New Report Documents Who Defaults and Why, Underscores Need for Reform

Oakland, CA – While borrowing for college costs remains worthwhile for millions of students, millions also struggle in repayment. Each year, over a million borrowers face the most devastating outcome, default.

Casualties of College Debt: What Data Show and Experts Say About Who Defaults and Why, a report released today by The Institute for College Access & Success (TICAS), explores the latest federal data on delinquency and default, the insights of a diverse group of over 20 student loan experts, and the lived experiences of defaulted borrowers themselves.

“Many borrowers who default are navigating turbulent lives at the same time as they confront a complex student loan system with insufficient financial resources, imperfect information, and inadequate assistance,” noted Lindsay Ahlman, author of the report and TICAS senior policy analyst. “Borrowers who default are largely the same students who entered college with disproportionate barriers to success, and who were more likely to need to borrow to get to and through school. The fact that vulnerable students go on to face higher risk of default compounds the inequities in our system.”

Compared to borrowers who do not default, defaulted borrowers are more likely to:

- Have low incomes that are below twice the federal poverty line (65% of defaulters, compared to 36% of other borrowers),
- Be Black (33% to 14%),
- Have left school prior to completing their program (49% to 23%), and
- Have attended a for-profit school (45% to 17%).

For many, the stress of student loans on top of other obligations can be overwhelming. Facing a complex loan repayment system with incomplete or even inaccurate information at hand, borrowers in financial distress can struggle to understand their options for repayment relief.

“Policymakers have tried to reduce loan defaults by cutting interest rates and creating new repayment plans, and reducing monthly payments does reduce defaults,” said James Kvaal, the president of TICAS. “But the massive scale of the loan default crisis makes clear that there is a lot more work to do, and our policies need to be more carefully designed with students’ actual experiences in mind.”

Casualties of College Debt suggests a number of straightforward policy changes Congress can act quickly on to reduce financial hardship and keep more borrowers out of default. It also identifies priority areas for further study and action to reduce default.

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