

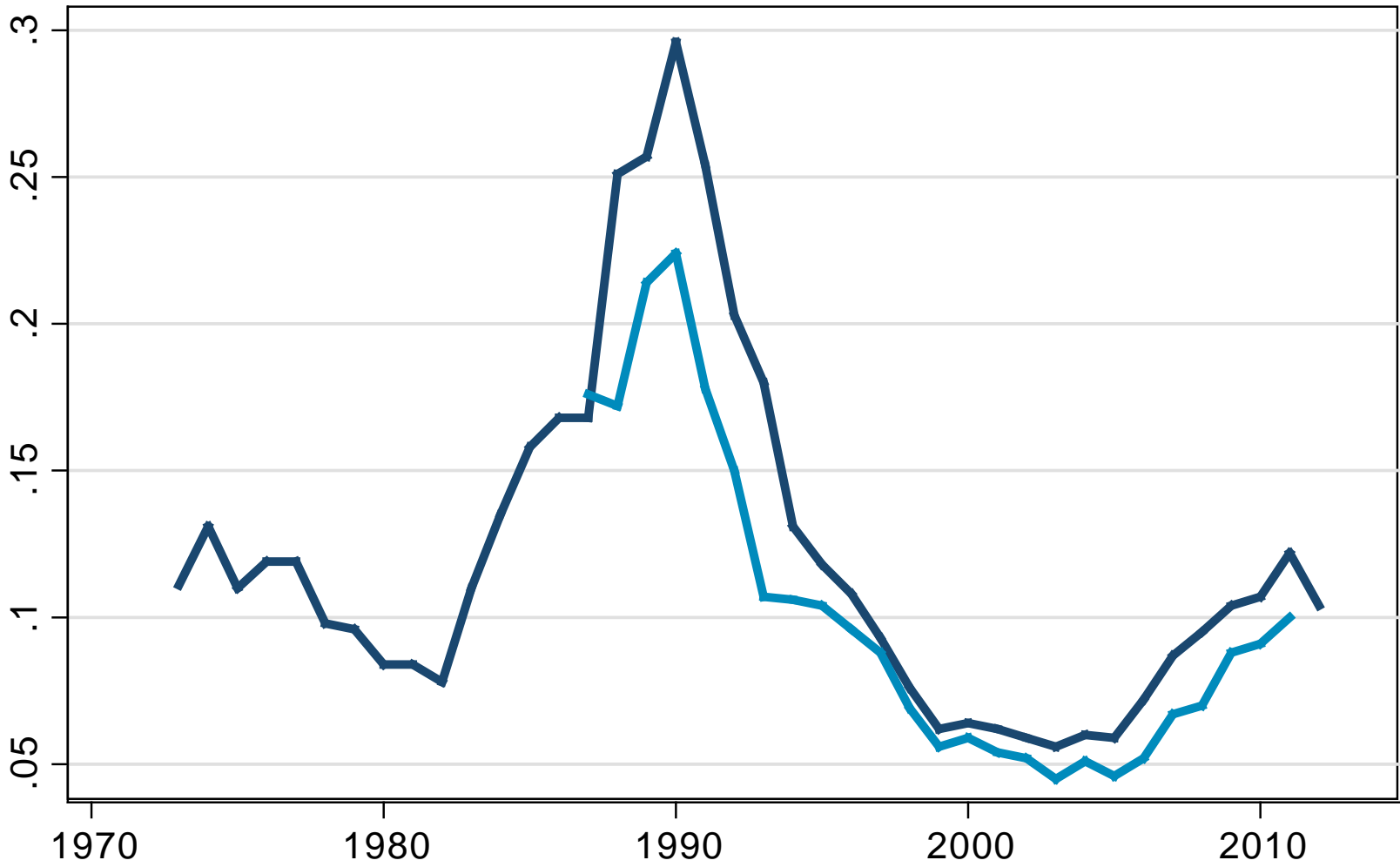
# **A Crisis in Student Loans?**

**How Changes in the Characteristics of Borrowers and the Institutions  
they Attended Contributed to Rising Loan Defaults**

