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# Millennial Student Debt and Rural Migration Patterns

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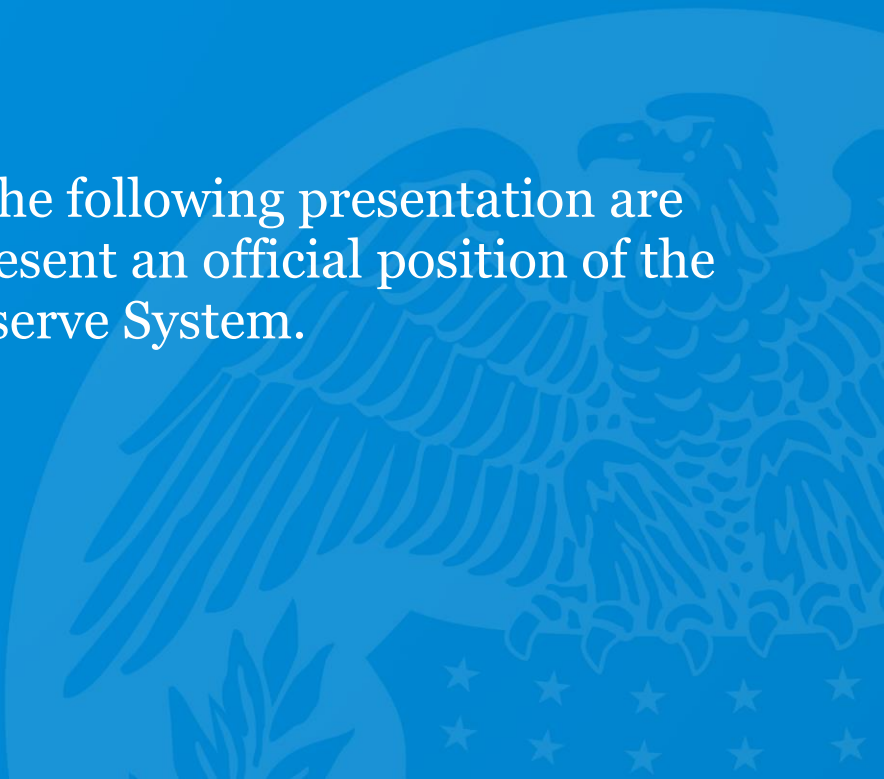
Board of Governors of the Federal Reserve System



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# Disclaimer

The views and opinions expressed in the following presentation are those of the authors. They do not represent an official position of the Board of Governors or the Federal Reserve System.



# Presentation Topics

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## **1** Research Questions

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## **4** Credit and Economic Outcomes



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# Research Questions



- 1. At what rate are millennials with student loans leaving rural areas?**
- 2. What is the relationship between an individual's student loan balance and their urban-rural migration patterns?**
- 3. How do rural students who move to urban areas compare to those that remain in rural areas?**



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# Data & Methods



# Data

- We used the Equifax / FRB NY Consumer Credit Panel (CCP), which contains credit reporting data for a nationally representative 5 percent sample of all adults with a social security number and a credit report.
- We analyzed a subsample of the CCP containing about 750,000 millennials who:
  - Entered the panel between 2000 and 2017, and
  - Entered the panel and originated a student loan between the ages of 18 and 22.

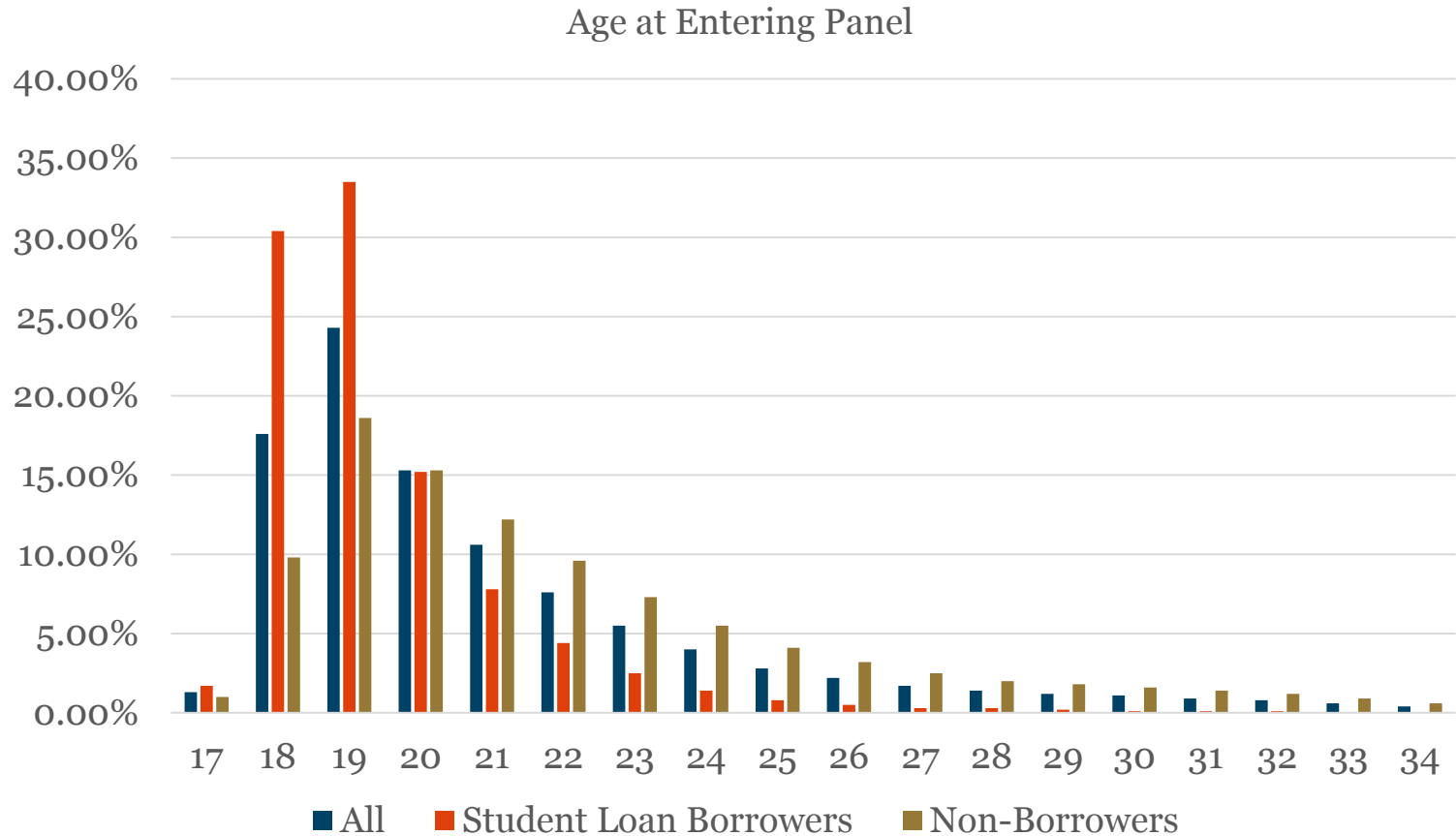
<b>We Know</b>	<b>We Don't Know</b>
Credit Information	Race / Ethnicity
Age	Gender
Location	Income
	School Enrollment / Graduation Status
	School Information

# Definitions

- **First Enter the Panel:** The first quarter in which an individual appears in the panel, typically because they originated a debt product, e.g., a credit card or student loan.
- **First Originate a Student Loan:** The quarter in which the individual's first student loan is reported to the credit bureau. This is not necessarily the quarter in which the student enrolls in school.
- **Last Originate a Student Loan:** The quarter in which the individual's last student loan is reported to the credit bureau. This is not necessarily the quarter in which the student graduates or leaves school.
- **Enter Repayment:** We consider someone as entering repayment if they have not originated a new student loan in five quarters.



