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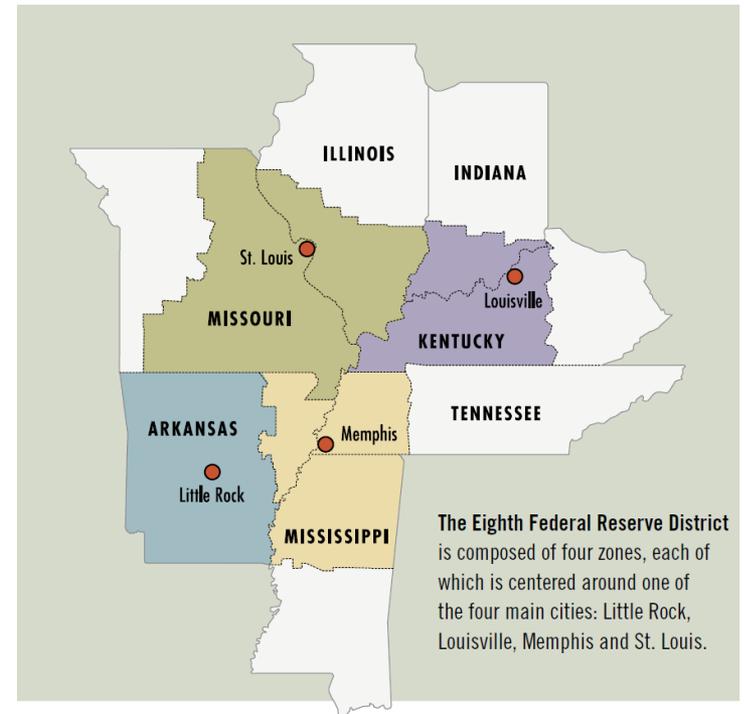
Researching Family Balance Sheets to Strengthen  
Families and the Economy | [stlouisfed.org/hfs](http://stlouisfed.org/hfs)

# Student Debt Growth in the Eighth District

Bryan Noeth

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Joint work done with Charles Gascon



These comments do not necessarily represent the views of the Federal Reserve Bank of St. Louis or the Federal Reserve System.



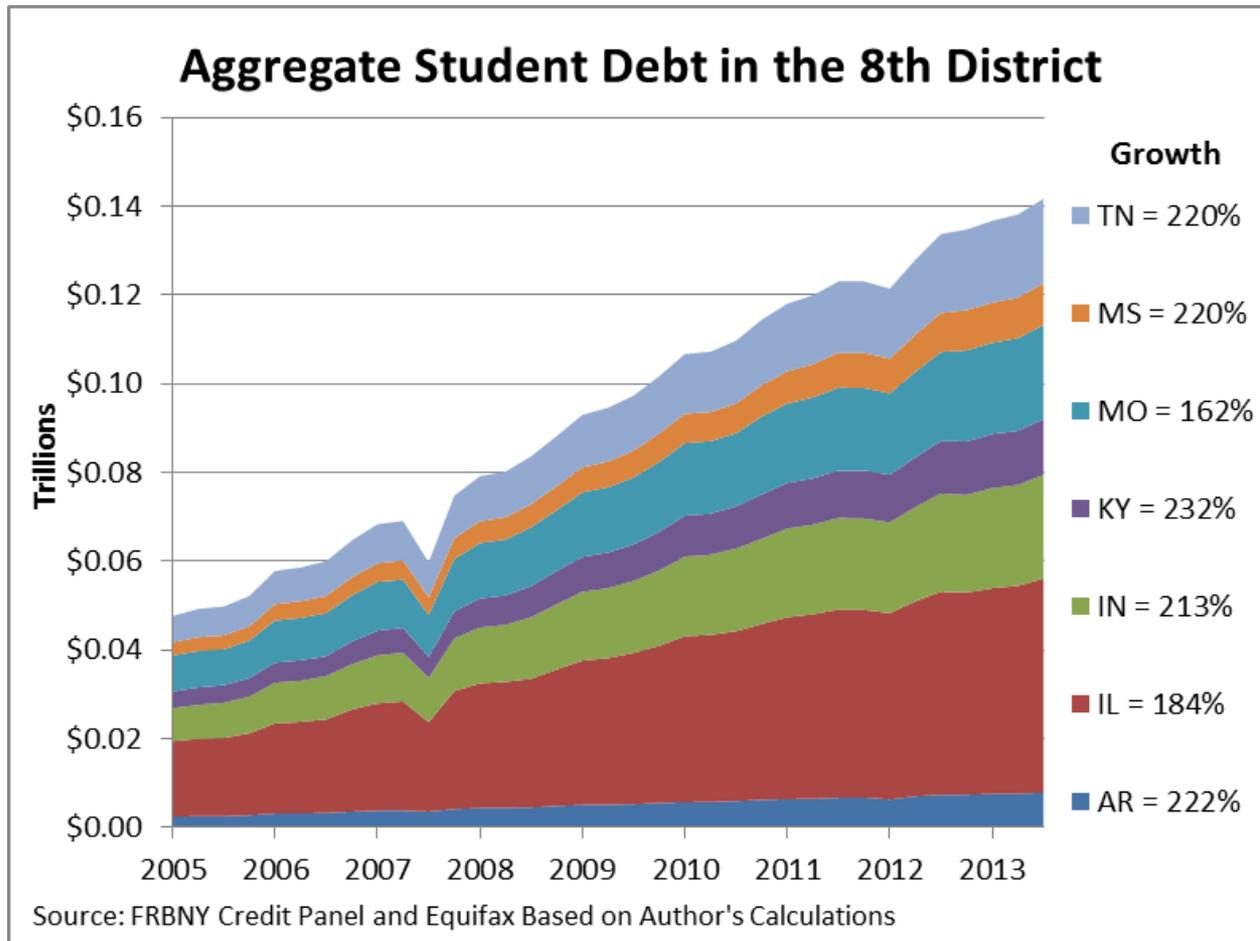
# Motivation

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- Student debt has been increasing locally, as well as nationally.
  - Question: What are the factors driving the increases?
  - Can look at tuition, aid and enrollment trends at the state level to see how they interact and affect student debt levels.
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# Debt on the Rise





