



FEDERAL RESERVE BANK *of* KANSAS CITY

Student Loans What's the Real Story?

Regional Economic Roundtable
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The views in this presentation are those of the speaker and authors and do not necessarily represent the views of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

Disclaimer

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Background for the Presentation

- “Fiscal Impact of Student Loan Relief Programs” (with Wenhua Di), 2017, *Annals of the American Academy of Political and Social Science*, 671, 224-248 [Also *Federal Reserve Bank of Kansas City Research Working Paper 17-02*; *Federal Reserve Bank of Dallas Research Department Working Paper 1609*]
- “State Variation of Student Loan Debt and Performance, (with Wenhua Di), 2015, *Suffolk Law Review*, 48(3), 661-688.
- “Student Loans: Overview and Issues,” *Federal Reserve Bank of Kansas City Community Development Research Working Paper 12-0.5* (updated April, 2013)
- *Tenth District Consumer Credit Report*, June 2, 2017 (special topic: delinquency rates for student loans in repayment)
- *Tenth District Consumer Credit Report*, First Quarter, 2015 (special topic: a dynamic look at student loan debt and delinquencies)



Main Street Views > Tenth District Consumer Credit Report

Tenth District Consumer Credit Report

Topics: Credit



Kelly D. Edmiston, Senior Economist and Daniel Perez

JUNE 02, 2017 | *Debt continues to trend upwards in the District and in the United States.*

Average consumer debt for the Tenth District, defined for this report as all outstanding debt other than first mortgages and presented as a four-quarter moving average, rose from \$16.902 in

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About Main Street Views

Main Street Views provides a range of economic programs and data, including the Economic Policy and Macroeconomic Payments Index, seven state Federal Reserve