Adam Looney

Constantine Yannelis

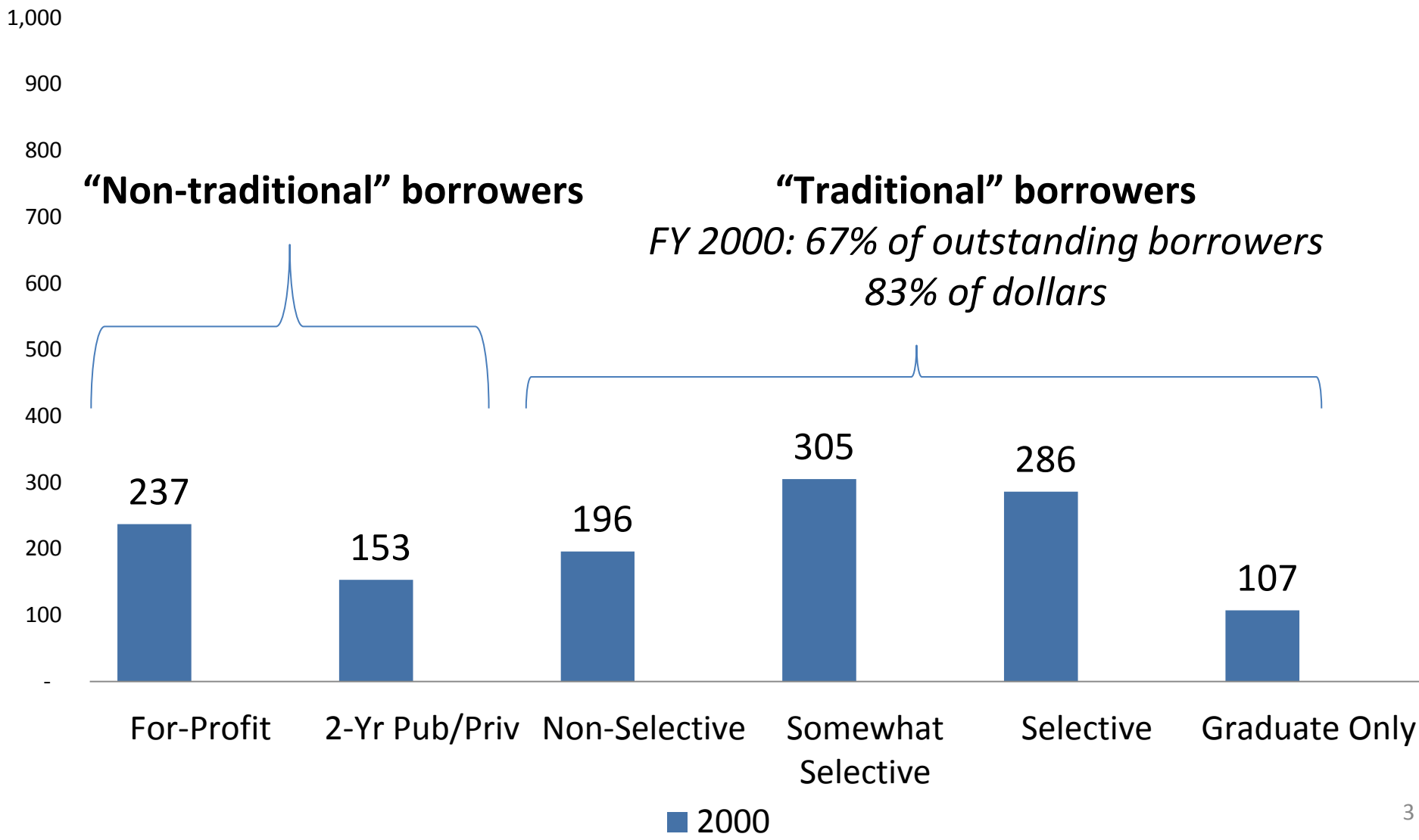
# Why Are Defaults Rising?



— Sample-Based CDR    — Official 2-Year CDR

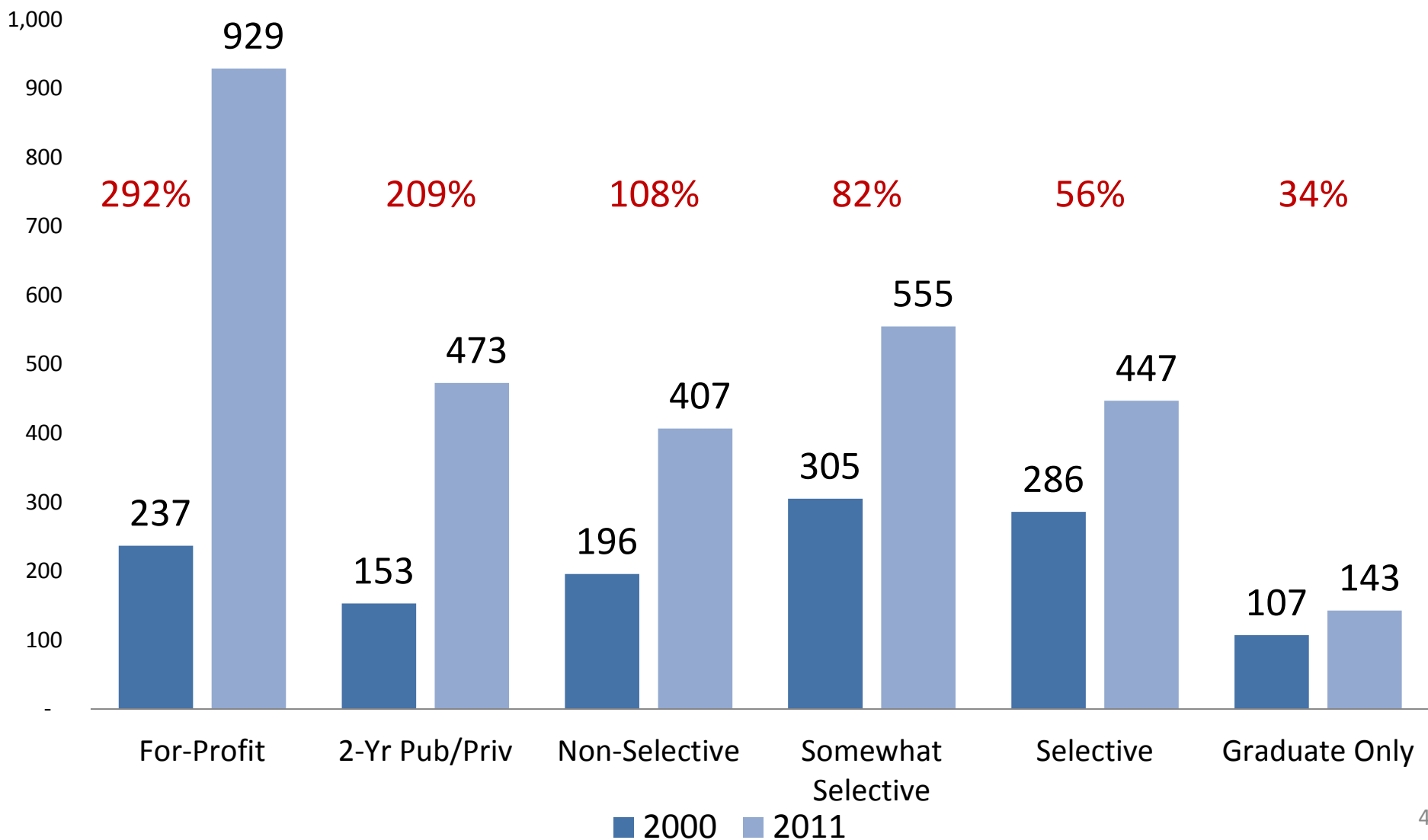
# Defining Traditional and Non-Traditional Borrowers

