The United States of STUDENT DEBT

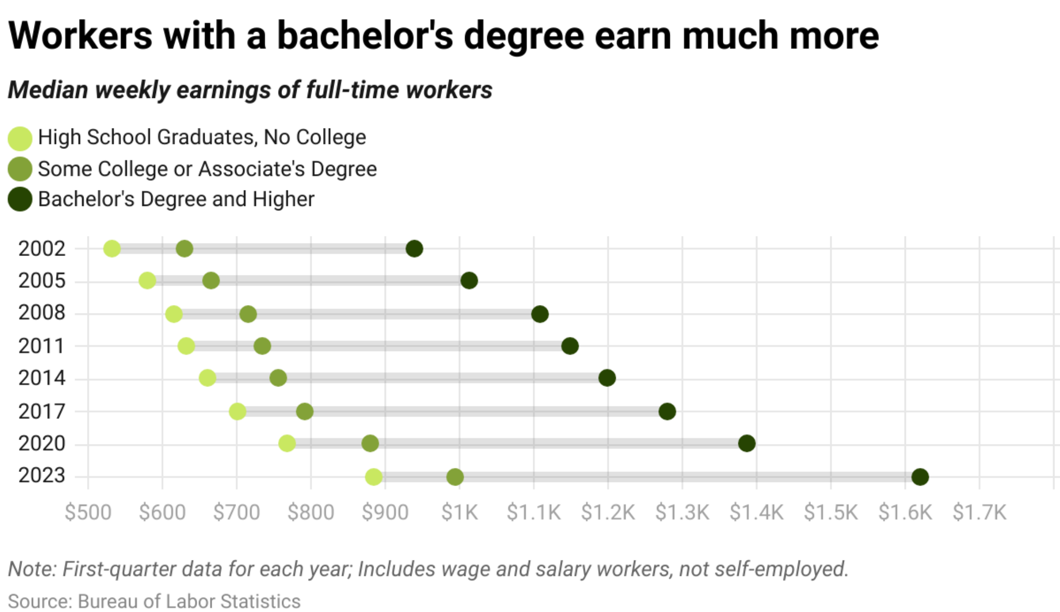
An analytical report on the debt burden facing U.S. borrowers today—and the post-pandemic policy changes that will shake it up.

September 2023

PREFACE

A post-secondary education is an investment for the future. It's one of the top ways to bolster job opportunities, job earnings, and career advancement. These outcomes can lead to lifelong benefits of financial security, including access to higher quality housing and health care.

Earnings data from the Bureau of Labor Statistics show that employed workers with a bachelor's degree or higher earn 1.8 times more than workers with a high school education who did not attend college.



But like all investments, education has an initial cost. And in the United States, that cost has risen significantly over recent decades, making it evermore difficult to pursue a degree without financial aid.

At the same time, the pandemic has disrupted historical borrowing trends and spurred new policies that will shape student borrowing—and repayment—in the coming months and years. Studocu, an international platform designed to help students share helpful study materials for their courses, has been watching these developments unfold. We have written this report with the goal of helping Studocu users and the general public understand the landscape of student debt as it stands today.

This report offers insights into the challenges facing student borrowers as the country enters an uncertain post-pandemic period. The information presented is a culmination of data sources from authoritative research institutions, the Federal Reserve system, and government agencies, as well as Studocu's own analyses of reputable databases.

In particular, we relied on the Department of Education's "College Scorecard," which contains comprehensive metrics on post-secondary costs, federal loans, and repayment and default rates for schools across the country. And we included insights from our own proprietary surveys of students who use our platform. Studocu believes that, in any discussion about higher education, student voices should be heard.

While we cannot predict how the government may alter lending or repayment policies going forward, or how the U.S. economic situation might look in the future, we have included a wide range of historical charts and observations that explain the extent to which borrowers tend to accrue and pay off debt depending on economic factors, school type, and personal background.

These insights are most useful to prospective university students who are currently assessing the benefits of post-secondary degrees against the debt loads they will carry. These incoming students, who are often about to take on student debt for the first time, are most exposed to the uncertainty surrounding student loans: the government repayment policies that are rapidly changing, the job market and the economy upon their graduation, and other unknown circumstances that they will face years from now.

In this respect, we hope that students armed with knowledge and insights from this report will be able to make more informed decisions about choosing schools, seeking financial aid, and paying it down under various scenarios.

Happy studying!
The Studocu Team

CONTENTS

INTRODUCTION: A NEW ERA OF DEBT

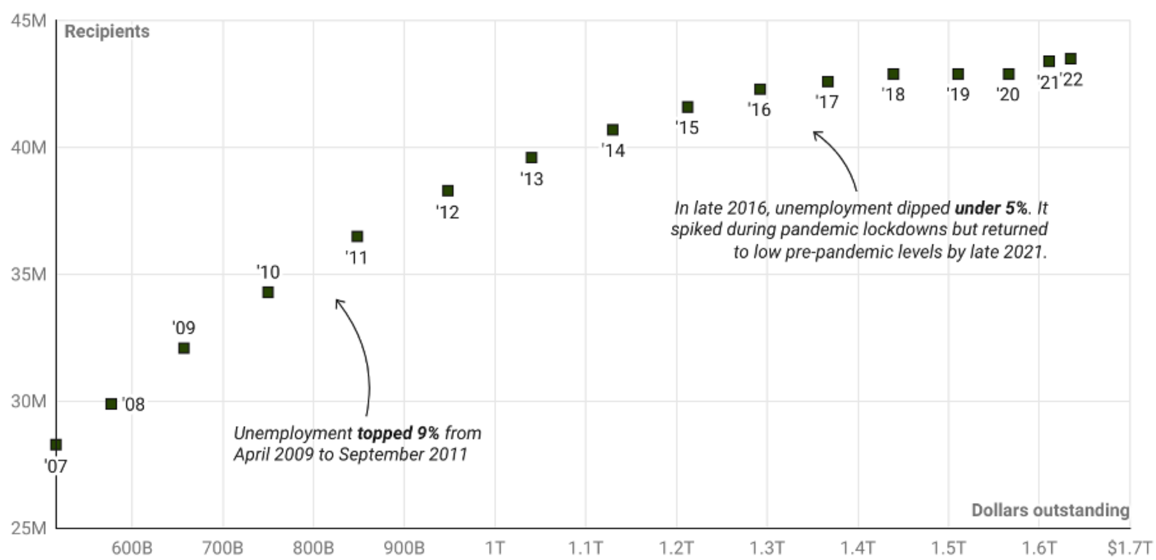
Current, incoming, and graduated students—as well as their families and the country as a whole—are entering a new era of student debt shaped by the COVID-19 pandemic.

For decades, student loan debt soared as more people were enrolling in post-secondary education at the same time that college costs were increasing and government policies facilitated borrowing. As this report will discuss in depth, university education became increasingly unaffordable in the shadow of the Great Recession, when schools were struggling to find financing in the depressed economy and raised tuition to fill the gaps. Many Americans chose school—and the student debt that came with it—over the tough job market.

But then, things began to change. As the job market recovered, prospective students were more tempted to bypass expensive degrees to start their careers. Between the fall of 2010 (when undergraduate enrollment peaked) and the fall of 2019, undergraduate enrollment at degree-granting institutions dropped 9%, from 18.1 million to 16.5 million students, according to the National Center for Education Statistics (NCES).

Lower enrollment didn't mean fewer loan holders—at least at first. That's because students were still coming into the loan system faster than they were leaving it, so the federal student loan portfolio continued to grow from 34 million recipients in 2010 to 43 million in 2018. But as the decade came to a close and the job market boomed, the U.S. loan portfolio stabilized: The number of loan holders had finally started to plateau and the amount of debt those people held wasn't growing nearly as fast as during the recession and post-recession years.

After a surge in the 2010s, the number of loan recipients has plateaued and debt growth has slowed



Note: Unduplicated loan recipients for each federal fiscal year.

Source: Federal Student Aid - DOE (dollars and recipients); Federal Reserve (unemployment)

Then COVID-19 hit, ushering in a new, questioning mindset about the value of education in a virtual world. Undergraduate enrollment dropped even further, to 15.4 million by the fall of 2021. One NCES survey from August 2021 reported that 16% of adults who had household members who planned to take classes that fall had canceled those plans for at least one member. The most common reason was inability to pay due to income changes from the pandemic. The result: fewer student loan recipients and less new debt.

But by that point, student loan debt was already sky high—the second largest consumer debt in the U.S. only to mortgages. The pandemic put a spotlight on a national financial burden that was weighing on more than 40 million people. As many workers lost their income, the federal government under President Donald Trump issued an emergency student loan forbearance program to pause interest accrual and borrower repayments. President Joe Biden extended that program after taking office.

Now, that program is ending. Interest on student loans resumes September 2023, and payments will start to come due the following month. For many, this will be a harsh reality, particularly among those who were hoping for a loan forgiveness measure proposed by President Biden in August 2022 to provide some—or complete—relief. (The Supreme Court struck down Biden's sweeping forgiveness plan in June 2023.)

Although mass student debt cancellation is off the table, the Biden administration is rolling out other loan relief measures. These policies will alter repayment terms and potentially reshape—once again—what student loan debt looks like in the U.S.

BIDEN'S PUSH

In a 6-3 ruling, Supreme Court justices ruled that the Biden administration overstepped its authority when it announced a loan forgiveness program that would cancel up to $400 billion in student loans. Had the initiative succeeded, about half of borrowers would have had all of their student loans forgiven.

Following that defeat, the administration announced a new initiative called the **Saving on a Valuable Education (SAVE) Plan**. These are its key points:

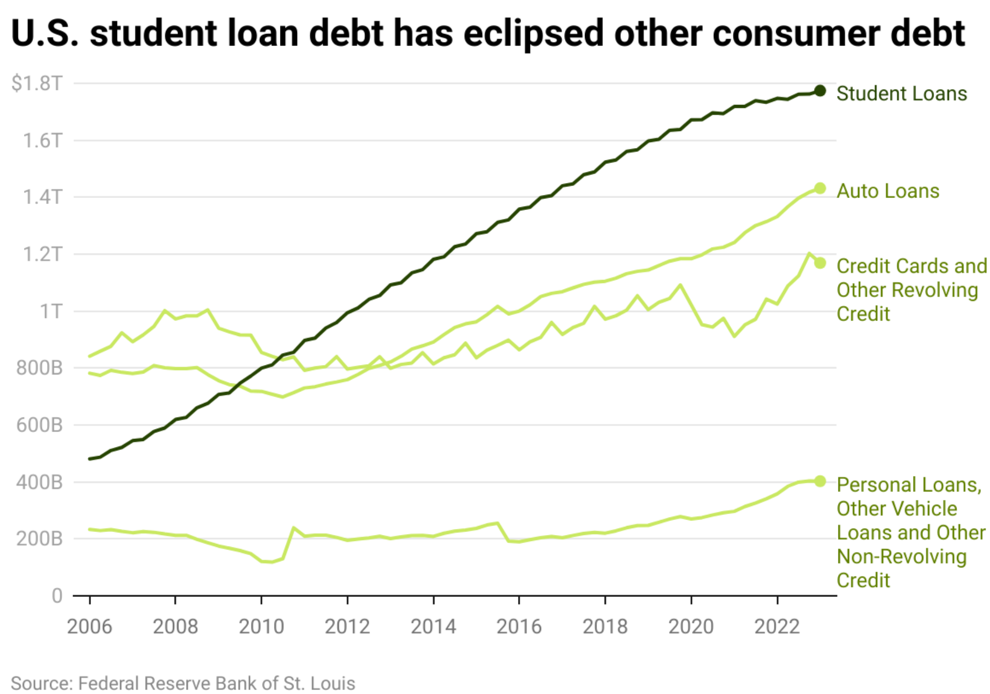
- For undergraduate loans, **cut the required monthly payment** from 10% to 5% of discretionary income.
- **Raise the income amount that is considered non-discretionary** so that borrowers earning under 225% of the federal poverty level (about $15 minimum wage) will not have to make monthly payments.
- **Forgive loans balances after 10 years of payments**—down from 20 years—so long as the original balances were $12,000 or less.
- **No interest accrual** for borrowers who stay current with monthly payments, preventing loan balances from growing—even when the monthly payment is $0 due to low-income status.

