

KC Deane | Stephen L. DesJardins

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



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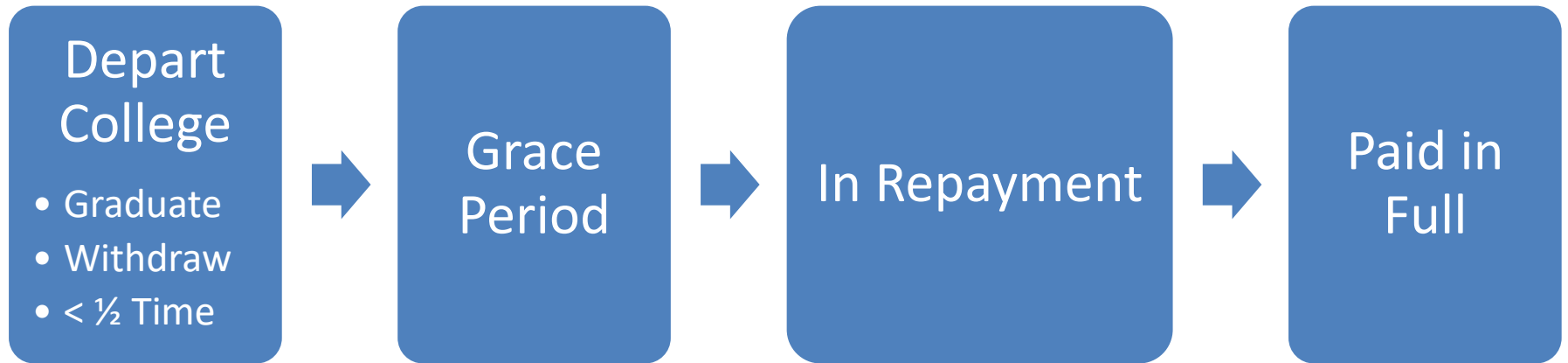
BORROWING IN THE US

- 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)

