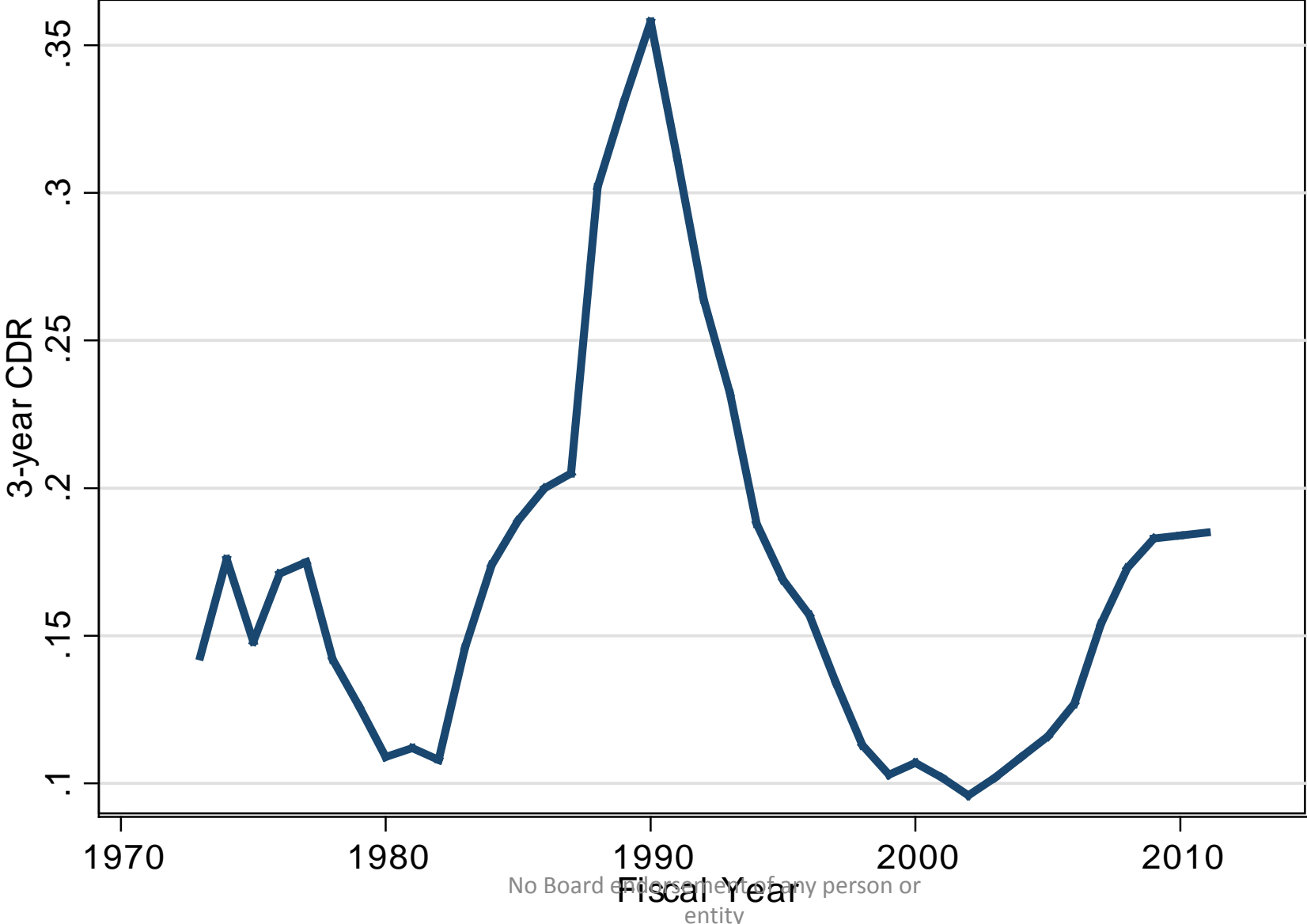


# **Sources of Default and Delinquency among Student Loan Borrowers**

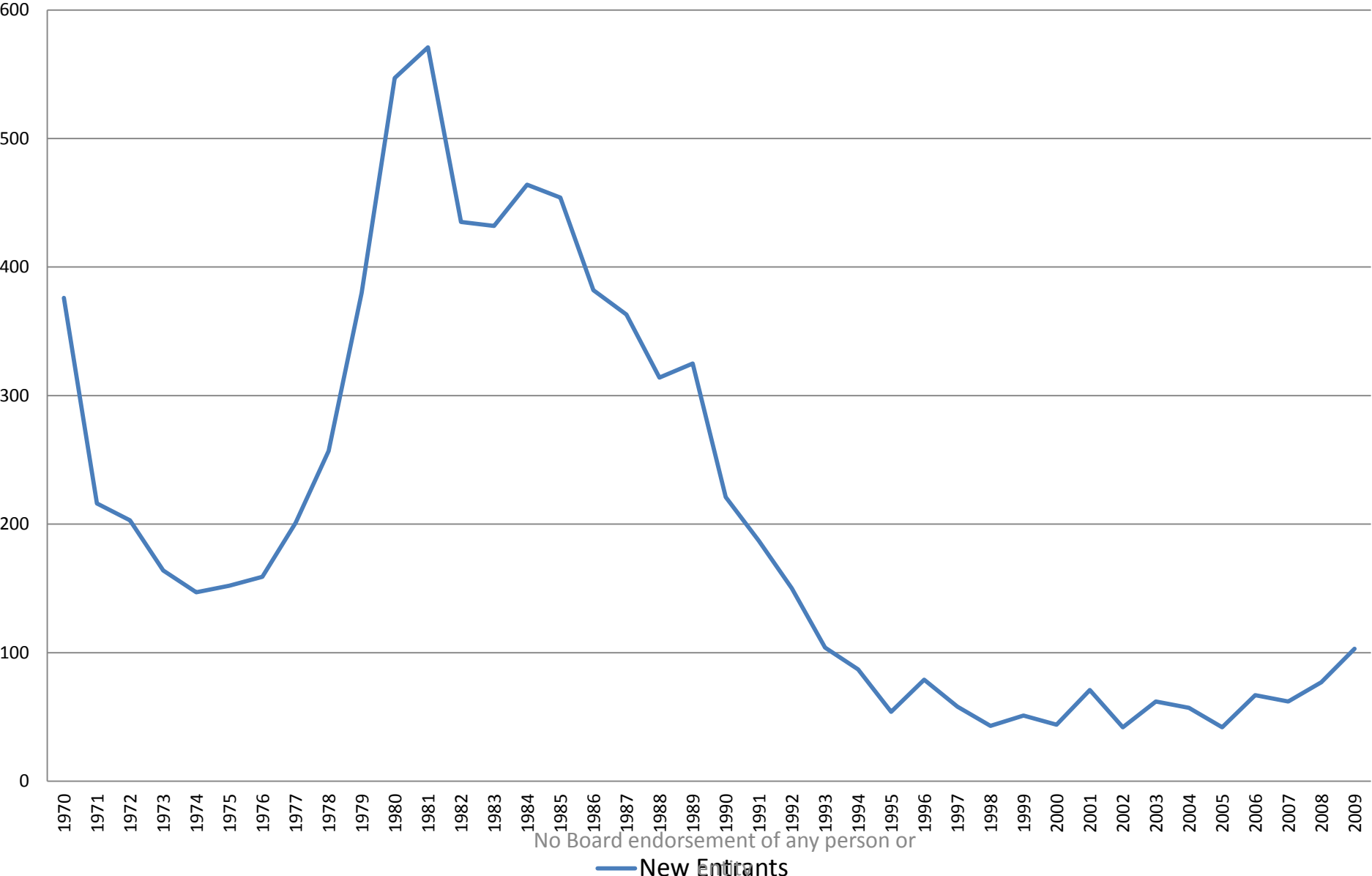
November 28, 2016

No Board endorsement of any person or  
entity

