

Borrower Perspectives on Student Loan Default:

Insights from New Pew Research

Presenters: Phil Oliff & Ilan Levine

Overarching Research Questions

- 1** **Who** experiences default? What are the characteristics/experiences of these borrowers?
- 2** **What** barriers do borrowers face to getting out and staying out of default?
- 3** **Why** do federal student loan borrowers default on their loans, exit default, and re-default?

Presentation Themes

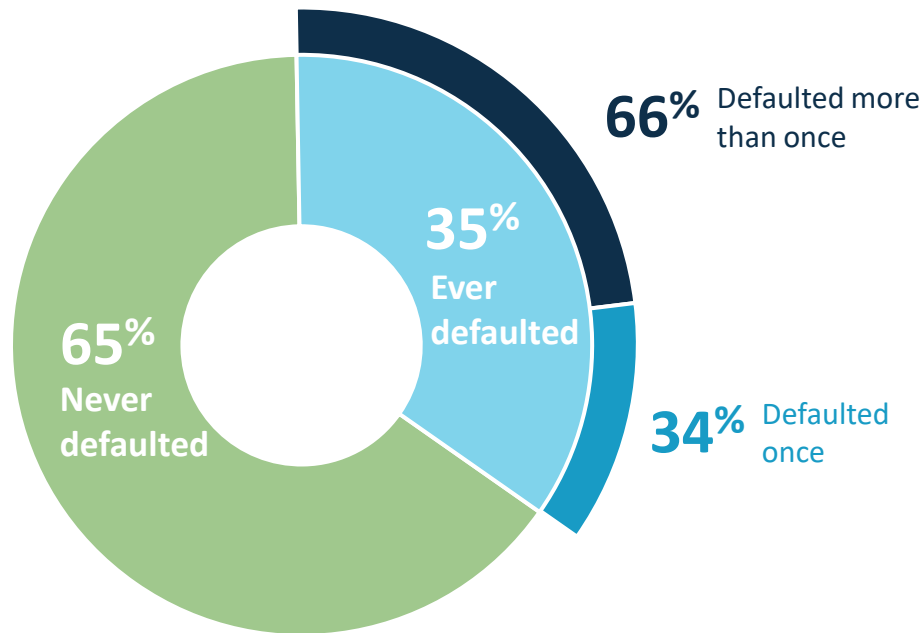
Student loan default & redefault are common, especially across certain characteristics

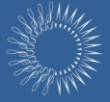
Consequences associated with default are serious and financially severe for many