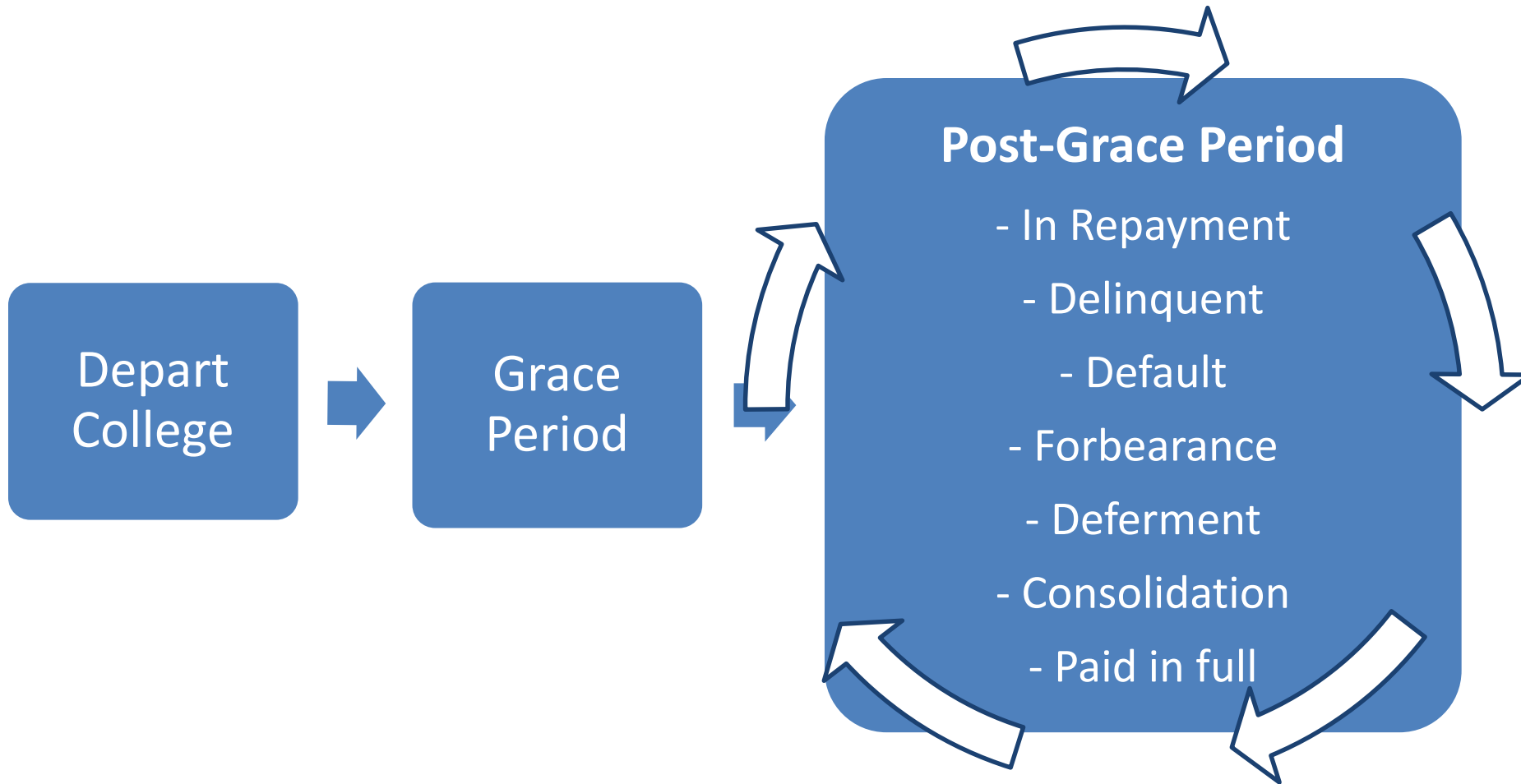
REPAYMENT IN THE US

- 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

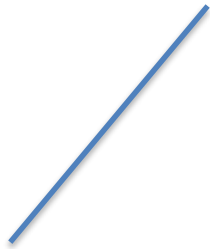


REPAYMENT: WHAT WE ACTUALLY SEE



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

BPS

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

2

PSID