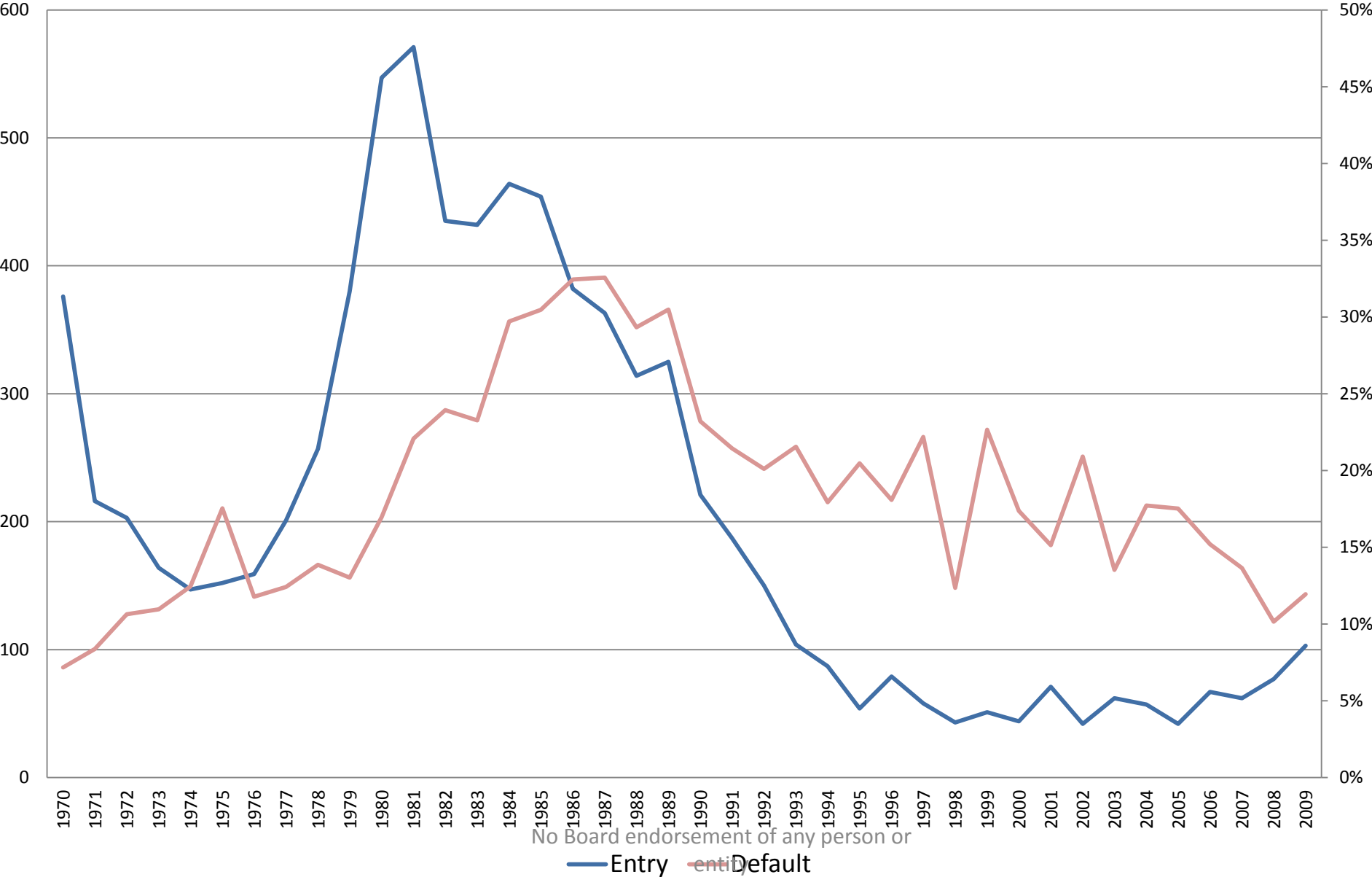
# Two Crises in Student Loan History



# First Crisis: Entry of new institutions surged in early 1980s



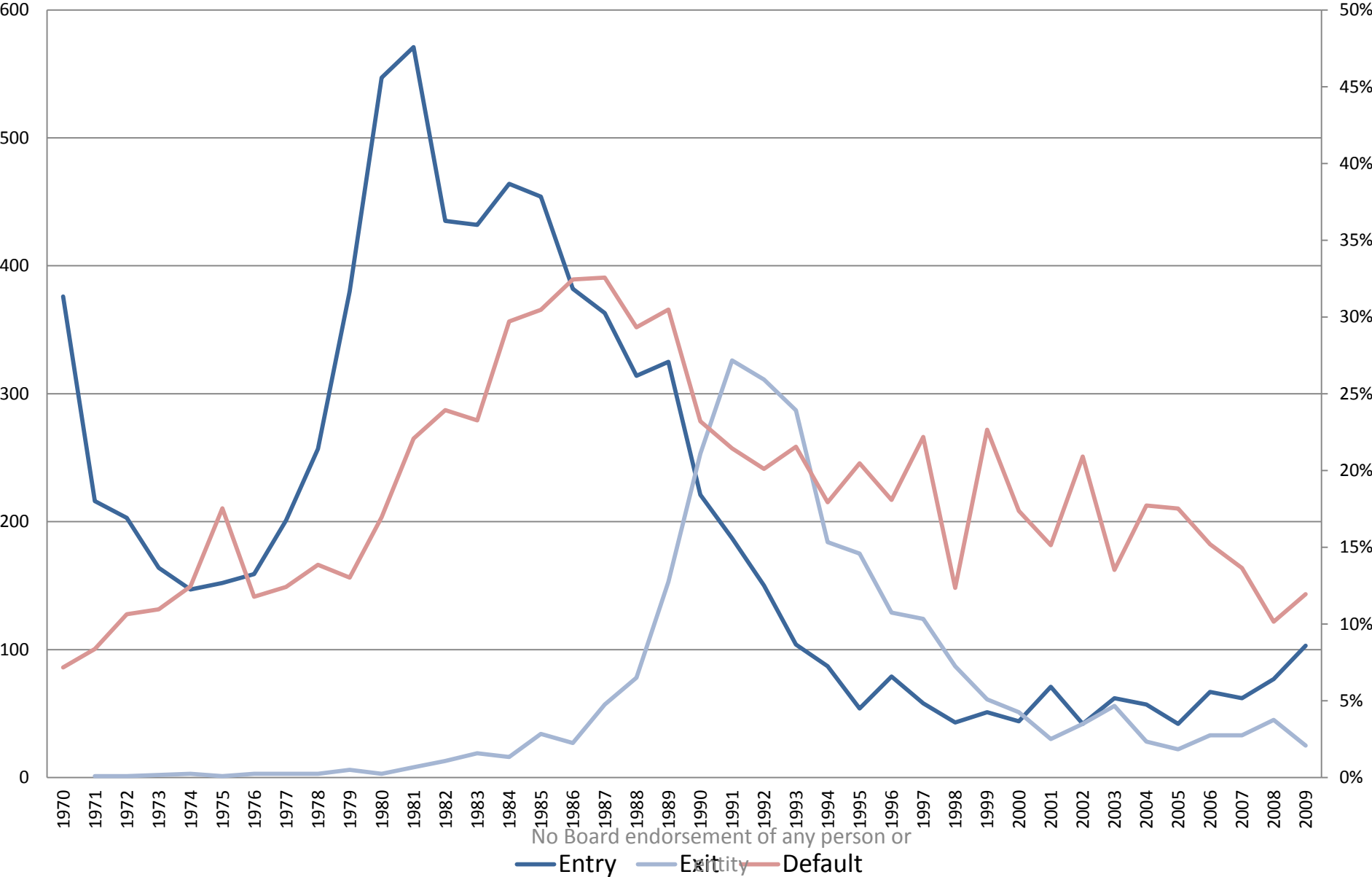
# New institutions were high-risk (for-profit, correspondence)