Top reasons borrowers give for default & redefault are the same

Setting the Stage

Student loan default and redefault are common



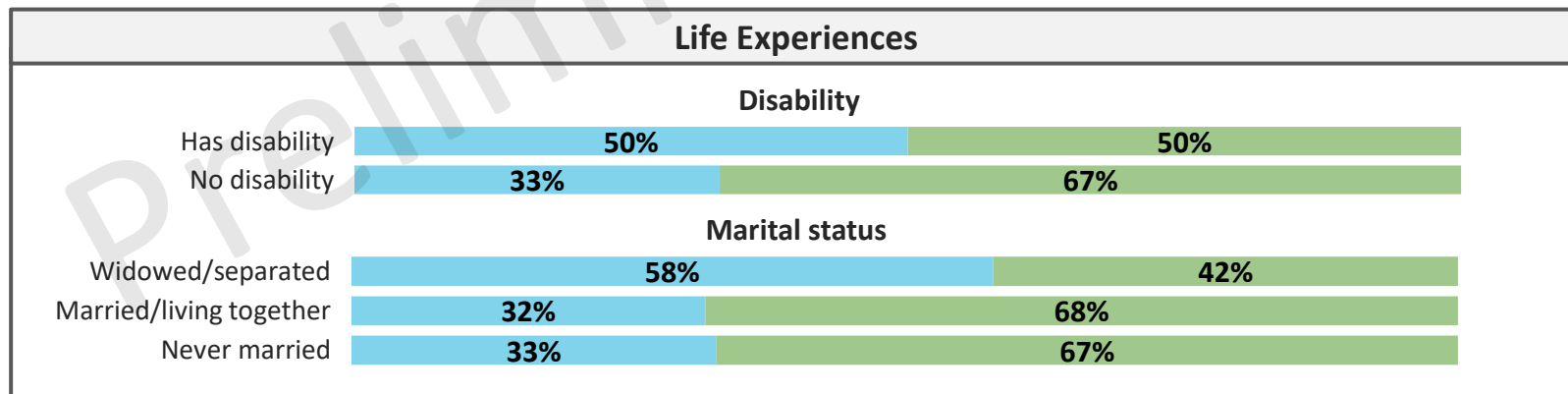
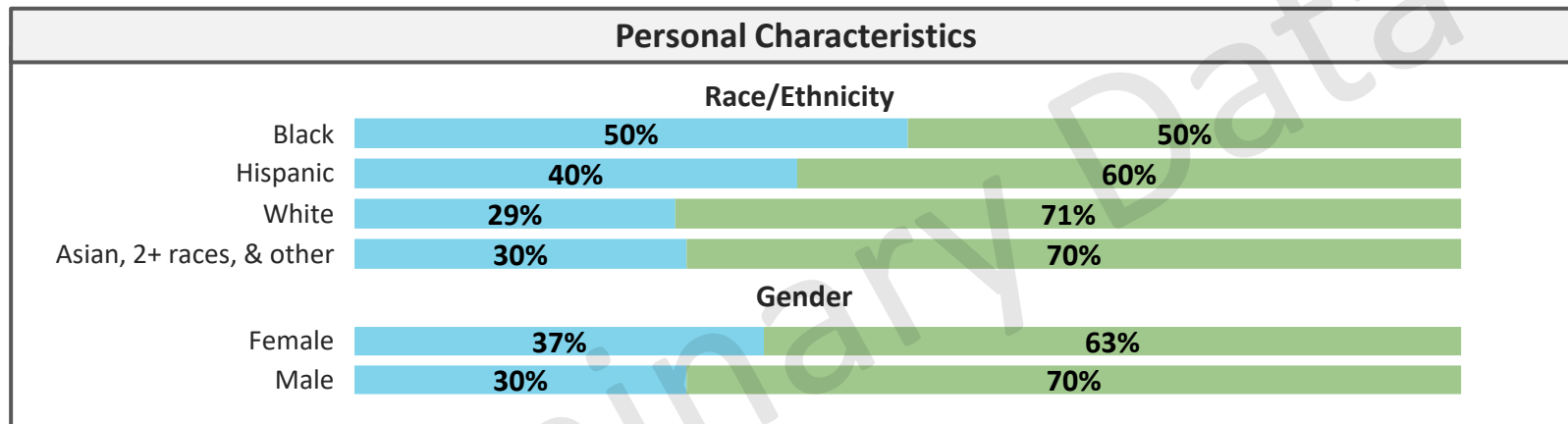
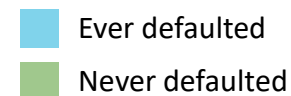


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WHO?

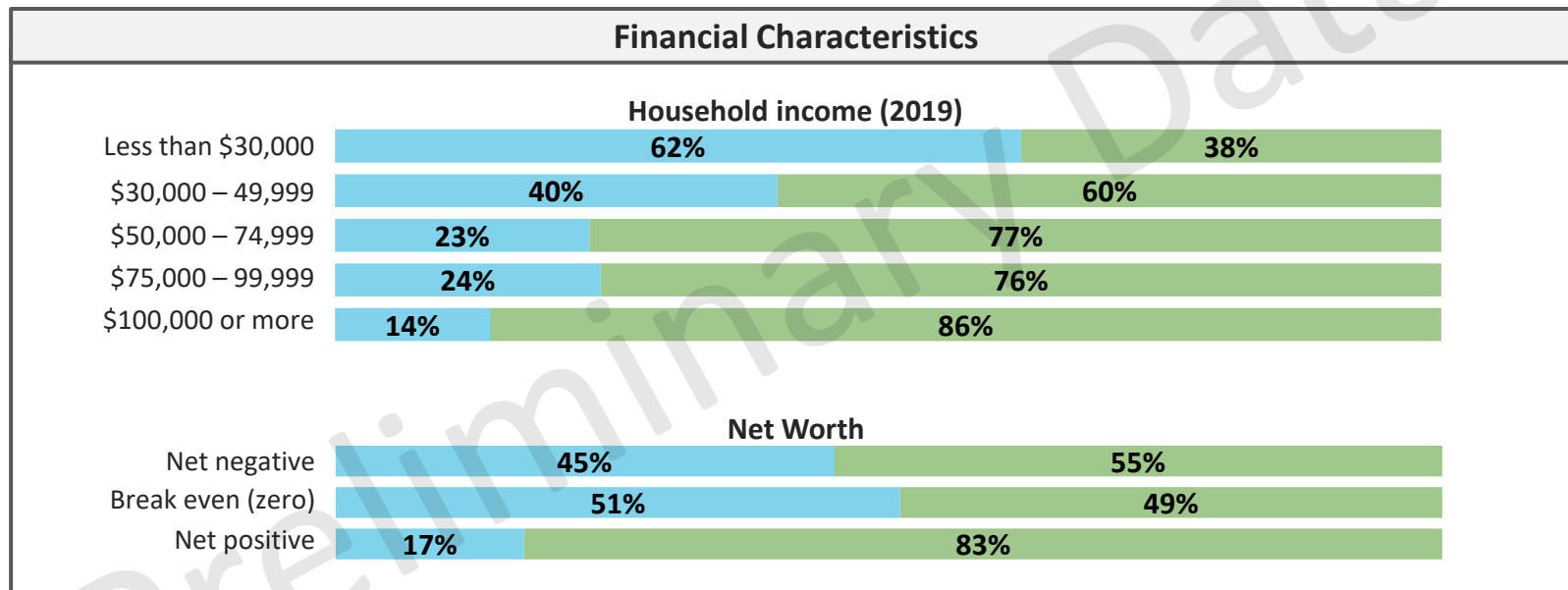
Select demographic, financial, and educational characteristics