# Why?

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- Simplistic explanation: Debt increasing in two ways:
    - Number of people with debt (Extensive margin)
      - Enrollment
    - Debt per borrower (Intensive margin)
      - Tuition
      - Aid
    - A host of other factors affect both margins
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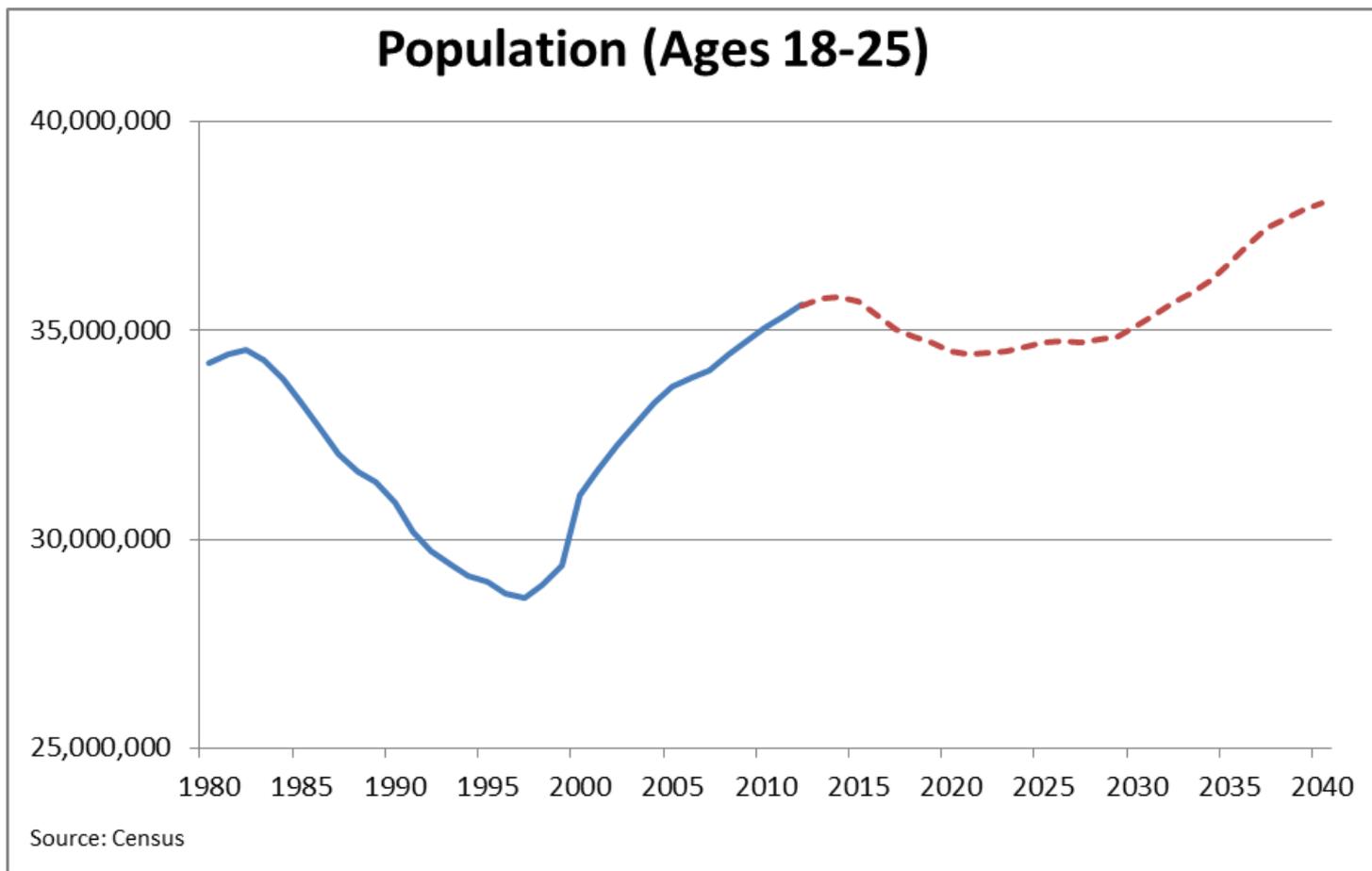
# Enrollment

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- Increase in college-aged population
  - Rise of nontraditional students
  - Increasing college wage premium
  - A degree has become a necessity for many jobs
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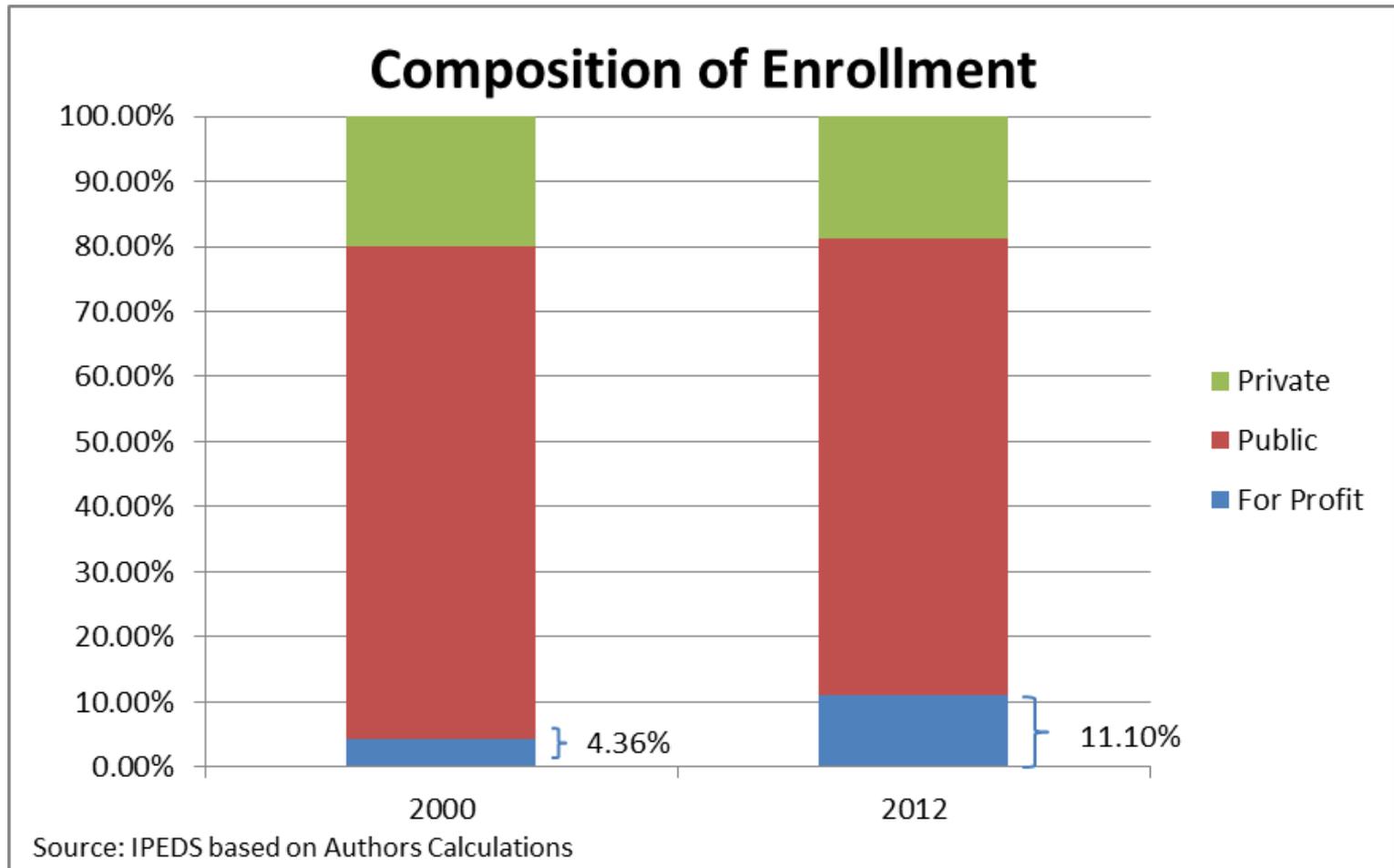


