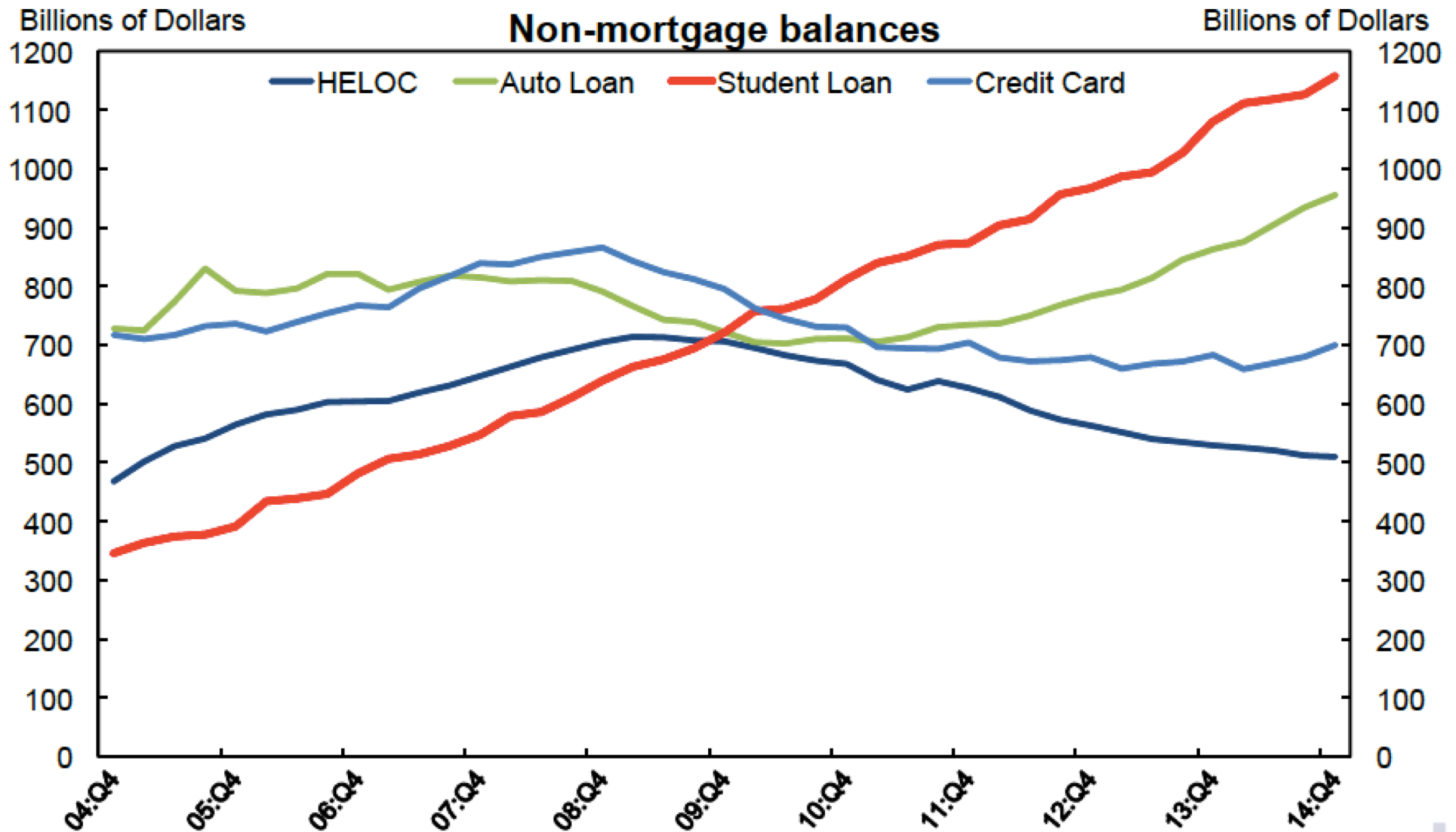


Myths About Student Loans

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University of Michigan &
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Student Loans in the US