Panel Study of Income Dynamics Transition to Adulthood Study (2005-2015)

- 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

B+B

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

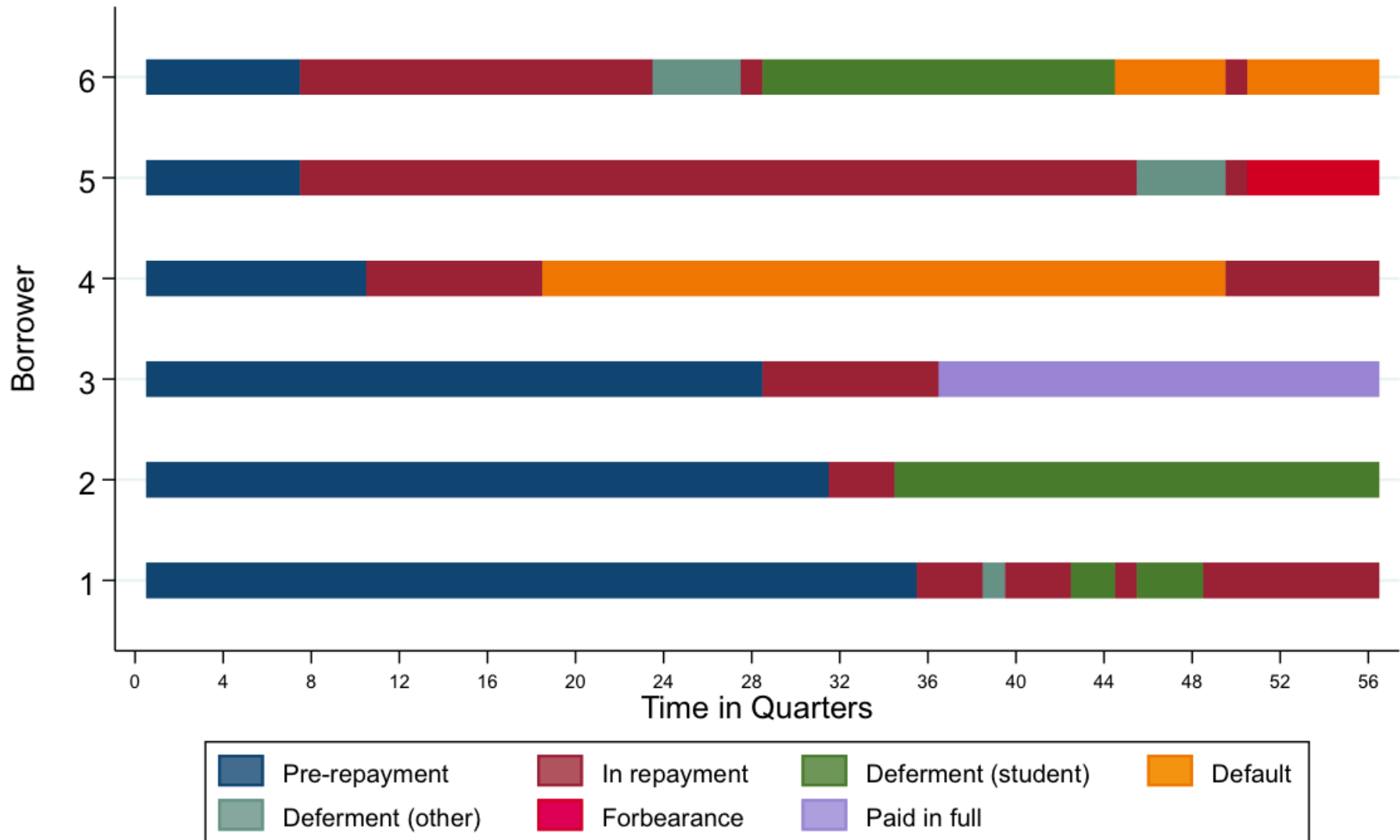
- 1
BPS
- **Question:** How does borrowing unfold over time?
 - **Method:** Social Sequence Analysis and Event History Analysis

