Student Loan Debt: Who is Paying it Down?

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Executive Summary

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Abstract

American families carry more than $1.5 trillion in student loan debt. This debt provided many with the opportunity to pursue higher education, but remains for others a large, potentially crippling, financial burden. In this report, we explore how people of different socioeconomic groups are managing their student debt. We do this by linking administrative banking data, credit bureau records, and public records on race and ethnicity to create a unique data asset that includes the income, demographics, debt balances, and student loan payments of 301,583 individuals. In general, we find that borrowers of socioeconomic groups tend to manage student loans quite differently, often relying heavily on others—children, parents, and spouses—in order to manage their debt. In particular, we find that while the median borrower is not unduly burdened by their debt, a significant minority of lower-income and younger borrowers are heavily burdened, required to make payments that constitute more than 10 percent of their take-home income. We also find that almost 40 percent of those involved in student debt repayment are making payments on other people's loans, with 27 percent of those involved holding no student debt whatsoever. These outside helpers play a key role in helping borrowers make progress on their loan. Nevertheless, we find that low-income and older borrowers are more likely to be several months behind on their payments, and 7 percent of all borrowers not in deferral are on track to never pay off their loans. These dynamics of repayment put Black borrowers at a disadvantage, who, relative to White borrowers, have lower incomes and higher debt balances and are 4 times as likely to have no payments made against their loans, partly due to the fact that they are less likely to receive repayment help. This debt provided many with the opportunity to pursue higher education with commensurate income keeping debt burdens at reasonable rates. For others, student loan debt remains a large financial burden relative to income. In this report, we explore how people of different socioeconomic groups are managing their student debt.

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The mission of the JPMorgan Chase Institute is to help decision makers—policymakers, businesses, and nonprofit leaders—appreciate the scale, granularity, diversity, and interconnectedness of the global economic system and use timely data and thoughtful analysis to make more informed decisions that advance prosperity for all.

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Finding One

Although the median student loan borrower is obligated to pay 3.8 percent of their take-home income, many borrowers, especially lower-income and younger borrowers, face payment burdens well over 10 percent.

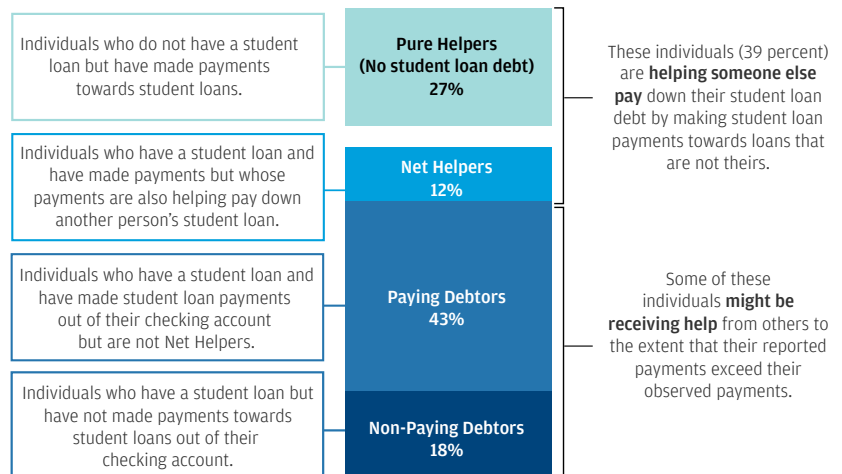**Median reported payment burden by income level**
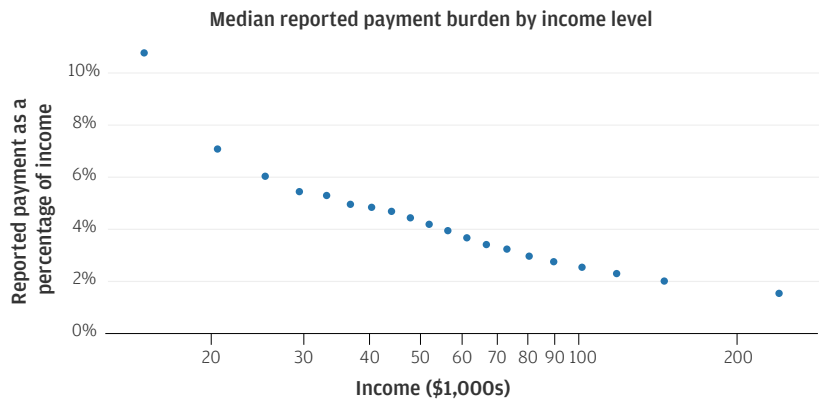
Note: Medians are calculated within twenty income quantiles. Each income bin is represented by its average income. Reported payment is total amount paid toward outstanding student debt during the twelve-month window December 2015 through November 2016. Income refers to take-home income.
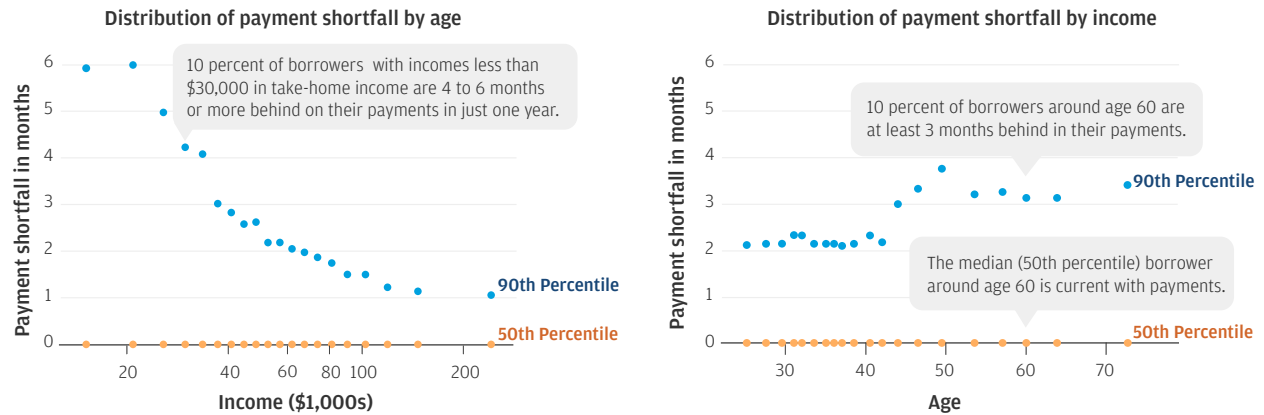
Source: JPMorgan Chase Institute

