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Student Loan Balance & Repayment Trends in the FRBNY Consumer Credit Panel

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June 6th 2012

The views expressed are those of the authors and do not necessarily represent the views of the Federal Reserve Bank of New York or of the Federal Reserve System

Student Loan Balance & Repayment Data

As far as we can tell, sources are limited.

- Department of Education
- Sallie Mae, private lenders
- Mark Kantrowitz/finaid.org
- 2003 Transunion data from Board
- Aggregates in the G.19
- SCF

Our data: the FRBNY Consumer Credit Panel (CCP)

Panel of loans, individual- and household-level, based on individual credit reports from Equifax.

Quarterly reports on HH credit conditions, blogs, internal & external publications

Source: FRBNY CCP/Equifax

CCP/Equifax Sample Design

Representative Panel and Household Matching

Unique sample design generating a longitudinal quarterly panel of individuals and households from 1999-2012.

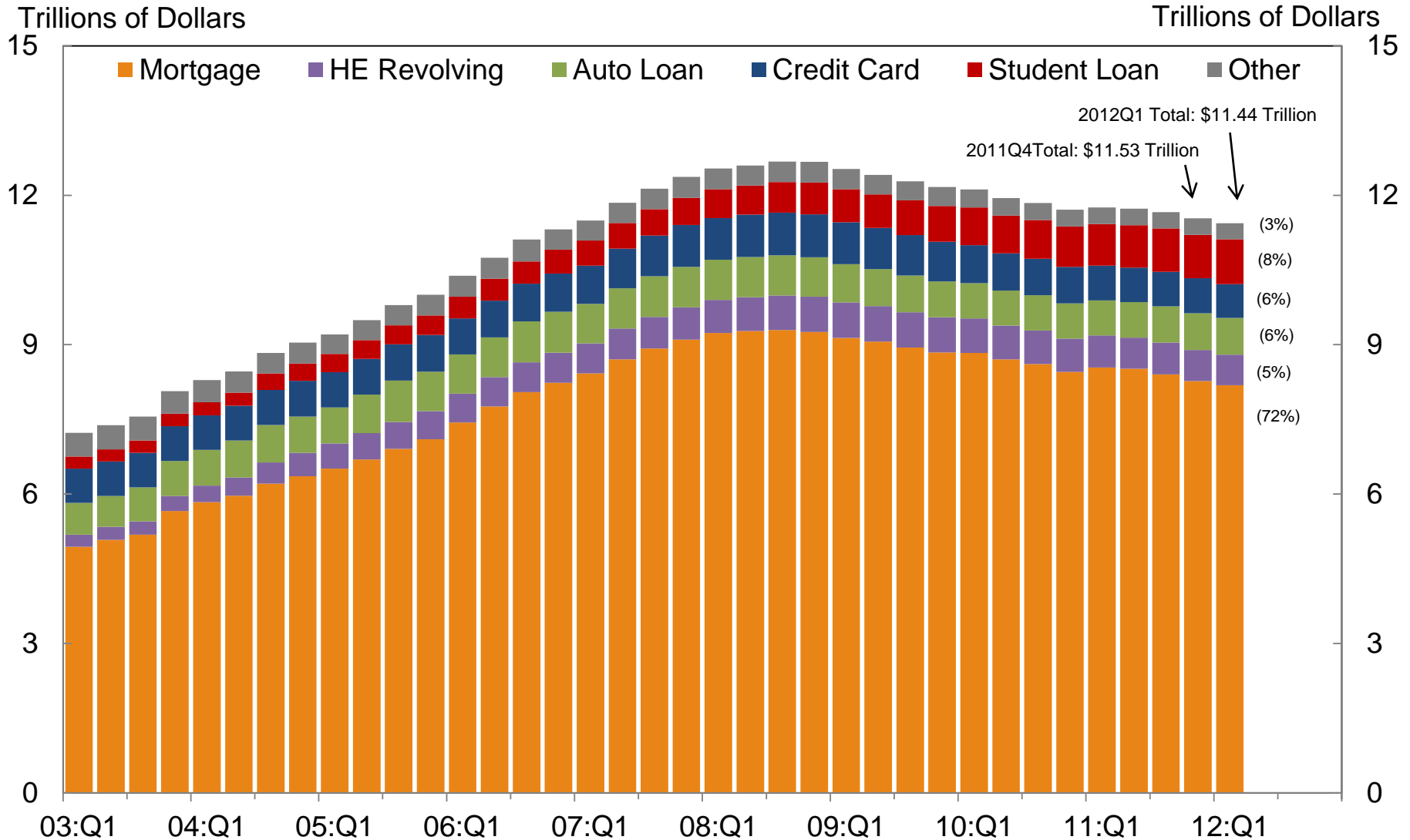
- Universe: entire US Population with credit files (240 million individuals per quarter, aged 18 and older.)
- Sample selection: representative 5% using last 4 digits of SSN + All household members
- Household matching: based on home address
- Representative sample of US individuals and households (about 40 million individuals per quarter)
- directly consistent with macro time-series statistics such as G19

CCP/Equifax Sample Design

Details of the sample design and creating sample weights:

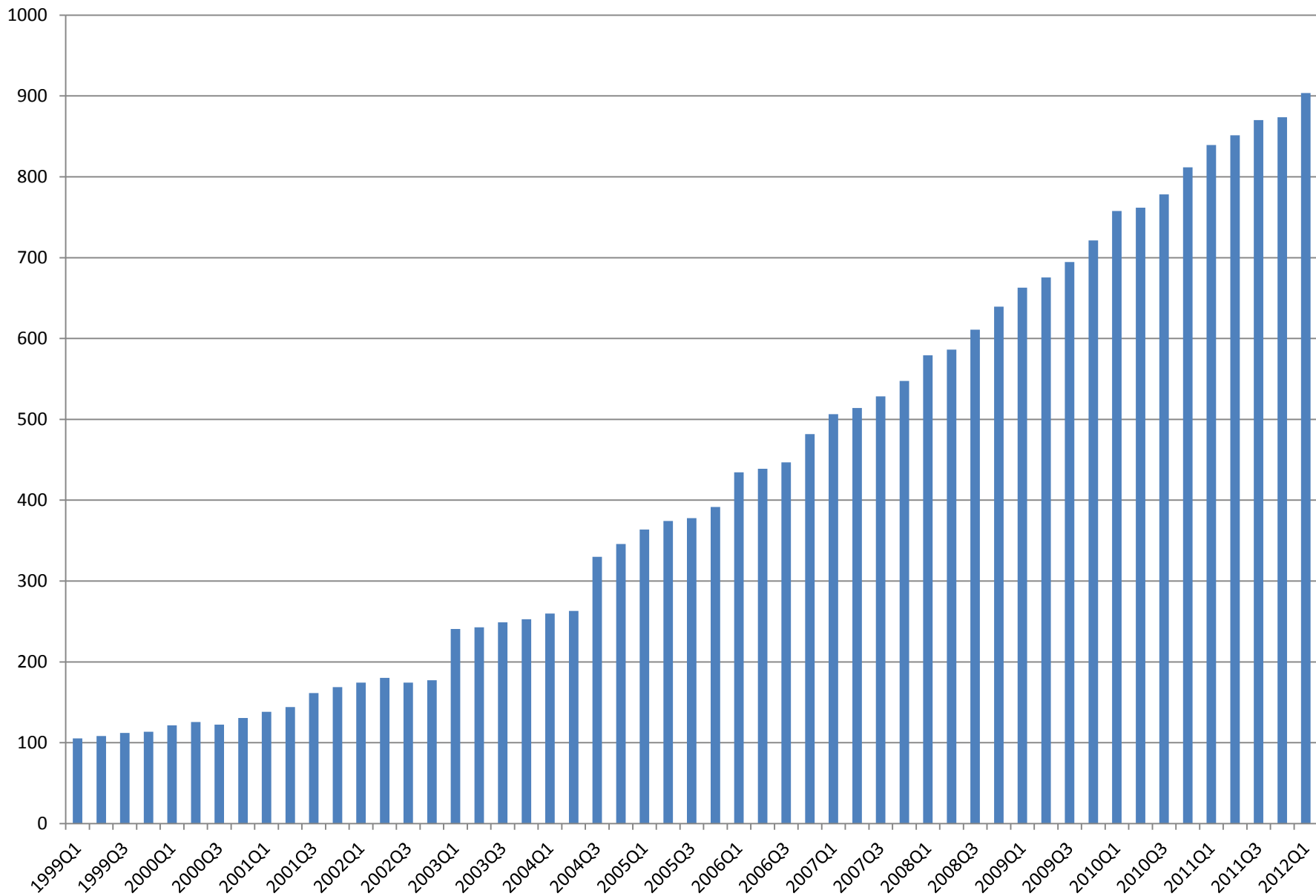
An Introduction to the FRBNY Consumer Credit Panel, Lee and van der Klaauw, 2010

Total Debt Balance and its Composition



Source: FRBNY Consumer Credit Panel/Equifax

Student Loan Balance (\$Billion)



Source: FRBNY CCP/Equifax

Aggregate Student Loan Trend

Aggregate student loan balance has grown dramatically over the past 13 years, more than doubling since 2005.