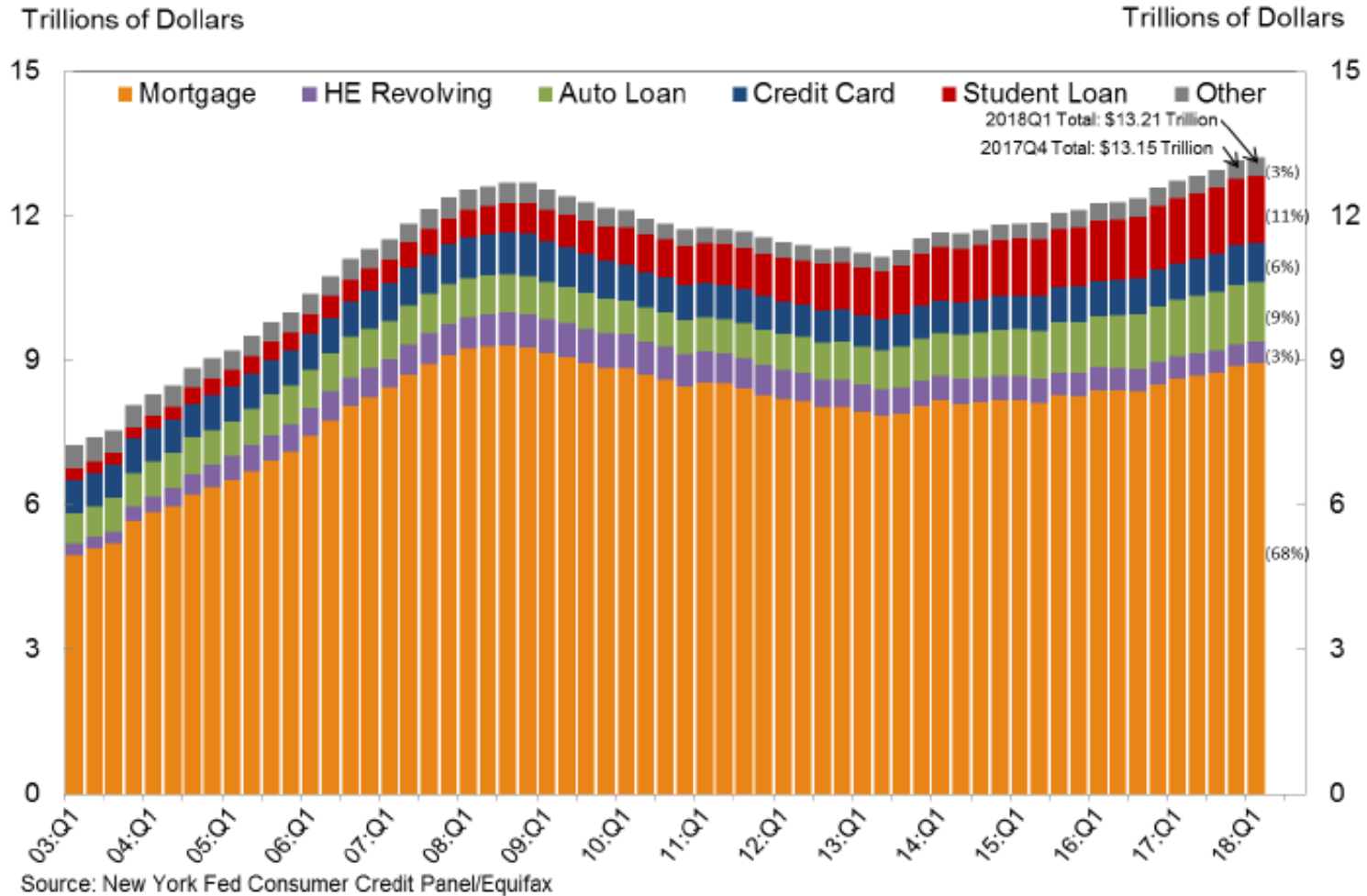


Source: NY Fed Consumer Credit Panel

Student Loans in the US

40 million borrowers, \$1.4 trillion in debt

