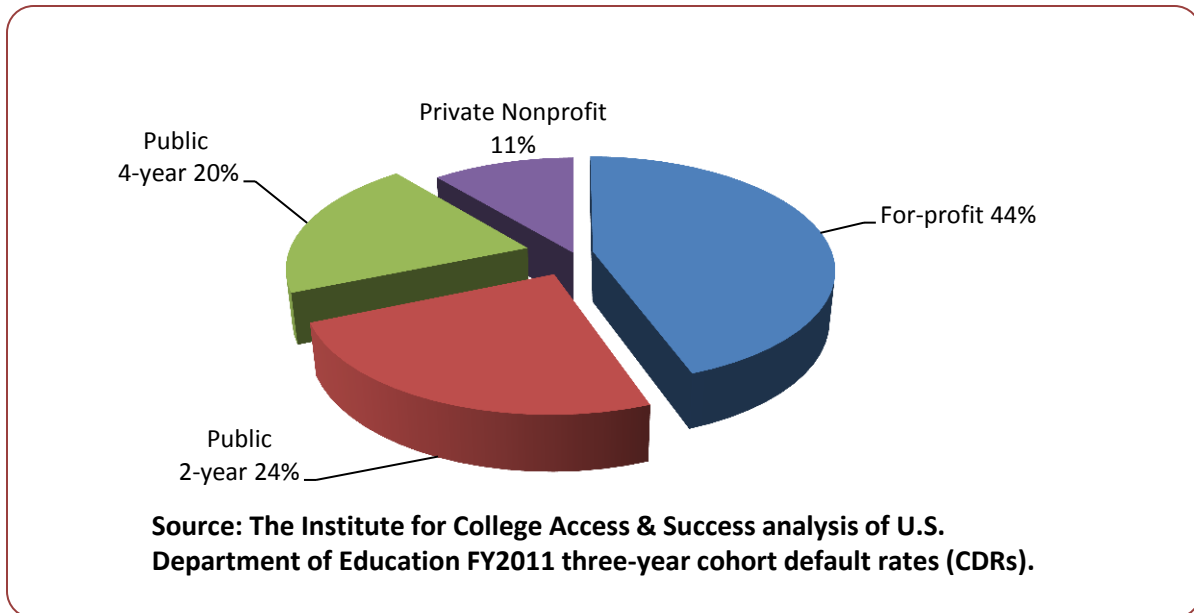




Quick Facts About Student Loan Debt Default

More than 650,000 Federal Student Loan Borrowers Who Entered Repayment in 2011 Defaulted On Their Loans By 2013

Chart: Breakdown of Defaults by College Type



TICAS¹

According to the U.S. Department of Education, the default rates were based on “the cohort of borrowers who entered repayment on their Direct Loans or FFEL Program loans between October 1, 2010 and September 30, 2011 and who defaulted before September 30, 2013. During this time, more than 4.7 million borrowers entered repayment and about 650,000 defaulted on their loans. These borrowers attended 5,908 postsecondary schools across the country.”²

¹ The Institute for College Access & Success, Newsroom, “Despite Lower Rates, More Than 650,000 Defaulted on Federal Student Loans, For-Profit Colleges Account for Nearly Half of all Defaults,” TICAS press release, September 24, 2014.

² U.S. Department of Education, Press Office, “New Data Shows a Lower Percentage of Students Defaulting on Federal Student Loans,” Department of Education press release, September 24, 2014. <http://www.ed.gov/news/press-releases/new-data-shows-lower-percentage-students-defaulting-federal-student-loans>



What About America's Overall Student Loan Debt Default?

According to a 2013 analysis of U.S. Department of Education data by the Consumer Financial Protection Bureau:³

- Out of \$1 trillion in federal loans, \$89 billion were in default.
- Overall, 7 million borrowers were in default in federal or private student loans.

Potential Serious Consequences of Default for Students:

- A poor credit record for years-to-come.
- More limited job prospects.
- Difficulty obtaining loans for cars and housing.
- Inability to get federal loans or grants to return to school.
- Garnished wages, seized income tax refunds.
- Diminished Social Security.