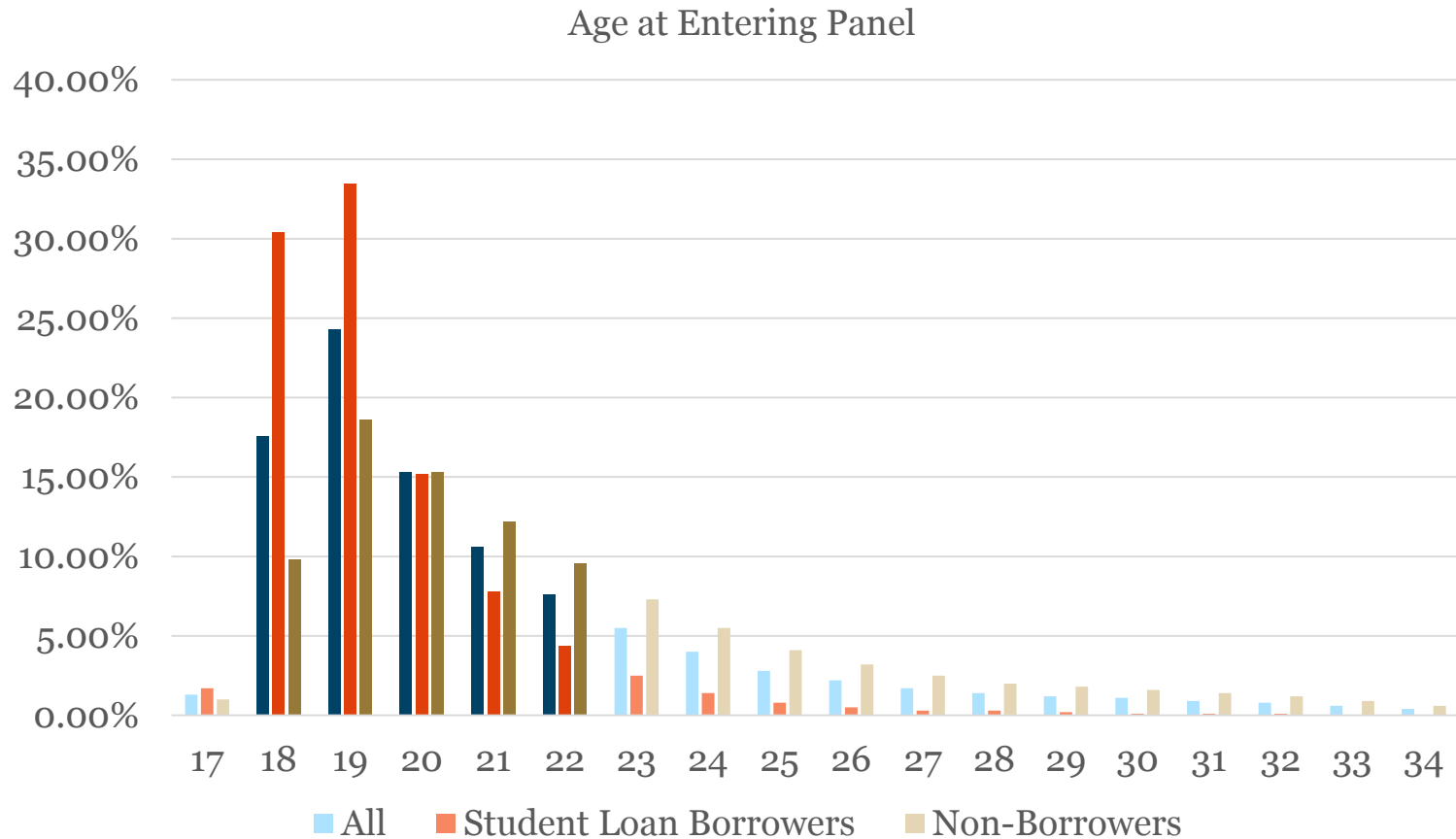
# Student loan borrowers tend to enter the panel earlier than non-borrowers.



Source: Equifax / FRB NY Consumer Credit Panel

Note: Values less than 0.5 percent not shown.

# We focus on those that originate a student loan between 18 and 22.

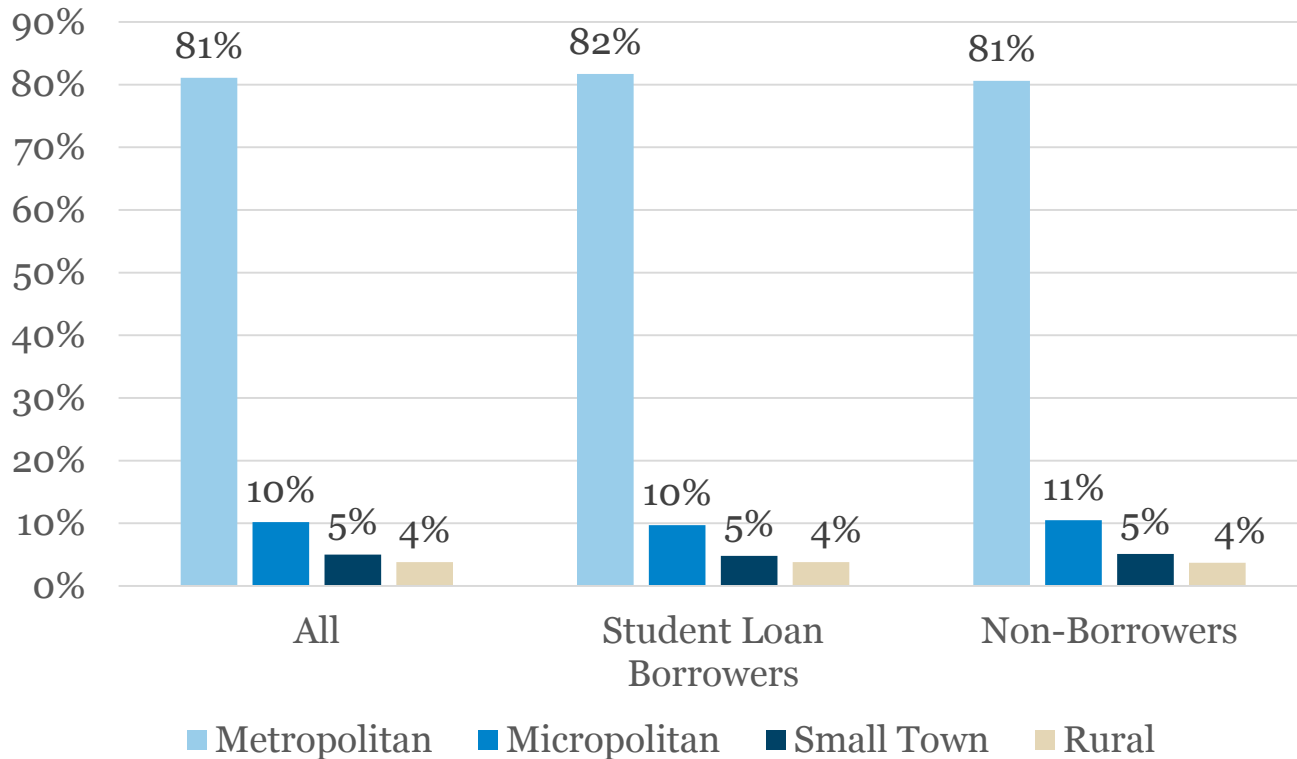


Source: Equifax / FRB NY Consumer Credit Panel

Note: Values less than 0.5 percent not shown.

