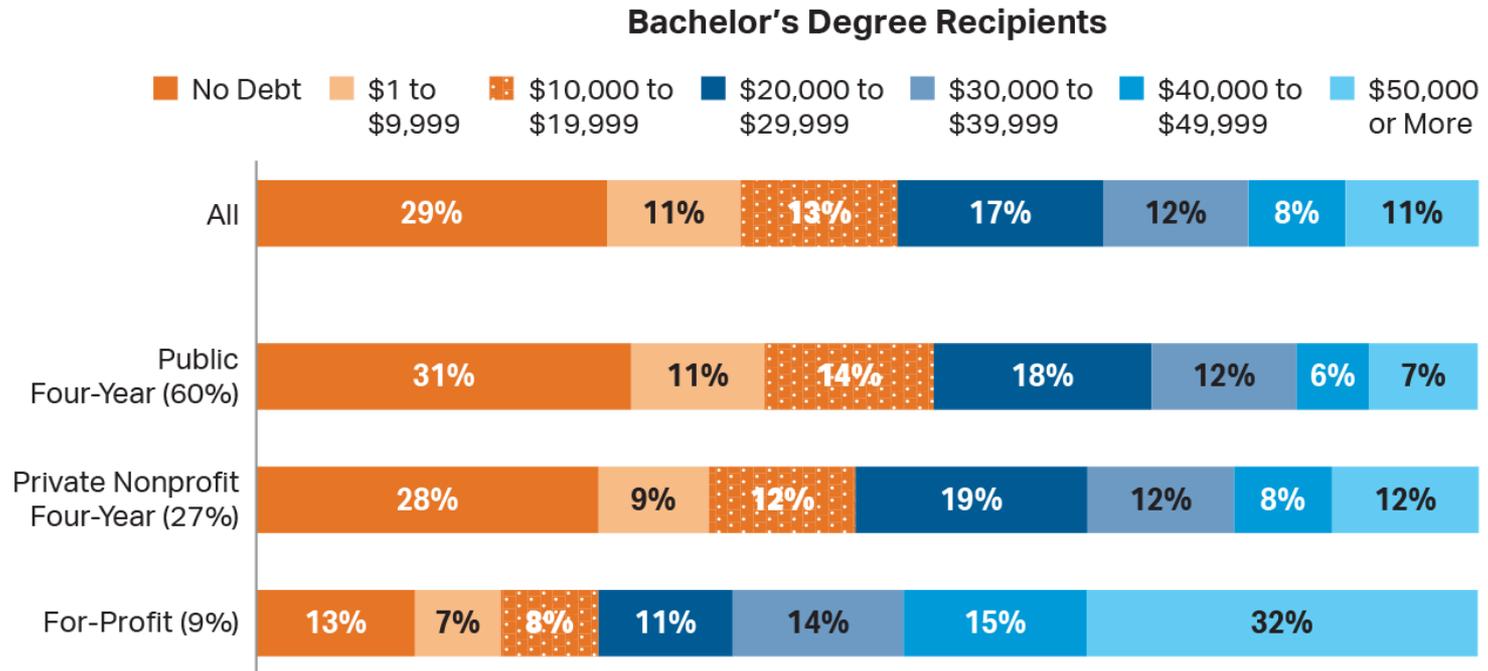
- Federal Student Loan Five-Year Repayment Rates Sector and
- Completion: Borrowers Entering Repayment
- in 2006-07 Through 2011-12



Source: *Trends in Student Aid 2019*, Figure 13B, The College Board.

Debt levels at private nonprofit four-year institutions are more similar to those at public than for-profit institutions.