# Demographic Changes



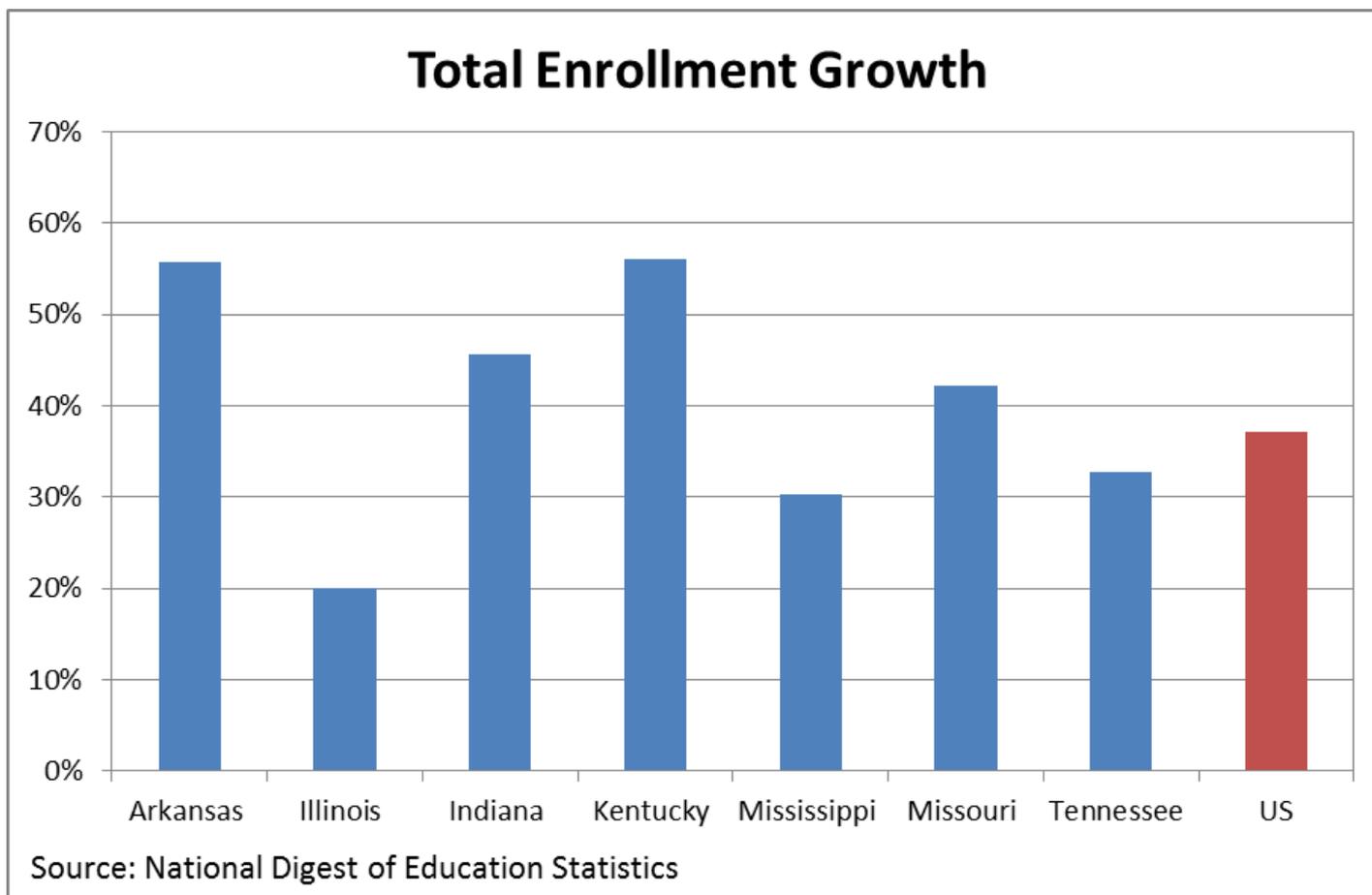


# Nontraditional Students



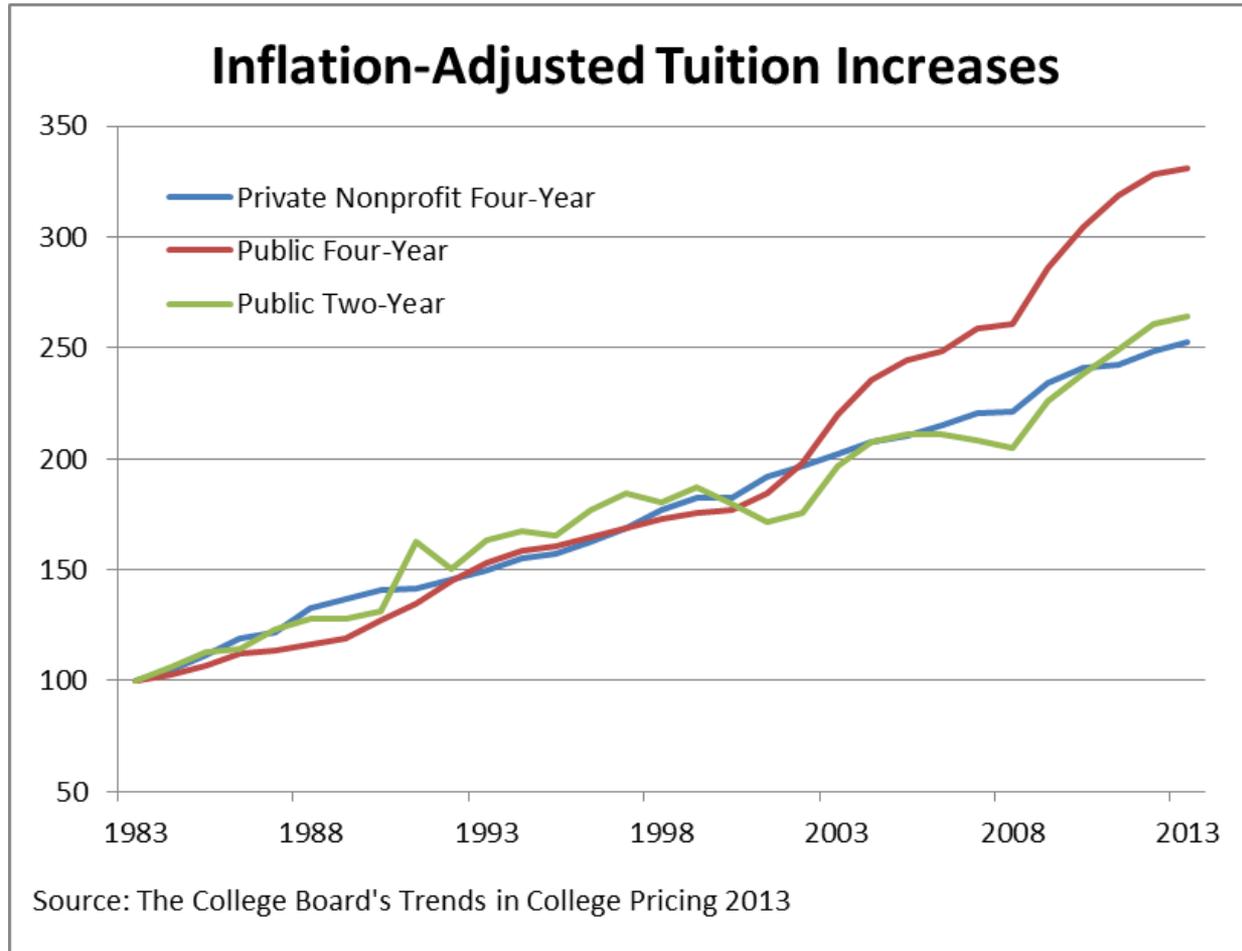


# Enrollment by State



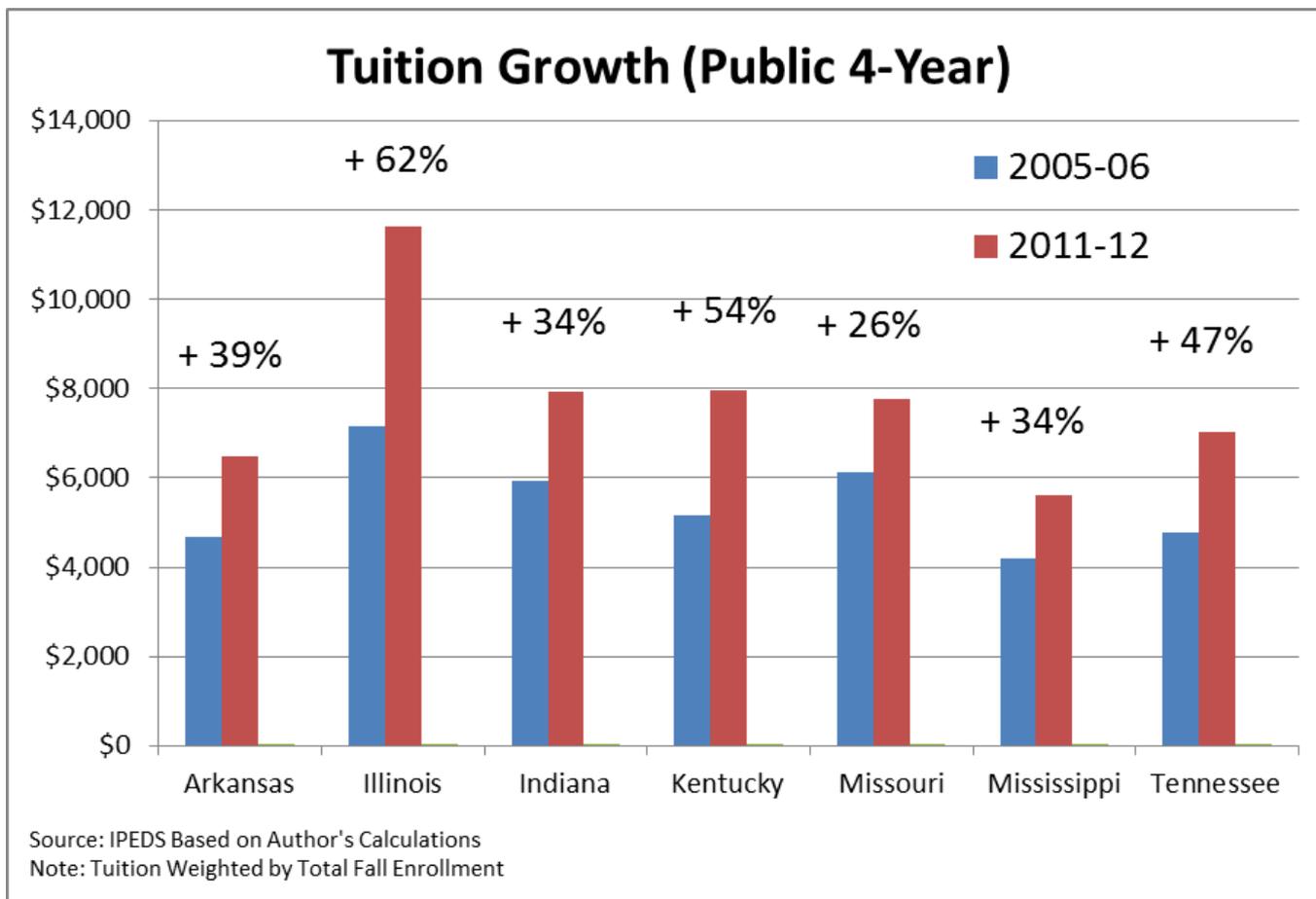


# Tuition Increasing



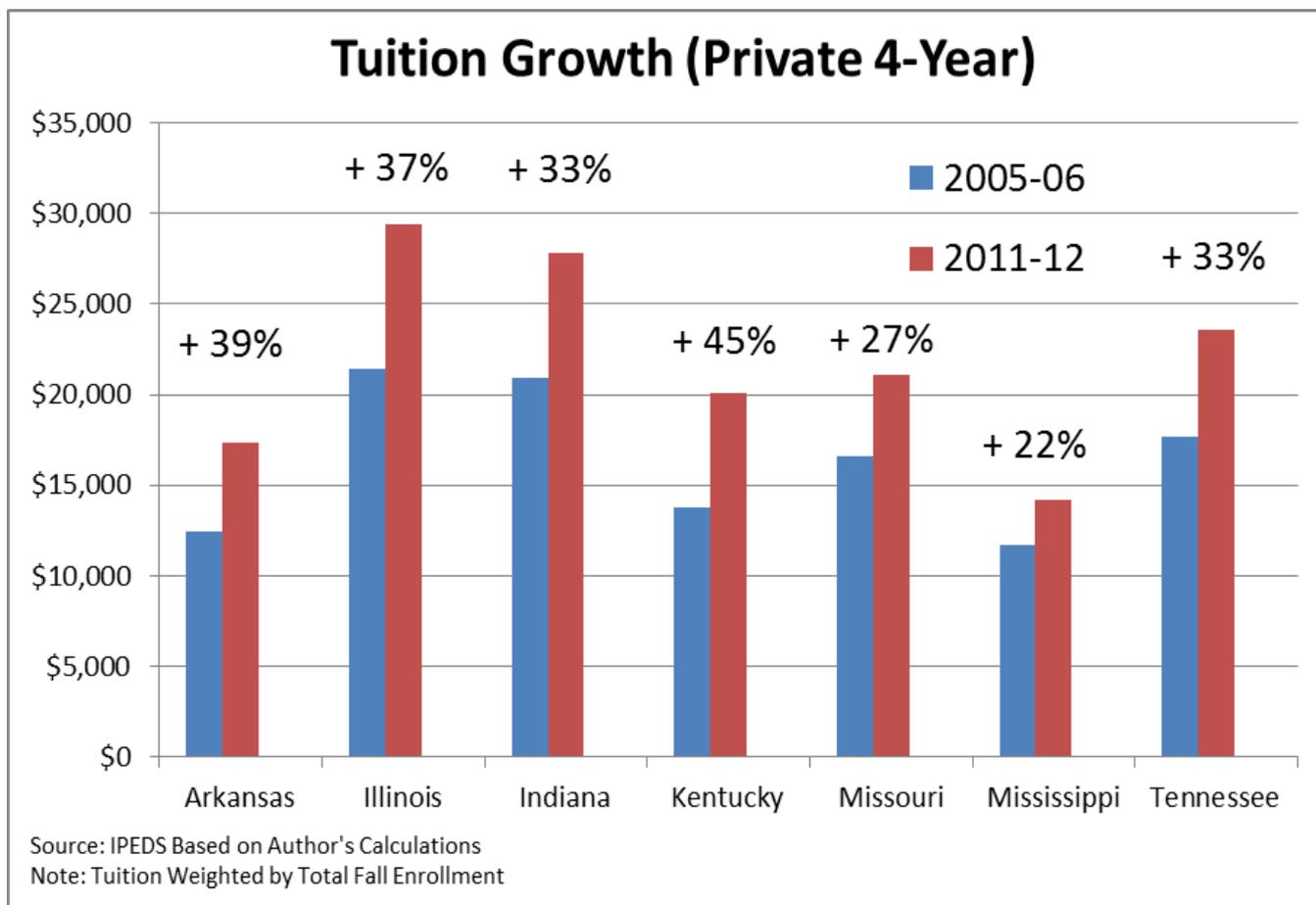


# Tuition Increasing



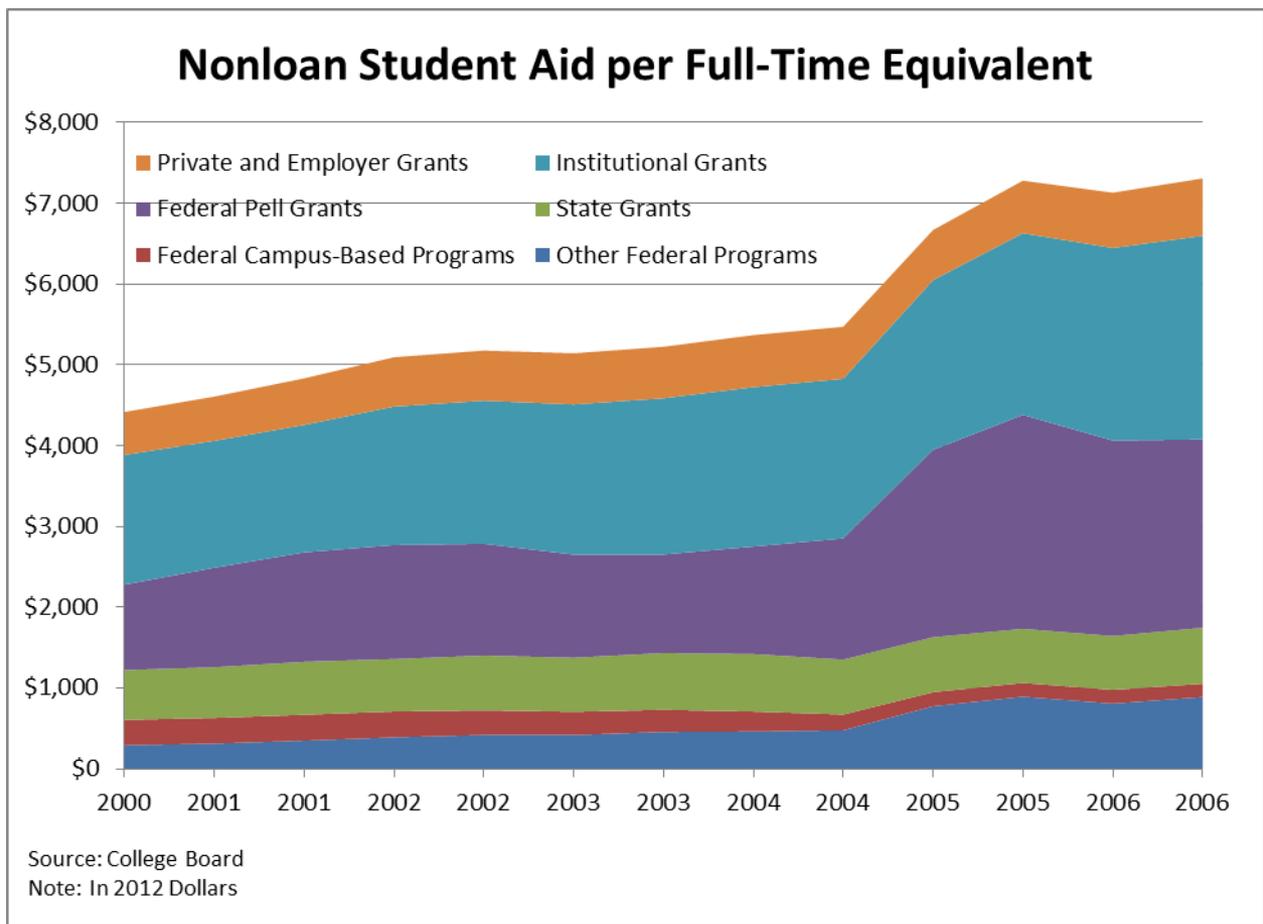


# Tuition Increasing





# Aid Increasing





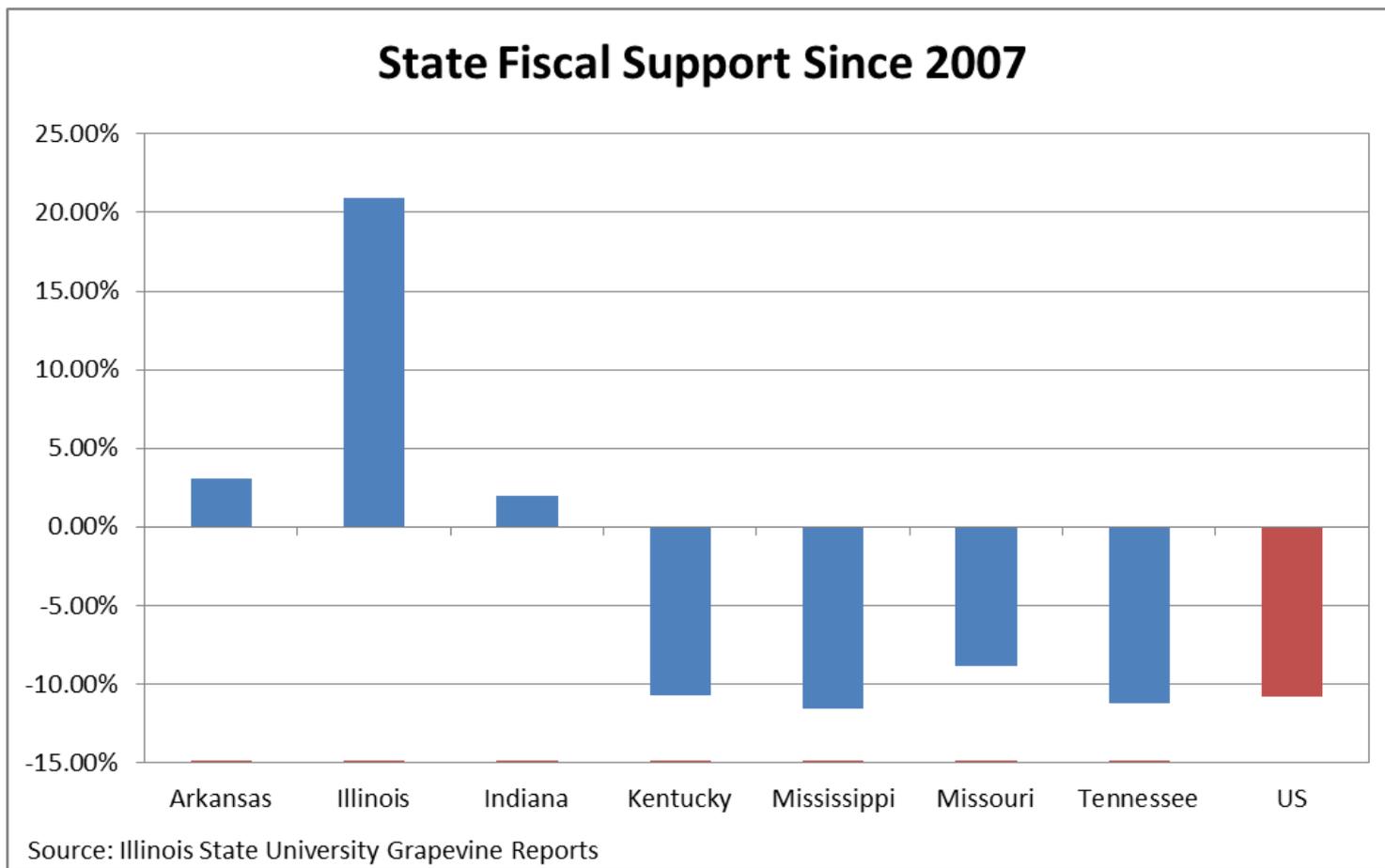