PART 1

How student loans work in the U.S. and in other countries

THE STUFF STUDENT DEBT IS MADE OF

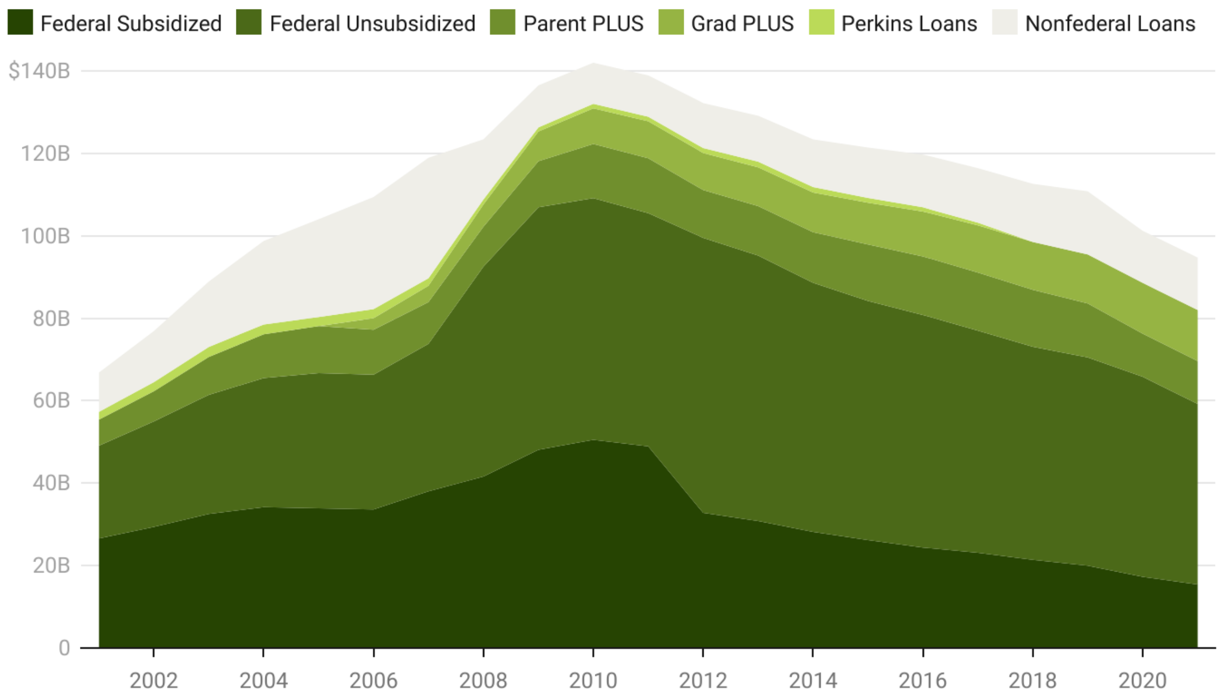
Student loans are one of the largest types of debt in the U.S., the second largest consumer debt category after home mortgages. This debt stood at nearly $1.8 trillion in the first quarter of 2023, according to the Federal Reserve. Here's a quick primer on how these loans work.



Most student debt is from federal financial aid, also known as Title IV loans. These loans cover tuition, fees, room and board, books, and other expenses. Unlike private loans, the interest rate is fixed (see current fixed rates here). Federal loans today generally fall into three categories:

Direct Subsidized Loans	Direct Unsubsidized Loans	Direct PLUS Loans
For undergraduate students with financial need.	For any undergraduate and graduate students.	For parents of dependent undergraduate students and graduate students.
There's no interest on the borrowed amount while enrolled in college at least half-time and also for six months after the student graduates or drops below half-time enrollment.	Students must pay the interest that has accrued on the loan while in college.	Like unsubsidized loans, interest starts accruing once the loan is disbursed. However, borrowers can defer payment while the student is enrolled at least half time and also for six months after the student graduates, or drops below half-time enrollment.

Types of student loans by year, 2001-2021

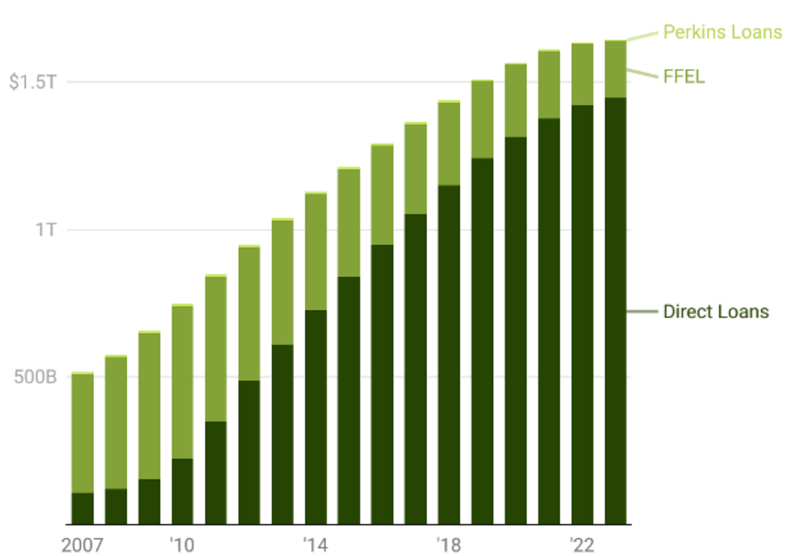


Note: In 2021 dollars.

Source: The College Board

Today's direct loans account for the bulk of outstanding federal student debt on the books today. But this wasn't always the case. Loan programs have come and gone over time, including most recently the [Federal Family Education Loan (FFEL) program]() and the [Perkins Loan program](). These indirect programs supported loans issued by private lenders and schools. They were discontinued in 2010 and 2017, respectively. While these loans are still being paid off, their outstanding balances have been eclipsed by direct loans.

Cumulative student debt by federal loan type



Source: Federal Student Aid (DOE)

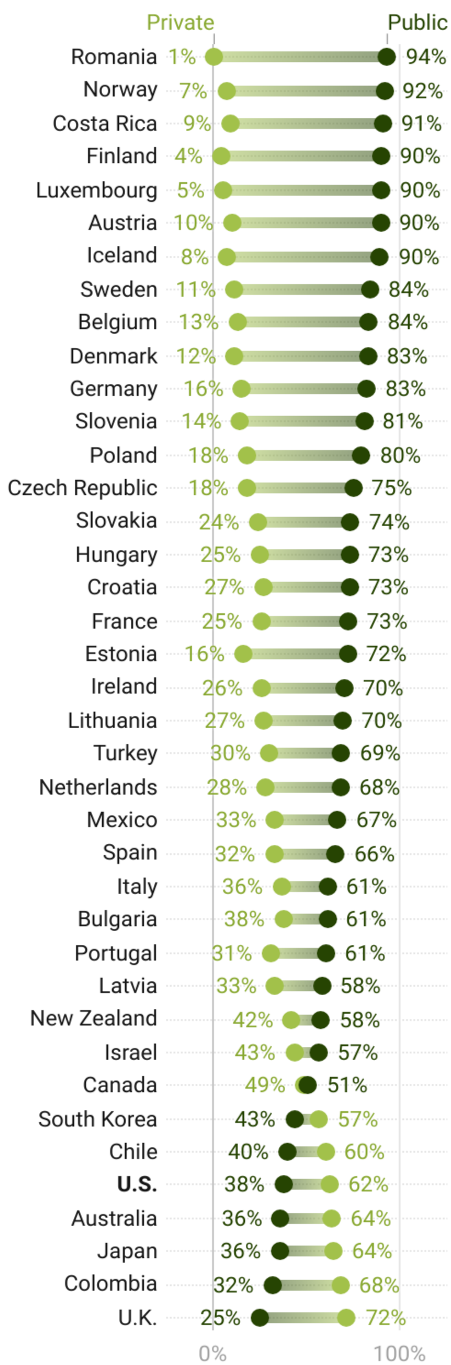
Federal loan borrowers have different repayment plans. Those who enter the Standard Repayment Plan pay fixed installments of at least $50 each month for up to 10 years. If the loan is a consolidation loan (one or more federal education loans combined) the repayment can stretch for 30 years, depending on the amount.

But many borrowers are unable to pay the fixed installments, and opt for one of the government's income-driven repayment (IDR) plans. With these plans, the repayment is based on income and family size—and some borrowers with low income and large families qualify to have no monthly payment at all. The terms of these loans are 20 to 25 years. The remaining loan balance is forgiven if your federal student loans aren't fully repaid at the end of the repayment period.

The catch, however, is that even under IDR plans, interest on student loans can add up. Prior to the pandemic pause, many borrowers found that, even when their payments were current, their balances went up due to interest accrual. More on this in the forthcoming chapters.

COSTS AND PAYMENTS: A GLOBAL COMPARISON

Shares of public and private spending on tertiary education



Note: Data for 2020. In most countries, households account for the majority of private funding, but private funding can also include businesses and religious organizations. Some countries do not add up to 100%.

Source: OECD

Around the world, the amount individuals pay for tertiary education—including bachelor's and other advanced degrees—varies greatly by the cost structures of each country. Private expenditures on higher education are under 20% in countries like Germany, Austria, Denmark, and Sweden but are over 60% in Australia, Japan, the U.K., and the U.S., according OECD data.

As a result, students in the U.S. have loan burdens that can stifle their financial well-being significantly more than students in other countries. And yet, the country has very high rates of college attainment—higher, even, than other countries that offer subsidized education or more lenient loan-repayment systems.

Here's a quick glimpse at how other countries differ from the U.S. in their affordability, their payment mechanisms and their academic achievements:

> In **Australia** and the **U.K.**, education is expensive and students foot the bill. This is similar to the U.S., but repayments in these countries are automatically withheld, like taxes, and are based on income.

The vast majority of students in these countries opt for income-based repayment rather than paying in full for their tuition. The system is convenient: Loan repayment kicks in automatically and adjusts with income, but only if the borrower earns a certain amount. (In this sense, the new SAVE plan in the U.S. will operate in a similar fashion—effectively, any borrower who is earning minimum wage will not have to make payments.) Australian student debt doesn't clear after a set period of time but it does in the U.K. after 30 years.

Countries including **Germany** and **France** provide subsidized education and tuition is capped.

One of the big reasons why student loan debt in the U.S. has ballooned is because the government has no authority to cap the amount that colleges charge. In some countries, free or low-cost tuition is possible in part because robust social systems (in the form of taxes) cover the costs. In Germany, for instance, public universities waive tuition fees entirely; students are responsible for administrative fees and student costs of living. The schools' tuition rates must adhere to the budgets set by the government.

