



Governor's Task Force on Student Debt

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Overview

I: Student Debt 101

II: Borrowing & Repaying Federal Loans

III: Wisconsin Student Debt Facts

IV: Policy Responses

Main goal: Help task force pinpoint student debt problems

Student Debt 101

- Why do students borrow?
- Where do they get loans?
- Who borrows?
- How much?

Student Debt 101

- Why do students borrow?
- Where do they get loans?
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- How much?

Rising tuition & non-tuition expenses

Constrained family budgets

Low “purchasing power” of grants

ROI justifies debt

Student Debt 101

- Why do students borrow?
- Where do they get loans?
- Who borrows?
- How much?

Federal programs (via FAFSA)

State

Colleges

Banks & credit unions

Student Debt 101

- Why do students borrow?
- Where do they get loans?
- Who borrows?
- How much?

Federal loan programs:

Undergraduate & graduate students
Parents of undergraduates
Degree/certificate-seeking
At least enrolled part-time
Accredited & Title IV institution
U.S. citizens

Student Debt 101

- Why do students borrow?
- Where do they get loans?
- Who borrows?
- How much?

Federal loan programs:

Total outstanding: \$1.5 trillion

US average: \$35,397

US median[^]: \$18,366

Varies by time enrolled

Annual & cumulative federal limits

Federal interest rates: 4.53% – 6.08%

Borrowing & Repaying Federal Loans

- Loan programs
- Repayment plans
- The “lifecycle” of loans
- Consequences of default

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Different loans for different students:

Undergrad (sub vs. unsub)

Parent PLUS

Grad (unsub)

Grad PLUS

Different benefits for different loans:

Interest rates

Borrowing limits

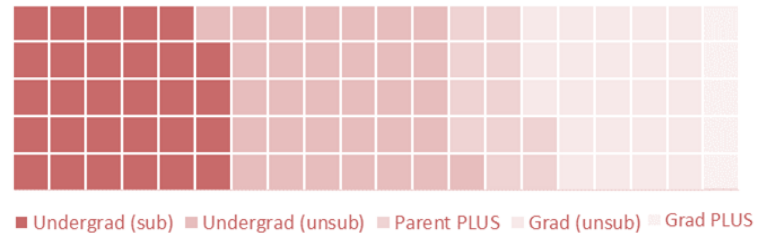
Repayment plans

Forgiveness

Borrowing & Repaying Federal Loans

- Loan programs
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Federal loan dollars disbursed in WI (2018-19)



TAKEAWAY:

In WI, about 72¢ of every \$1 in federal loans are disbursed for undergraduate education.

Parents and graduate students account for a large (and growing) share of debt.

Borrowing & Repaying Federal Loans

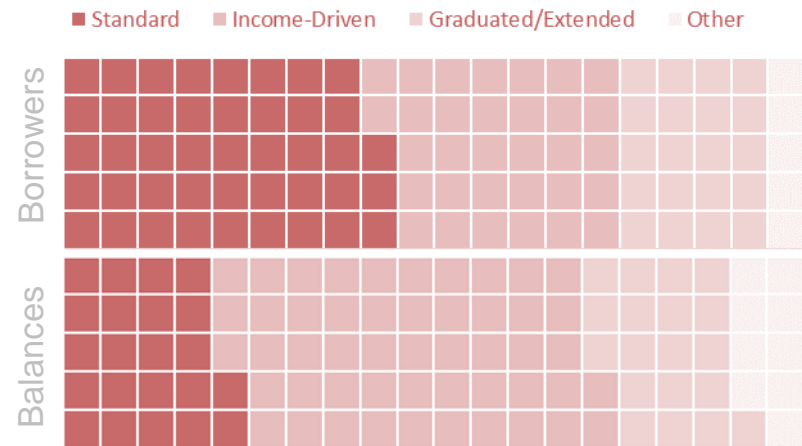
- Loan programs
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Standard
Income-Based Repayment
Pay As You Earn (PAYE)
Repay As You Earn (REPAYE)
Graduated
Extended
Alternative

Borrowing & Repaying Federal Loans

- Loan programs
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Borrowers and balances by repayment plan



TAKEAWAY:

“Standard” plan is no longer the norm and a large volume of federal debt is repaid via income-driven plans.

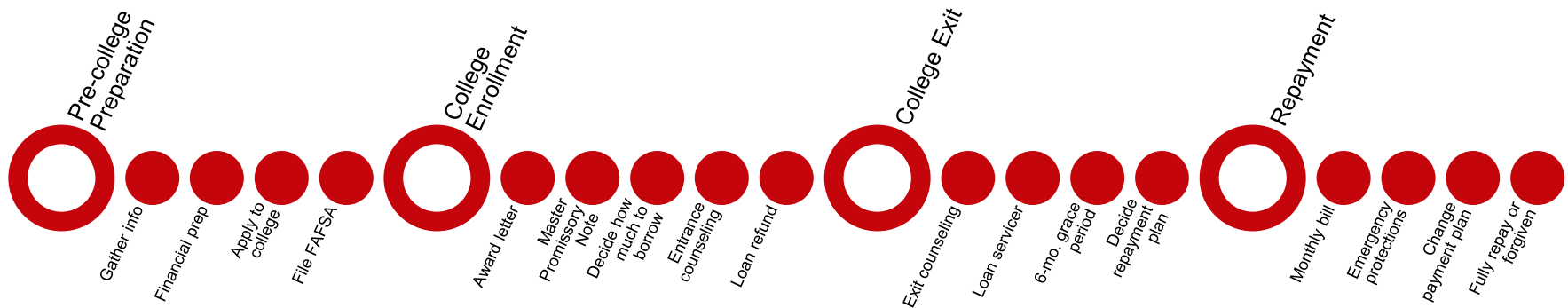
Borrowing & Repaying Federal Loans

- Loan programs
- Repayment plans
- The “lifecycle” of loans
- Consequences of default

TAKEAWAY:

Students can be affected by loans long before and long after taking them out

Large racial and economic inequalities exist in borrowing and repaying.



Borrowing & Repaying Federal Loans

- Loan programs
- Repayment plans
- The “lifecycle” of loans
- Consequences of default

After 90 days, servicer reports late borrowers to credit agencies

After 270 more days, loan enters default

Default can reduce credit rating, wages can be garnished, and tax benefits withheld

Wisconsin Student Debt Facts

1. Pre-College
2. College Enrollment
3. College Exit
4. Repayment

TAKEAWAY:

There is no statewide postsecondary administrative service agency coordinating, managing, and analyzing student loan data.

