Out of Debt:
A Long-Term Look at Student Loan Repayment in Two Beginning Postsecondary Student Cohorts: 1995-96 and 2003-04

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34th Annual Student Financial Aid Research Network Conference
Annapolis, MD
June 8–9, 2017
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UNEMPLOYED GRAD
1. Overview of NEW data
2. Description of students in data
3. Summary of different measures of default
4. Model description
5. Results
4 Data Overview – Original BPS Cohorts

- Began with two BPS cohorts
  - BPS:96/01
  - BPS:04/09
- Nationally representative samples of first-time PSE students
- Students are interviewed over 6 years
- Includes information on:
  - Student/family characteristics
  - College experiences
  - Financial aid
  - Degree attainment
  - Post-college outcomes
Data Overview – New Data

- Matched original students to NSLDS records
- New data includes:
  - Use of financial aid
  - Changes in loan statuses (consolidation, deferment, forbearance, IBR)
  - Progress through loan repayment
  - Loan default
- Data is current through June 2015
  - 12 years since the 04/09 cohort began PSE
  - 20 years since the 96/01 cohort began PSE

No other data set exists that includes both rich student information AND a long time horizon of financial aid outcomes
UNEMPLOYMENT: Annual average unemployment rate for labor force age 16 years or older: 1995–96 to 2014–15

Rate

Academic year

NOTE: Seasonally adjusted. Annual average by academic year.

Comparison of Cohorts

Demographic differences between borrowers in BPS:96/01 and BPS:04/09 cohorts

Comparison of Cohorts

Race/ethnicity

- Percent Female
  - 1995-96: 56
  - 2003-04: 60

- White
  - 1995-96: 68
  - 2003-04: 61

- Black
  - 1995-96: 13
  - 2003-04: 17

- Hispanic
  - 1995-96: 12
  - 2003-04: 14

- Other
  - 1995-96: 7
  - 2003-04: 9

Age entering PSE

- 18 or younger
  - 1995-96: 65
  - 2003-04: 47

- 19
  - 1995-96: 13
  - 2003-04: 24

- 20–23
  - 1995-96: 10
  - 2003-04: 12

- 24–29
  - 1995-96: 6
  - 2003-04: 8

- 30 or older
  - 1995-96: 6
  - 2003-04: 9
Comparison of cohorts, cont.

Enrollment differences between borrowers in BPS:96/01 and BPS:04/09 cohorts

<table>
<thead>
<tr>
<th>Control and level of first institution</th>
<th>Selected fields of study</th>
<th>1995-96</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always attended full time</td>
<td>Received a Pell Grant</td>
<td>60</td>
<td>62</td>
</tr>
<tr>
<td>Public 4-year</td>
<td></td>
<td>57</td>
<td>56</td>
</tr>
<tr>
<td>Private nonprofit 4-year</td>
<td></td>
<td>30</td>
<td>33</td>
</tr>
<tr>
<td>Public 2-year</td>
<td></td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>For-profit</td>
<td></td>
<td>21</td>
<td>19</td>
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<tr>
<td>STEM6</td>
<td></td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Social science</td>
<td></td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Health</td>
<td></td>
<td>11</td>
<td>14</td>
</tr>
<tr>
<td>Business</td>
<td></td>
<td>18</td>
<td>15</td>
</tr>
</tbody>
</table>

Legend:
- 1995-96
- 2003-04
Comparison of cohorts, cont.

Outcome differences between borrowers in BPS:96/01 and BPS:04/09 cohorts

Persistence and Attainment status

- Attained bachelor's degree
- Attained associate's degree
- Attained certificate
- Never attained, still enrolled 4-year
- Never attained, still enrolled 2-year
- Never attained, not enrolled

Employment status 6 years out

- Employed
- Employed part time
- Employed full time
- Not employed
- Ever deferred a loan
- Repaid all loans within 6 years
Comparison of federal student loan default rates published by the U.S. Department of Education as of 2015

<table>
<thead>
<tr>
<th>Default rate</th>
<th>Year</th>
<th>Rate</th>
<th>Unit</th>
<th>Rate denominator</th>
<th>Rate numerator</th>
<th>Loan types</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-year cohort default rate</td>
<td>FY 2013</td>
<td>11.3%</td>
<td>Borrowers</td>
<td>Borrowers who entered repayment in a year</td>
<td>Borrowers who were in default by 3 years later</td>
<td>Stafford</td>
</tr>
<tr>
<td>ED default rates</td>
<td></td>
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</tr>
<tr>
<td>Budget lifetime default rate</td>
<td>FY 2011</td>
<td>18.4%</td>
<td>Dollars</td>
<td>New loan dollars originating in a year</td>
<td>Loan dollars that are projected to default 20 years after repayment</td>
<td>Stafford</td>
</tr>
<tr>
<td>Cumulative lifetime default rate</td>
<td>FY 2011</td>
<td>10.2%</td>
<td>Loans</td>
<td>Loans entering repayment in a year</td>
<td>Loans that entered repayment in a year and defaulted by 4 years later</td>
<td>All federal loans</td>
</tr>
<tr>
<td>BPS default rates</td>
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<tr>
<td>6-year default rate for BPS:96/01</td>
<td></td>
<td>9.8%</td>
<td>Borrowers</td>
<td>Borrowers who began PSE in 1995–96</td>
<td>Borrowers in the cohort who defaulted on a loan 6 years after starting school</td>
<td>All federal loans</td>
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<td>6-year default rate for BPS:04/09</td>
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<td>11.3%</td>
<td>Borrowers</td>
<td>Borrowers who began PSE in 2003–04</td>
<td>Borrowers in the cohort who defaulted on a loan 6 years after starting school</td>
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Our goal is to investigate factors associated with two important outcomes, for two cohorts of students, over three time horizons

- Investigate two outcomes:
  - Loan repayment completion w/o default
  - Loan default

- For two cohorts:
  - First time students in 1996
  - First time students in 2004

- Over three time horizons
  - 6 years since beginning PSE
  - 12 years since beginning PSE
  - 20 years since beginning PSE
We control for:

- Institution characteristics:
  - Control and level
  - Selectivity
  - Number of institutions attended

- Attainment and persistence

- College experiences:
  - Attendance intensity
  - Major
  - GPA
  - Cumulative amount borrowed
  - Borrowed for graduate school
  - Number of years borrowed
  - Received a Pell Grant

- Post-college outcomes
  - Work intensity
  - Annual salary
  - Consolidated loans
  - Number of deferments for economic hardship
  - Number of forbearances

- Student/family characteristics:
  - Age
  - Sex
  - Race/ethnicity
  - Parental education
  - Family income
13 Results – Loan Repayment Completion without Default

- Associated with more loan repayment completion:
  - GPA
  - BA attainment (& AA & certificate in later cohort)

- Associated with less loan repayment completion
  - Amount borrowed & number of years borrowed
  - Deferments & forbearances

- Not associated with loan repayment completion
  - Institutional characteristics, especially in later cohort
  - Major
  - Receiving a Pell Grant
  - Salary after exiting PSE
Results – Loan Default

- Associated with more defaults
  - Attending a for-profit (for the later cohort)
  - Receiving a Pell Grant

- Associated with fewer defaults
  - GPA
  - Attainment of any credential
  - Salary after exiting PSE

- Not associated with default
  - Major
  - Amount borrowed
  - Deferments and forbearances
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