No Board endorsement of any person or

— Entry — Default

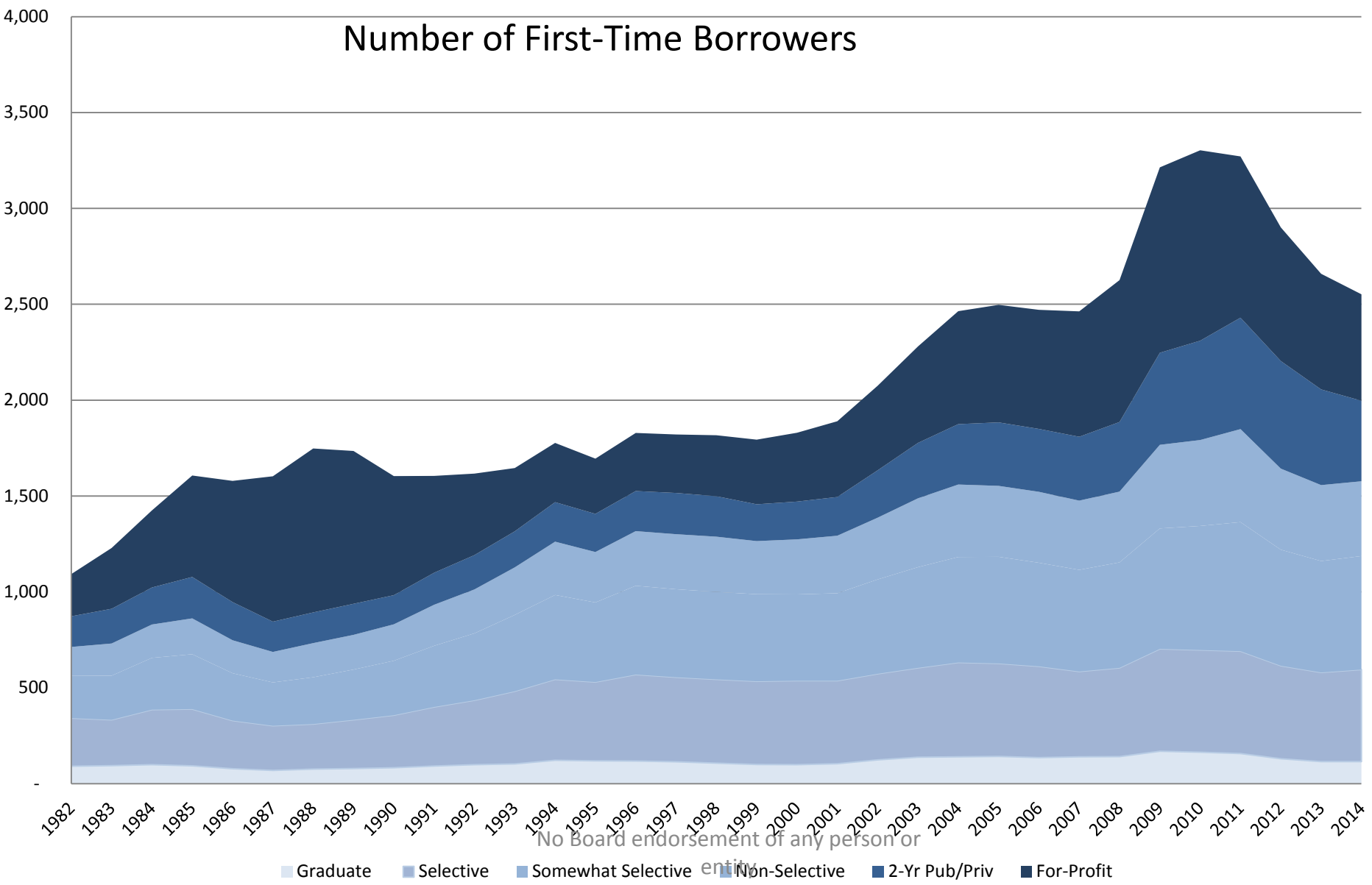
# Resolution: Strong accountability standards



No Board endorsement of any person or

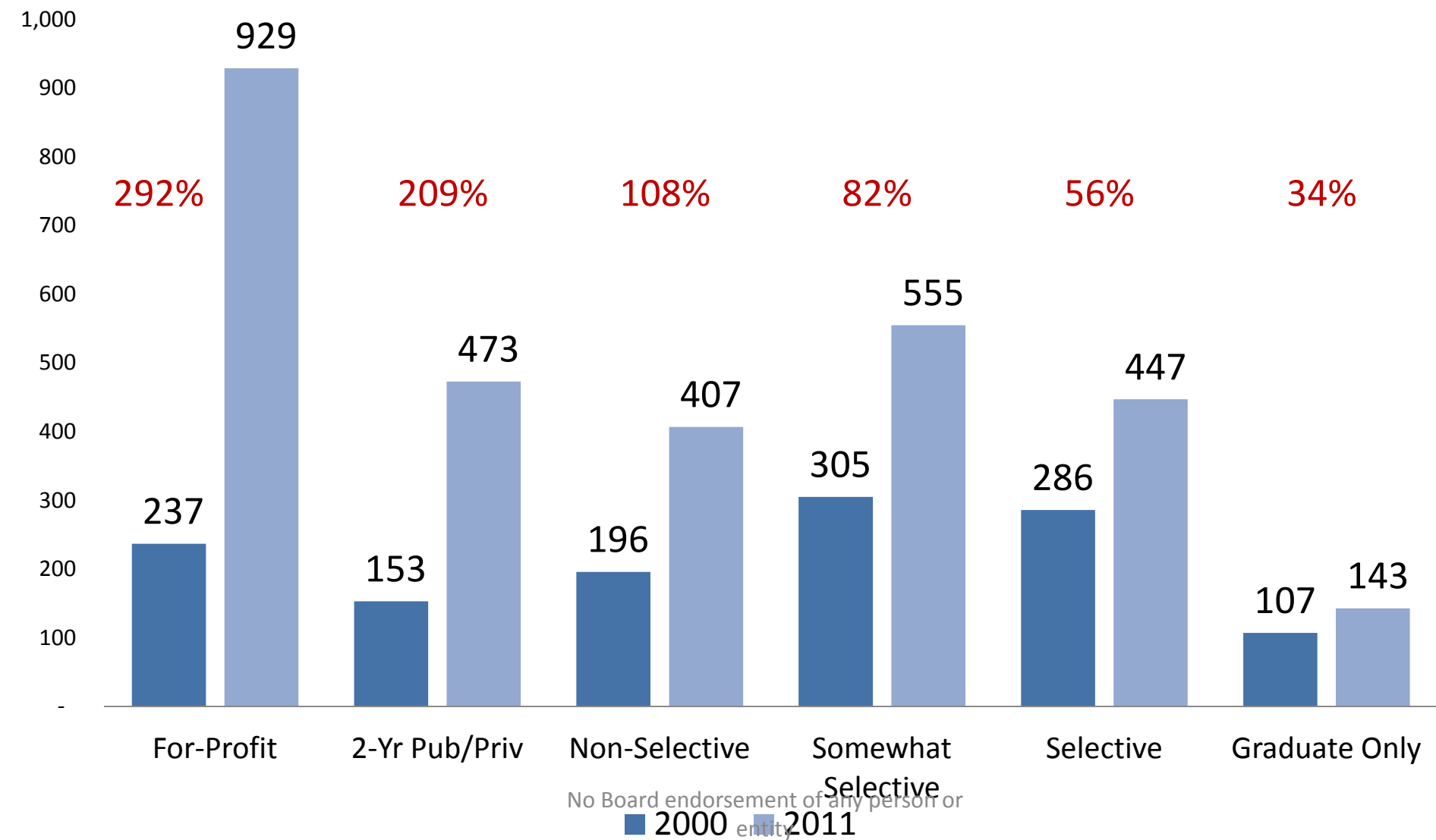
— Entry — Exit — Default

# Second crisis is similar in one dimension: New borrowers



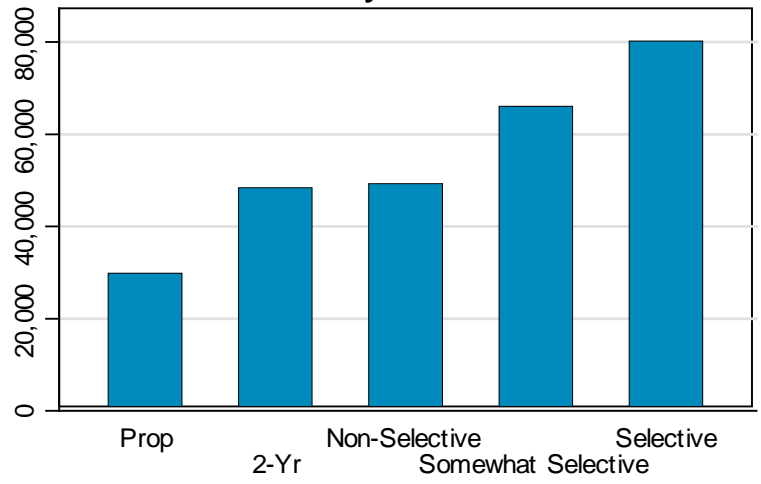
# The number of borrowers at higher-risk institutions surged...