- 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?

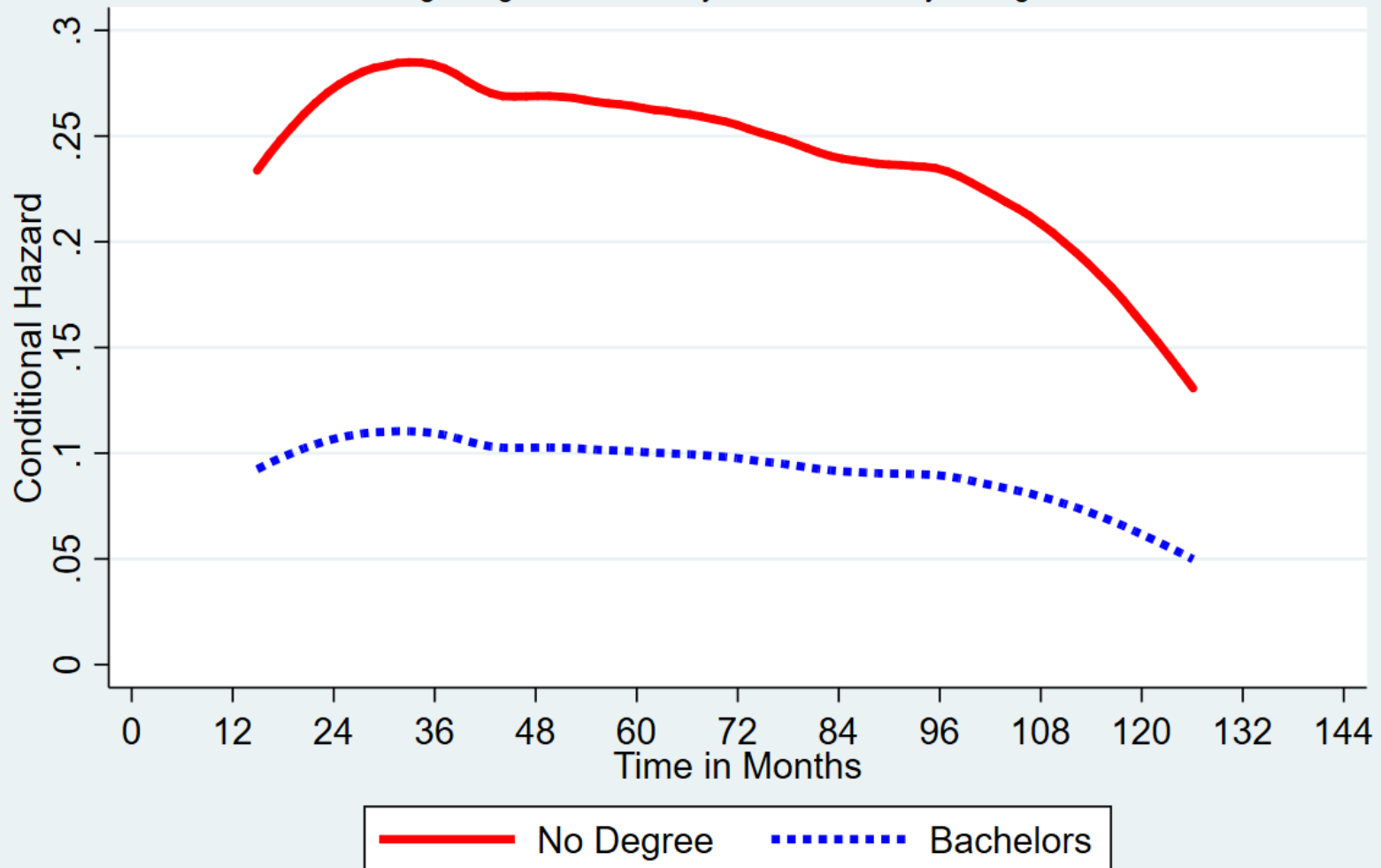


RQ1: MOST COMMON REPAYMENT PATTERNS

%	Sequence
15.5%	In Repayment to Paid in Full
8.04%	In Repayment
7.7%	Immediately Paid in Full
5.1%	In Repayment to Default to In Repayment
4.3%	In Repayment to Default
3.0%	In Repayment to Deferment (Student) to In Repayment