Finding Two

Almost 40 percent of individuals involved in student loan repayment are helping someone else pay off their student loan debt, with most helpers holding no student loan debt themselves.

Individuals who do not have a student loan but have made payments towards student loans.

**Pure Helpers
(No student loan debt)
27%**

Individuals who have a student loan and have made payments but whose payments are also helping pay down another person's student loan.

**Net Helpers
12%**

Individuals who have a student loan and have made student loan payments out of their checking account but are not Net Helpers.

**Paying Debtors
43%**

Individuals who have a student loan but have not made payments towards student loans out of their checking account.

**Non-Paying Debtors
18%**

These individuals (39 percent) are **helping someone else pay** down their student loan debt by making student loan payments towards loans that are not theirs.

Some of these individuals **might be receiving help** from others to the extent that their reported payments exceed their observed payments.

Source: JPMorgan Chase Institute

Finding Three

Low-income and older borrowers are more likely to be behind on payments or in deferral, and roughly 7 percent of borrowers are projected not to repay their loans.
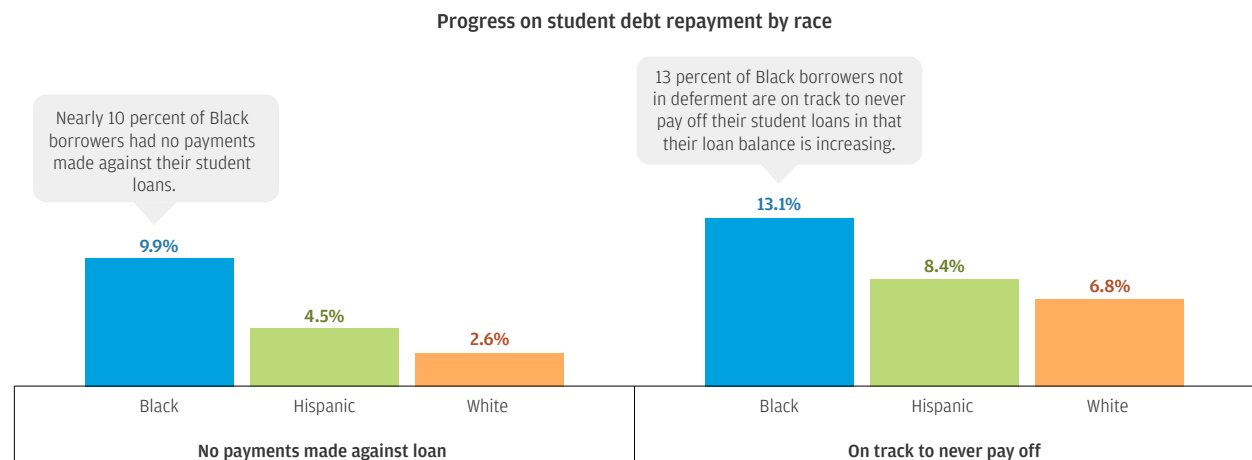
Distribution of payment shortfall by age

10 percent of borrowers with incomes less than $30,000 in take-home income are 4 to 6 months or more behind on their payments in just one year.

Payment shortfall in months

90th Percentile
50th Percentile

Income ($1,000s)

Distribution of payment shortfall by income

10 percent of borrowers around age 60 are at least 3 months behind in their payments.

The median (50th percentile) borrower around age 60 is current with payments.