Number of Borrowers Entering Repayment (thousands)



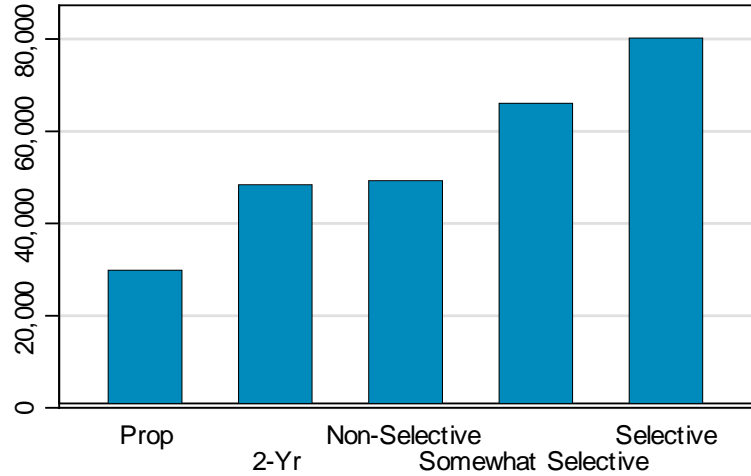
# Changes in the Composition of Borrowers

Number of Borrowers Entering Repayment (thousands)

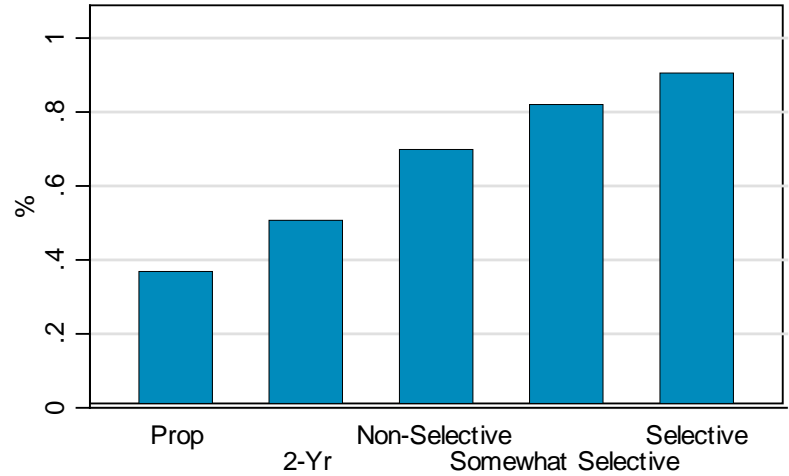


# Non-traditional Borrowers: Lower-income, Independent, First-generation Students, with Low Completion Rates

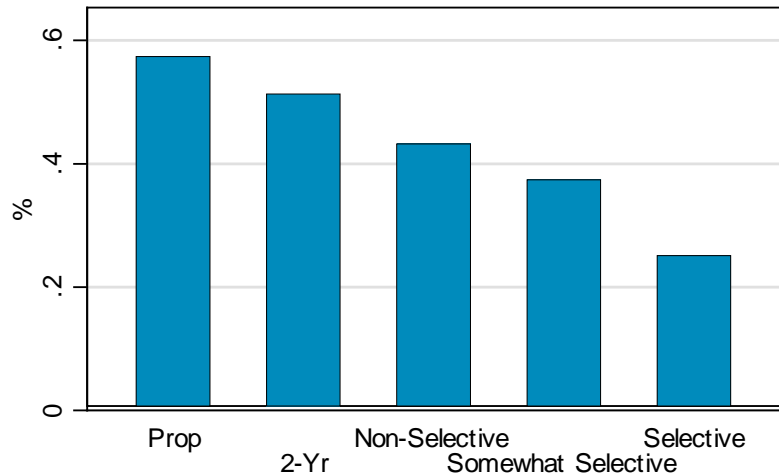
### Family Income



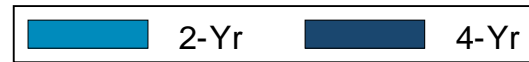
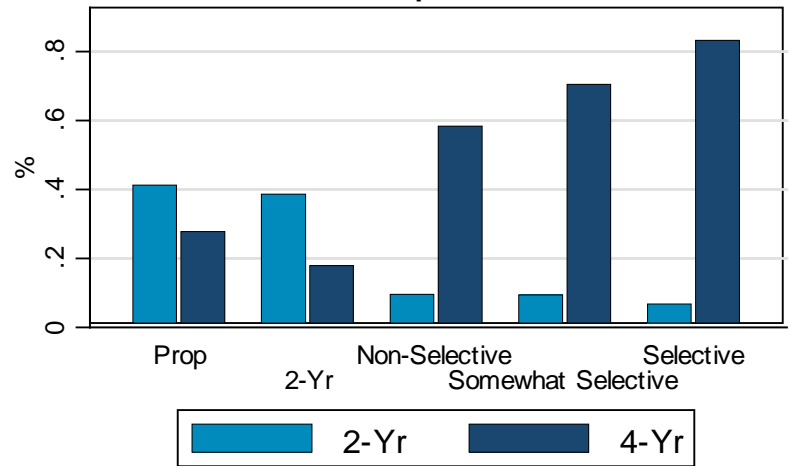
### Dependent