Total Debt Balance and its Composition

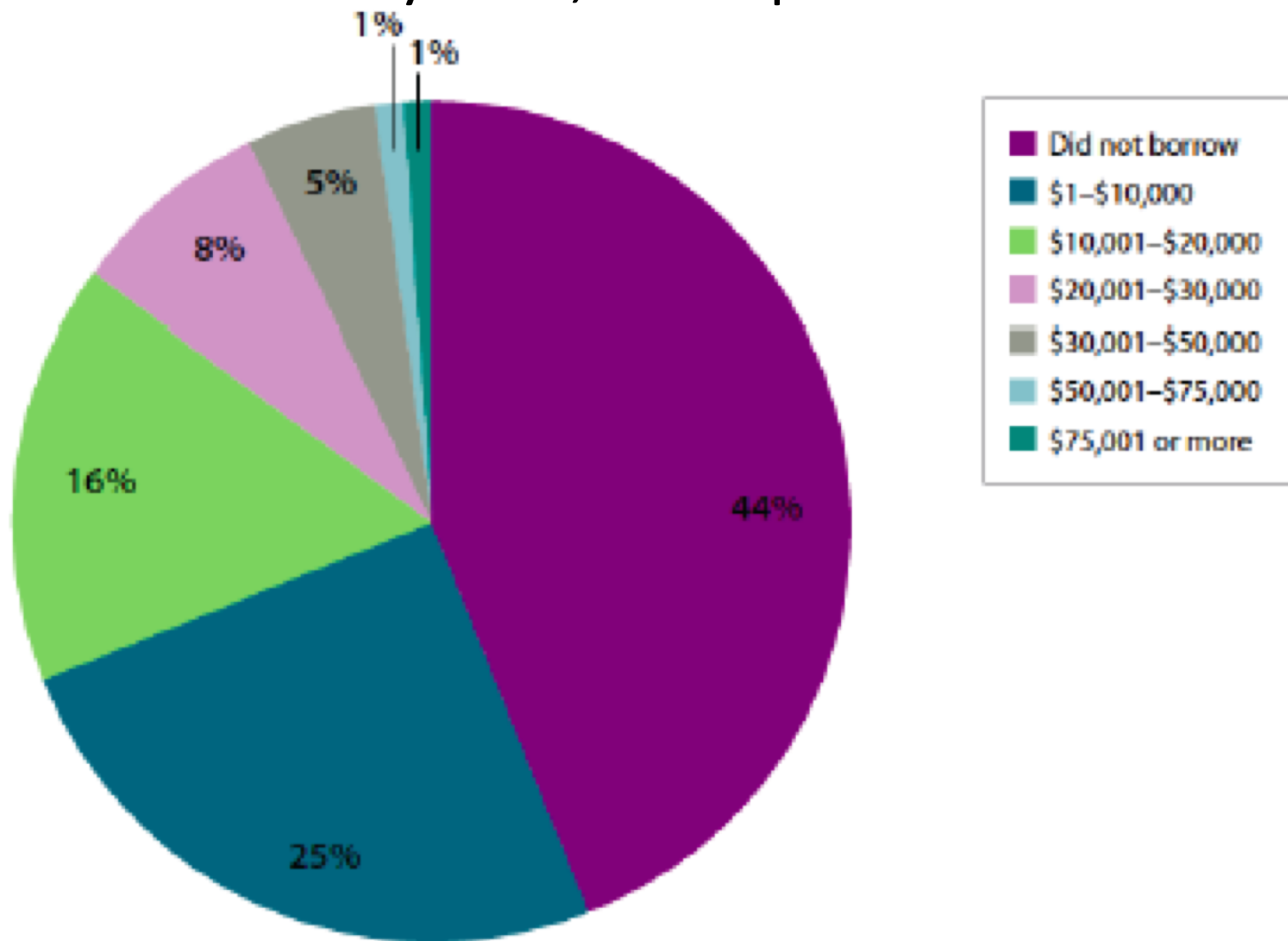


Myth #1

\$100,000 Debts Are The Norm

Borrowing by Entering College Students