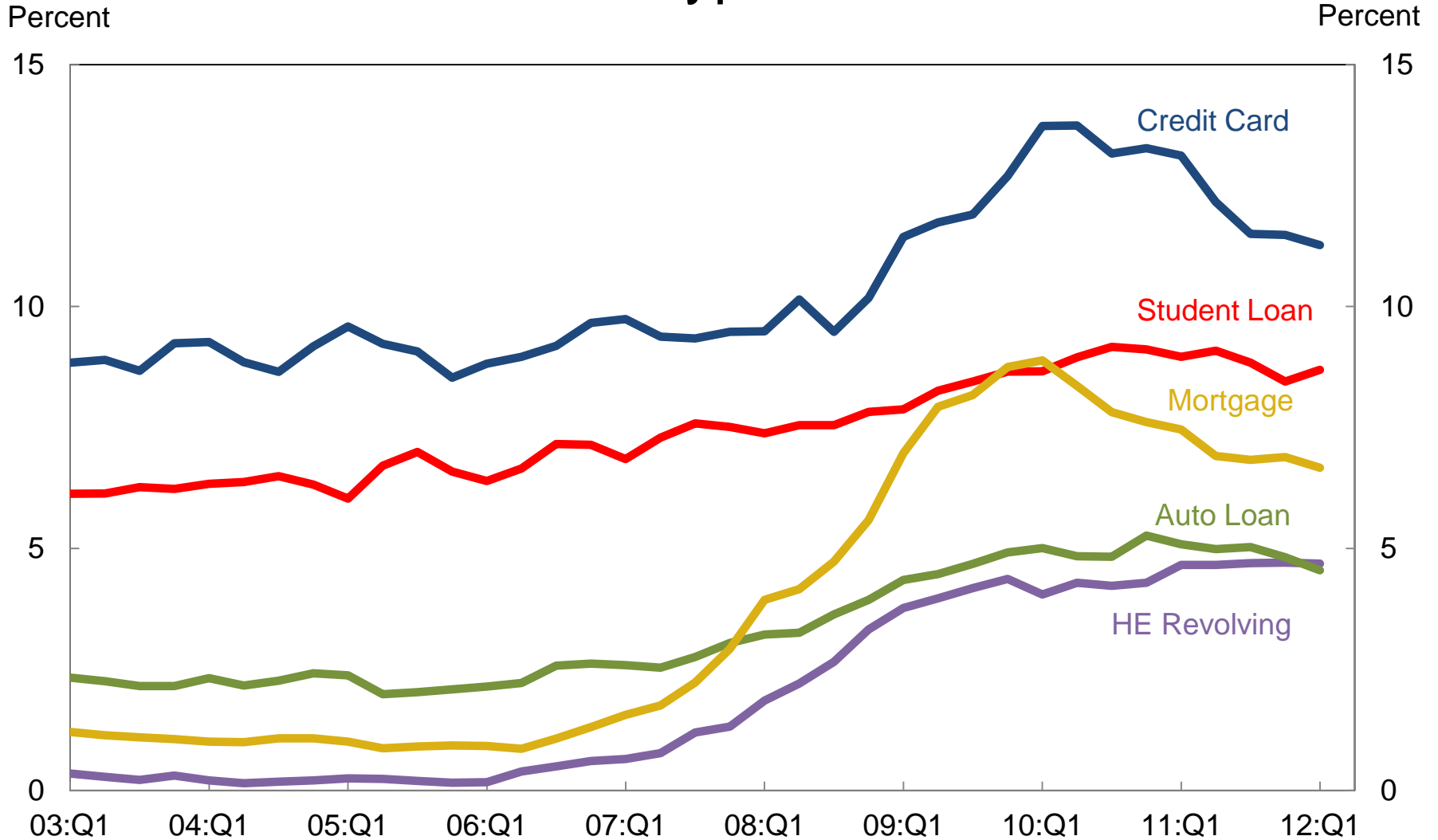
Aggregate student loan balance now larger than aggregate credit card balance.

While all other consumer debt categories declined from their 2008Q3 peak (some substantially), student loans have continued to grow rapidly:

→ All other consumer debt off 12 percent, or \$1.53 trillion, since 2008Q3.

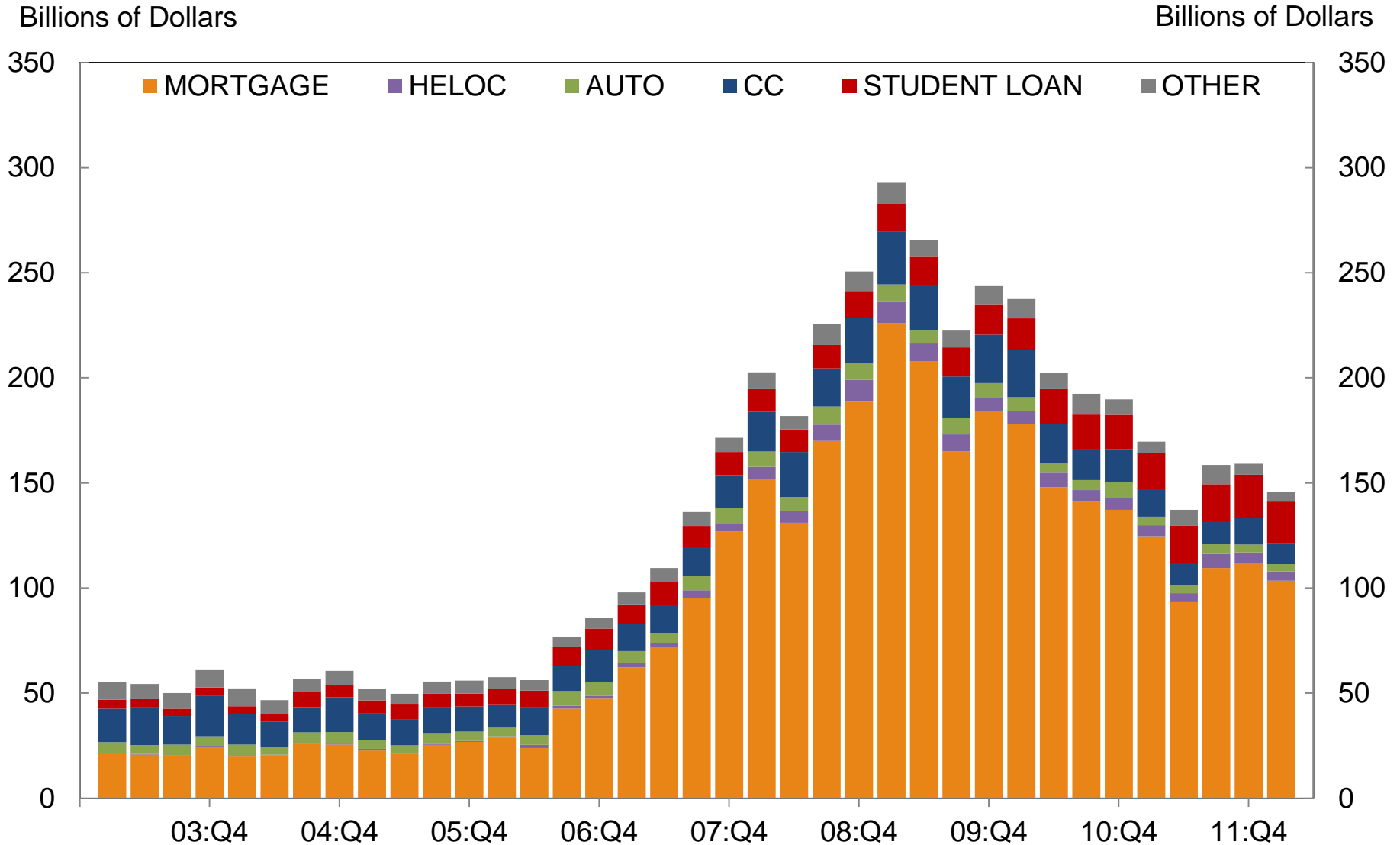
→ Aggregate student loan balance up 48 percent, or \$292 billion, since 2008Q3.

Percent of Balance 90+ Days Delinquent by Loan Type



Source: FRBNY Consumer Credit Panel/Equifax

New Seriously Delinquent Balances by Loan Type



Source: FRBNY Consumer Credit Panel/Equifax

Note: 90 or more days delinquent

Student Loan Delinquency Rate

Historically, student loans and credit card debt most delinquent.

Perhaps surprising, given student loans associated with higher skilled borrowers.

- but younger borrowers have substantially higher delinquency rates.
- & credit card and student loan are uncollateralized debts.

While mortgage, credit card and auto delinquency have declined substantially from their 2010 peaks, student loan and HELOC delinquency remain at or near peak.

- All non-SL consumer debt % of balance 90+dpd peaked at 8.7 in 2010Q1, fell to 6.8 by 2012Q1.
- Student loan % of balance 90+dpd 8.7 in 2010Q1, 8.7 2012Q1.
- 14% of student loan borrowers have some past due balance.

