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Loan Study on Students Goes Beyond Default Rates

By **TAMAR LEWIN**

For each student who defaults on a loan, at least two more fall behind in payments on their student debt, a new study has found.

The Institute for Higher Education Policy, a nonprofit organization, said in a [report](#) that two out of five [student loan](#) borrowers were delinquent at some point in the first five years after they started repaying their loans.

Almost a quarter of the borrowers used an option to postpone payments to avoid delinquency.

The institute said the goal of its study was to develop a fuller picture of the debt burden that students face by compiling data on students who have trouble repaying their loans, but do not default.

“We want to get beyond the dichotomy of people who default on their loans and everyone else,” Alisa Cunningham, the institute’s vice president for research and programs, said on Tuesday.

The study, based on data from five of the nation’s largest student-loan agencies, found that only 37 percent of student borrowers who started repaying their loans in 2005 were able to fully pay them back on time.

And that percentage is probably decreasing, given the high unemployment rate of recent years, Ms. Cunningham said.

With tuition rising more rapidly than inflation or family incomes, student borrowing has been growing. College seniors who graduated in 2009 had an average of \$24,000 in student loan debt, up 6 percent from 2008, according to an annual report from the Project on Student Debt.

Mark Kantrowitz, the publisher of [Finaid.org](#) and [Fastweb.com](#), estimates total student debt at about \$896 billion — more than the nation's credit-card debt.

Meanwhile, default rates have been rising, to 7 percent, for the 2008 fiscal year, the latest period for which data is available, from 5.2 percent in the 2006 fiscal year.

Students who did not graduate were more likely to become delinquent or default.

The new numbers are likely to be used in the Congressional debate over [for-profit colleges](#). Those colleges' students make up about 12 percent of the nation's college enrollment, and get a quarter of all federal student aid — but they account for almost half of all students who default.

[The Department of Education has proposed regulations that would cut off federal aid to programs whose students graduate with high debt-to-income ratios.](#) But an intense lobbying effort is under way to prevent those regulations from being put into effect.

According to the new study, the majority of student borrowers at both two- and four-year for-profit schools went into delinquency or default. The majority of student borrowers at [community colleges](#) also went into delinquency or default. But because community college tuition is far lower than that of for-profit institutions, most community-college students do not take out loans.