

Who Experiences Default?

Pew survey shows the incidence of default over a span of 20 years by borrowers' personal, financial, and academic characteristics

Overview

According to findings from a 2021 nationally representative survey from The Pew Charitable Trusts, student loan default is quite common. Approximately one-third of federal student loan borrowers surveyed reported experiencing default over the past two decades. Knowing which characteristics or experiences make some borrowers more vulnerable to repayment challenges is crucial to mitigating future repayment struggles. Pew's survey finds that a range of circumstances were more likely to be linked to some borrowers with a loan default than others over the past two decades. The descriptive data presented here provides new insight into the prevalence of default across borrowers' demographic, financial, and academic characteristics. This analysis estimates only the likelihood and not the cause of default. Identifying such contributing factors is the first step in understanding the intersections and contextual factors that lead to default.

Demographic



Borrowers with a disability and those who have been widowed, divorced, or separated are more likely to experience default. This adds a new dimension to the types of demographics that are most vulnerable to default, such as race, age, and gender.

Financial



Though borrowers with zero or negative net worth and gaps in employment may be expected in this category, people with volatile incomes are also likely to experience default. This adds to prior knowledge on how financial struggle is connected to default.

Educational



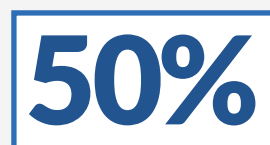
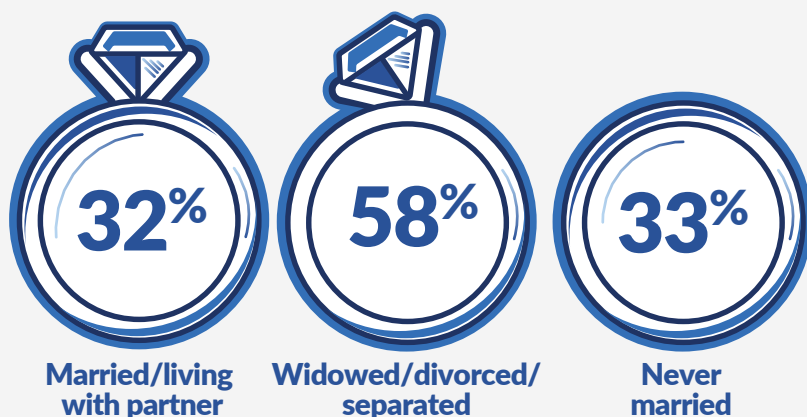
Borrowers who attended school exclusively online were much more likely to have their loans default than those who attended in person. Other educational characteristics, such as enrollment intensity (full time/part time) and degree completion are also strongly linked to borrowers' likelihood of experiencing default.

Demographic

Borrowers in Certain Demographics More Likely to Experience Default

Borrowers who reported their marital status as widowed, divorced, or separated were almost **twice as likely** to experience default than borrowers who reported being married or living with a partner, or having never married. Divorce can have major financial impacts, particularly on women.

Similarly, borrowers who have a disability are **1.5 times more likely** to have their loans in default compared with borrowers without a disability. And borrowers with disabilities may have lower incomes and face higher unemployment rates, which could make affording loan payments difficult.¹ Percentages show incidence of default by demographic factor.



who have a disability



who don't have a disability

Pew's findings also build on previously known characteristics that experience disparate repayment outcomes, such as a borrower's **race, age, and gender**.

Black and Hispanic borrowers might be more vulnerable to default because of systemic factors like housing and labor market discrimination against them.²

Similarly, persistent gender wage gaps may contribute to higher default rates among female borrowers.³ Borrowers aged 45-59 were more likely to have their loans in default. This could reflect challenges faced by adult students who juggle multiple responsibilities, including child and elder care, employment, and education.

Race:



Age:



Gender:



Financial Status

Employment:

Unemployed borrowers in repayment were nearly

2X

as likely to default as those who worked full time

Wealth:

