

# **Student Lending Today: Who Borrows, How Much, Delinquency & Default Trends**

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## **How Qualified Student Loans Could Protect Borrowers and Taxpayers**

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Center for American Progress, 2013

**Over the nearly four decades since the bankruptcy rules were changed, much has changed about student loans.**

- The federal government disbursed \$6.2 billion in 1982—the equivalent of \$13.6 billion in 2012 dollars. Thirty years later, in 2012, federal student-loan disbursements totaled \$105 billion, more than seven times their 1982 levels after adjusting for inflation.
- The average college senior graduated with more than \$26,000 in student-loan debt in 2011.

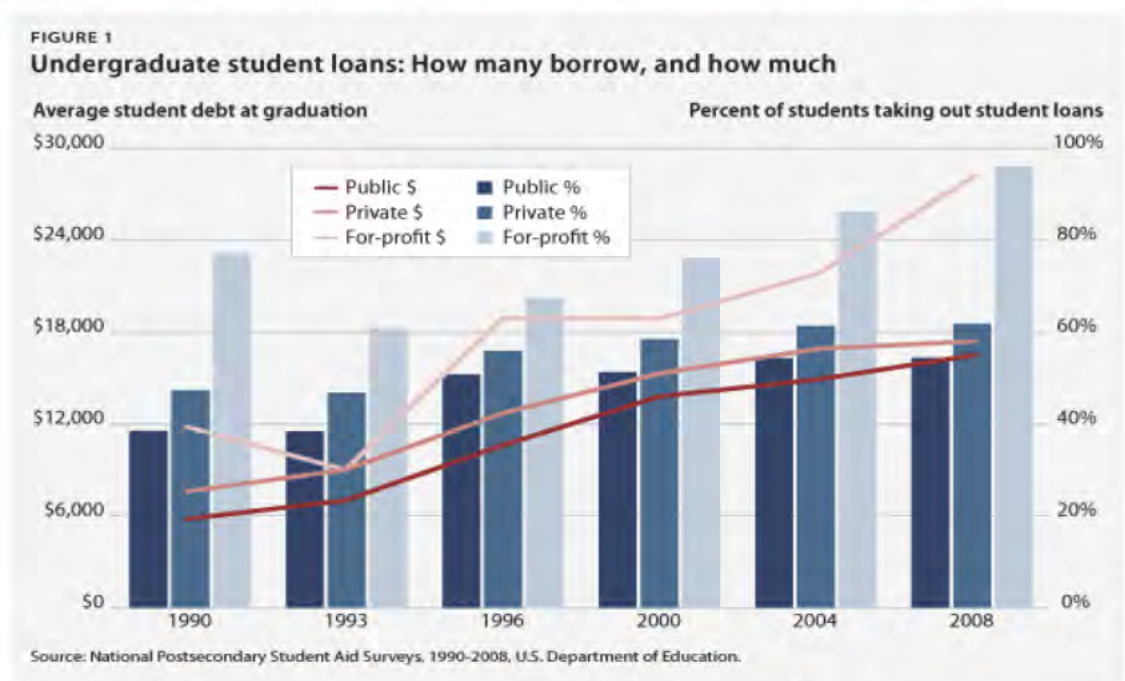
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## Over the nearly four decades since the bankruptcy rules were changed, much has changed about student loans.

- Student-loan debt has grown significantly—45 percent of all American families now have student loans, including
  - 29 percent of families with household heads who are ages 55 to 64; and
  - 13 percent of families with household heads who are ages 65 to 74.
- Youth unemployment and underemployment are higher too. Since the beginning of the Great Recession, the unemployment rate for young workers ages 20 to 24 has been about 40 percent to 50 percent higher than 1978 levels.
  - 1 in 9 white;
  - 1 in 7 Latinos; and
  - 1 in 4 African American young adults were unemployed in 2012.