Who? Demographic characteristics



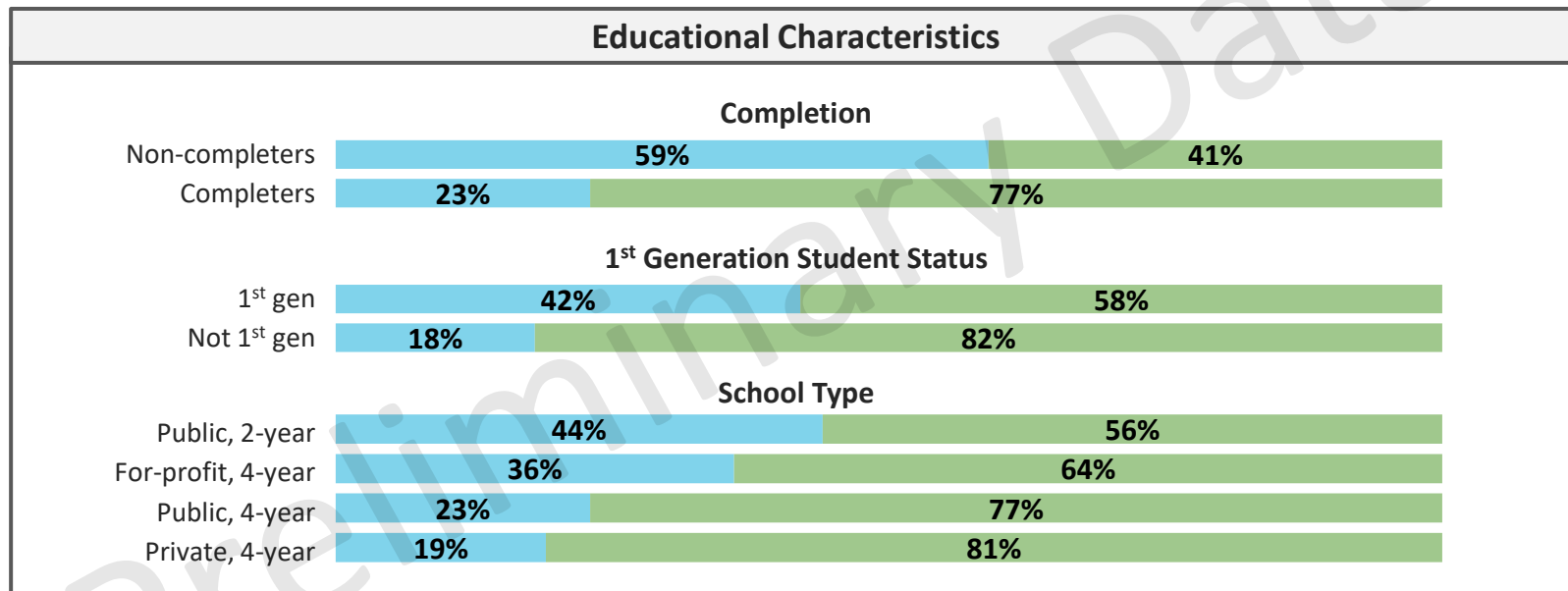
Who? Financial characteristics

Ever defaulted
Never defaulted

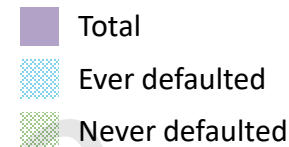


Who? Educational characteristics

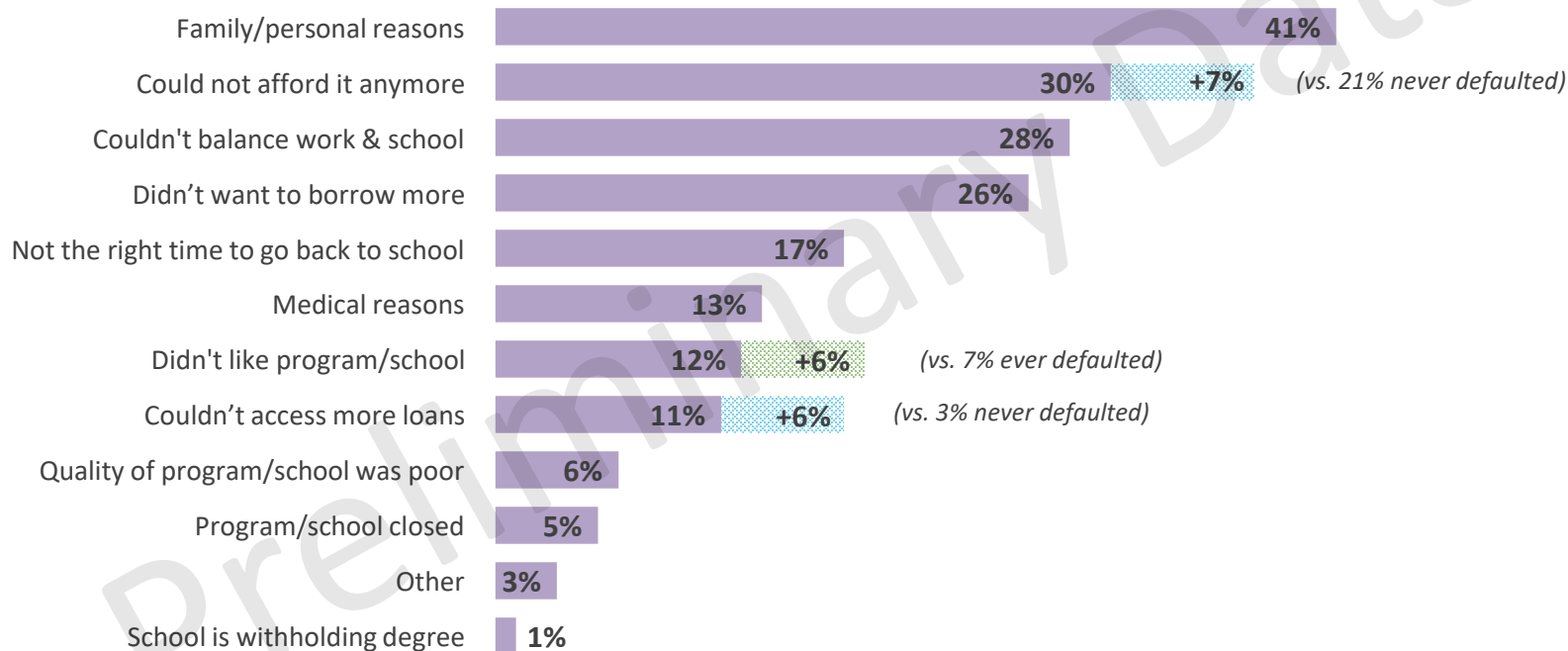