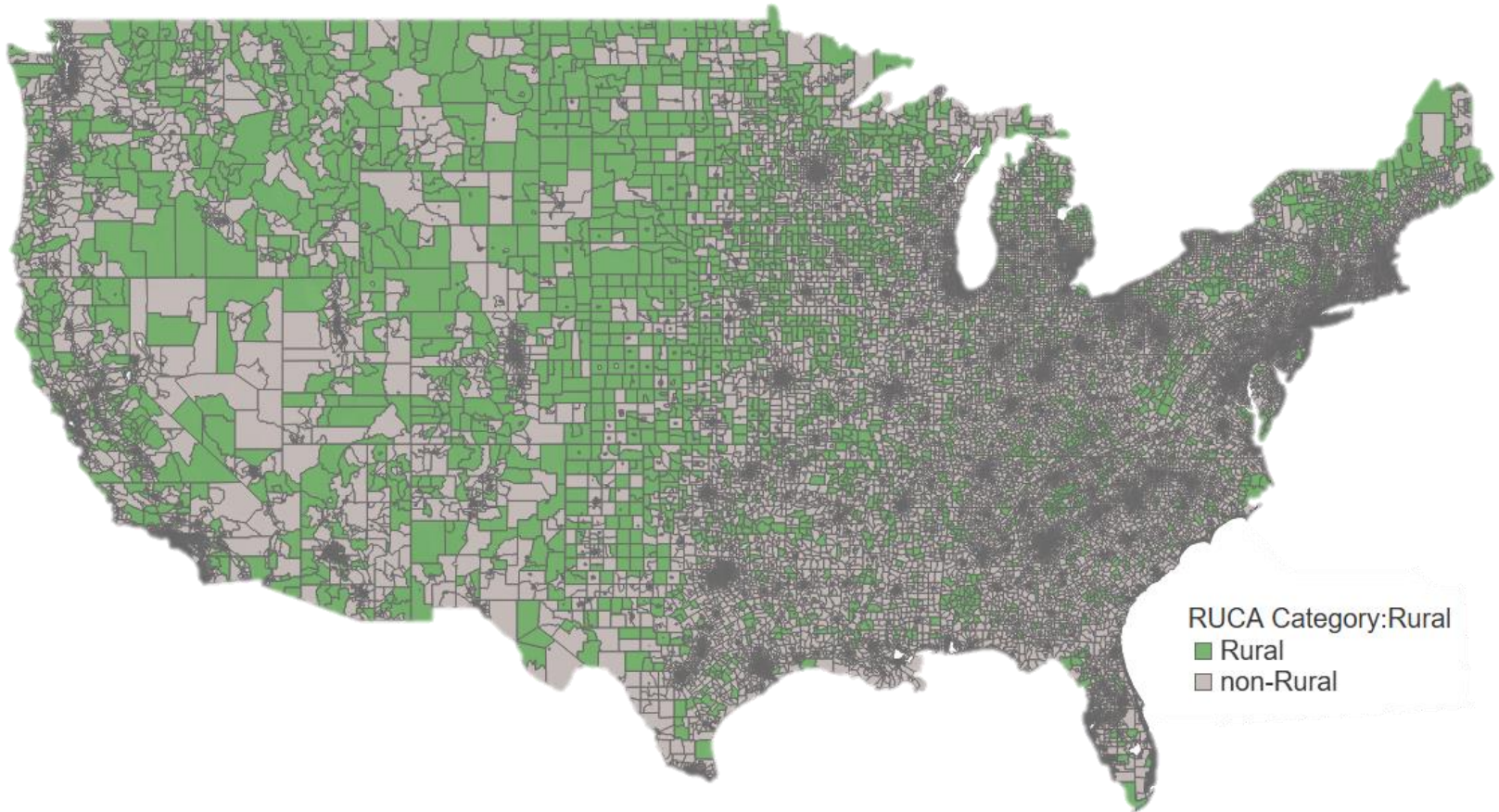
# Most millennials with credit records live in metro areas.

Distribution of Millennial Population by RUCA Code



Source: Equifax / FRB NY Consumer Credit Panel

# Where are rural Census tracts located?





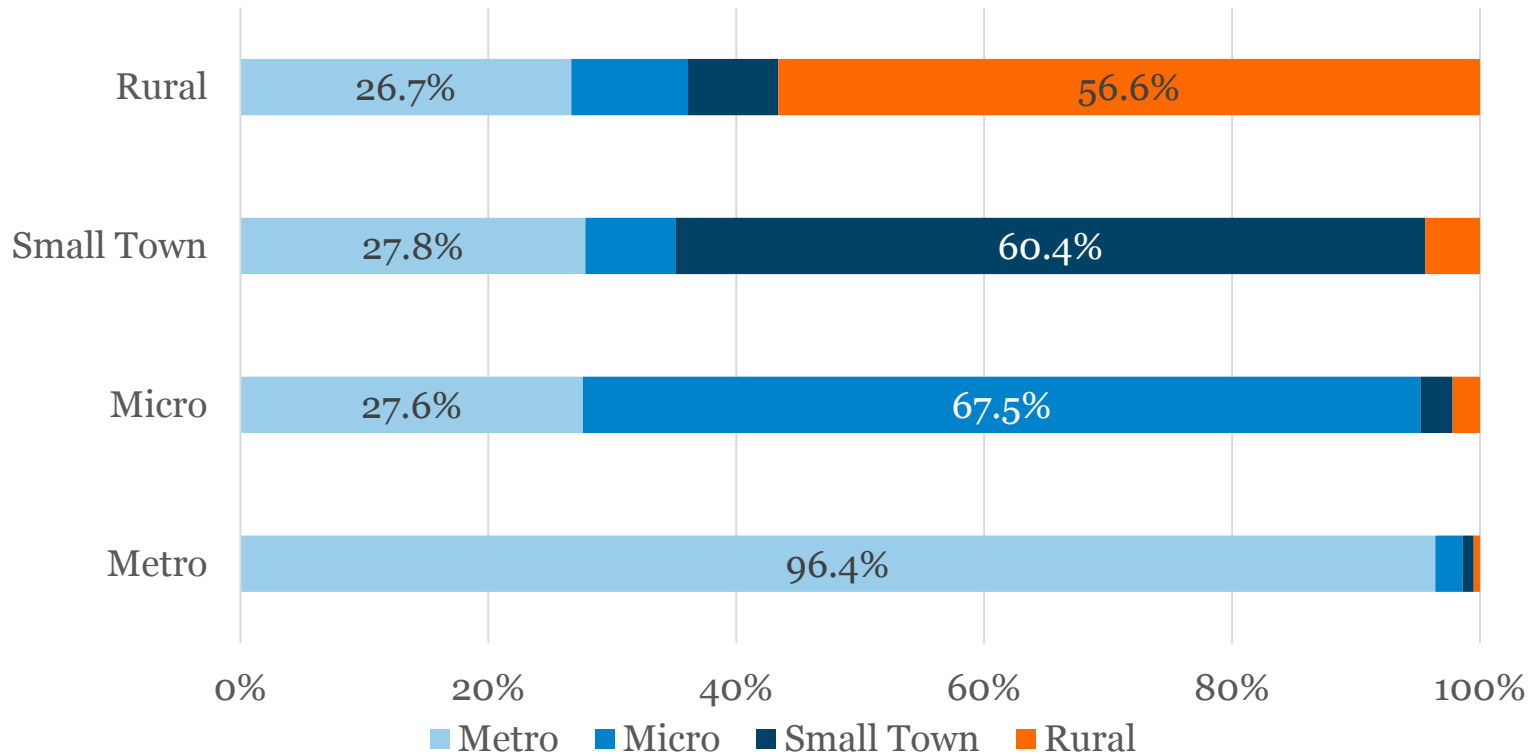
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# Migration Patterns