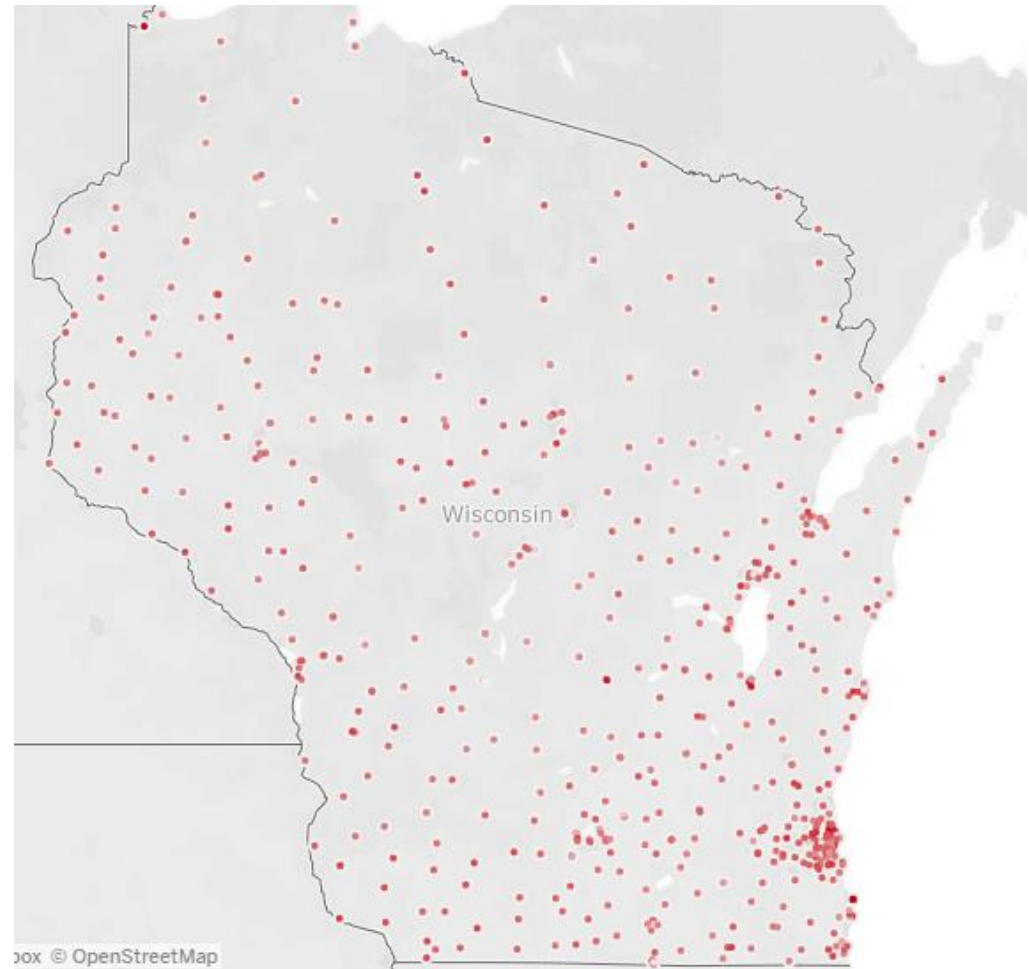
This makes it difficult to measure, monitor, and ultimately fix student loan problems.

The following data are from US Department of Education & consumer credit panels.

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High School FAFSA Filing Rates



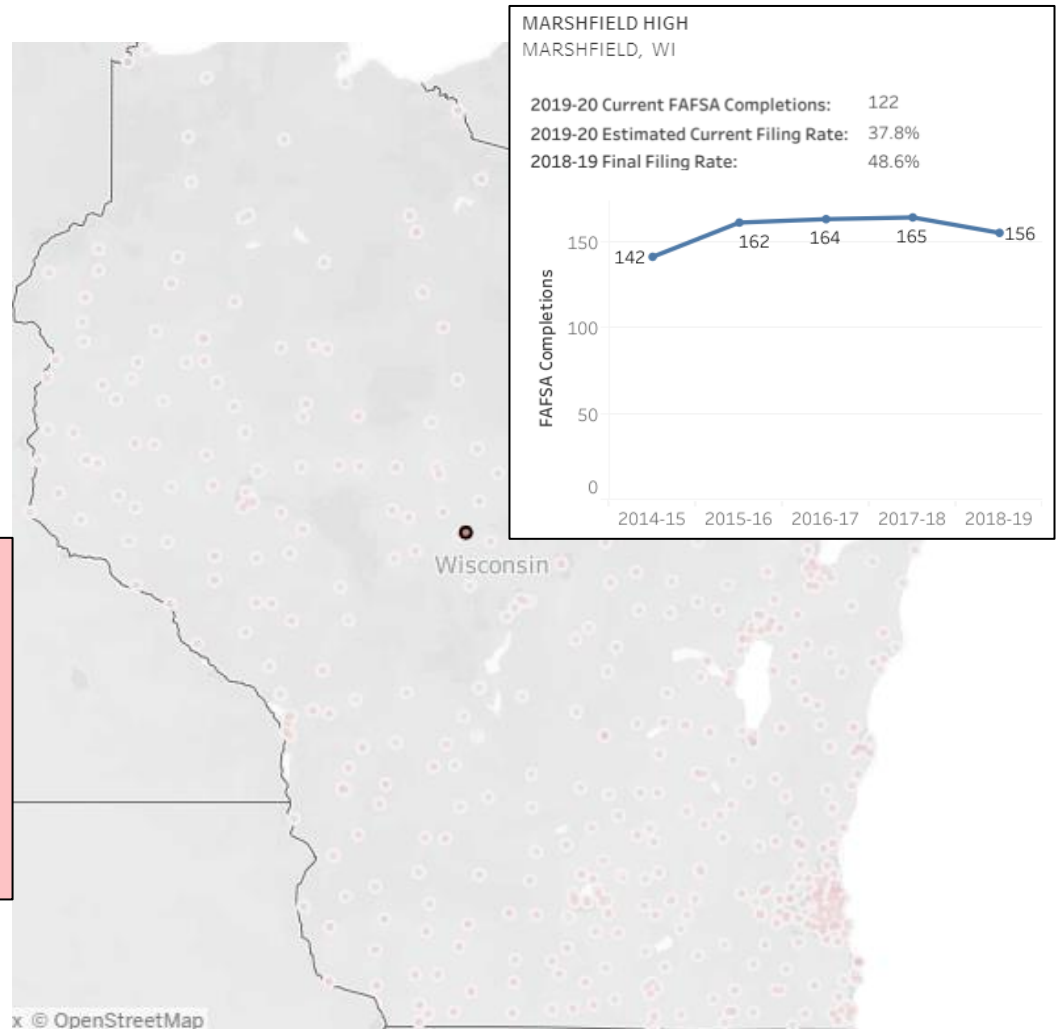
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TAKEAWAY:

WI has one of nation's lowest FAFSA filing rates, even within high-poverty high schools.

Completing the form can help students pay for and enroll in college.



Wisconsin Student Debt Facts

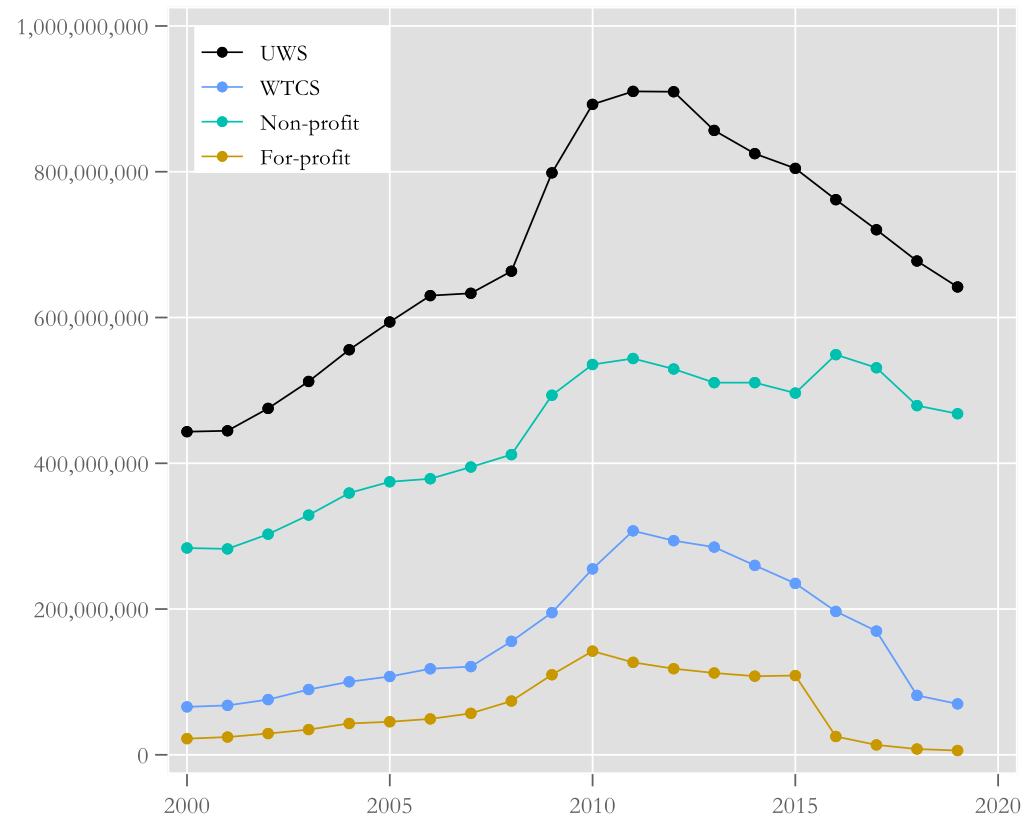
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TAKEAWAY:

WI colleges disbursed \$1.3 billion federal loans last year.