Ever defaulted
Never defaulted

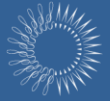


Who? Reasons for non-completion



Reasons for non-completion (not mutually exclusive)





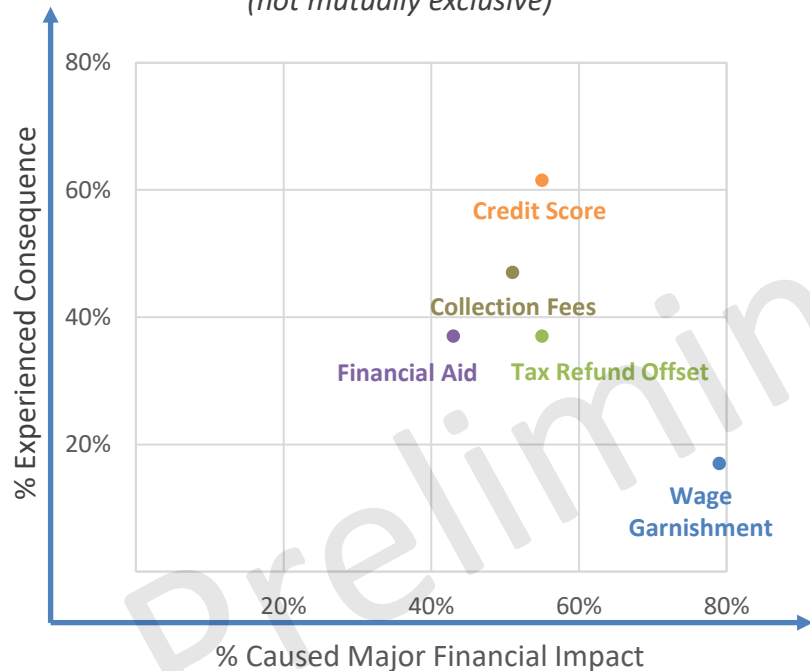
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WHAT?