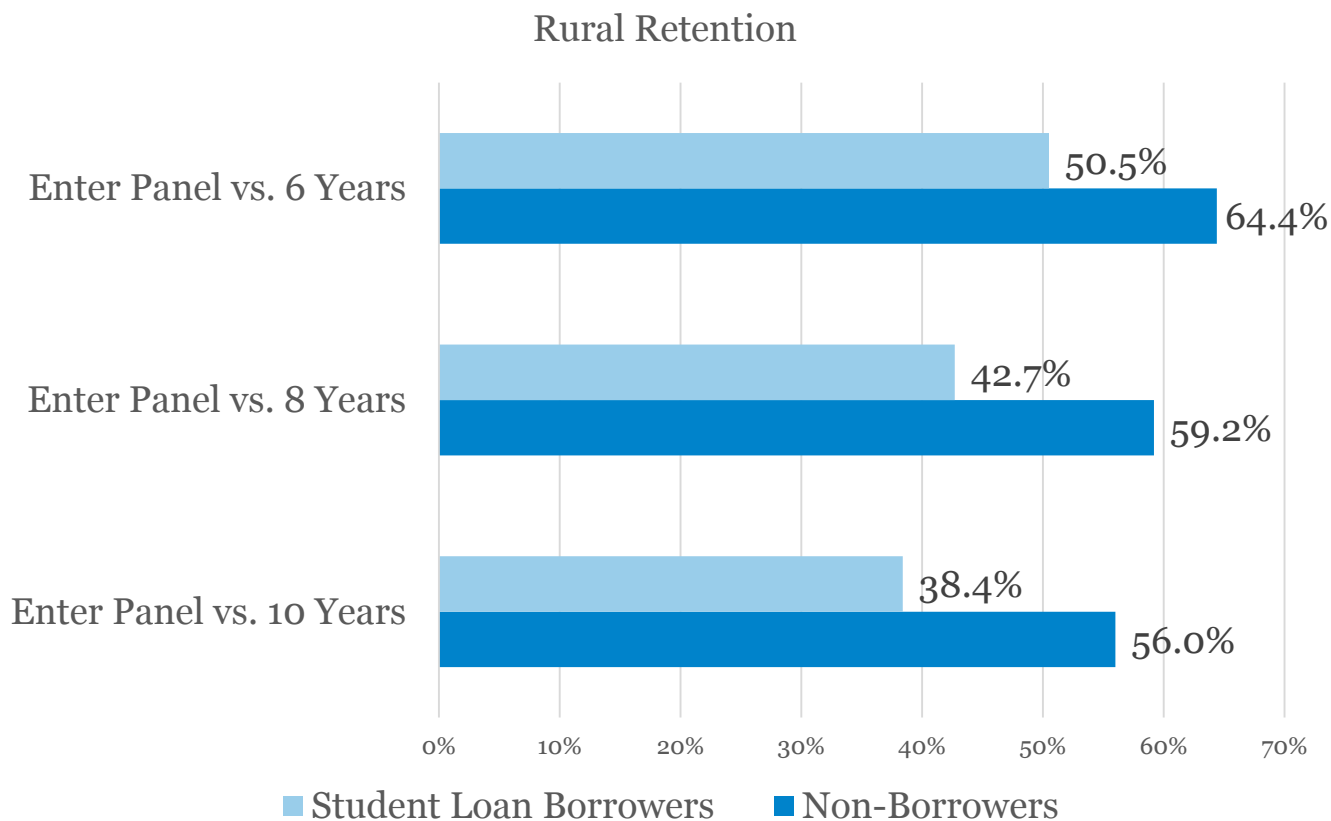
# A large share of millennials are leaving rural areas.

Enter Panel vs. 6 Years Later



Source: Equifax / FRB NY Consumer Credit Panel

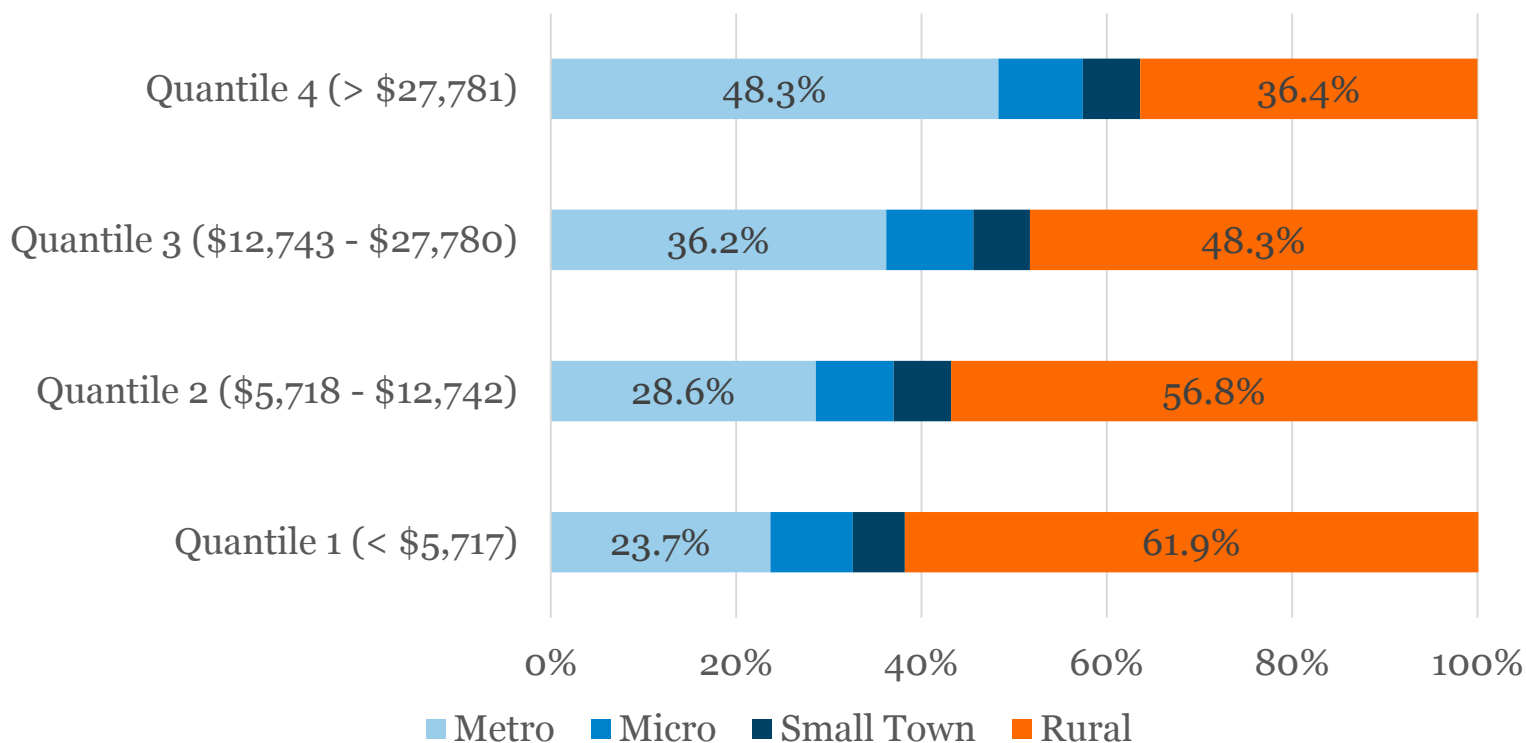
# Borrowers are less likely to remain in rural areas than non-borrowers.