RQ1: CONDITIONAL PROBABILITY OF DEFAULT

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

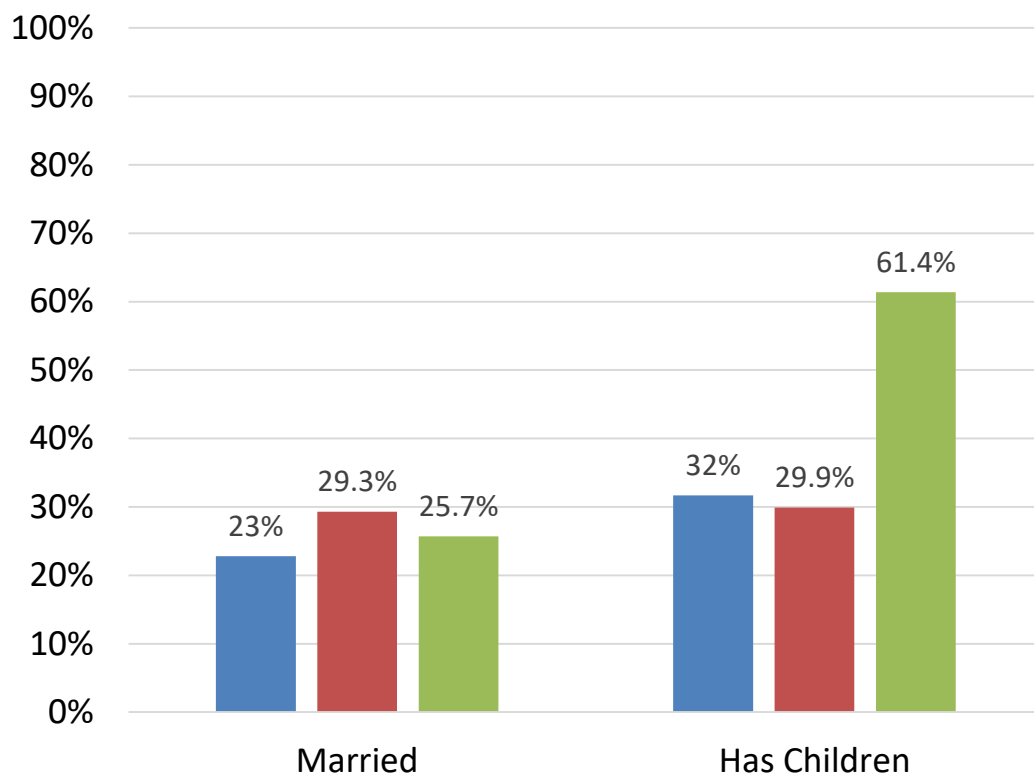


RQ2: WHAT IS THE RELATIONSHIP BETWEEN BORROWING AND LIFE-COURSE OUTCOMES

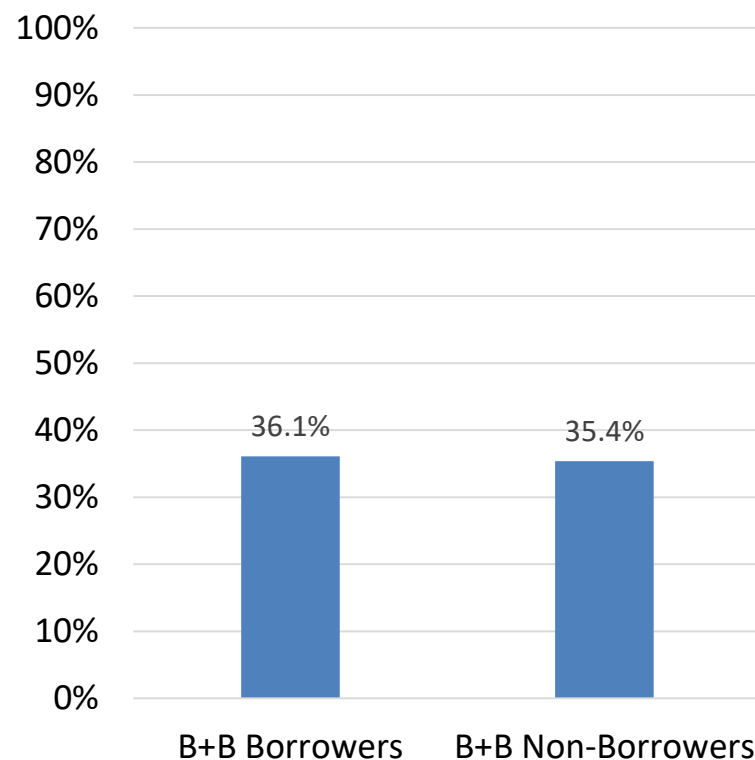
- Marriage & family formation
- Home ownership & living situation
- Employment
- Retirement & Savings

MARRIAGE & FAMILY FORMATION

Family Formation between Ages 22-26
(PSID TAS)