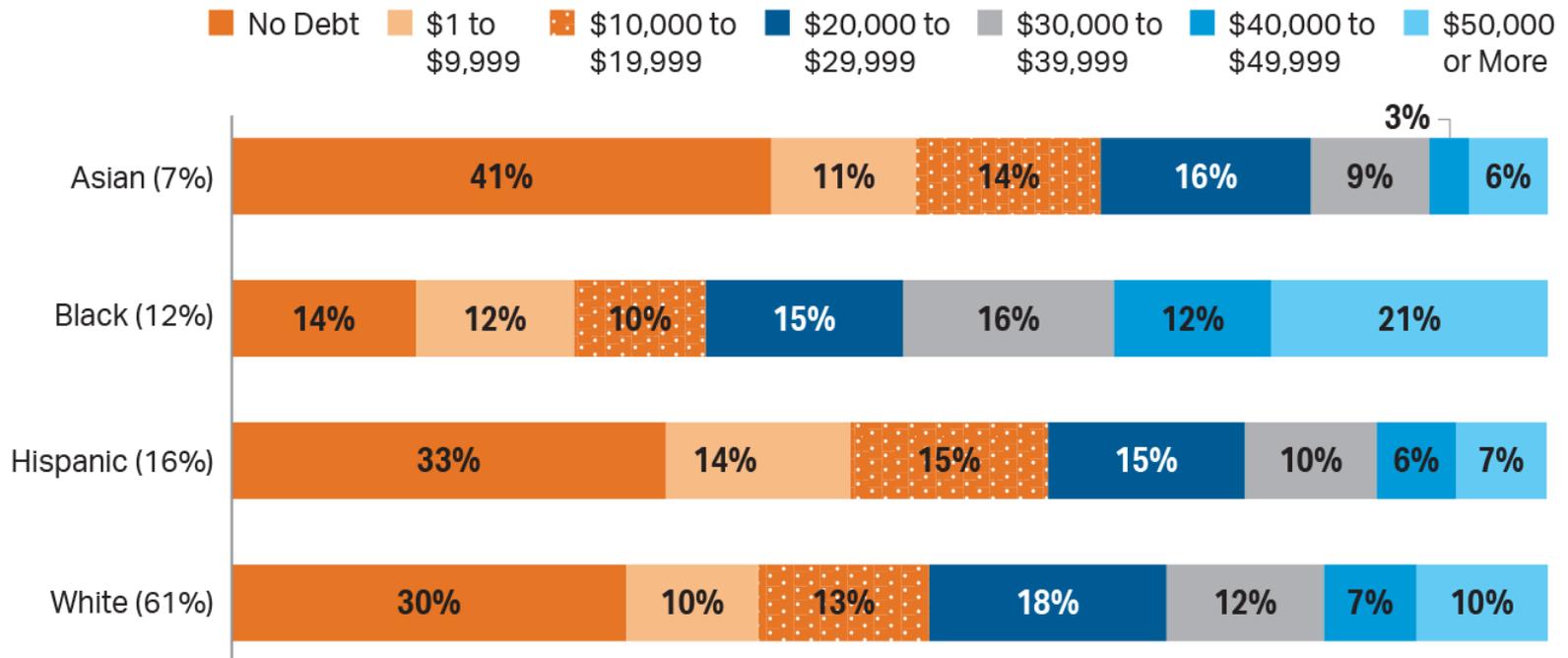
- Distribution of 2015-16 Bachelor's Degree Recipients by Cumulative Amount Borrowed for Undergraduate Study



Source: *Trends in Student Aid 2018*, Figure 16, The College Board.

Borrowing patterns differ significantly across racial and ethnic groups.

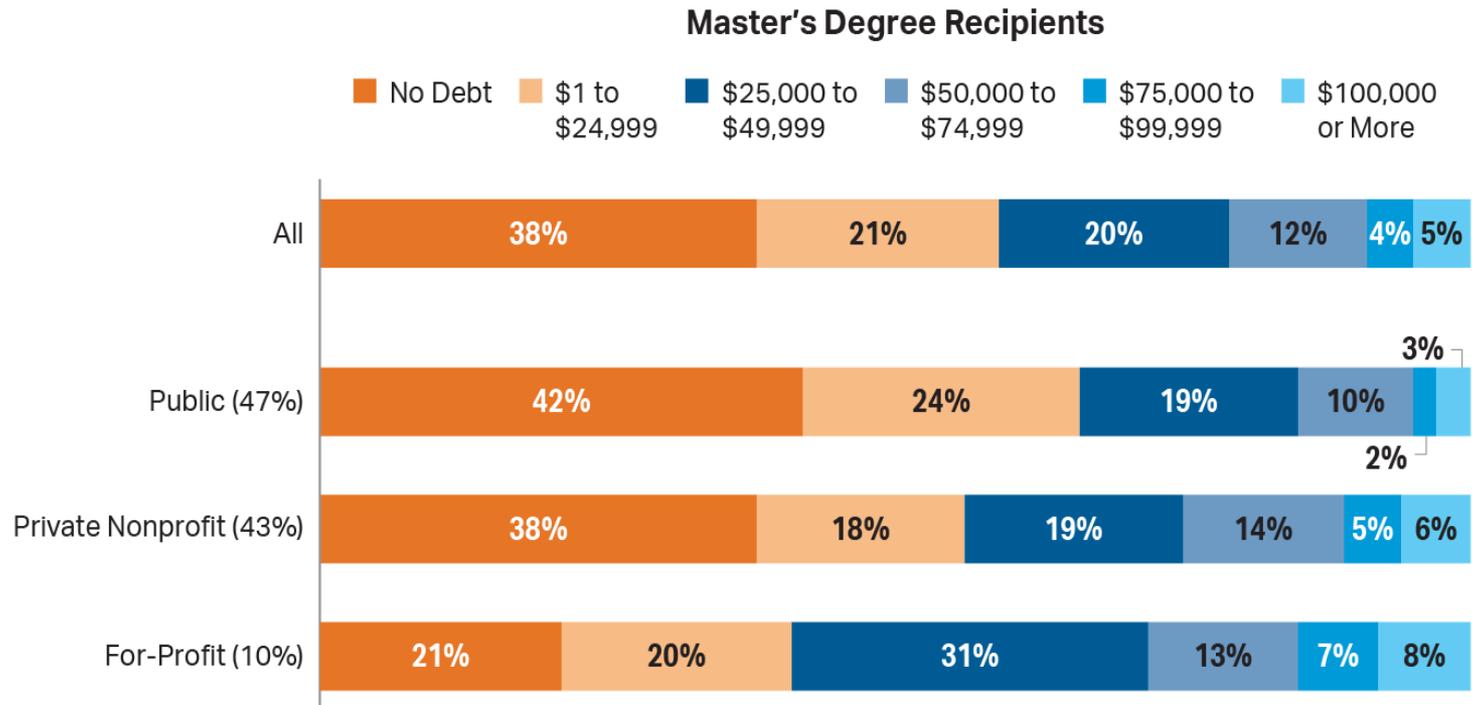
- Cumulative Debt of 2015-16 Bachelor's Degree Recipients by Race/Ethnicity