# Tuition Increase Drivers

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- Cuts to state funding of higher education.
  - Intercollege competition has led to more spending on infrastructure and salaries of instructors.
  - Demand for college.
  - Availability of student loans.
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# State Support Down





# Other Factors Affecting Debt Balances

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- Current job market impeding the ability of borrowers to make payments.
  - Changing landscape of higher education: Public/Private/For-Profit.
  - Access to alternative forms of credit (HELOC's, Credit Cards, Parents, etc.).
  - Many other factors.
-



# Putting it all together

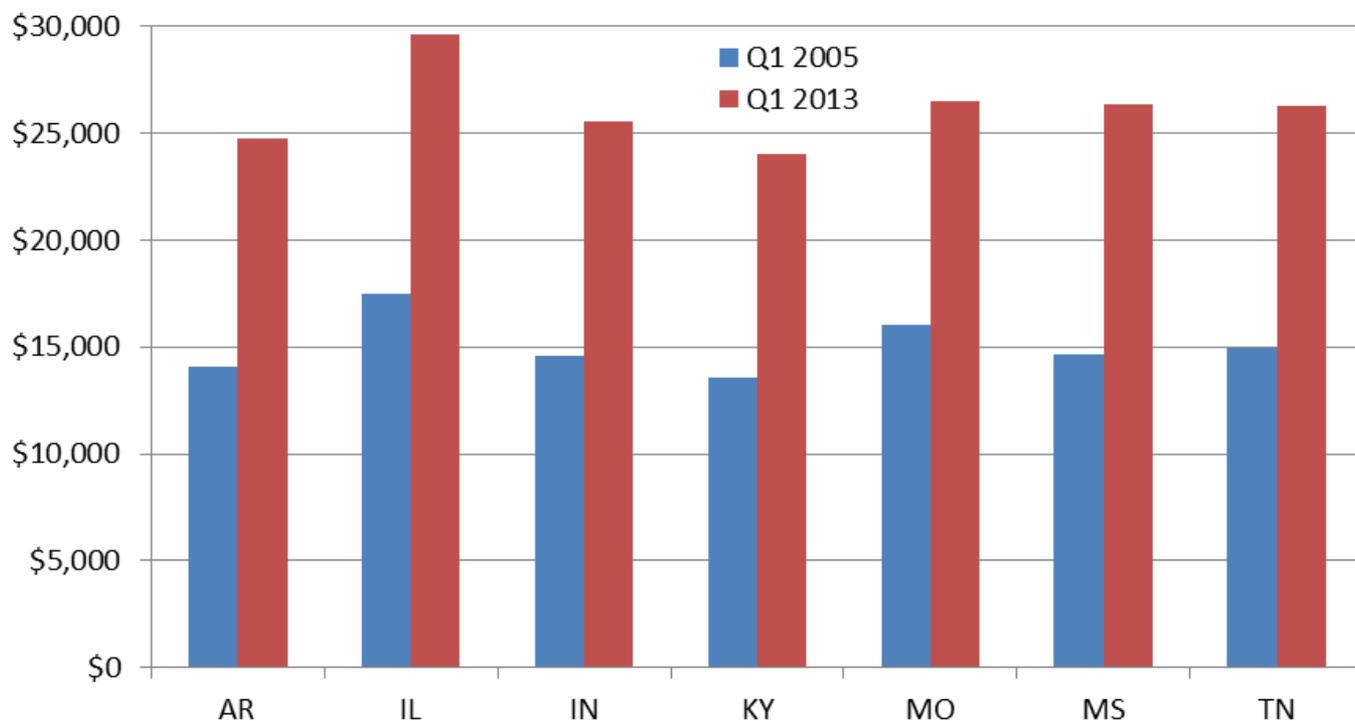
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- Student debt levels rapidly increased across the district
    - More enrollees
    - Higher percentage of enrollees taking on debt
    - Borrowers taking on higher levels of debt
    - Previous vintages of loans not being paid back “on time”
  - How drastic are the increases?
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# Debt Per Borrower Increasing