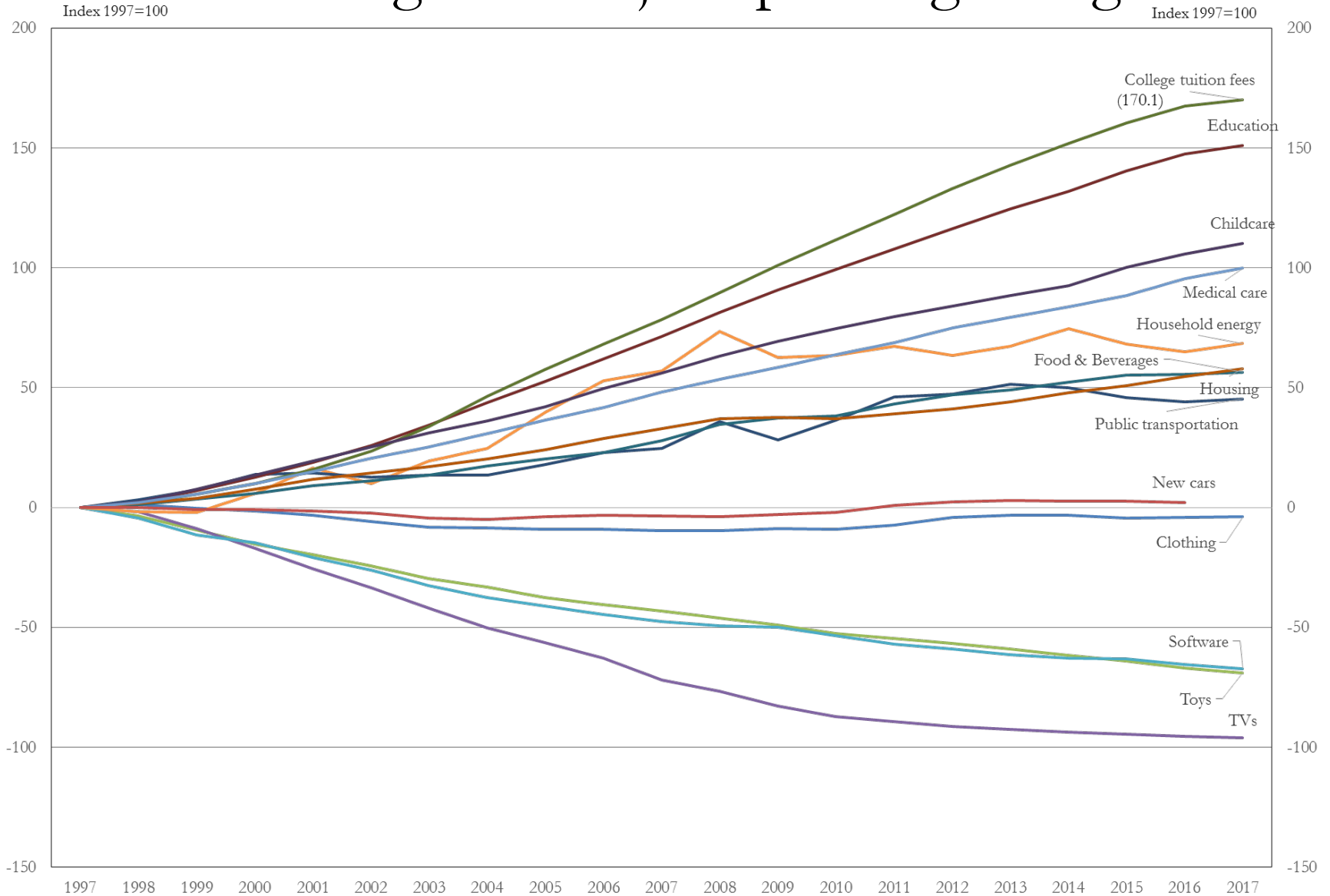
Topics

Agriculture
Credit | Energy
and Data | International
Macroeconomics

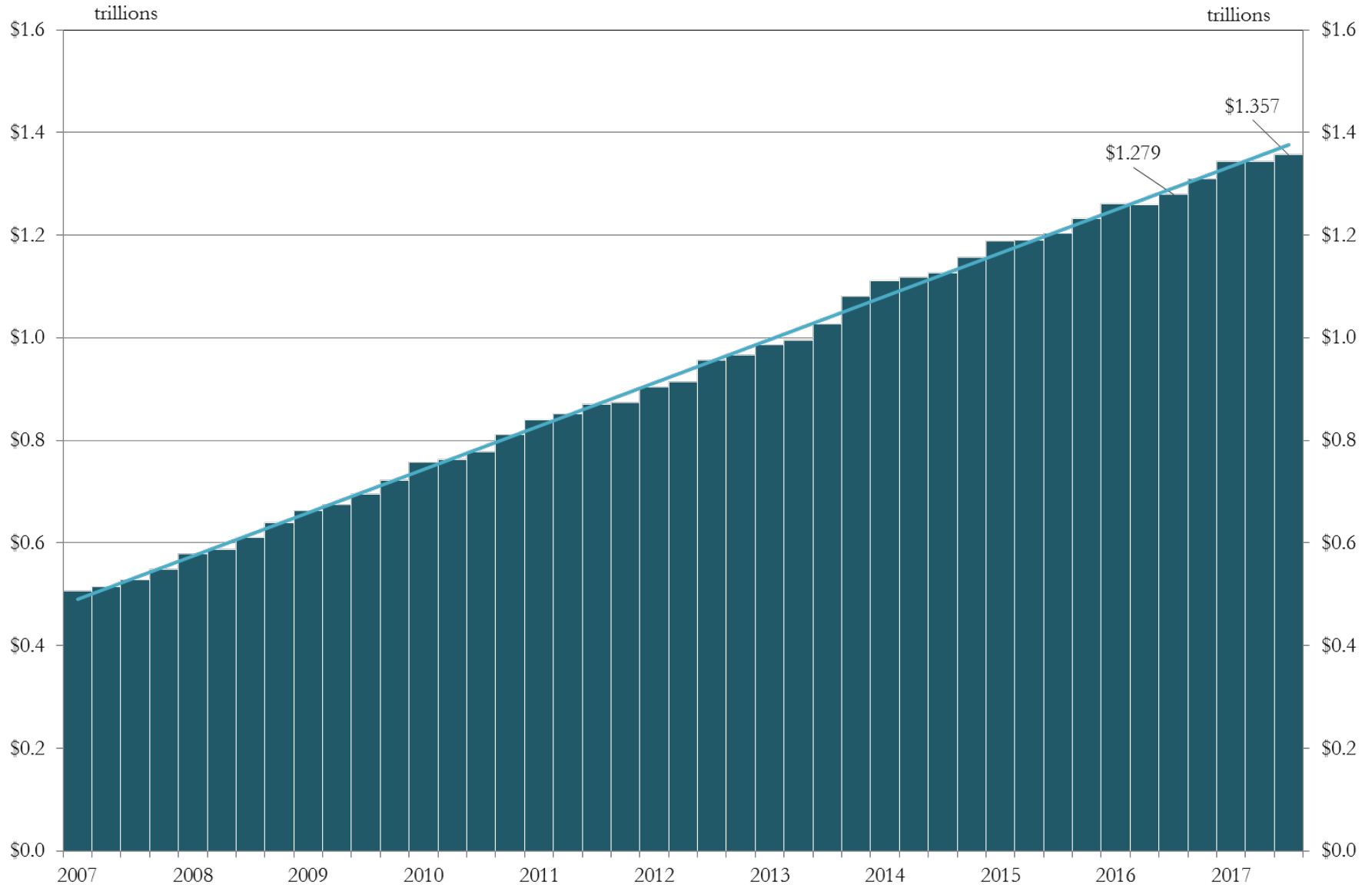
Student Loans: What's the Real Story

BASIC STATISTICS