Source: *Trends in Student Aid 2019*, Figure 16, The College Board.

A quarter of 2015-16 private nonprofit master's degree recipients borrowed \$50,000 or more.

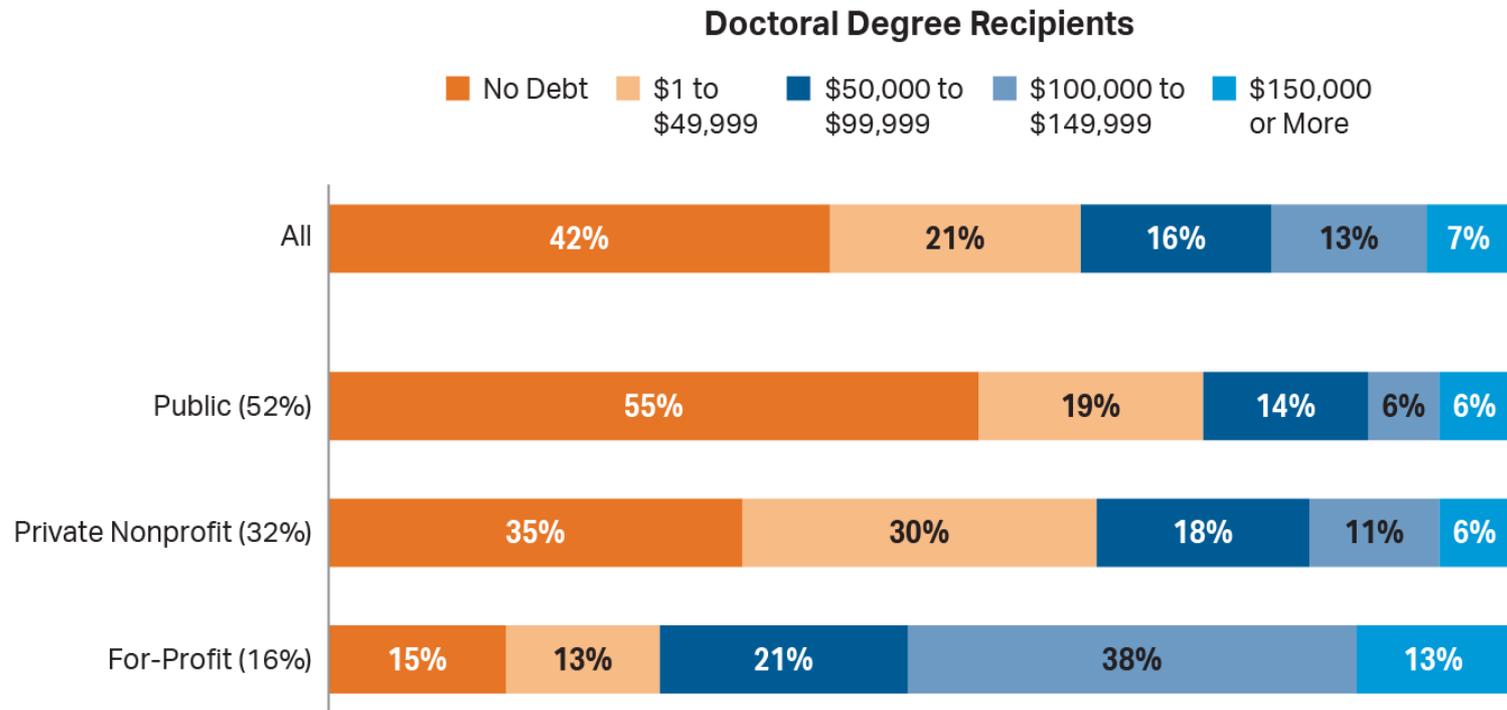
- Distribution of 2015-16 Master's Degree Recipients by Cumulative Amount Borrowed for Graduate Study



Source: *Trends in Student Aid 2018*, Figure 17, The College Board.