Public colleges enroll 80% of WI students and disburse 60% of total debt.

Total federal loan dollars disbursed (2019 dollars)



Wisconsin Student Debt Facts

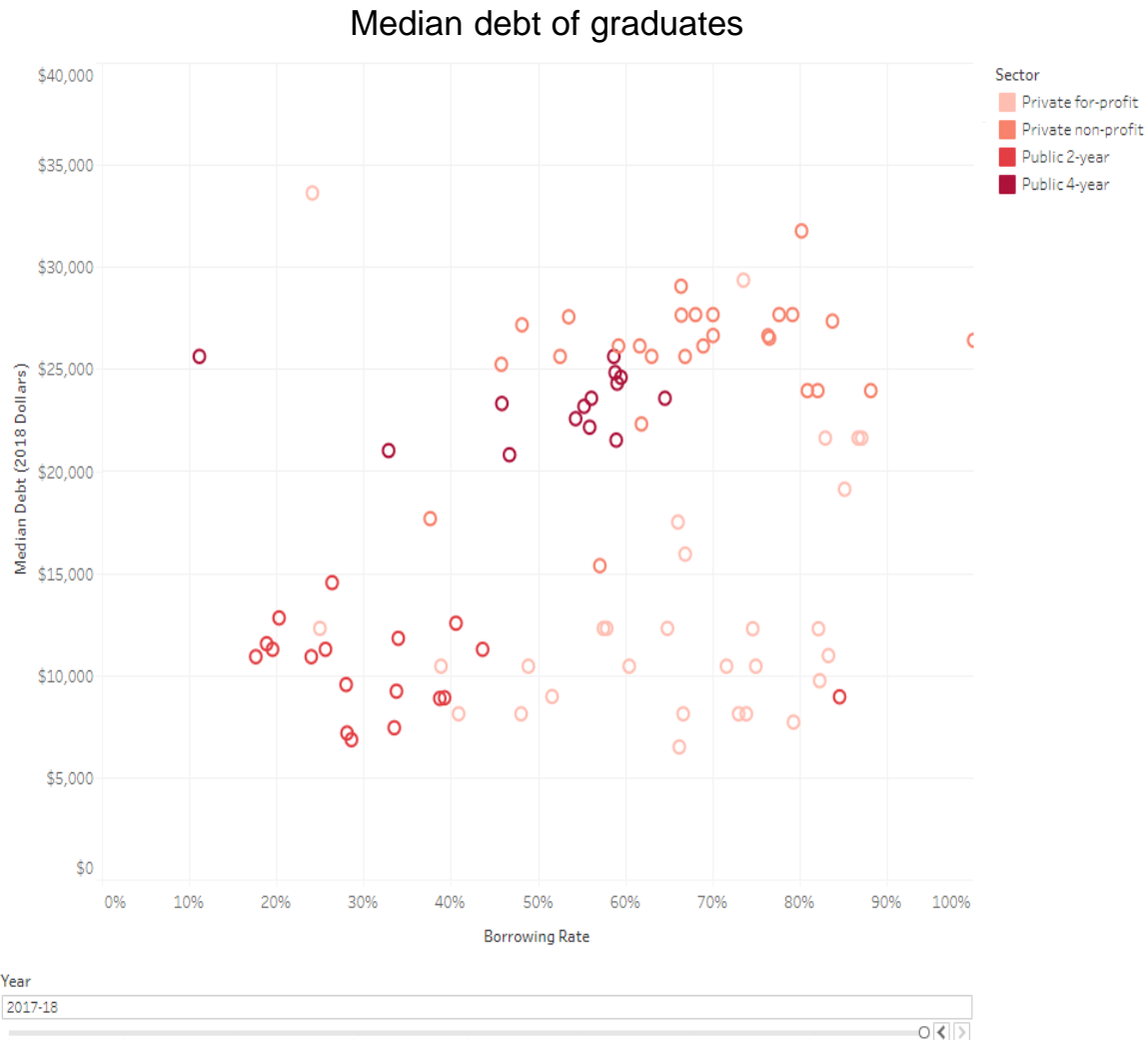
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TAKEAWAY:

Median debt at completion ranges from \$7,500 to \$35,000.

Share of students who borrow ranges from 10% to 100%.

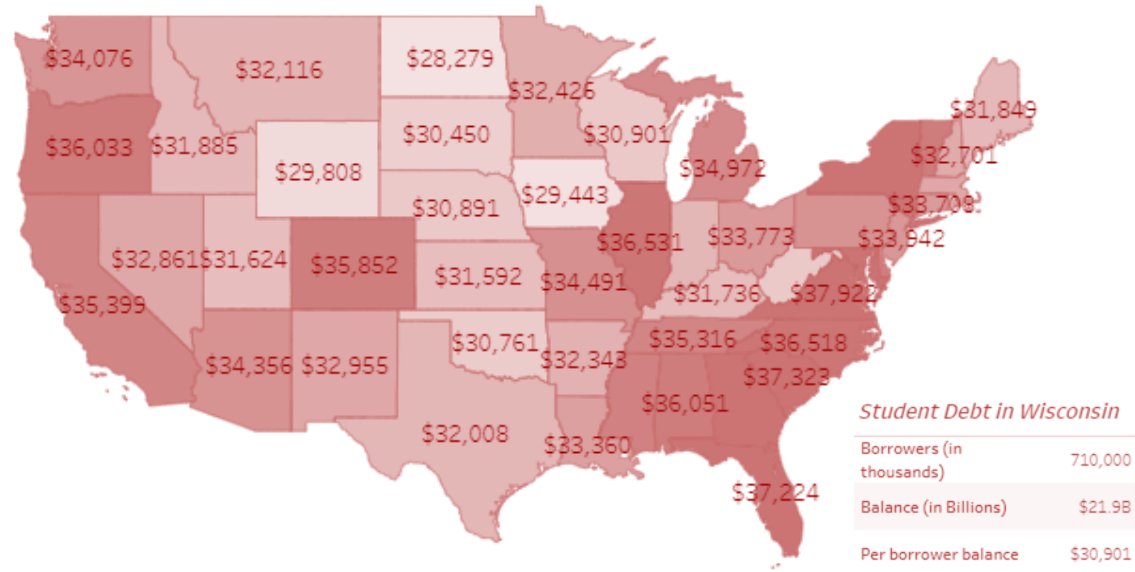
Debt varies by degree program, sector, region, and median is slowing down over time.