## Number of Borrowers Entering Repayment (thousands)

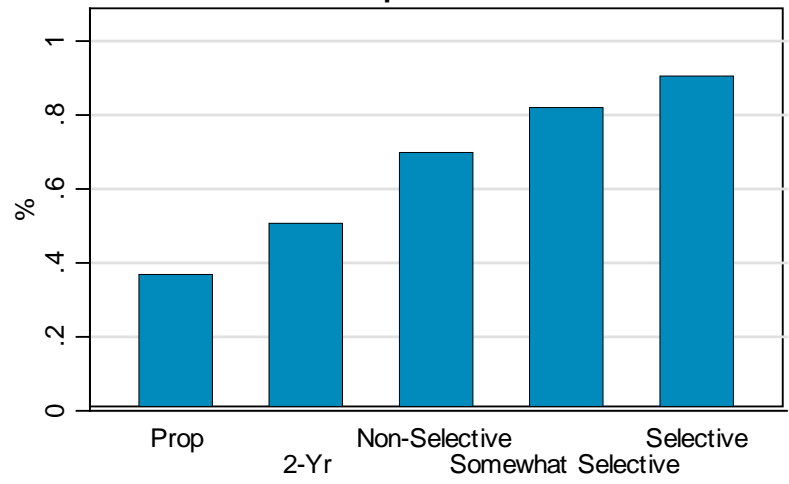


# ...and they were higher-risk borrowers

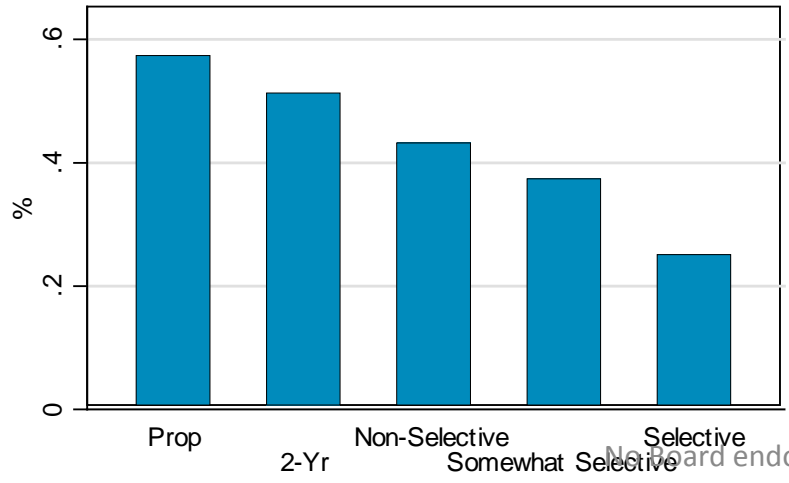
### Family Income



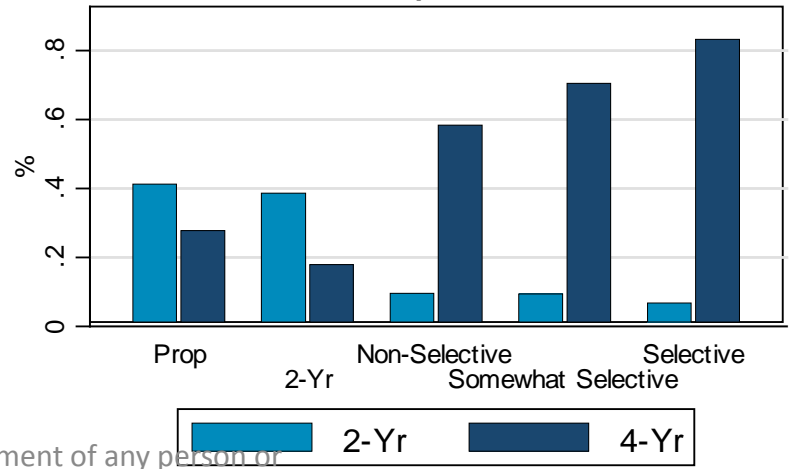
### Dependent



### First Generation



### Completion



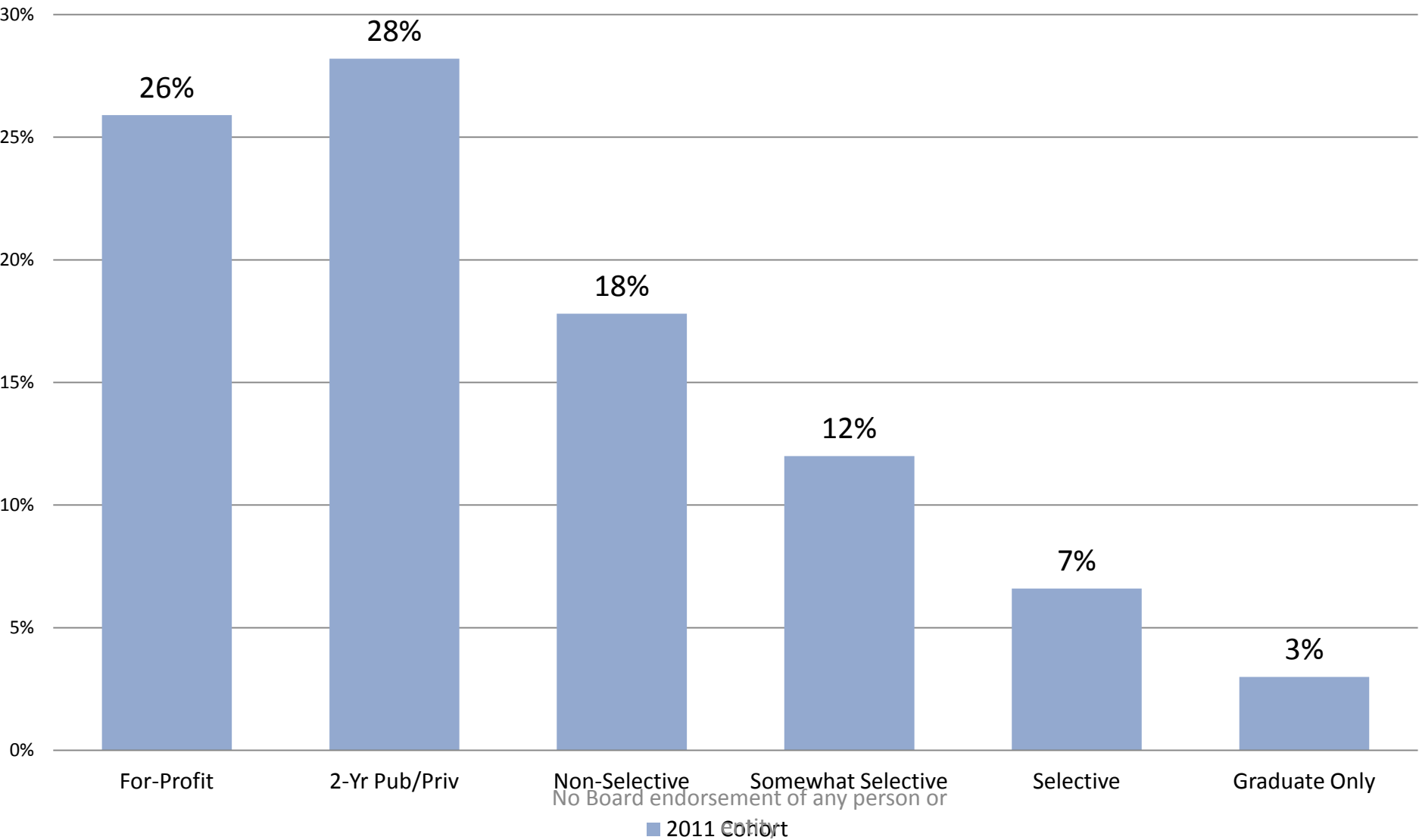