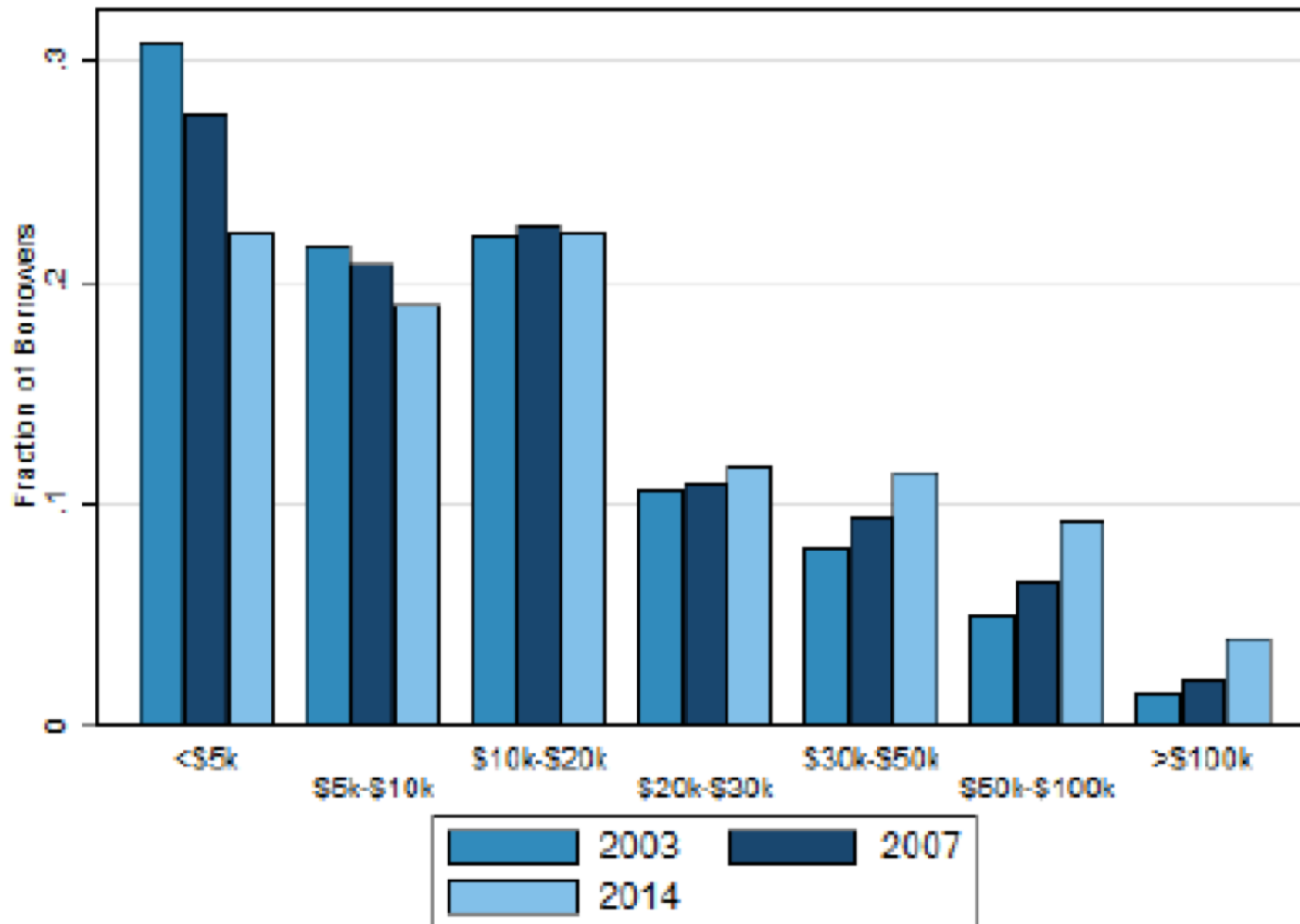
Source: Survey Data, US Dept of Ed



Source: NPSAS, 2009. Total borrowing six years after college entry

Federal Student Debt in Repayment