90th Percentile
50th Percentile

Payment shortfall in months

Age

Note: Percentiles are calculated within twenty income and age quantiles, respectively. Each bin is represented along the x-axis by its average value. Payment shortfall is the difference between all scheduled and reported payments during the twelve-month window December 2015 through November 2016, divided by average monthly scheduled payment. Income refers to take-home income.

Finding Four

Compared to White and Hispanic student loan borrowers, Black borrowers are less likely to be making progress on their loans.

Progress on student debt repayment by race

Nearly 10 percent of Black borrowers had no payments made against their student loans.

13 percent of Black borrowers not in deferment are on track to never pay off their student loans in that their loan balance is increasing.

9.9%
4.5%
2.6%

Black	Hispanic	White

No payments made against loan

13.1%
8.4%
6.8%

Black	Hispanic	White

On track to never pay off

Note: The sample is restricted to borrowers who do not have a student loan in deferral or forbearance during the twelve-month window December 2015 through November 2016. Borrowers projected to never pay off debt have increasing balances over the twelve-month sample period; that is, interest charges over the course of the year are larger than total payments made. Income refers to take-home income.

In summary, this report finds that student debt holders are not a monolithic group. Many borrowers are not unreasonably burdened by student loan payments and are making payments on time. But certain segments of the student loan population are significantly burdened by their debt, especially low-income borrowers, the elderly, and Black borrowers. Moreover, we find that a significant portion of student debt payments are made not by the loan holder, but by other individuals not tied to the loan, presumably family members who may not directly reap the labor market returns to higher human capital investment. This means that the economic impacts of student debt likely affect a broader portion of the population than previously thought. Additionally, the prominent role of help in student loan repayment puts Black borrowers at a disadvantage in that they exhibit a greater unmet need for repayment assistance.

What should be done to address the disparate patterns we find in student loan borrower outcomes? It goes without saying that curbing the rise in tuition costs and student loan debt borne by students and their families would address the problem at its root. In addition, reducing racial gaps in income and wealth would boost families' ability to pay for tuition and repay student loan debt among segments of the population most burdened by student loan debt.

Setting aside these structural issues that contribute to the patterns of student loan repayment that we observe, we explore a few possibilities for how targeted debt assistance programs could be expanded to alleviate the burden of existing student loan borrowers. As a general principle, because the majority of borrowers are managing their debt without being excessively burdened, efforts to alleviate undue burdens from student loan debt should be targeted at those who are facing truly difficult circumstances. This is true for payment assistance efforts like income-driven repayment (IDR) programs as well as more aggressive actions like debt forgiveness. A relatively easy first step in expanding targeted assistance would be to help additional borrowers benefit from improved access to existing payment assistance programs, such as IDR. Student loan debt policies and assistance programs should also take into consideration the extent to which students rely on a network of people to repay their student loans. Loan origination programs might want to rebalance eligibility of loans between students and parents. Additionally, there could be more avenues for payment assistance for parents. A possible complement to repayment relief programs is to allow for restructuring or forgiveness of student debt through a bankruptcy-like process.[1] A further step to address undue payment burdens would be to expand efforts to provide targeted debt forgiveness to those most burdened. Targeted student loan debt forgiveness could be a means of rebalancing our investments in public goods such as education across communities and insuring against the risk that borrowers, Black and Hispanic borrowers disproportionately, find themselves in a debt trap.

Data Asset

We assembled a novel dataset of 301,583 de-identified Chase checking account customers who had outstanding student debt or were making payments towards student debt. We linked Experian credit bureau data for December 2015 through November 2016 to these individuals' bank data. This joint data asset allows us to observe income, student loan payments, and key attributes of the student loan tradeline (e.g., origination date) and the account holder (e.g., age). For three states in our sample—Florida, Georgia, and Louisiana—this also includes self-reported race and ethnicity data taken from public voter registration records. We constructed our sample of 301,583 from a larger match of 4.75 million Chase customers to Experian records covering December 2015 through November 2016. We then restricted this sample to those customers who meet certain activity criteria in order to ensure a reliable analytical sample. Customers in our sample must have been Chase customers for the entire period of study. They must have also actively used their Chase accounts; we consider an account in active use if it has at least five transactions in every month of our sample period and at least $12,000 in deposits over the course of the sample period. This gave us a base sample of 1.8 million customers. From these, we selected all individuals who either (a) have an open student loan in the Experian records or (b) make payments out of their Chase account to a student loan servicer, leaving us with our final sample of 301,583 customers involved in student debt repayment.

Universe of 39 million Chase checking accounts

Sample of 4.75 million Experian records who have Chase checking accounts

1.8 million "core" Chase checking accounts with Experian Records
(have $12,000 of deposits and five transactions per month)

301,583 Chase checking accounts who are involved in student loan repayment
(either hold student debt or have made at least one payment to a student loan servicer)

220,710 Student loan holders

80,873 People making student loan payments but not holding a loan

16,799 People involved in student loan repayment for whom we observe self-reported race
(from 2018 voter registration files in Florida, Georgia, and Louisiana)

Acknowledgments

Suggested Citation

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