In **South Korea**, where higher education attainment rates are among the highest in the world, students rely on debt, family funds, and scholarships.

Most South Korean students enroll in independent private universities. While Korean colleges receive government funding, they also rely on tuition from its students and there is no cap to what they can charge. According to a 2020 study in the *Journal of Asian Sociology*, nearly 60% of students received help from their parents in 2018, down from 70% in 2010. That downward trend is due, in part, to the Korea Student Aid Foundation created in May 2009, which expanded the government's budget for scholarships and student loans. With the launch of an income-based national scholarship program in 2012, the number of recipients soared and, as of 2016, more than 80% of enrolled students receive a scholarship. That same year, about 20% had loans.

25-64 year olds with bachelor's degrees

Source: OECD

The **United States** is now rolling out repayment plans that offer borrowers more debt relief. In some ways, these reforms mimic other countries.

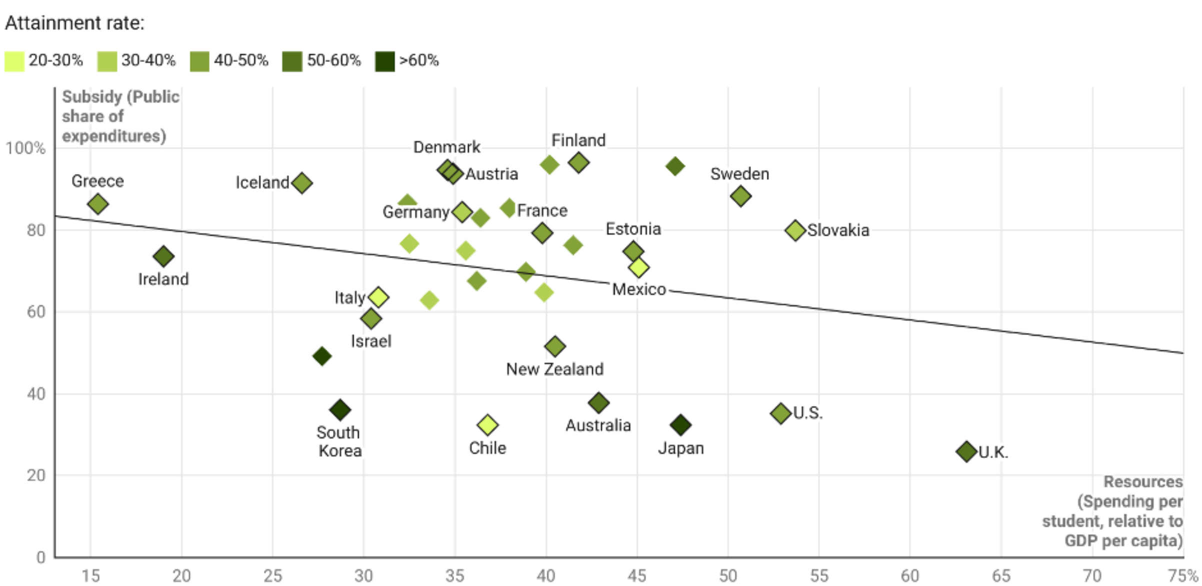
The U.S. currently has [four income-driven repayment (IDR) plans] that have the advantage of tying repayment to income levels, allowing for longer payback periods than the standard repayment plan. Borrowers in these plans are less likely than those in fixed-payment plans to default on their loans, noted a 2020 [Congressional Budget Office] report. Yet that report also found that less than a third (27%) of borrowers were enrolled in these plans in 2017. While that's up from 10% in 2010, it's small compared with some countries that take this approach.

The Biden administration is in the process of modifying the government's IDR options, (including rolling out the new [SAVE plan]) to help to provide lower monthly payments than previous plans. These initiatives will bring the U.S. more in line with some other countries.

* * * *

With so many cost structures around the world, which is best? It's impossible to say. One study from the [American Enterprise Institute], a U.S. policy think tank, found that government support doesn't always result in better-resourced schools—nor higher rates of educational attainment. Using data from the OECD, the study compared schools' subsidies (the percent of funding from public sources) with student resources (spending per student) and found tradeoffs with every system. For example, universities in Greece are almost fully funded from the government, but resources are spread thin. On the other hand, universities in the U.K. don't receive a lot of government funding, but there are greater resources available to students.

Subsidized universities don't always have better resources or attainment rates



Note: Attainment is the share of individuals age 25–34 with tertiary education.
Resources are calculated as country spending on higher education, divided by the number of full-time equivalent students, measured as a share of the country's GDP per capita, to account for a country's economic capacity.

Source: American Enterprise Institute, OECD data 2018

PART 2

Student debt was growing at an absurd rate. Then came the pandemic

WHY STUDENT DEBT GOT UNFATHOMABLY BIG

In recent decades, federal student loan debt has ballooned. Back in 2007, students and their parents with federal loans were carrying a total of $516 billion in debt. As of the second quarter 2023, that amount is more than $1.6 trillion. That number is really hard to comprehend. But here are some ways to think about it:

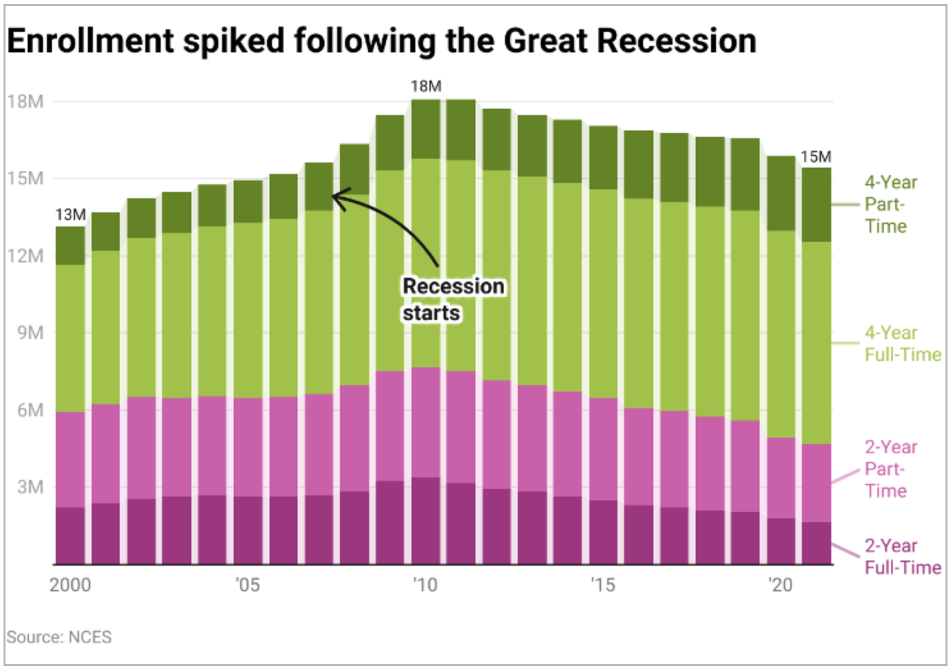
GDP	Streaming Subscriptions	Smartphones
U.S. students have accumulated more debt than the **entire economy** of Spain, Indonesia, The Netherlands—or many other countries!	Netflix charges about $14 per month for a standard plan. With $1.6 trillion, you could pay for approximately **9.5 billion years of Netflix.**	An iPhone 13 Pro costs around $1,000. The student debt equivalent is 1.6 billion of these phones, or enough for **every person in the U.S. to own five phones**.
Coffee Breaks	**Dollar Bills**	**Per Person**
If the debt were used to pay for $5 Starbucks lattes, every person in the U.S. could drink **a cup a day for 2.5 years.**	If student debt were $1 bills laid end to end, it would **stretch 155 million miles**—far enough to circle Earth 6,000 times or make 350 round trips to the moon.	Quite simply, the current population of the U.S. is about 332 million, so the student debt load amounts to **$4,819 per person** when divided evenly.

There is not one single reason why the debt is so huge, but rather a series of factors that have played off each other, creating a tangle of causes and effects.

First is the **rising population of borrowers**. The number of loan recipients has jumped from 28 million borrowers in 2007 to 43 million by 2018.

Much of that growth stemmed from higher enrollment in the years during and following the Great Recession, when economic activity was sluggish and the job market was weak. With fewer employment opportunities, more people enrolled in school to seek higher degrees. According to a [U.S. Census report] from 2018, this change was concentrated in two-year colleges, which are often the choice for people who want to acquire new skills quickly.

Even after 2010, when the number of enrolled students began to shrink, student borrowers were still coming into the loan system faster than they were leaving it, so the federal student loan portfolio continued to grow until 2018, when the number of borrowers began to stabilize.

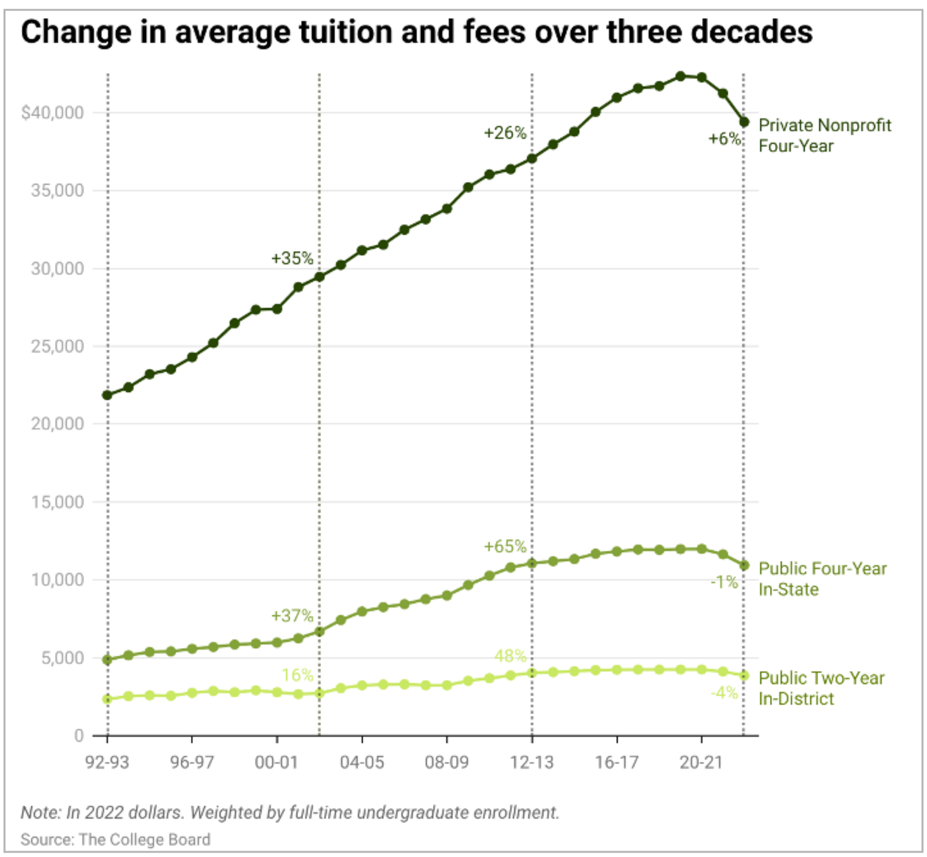


But student enrollment doesn't fully account for the rising loan burden. Consider that the population of borrowers has increased about 150% since 2007 while the outstanding loan amount has increased 300% during that time.