Source: FRBNY CCP/Equifax

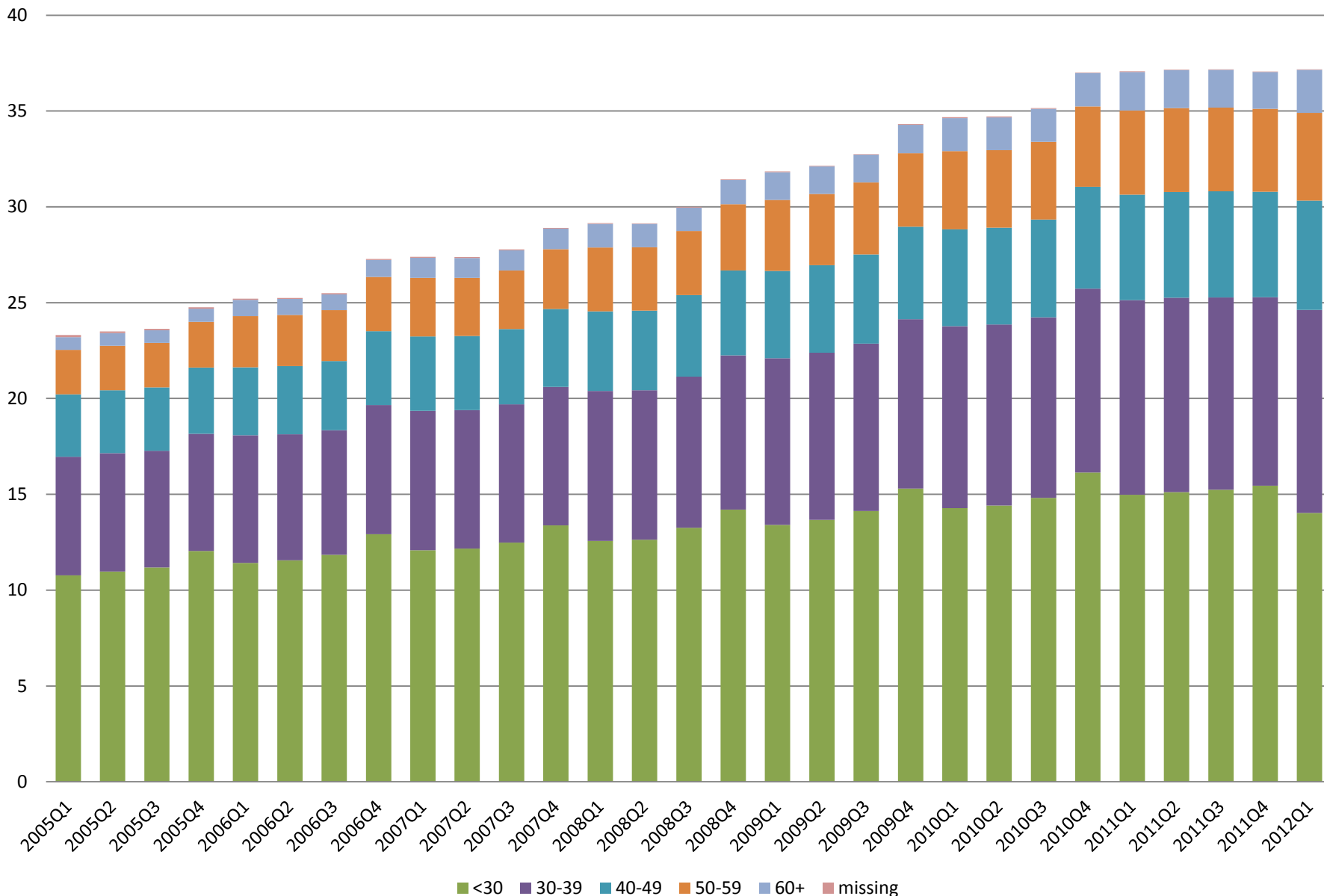
What is driving the growth in balance?

More students?

Higher balance per student?

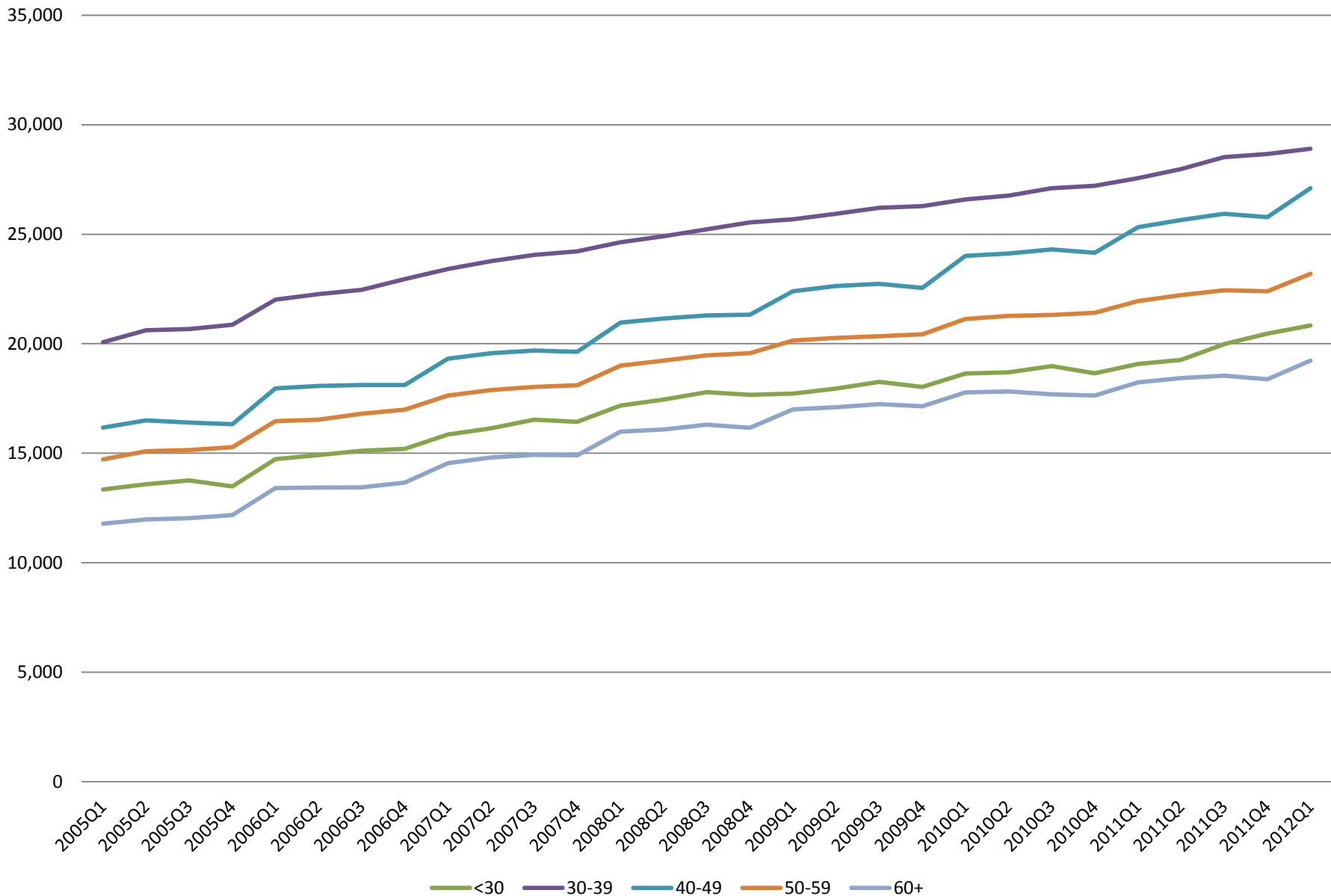
Lower repayment rate among past borrowers?

sl borrower (millions)



Source: FRBNY CCP/Equifax

\$ SL balance per borrower

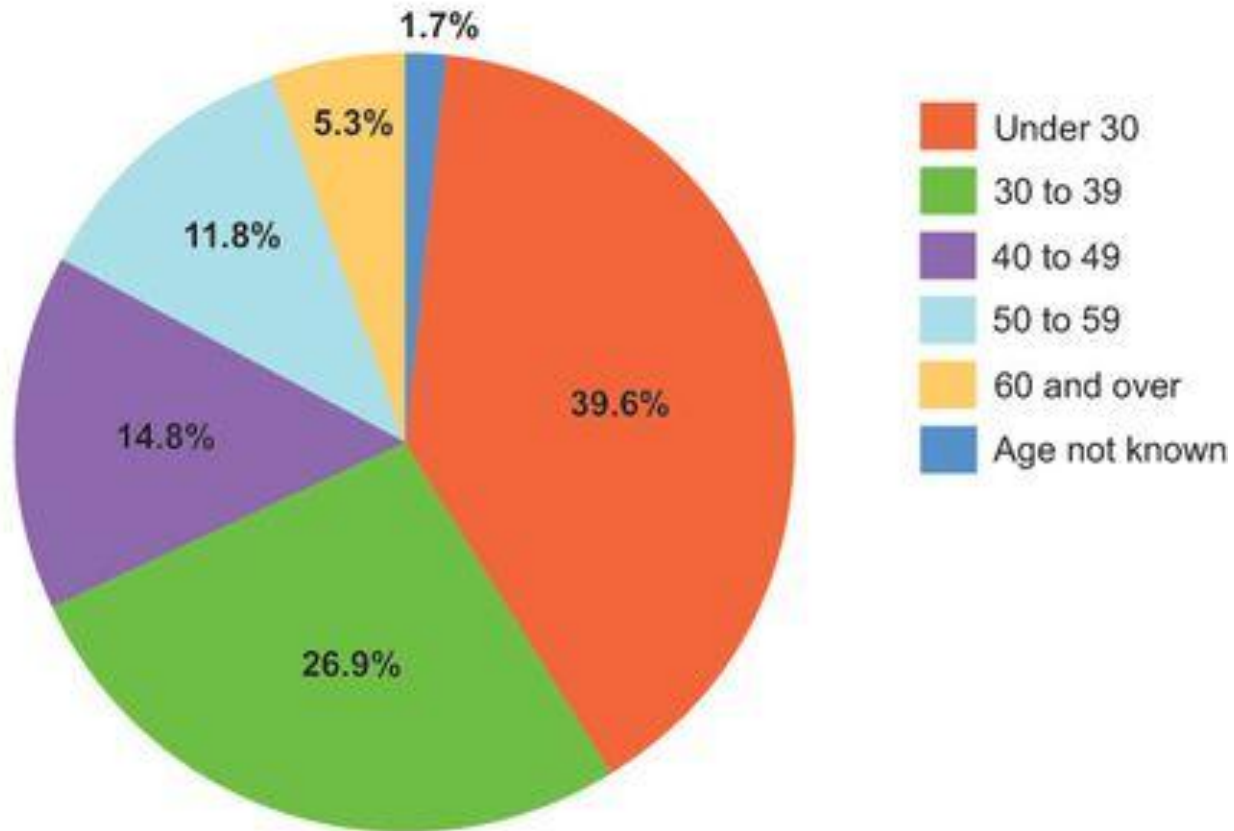


Source: FRBNY CCP/Equifax

Who are student loan borrowers?

