

STUDENTS AT GREATEST RISK OF LOAN DEFAULT

APRIL 2018

About seven million undergraduates each year rely on federal loans to enroll in and complete college. While many are able to successfully repay their loans, some struggle to stay on top of their payments and end up defaulting after 270 or more days of non-payment. Defaulting on a loan has several serious consequences, including adding significantly to the cost of a loan, ruining the borrower's credit score, and preventing educational and employment opportunities.

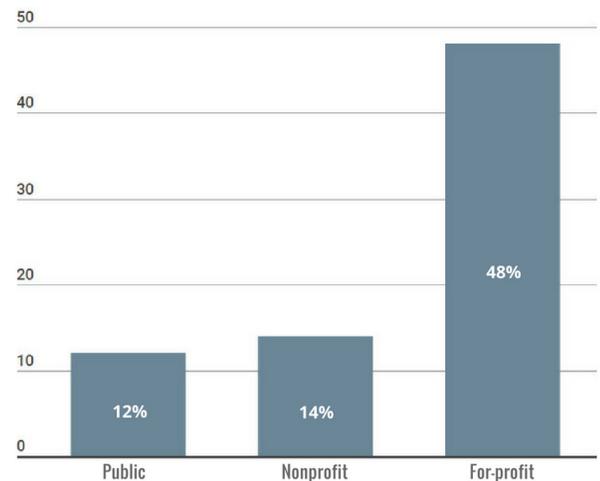
This factsheet looks at students who entered college in 2003-04 and defaulted on a federal student loan within 12 years of entering college (regardless of whether they borrowed).¹ While 17% of first-time students defaulted within 12 years, **specific groups of students disproportionately struggle with loan repayment. Additionally, while completion matters, it doesn't adequately protect vulnerable students from default.**

- **Students who attended for-profit colleges were more likely to end up in default.** Almost half (48%) of students who first attended for-profit colleges in 2003-04 defaulted within 12 years – four times the rate of students who started at public colleges and more than three times the rate of students who started at nonprofit colleges.
- **Pell Grant recipients, most of whom have family incomes under \$40,000, were more than five times as likely to end up in default as their higher income peers.** More than one in four Pell Grant recipients (28%) defaulted within 12 years of entering college, while only 5% of non-Pell Grant recipients defaulted during that time.

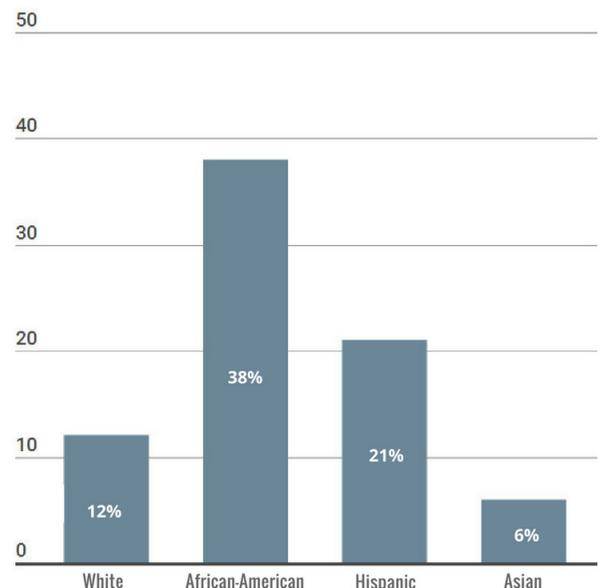
 - Pell Grant recipients were especially likely to default if they attended for-profit colleges. One in two Pell Grant recipients (52%) who first attended for-profit colleges defaulted within 12 years, compared to 21% of Pell Grant recipients who started at public colleges and 23% of Pell Grant recipients who started at nonprofit colleges.
- **First-generation students were more likely to end up in default than students whose parents had attended college.** Almost a quarter of first-generation students (23%) defaulted on their federal loans within 12 years, while only 14% of non-first-generation students defaulted during that time.²
- **African-American students were more likely to end up in default than students of other races and ethnicities.**

 - Almost four in ten (38%) African-American students defaulted in 12 years, compared to 12% of white students, 21% of Hispanic students, and 6% of Asian students.

12-YEAR DEFAULT RATES BY COLLEGE TYPE



12-YEAR DEFAULT RATES BY RACE



COMPLETION MATTERS, THOUGH IT DOESN'T ADEQUATELY PROTECT VULNERABLE STUDENTS FROM DEFAULT.

- **Students were less likely to default if they completed their programs than if they dropped out.** Students who completed a credential within six years were less than half as likely to have defaulted within 12 years than those who dropped out (11% vs. 23%).³