### First Generation



### Completion



# Institutions Whose Students Owe the Most 2000

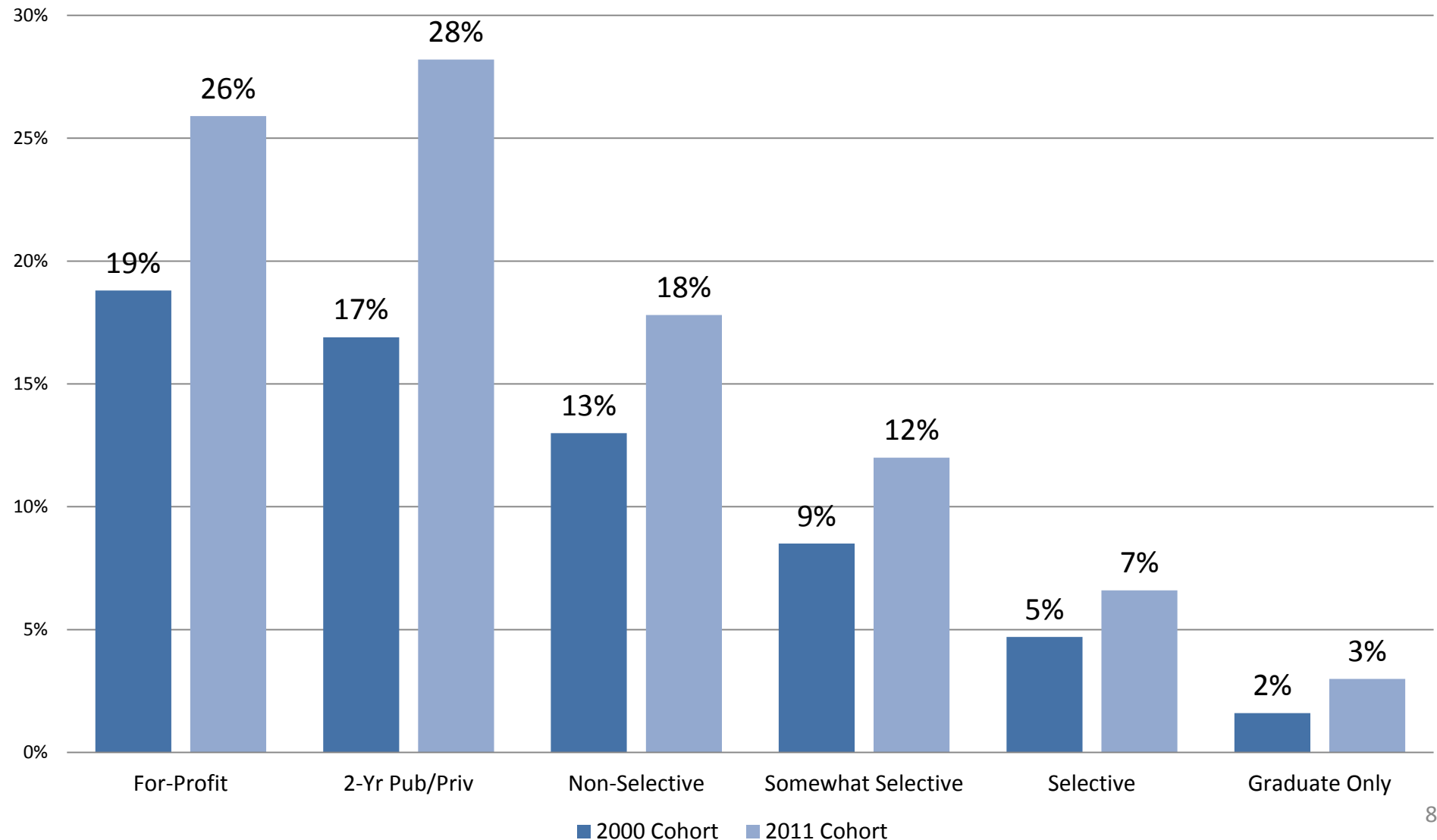
Institution	Total Debt	Total Borrowers
New York University	\$ 2,184,601	72,650
University of Phoenix	\$ 2,099,828	103,475
Nova Southeastern	\$ 1,736,919	34,900
Pennsylvania State University	\$ 1,710,951	123,800
University of Southern California	\$ 1,609,511	51,525
Ohio State University	\$ 1,533,954	82,250
Temple University	\$ 1,531,762	59,900
Arizona State University	\$ 1,385,858	70,675
Michigan State University	\$ 1,321,997	65,650
University of Minnesota-Twin Cities	\$ 1,289,873	66,675