Price Changes in Major Spending Categories

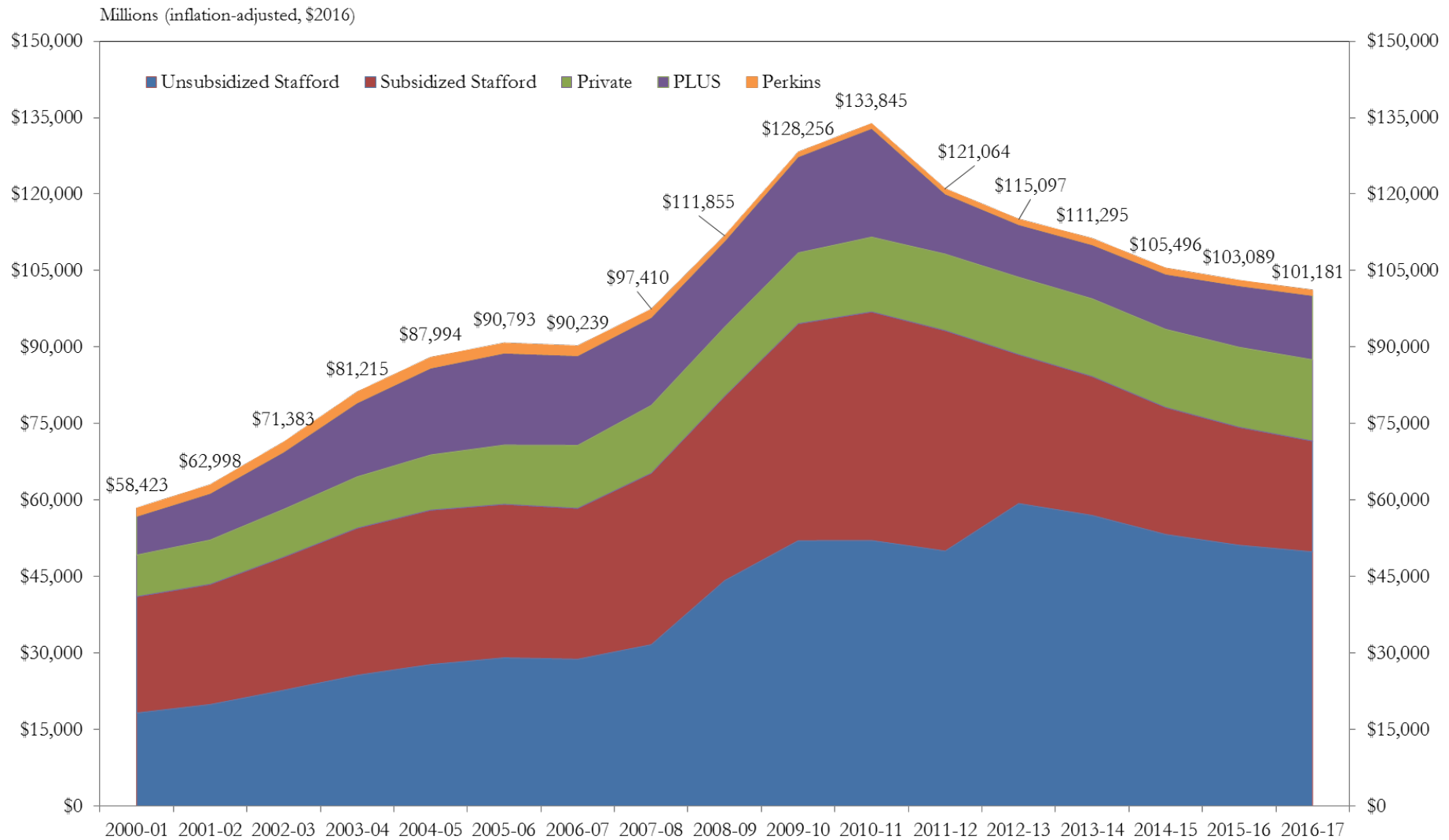


Outstanding Student Loan Debt



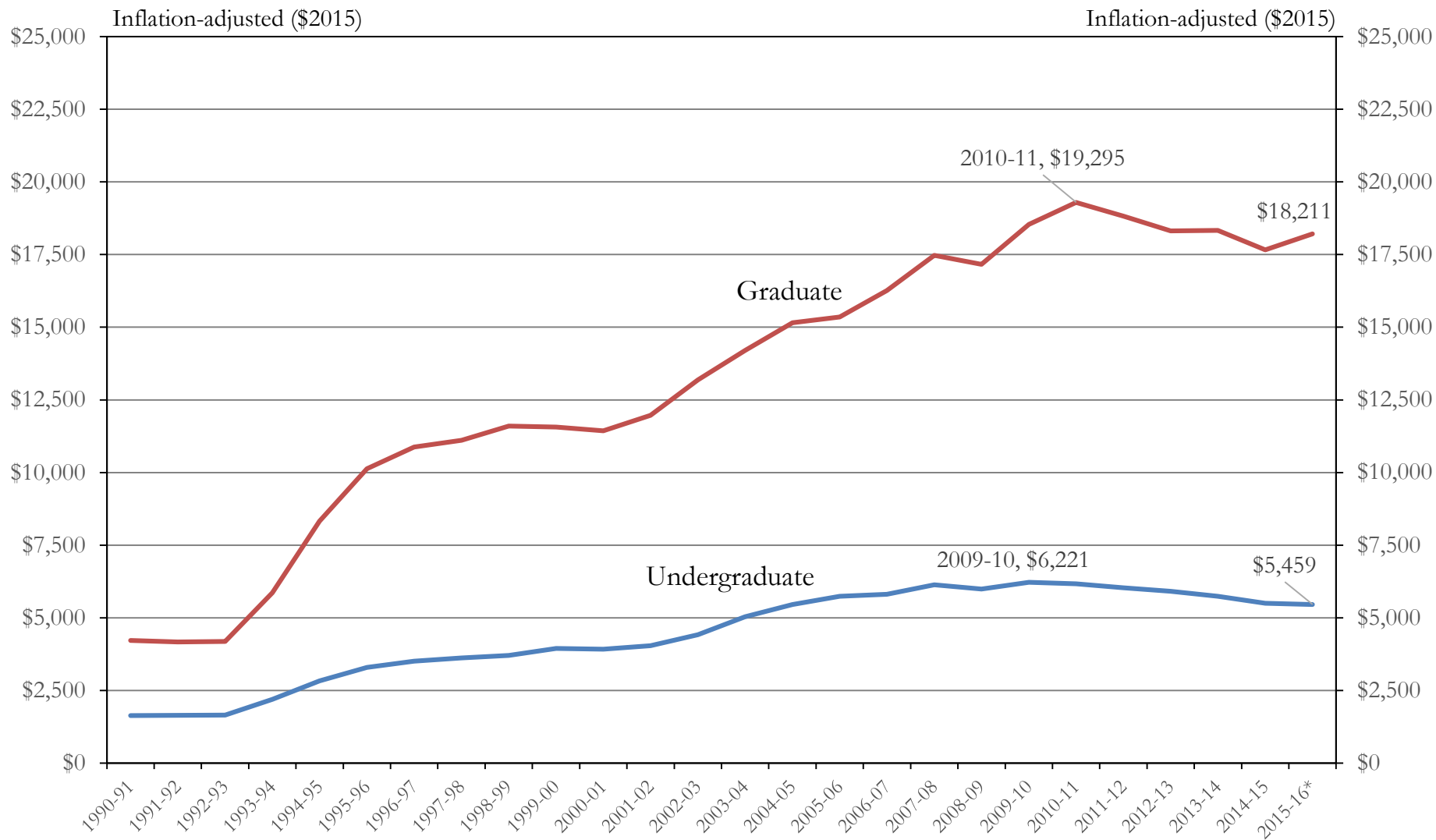
Source: Federal Reserve Bank of New York