Select insights into the consequences of default & their impacts

What? Consequences & their impact

Default Consequences & Their Impact on Borrowers
(not mutually exclusive)

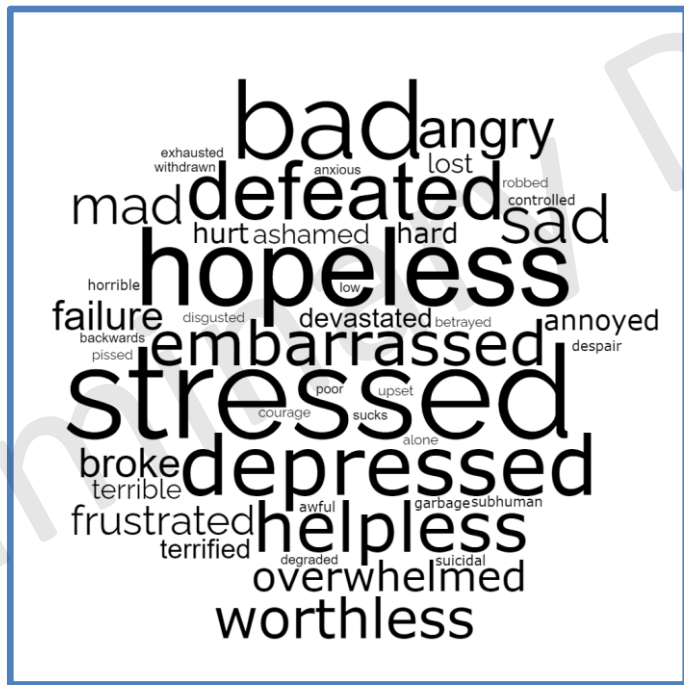


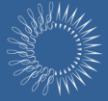
A drop in **credit score** stands out as being the consequence that borrowers most reported experiencing while also causing a major financial impact for over half who experienced it.

On the other hand, only a minority of borrowers reported experiencing **wage garnishment**, but of those that experienced it nearly **80%** reported that it caused a major financial impact.

What? In borrowers' own words...

Describe how **wage garnishment** made you feel in one word





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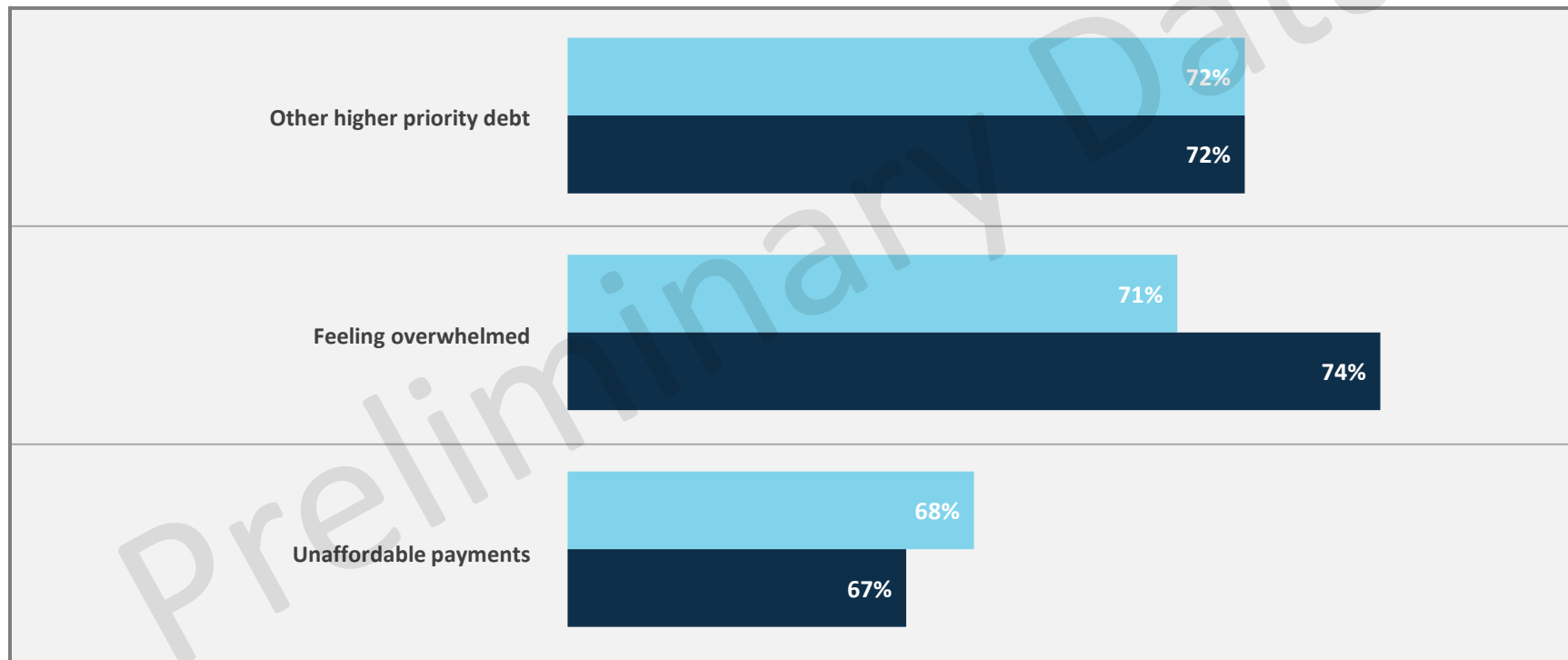
WHY?