■ 2-Yr 
 ■ 4-Yr

No Board endorsement of any person or entity

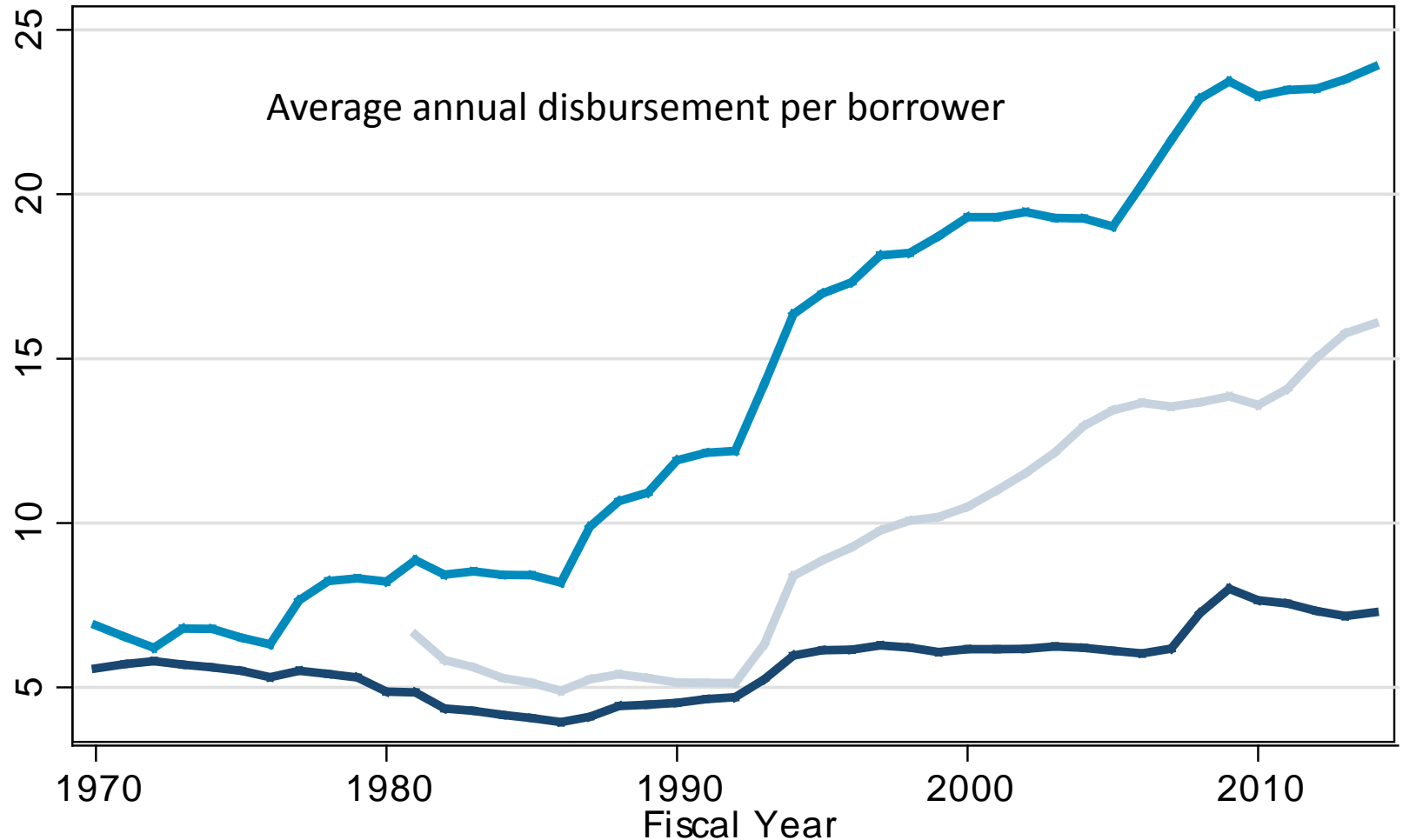


# Conclusion: Increase in default rates largely due to composition

## 3-Year Cohort Default Rate



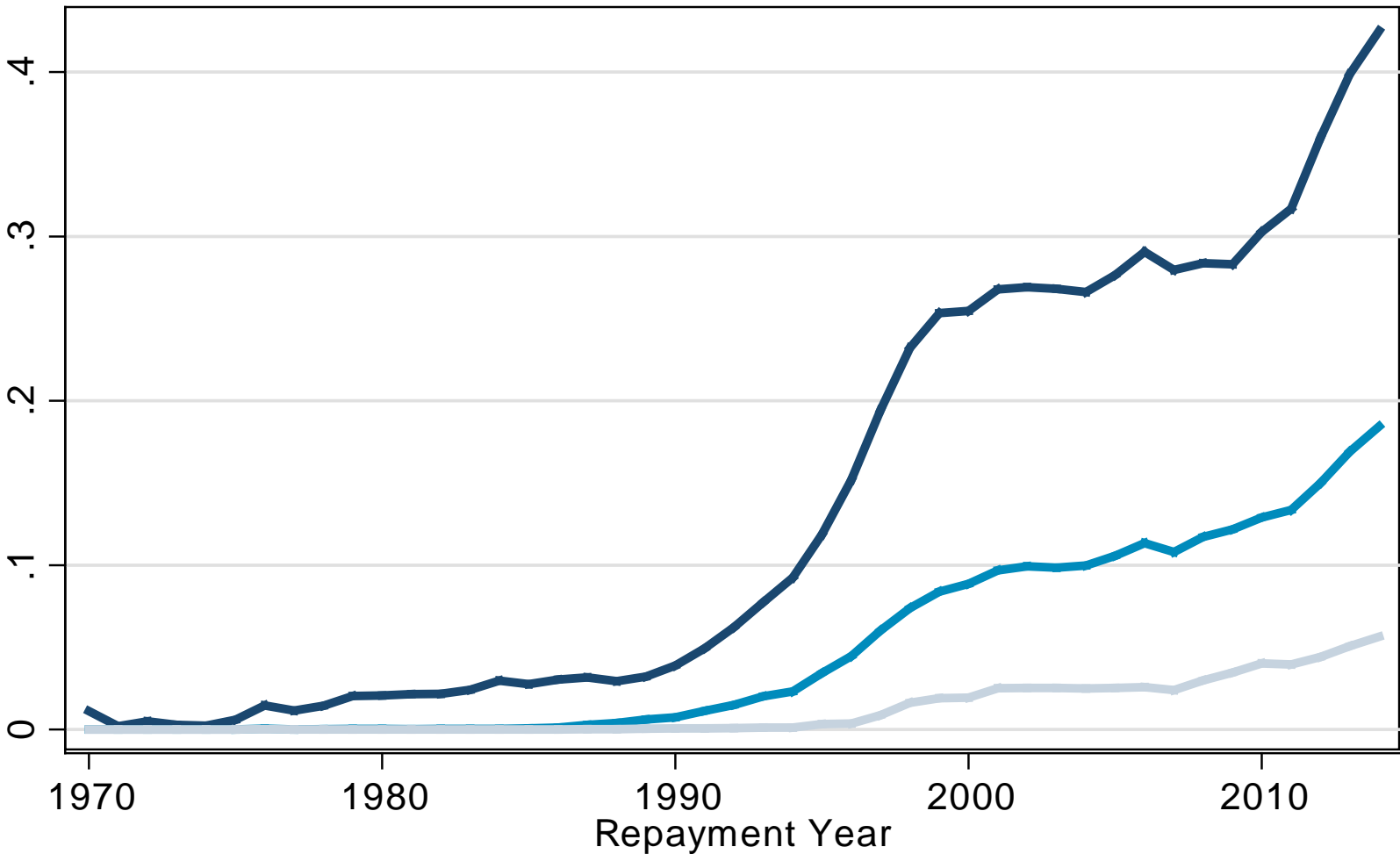
# Expansion in credit also involved increases borrowing amounts