Zero or negative net worth

49%



More assets than debt

21%

Limited Financial Resources Linked to Likelihood of Default

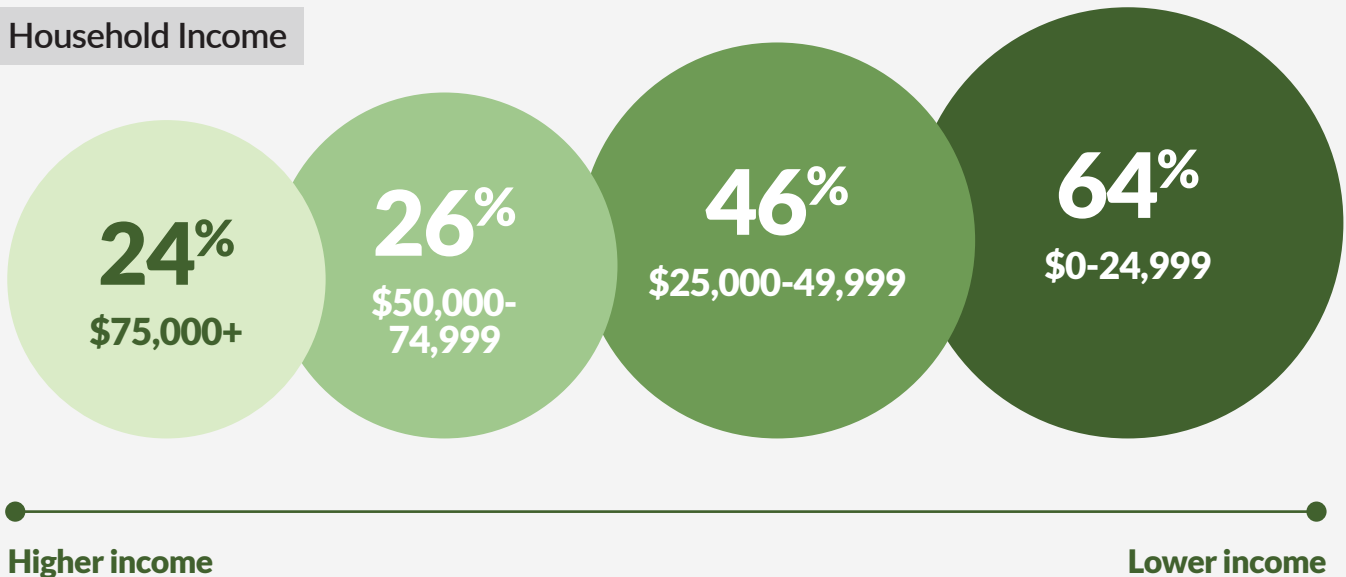
Borrowers with zero or negative net worth are **over twice as likely** to experience default compared with borrowers with a higher asset-to-debt ratio. Families with fewer assets and more debt may be less able to withstand financial shocks, which could cause them to struggle with repayment. Those experiencing unemployment or who were working part time were twice as likely to have their student loans in default than those who worked full time.



Pew's survey also corroborates prior understanding of how financial status is connected to repayment challenges. For example, one's likelihood of having **student loans default increases as household income decreases**.⁴ Those with the lowest incomes as of 2019 were more than twice as likely to have experienced default than those in the highest-income group.

Among borrowers in repayment, those receiving public assistance⁵ were about almost twice as likely to default than those not receiving public benefits.

Household Income



Public assistance

Not receiving
32%

Increasing likelihood of default

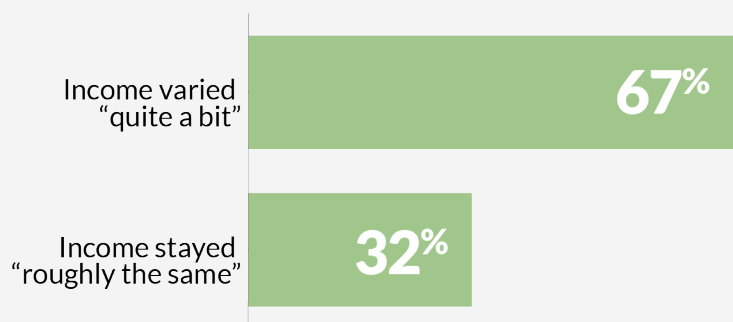
Receiving
61%

Financial Disruptions

Financial Volatility Also Increases Likelihood of Default

Volatile household income and employment gaps are major disruptors that could lead to loan default. Borrowers who reported that their household incomes varied “quite a bit” from month-to-month experienced default more often (67%) than those whose incomes stayed “roughly the same” across several months (32%), and those who had employment gaps of four months or longer in a typical year before the pandemic experienced increased likelihood of default by twofold.

Volatile household incomes



Employment instability

**Always/often/
sometimes had
employment
gaps**



**Rarely/
never had
employment
gaps**



Those who say they would struggle to afford a major unexpected expense were almost twice as likely to experience default compared with those who said they could likely handle such an expense.