Select insights into reasons borrowers attribute to default & redefault

Why? Borrowers' reasons for default & redefault

Ever defaulted
Redefaulted

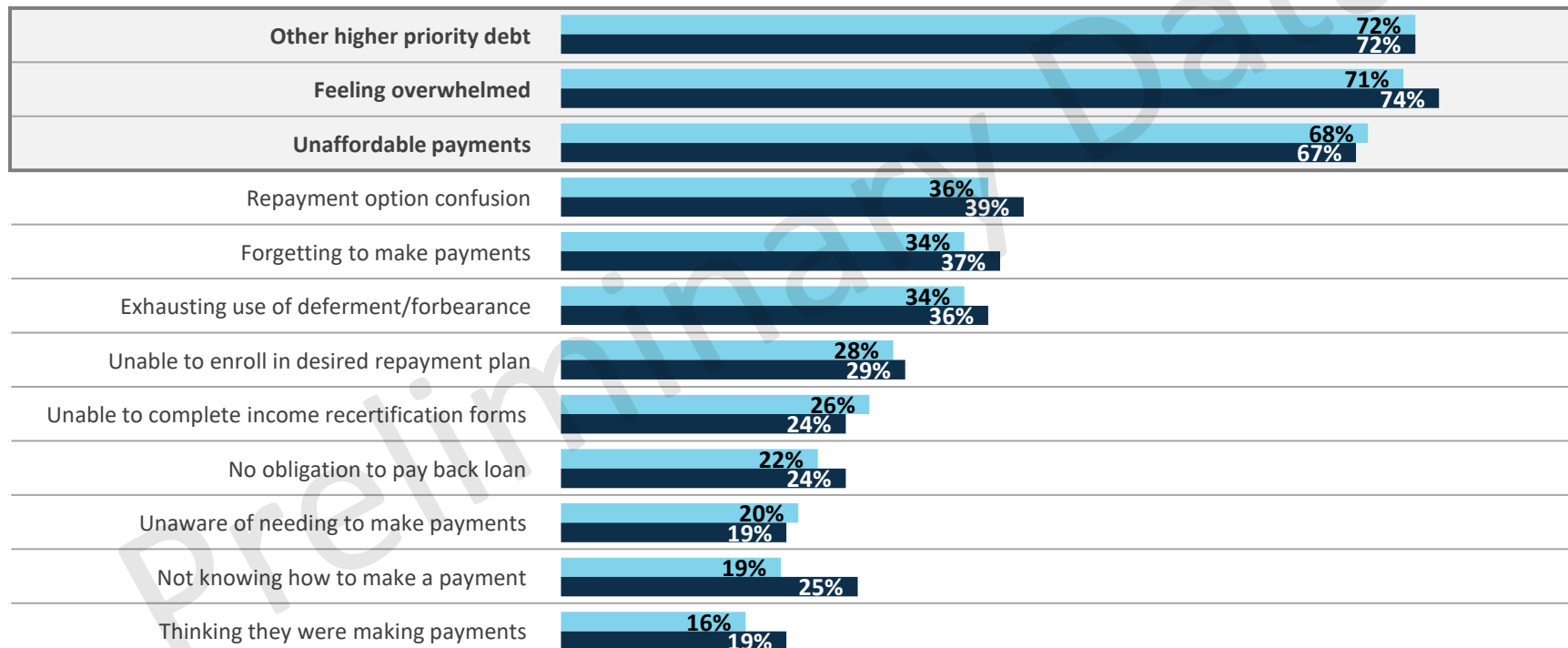
Top three reasons (not mutually exclusive)