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Average debt of federal loan borrowers



TAKEAWAY:

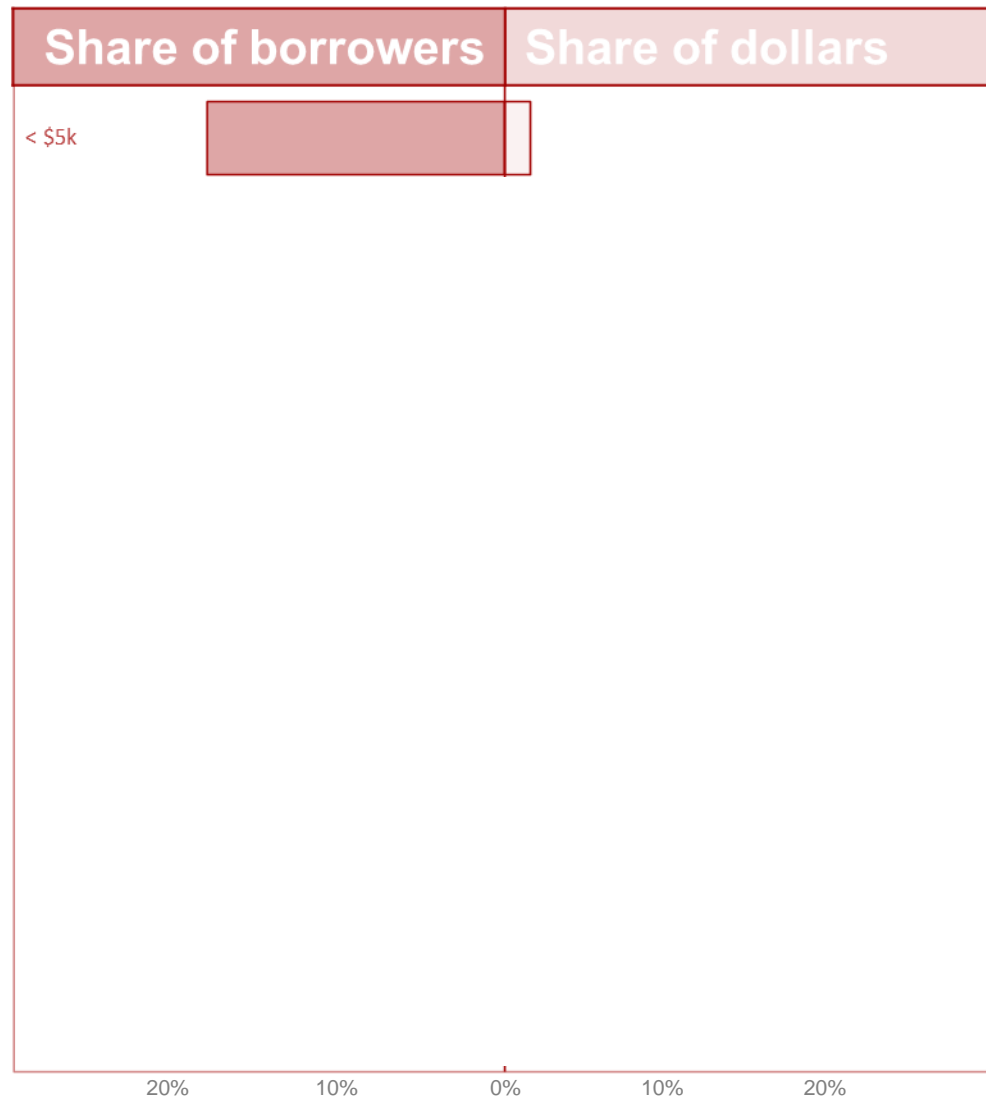
WI's total federal debt is below US average.

This includes non-completers, undergraduates, and graduates, so data needs to be disaggregated but rarely is (NPSAS:18-AC will help).

Wisconsin Student Debt Facts

Distribution of federal loan debt

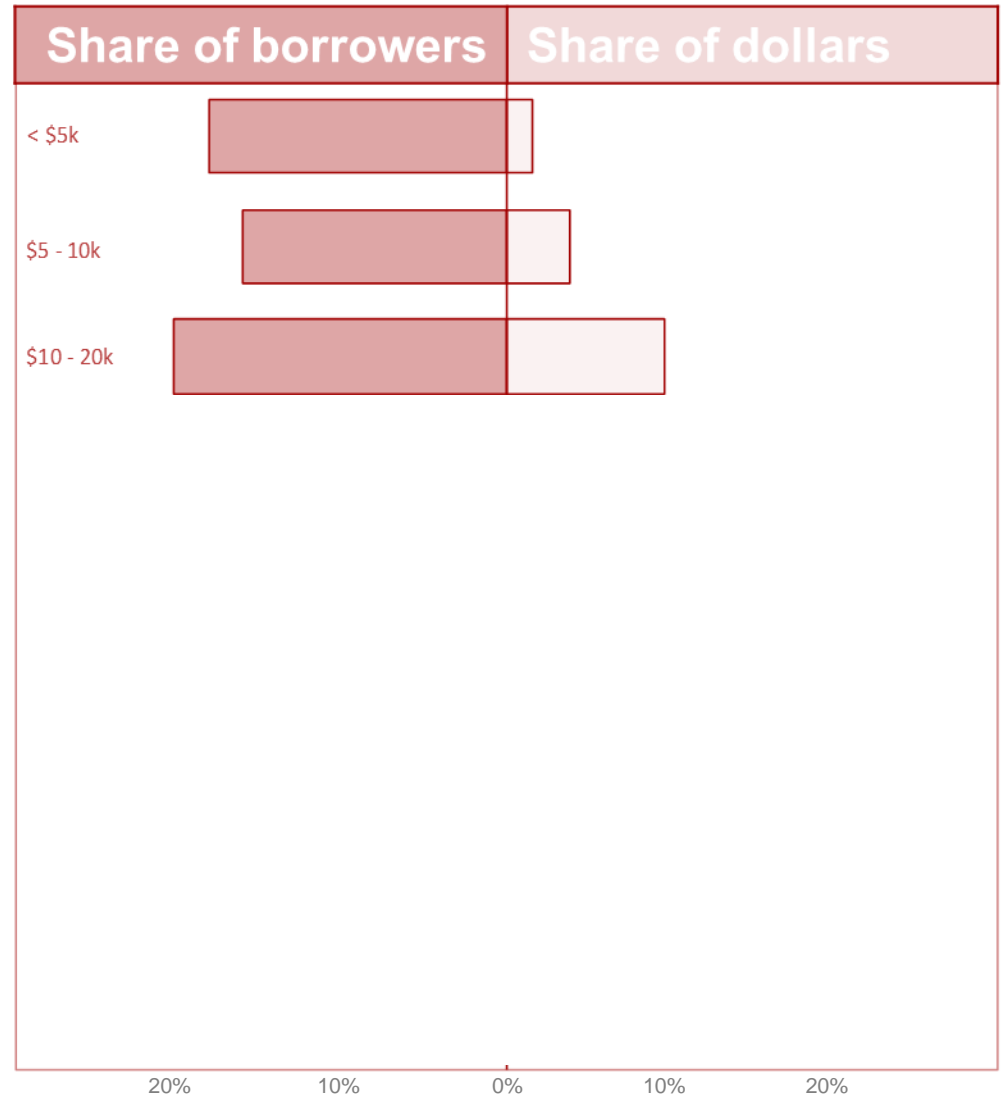
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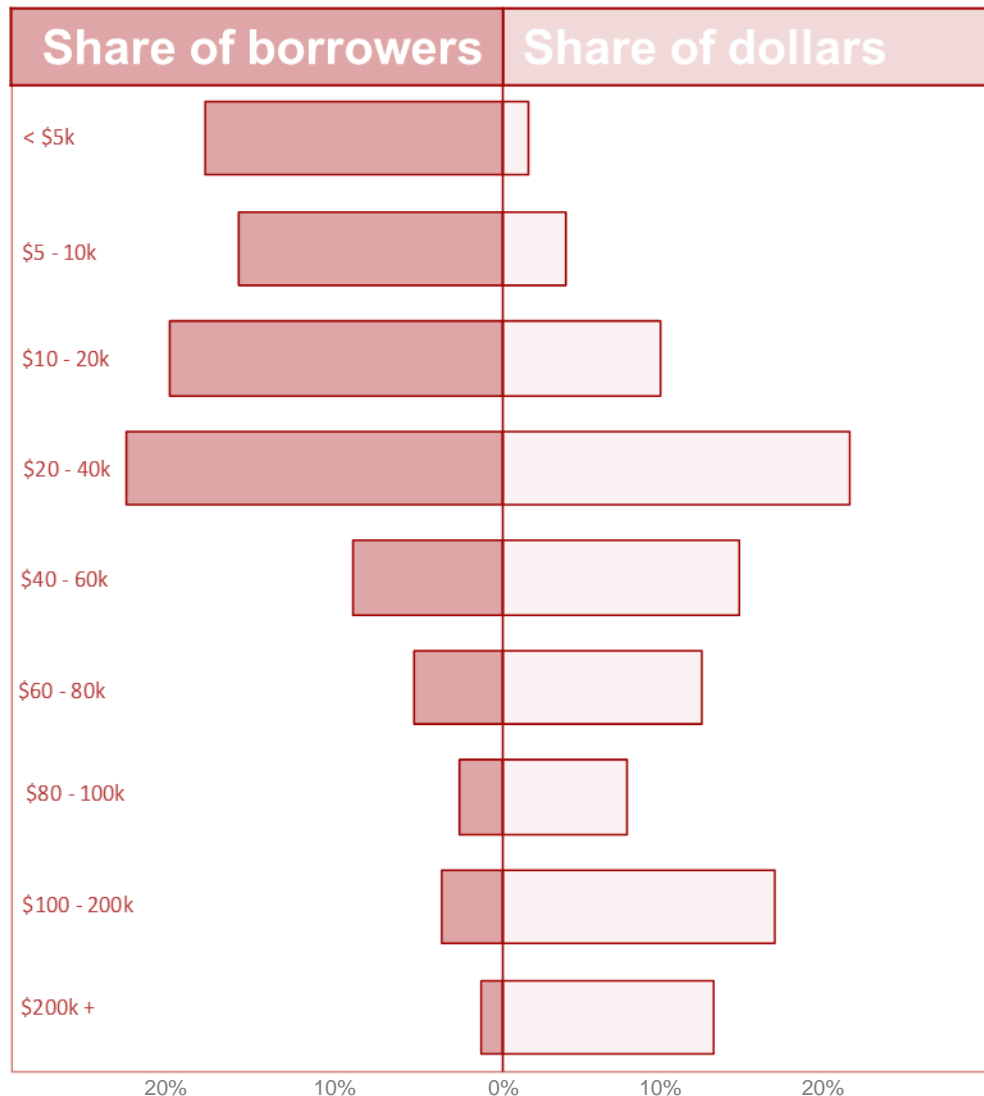
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TAKEAWAY:

Averages are sensitive to skewed data, so use medians.

Most borrowers carry “small” debts, few carry “large” and they skew the distribution.

Distribution of federal loan debt



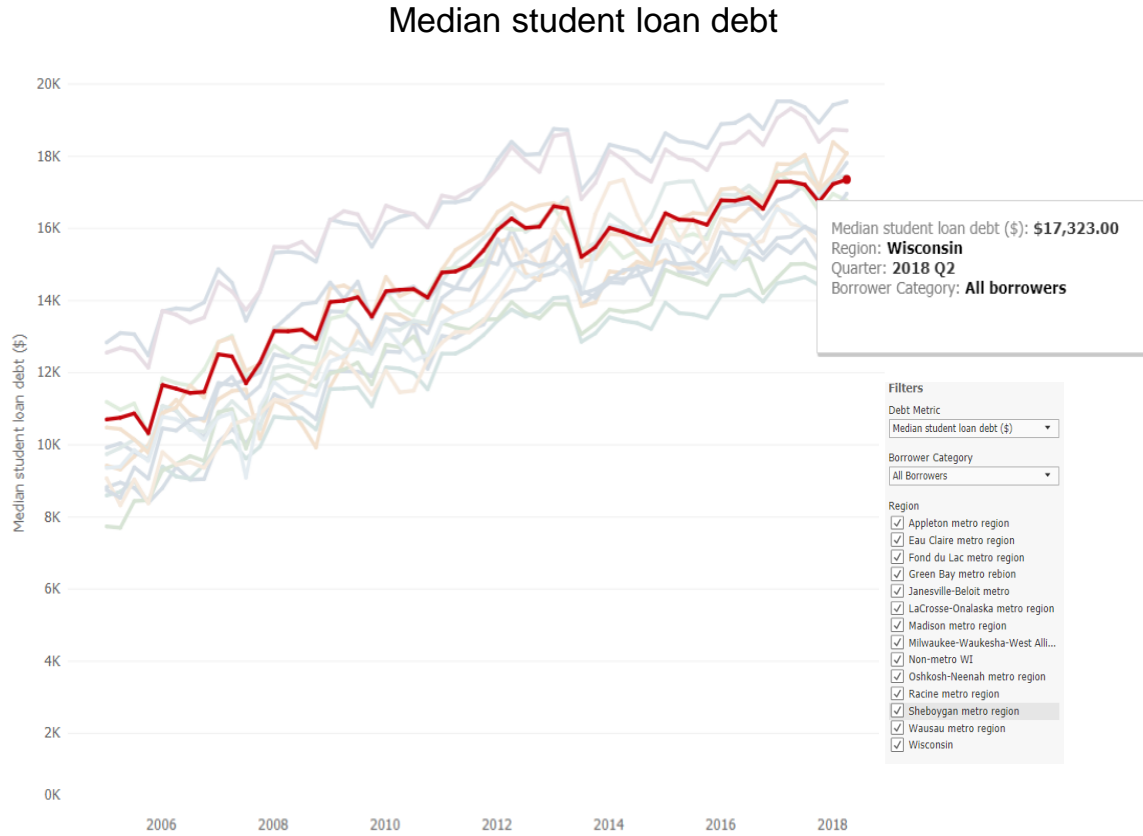
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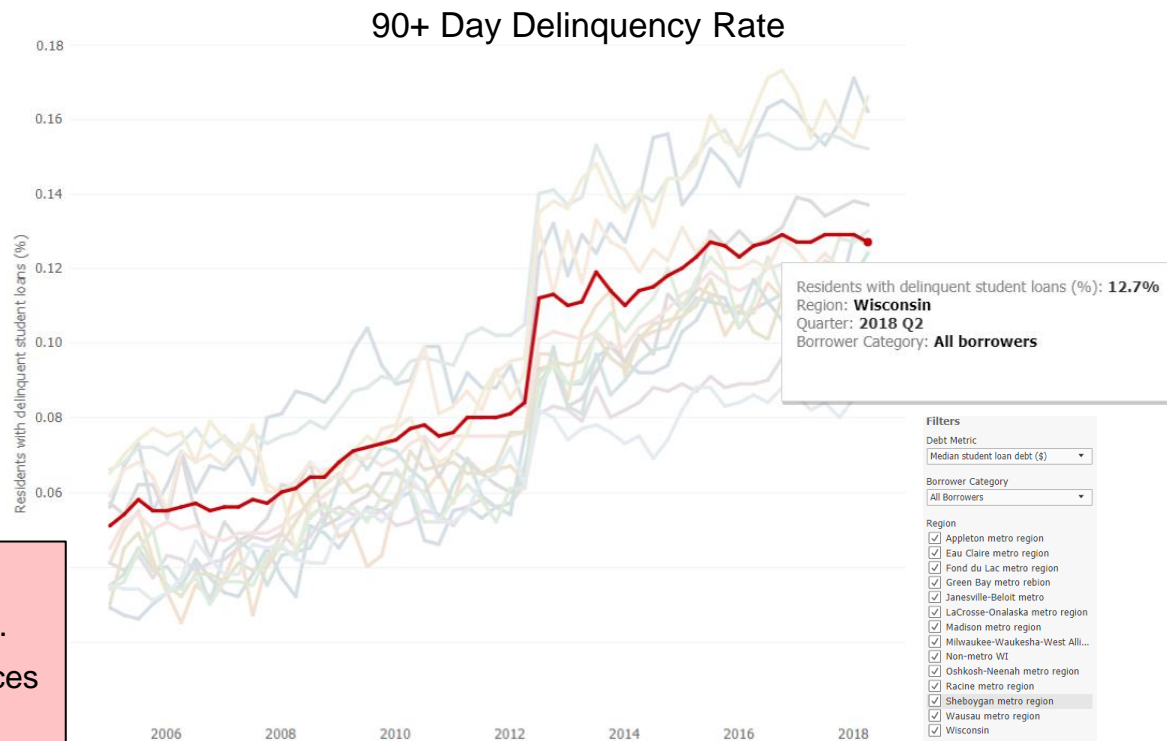
Median federal and non-federal student debt in WI is \$17,323.