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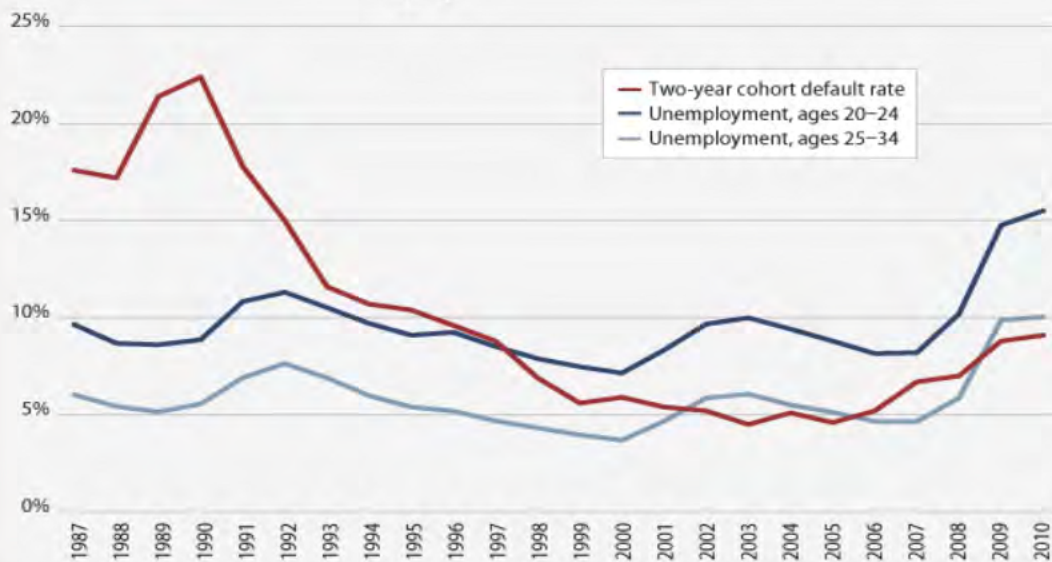
## Student loans: How many borrow, and how much do they borrow?



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# Student-loan delinquencies and unemployment rates

**FIGURE 2**  
Student loan defaults and unemployment

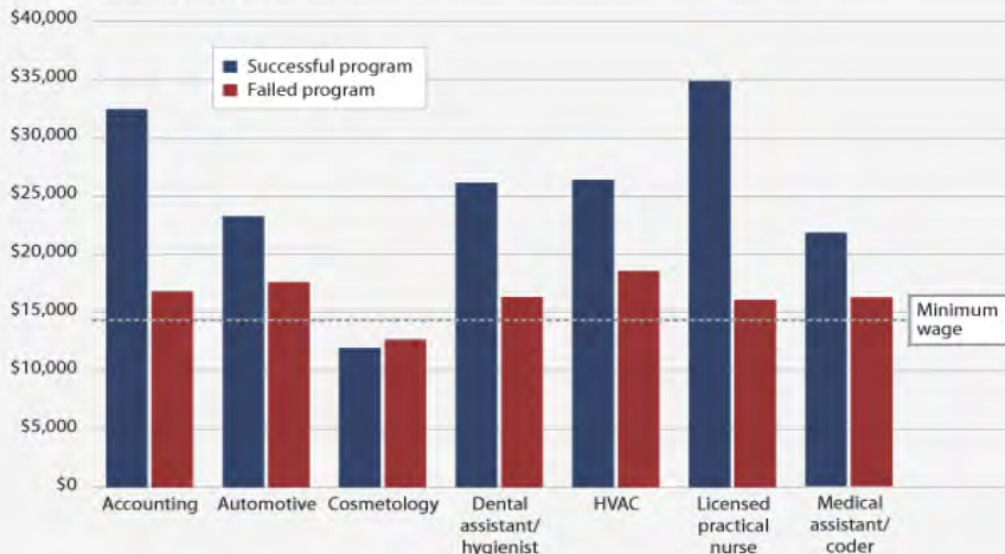


Sources: U.S. Department of Education; Bureau of Labor Statistics, U.S. Department of Labor.

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# Debt-to-earnings ratios for selected fields of study