Inflation-Adjusted Annual Student Loan Lending



Source: The College Board, *Trends in Student Aid 2017*

Average Loan Amount (Total) per FTE

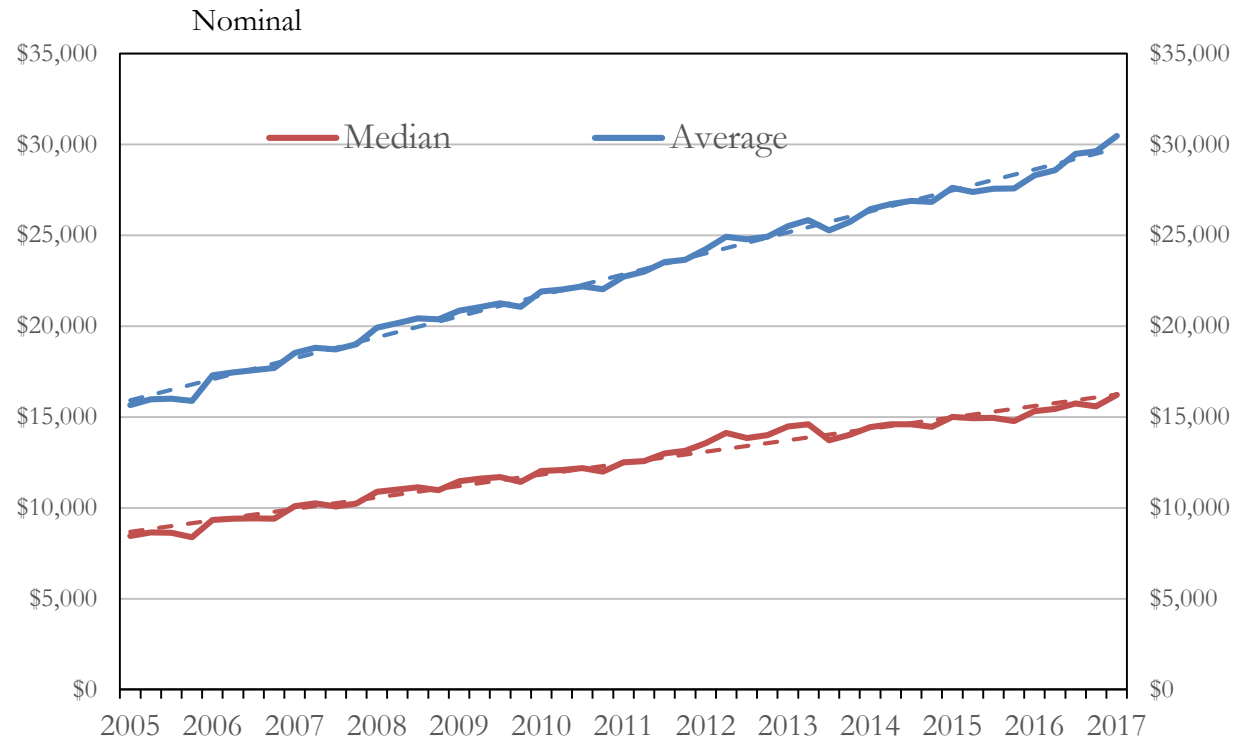


Source: The College Board, *Trends in Student Aid*

Capacity to Repay / Burden

Individual Student Loan Debt Statistics (First Qtr, 2012)

- Median \$16,214
- Average \$30,471
 - 25% under \$6,597
 - 25% over \$36,479
 - > 3% with debt over \$100,000
 - 0.5% over \$200,000