This varies by region from \$14,546 to \$19,490.



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TAKEAWAY:

12.7% of WI borrowers are delinquent.

Statewide rate hides regional differences as shown here (8.7% to 16.6%).

Not shown are delinquency by: age; credit score; and census tract income

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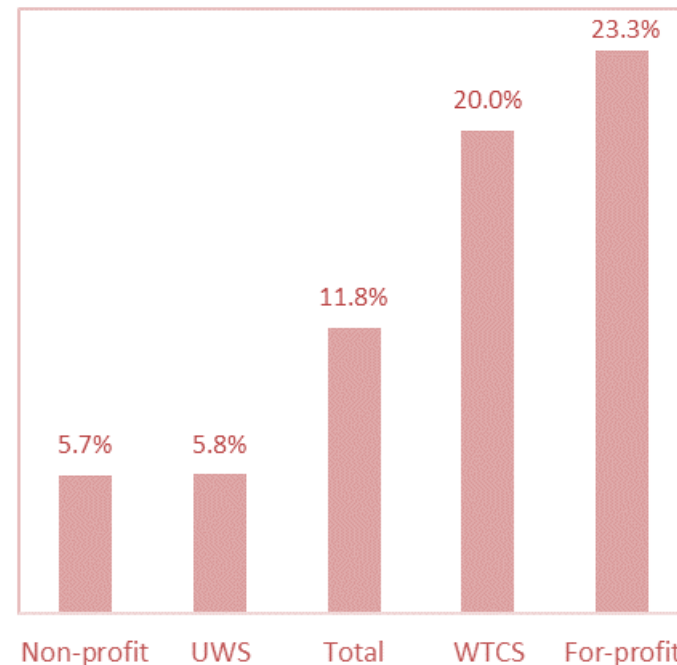
TAKEAWAY:

11.8% of the FY11 repayment cohort defaulted within five years.

WTCS and for-profits account for about 70% of that total.

Not shown: WI median defaulted loan is \$9,109 and default rates are 25% in communities of color compared to 9% in white communities.