Undergraduate Graduate  
Parent

No Board endorsement of any person or entity

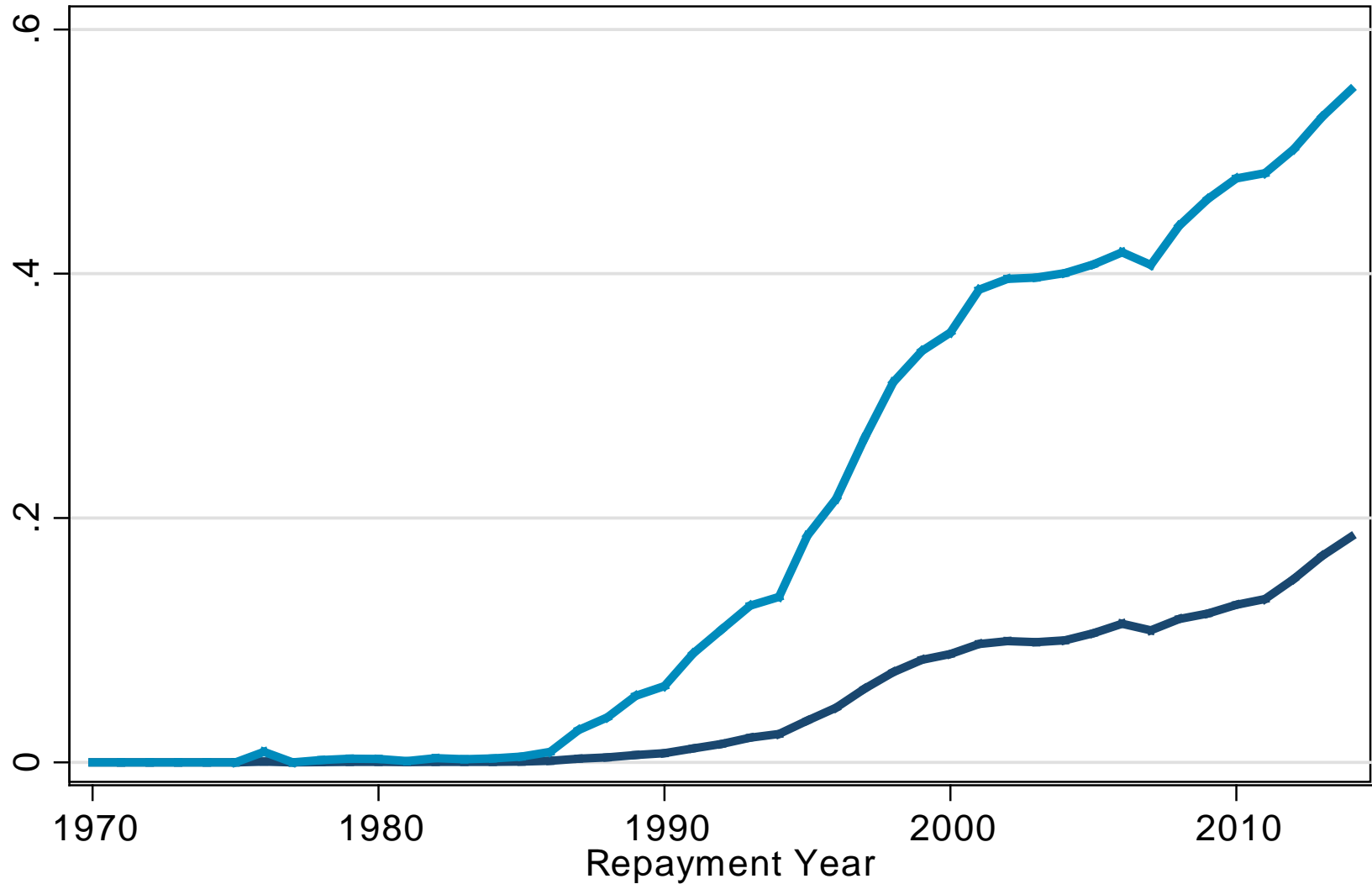
# ..and accumulated to very large balances for some borrowers