Student Loan Borrowers by Age in 2011: Q3

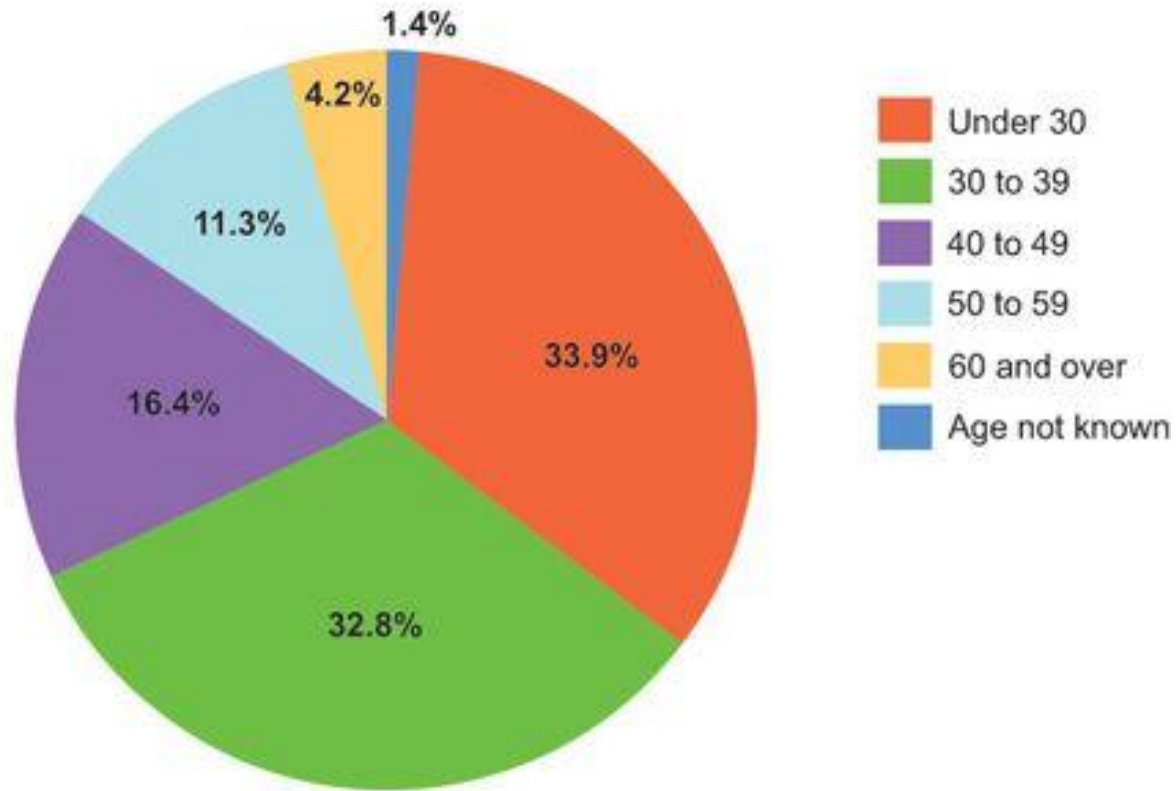
Total Number of Borrowers: 37 Million



Source: FRBNY Consumer Credit Panel/Equifax.

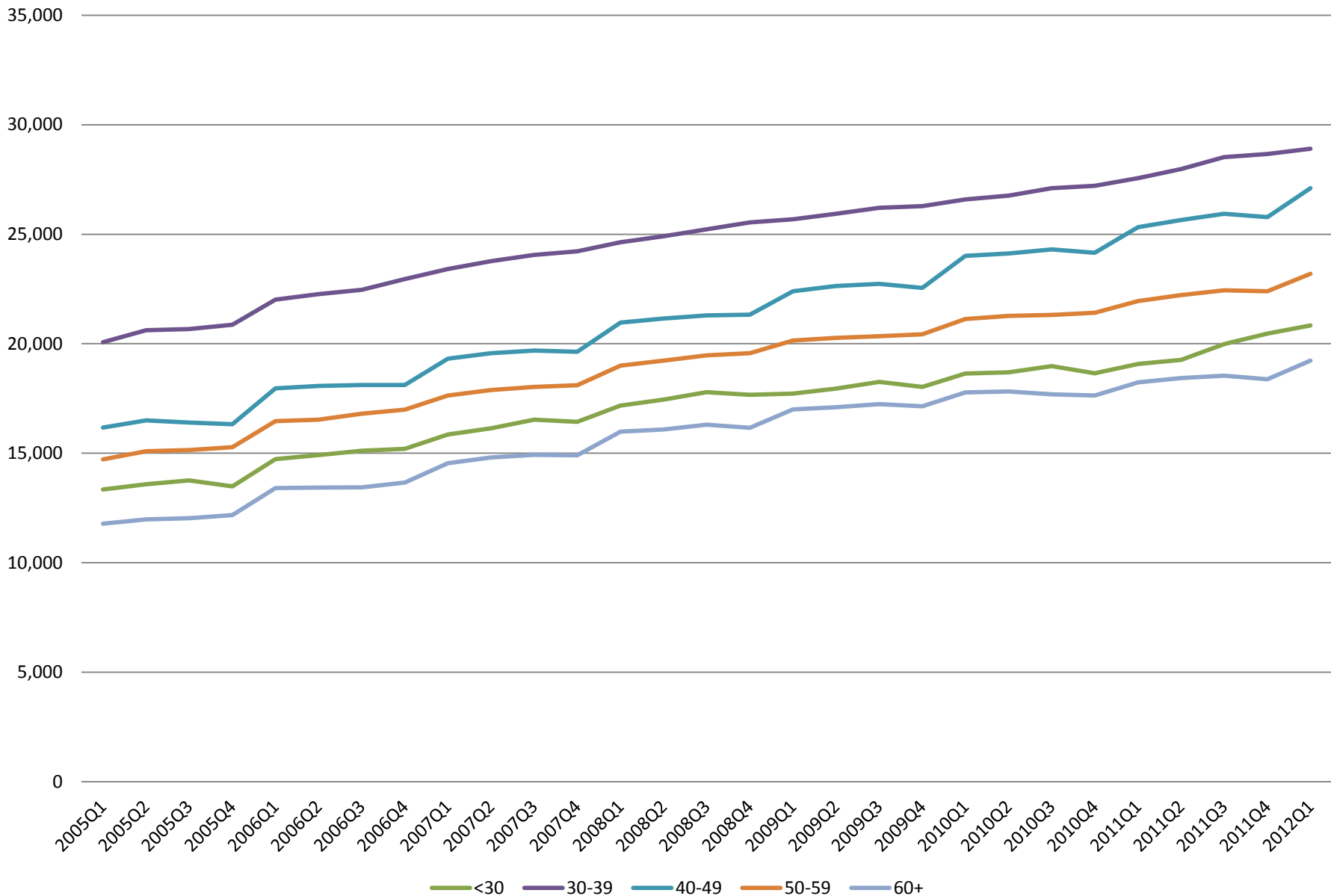
Student Loan Balance by Age in 2011: Q3

Total Loan Balance: \$870 Billion



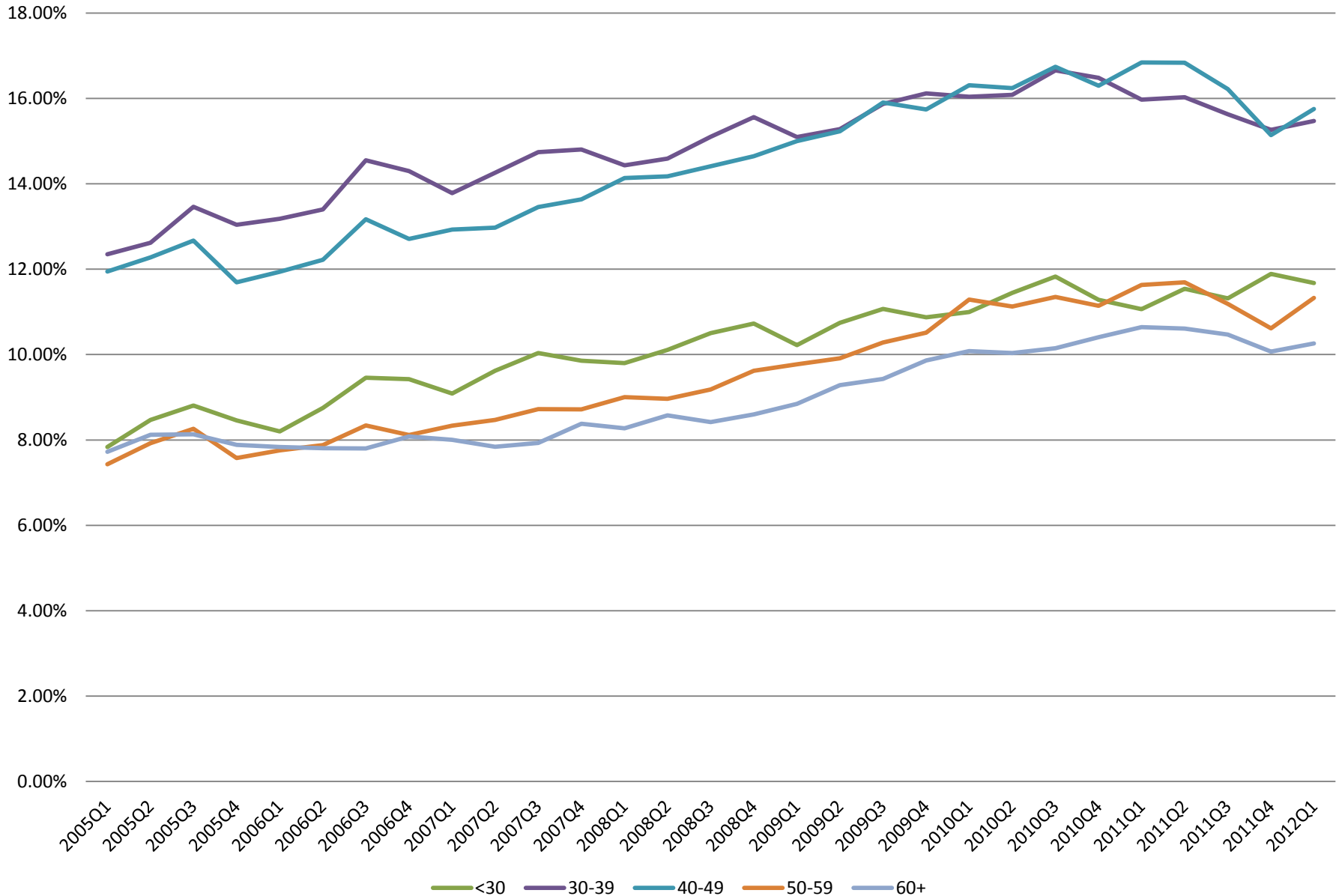
Source: FRBNY Consumer Credit Panel/Equifax.