It turns out, many other forces were feeding into the surging debt.

Schools dramatically **increased their price tags**. From community colleges and trade schools to in-state universities to private colleges, costs rose significantly in the span of a few decades.

The College Board, in its most recent [Trends In College Pricing] report, found that tuition and fees for private four-year schools increased 35% from 1992-93 to 2002-03 and then 26% from 2002-03 to 2012-13. Public four-year schools, while still less expensive than private schools, saw even steeper increases of 37% and 65% over the same time periods. (Costs were also rising in the mid 2010s, but then dropped since the pandemic resulting in little net change for the decade.)



Price hikes didn't happen in a vacuum; **government actions and policies** at both the state and federal levels have compounded the trend of rising costs.

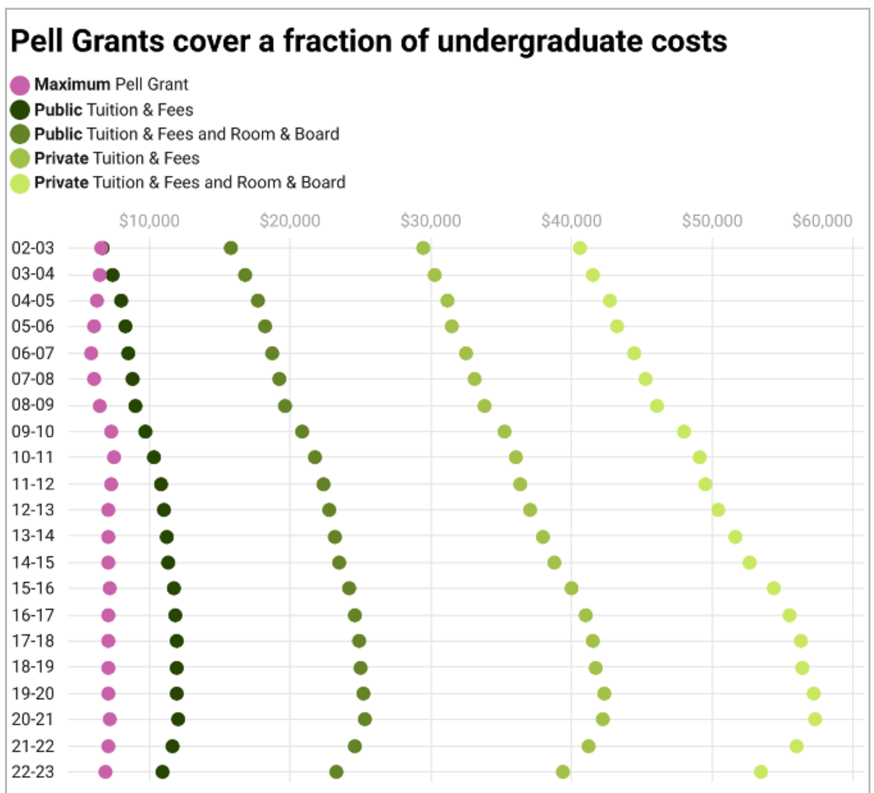
At the state level, funding to public schools declined during the Great Recession and in its aftermath. That was a big deal because state and local governments allocate the bulk of their higher education funds—nearly 80%—to general school operations, according to the State Higher Education Executive Officers Association's 2023 Finance Report. So as state coffers shrunk, schools relied more on tuition for financial support to keep operations running.

In 2001, government appropriations for public colleges were about $11,000 per full-time equivalent student, adjusted for inflation. That figure dropped to $7,600 by 2012. In 2022 it was back to $10,200. However, over those two decades, public school revenue has increasingly come from students; Student tuition now accounts for 42% of school revenue, up from29% in 2001.

Changes at the federal level have played a role, as well. The creation of the Grad PLUS loan program in 2006, for example, ditched loan caps for graduate students (previously at $18,500 per year for most borrowers). This allowed graduate students to take on debt that covered the entire cost of attendance—but it also spurred universities to hike tuition. One 2023 research study published at the National Bureau for Economic Research found that "sticker prices went up approximately dollar for dollar with increases in federal loans."

Meanwhile, the government has not increased the **size of grants** to offset increasing tuition costs.

Take Pell Grants, which are awarded to undergraduates who display exceptional financial need. Around 6 million students received Pell Grants last year, according to The College Board's Trends in Student Aid report, down from a high of 9.4 million following the Great Recession. Not only are fewer students receiving these grants, but the value of the grants hasn't kept pace with rising tuition.



Note: Based on four-year programs. Private is private, nonprofit schools.
Source: The College Board

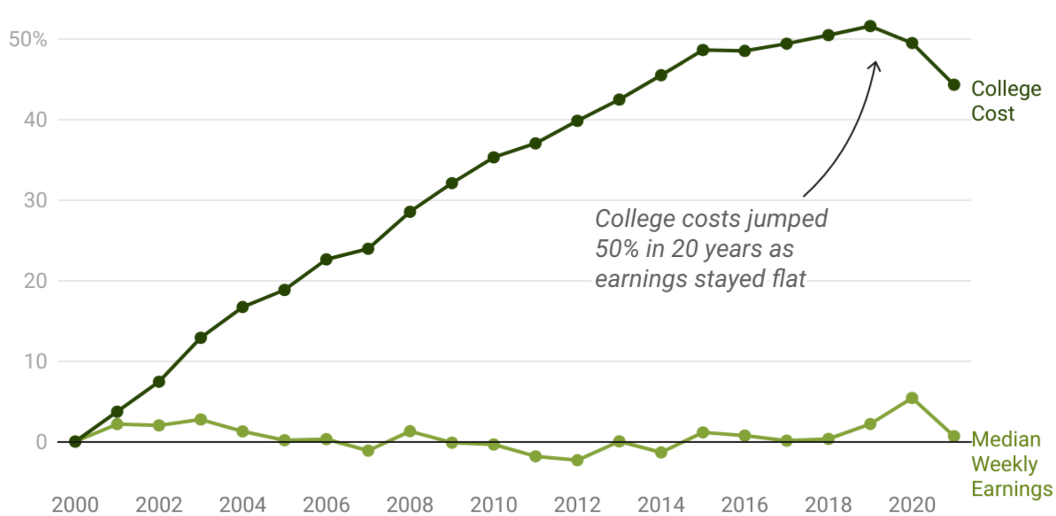
The maximum Pell Grant award for the 2023-24 school year will be $7,395, up from $6,895 in 2022-23. But even that $500 increase is a small fraction of the cost of school, particularly when room and board is included. While Pell Grants were once able to cover nearly 100% of tuition and fees at public schools, they now only cover 63%. What's more, when grants go up, so, too, does tuition. A dollar increase in the maximum Pell Grant award results in a 37¢ increase in tuition according to a 2017 analysis from the Federal Reserve Bank of New York.

While the cost of college shot up, **American's earnings weren't rising fast enough** to keep pace.

It would be one thing if each year's graduates made significantly more than those who graduated before. But that has not been the case. As tuition rose every year and students took on more debt, they were facing the same wages upon graduation as their predecessors.

Tuition, fees, and room and board at four-year schools (public and private combined) rose 52% between 2000 and 2019 when adjusted for inflation, according to NCES data. But earnings among workers with a bachelor's degree (and no graduate degree) stayed constant over the two decades when adjusted for inflation. Effectively, the cost to obtain a degree skyrocketed while the earning power of that degree didn't budge.

Change in college cost and job earnings since 2000



Note: Cost includes tuition, fees, and room and board at 4-year schools. Earnings are among those with a bachelor's degree and no advanced degree. Adjusted for inflation, in 2022 dollars.

Source: Bureau of Labor Statistics (earnings) and NCES (college cost)

Finally, there's the problem of **loan interest.** Prior to the pandemic interest accrual pause, many borrowers were seeing their loan balances go up, even when they were paying on time.

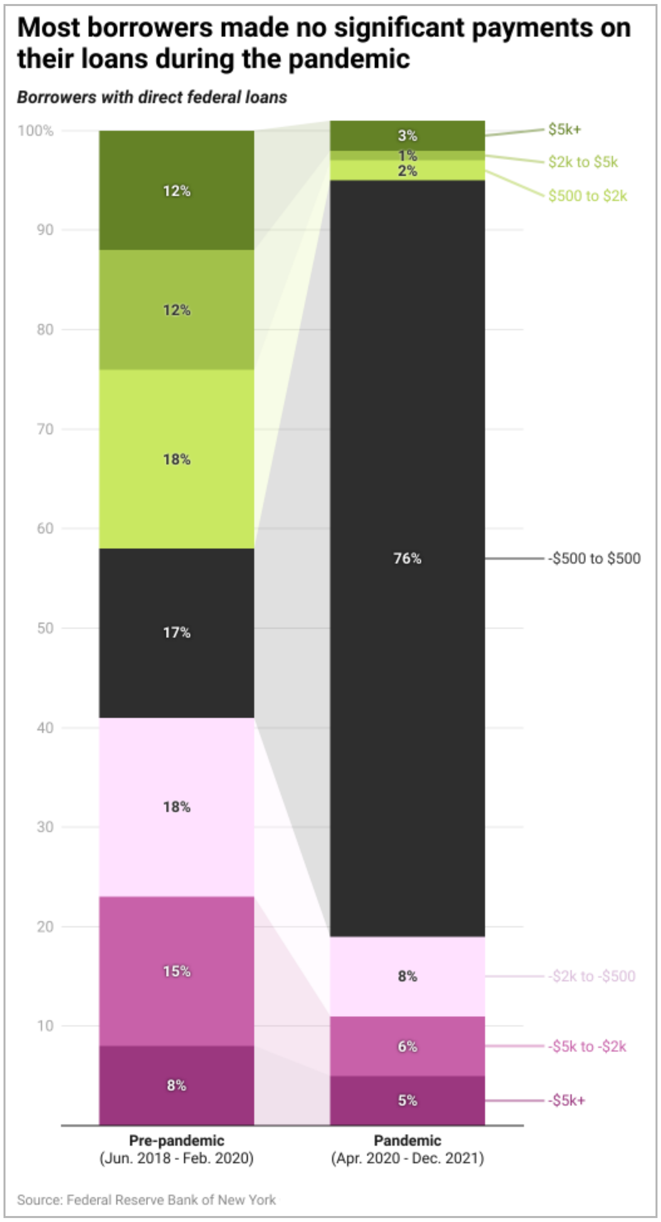
According to the Federal Reserve, about 40% of borrowers had loan balances that increased between June 2018 and February 2020—the period just before the pandemic. Another 40% experienced declining balances. (The remaining 20% had no change.) In other words, borrowers were roughly split between having growing debt loads and shrinking debt loads.

That trend wasn't new: The credit ratings agency Moody's found that about half of federal loan borrowers who started repaying in 2011-2012 had reduced their balances after five years.

With most types of consumer loans, interest tends to accrue when the borrower is delinquent. But with student loans, certain borrowers making on-time payments see their balances go up due to interest. This typically happens when people on income-driven repayment (IDR) plans pay too-small an amount each month to cover the interest. As a result, the interest accrues, pushing the overall balance higher—a scenario known as "negative amortization."

The pandemic largely put an end to that, but only temporarily. Interest will start to accrue again in September, 2023.

THE PANDEMIC DISRUPTION



In March 2020 the United States went into a state of lockdown in an effort to contain the spread of COVID-19. The sitting President at the time, Donald Trump, announced that people who owed student loans would be able to suspend their payments for two months (putting their loans into what's called "forbearance") without penalty. Interest wouldn't accrue during that time, either.