**FIGURE 3**  
Annual earnings for program type and success based on discretionary debt-to-earnings ratio



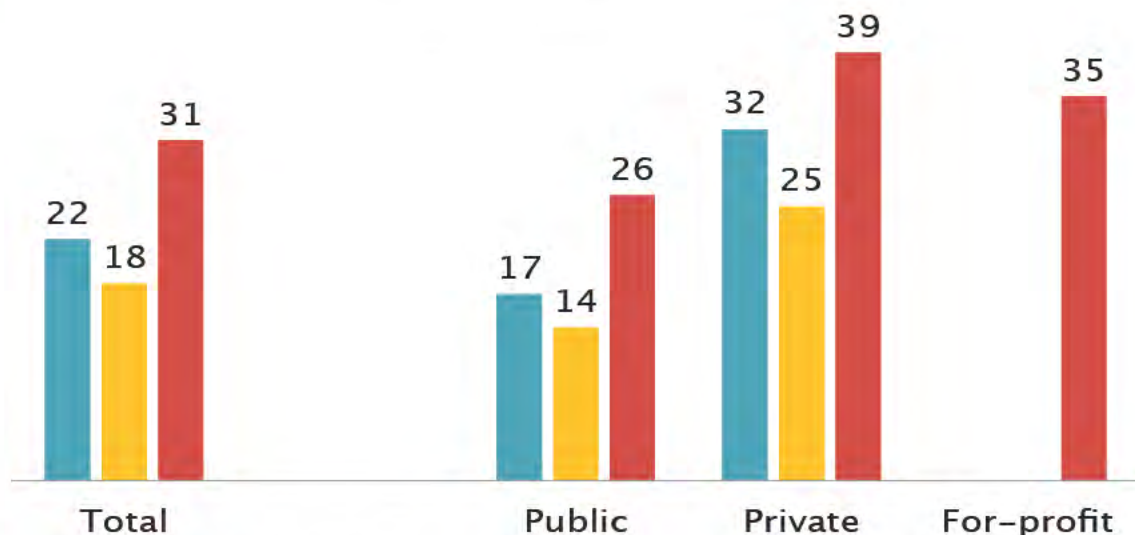
Source: 2011 Gainful Employment Informational Rates, Federal Student Aid, U.S. Department of Education.

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## High Debt Burden:

% of degree recipients with a ratio of monthly payments to income over 12 percent

■ 1994 ■ 2001 ■ 2009



Source: Degrees of Debt, U.S. Department of Education, National Center for Education Statistics, 1993/94, 2001/01, and 2008/099 Baccalaureate & Beyond Studies

## Some bankruptcy courts have adopted a three-factor that assesses whether the debtor:

- Can maintain, based on current income and expenses, a “minimal” standard of living for the debtor and the debtor’s dependents if forced to repay the student loans
- Has additional circumstances that exist indicating that this current financial situation is likely to persist for a significant portion of the repayment period of the student loans
- Has made good-faith efforts to repay the student loans

**We think establishing standards for Qualified Student Loan would be better for borrowers and loan holders:**

- § Reasonable interest rates and fees.
- § Deferment and forbearance provisions similar to today's federal loans.
- § Access to income-based repayment.
- § Reasonable likelihood of repayment.

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**We think establishing standards for Qualified Student Loan would be better for borrowers and loan holders:**

- § Reasonable interest rates and fees.
  - Interest rates on federal loans capped at:
    - 8.25 percent for undergraduate students,
    - 9.5 percent for graduate students, and
    - 10.5 percent for PLUS loans.
  - Interest rates in excess of the caps established by Congress make it more likely that a borrower's student-loan repayment will cause an undue economic hardship.
- § Deferment and forbearance provisions similar to today's federal loans.
- § Access to income-based repayment.
- § Reasonable likelihood of repayment.

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**We think establishing standards for Qualified Student Loan would be better for borrowers and loan holders:**

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- § Deferment and forbearance provisions similar to today's federal loans.
  - Lenders are required to grant deferment or forbearance in some circumstances, including for medical and dental school graduates in internship and residency programs and for borrowers active in the military or in national service.
  - Forbearance may also be available in cases of economic hardship.
- § Access to income-based repayment.
- § Reasonable likelihood of repayment.

Center for American Progress, 2013

**We think establishing standards for Qualified Student Loan would be better for borrowers and loan holders:**

- § Reasonable interest rates and fees.
- § Deferment and forbearance provisions similar to today's federal loans.
- § Access to income-based repayment.
  - Borrowers need access to repayment options that give them the ability to manage their student-loan debt responsibly, even when their incomes are lower than expected.
- § Reasonable likelihood of repayment.

Center for American Progress, 2013

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- § Access to income-based repayment.
- § Reasonable likelihood of repayment.
  - Eligibility for federal student loans is currently tied to a college or university being accredited by an agency recognized by the U.S. Department of Education.
  - Evidence suggests that some students borrow for educational programs that do not lead to gainful employment in a recognized occupation.

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