\$ SL balance per borrower



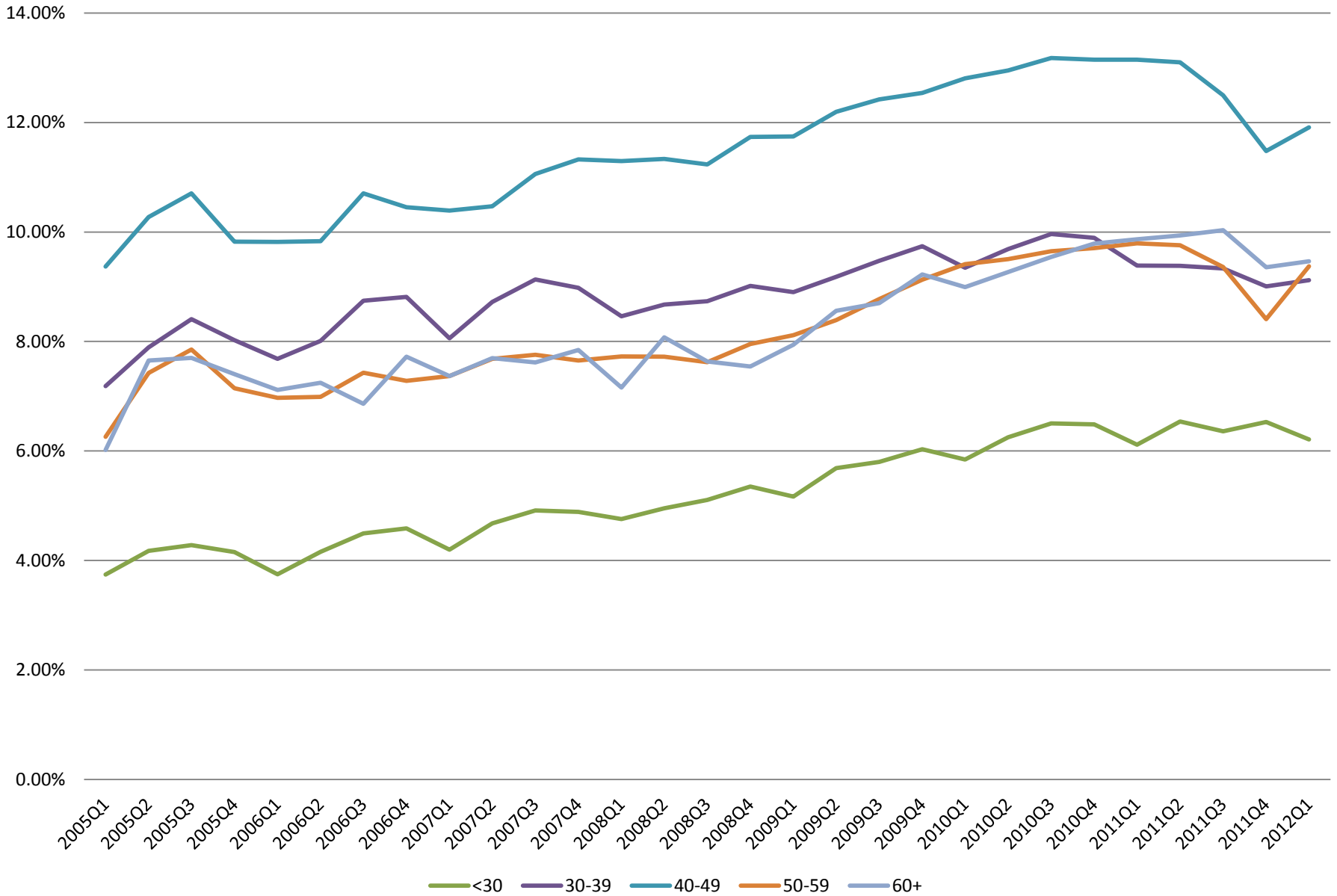
Source: FRBNY CCP/Equifax

Proportion of SL borrowers with 90+ past due balance



Source: FRBNY CCP/Equifax

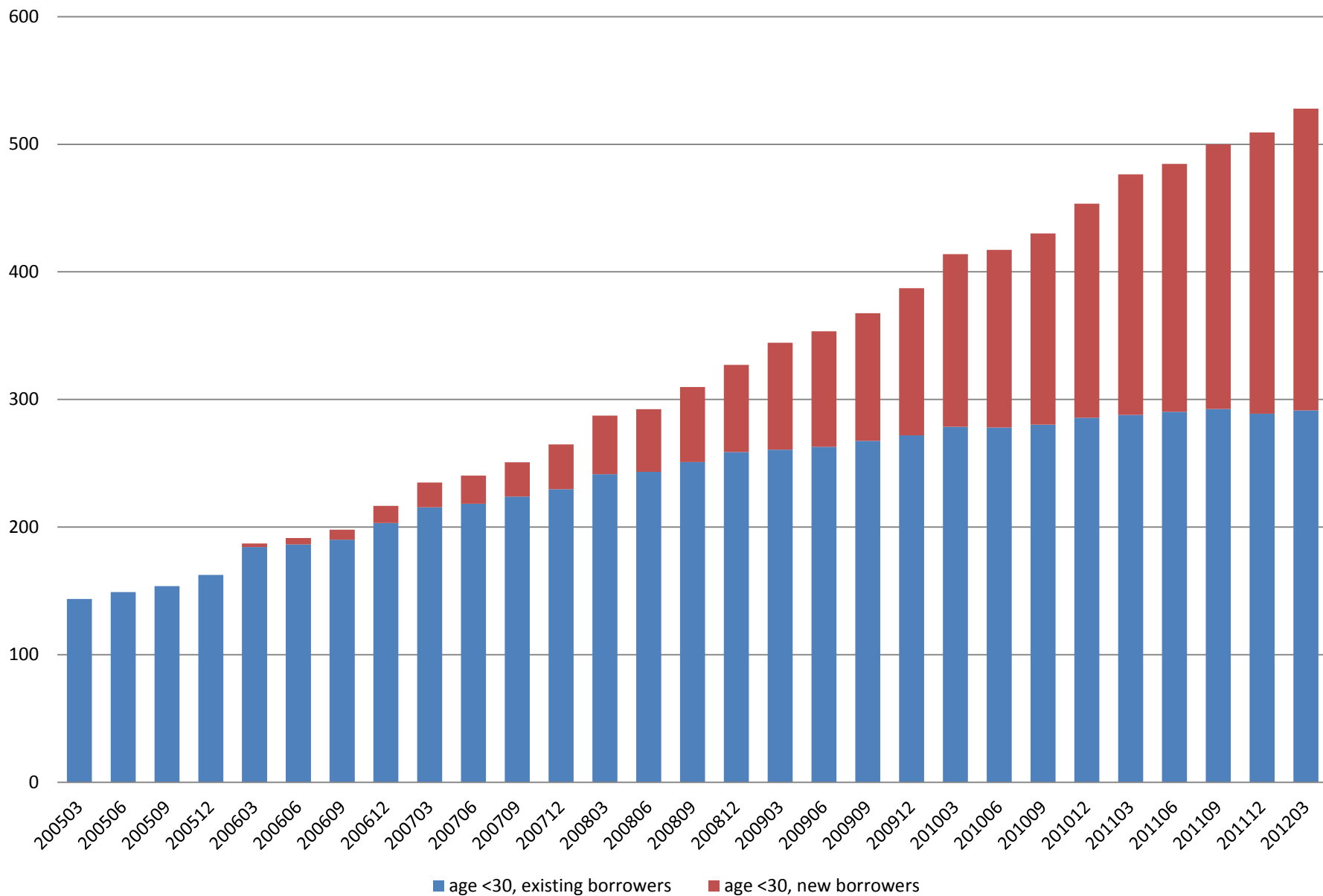
90+ delinquent balance proportion



Source: FRBNY CCP/Equifax

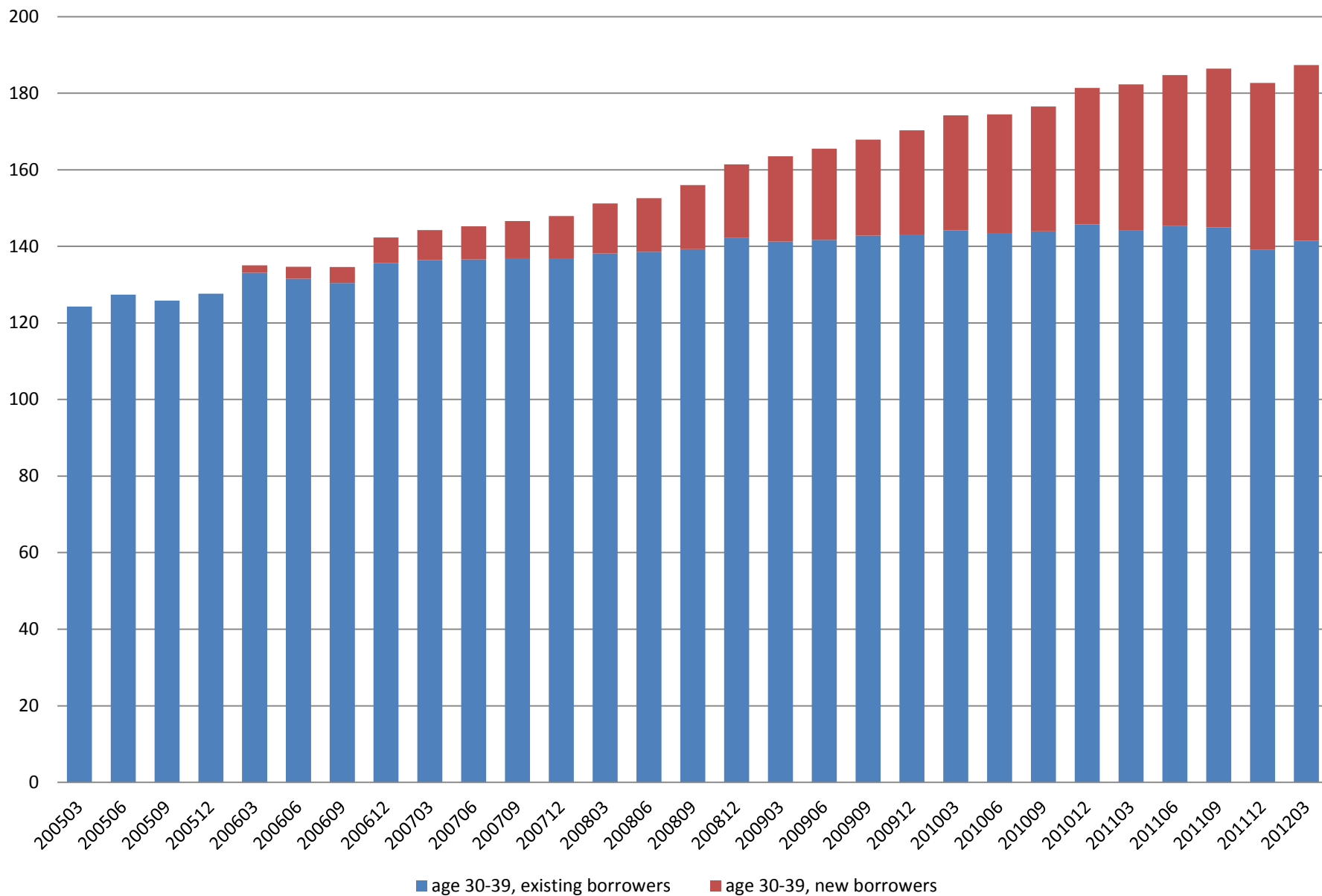
Who is paying down? Who is accumulating?