# Institutions Whose Students Owe the Most 2014

Institution	Total Debt	Total Borrowers
University of Phoenix	\$ 35,529,283	1,191,550
Walden University	\$ 9,833,470	120,275
Nova Southeastern	\$ 8,748,887	94,350
DeVry University	\$ 8,249,788	274,150
Capella University	\$ 8,043,635	104,450
Strayer University	\$ 6,693,570	144,400
Kaplan University	\$ 6,664,067	220,125
New York University	\$ 6,307,264	110,775
Argosy University	\$ 6,179,207	104,325
Ashford University	\$ 5,891,799	205,000

# Increase in Default Rates is Concentrated among Non-traditional Borrowers

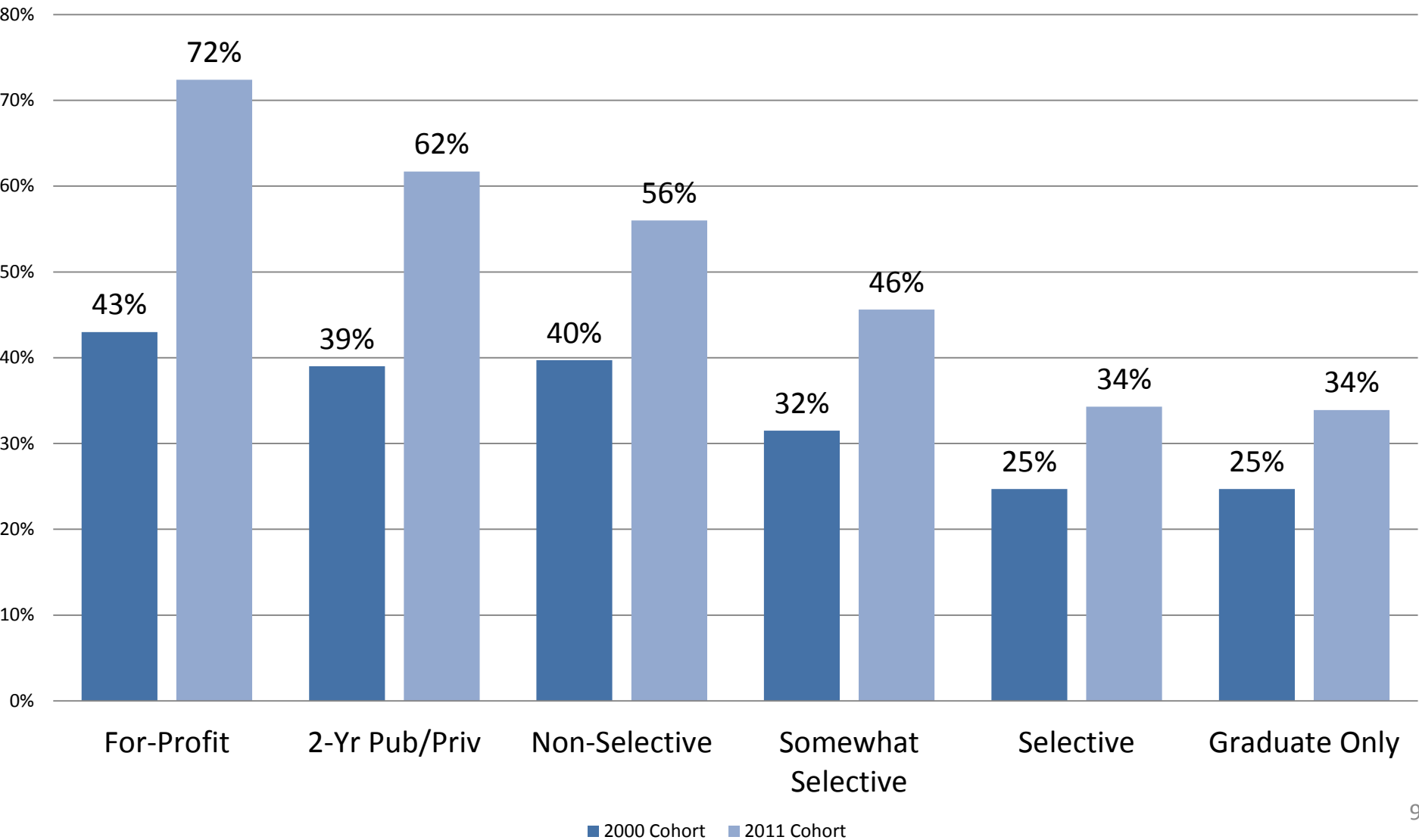
## 3-Year Cohort Default Rate





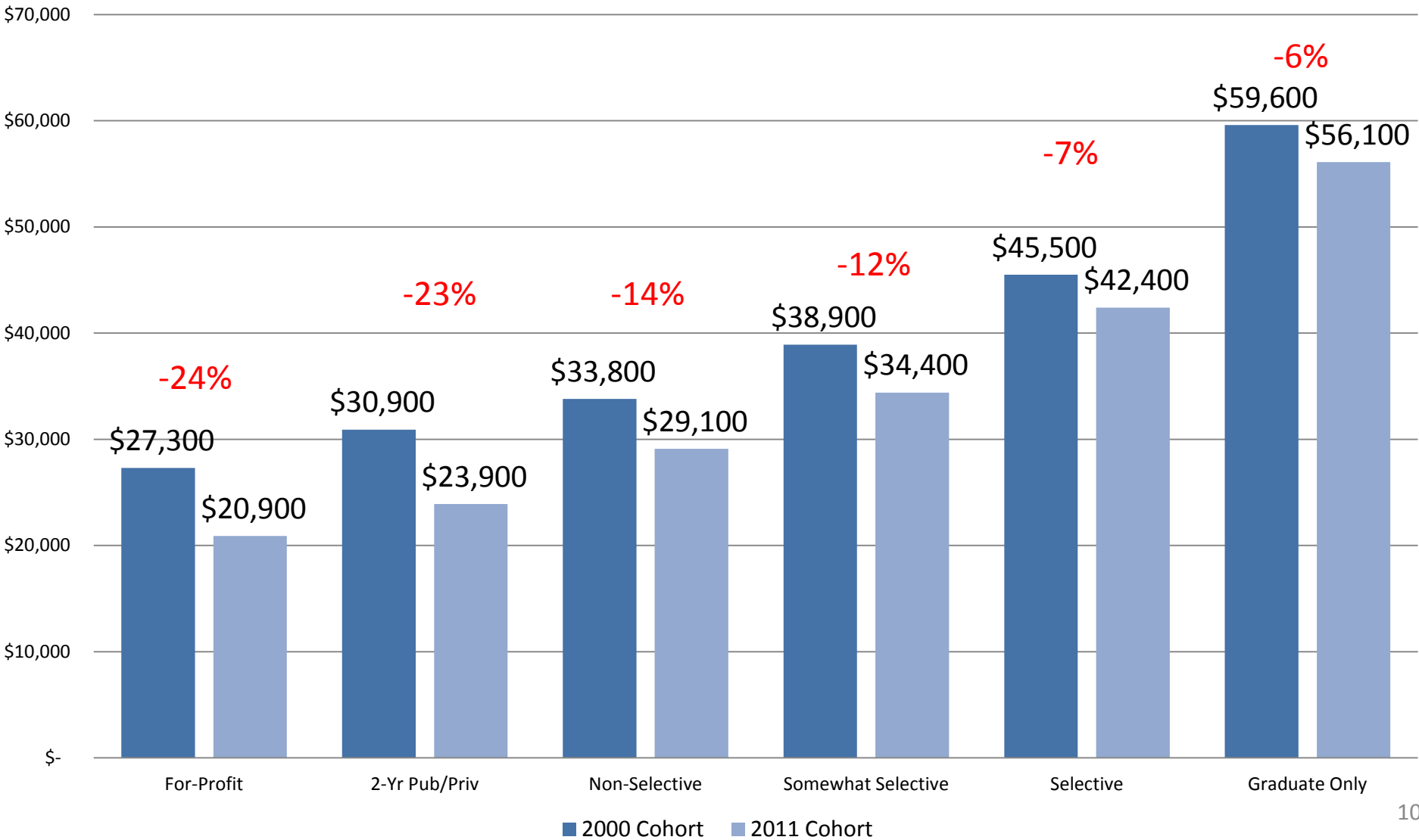
# Many More are Not in Default but not Paying Down Loans

## Borrowers Who Owe More in Second Year



# Relatively Poor Labor Market Outcomes of Non-traditional Borrowers

## Median Annual Earnings of Borrowers, Two Years After Entering Repayment



## A Few Implications

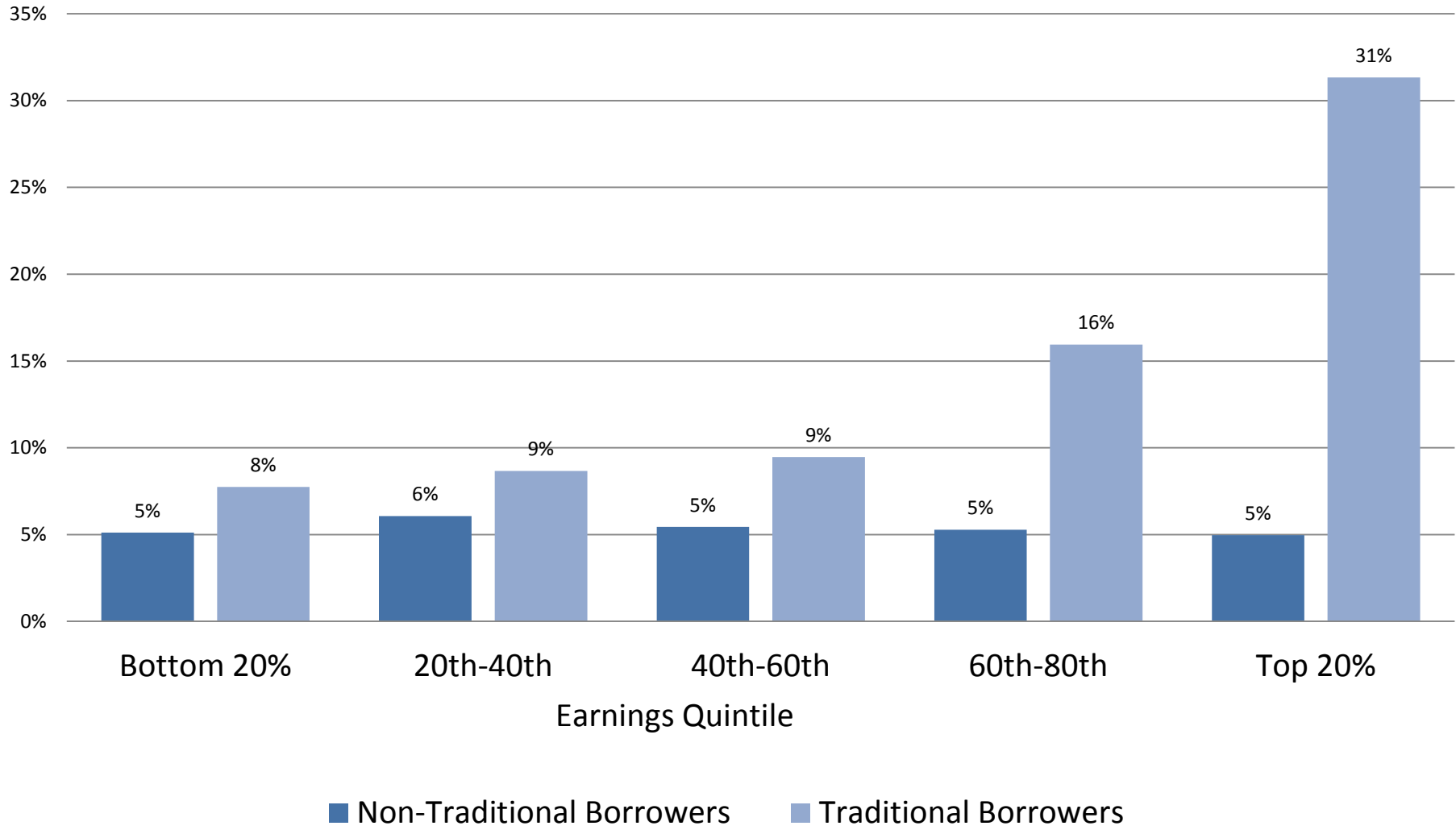
- Default rates will improve.