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



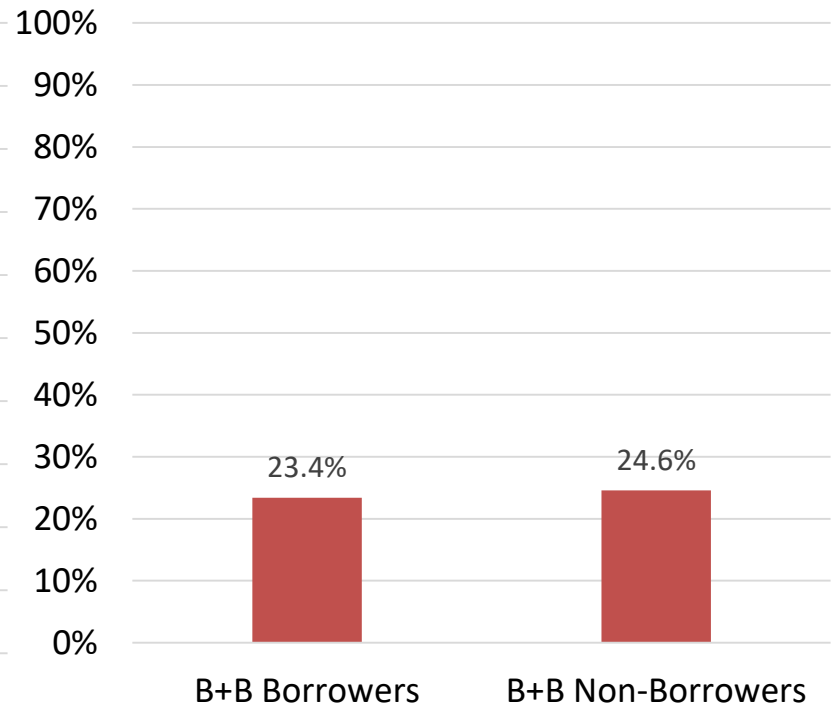
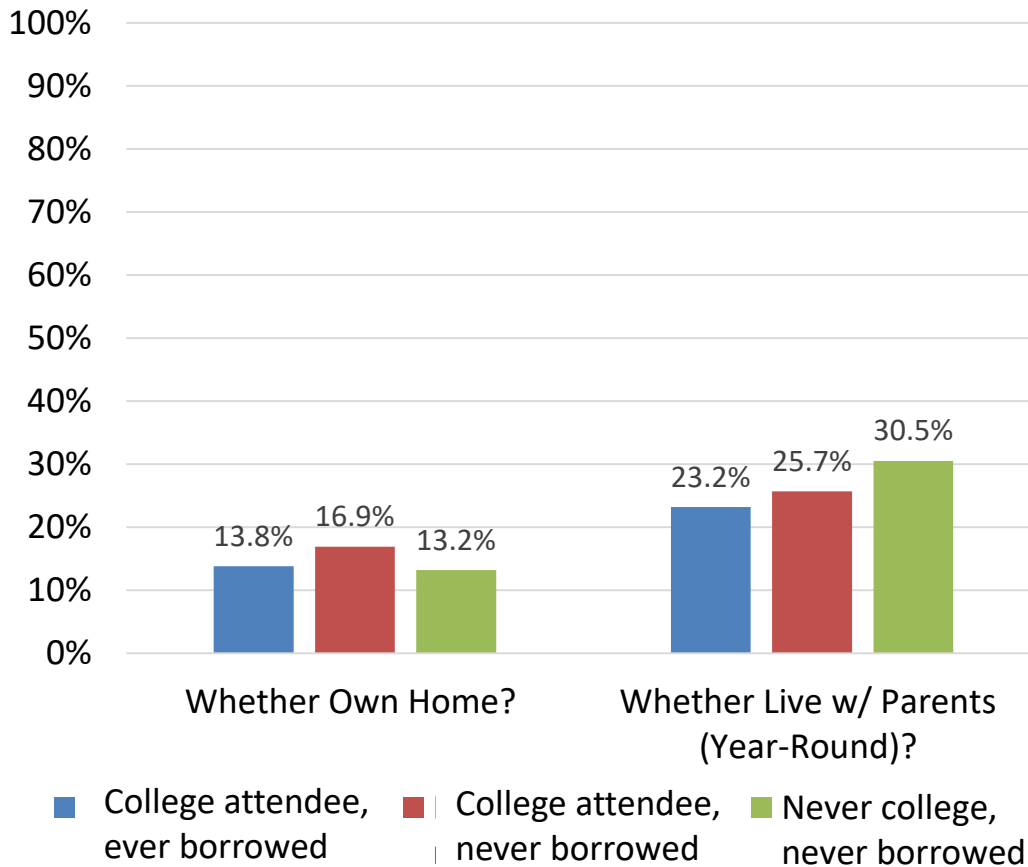
■ College attendee, ever borrowed
 ■ College attendee, never borrowed
 ■ Never college, never borrowed



