Private Student Loans: Fact & Trends

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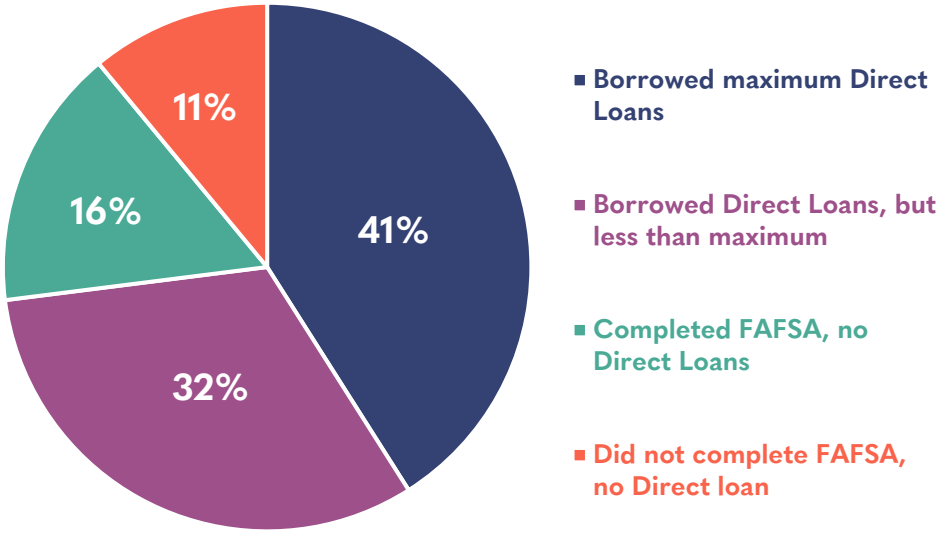
Private loans are one of the riskiest ways to finance a college education. Like credit cards, these bank- and lender-originated loans typically have variable interest rates, and these rates are often higher for those who can least afford them. Private loans are not eligible for critical protections and supports that are afforded to federal student loan borrowers, like income-based repayment or loan forgiveness options.

The following facts and figures reflect the most recent data available about undergraduate private loan borrowing and the evolving private loan market. The figures represent borrowing in one academic year (2019-20), unless otherwise noted. For data on cumulative student debt (both federal and private loans) at graduation with a bachelor's degree, see *Quick Facts About Student Debt*.

Six percent of undergraduates borrowed private loans in 2019-20, and less than half of these students used the maximum amount of more affordable federal loans. Despite the stronger protections and better benefits afforded to federal student loans, many private loans borrowers did not exhaust their federal loan eligibility when borrowing in 2019-20. Nearly 32 percent of private loan borrowers in 2019-20 borrowed less than less than the annual maximum allowed for safer federal Direct Loans, and nearly 27 percent did not borrow federal loans at all. 11 percent of private student loan borrowers did not apply for federal financial aid, and 16 percent applied for federal aid (a requirement for federal borrowing) but did not take out a Direct Loan.



More than half of private loan borrowers received need-based grants. 36 percent of private loan borrowers received Pell Grants, and 51 percent received need-based grant aid from any source.

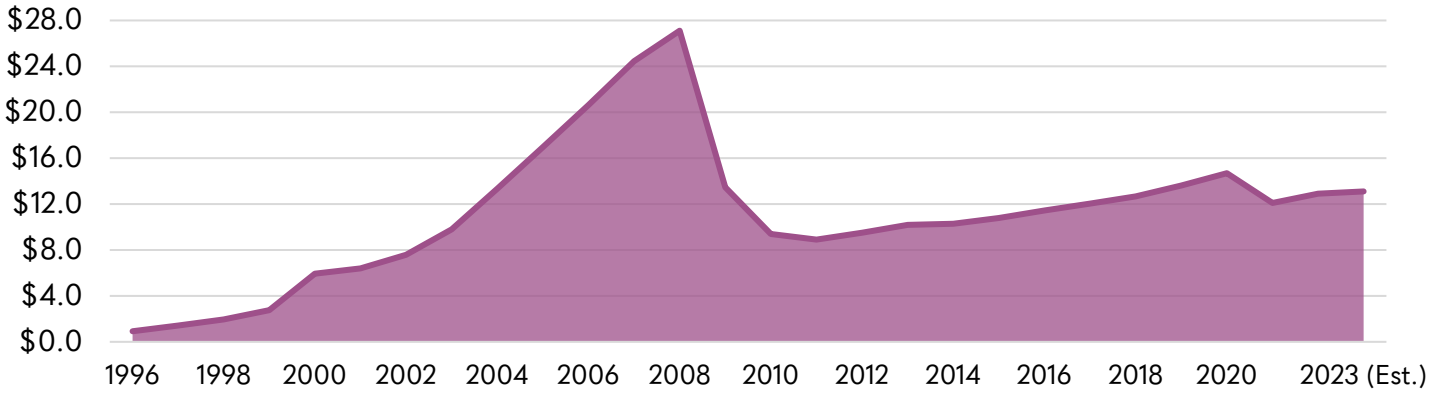
The share of students borrowing private loans varies by sector. In 2019-20:

- At for-profit colleges, 9 percent of students had private loans.
- At private non-profit four-year colleges, 11 percent of students had private loans.
- At public four-year colleges, 6 percent of students had private loans.
- At public two-year colleges, 2 percent of students had private loans.

While students attending higher priced schools are more likely to borrow private loans, one-third of private loan borrowers attend lower-priced schools. Private loan borrowers are disproportionately represented at higher-cost schools. In 2019-20, about two-thirds (66%) private loan borrowers attended schools that charge tuition and fees above $10,000. In 2019-20, about one-third (34%) of private loan borrowers attended schools charging $10,000 or less in tuition and fees.

Nonfederal loan volume increased after earlier declines.[1] Annual nonfederal loan volume (inclusive of private, state, and institutional loans) among undergraduates peaked at $27.1 billion in 2007-08 before the recession. This figure had decreased to $9.4 billion by 2010-11. Nonfederal borrowing increased steadily over the next decade to reach $14.7 billion in 2019-20. In 2022-23, students borrowed $13.1 billion in nonfederal loans.

Undergraduate Nonfederal Borrowing (in Billions, 2022 Dollars)



Source: Unless otherwise noted, the facts and figures above are based on analysis of the most recent undergraduate data from the 2019-20 National Postsecondary Student Aid Study (NPSAS:20), which is conducted by the U.S. Department of Education. These figures represent borrowing that took place in the 2019-20 academic year, not over the entire time a student was enrolled. Calculations include only undergraduates who are citizens or permanent U.S. residents and attended degree-granting institutions in the 50 states, the District of Columbia, or Puerto Rico. The term "private loans" is defined as loans currently originated by banks and lenders, distinct from prior FFEL loans issued by banks and guaranteed by the federal government. Other types of non-federal loans include those offered by some states and colleges; less than one percent of undergraduates borrowed state or institutional loans in 2019-20.

[1] Nonfederal loan volume data include private, institutional, and state loans. Figures are in 2022 dollars for all undergraduates. Source: Table 1_UG, Trends in Student Aid 2023. The College Board. https://research.collegeboard.org/media/xlsx/Trends-in-Student-Aid-2023-excel-data.xlsx