Over \$25k      Over \$50k  
Over \$100k

No Board endorsement of any person or entity

# Result: small share of borrowers with balances over \$50,000 owe majority of the debt

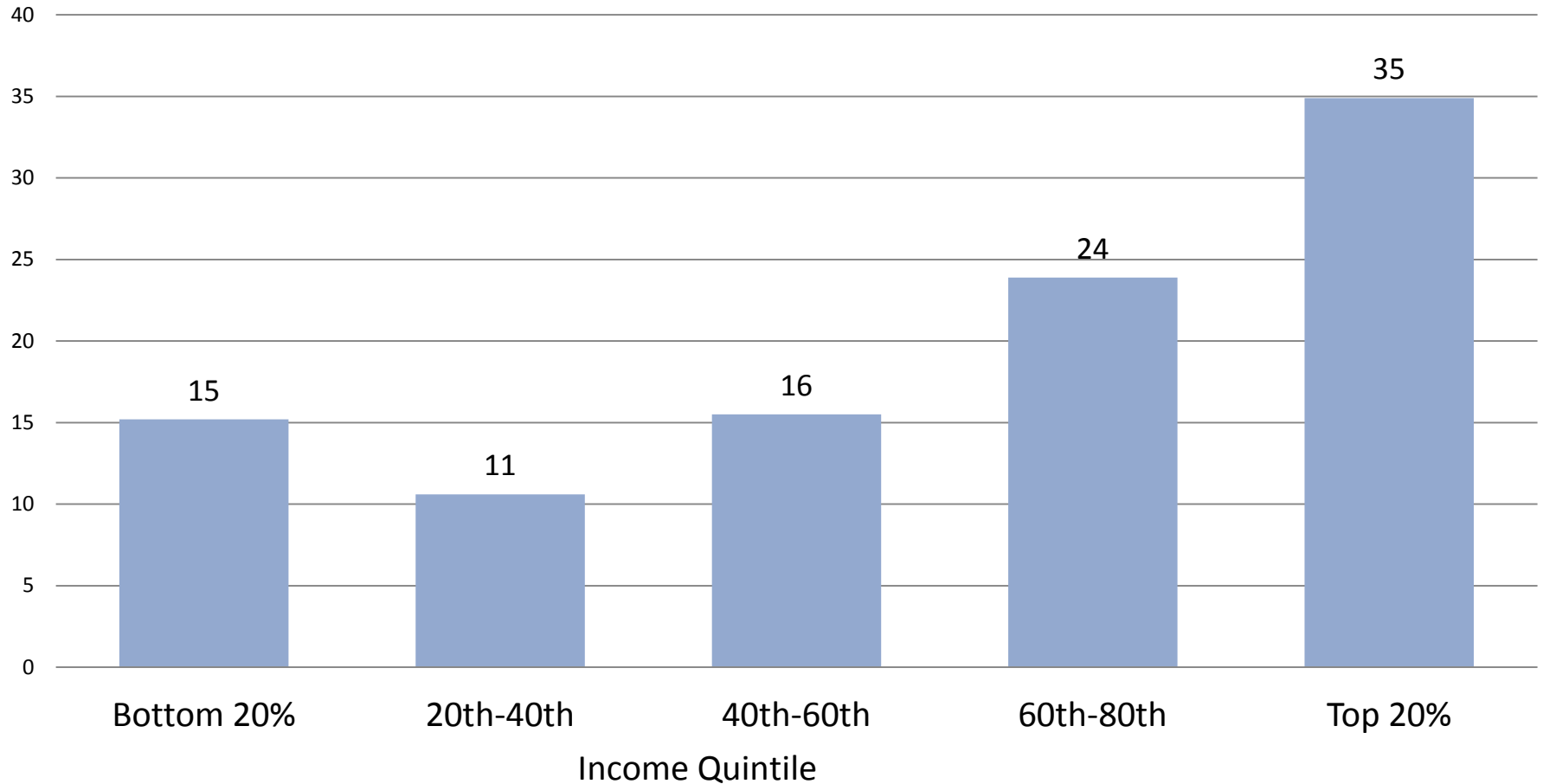


— Share of Borrowers — Share of Debt

No Board endorsement of any person or entity

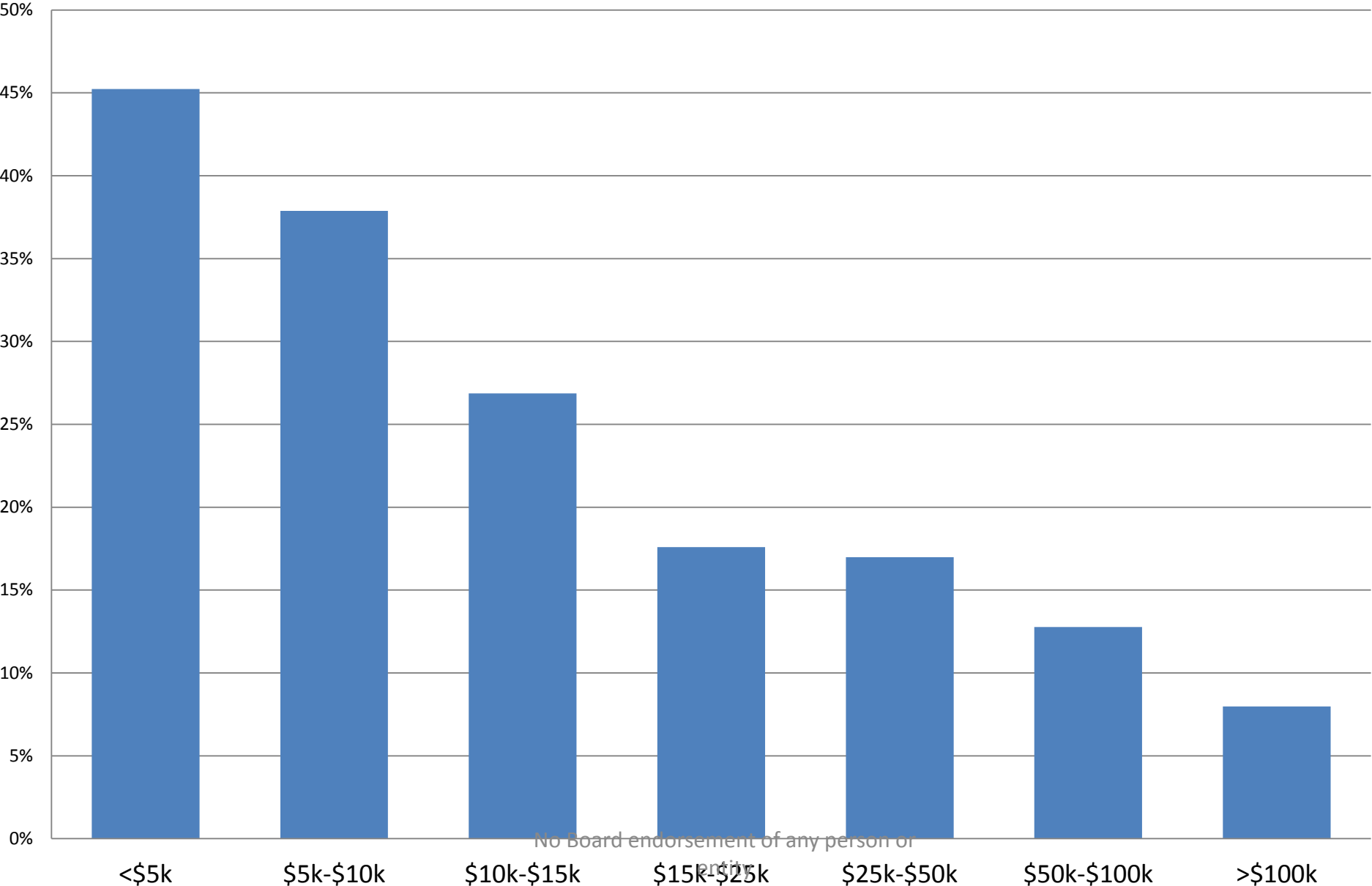
# Most debt is held by borrowers in the top half of the income distribution