Sources: Speaker's calculations using data from the Federal Reserve Bank of New York Consumer Credit Panel/Equifax; Federal Reserve Bank of New York

Jason Delisle and Alexander Holt, 2015

(FOCUS GROUPS IN SEVERAL CITIES)

FRS STUDENT LOAN FORUM—OCTOBER 2015

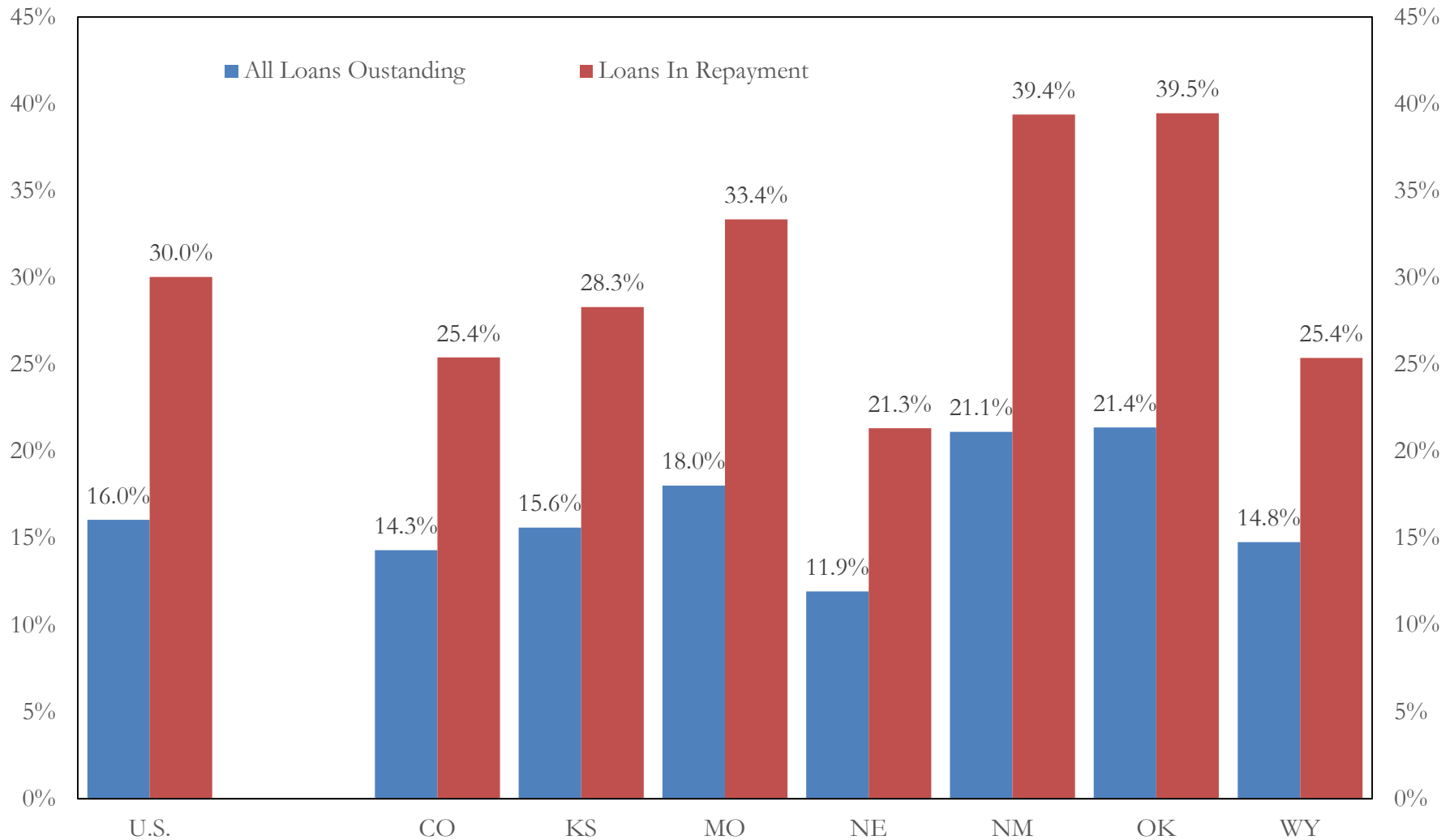
LOW-PRIORITY PAYMENTS

**The mortgage is important, the car loans are important,
this is important, the school loans are not important.—**

Boston



Student Loan Delinquency



Sources: Speaker's calculations using data from the Federal Reserve Bank of New York Consumer Credit Panel/Equifax