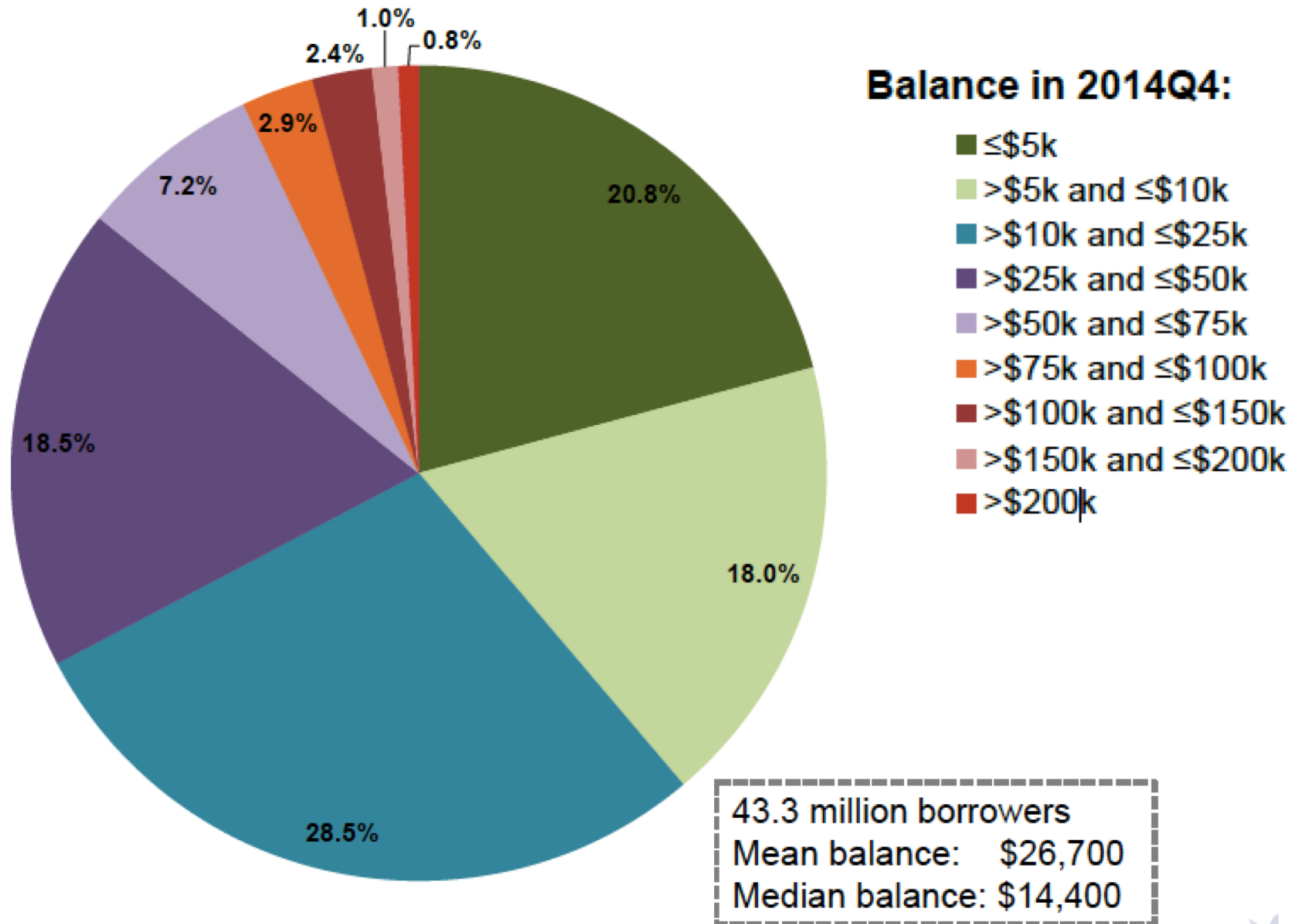
Source: Admin Data, US Dept of Ed



Source: Analysis of National Student Loan Data System by Looney and Yannelis (2015)

