The views presented here are those of the authors and do not necessarily reflect those of the Federal Reserve Bank of New York, or the Federal Reserve System.
Student loans defy business cycle

Non-mortgage balances

Source: New York Fed Consumer Credit Panel / Equifax
Total student loan balances by age group

Source: New York Fed Consumer Credit Panel / Equifax
Age 60+ Borrowers: 2014Q4 Balances by Origination Age

How old were the borrowers when they took out their loans?

- **55-59**: 35%
- **50-54**: 22%
- **60-64**: 21%
- **65+**: 15%
- **45-49**: 4%
- **under 45**: 1%
- **origination unknown**: 2%
Distribution of borrowers by 2014Q4 balance

43.3 million borrowers
Mean balance: $26,700
Median balance: $14,400

Source: FRBNY Consumer Credit Panel/Equifax
Who is borrowing now?

Number of originating borrowers by age*

Source: FRBNY Consumer Credit Panel/Equifax; * excludes small number of borrowers with missing age
Increase, then decline in borrowers from lower and middle income areas

Source: FRBNY Consumer Credit Panel/Equifax; Internal Revenue Service; * excludes small number of borrowers with missing ZIP code incomes
Larger rise in level of lower income borrowers following recession

Active borrowers by ZIP code income

Index, 2004=1

Source: FRBNY Consumer Credit Panel/Equifax; Internal Revenue Service; * excludes small number of borrowers with missing ZIP code incomes
Larger rise in level of lower income borrowers following recession

Number active borrowers rose 40% in 6 years

Source: FRBNY Consumer Credit Panel/Equifax; Internal Revenue Service; * excludes small number of borrowers with missing ZIP code incomes
Larger rise in level of lower income borrowers following recession

Active borrowers by ZIP code income

Index, 2004=1

Number active borrowers returned to 2004 levels

Source: FRBNY Consumer Credit Panel/Equifax; Internal Revenue Service; * excludes small number of borrowers with missing ZIP code incomes
Wrapping up, part 1

- Student debt continues to increase, especially for older borrowers
  - Increase reflects new borrowers, higher balances and slow repayment
- There is significant heterogeneity in amounts owed
  - Highest balances are owed by borrowers in their 30s
- The number of active borrowers peaked in 2010
  - Significant decline since then
  - Increase and subsequent decline driven by borrowers from relatively lower-income areas
Student loan default & repayment
Distribution of payment history

Snapshot of Borrowers in 2014:Q4

<table>
<thead>
<tr>
<th>Percent of Borrowers</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>34%</td>
<td>always current, balance decreasing</td>
</tr>
<tr>
<td>29%</td>
<td>always current, balance increasing</td>
</tr>
<tr>
<td>20%</td>
<td>current with previous blemish</td>
</tr>
<tr>
<td>6%</td>
<td>now delinquent</td>
</tr>
<tr>
<td>11%</td>
<td>now in default</td>
</tr>
</tbody>
</table>

Source: New York Fed Consumer Credit Panel / Equifax
Defaults and default rate

Thousands per year


Annual rate

defaulted borrowers rate of default

Source: FRBNY Consumer Credit Panel/Equifax
Default rate by school leaving cohort

Share ever defaulted by years after leaving school

Source: New York Fed Consumer Credit Panel / Equifax
5-year cohort default and delinquency rates by ZIP income

Source: FRBNY Consumer Credit Panel/Equifax
5-yr Cohort default and delinquency rates by age

Source: FRBNY Consumer Credit Panel/Equifax
Student loan repayment behavior

Student Loan Repayment Status in 2014

- Delinquent or in default: 17%
- Current and paying down: 37%
- Current, balance increasing: 33%
- Current, same balance: 13%

Source: New York Fed Consumer Credit Panel / Equifax
5-year cohort repayment difficulties, by ZIP income

Source: FRBNY Consumer Credit Panel/Equifax
2009 cohort repayment rates by income

Proportion of balance remaining by ZIP income

Source: FRBNY Consumer Credit Panel/Equifax
Wrapping up

- These results are further evidence of the important heterogeneity we see in the outcomes of higher education investments financed with student debt
  - Borrowers who left school in the Great Recession had particular difficulty with their student loan repayment, with many defaulting, becoming seriously delinquent, or not being able to reduce their balance
  - Borrowers from lower and middle-income areas as well as borrowers who originated loans in their 30s are also at greater risk of default and delinquency
- The low overall repayment rate helps explain the steady growth in aggregate student debt, now at nearly 1.2 trillion dollars