Student Loans: What's the Real Story

FISCAL ACCOUNTING AND REPAYMENT PROGRAMS

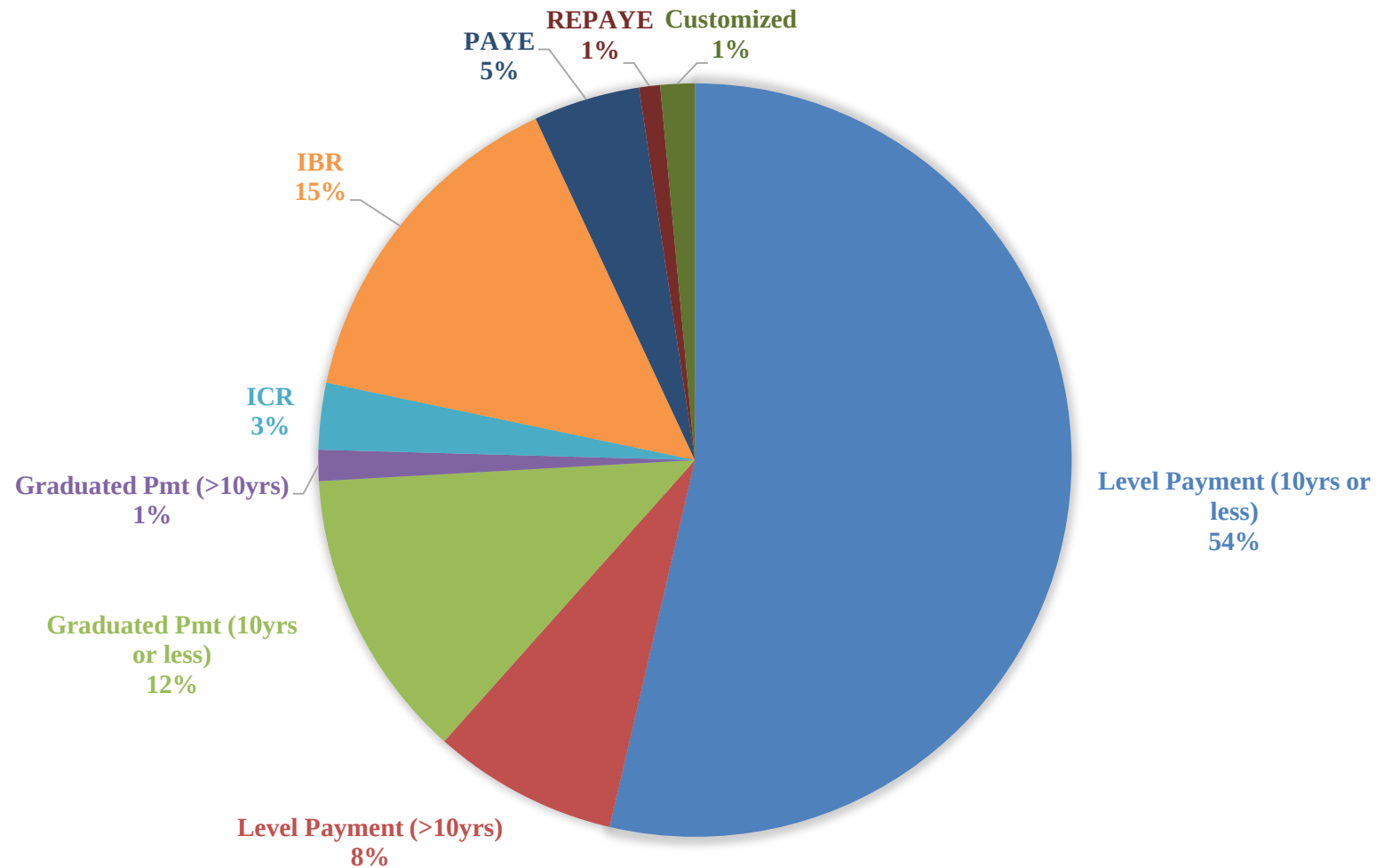
Government Accounting for Student Loans

- Accrual-based budgeting
 - NPV (incl disbursements, subsidies, payments)
 - Federal Credit Reform Act (FCRA, 1990) method
 - Federal Government Costs using FCRA
 - FY2011: -\$47.3b
 - FY2014: -\$21.3b (estimated)
 - FY2015: \$12.8b (estimated)
 - FY 2016: -\$14b (proposed) [REPAYE implemented]
 - Updates
 - *vs.* fair-value

Student Loan Repayment Programs

- Deferment and forbearance
- Standard (default) repayment plan – full amortization with level payments over ten years
- Extended repayment plan – full amortization with level payments over a term of up to 25 years
- Graduated repayment – full payment; payments start low and increase every two years at a constant rate; terms up to 30 years
- Income-Driven-Repayment Programs
 - Income-Contingent Repayment (ICR)
 - Income-Based Repayment (IBR)
 - Income-Based Repayment (IBR) for new borrowers
 - Pay-As-You-Earn (PAYE)
 - Revised Pay-As-You-Earn (REPAYE)