All Student Debt

Source: NY Fed Consumer Credit Panel

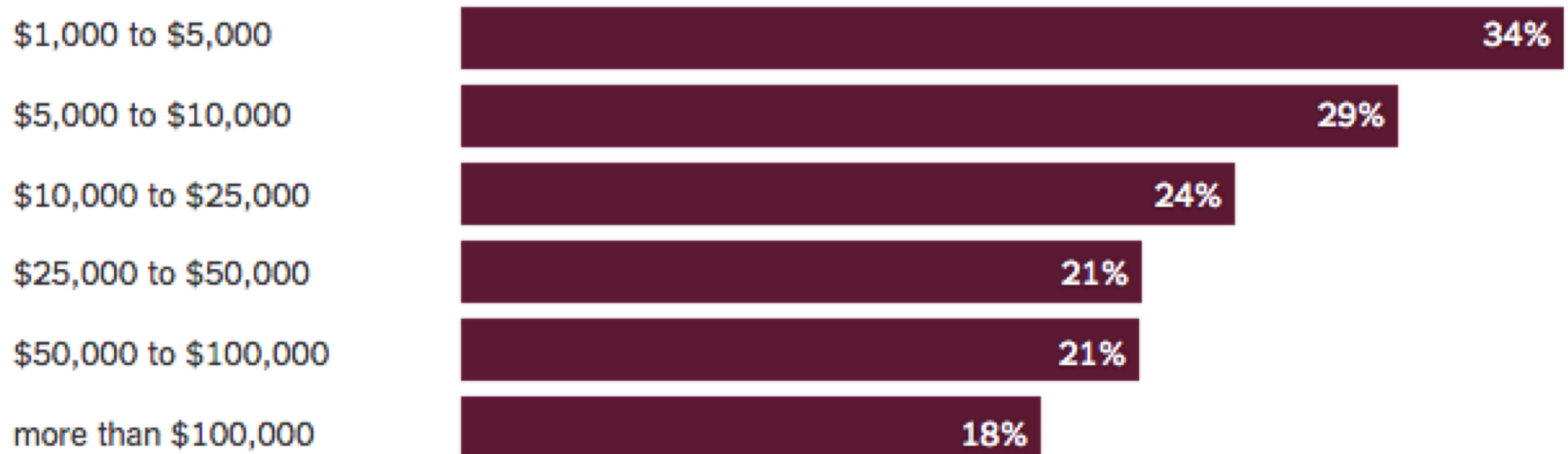


Myth #2

Defaults Are Driven
by Large Debts

Smallest Debts, Highest Default

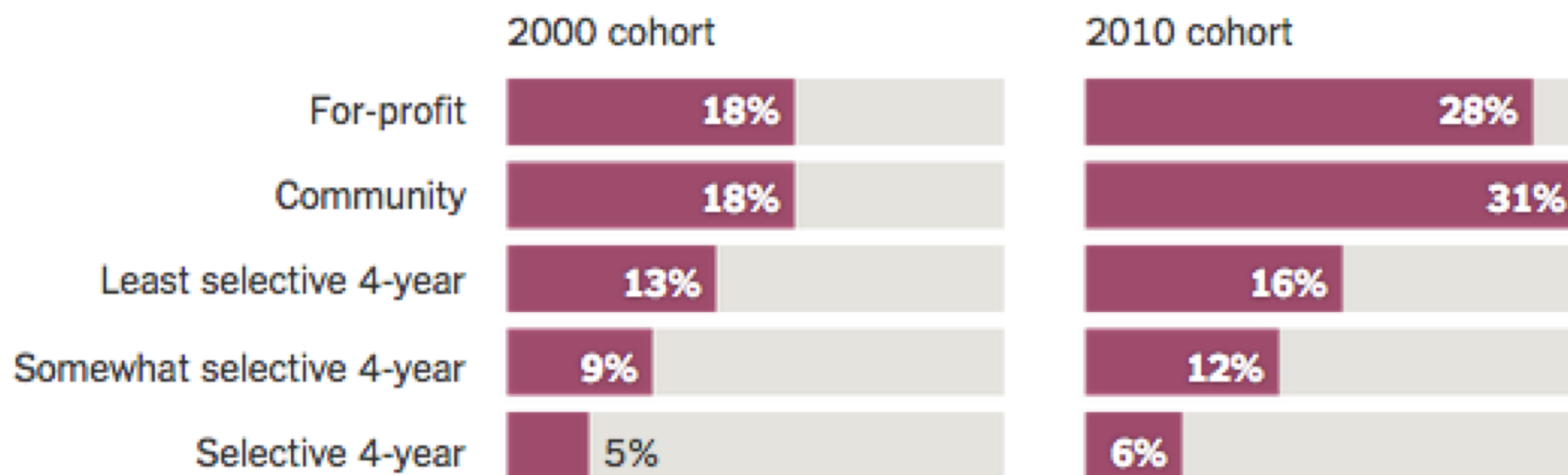
% borrowers entering repayment in 2009
who had defaulted by 2014