That pause was extended multiple times, through two administrations, and lasted for about three and a half years.

During those years, universities had to adapt quickly to remote learning. In a global survey of student satisfaction, Studocu found that the number of U.S. undergraduate students taking at least one virtual course was 97% higher in 2020 than in fall of 2019. The number of those students exclusively enrolled in virtual classes was up 186%.

But virtual school shook up longstanding practices. For one thing, not everyone wanted to study remotely and enrollment plummeted, as shown on page 15. What's more, the cost to attend college, which had started to level off even before the pandemic, came down even more, also shown on page 15. Falling tuition was both strategic (to lure students) and operational (overhead for virtual classes wasn't as high). The confluence of these factors meant that loans issued during the pandemic were both fewer in number and lower in amount.

Meanwhile, for borrowers who had outstanding debts from prior schooling, the forbearance period offered a great relief. As mentioned earlier and shown in the chart, above, more than 40% of borrowers carried balances that were rising prior to the pandemic. Among the debt carriers, about 76% let their balances sit on ice. Another 19% paid down their debt during the forbearance period, even though they didn't have to.

This is likely because, after the immediate shock of the pandemic shutdowns, the job market recovered relatively quickly and those who could work found themselves in a more lucrative position—especially if their households had received stimulus payments. In an analysis of Federal Reserve survey data collected in late 2021, the Urban Institute found that, among the respondents with student debt, 48% said they were doing better than in 2019, while 28% said they were doing about the same, and 24% said they were worse off.

Given that existing borrowers were able to catch their breath, and students who attended and graduated school during the pandemic weren't carrying as much debt as their pre-pandemic counterparts, the country's outstanding balance was finally able to level off after an incredibly steep, multi-decade climb, as shown on the chart on page 4.

The pandemic era didn't just bring about temporary emergency measures. It also ushered in a momentous push from the government to begin substantial student loan reforms. The biggest attempt by the Biden Administration was to issue broad loan forgiveness, but that idea was shot down in late June when the Supreme Court ruled that only Congress (not the executive branch) had the authority to go that far. The momentum from the administration hasn't abated despite that defeat, and certain new repayment policies, outlined on pages 5 and 12, are likely to alleviate the burden for some students when their student loan bills again become due.

The country is about to enter a period of uncertain change given the new student loan repayment plan options. No one can see yet how effective this new era will be in managing the nation's student debt. But some analysts from think tanks and the Federal Reserve have already cautioned that certain groups of borrowers are likely to feel burdened when repayments restart.

Who are these people? There's a good chance that they are borrowers who, prior to the pandemic, were struggling to keep up. The next part of this report uncovers more about these vulnerable populations.

PART 3

Sinking into debt: An analysis of student loan repayments data

THE LARGEST DEBT BURDEN GOES TO…

Student debt in the U.S. is not uncommon: More than 4 in 10 people who went to college took out student loans, and about half of them still have outstanding balances. For these borrowers, the system can be punishing and have long-term consequences. Borrowers may feel pressure to choose a career that can support their debts, rather than work in less-lucrative fields that fulfill their passions such as education, nonprofits, or the arts.

In addition, U.S. borrowers who fall out of work for any reason, such as becoming ill or losing their jobs to economic circumstances, may end up financially strapped, having to choose between paying loan obligations and affording other living expenses. In those cases, delinquent or defaulted loans can lower credit scores, making it harder to get future loans.

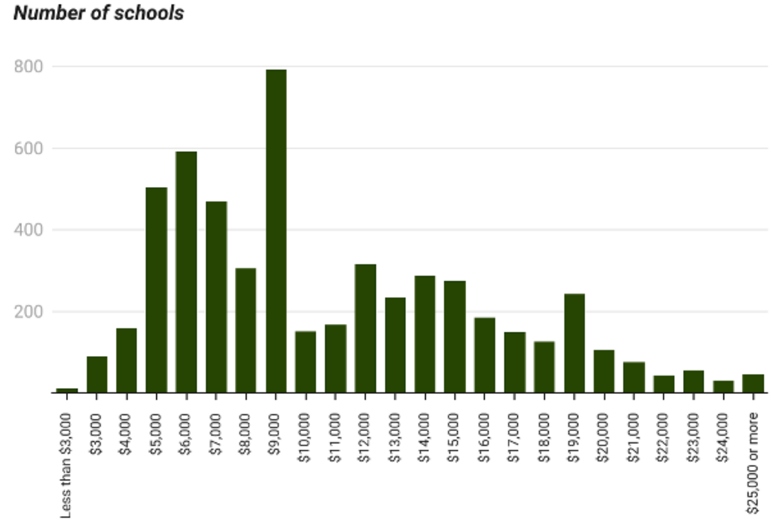
And then there's the broader societal challenge of debt repayment pressure: The burden can deter people from pursuing higher education altogether because it becomes unaffordable.

But not everyone is impacted the same way. Debt varies significantly depending on the borrower characteristics—the degree achieved, the type of school attended, and certain demographic and socioeconomic traits. To get the best sense for which borrowers carry the most debt—and which of them are struggling most to repay—Studocu looked at the Department of Education's "College Scorecard" database, which contains comprehensive metrics on post-secondary costs, federal loans, and repayment and default rates for more than 5,000 schools across the country.

First we looked at the median loan debt accumulated at each institution by all undergraduate student borrowers at their time of departure (either graduating or withdrawing). For instance, if a student receives a loan for $2,000 for eight semesters, their debt is $16,000 for that school. That's effectively their starting loan principal before interest.

In the 2020-2021 school year, half of schools had a median starting debt of $5,000 to $10,000 among their students.

Half of U.S. schools have students who assume a median of $5K-10K in debt upon leaving

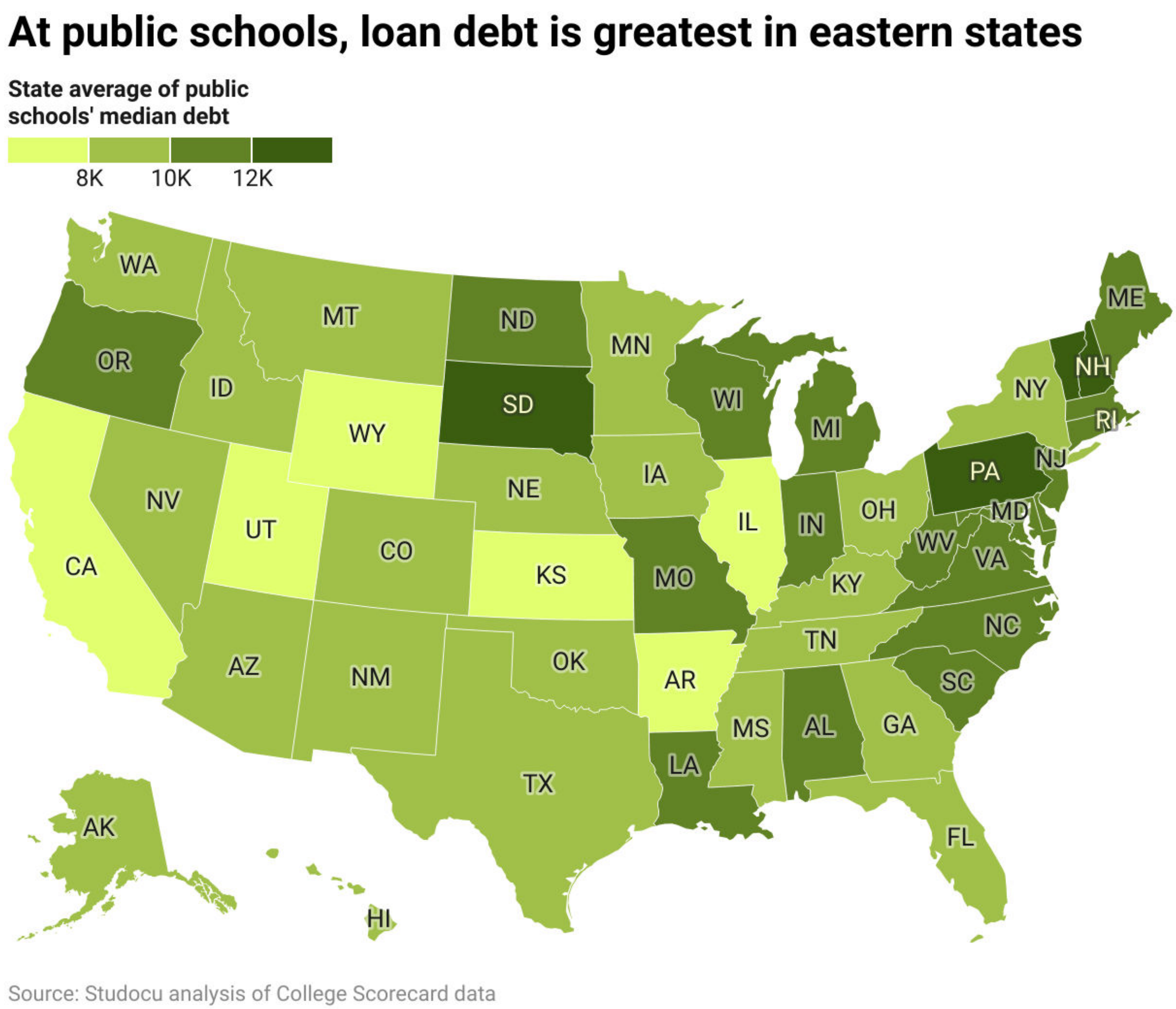


Note: Median debt is calculated among students who have federal loans; non-borrowers and private loan borrowers aren't included.

Source: StuDocu analysis of College Scorecard data

There's also variation in debt loads around the country. Broken out by state, the median debt at each school depends somewhat on geography. Here, we took the average of all the public schools in each state.

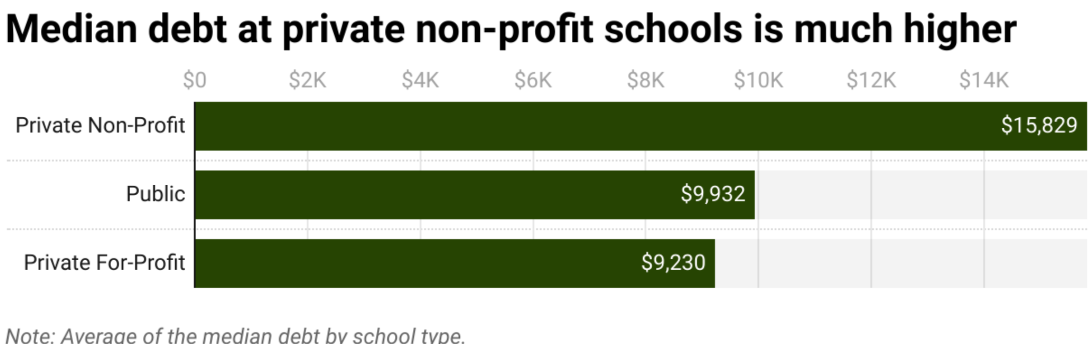
With the caveat that some states have many more schools than others (and a small number of schools could affect the average), the range is significant: Wyoming, Illinois, Utah and Kansas have schools that average less than $8,000 in debt while Vermont, South Dakota, New Hampshire and Pennsylvania have schools that average more than $13,000. In general, the public schools in the eastern half of the U.S. have the highest levels of student debt.