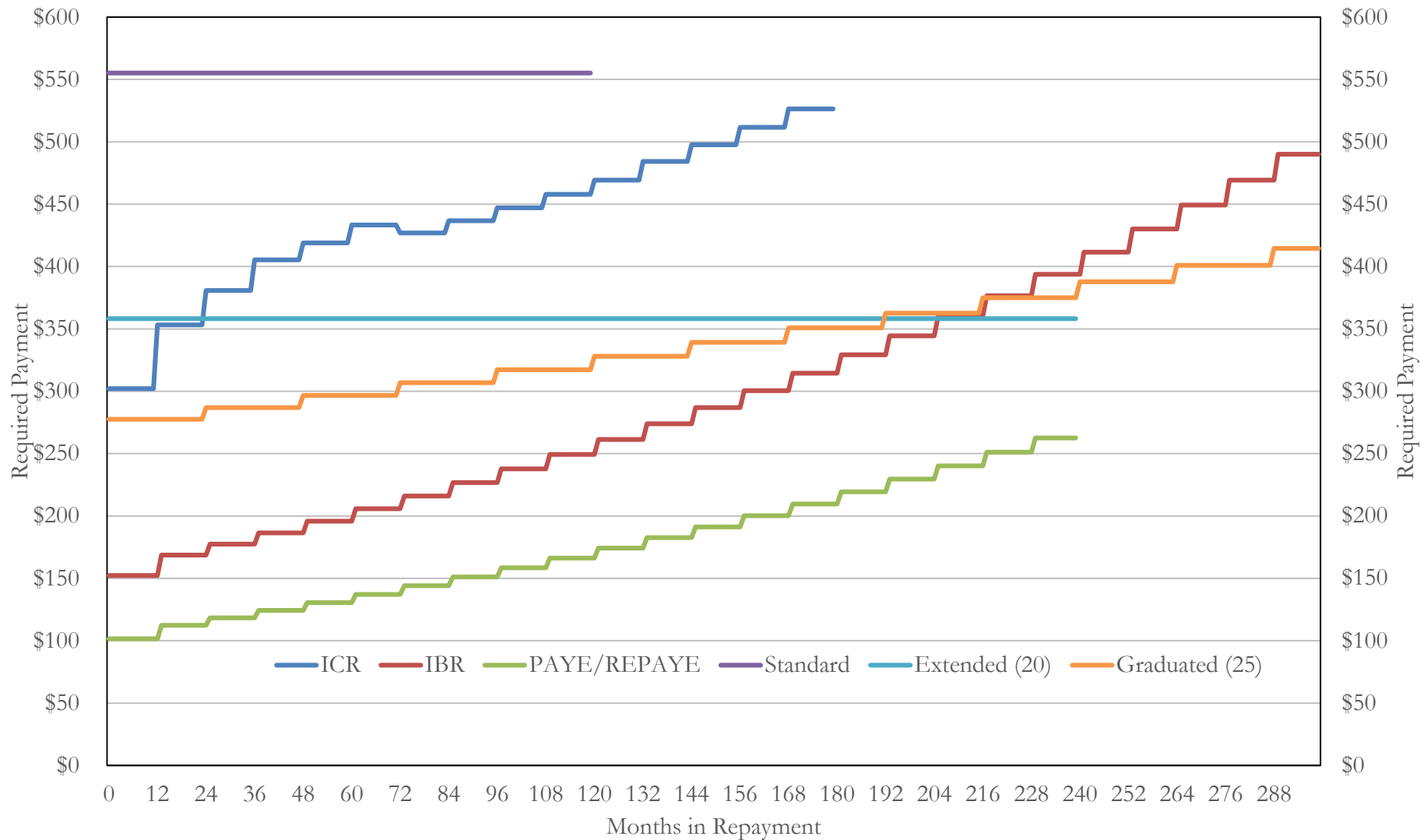
ED Loan Portfolio by Repayment Program



Source: National Student Loan Data System (NSLDS) and U.S. Department of Education

Payment Schedules Under Alternative Repayment Programs

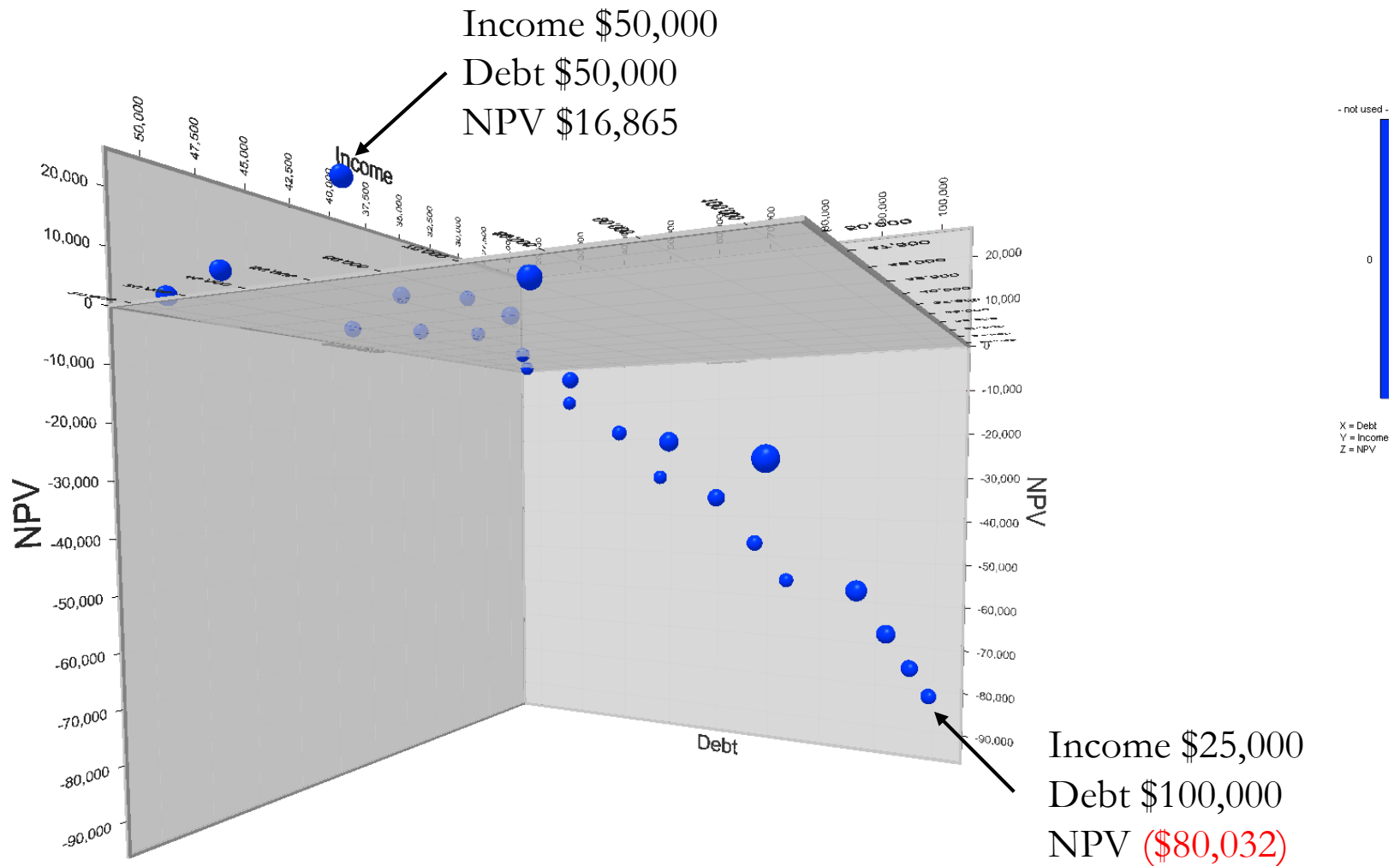
(Initial AGI = \$30,000; Initial Student Debt = \$50,000)