## A Few Implications

- Default rates will improve.
- Most borrowers accumulate sustainable debts.
  - Most student debt owed by high-income borrowers.

# Distribution of Debt by Income Class

## Federal Student Debt Owed by Earnings Quintile



## A Few Implications

- Default rates should improve.
- Most borrowers accumulate sustainable debts
  - Most student debt owed by high-income borrowers.
- ...But not all
  - Some borrowers accumulate large debts
  - Challenges of non-traditional borrowers likely to persist and to remain policy issue

# Repayment and Default Rates Vary Widely by Institution (2009)

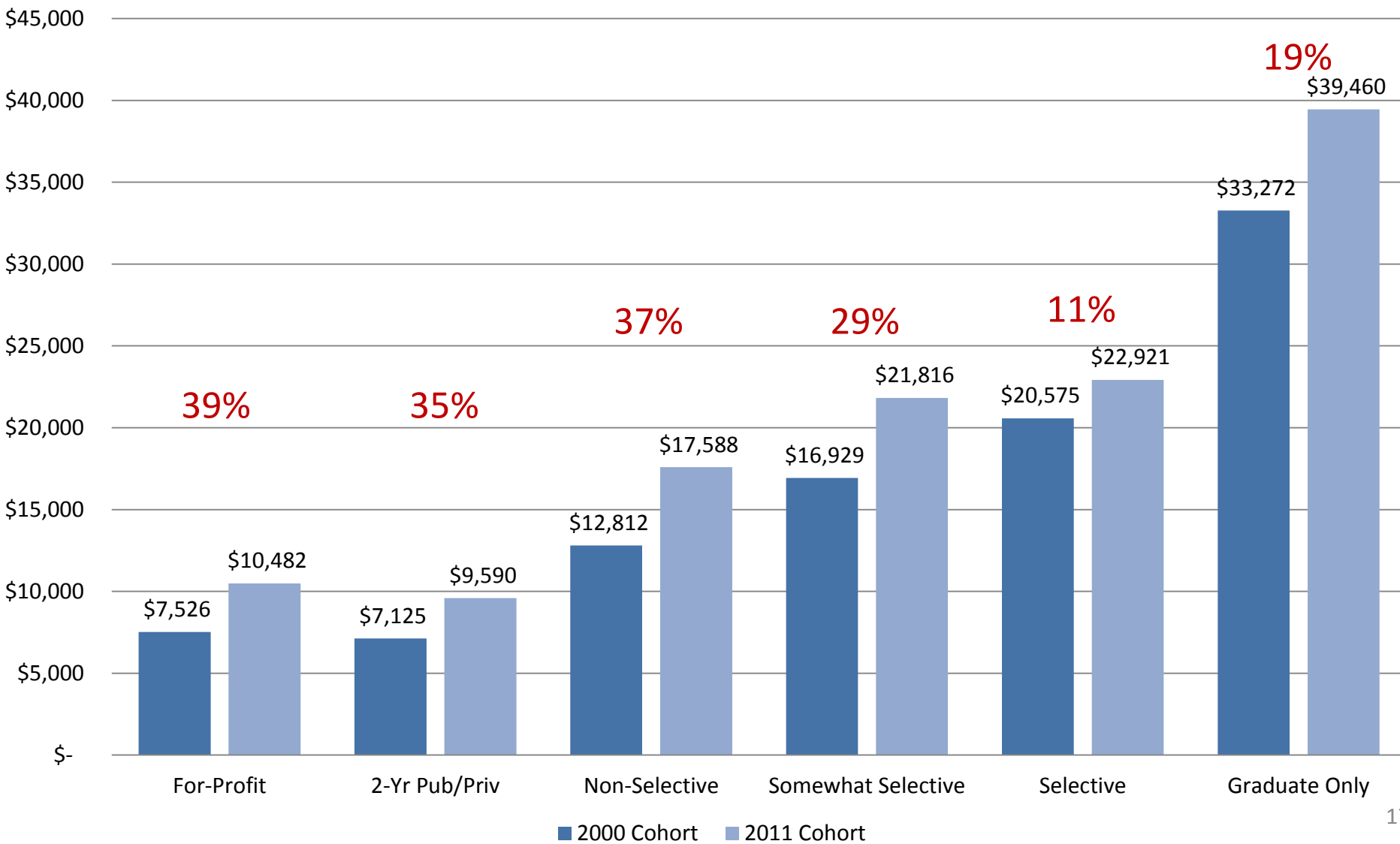
Institution	Total Debt	5-Year Default Rate	5-Year % Balance Repaid
University of Phoenix	\$ 35,529,283	45%	1%
Walden University	\$ 9,833,470	7%	0%
Nova Southeastern	\$ 8,748,887	6%	-3%
DeVry University	\$ 8,249,788	43%	-4%
Capella University	\$ 8,043,635	19%	-5%
Strayer University	\$ 6,693,570	31%	-6%
Kaplan University	\$ 6,664,067	53%	0%
New York University	\$ 6,307,264	6%	34%
Argosy University	\$ 6,179,207	15%	-7%
Ashford University	\$ 5,891,799	47%	2%