Source: Equifax / FRB NY Consumer Credit Panel

# High-balance rural borrowers are the most likely to leave rural areas.

Rural Student Borrowers: Enter Panel vs. Enter Repayment

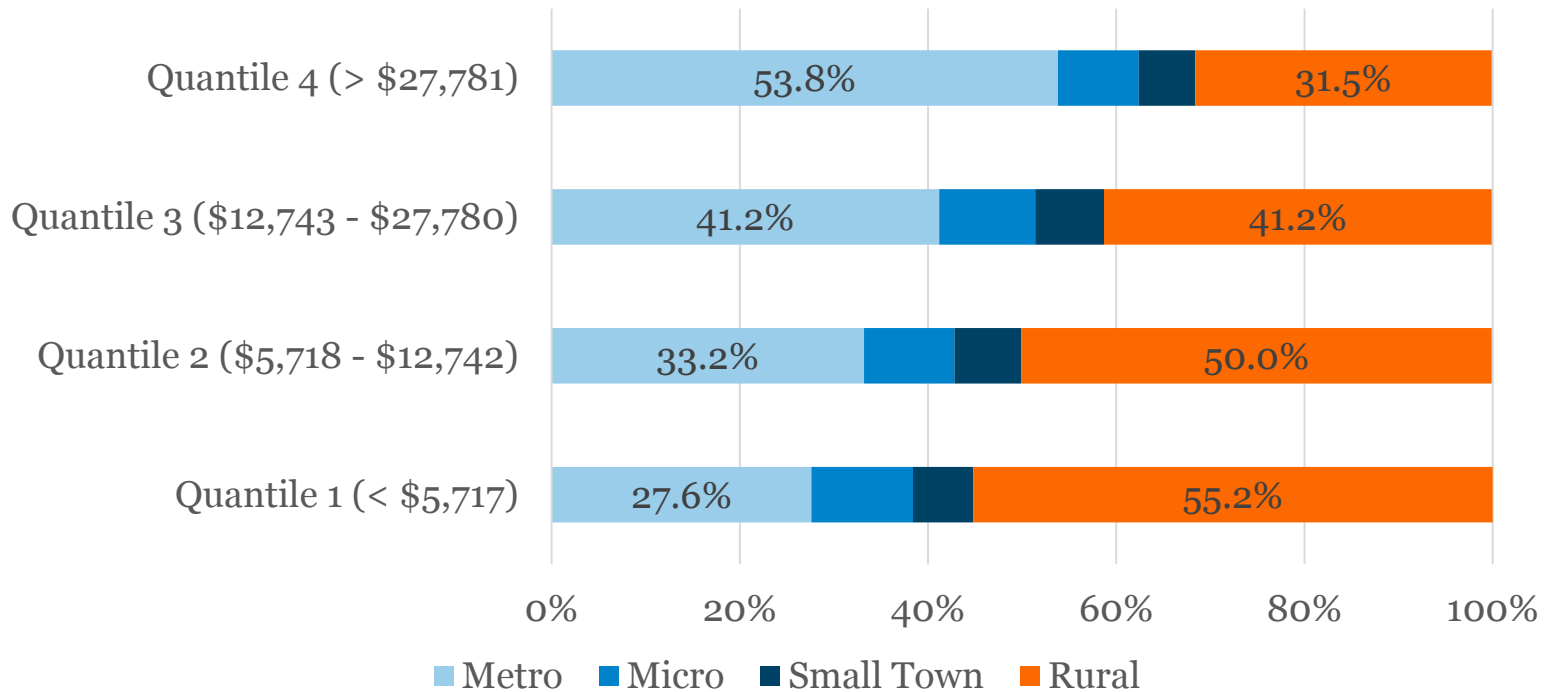


Source: Equifax / FRB NY Consumer Credit Panel



# This trend accelerates over time.

Rural Student Borrowers: Enter Panel vs. Two Years Into Repayment

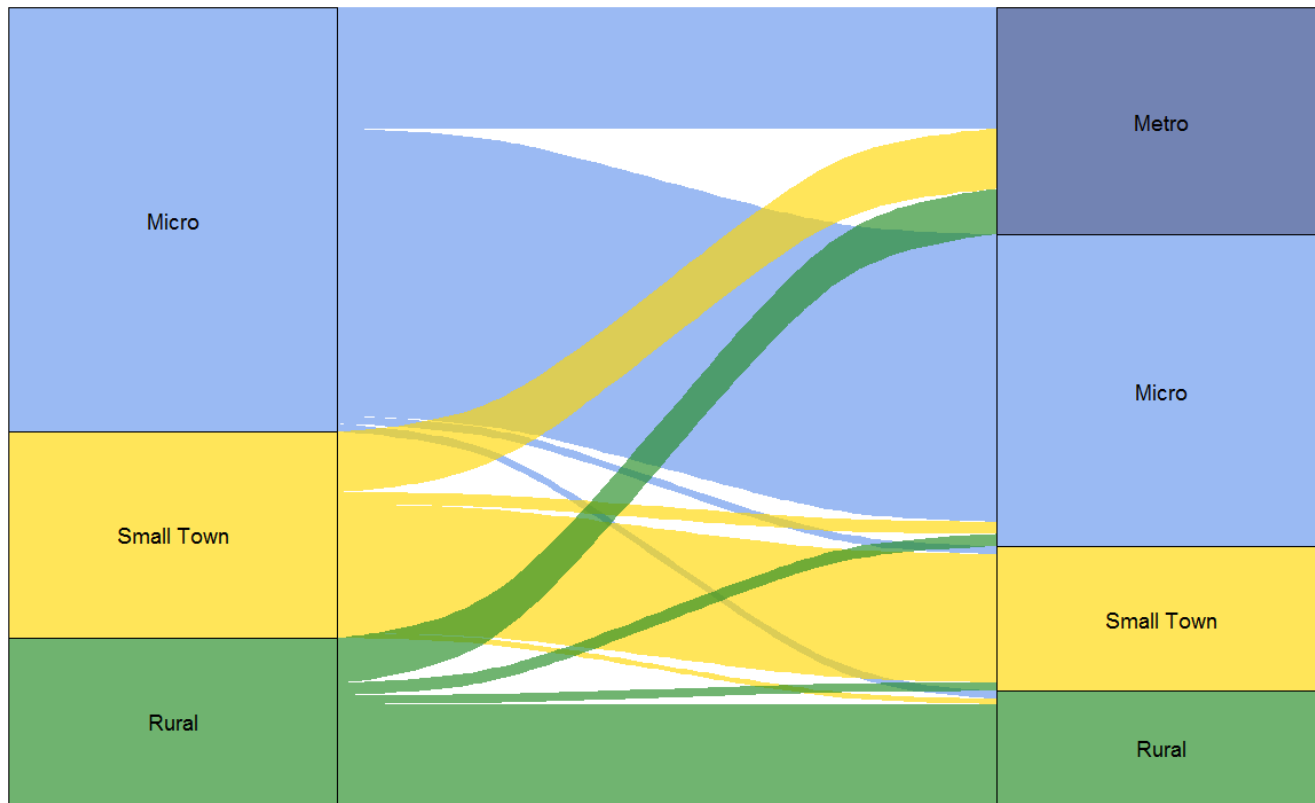


Source: Equifax / FRB NY Consumer Credit Panel

MIGRATION PATTERNS