## Adjusted Average Balances of Borrowers

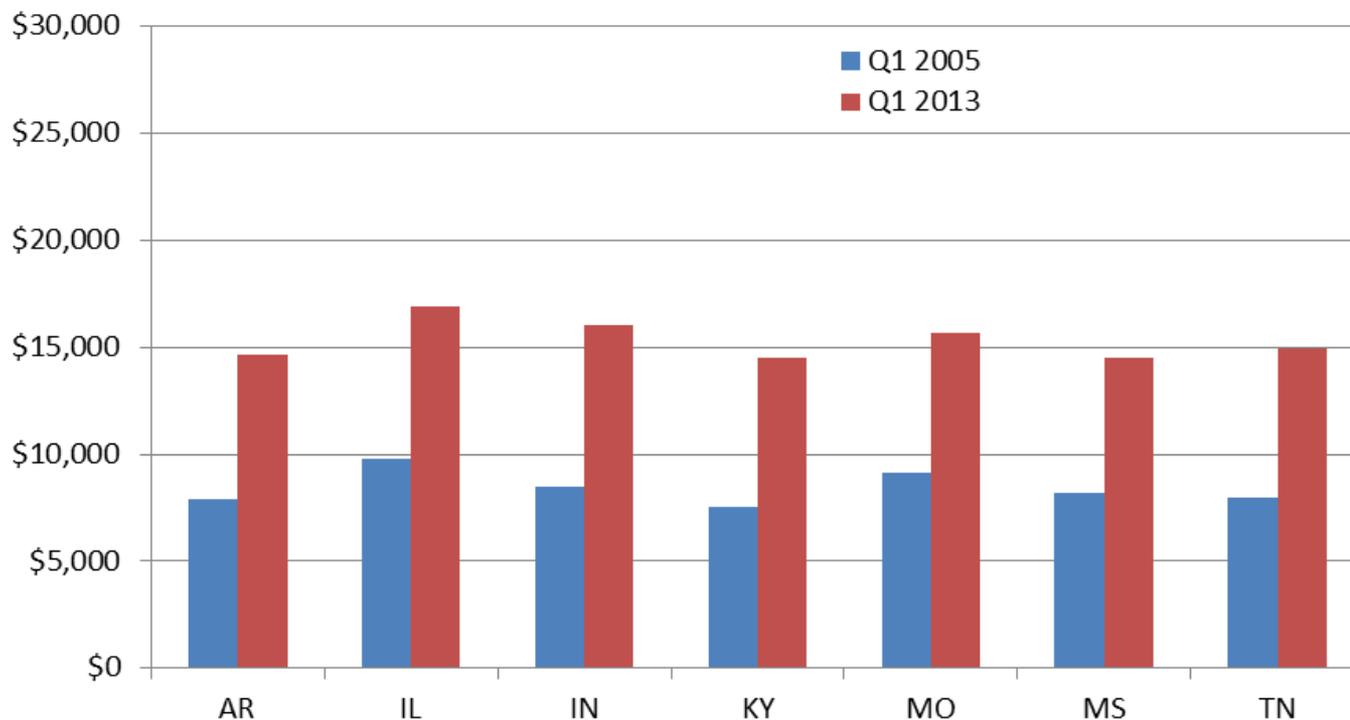


Source: FRBNY Credit Panel and Equifax based on Author's calculations



# Medians

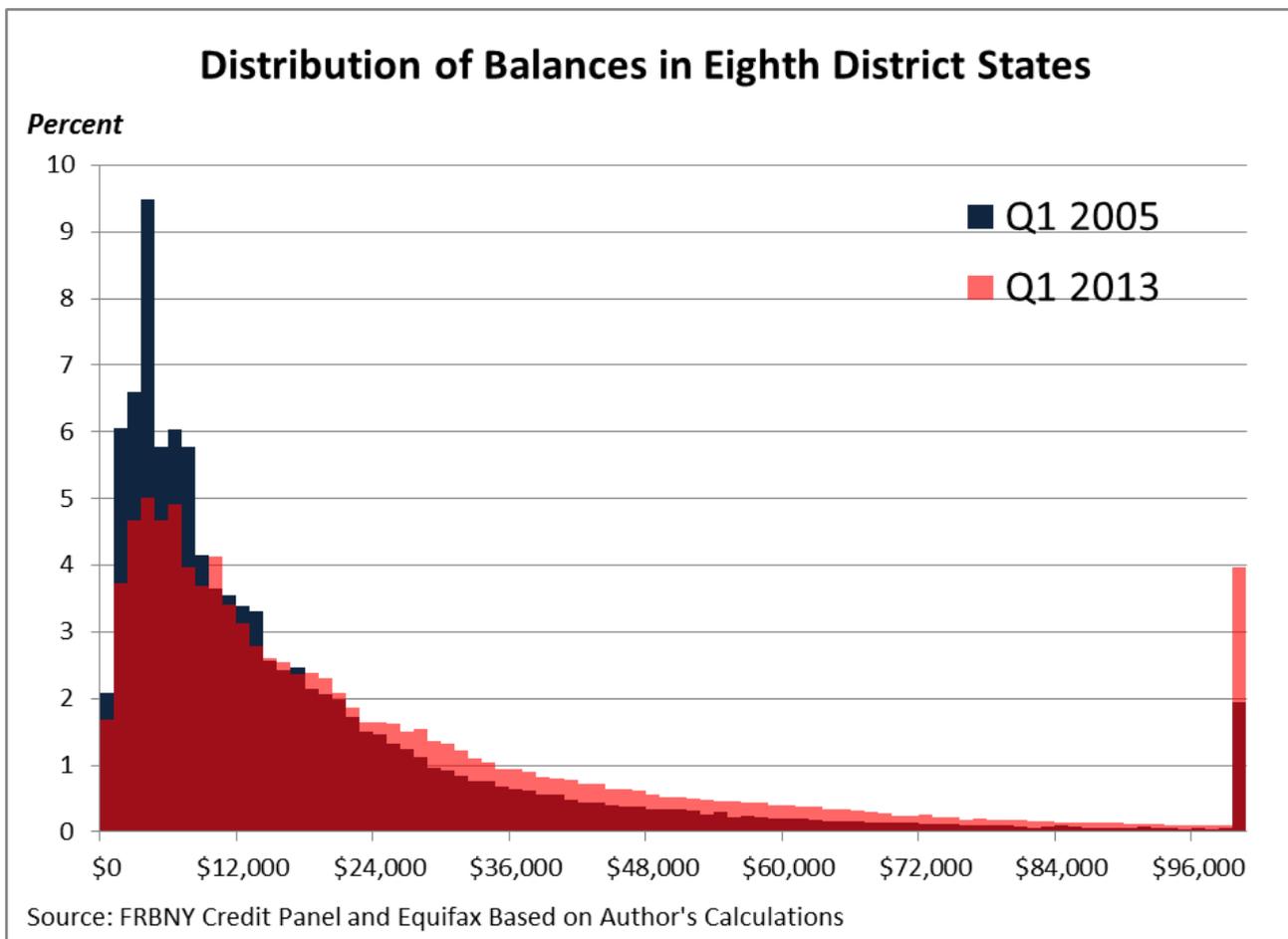
## Adjusted Median Balances of Borrowers