Ability to handle unexpected expenses

50%

**Borrowers who
said not at all/
very little**



28%

**Borrowers who
said very well
or completely**

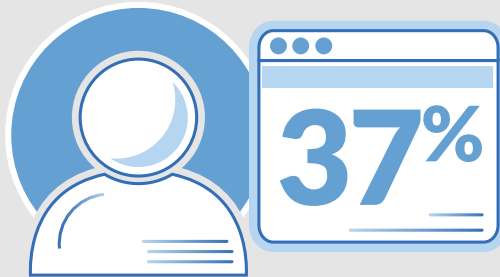
Educational Background

Educational Background Linked to Repayment Outcomes

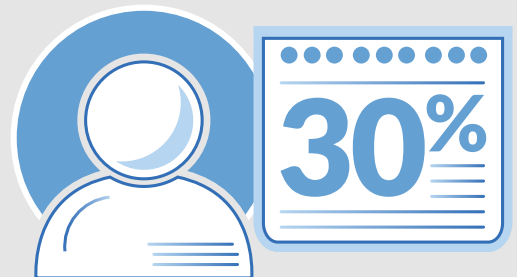
Mode of attendance in school is linked to repayment outcomes. Those who take classes exclusively online are much more likely to eventually have a defaulted loan than those who enroll completely or even partially in person.⁶ While online education has changed dramatically over the past 20 years, this suggests the need to pay close attention to the outcomes of students who take online classes.⁷ Percentages show incidence of default by enrollment type.



Online



Hybrid



In-person

Completion



23%



59%

Other educational characteristics that are strongly associated with repayment outcomes are enrollment intensity (part time/full time) and degree completion. Not completing a degree or credential is linked to a higher risk of default. This is likely in part because students who borrow but do not complete their degree may not receive the income boost that is generally associated with higher education,⁸ making it more difficult to afford their student loans. Similarly, borrowers who enrolled mostly full time were less likely to experience default than those who were mostly part time. Students who enroll part time are more likely to juggle multiple responsibilities such as employment and child care and might even have to pause their education, extending their degree completion time and delaying potential earnings boost. This might put them at a higher risk of dropping out and not being able to afford payments on the student loans.