More than one-third of 2015-16 private nonprofit doctoral degree recipients borrowed \$50,000 or more.

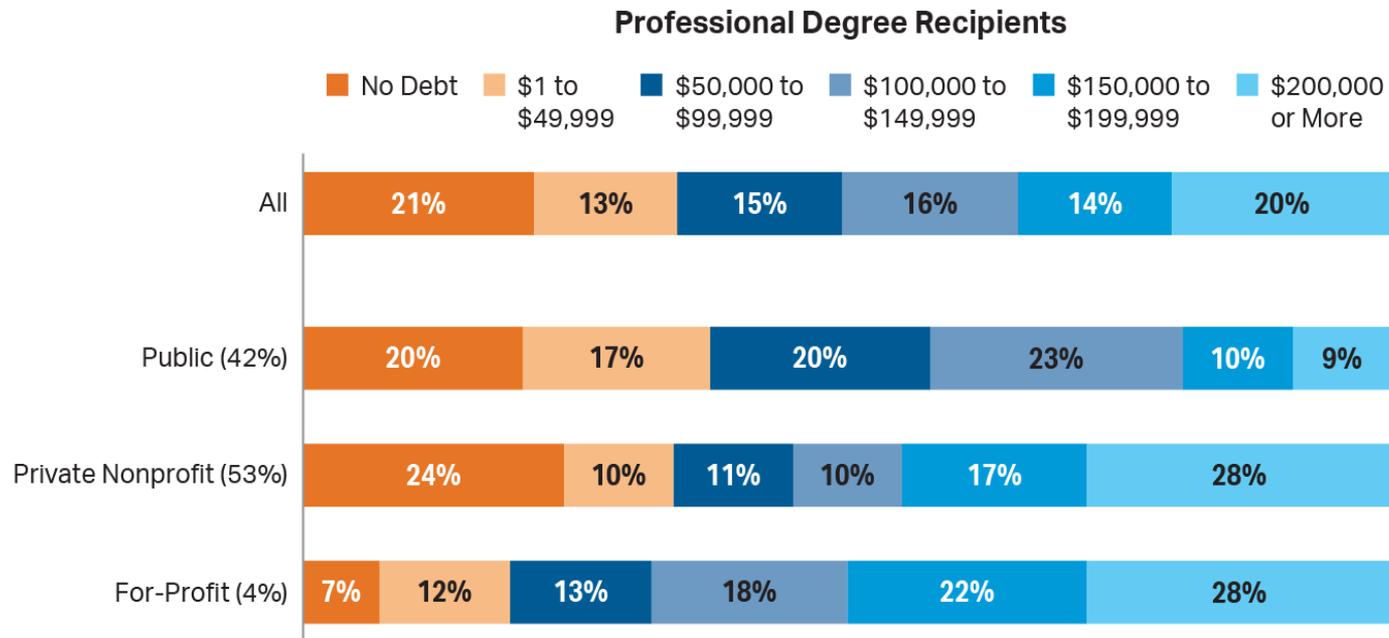
- Distribution of 2015-16 Doctoral Degree Recipients by Cumulative Amount Borrowed for Graduate Study



Source: *Trends in Student Aid 2018*, Figure 17, The College Board.

More than half of 2015-16 private nonprofit professional degree recipients borrowed \$100,000 or more.

- Distribution of 2015-16 Advanced Degree Recipients by Cumulative Amount Borrowed for Graduate Study



Source: *Trends in Student Aid 2018*, Figure 17, The College Board.

What should Public Policy do?

- Focus on targeted solutions.
- Protect vulnerable borrowers.
- Minimize future debt
- Don't forgive all student debt!
 - 1/3 of debt held by households in the top quarter of the income distribution
 - Forgiving all outstanding debt could pay for 20 years of free public college tuition or 50 years of Pell Grants at current levels.
- Focus on:
 - Non-completers
 - For-profit institutions
 - Black students

What can Institutions do?

- Focus on student success
- Rein in costs and moderate prices—understanding that living expenses account for a significant share of student borrowing
- Reduce time to degree
- Increase need-based student aid
- Strengthen advising about both academic and finances