# Urban areas are the most common destinations for those who leave non-metropolitan areas.

Flow of Non Metropolitan Millennials with Student Loans



Enter Panel

Source: Equifax / FRB NY Consumer Credit Panel

Period

Enter Repayment



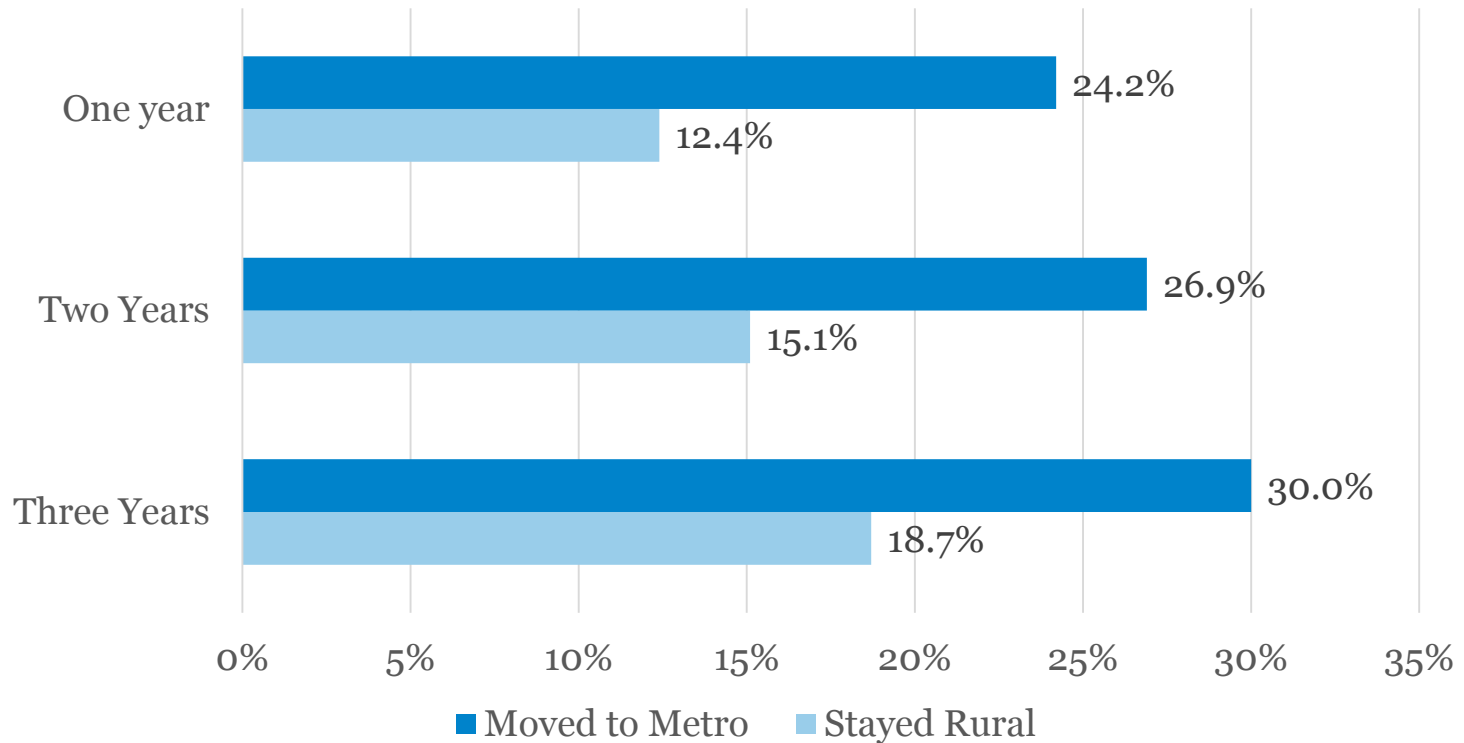
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# Credit & Economic Outcomes

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# Rural students who move to urban areas are more likely to have mortgage debt.

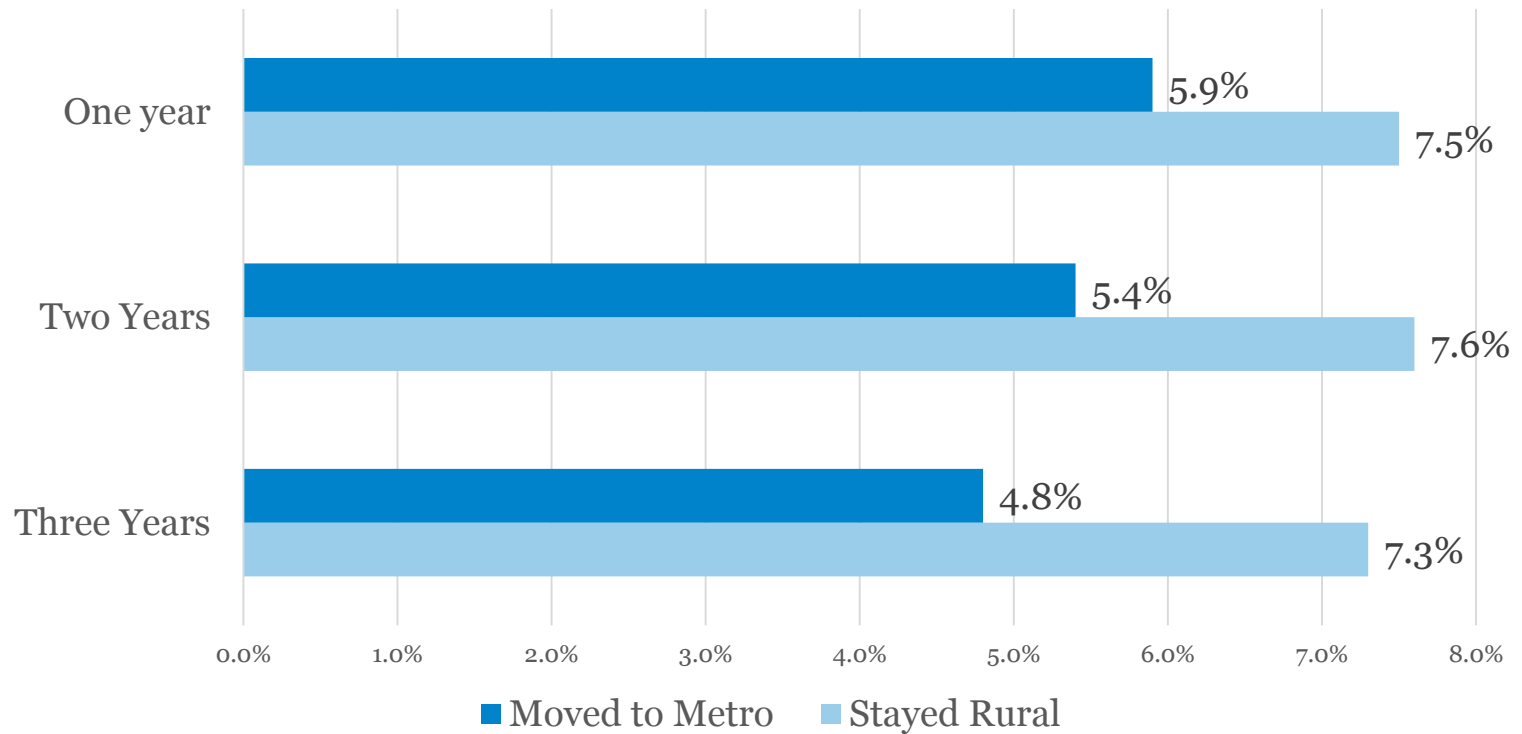
Presence of Mortgage Debt After Entering Repayment