HOMEOWNERSHIP & LIVING SITUATION

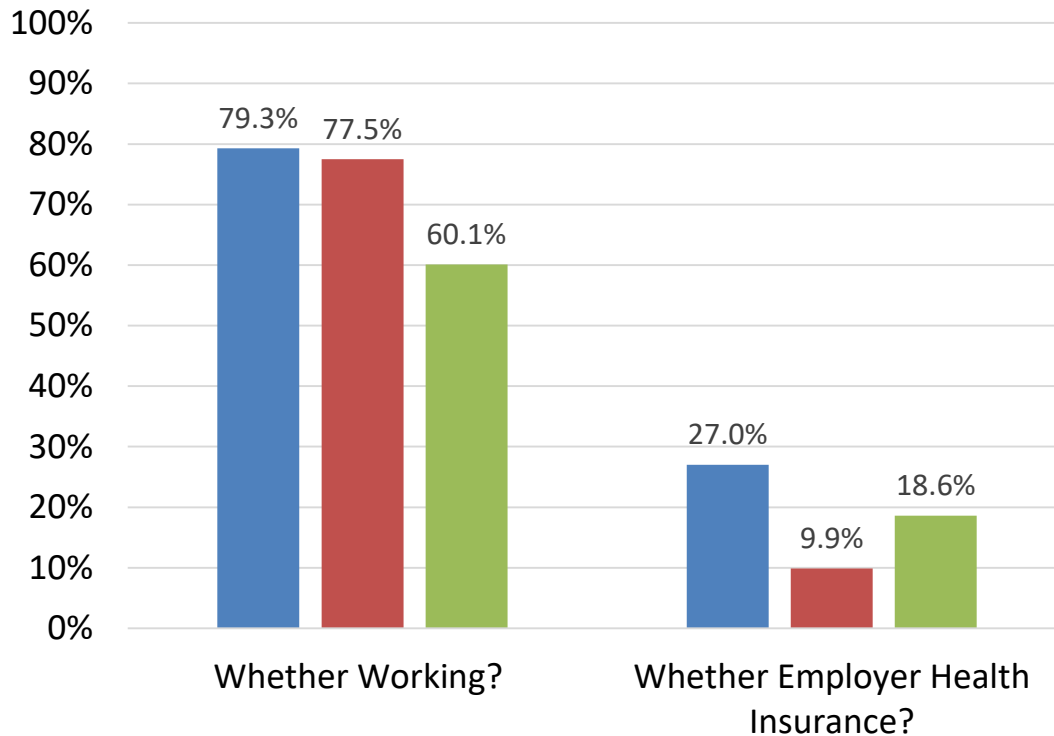
Living Situation between Ages 22-26
(PSID TAS)

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

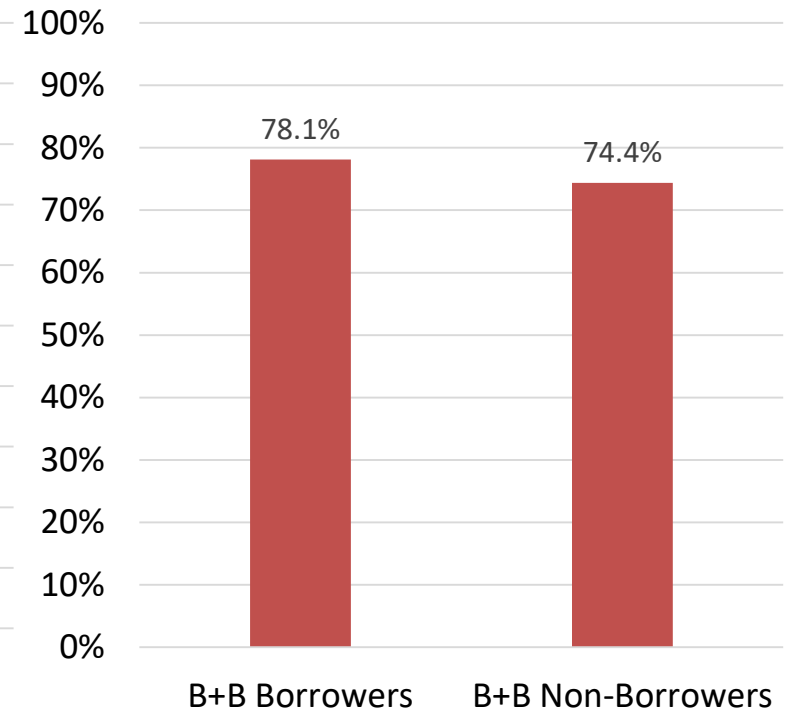


EMPLOYMENT

Employment Outcomes between Ages 22-26
(PSID TAS)