Avoiding Default on Student Loans

"If borrowers were aware of and able to easily enroll in income-based plans through their servicers, many federal student loan defaults could have been avoided."—Rohit Chopra, Student Loan Ombudsman, Consumer Financial Protection Bureau, qtd. in Business Insider.⁴

"...too many struggling borrowers are still unaware of the options available to them to help responsibly manage their debt."—President Barak Obama Presidential Memorandum, Federal Student Loan Repayments, June 9, 2014.

³ Rohit Chopra, "A Closer Look at the Trillion," CFPB Blog, Consumer Financial Protection Bureau, August 5, 2013, <http://www.consumerfinance.gov/blog/a-closer-look-at-the-trillion/>, accessed September 28, 2014.

⁴ Mandi Woodruff, "Nearly One-Third of America's Massive Student Loan Debt is Either Late or In Default," Business Insider, Aug. 7, 2013, <http://www.businessinsider.com/americas-is-in-student-debt-default-cfpb-2013-8>, accessed September 28, 2014.



Lack of Awareness Contributes to Repayment Problems

Many of the student loan repayment programs offered by the Department of Education are under-utilized because borrowers are simply not aware of the available repayment options and application process that may help them avoid default.

- Borrowers in default may be able to consolidate or rehabilitate their loans in order to get out of default and begin the process of rebuilding their credit histories.
- Borrowers may be able to modify their repayment plan and utilize an income-based repayment plan: Income Based Repayment (IBR), Pay As You Earn (PAYE), or Public Service Loan Forgiveness (PSLF).
- Borrowers with private loans may be able request forbearance, a deferment, or even refinance their private loans.

By getting unbiased student loan repayment counseling from a quality nonprofit, community service provider, borrowers may be able to avoid default and begin to improve their credit histories.

Bring CEFC's Replicable Approach to Student Loan Debt Repayment Counseling to Your Community

CEFC welcomes the interest of client-focused, community-service nonprofit organizations that are committed to providing quality financial counseling or coaching to their constituents. Email CEFC at cefc@umsl.edu for more information.

CEFC's Student Loan Debt Repayment Counseling Program is a Replicable Approach to Enhancing Financial Capacity in Local Communities

CEFC Program Proven To Help Distressed Borrowers Understand Their Loan Repayment Options

CEFC’s Student Loan Debt Repayment Counseling program has been demonstrated to assist financially distressed low- to moderate-income borrowers in making informed choices regarding the management and repayment of student loan debt. The program aims to help distressed borrowers improve their overall financial well-being and credit scores in order to increase their ability to access financial services and products and actively participate in today’s economy.

Reactions Post-Counseling

- 65% agreed with the statement: “I wish I had found a counseling program like this sooner.”
- 76% reported adhering to a monthly budget.
- 71% indicated they had more willpower to keep from further increasing their debt load.
- 54% found a less costly repayment plan
- 54% qualified for a lower federal repayment plan

SOURCE:

Findings from a third-party survey of borrowers who participated in CEFC’s Student Loan Borrower Repayment Counseling pilot program from March 1 to September 30, 2013.

PRIOR TO COUNSELING		RESULTS FOR KNOWLEDGE, ATTITUDE OR BEHAVIOR CHANGES FOLLOWING COUNSELING			
		INCREASED KNOWLEDGE		CHANGED BEHAVIOR/ATTITUDES	
<i>Fear of defaulting [prompted the decision to get counseling]</i>	79.4% (1)	Respondent knew more about how to avoid defaulting on his/her student loans.	80.7% (1)		
<i>Questions about what will happen if I default [prompted the decision to get counseling]</i>	66.7% (1)				
<i>Payments too high for Respondent’s income [prompted the decision to get counseling]</i>	93.2% (1)	Respondent learned that he/she could use a monthly budget to calculate how much to pay on student loans.	82.5% (1)	Borrower is making progress in lowering his/her monthly student loan payments.	66.7% (2)
				Borrower was able to find a less costly plan to repay his/her student loans.	53.6% (3)

Response categories shown in parentheses below percentages:

- (1) Very or somewhat important
- (2) Very or somewhat true
- (3) Strongly or somewhat agree

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