Source: Equifax / FRB NY Consumer Credit Panel

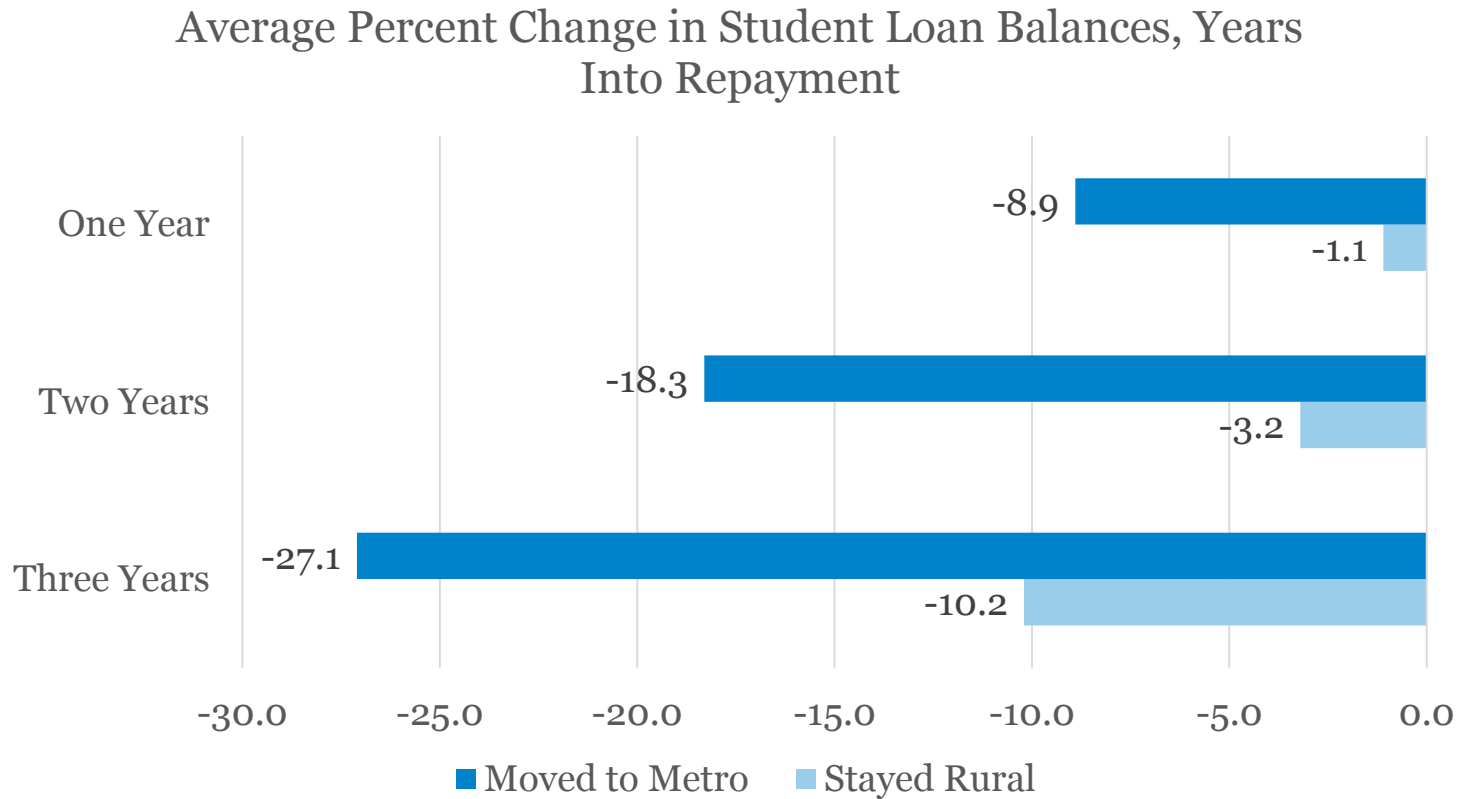
# Are less likely to be seriously delinquent on student loan debt.

Percent of Individuals 120 Days Past Due / Collections  
(Student Loan Tradelines)



Source: Equifax / FRB NY Consumer Credit Panel

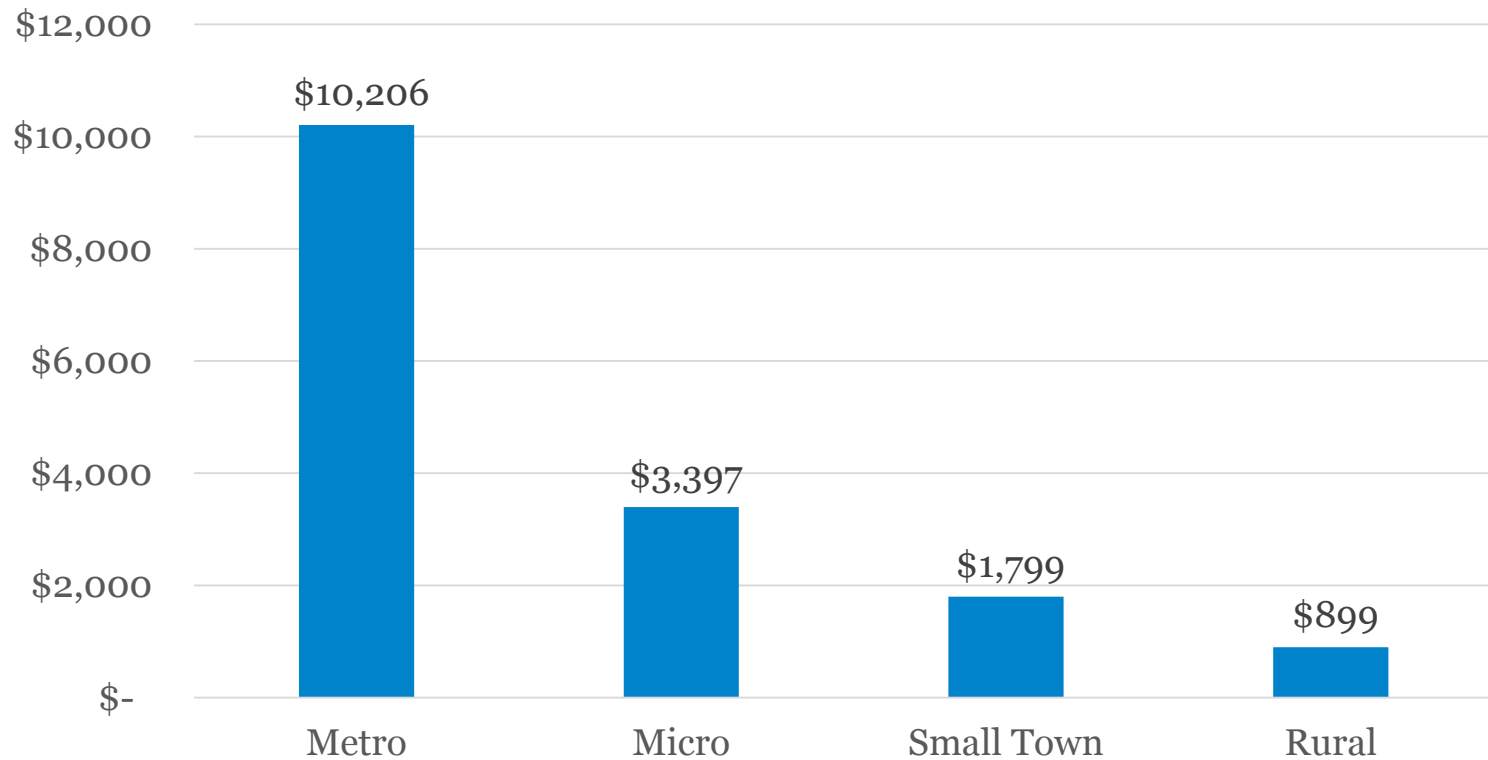
# And are faster to repay their student loan balances.