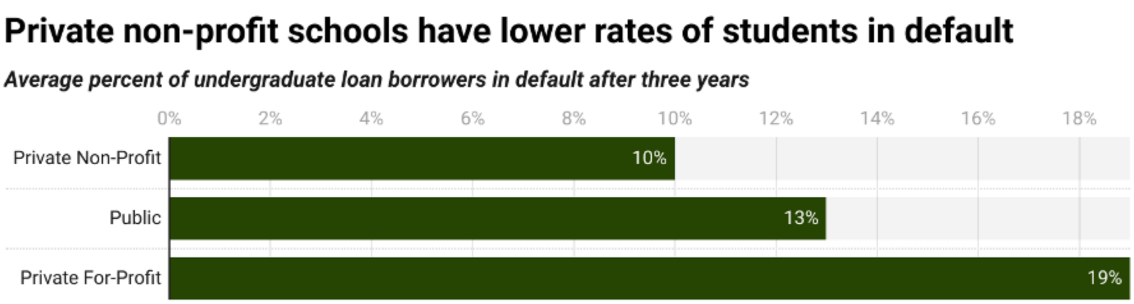


STRUGGLING TO REPAY

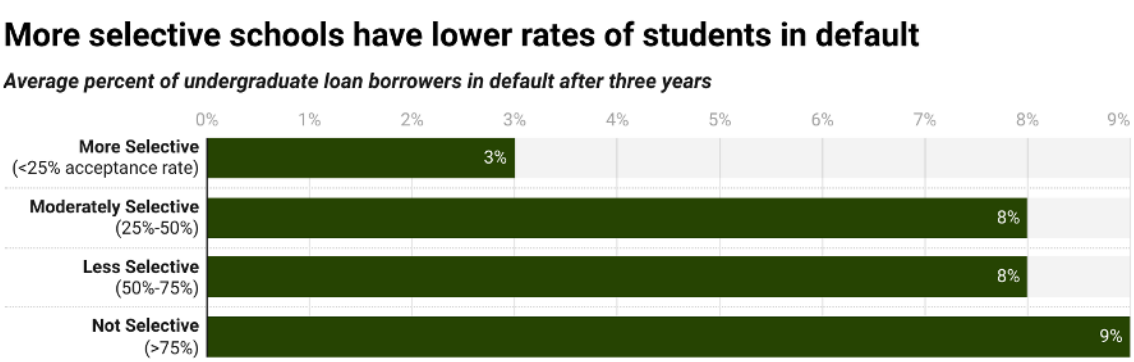
Not all who take out student loans have a difficult time repaying them. We used 2019 data from the College Scorecard to analyze a) which schools had students with the highest debt loads, and b) which schools had the best repayment rates among students after three years.

First we looked at school type. We found that private non-profit schools have students with much higher debts, but also the lowest default rates, as shown in the charts below:





The reputation of private Ivy League schools makes it easy to presume that private non-profit schools capture more elite or successful students, but many reports have disputed this notion. Plenty of public schools are highly prestigious. And NCES data show that selective public schools with less than a 25% acceptance rate tout higher student retention than similarly selective private schools. Using acceptance rate as an indicator of prestige, we found that schools with more selective admissions (public or private) have fewer students in default.



Loan trends aren't just defined by school characteristics (the university's location, governance, acceptance rates, and tuition rates, for example). They're also defined by the students. To find out whether larger initial loans result in more debt over time for different cohorts of students, we looked at whether students obtained a degree, whether they were the first in their family to go to college, and whether they belong to a minority race or ethnicity.

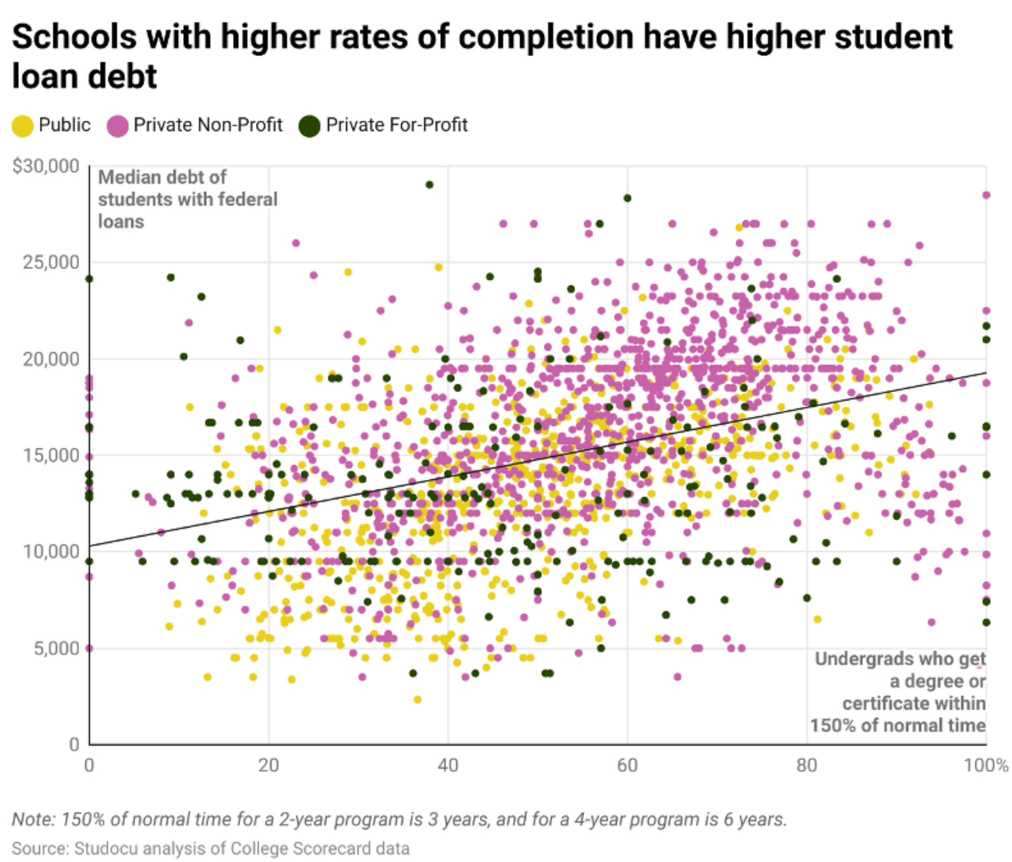
Although we analyzed these student characteristics in isolation, it's important to note that there is overlap among the student groups covered in the following pages. For instance, the data shows that Black and Hispanic students are more likely to be first-generation college goers and are less likely to graduate than their White and Asian peers.

We found that certain groups of students have more success paying off loans, even if their initial borrowing amounts are high. Others have trouble repaying, even if their initial amounts are low.

* * * *

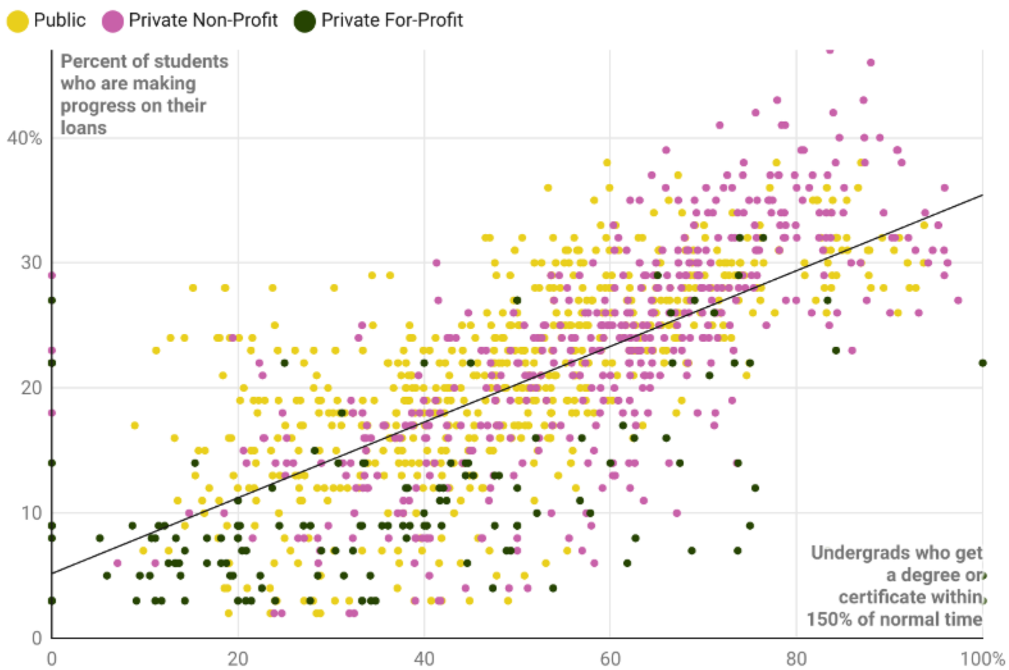
Getting through college is tough. But so is paying down loans after dropping out. **Earning a college degree tends to result in better loan repayment**.

Completion rate is the percent of students who attain a degree within a normal timeframe. Those who stick it out tend to take on more debt, we found in our College Scorecard analysis. This makes sense, as the more time spent in school results in more tuition.



But even though their loan amounts are smaller than their peers who graduate, students who do not complete their degrees have more trouble paying off their loans. In part, this is because those with a degree have higher chances of earning more. As noted at the beginning of this report, employed workers with a bachelor's degree or higher earn 1.8 times more than workers with a high school education who did not attend college.

Schools with higher rates of completion have better repayment rates



Note: 150% of normal time for a 2-year program is 3 years, and for a 4-year program is 6 years.
Source: Studocu analysis of College Scorecard data

College completion, however, is easier said than done. [NCES reports]() that 64% of the students who first enrolled in a four-year program back in 2014 had successfully finished their degree by 2020. In other words, more than one in three students didn't complete in that normal time frame.

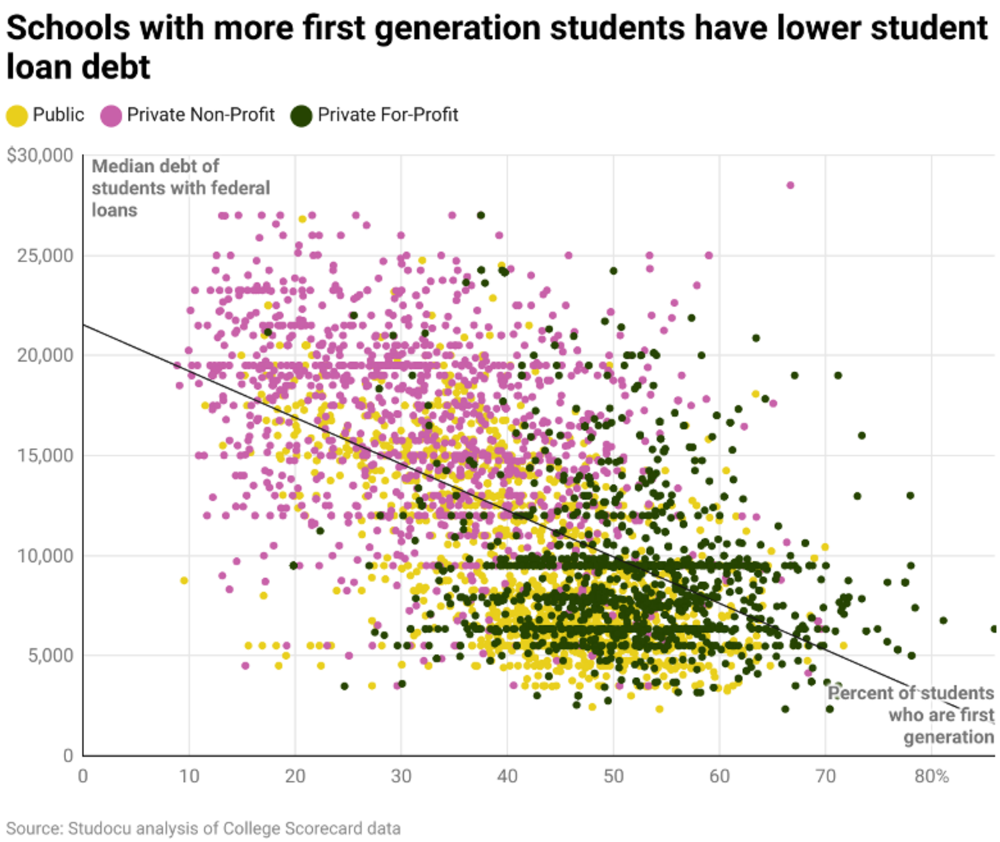
First-generation students whose parents did not attend college **take on less initial debt but are more likely to end up with greater debt over time**.