\$ balance, new and old borrowers



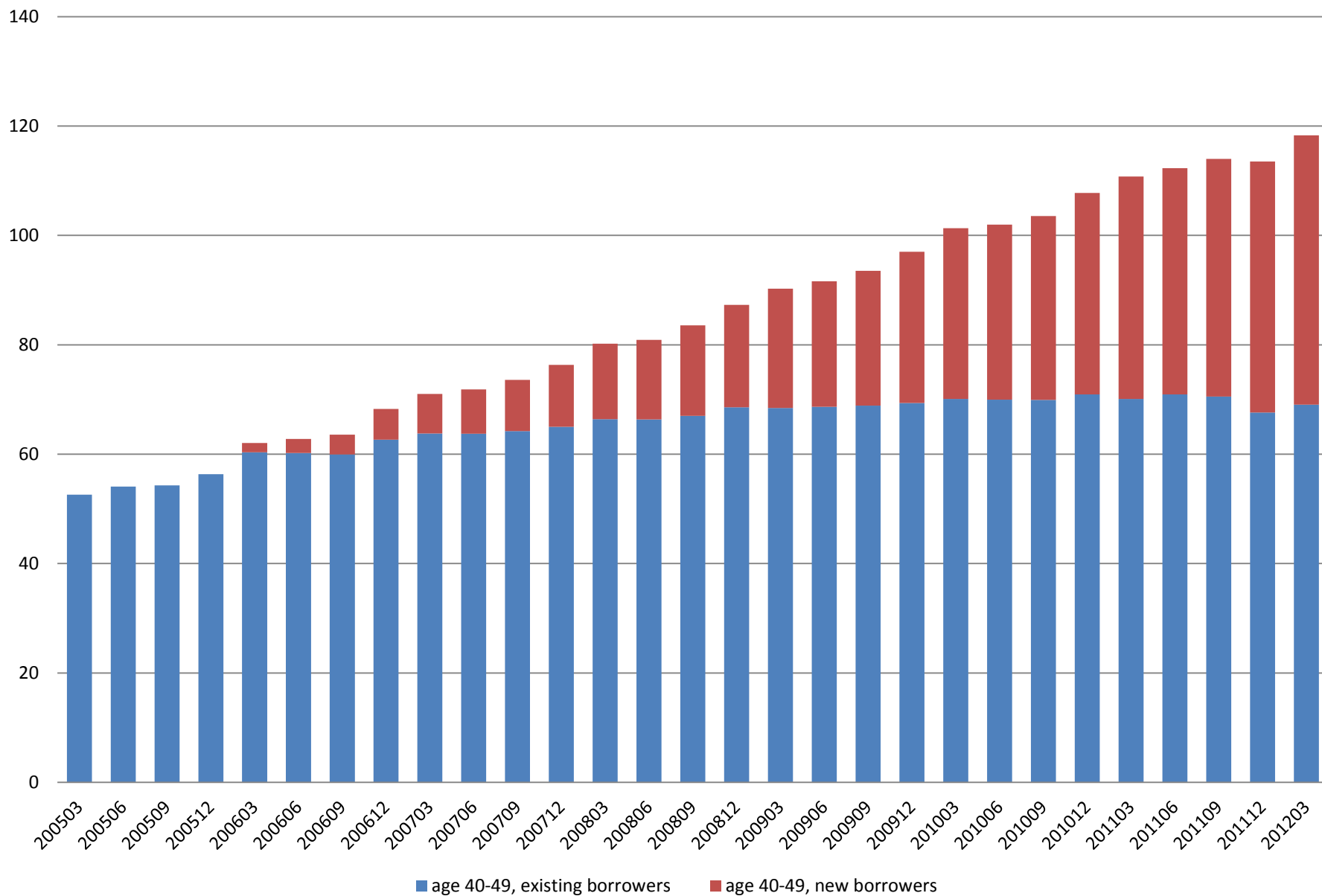
Source: FRBNY CCP/Equifax

\$ balance, new and old borrowers



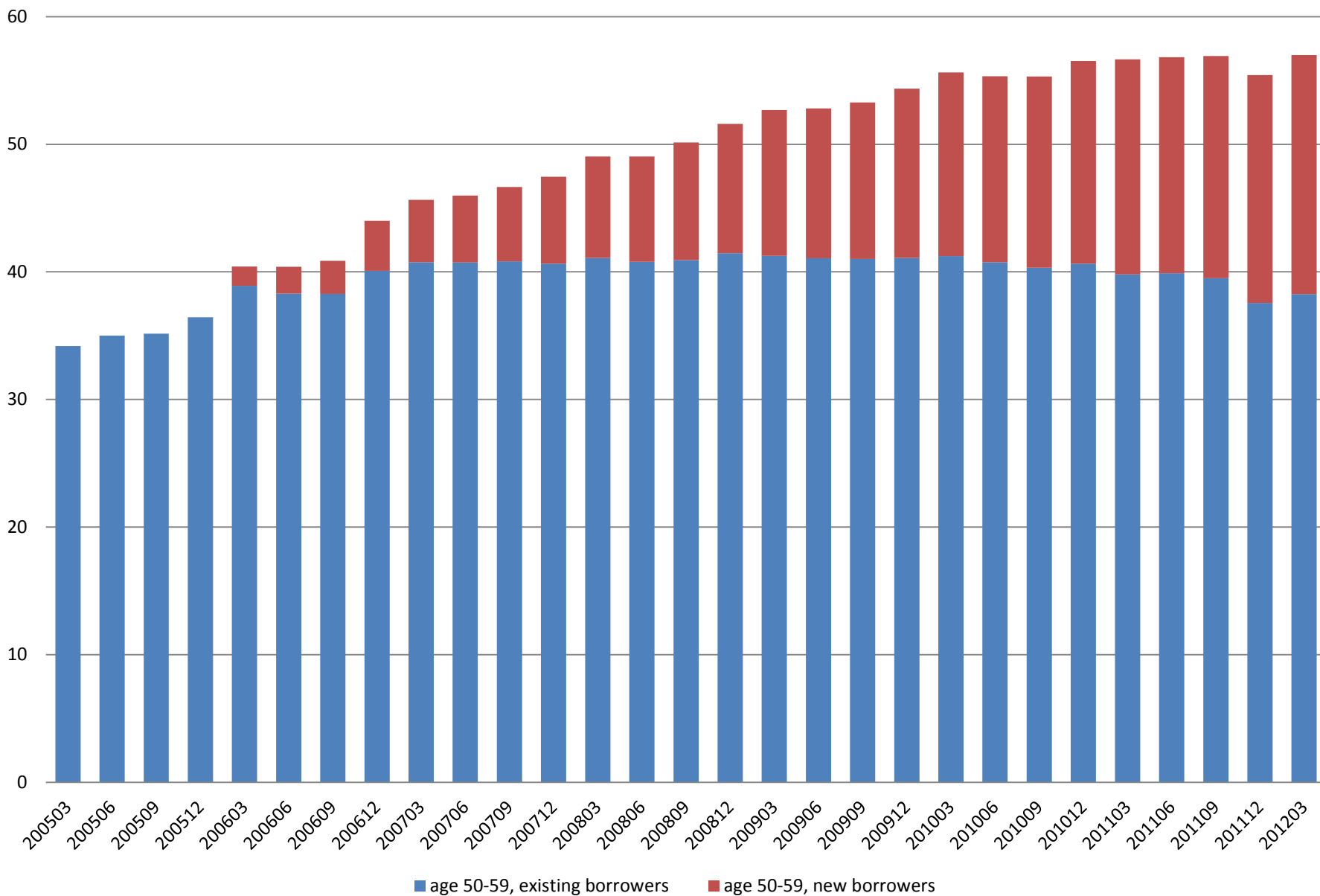
Source: FRBNY CCP/Equifax

\$ balance, new and old borrowers



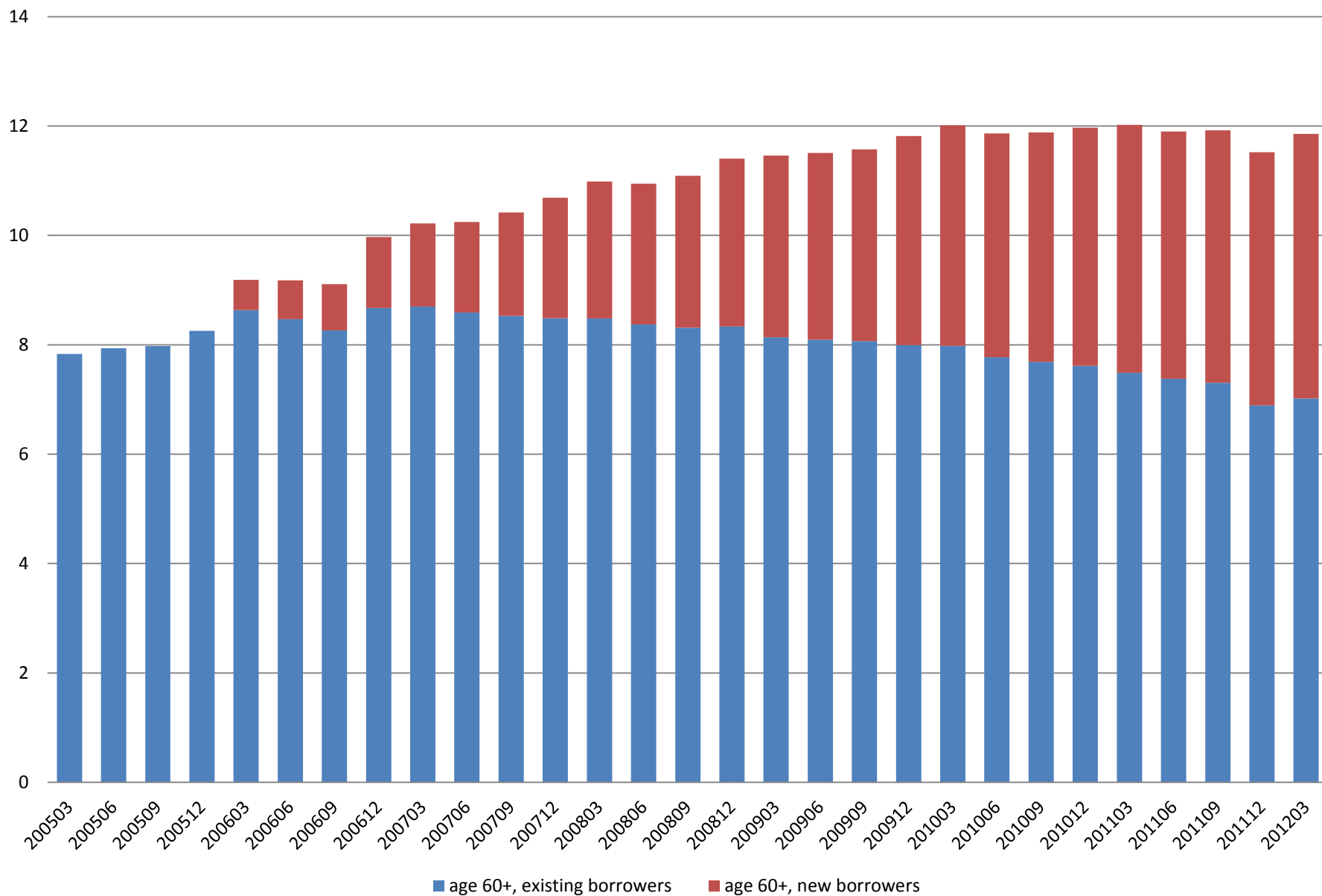
Source: FRBNY CCP/Equifax

\$ balance, new and old borrowers



Source: FRBNY CCP/Equifax

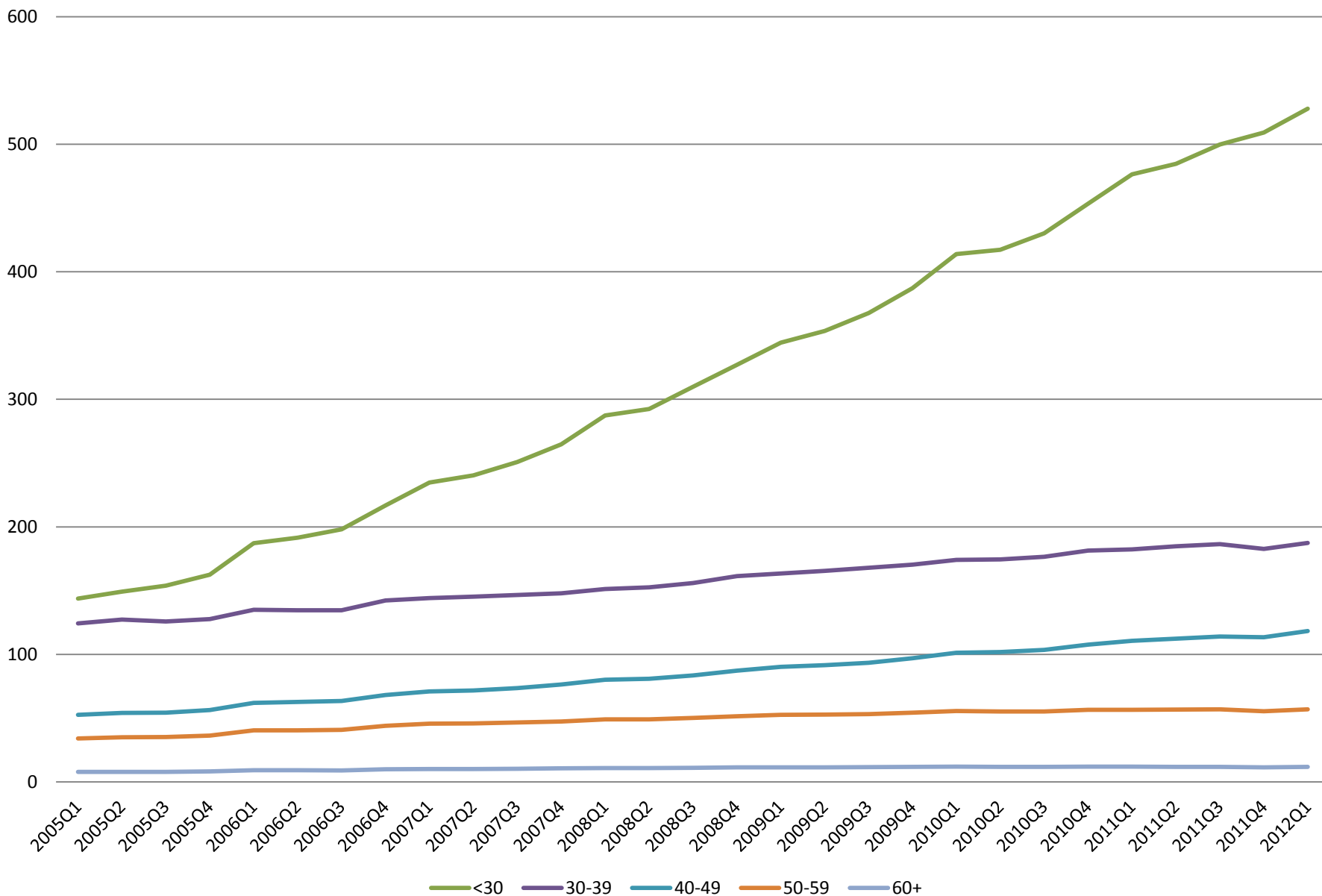
\$ balance, new and old borrowers



Source: FRBNY CCP/Equifax

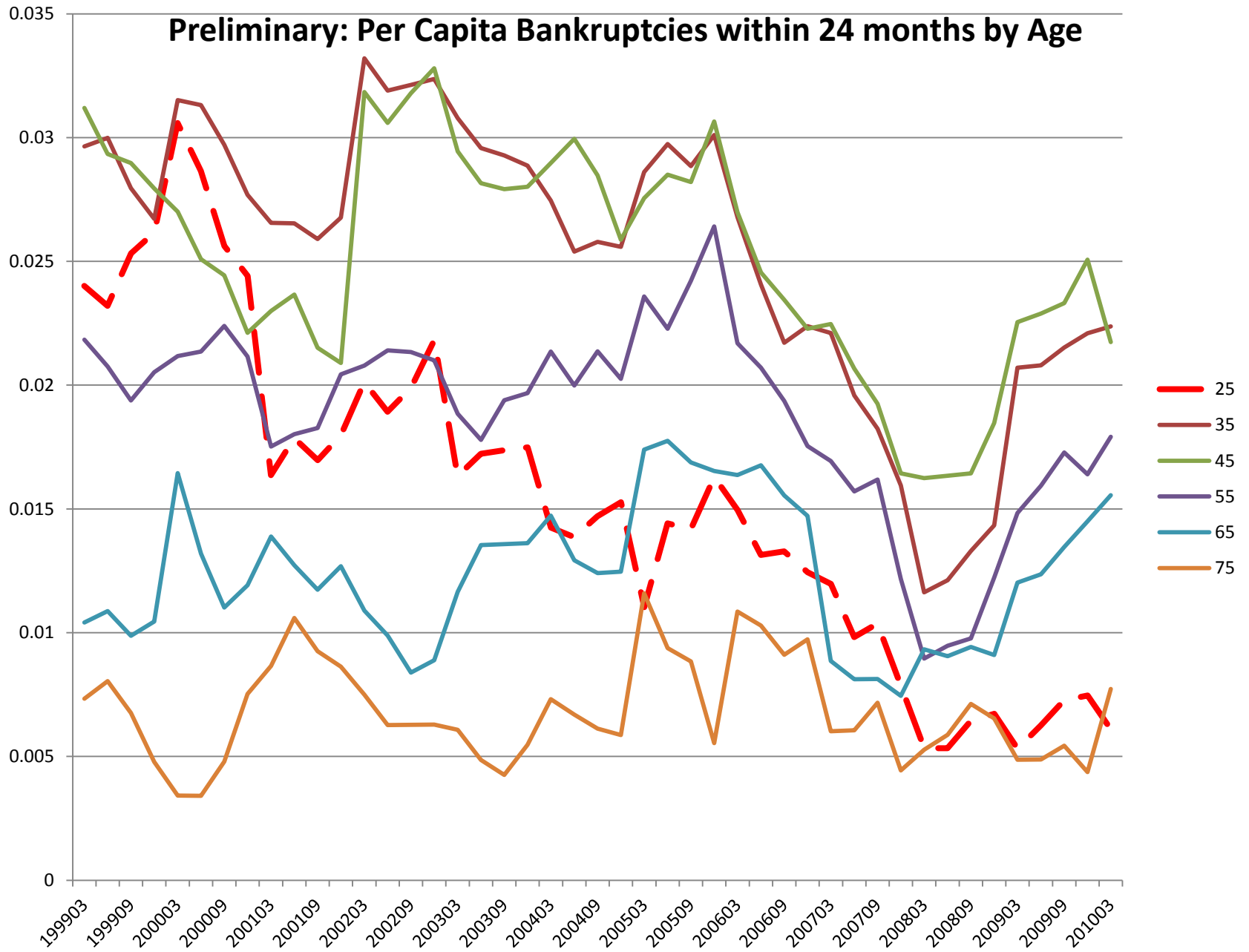
The youngest borrowers

Student loan debt in \$billions by 2005 age



Source: FRBNY CCP/Equifax

Preliminary: Per Capita Bankruptcies within 24 months by Age



Summary

Aggregate student loans have increased severalfold since 1999Q1
→ now the second largest consumer debt category.

While all other consumer debt categories declined in balance and became less delinquent since 2009, aggregate student loan debt has continued its long upward trend and become more delinquent.

This debt accumulation is driven by

- More students,
- Higher balances per student and
- Slow rates of paydown among past borrowers.

Past borrowers under 50 show no evidence of paydown in the aggregate. Aged borrowers show only modest paydown. 40-49 year old borrowers have high and growing delinquency rates.

Young student borrowers are accumulating debt at unprecedented rates and have lost default recourse.

Additional slides

The FRBNY Consumer Credit Panel