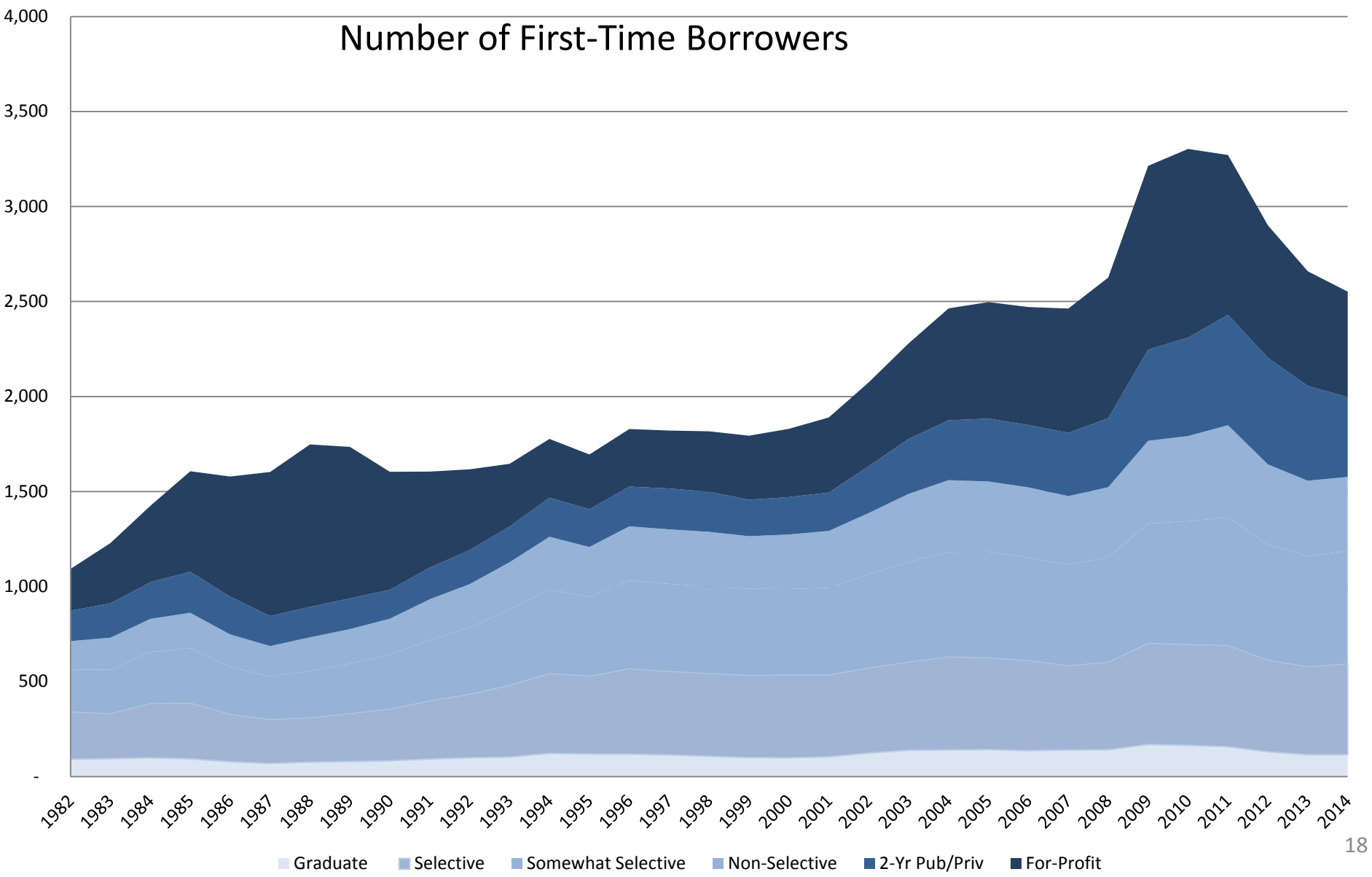


# Borrowers at Selective Institutions have Higher Average Debt Burdens, but Balances at Non-Selective Institutions have Grown Faster

Median Loan Balance at Repayment



# The number of first-time borrowers jumped during the recession...



# ...and quickly became a rush of borrowers into loan repayment