Enrollment

Both full and part time/
mostly part time

50%

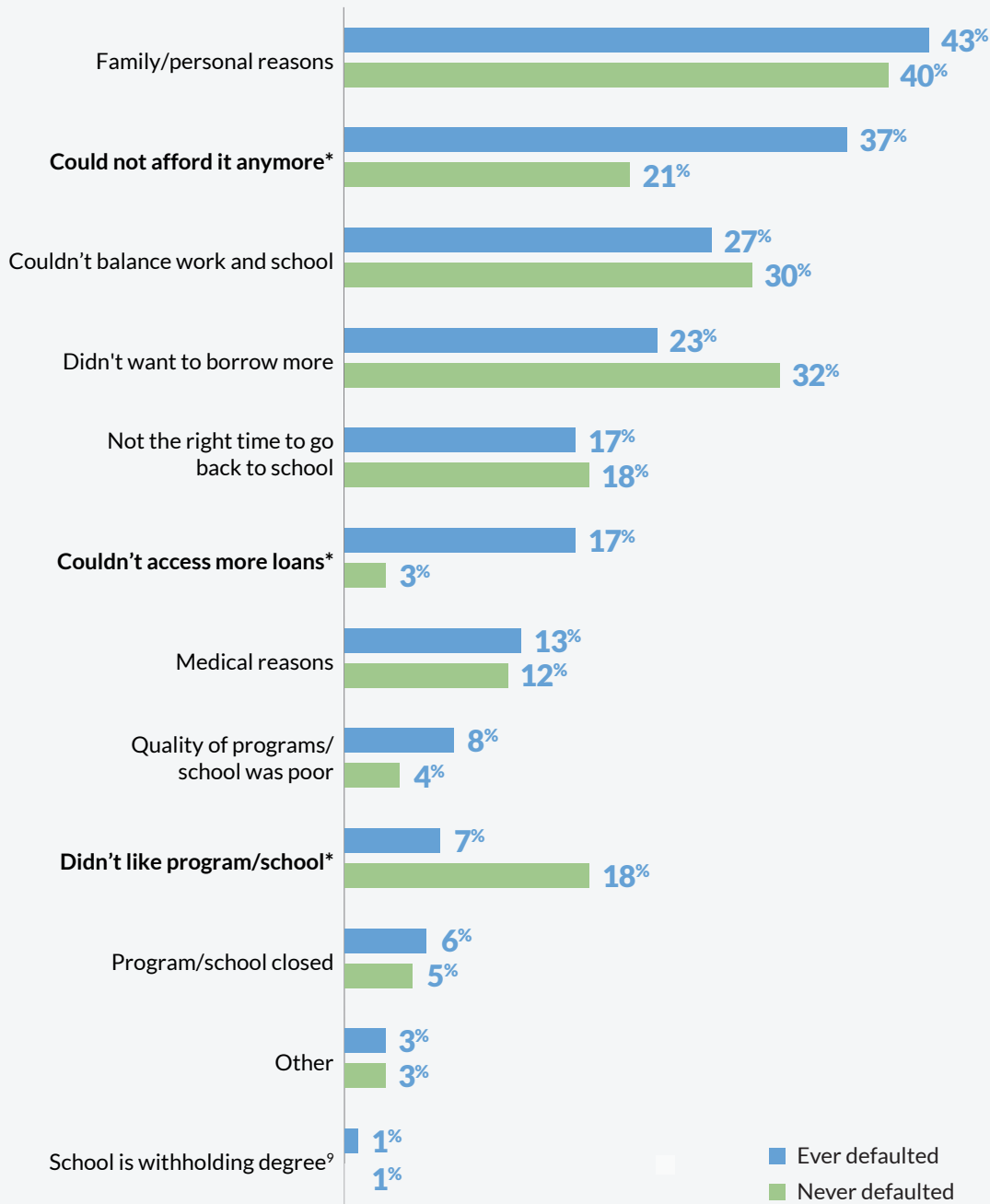
Mostly full time

28%

Educational Background

Reasons for Noncompletion for Borrowers With Default Experience—Aside From Family/Personal, Affordability was a Top Reason.

Borrowers who don't complete the degree that they borrowed for have a high rate of experiencing default, but little is known about whether default experience can be linked back to reasons for not earning a degree. The Pew survey asked borrowers to identify the reasons why they left school before completion and finds that borrowers who face affordability barriers to completion are significantly more likely to eventually experience default.⁹



Notes: * Denotes when percentage of 'never defaulted' group selection is significantly different from the percentage of 'ever defaulted' group, at a 95% confidence level. Only respondents who indicated they were "almost finished" with their degree/certificate but didn't finish were given the option to select "My school was withholding my degree from me" as a reason for noncompletion.

Endnotes

- 1 D.L. Brucker et al., "More Likely to Be Poor Whatever the Measure: Working-Age Persons With Disabilities in the United States," *Social Science Quarterly* 96, no. 1 (2015): 273-96, <https://doi.org/10.1111/ssqu.12098>.
- 2 Lumina Foundation, "Changing the Narrative on Student Borrowers of Color" (2021), <https://www.luminafoundation.org/wp-content/uploads/2021/02/borrowers-of-color-2.pdf>.
- 3 M. Korn, L. Weber, and A. Fuller, "Data Show Gender Pay Gap Opens Early," *The Wall Street Journal*, Aug. 8, 2022, <https://www.wsj.com/articles/gender-pay-gap-college-11659968901>.
- 4 L. West, I. Levine, and A. Takyi-Laryea, "Many Student Loan Borrowers Vulnerable to Default When Payments Resume," *The Pew Charitable Trusts*, May 4, 2023, <https://www.pewtrusts.org/en/research-and-analysis/articles/2023/05/04/many-student-loan-borrowers-vulnerable-to-default-when-payments-resume>.
- 5 Programs captured in the public assistance variable include Medicaid; Supplemental Security Income; Social Security Disability Insurance; Special Supplemental Nutrition Program for Women, Infants, and Children; Temporary Assistance for Needy Families; Supplemental Nutrition Assistance Program; Children's Health Insurance Program; housing assistance; and the Earned Income Tax Credit.
- 6 D. Xu and Y. Xu, "The Promises and Limits of Online Higher Education: Understanding How Distance Education Affects Access, Cost, and Quality" (American Enterprise Institute, 2019), <https://www.aei.org/research-products/report/the-promises-and-limits-of-online-higher-education/>; L. Barrow, W. Morris, and L. Sartain, "The Expanding Landscape of Online Education: Who Engages and How They Fare" (working paper, Federal Reserve Bank of Chicago, 2022), <https://www.chicagofed.org/publications/working-papers/2022/2022-52>.
- 7 It is important to note that this survey spans borrowers' experiences over the past two decades in which online education has developed and changed significantly over this time and that the impact of online education has been challenging to study, in part due to limited data. See also: Barrow, Morris, and Sartain, "The Expanding Landscape of Online Education."
- 8 V. Irwin et al., "Report on the Condition of Education 2023" (U.S. Department of Education, Washington, D.C.: National Center for Education Statistics, 2023), <https://nces.ed.gov/pubs2023/2023144rev.pdf>.
- 9 For classifying completion, respondents were asked "Did you complete the undergraduate degree(s)/program(s) or certificate(s) that you used the federal student loan(s) to pay for?" Respondents who reported being "still enrolled" or "didn't take classes as part of a degree/certificate program" were not included in this variable.

Note: Borrowers with default experience (n=786) were identified through a two-question approach: They either reported having ever had an undergraduate federal loan default, and/or reported having ever experienced one of several events that indicate they had had a loan default. Percentages are weighted to the U.S. general population age 18 and older using benchmarks from the U.S. Census Bureau's Current Population Survey.

For more information, please visit: [pewtrusts.org](https://www.pewtrusts.org)

The Pew Charitable Trusts

Contact: Esther Rege Berg, communications officer

Email: eberg@pewtrusts.org

Project website: [pewtrusts.org/studentloans](https://www.pewtrusts.org/studentloans)

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