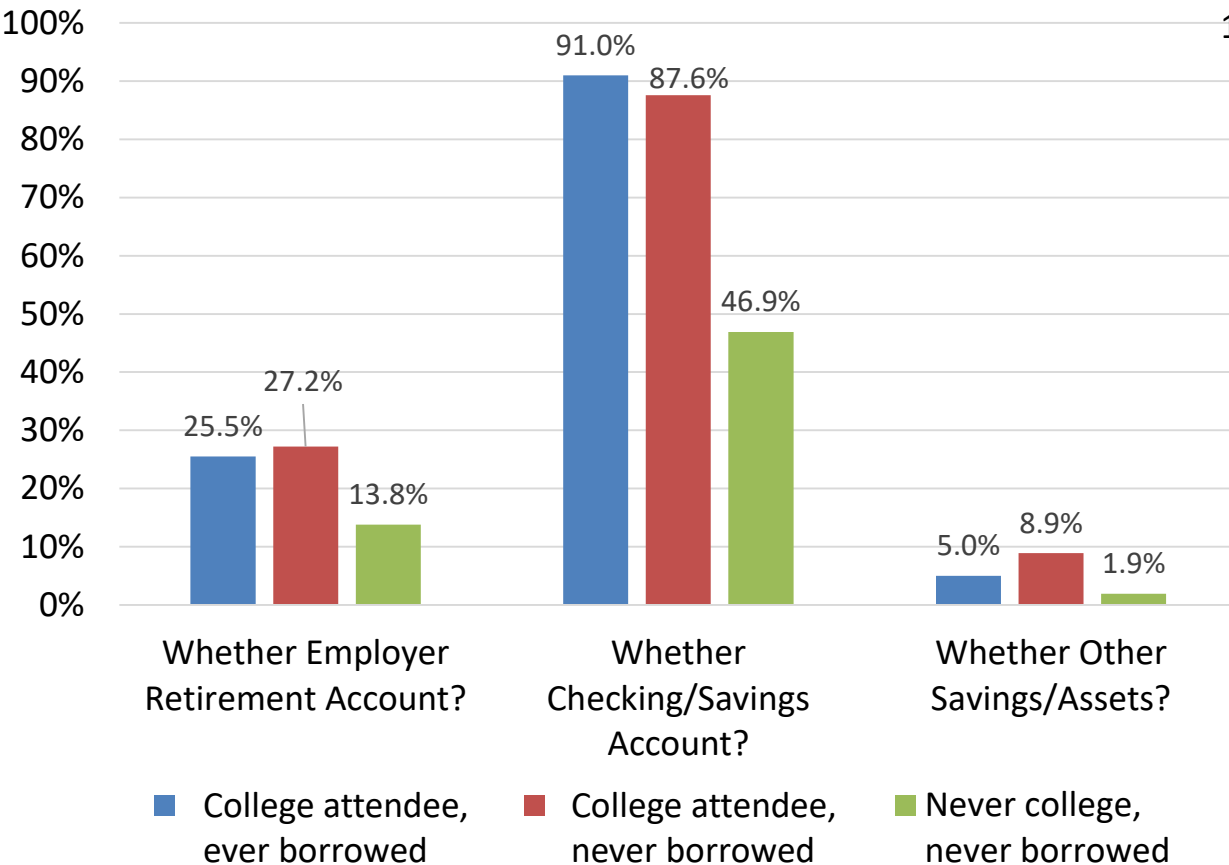
Working for Pay 4 yrs After Grad
(B+B:08/12)



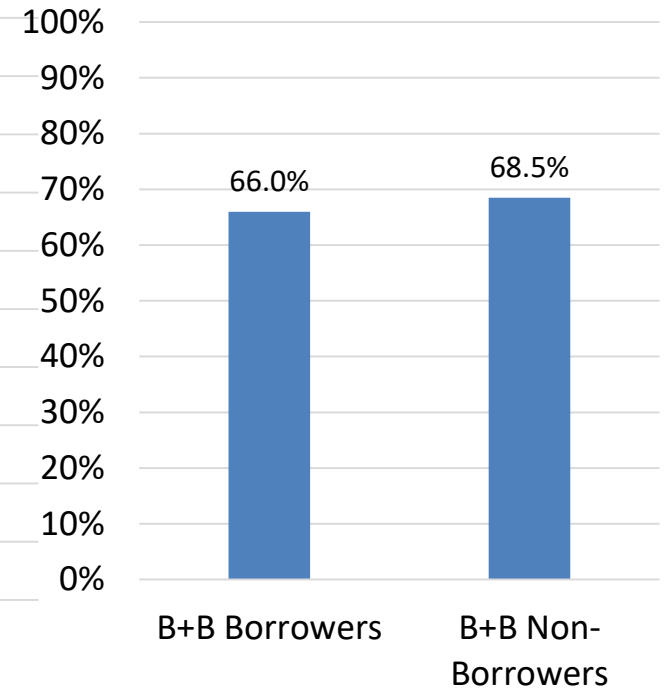
■ College attendee, ever borrowed
 ■ College attendee, never borrowed
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RETIREMENT & SAVINGS

Financial Savings between Ages 22-26
(PSID TAS)



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



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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