Student loans: A look at the evidence

Adam Looney, The Brookings Institution
A pathway to the middle class?

Lifetime earnings by educational attainment

Source: March CPS 2007-2010.
Or to financial ruin?

Mike Meru Has $1 Million in Student Loans. How Did That Happen?
Escalating tuition and easy credit have yielded a class of student-loan borrowers with spectacular debt they may never pay back.

Forbes
Student Loan Debt Statistics In 2019: A $1.5 Trillion Crisis

BuzzFeed News
“I’m Doing Great”: A Black Millennial On His $100,000 Student Debt

The Financial Crisis Isn't Over for Students

DeVos decries student-loan program as a ‘looming crisis’
Federal aid: address disparities in access

College Attendance by Parent Income

Source: Mobility Report Cards (Chetty et al. 2017)
Federal policy: Make loans cheap and broadly available

Loan originations per full-time student

2014 dollars

Grad loan limits eliminated; undergrad increased
Eliminated income limits; loan limits increased for students & eliminated for parents
Income requirement eliminated
Parent loan program created

Source: Akers and Chingos (2016)
Student loans went from being rare and modest...
...to widespread and significant

But who owes student debt…

Share of Borrowers and Share of Total Outstanding Debt by Educational Attainment

- **Associate degree or less**: 42%
- **Bachelor’s degree**: 28%
- **Graduate degree**: 24%

Source: Survey of Consumer Finances; Urban Institute
...is different from who defaults on student debt.

**5-Year Default Rates by Institution Type, 2009 Cohort**

- For Profit 2-year
- For profit 4-year
- Public 2-year
- Public 4-year
- PNP 4-year

**Default by attainment and race/ethnicity**

- Bachelor’s
- Associate’s
- Certificate
- Asian
- White
- Hispanic
- Black

Source: Treasury Tabulations of NSLDS

Source: Scott-Clayton (2018)
Most undergrads graduate with little or no debt

Cumulative Debt of Bachelor’s Degree Recipients, 2011-2012

- 30% No Debt
- 10% Less than $10,000
- 13% $20,000 to $29,999
- 18% $10,000 to $19,999
- 12% $30,000 to $39,999
- 18% $40,000 or More

Source: NCES, National Postsecondary Student Aid Study, 2012.
Especially at public and private non-profits

Cumulative Debt of Bachelor's Degree Recipients, 2011-2012

- Total: 30% No Debt, 10% $10,000 to $19,999, 13% $20,000 to $29,999, 18% $30,000 to $39,999, 12% $40,000 or More, 18%
- Public Four-Year: 34% No Debt, 12% $10,000 to $19,999, 14% $20,000 to $29,999, 18% $30,000 to $39,999, 10% $40,000 or More, 12%
- Private Nonprofit Four-Year: 25% No Debt, 8% $10,000 to $19,999, 12% $20,000 to $29,999, 20% $30,000 to $39,999, 14% $40,000 or More, 20%
- For-Profit: 12% No Debt, 4% $10,000 to $19,999, 7% $20,000 to $29,999, 14% $30,000 to $39,999, 16% $40,000 or More, 48%

Source: NCES, National Postsecondary Student Aid Study, 2012.
Income-based plans now offer substantial relief

Monthly debt payments of student loan borrowers

Average monthly loan payment

$0 $100 $200 $300 $400 $500 $600

Income percentile

<20 20-39.9 40-59.9 60-79.9 80-89.9 90-100

2001 2016