WHEN THE BILL COMES DUE: STUDENT LOAN REPAYMENT AND THE EFFECTS OF BORROWING ON LIFE-COURSE OUTCOMES

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BORROWING IN THE US

- Student loan borrowing has increased over time
  - Both in prevalence and in total amount borrowed (Akers & Chingos, 2016)
- Total outstanding amount: > $1.5t
- Good news: Borrowing facilitates access (Marx & Turner, 2018)
- But many are borrowing for enrollment at low-performing schools, many of which are in for-profit sector (Cellini & Darolia, 2017)
REPAYMENT IN THE US

- Default plan is mortgage style
  - 10 yr term; pay fixed sum/month
  - Income-based plans available but not widely used

- Non-government agencies handle loan repayment

- Unique repayment circumstances
  - Difficult to discharge loans in bankruptcy
  - Defaulting on loans is both common and a major concern
  - Forgiveness exists only in specific cases
REPAYMENT: WHAT WE EXPECT TO SEE

Depart College
  - Graduate
  - Withdraw
  - < ½ Time

Grace Period

In Repayment

Paid in Full
REPAYMENT: WHAT WE ACTUALLY SEE

Depart College → Grace Period → Post-Grace Period

- In Repayment
- Delinquent
- Default
- Forbearance
- Deferment
- Consolidation
- Paid in full
LINK TO LIFE-COURSE OUTCOMES

Long repayment window makes it likely that repayment interacts with other life-course events that unfold over time.

RQ1: How does repayment unfold, and does this process look different across borrowers?

RQ2: How does borrowing (and thus repayment) intersect with life-course outcomes?
THREE LONGITUDINAL DATASETS

1. **Beginning Postsecondary Studies (1996 or 2004-2016)**
   - Administered by U.S. Department of Education (ED)
   - Longitudinal dataset follows students upon initial entry into college
   - Includes NSLDS administrative data on loans for 12-20yrs post-entry

   - Administered by the University of Michigan
   - Longitudinal survey follows individuals birth – death
   - TAS gathers detailed information on adults aged 17-27
   - Includes attendees/non-attendees, as well as information on borrowing

3. **Baccalaureate and Beyond (2008-2012)**
   - Administered by ED
   - Longitudinal survey follows cohort of BA graduates
   - Includes 1- and 4-year follow-ups
THREE WAYS TO ANSWER OUR RQS

1. **BPS**
   - **Question:** How does borrowing unfold over time?
   - **Method:** Social Sequence Analysis and Event History Analysis

2. **PSID**
   - **Questions:**
     - How do college-going borrowers’ life course outcomes differ from the life-course outcomes of non-college attendees?
     - Conditional on attending college, what is the relationship between borrowing and subsequent life-course outcomes?
   - **Method:** Quasi-experimental

3. **B+B**
   - **Question:** Conditional on earning a baccalaureate degree, what is the relationship between borrowing and subsequent life-course outcomes?
   - **Method:** Quasi-experimental
EARLY EXPLORATION
RQ1: HOW DO REPAYMENT JOURNEYS DIFFER?
## RQ1: MOST COMMON REPAYMENT PATTERNS

<table>
<thead>
<tr>
<th>%</th>
<th>Sequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.5%</td>
<td>In Repayment to Paid in Full</td>
</tr>
<tr>
<td>8.04%</td>
<td>In Repayment</td>
</tr>
<tr>
<td>7.7%</td>
<td>Immediately Paid in Full</td>
</tr>
<tr>
<td>5.1%</td>
<td>In Repayment to Default to In Repayment</td>
</tr>
<tr>
<td>4.3%</td>
<td>In Repayment to Default</td>
</tr>
<tr>
<td>3.0%</td>
<td>In Repayment to Deferment (Student) to In Repayment</td>
</tr>
</tbody>
</table>
RQ1: CONDITIONAL PROBABILITY OF DEFAULT

Student Loan Chances of Default by Degree
2004 Beginning Postsecondary Students Survey College Entrants

Conditional Hazard

Time in Months

No Degree  Bachelors

0  0.05  0.1  0.15  0.2  0.25  0.3

0  12  24  36  48  60  72  84  96  108  120  132  144
RQ2: WHAT IS THE RELATIONSHIP BETWEEN BORROWING AND LIFE-COURSE OUTCOMES

- Marriage & family formation
- Home ownership & living situation
- Employment
- Retirement & Savings
MARRIAGE & FAMILY FORMATION

Family Formation between Ages 22-26 (PSID TAS)

- Married
  - College attendee, ever borrowed: 23%
  - College attendee, never borrowed: 29.3%
  - Never college, never borrowed: 25.7%

- Has Children
  - College attendee, ever borrowed: 32%
  - College attendee, never borrowed: 29.9%
  - Never college, never borrowed: 61.4%

Married 4 yrs After Graduation (B+B:08/12)

- B+B Borrowers: 36.1%
- B+B Non-Borrowers: 35.4%

Legend:
- College attendee, ever borrowed
- College attendee, never borrowed
- Never college, never borrowed
Living Situation between Ages 22-26 (PSID TAS)

- Whether Own Home?
  - College attendee, ever borrowed: 13.8%
  - College attendee, never borrowed: 16.9%
  - Never college, never borrowed: 13.2%

- Whether Live w/ Parents (Year-Round)?
  - College attendee, ever borrowed: 23.2%
  - College attendee, never borrowed: 25.7%
  - Never college, never borrowed: 30.5%

Home Ownership 4 yrs After Grad. (B+B:08/12)

- B+B Borrowers: 23.4%
- B+B Non-Borrowers: 24.6%

- College attendee, ever borrowed
- College attendee, never borrowed
- Never college, never borrowed
EMPLOYMENT

Employment Outcomes between Ages 22-26 (PSID TAS)

- Whether Working?
  - College attendee, ever borrowed: 79.3%
  - College attendee, never borrowed: 77.5%
  - Never college, never borrowed: 60.1%

- Whether Employer Health Insurance?
  - College attendee, ever borrowed: 27.0%
  - College attendee, never borrowed: 9.9%
  - Never college, never borrowed: 18.6%

Working for Pay 4 yrs After Grad (B+B:08/12)

- B+B Borrowers: 78.1%
- B+B Non-Borrowers: 74.4%

Legend:
- College attendee, ever borrowed
- College attendee, never borrowed
- Never college, never borrowed
Financial Savings between Ages 22-26 (PSID TAS)

- Whether Employer Retirement Account?
  - College attendee, ever borrowed: 25.5%
  - College attendee, never borrowed: 27.2%
  - Never college, never borrowed: 13.8%

- Whether Checking/Savings Account?
  - College attendee, ever borrowed: 91.0%
  - College attendee, never borrowed: 87.6%
  - Never college, never borrowed: 46.9%

- Whether Other Savings/Assets?
  - College attendee, ever borrowed: 5.0%
  - College attendee, never borrowed: 8.9%
  - Never college, never borrowed: 1.9%

Had a Retirement Account 4 yrs after Graduation (B+B:08/12)

- B+B Borrowers: 66.0%
- B+B Non-Borrowers: 68.5%
EARLY LESSONS

- Repayment doesn’t unfold as expected

- These comparisons of college/no college and borrowing/no borrowing may mask more complex relationships between borrowing and outcomes

- Therefore, we still need to unpack what drives any differences in life-course outcomes
  - The dynamics of these processes
  - Characteristics of people and of the universities they attend
THANK YOU!

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