Why? Borrowers' reasons for default & redefault

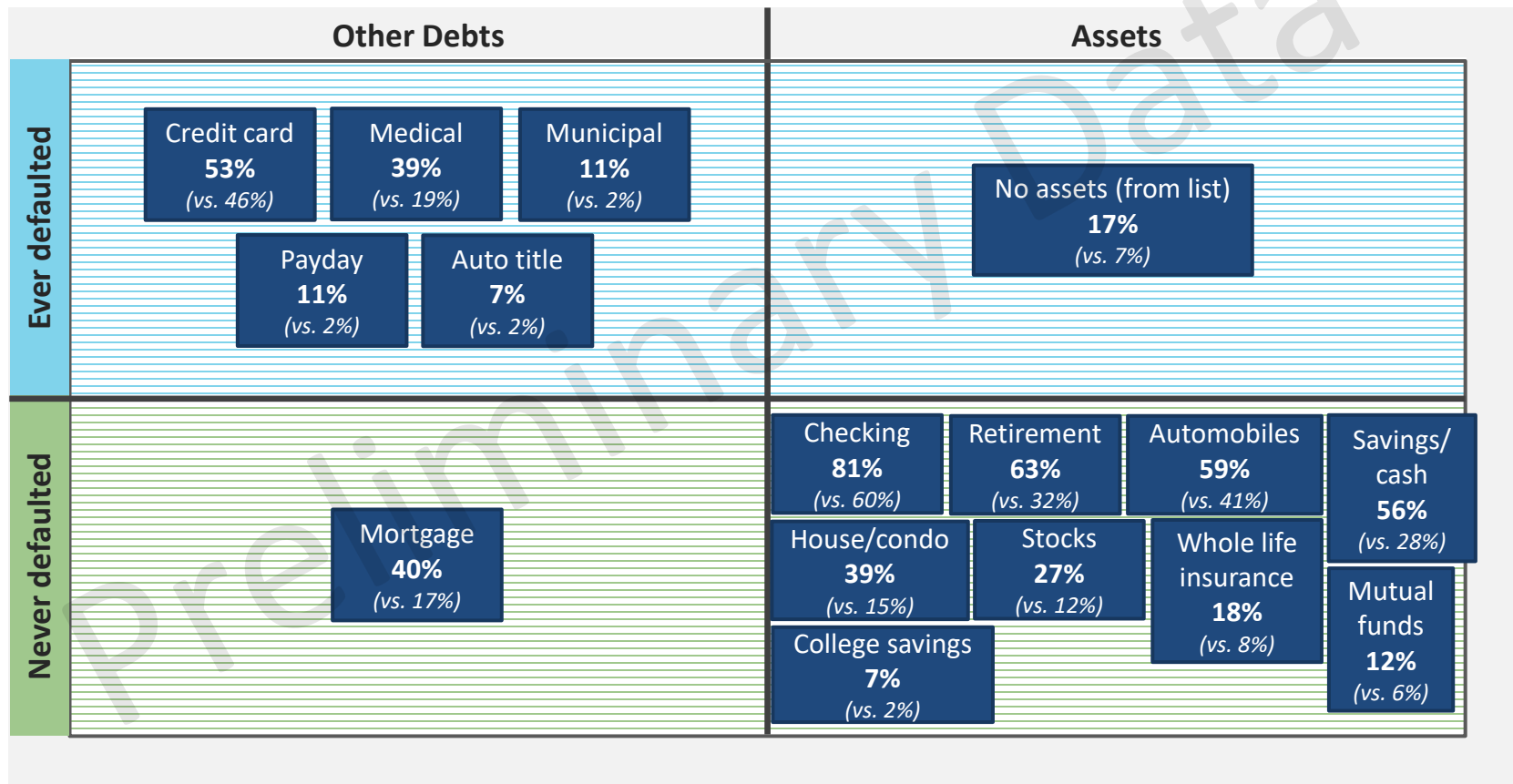
■ Ever defaulted
■ Redefaulted

All reasons (not mutually exclusive)