Borrower Impact, REPAYE

Initial AGI	Initial Debt	Payments	Interest PD	Principal PD	Loan Forgiveness	Total Interest	Unpaid Interest	TOTAL FORGIVENESS
\$25,000	\$20,000	\$27,459	\$20,464	\$6,996	\$13,004	\$22,520	\$2,056	\$35,524
\$25,000	\$30,000	\$27,459	\$26,543	\$916	\$29,084	\$35,927	\$9,384	\$38,468
\$25,000	\$50,000	\$27,459	\$27,459	\$0	\$50,000	\$60,000	\$32,541	\$82,541
\$25,000	\$75,000	\$27,459	\$27,459	\$0	\$75,000	\$90,000	\$62,541	\$137,541
\$25,000	\$100,000	\$27,459	\$27,459	\$0	\$100,000	\$120,000	\$92,541	\$192,541
\$30,000	\$20,000	\$35,141	\$15,141	\$20,000	\$0	\$15,141	\$0	\$0
\$30,000	\$30,000	\$41,900	\$31,423	\$10,477	\$19,523	\$33,652	\$2,229	\$21,752
\$30,000	\$50,000	\$41,900	\$41,744	\$156	\$49,844	\$59,995	\$18,251	\$68,095
\$30,000	\$75,000	\$41,900	\$41,900	\$0	\$75,000	\$90,000	\$48,100	\$123,100
\$30,000	\$100,000	\$41,900	\$41,900	\$0	\$100,000	\$120,000	\$78,100	\$178,100
\$35,000	\$20,000	\$29,592	\$9,592	\$20,000	\$0	\$9,592	\$0	\$0
\$35,000	\$30,000	\$55,960	\$25,960	\$30,000	\$0	\$26,049	\$89	\$89
\$35,000	\$50,000	\$56,340	\$51,019	\$5,321	\$44,679	\$59,216	\$8,197	\$52,876
\$35,000	\$75,000	\$56,340	\$56,340	\$0	\$75,000	\$90,000	\$33,660	\$108,660
\$35,000	\$100,000	\$56,340	\$56,340	\$0	\$100,000	\$120,000	\$63,660	\$163,660
\$40,000	\$20,000	\$24,483	\$4,483	\$20,000	\$0	\$4,483	\$0	\$0
\$40,000	\$30,000	\$48,101	\$18,101	\$30,000	\$0	\$18,101	\$0	\$0
\$40,000	\$50,000	\$70,781	\$53,172	\$17,608	\$32,392	\$55,827	\$2,655	\$35,047
\$40,000	\$75,000	\$70,781	\$69,492	\$1,288	\$73,712	\$89,913	\$20,421	\$94,133
\$40,000	\$100,000	\$70,781	\$70,781	\$0	\$100,000	\$120,000	\$49,219	\$149,219
\$50,000	\$20,000	\$24,483	\$4,483	\$20,000	\$0	\$4,483	\$0	\$0
\$50,000	\$30,000	\$41,049	\$11,049	\$30,000	\$0	\$11,049	\$0	\$0
\$50,000	\$50,000	\$88,319	\$38,319	\$50,000	\$0	\$38,319	\$0	\$0
\$50,000	\$75,000	\$99,661	\$80,607	\$19,055	\$55,945	\$85,883	\$5,276	\$61,221
\$50,000	\$100,000	\$99,661	\$96,731	\$2,931	\$97,069	\$119,740	\$23,010	\$120,079

Fiscal Impact (NPV), REPAYE



Note: Author's calculations; Made with *XLSTAT*, 3D-Plot



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