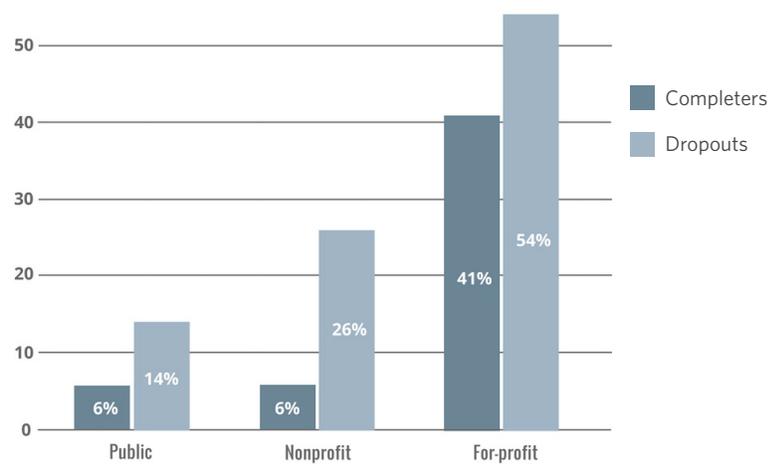
- **However, completers in certain vulnerable groups still defaulted at high rates.**

- Two in five (41%) completers who first attended for-profit colleges defaulted within 12 years.
- One in five (21%) Pell Grant recipients who completed their programs defaulted within 12 years.
- Three in ten (30%) African-American completers defaulted within 12 years.

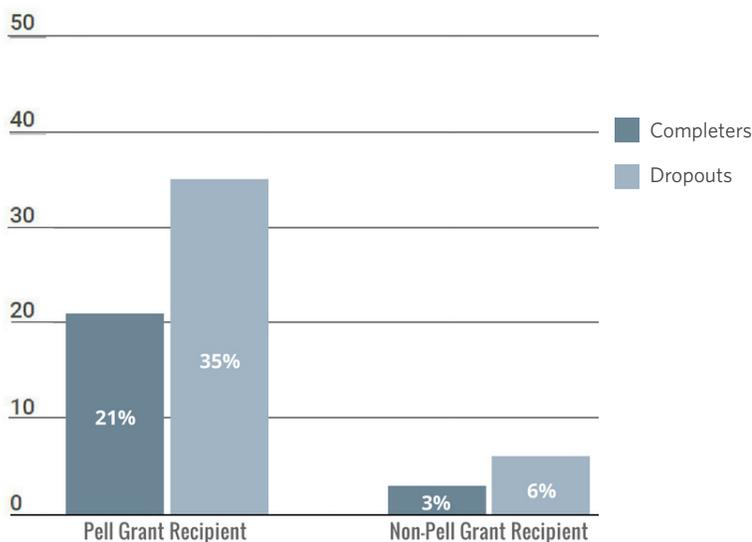
- **Among certain vulnerable groups, students who completed were more likely to default than their less-vulnerable counterparts who dropped out.**

- Completers who first attended for-profit colleges are more likely to default within 12 years than students who attended public or nonprofit colleges and dropped out (41% vs. 14% and 26%, respectively).
- Pell Grant recipients who completed their programs are almost four times as likely to default within 12 years than non-Pell Grant recipients who dropped out (21% vs. 6%).
- African-American students who completed their programs are more likely to default within 12 years than white and Hispanic students who dropped out (30% vs. 17% and 22%, respectively).⁴

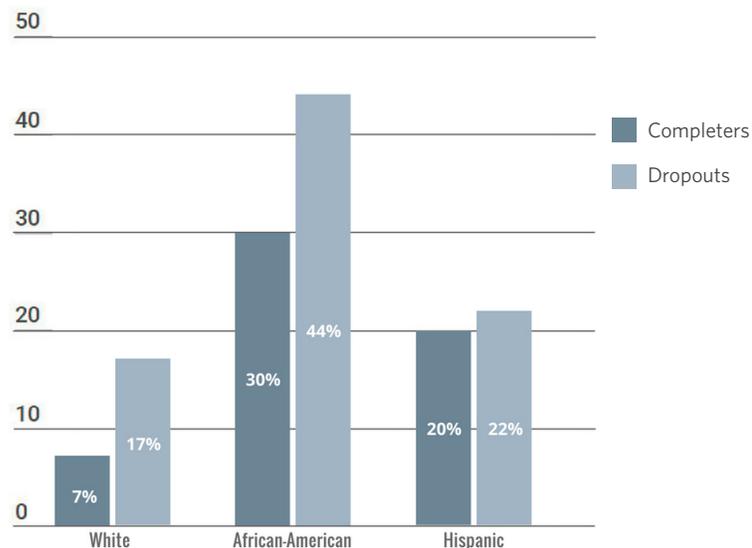
12-YEAR DEFAULT RATES BY COMPLETION AND COLLEGE TYPE



12-YEAR DEFAULT RATES BY COMPLETION AND PELL GRANT RECEIPT



12-YEAR DEFAULT RATES BY COMPLETION STATUS AND RACE



¹ The figures in this factsheet are based on TICAS' analysis of data from the U.S. Department of Education's Beginning Postsecondary Students Longitudinal Study (BPS), which follows undergraduate students who enrolled in college for the first time in 2003-04 and tracks whether they defaulted on their federal student loans within 12 years of entering college. This analysis looks at the default rates for all entering students, not just borrowers, which reflect both students' varying likelihood of borrowing loans as well as borrowers' likelihood of defaulting.

² The 23% figure was revised from 24% in October 2018, to use a weight consistent with other analyses in this factsheet.

³ These figures compare students who started college in 2003-04 and completed a degree/certificate at their first institution by 2009 with those who dropped out by 2009. This analysis excludes students who were still enrolled at their first institution or had transferred to another college by 2009.

⁴ The sample size for Asian students was too small for reliable statistical analysis.