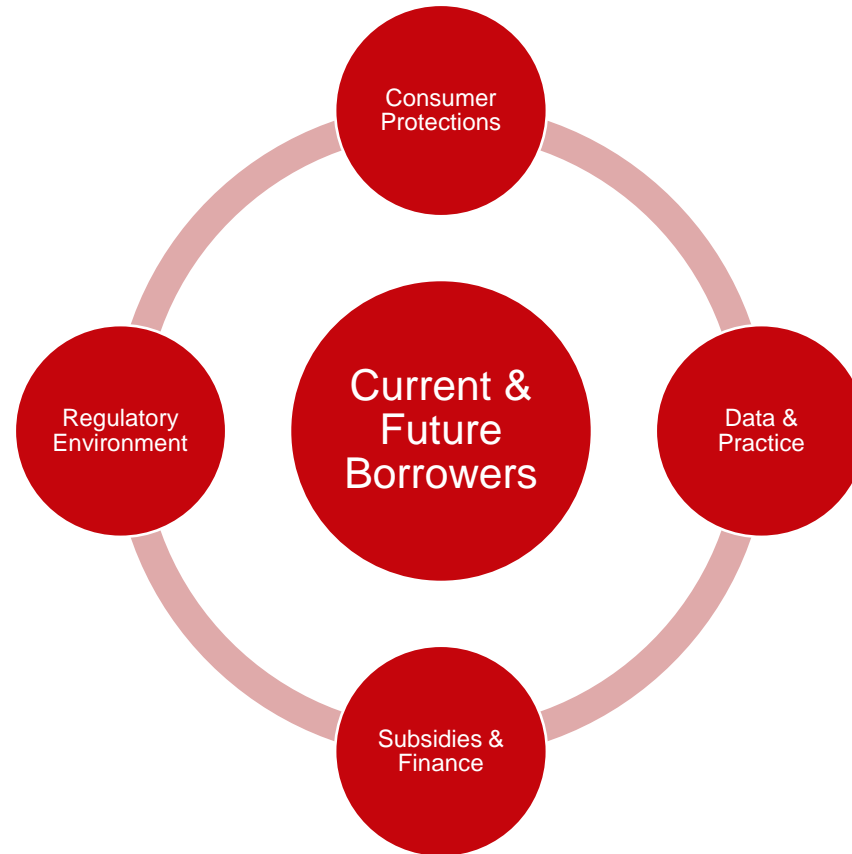
5-year default rate



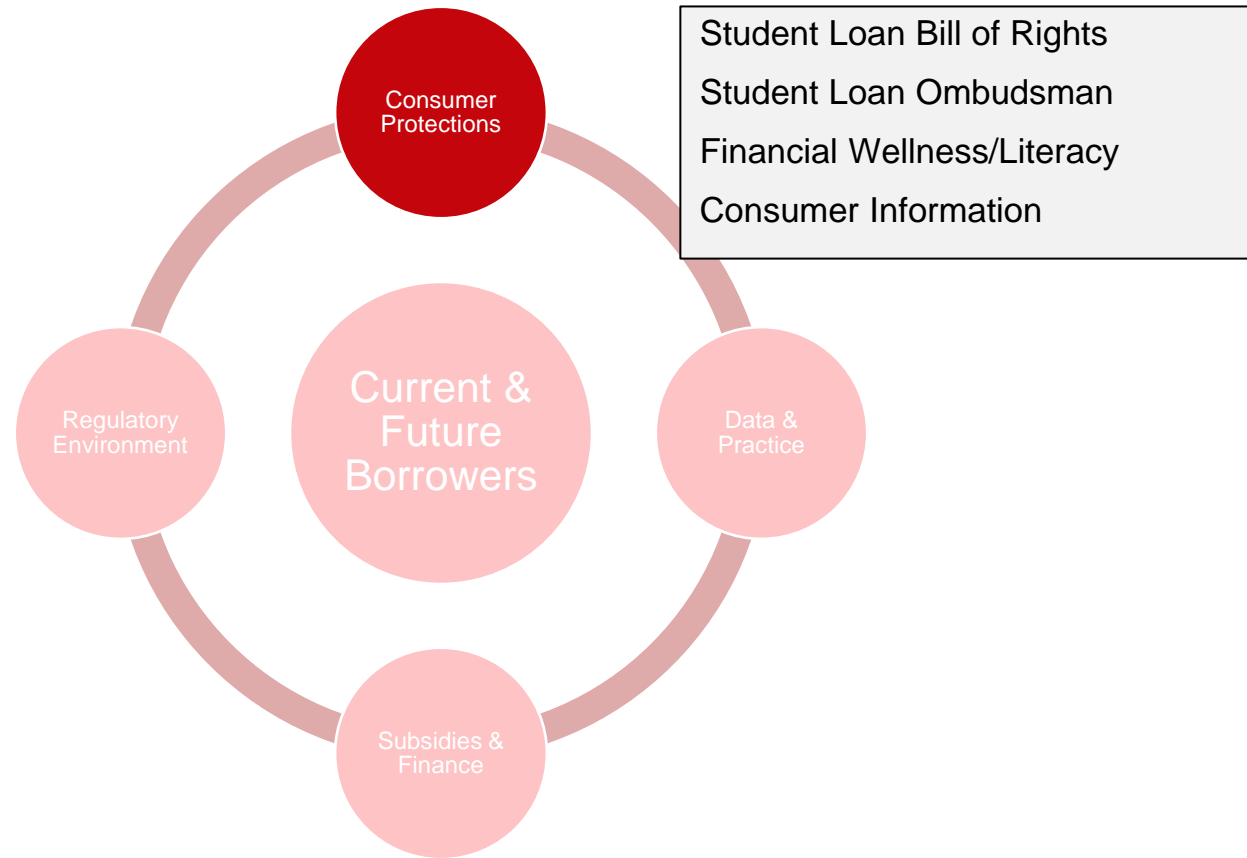
Wisconsin Student Debt Facts

- Key indicators:
 - 710,000 federal borrowers
 - Average debt: \$30,901
 - Median debt: \$17,323
 - Default rate: 11%
 - Median defaulted debt: \$9,109
 - Delinquency rate: 12.7%

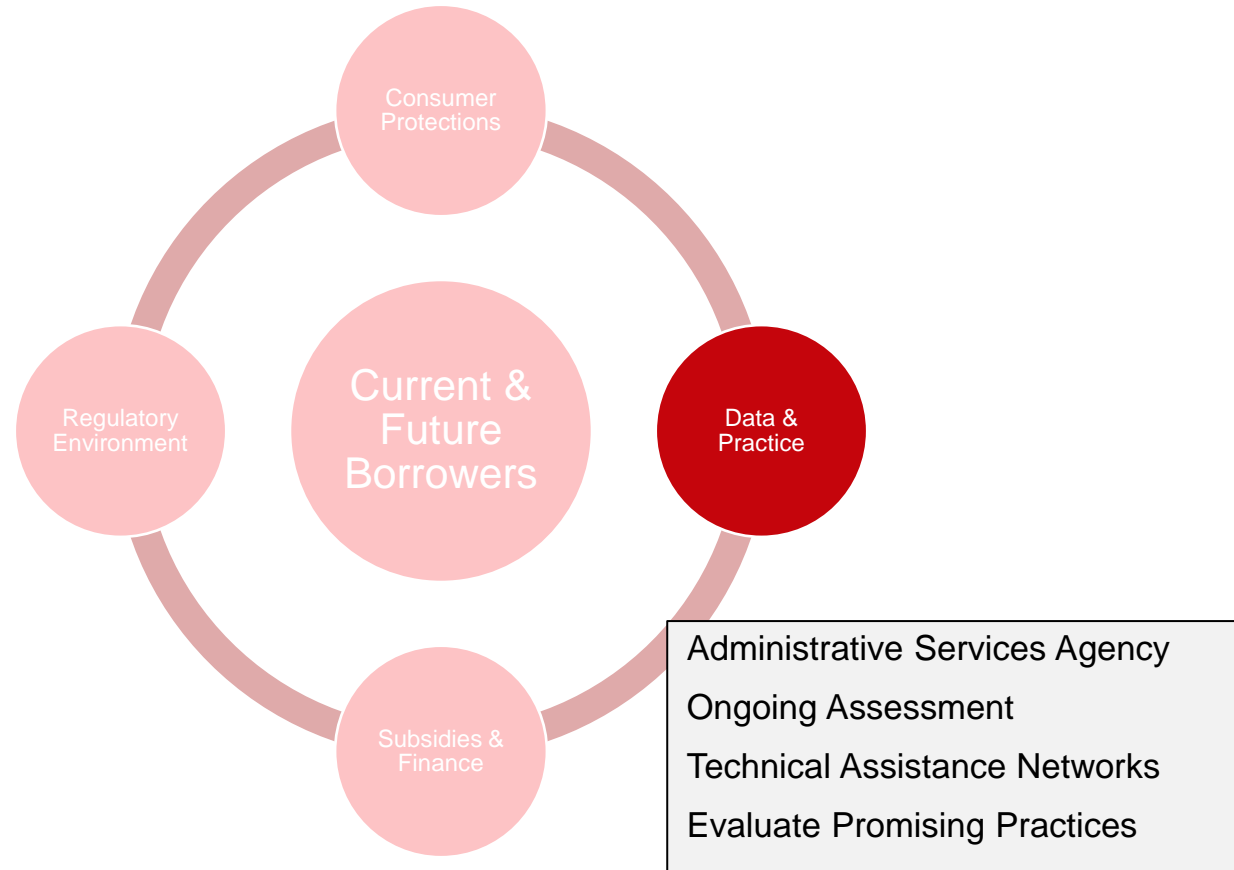
Policy Responses



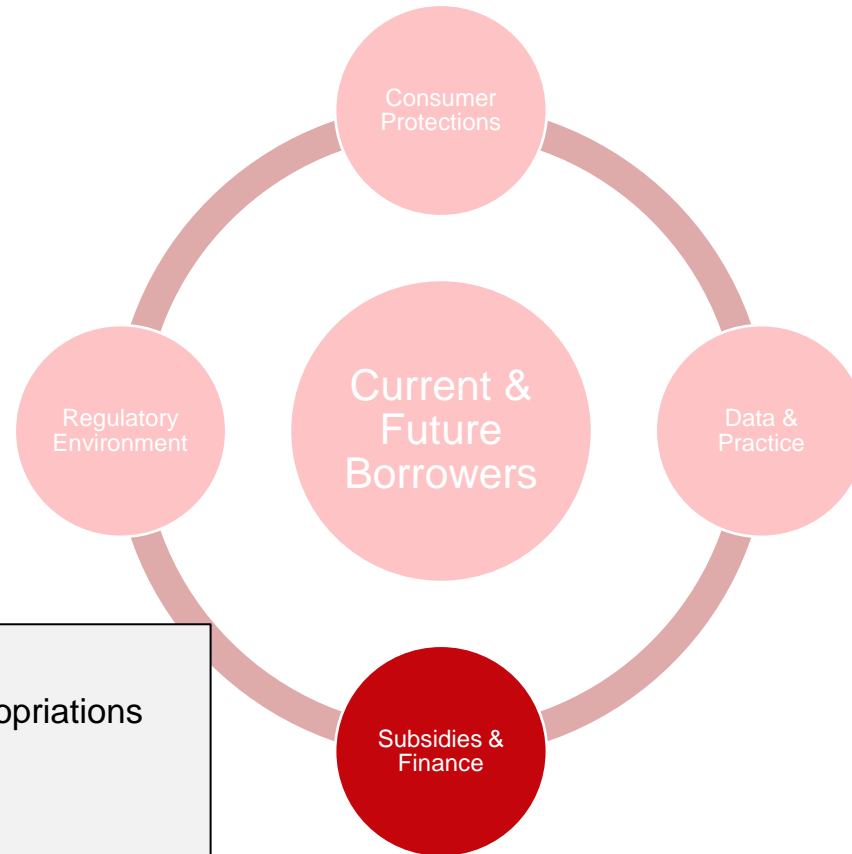
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Policy Responses