Source: NY Fed Credit Panel

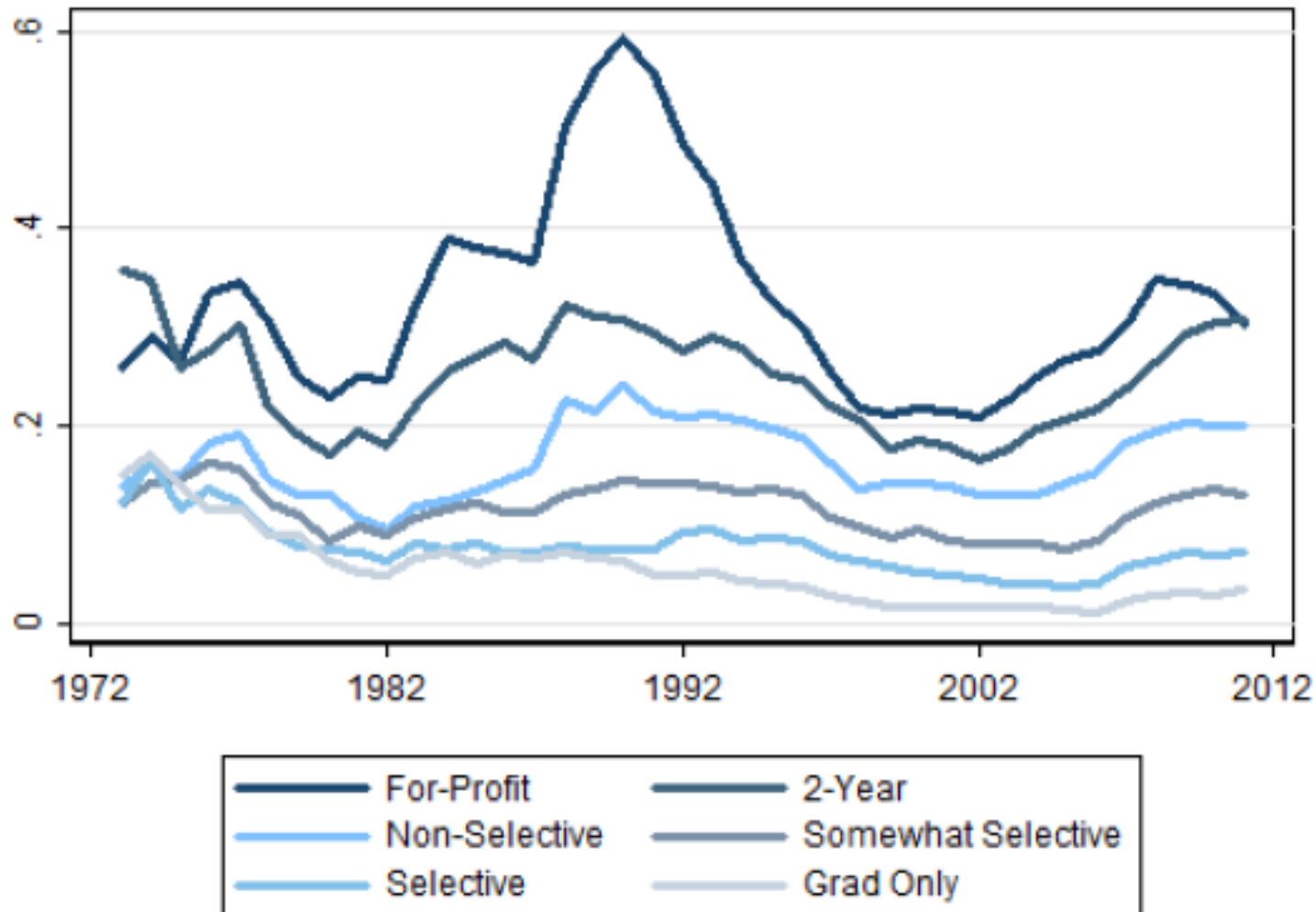
Myth #3:
Borrowers from
Elite Colleges
Are Struggling

Defaults Lowest at Elite and 4-Year Colleges



Source: Analysis of National Student Loan Data System by Looney and Yannelis (2015)

Hardest Hit Are For-Profit & Community College



Source: Analysis of National Student Loan Data System by Looney and Yannelis (2015)
Three-year cohort-default rate.

Myth #4

Loans Were Once
Competitive, Have Been Taken
Over by Feds

Public Loans, Private Servicers Before 2010

- Federal government
 - guarantees loans
 - pays interest during school
 - sets loan terms & eligibility
- Private lenders
 - take applications
 - give out loans
 - collect payments
 - keep records, communicate with borrowers

Public Loans, Private Lenders

Since 2010

- Federal government
 - guarantees loans
 - pays interest during school
 - sets loan terms & eligibility
 - takes application
 - gives out loans
- Private lenders
 - ~~– take applications~~
 - ~~– give out loans~~
 - collect payments
 - keep records, communicate with borrowers

Responsive Policies

- Free college?
 - But people will still borrow for living expenses and for-profits
 - Loans need to work since they are not going away
- Tighter regulation of for-profits
 - Accreditation
 - Fraud
- Improved repayment & servicing
 - Automatic payroll deduction (like Social Security)
 - Automatic adjustment of payments with earnings

For more information:
www.susandynarski.com