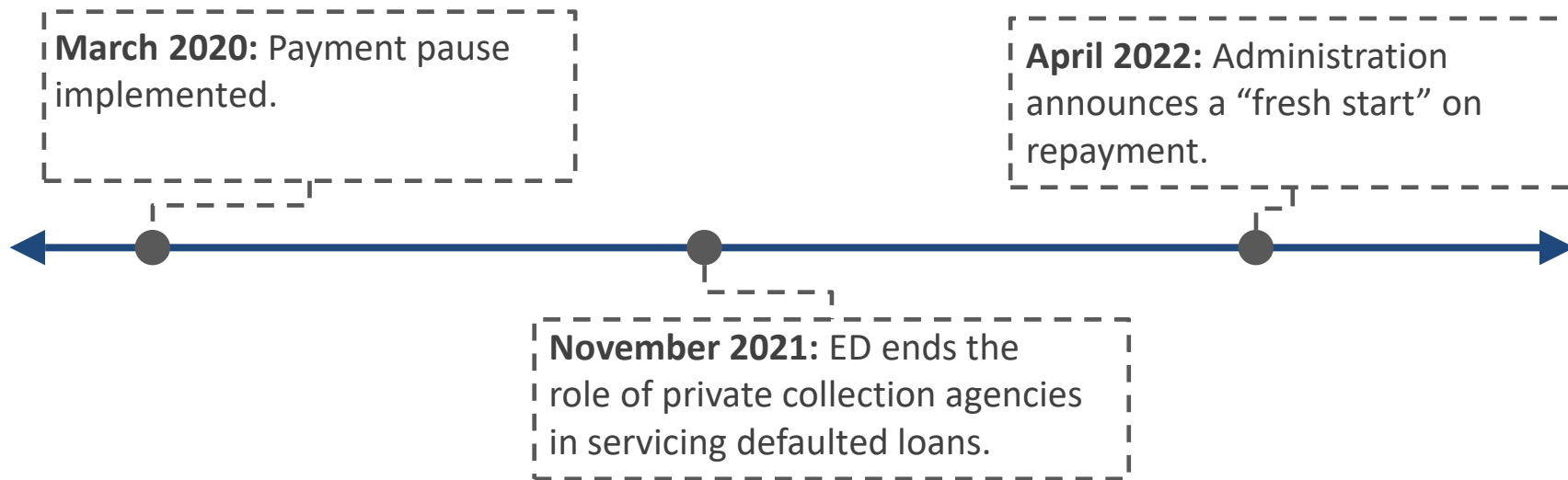


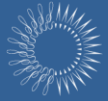
Why? Reports of Debts & Assets

■ Ever defaulted
■ Never defaulted



Current Policy Landscape





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For additional questions or information, please contact:

Ama Takyi-Laryea: atakyilaryea@pewtrusts.org

Ilan Levine: ilevine@pewtrusts.org

Survey Overview & Topics

Section	Topics
1. Communication with Loan Servicer/Provider	<ul style="list-style-type: none">• General communication behaviors/patterns/satisfaction modes of communication• Frequency of communication• Reasons for communicating (and not communicating)• Topics discussed• Use of deferment/forbearance
2. Experiences in Repayment	<ul style="list-style-type: none">• Amount borrowed• Repayment patterns/delinquencies• Reasons for delinquencies/default• Awareness & use of repayment plans• Monthly payment amount• Repayment preferences• Perceptions of repayment system
3. Experiences in Default	<ul style="list-style-type: none">• Consequences of default (awareness, experience & impact)• Communication with PCAs (modes, behaviors, patterns, satisfaction, effectiveness)• Reasons for communicating (and not communicating)• Options offered for exiting default
4. Experiences in Exiting Default	<ul style="list-style-type: none">• Quantifying successful exits/unsuccessful attempts• Reasons for wanting to exit• Exit method used/tried to use• Reason for method used• Experience with exit method• Post-exit experiences/behaviors

Survey Overview & Topics Cont

Section	Topics
5. Financial Education/Management	<ul style="list-style-type: none">• Financial responsibility• Current financial situation (ability to respond to unexpected expenses)• Net worth (assets & debts) • Income (household & individual)• Employment stability• Housing security• Family financial support/dependency
6. Repayment Experiences During COVID-19	<ul style="list-style-type: none">• Awareness of pause• Repayment experience during pause• Wage garnishment/tax refund offset during pause• Post-pause payment perceptions• Servicer/PCA communication in transitioning back into repayment
6. Demographics	<ul style="list-style-type: none">• Age, gender, race/ethnicity, geography, marital status, military service, disability disclosure• Employment status & gaps in employment• Educational attainment (of borrower and borrowers' parents)• Postsecondary schools (quantity, names, which school borrower spent most time at)• Enrollment status (full-time, part-time, mix)• Mode of education (online, hybrid, in-person)• Degree completion, degree pursued when stopped-out, and reason from stopping-out• Time to secure employment after leaving school• Income 2019 (personal and household)• Government benefits received in 2019