Panel of loans, individual- and household-level, based on individual credit reports from Equifax

- **Ability to track individual borrower over time:** can link over refinances, geographic moves, consolidation; can analyze entry into home-ownership or student borrowing, can follow pay-down
- **Ability to link multiple loans for same person at any point in time:** multiple first mortgages, additional first/second mortgages, debt substitution, delinquency profile across various loan types
- **Ability to link individuals in the same household:** credit/loan situation of all family members – total exposure and distribution within household
- **Account for new entries and exits in a systematic way :** Capture a balanced flow of individuals into and out of the data

Main Features of FRBNY CCP

- Longitudinal information on all individual mortgages: first mortgages, closed-end seconds, HELOCs
 - Individual mortgage account variables: opening date, origination amount, current balance, credit limit, delinquency status, individual/joint account, term/monthly payment, GSE loan, narrative codes detailing credit events such as foreclosure
- Consumer level information on auto loans, credit cards, student loans
 - Consumer-level auto loan, credit card, student loan data: Total balance and # accounts, delinquency detail, origination amount and credit limit
- Public record information
 - Public record information on bankruptcies, collections, tax liens
- Individual characteristics
 - Borrower characteristics: birth year, geographic location (state, zipcode, census block)

Student Loan information : Roll-up variables

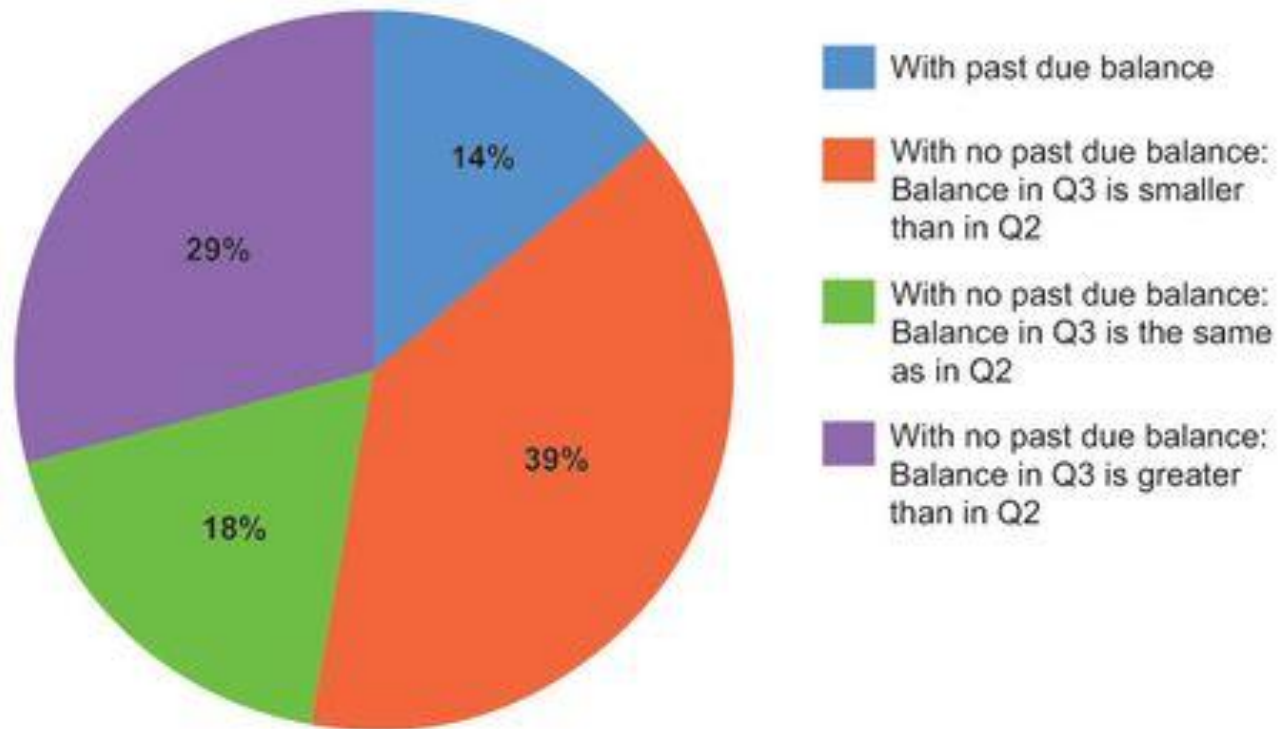
- Servicers with ZZ (miscellaneous servicers) were dropped from credit trend variables. (account level exclusion)
 - This includes department of education !!
- Credit trend variables and CMA variables are pre-set, and all the revisions should be made through custom attributes.
- Since 2Q2011, custom attributes were modified to include the omitted accounts. (2Q2011 has supplemental files to replace the original)
- Prior to 2Q2011, this is achieved by loan level data (FRBNY and FRBP RADAR group) and added / updated for each quarter before and after. (currently being evaluated for data integrity.)
- 5% primary samples for 2011 and before, including family members since 2012.

Student Loan information : Loan Level

- Detailed Loan level information on origination date, origination amount, balance, delinquency status, terms/payment, narrative codes (such as payment deferred, collection account, etc), past due amount, scrambled account number and servicer number.
- Up to 20 accounts from the biggest balance to the smallest. Roll up variables are not restricted by this max number.
- Useful for calculating originations, payment behavior, consolidations, defaults and accounting for servicer reporting practices.

Student Loan Borrowers by Payment Status in 2011: Q3

Total Number of Borrowers: 37 Million



Source: FRBNY Consumer Credit Panel/Equifax.

Preliminary: Student Loan Debt by Current Age