NCES has found that [74% of first-generation]() college students who graduated took out loans compared with [65% of non-first-generation]() students. The initial amount they owe upon leaving school tends to be lower, however.

According to a report from the Postsecondary National Policy Institute (PNPI), the average federal student loan amount for first-generation students was $7,610, compared with $8,543 for non-first-generation students in 2015-16 (the most recent data available).

There are several reasons why first generation students appear to start out with less debt. For one, data from PNPI shows that these students are more likely to attend two-year public institutions and for-profit schools than the national average.

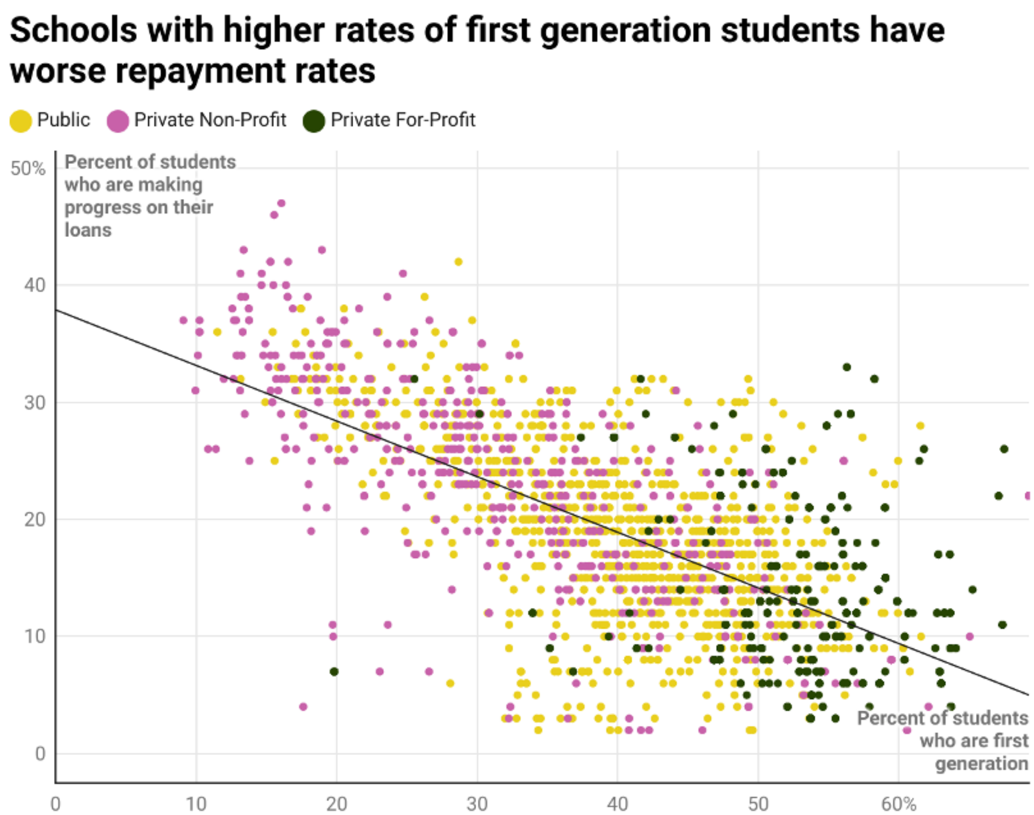
This is evident in the College Scorecard data, which found that public and for-profit schools tend to have a greater share of these students. We also found that colleges with higher rates of first-generation enrollment have students who carry lower debt upon leaving.



Our analysis encompasses all students who took on debt to enroll—not just those who graduated. This is because first-generation students are twice as likely to leave school within three years (33%) than students whose parents have a bachelor's degree (14%), according to a 2018 NCES study. Early leave may also be one reason why these students have less initial debt.

But first-generation students are not as successful at paying down their loans. In our analysis that looked at loan progress over a three-year period, we found that schools with more first-generation students have a larger share of students who fail to make repayment progress.

Other research supports this finding: The Institute for College Access and Success (TICAS), for example, noted in 2018 that first-generation students were more likely to end up in default than students whose parents had attended college. Over a 12-year period, the default rate was 23% among first-generation students but only 14% among non-first-generation students.



Source: Studocu analysis of College Scorecard data

Given this struggle, it's perhaps not surprising that first-generation students tend to start off with less debt than their continuing-generation peers, but end up shouldering more debt over the long term. A Pew Research Center study based on Federal Reserve data found that about two-thirds (65%) of first-generation college graduates surveyed in 2019 owed at least $25,000, compared with 57% of second-generation college graduates.

The data shows that some groups of **minority students are more likely to struggle** to pay off student loan debt.

While the College Scorecard data indicates which schools in the database have minority-serving designation (such as HBCUS, Historically Black Colleges and Universities), there aren't a significant number of these schools in comparison with the wider pool.

In order to see correlations between race and three-year loan repayment progress at the institution level, we looked at each school in the College Scorecard database four ways: by share of White students, share of Black students, share of Hispanic students, and share of Asian students.

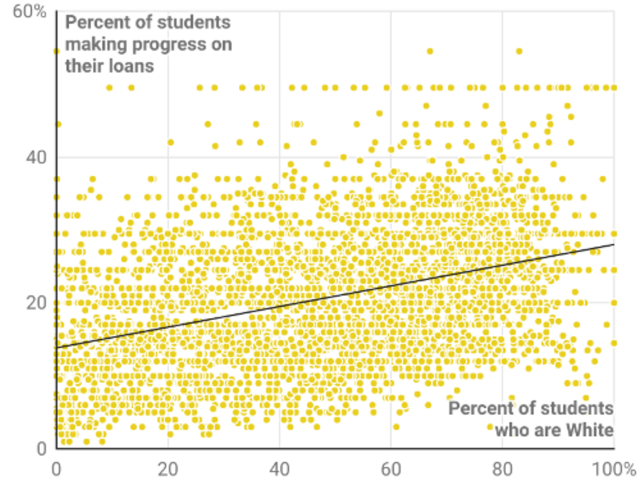
After plotting these four demographics against the loan repayment progress metrics, we found that there is no correlation between repayment and Hispanic share of the student body (possibly because Hispanic ethnicity can be any race) but we did notice correlations with the other three race breakouts.

Schools with more White and Asian students have student borrowers that generally see better repayment rates (declining loan balances) three years after leaving school. But schools with more Black students have student borrowers who tend to see their balances stay flat or increase over that time.

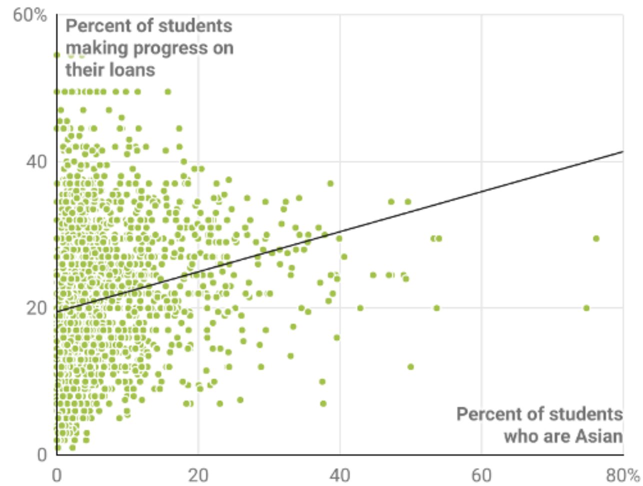
As mentioned earlier in this section, certain minority race groups overlap with other student groups (such as first-generation students and those with unfinished degrees) who also experience more debt burden over time. This speaks to the many challenges that minority students, especially Black students, face as they enroll in school and assume student debt.

NCES, which also tracks loans by race and ethnicity, found that Black students have the highest rates of student financial assistance.

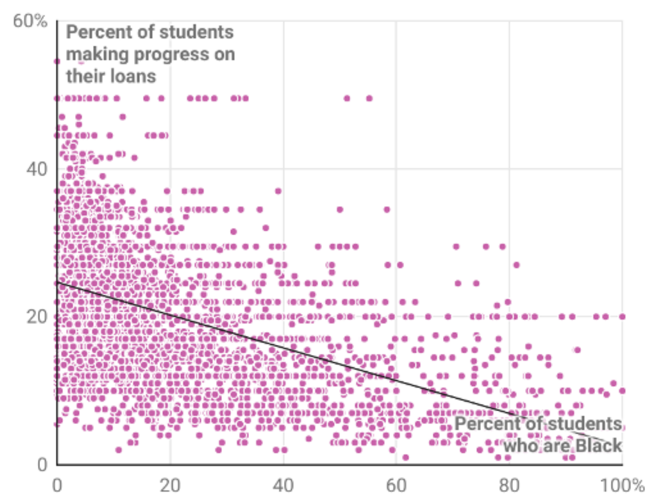
Schools with more White students have <u>higher</u> repayment rates



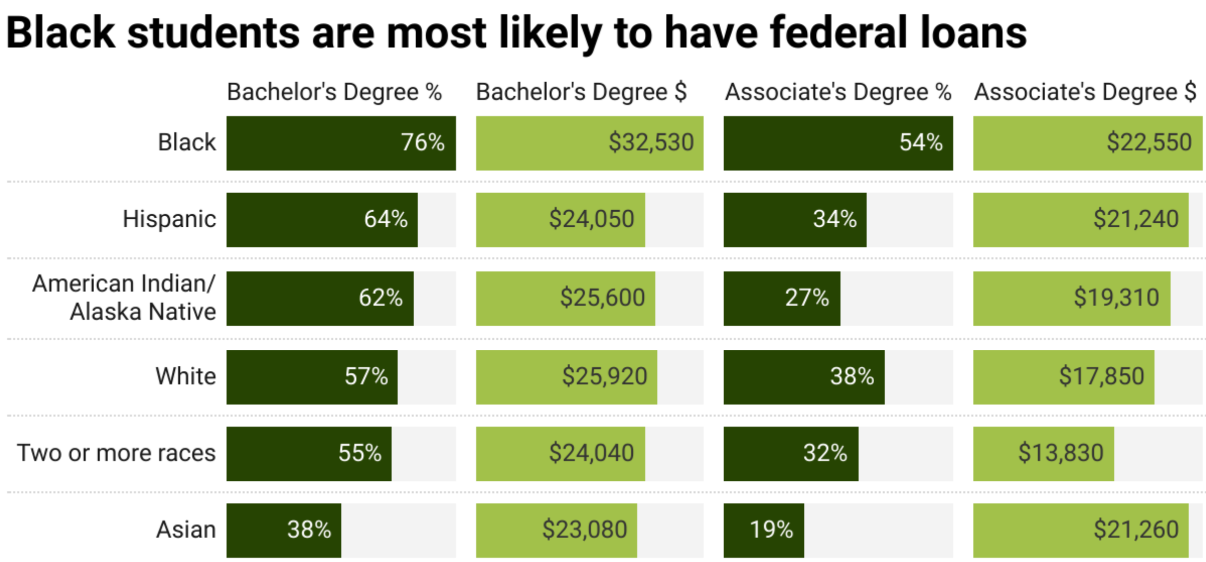
Schools with more Asian students have <u>higher</u> repayment rates



Schools with more Black students have <u>lower</u> repayment rates



Among all Black people who completed their bachelor's degree, 76% took federal loans and, as of 2018, carried a total outstanding loan amount of $32,500, according to the agency's data. That's both the highest loan rate and highest loan amount of all other races and ethnicities in the data set.