## Federal Student Debt Owed by Income Quintile

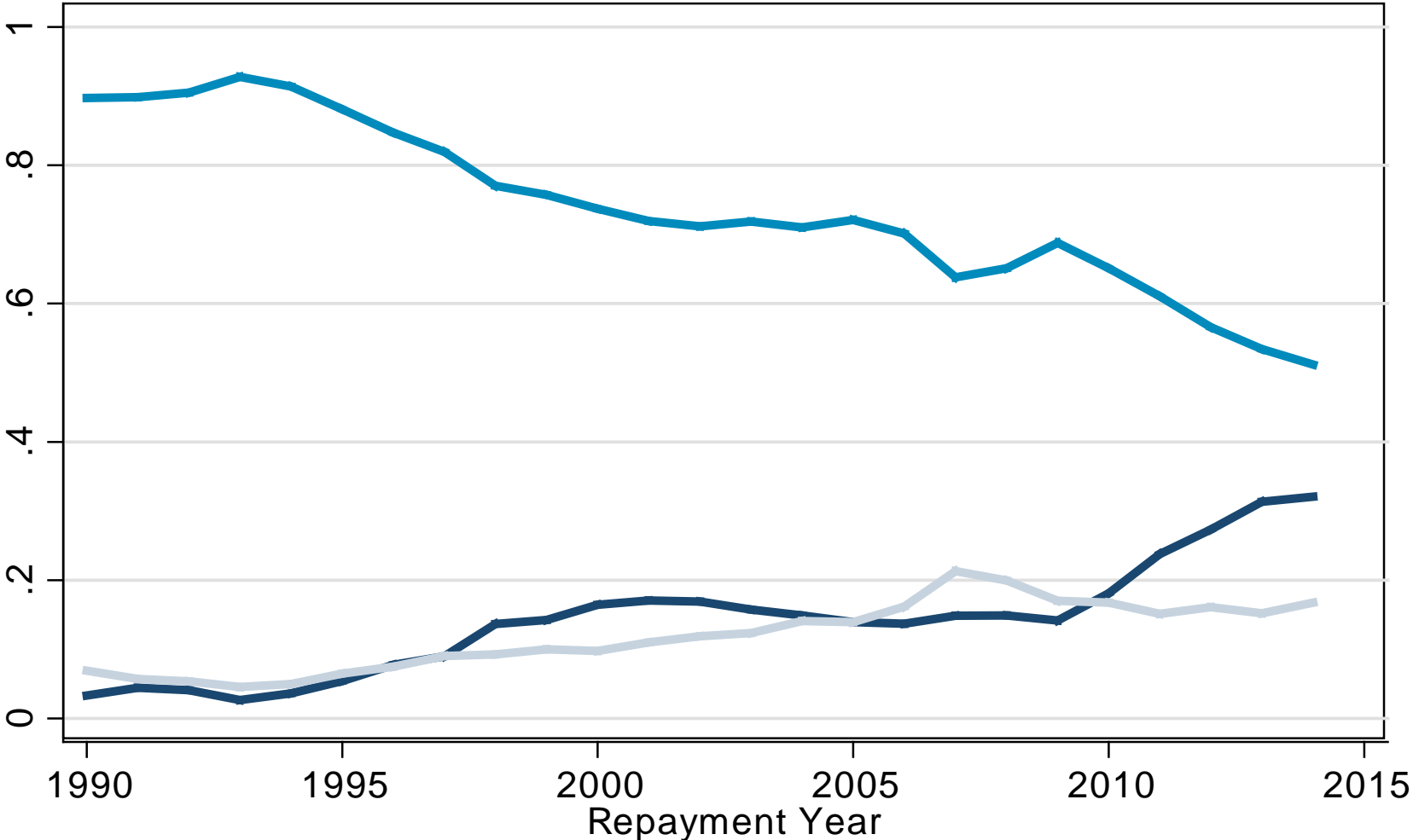


No Board endorsement of any person or entity

# Large-balance borrowers rarely default (Five-year default rate, 2000s)



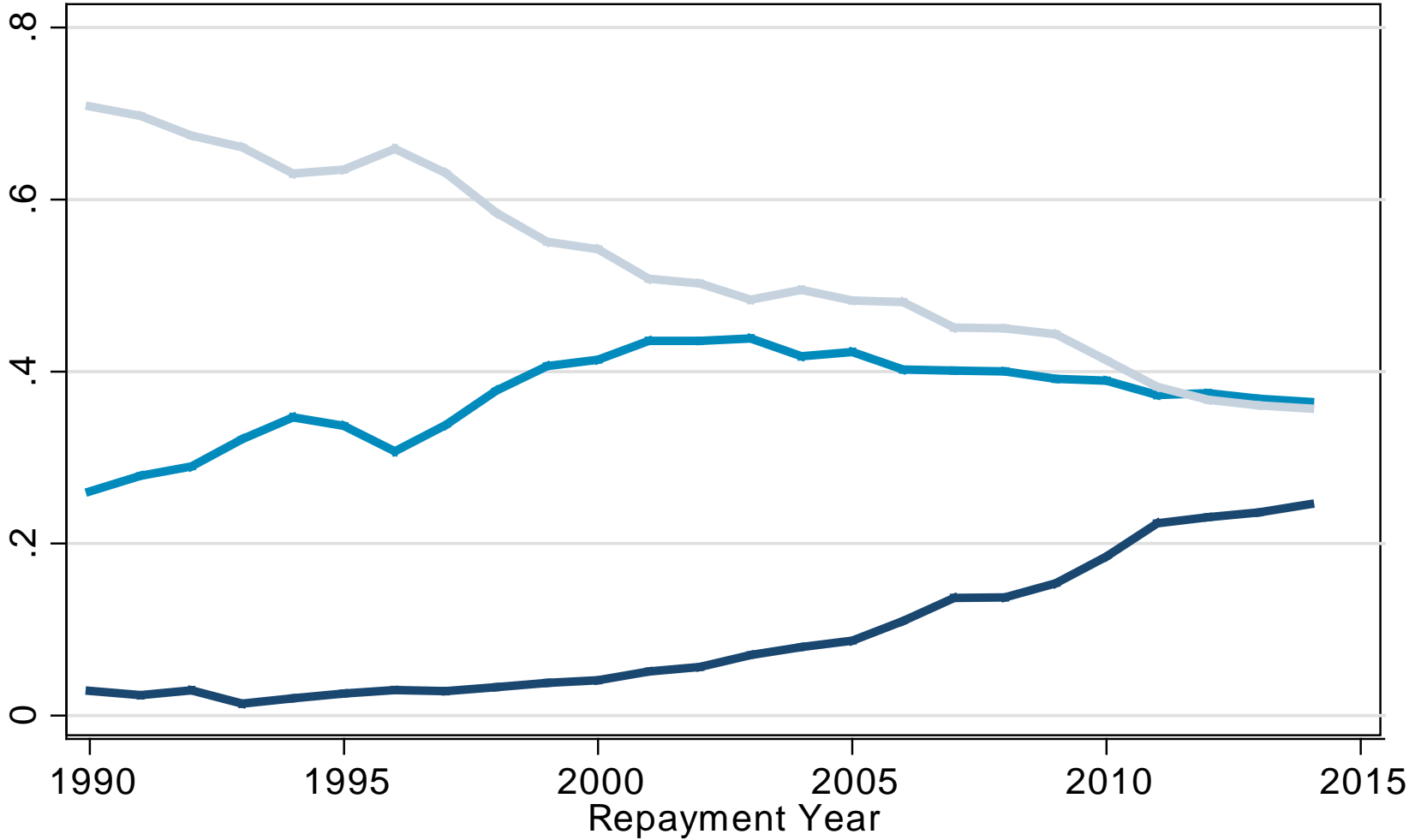
# Composition of borrowers with >\$50k balances (borrower type)



Independent Undergraduate      Graduate Borrower  
Parent Borrower

No board endorsement of any person or entity

# Composition of borrowers with >\$50k balances (institution type)

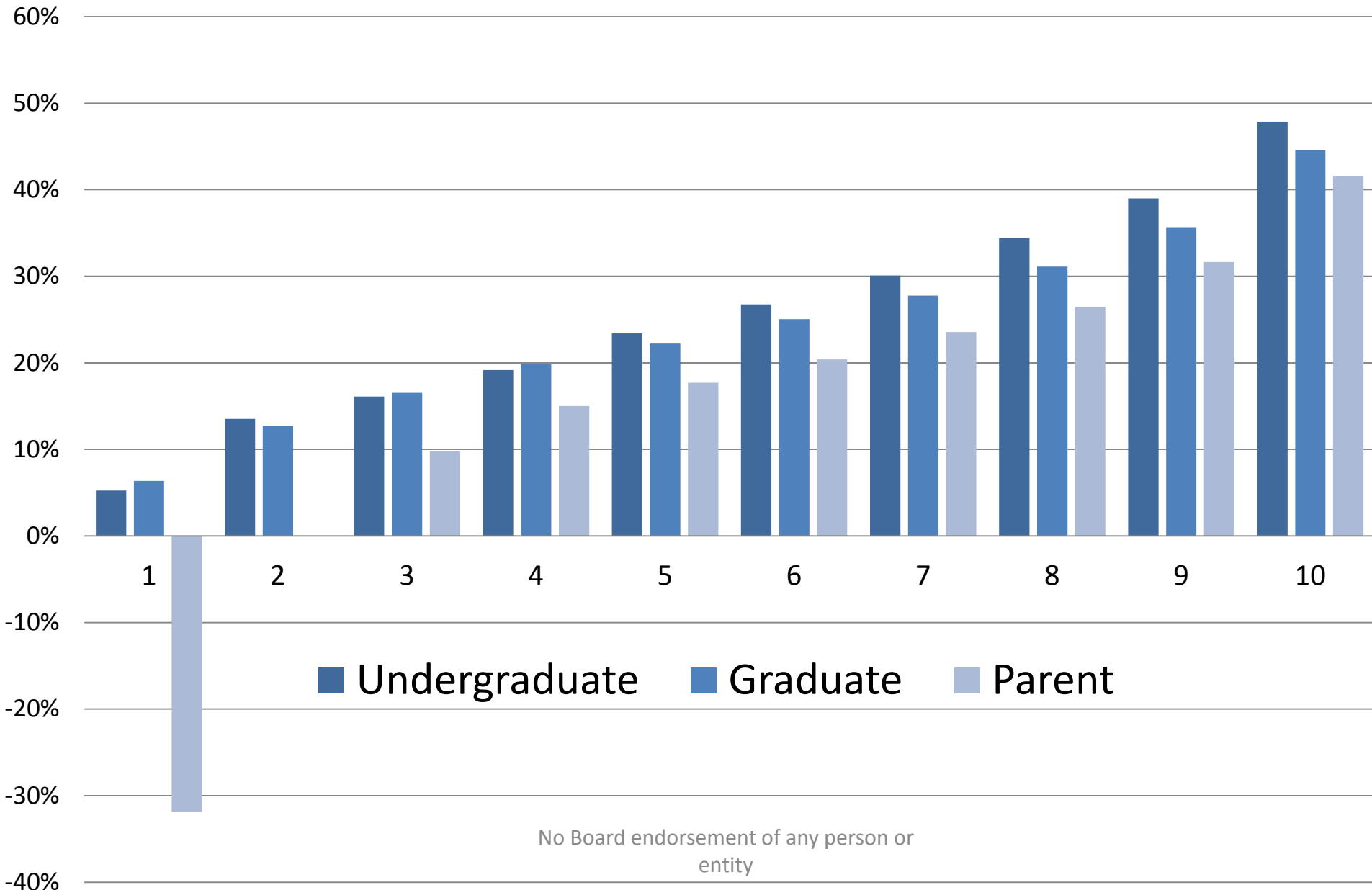


For-Profit      Public 4-Year  
Private 4-Year

No Board endorsement of any person or entity



# Substantial heterogeneity across institutions: 5-Year repayment rates by institution repayment rate decile



No Board endorsement of any person or  
entity