Source: Equifax / FRB NY Consumer Credit Panel

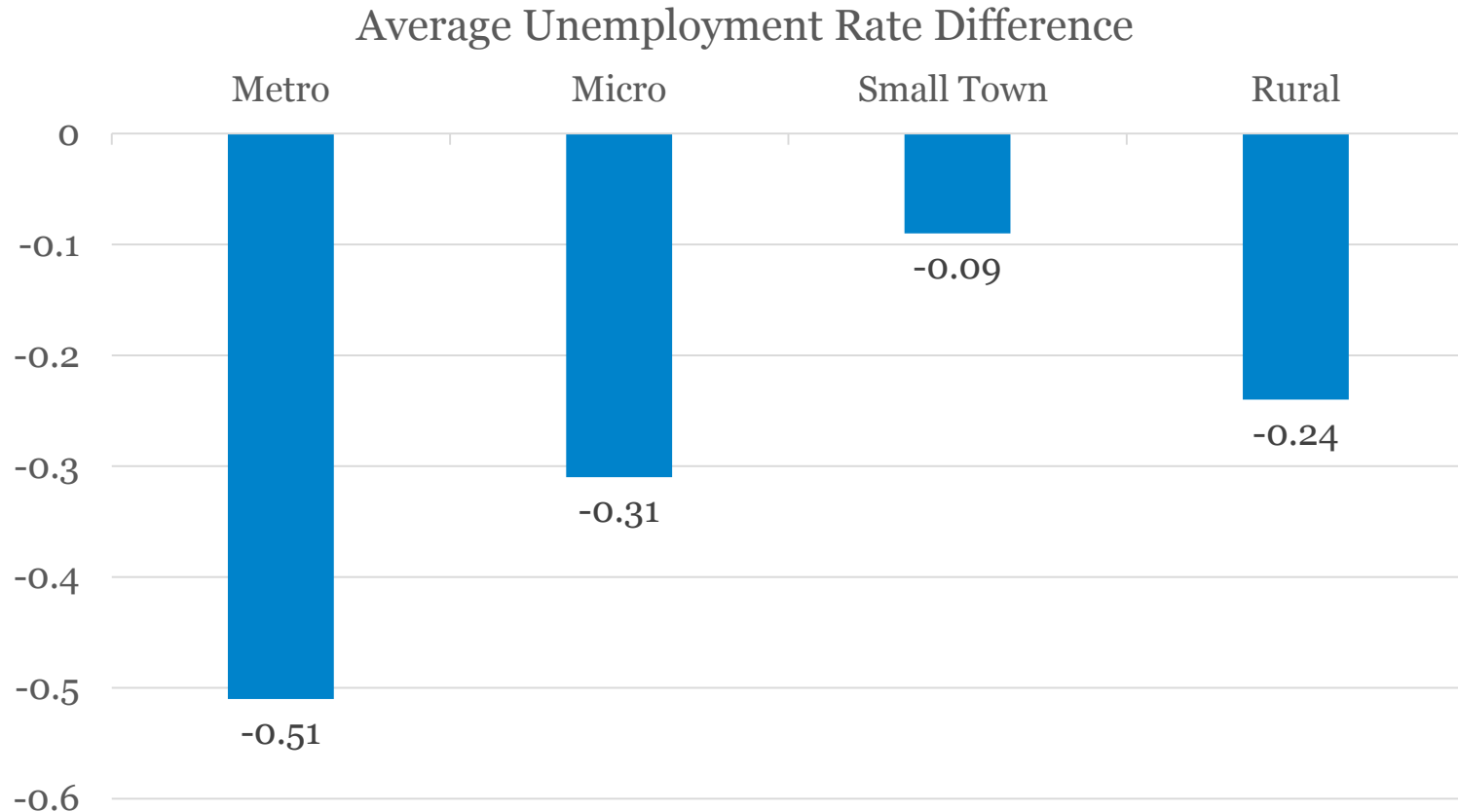
# Rural millennials are moving to areas with higher median wages.

Change In County Average Annual Wage



Source: Equifax / FRB NY Consumer Credit Panel

# And lower unemployment rates.

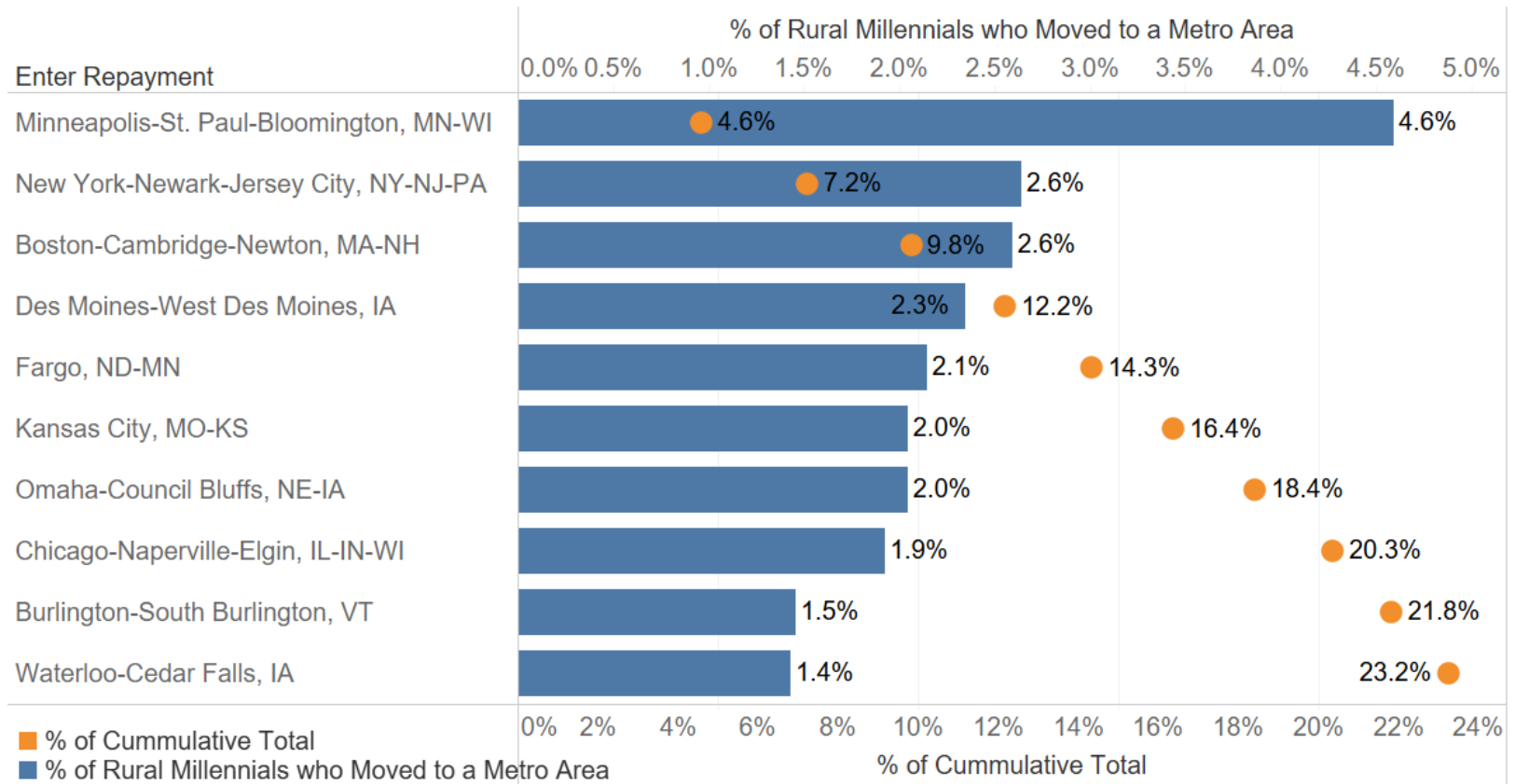


Source: Equifax / FRB NY Consumer Credit Panel



# Where exactly is everyone going?

Top Ten MSA's for Rural Millennials who Moved to a Metropolitan Area Upon Entering Repayment



Source: Equifax / FRB NY Consumer Credit Panel



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# Conclusions



# At what rate are millennials with student loans leaving rural areas?

- Only 57 percent of millennials with credit records who are in rural areas at ages 18 – 22 are still in rural areas six years later.
- Student loan borrowers are less likely to remain in rural areas than non-borrowers.

# What is the relationship between an individual's student loan balance and their urban-rural migration patterns?

- Rural millennial high-balance student loan borrowers are less likely than low-balance borrowers to remain in rural areas.
- Just 36 percent of rural high-balance borrowers were still in rural areas when entering repayment, compared to 62 percent of low-balance borrowers.

# How do rural students who move to urban areas compare to those that remain in rural areas?

- Rural student loan borrowers who stayed in rural areas are about half as likely as those who move to urban areas to have mortgage debt within three years of entering repayment.
- They are also more likely to be seriously delinquent on their student loan debt.
- And are slower to repay their student loans.



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**Thank you.**