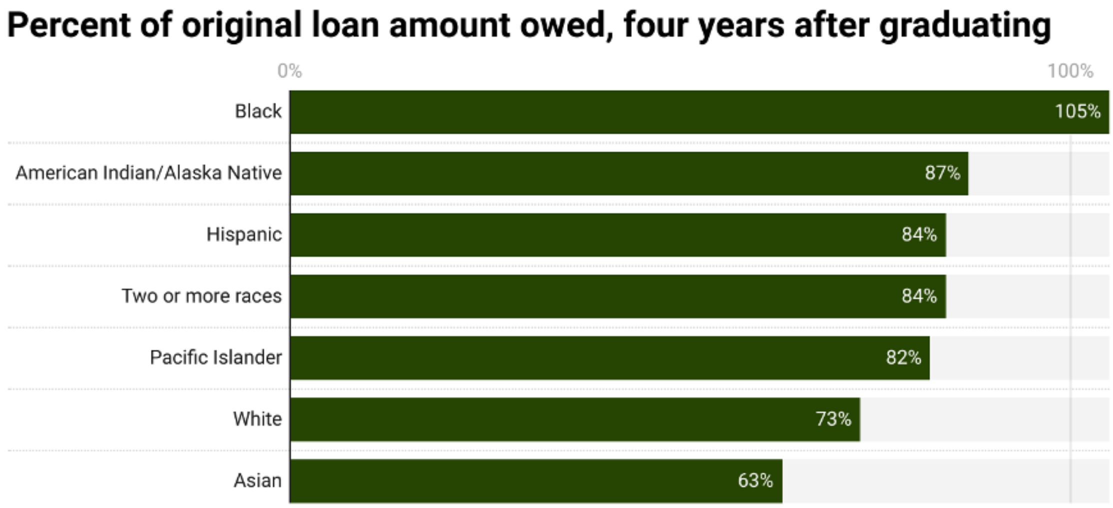
Note: Undergraduate degree/certificate completers who ever received federal loans and average cumulative loan amount as of 2017-18 (most recent data).

Source: NCES

The trends are even more stark for recent graduates. Take, for instance, the cohort of students who attended four-year colleges and who successfully graduated in 2015-16. (As discussed earlier, these students leave school with higher debt loads than their peers who go two-year programs or who don't complete their education—but they also tend to be more successful in paying down the debt.) By 2020, four years after completing school, these students had borrowed $45,300 on average, according to NCES, which includes undergraduate debt plus any subsequent graduate debt.

That number may seem staggering, but for Black students, the average amount stood nearly 30% higher, at $58,400. And it exceeded the average amount borrowed by every other race and ethnic group including Asian ($49,100), multirace ($43,400), White ($43,300), Hispanic ($41,700), and American Indian/Alaska Native ($36,900).

What's more, the Black students in the class of 2016 were the only group to see the loan value rise between 2016 and 2020. They owned 105% of the initial loan amount, meaning their loan had grown 5% over the four years. Asian students, by contrast, owned 63% of their original loan amount.



Note: Among federal student loan borrowers, average amount owed as percentage of amount borrowed as of four years after 2015–16 bachelor's degree completion.

Source: NCES

These racial disparities are alarming, but not entirely surprising in the broader context of fewer financial opportunities and resources that Black people in the U.S. are afforded.

In a report released this year, TICAS took a sharp look at loan burden along racial lines, and noted that structural racism and other unjust societal factors lead to inequalities in college affordability. However, these factors are often left out of discussions about college value. What this means, in effect, is that the value of a college education is not the same for one demographic as it is for another. (TICAS's analysis was also based on College Scorecard data, but considered different database metrics than Studocu did.)

TICAS also noted in a 2021 assessment of racial disparities, that "inequities throughout the education pipeline and systemic racism and its resulting wealth gaps hit Black students especially hard no matter where they enroll, but colleges that systemically offer little payoff for students, and produce egregiously bad loan outcomes, disproportionately enroll Black students." This is one reason why Black students are more likely to borrow federal student loans, and assume greater amounts of debt.

Black students are already at a financial disadvantage when they leave school due to their heavier debt burden. But then they also have to enter a workforce that is still working to close racial wage gaps. Using a salary survey, Payscale found in 2019 that Black men earn $0.87 for every $1 earned by similarly-qualified white men in the same job. Additionally, Payscale noted, hiring discrimination makes career growth more difficult for people of color and hiring biases limit job advancement. It's evident, therefore, that repayment barriers make it significantly more challenging for Black students to make progress on their loans.

PART 4

Changes are coming. Here’s what to know

KEY TIMELINE

A number of milestones concerning new federal loan repayment plans will be popping up between September 2023 and September 2024. Here are the dates to keep in mind:

Ongoing

- Applications for the SAVE program (see page 5) are available through the Department of Education website. Borrowers who are already enrolled in the "REPAYE" income-driven repayment (IDR) plan will automatically be moved to the SAVE plan. Not all the SAVE program's features will come online simultaneously.

- Immediately under the SAVE plan, income exemption will be raised from 150% to 225% and interest accrual will become a thing of the past (so long as monthly payments are made). But other benefits will roll out next summer (see page 34).

- Borrowers who defaulted on their student loans before the pandemic can apply for a "Fresh Start" plan, which was announced in 2022. The program offers borrowers an opportunity to get their loan status changed from "default" to "current."

- In an effort to account for complex rules and poor communication that unduly burdened borrowers who could have benefited from an IDR plan, the government is rolling out one-time IRD Account Adjustments this year to more than 800,000 borrowers. The first notifications went out in July alerting borrowers that they qualified for loan forgiveness under the Adjustment. Waves of approvals will occur every two months through 2023.

September 1, 2023

- Following a three-year pause due to the pandemic, interest will once again accrue on federal student loans.

October 2023

- Payments for federal student loans will come due again in October. While exact dates will vary, borrowers will be notified at least 21 days before their payment is due. However, there is a yearlong "on-ramp" period to give borrowers more time—without repercussion—to gear up for monthly payments (see page 34).

December 31, 2023

- This is the deadline to be considered for IDR Account Adjustment. Borrowers who have indirect loans (see page 8) such as Federal Family Education Loans (FFEL), school-held Perkins Loans, or a Health Education Assistance Loan (HEAL), need to consolidate those loans into a new Direct Consolidation Loan before the end of the year to get credit for them through the IDR Account Adjustment plan.

July 1, 2024

- Under the SAVE program, payments will be halved (from 10% to 5%) of discretionary income. Borrowers who have undergraduate and graduate loans will pay a weighted average of between 5% and 10% of their income based on the original principal balances of their loans.

- Also under the SAVE program, remaining loan balances will be forgiven for borrowers who had original principal balances of $12,000 or less and who made payments for at least 10 years.

August 31, 2024

- Last day for borrowers to apply for the Fresh Start program.

September 30, 2024

- This is the last day of the yearlong "on-ramp" period to help borrowers adjust to paying monthly installments. Unpaid student loans will again be considered delinquent.

WHAT'S NEXT?

After a three year hiatus due to the pandemic, student loan borrowers will once again have to start repaying their loans. At the same time, the administration is rolling out new programs over the coming year to make repayments for federal loans more affordable.

As established in this report, these new measures are long overdue, following decades of crushing debt burden that likely would have continued to increase had it not been for the pandemic, which disrupted enrollment, college costs, and government repayment terms. Under the new forgiveness and repayment programs (including the SAVE plan) the country is about to enter a new era. The programs rolling out currently and through 2024 will impact both existing borrowers and also students who will be taking out loans to attend college in the coming years.

It's impossible to say exactly how this new period will impact graduated, current, and future students. But it's an exciting time to watch it play out.

Studocu, like many organizations that have a keen interest in student achievement, will be watching to see what's working and what isn't. Below are a list of issues, questions, and measures we plan to keep an eye on as we believe each could impact student success, both in the classroom and beyond.

1. Affordability and Accessibility in the New Era

As established in this report, certain groups, including first-generation students and some minority groups, face significantly more barriers to education and to repay their loans after leaving school. We will be looking to see if the new repayment programs are accessible and if they are targeting the right demographics, allowing education to be more affordable and more equitable.

2. Impact on Personal Mental Health and Household Finances

After three years, resuming payments is bound to affect borrowers' mental health and stress levels. Much of this stress will stem from additional pressure on household finances. As covered in the report, roughly half of borrowers did not continue to pay down their loans during the pandemic hiatus, so these borrowers will be forced to adjust their household finances to (re)accommodate the burden.

3. Career Choices and Broader Economic Impact

As discussed in this report, heavy loan burdens have debilitating consequences on personal finances. They also contribute to high drop-out rates and shape career choices. All of these post-college decisions feed into, and help to shape, the health of the broader economy. We will be looking to see whether new repayment trends translate into broader economic impacts.

4. Institutional Behavior

At Studocu, we are keenly interested in what's happening on campuses around the world. As the U.S. enters a new era of education through its more accessible loan repayment programs, we'll be checking in on acceptance rates and tuition rates, particularly in light of the data observations in this report indicating that historical government attempts to make college more affordable (such as grants) can result in higher cost.

ACKNOWLEDGEMENTS

This report was created to provide context and data-driven insights into an enormous problem that has faced the United States for decades. As an organization that strives to help university students achieve their best, Studocu is genuinely aware of the stress and hardship that large debt burdens can place on students as they work to accomplish their educational goals—and launch successful, fulfilling careers.

In an effort to holistically cover the wide world of student loans today—and the changes on the horizon—Studocu partnered with U.S.-based data journalist and analyst Emily Barone to research the topic using reliable government and other primary sources, as well as to uncover insights from the DOE College Scorecard database.

For Studocu, the completion of this report is just the beginning. As the landscape changes, fueled by new policies and post-pandemic economic trends, we will be observing the impact on students. Given our direct access to thousands of students around the globe who use Studocu in their academic lives, we are looking forward to monitoring and measuring the shift in real time, through bespoke surveys, interviews, and other tools.

We invite journalists and other strategic partners to collaborate with us to uncover fresh insights on student loans (and other timely college life topics) as they happen. If you're interested in partnering with us to gain access and insights into issues that are impacting college students, don't hesitate to reach out.

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