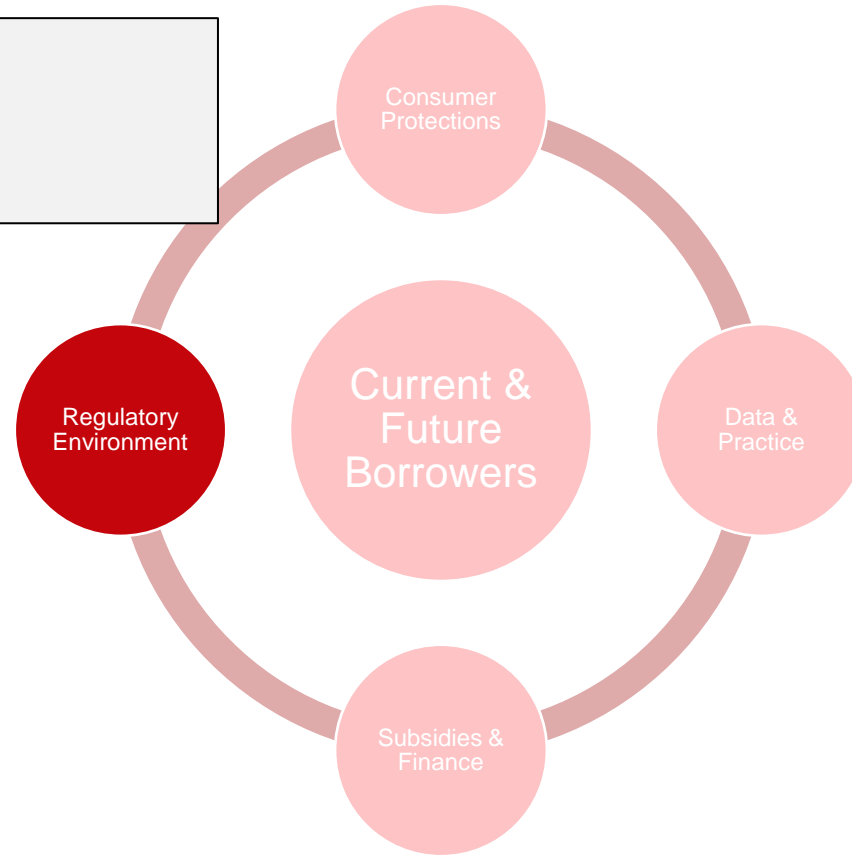
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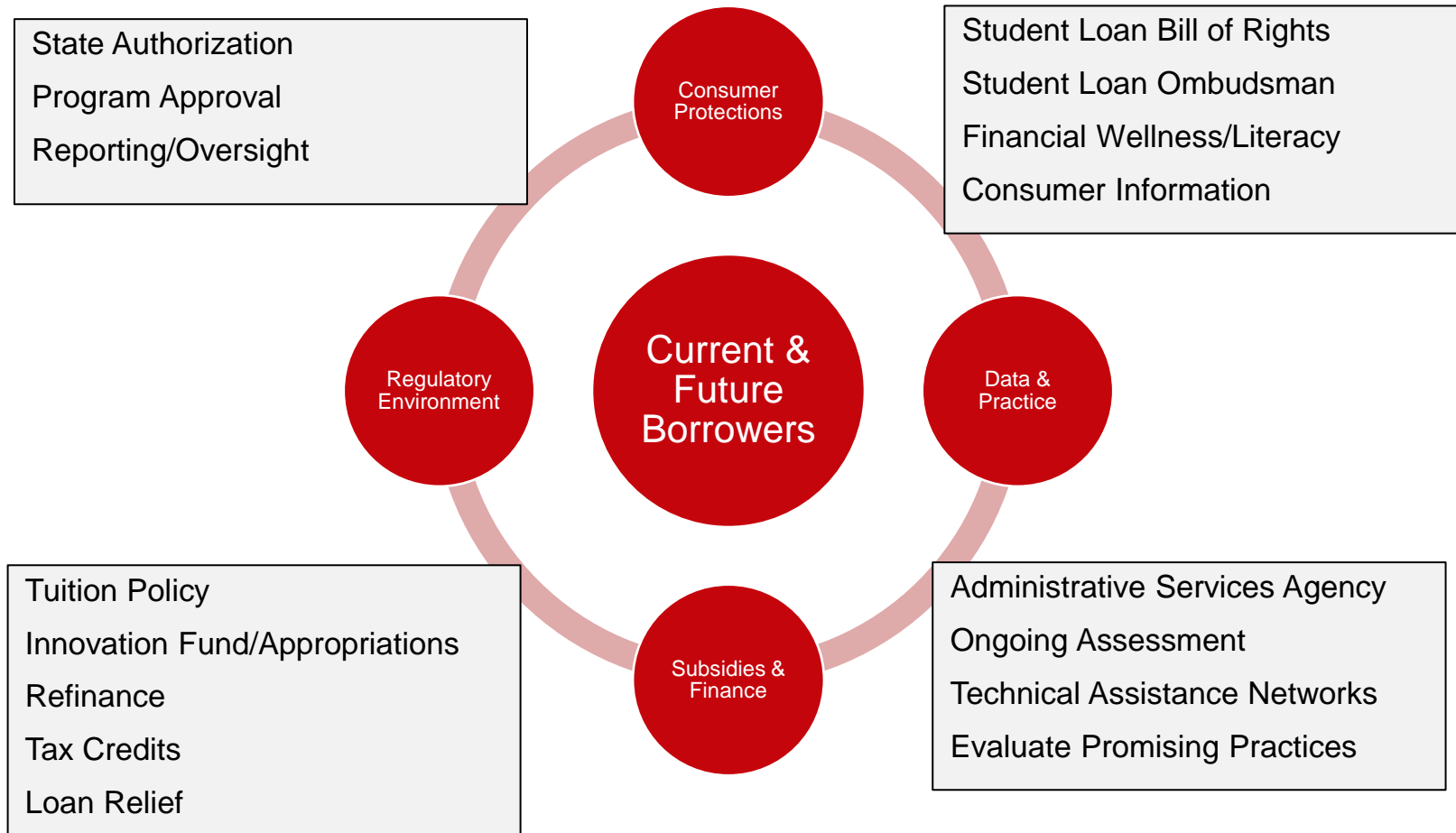
- Tuition Policy
- Innovation Fund/Appropriations
- Refinance
- Tax Credits
- Loan Relief

Policy Responses

State Authorization
Program Approval
Reporting/Oversight



Policy Responses



Conclusion

Goal: Help task force pinpoint student debt problems

Data infrastructure is needed to identify – and ultimately improve – loan outcomes in Wisconsin

Data should disaggregate by geography, race, and degree completion

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Measuring the impacts of debt is difficult, be skeptical of causal claims

Low-debt borrowers (non-completers) face different challenges than high-debt borrowers (completers)

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Data infrastructure is needed to identify – and ultimately improve – loan outcomes in Wisconsin

Data should disaggregate by geography, race, and degree completion

Measuring the impacts of debt is difficult, be skeptical of causal claims

Low-debt borrowers (non-completers) face different challenges than high-debt borrowers (completers)

Colleges and regions have different loan outcomes that warrant attention

“Better information” is a necessary but insufficient solution to any of this

Solutions should be simple, personalized, and easy for borrowers to navigate

Thank you

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SSTAR Lab

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