Source: FRBNY Credit Panel and Equifax based on Author's calculations

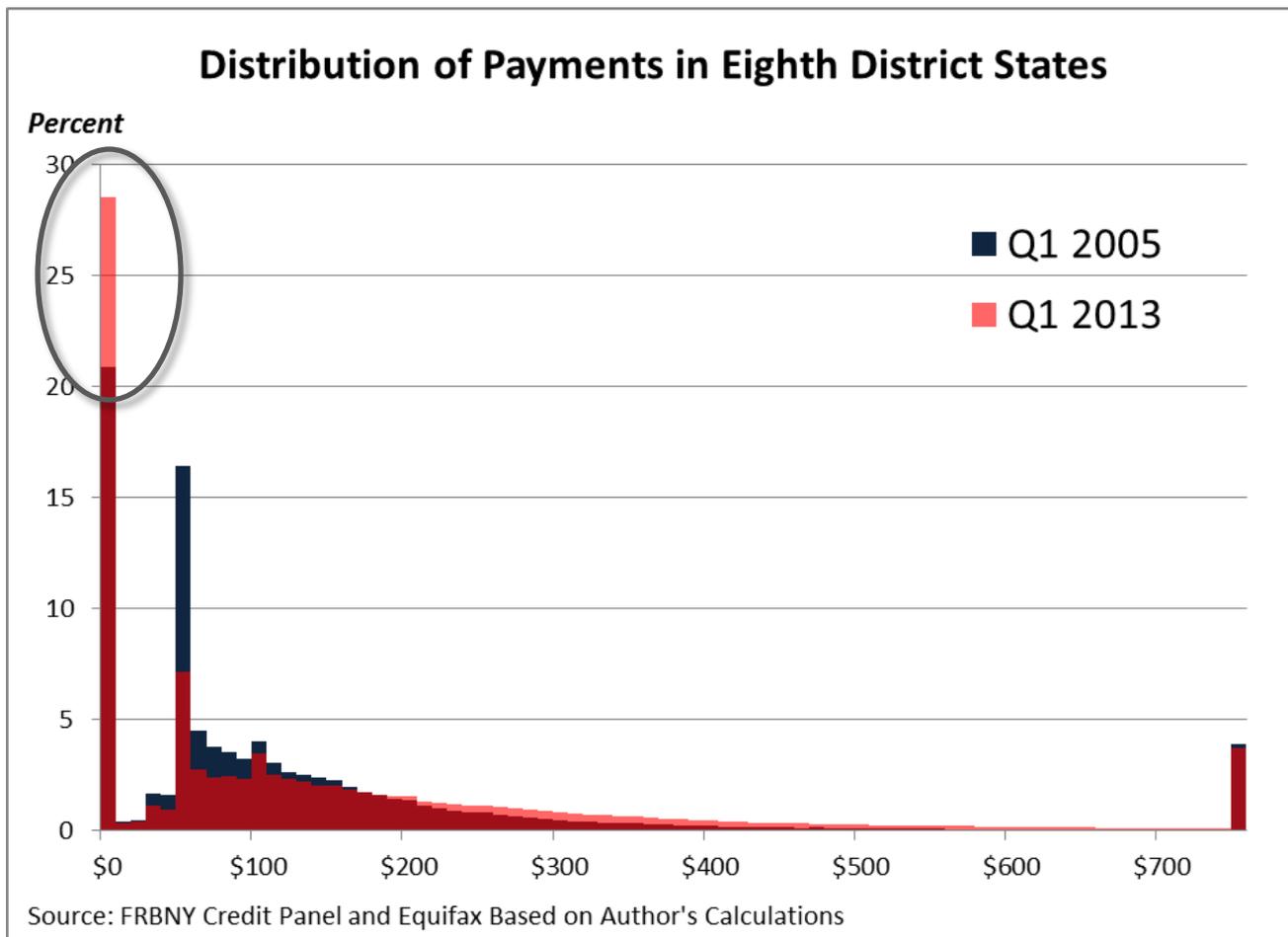


# Shift in Balance Distribution



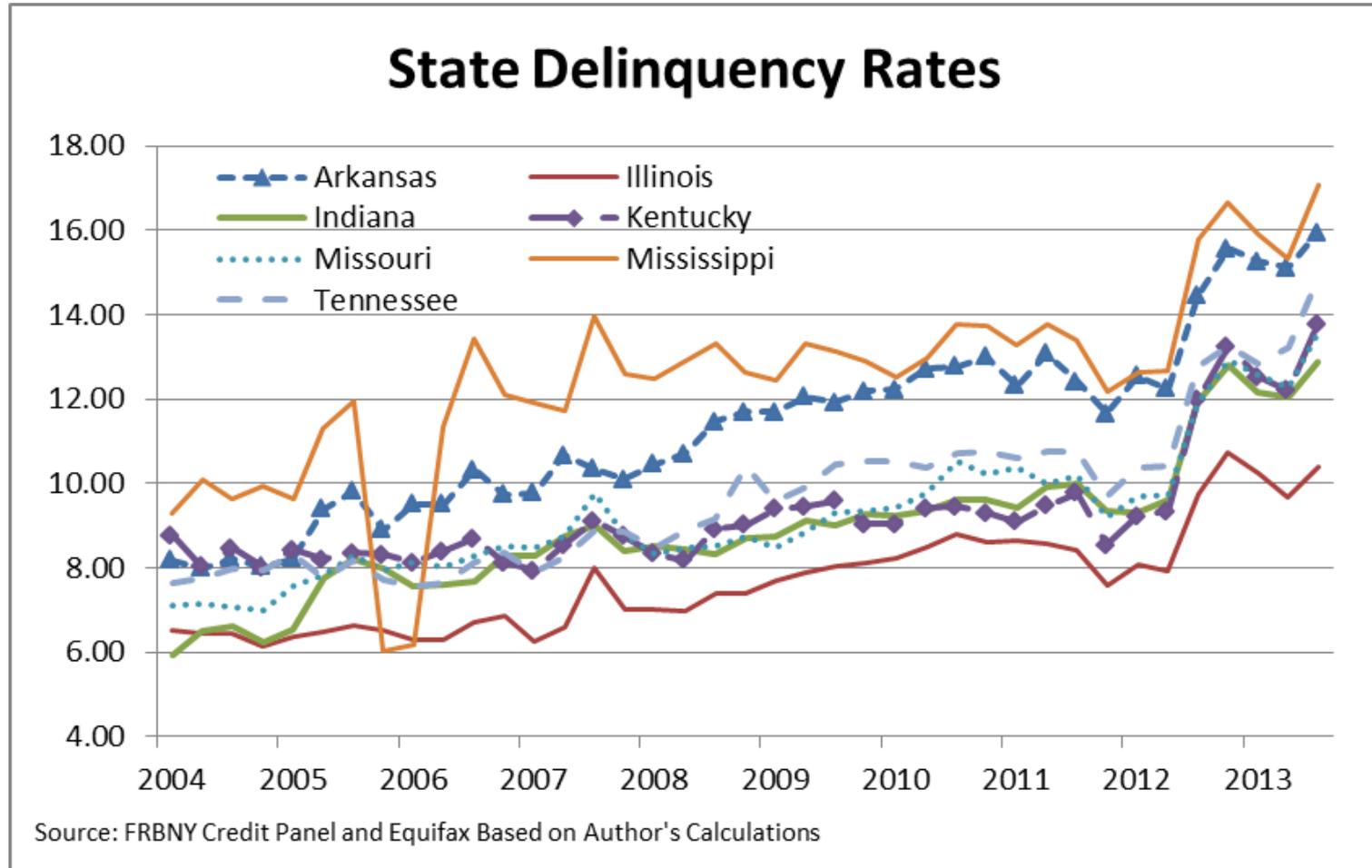


# Many Zero Payments





# Delinquencies Up





D I S T R I C T   O V E R V I E W

## Student-Loan Debt in the District: Reasons behind the Recent Increase

*By Charles S. Gascon and Bryan Noeth*



Read more at:

[http://www.stlouisfed.org/publications/pub\\_assets/pdf/re/2013/d/district\\_overview.pdf](http://www.stlouisfed.org/publications/pub_assets/pdf/re/2013/d/district_overview.pdf)

# Thanks

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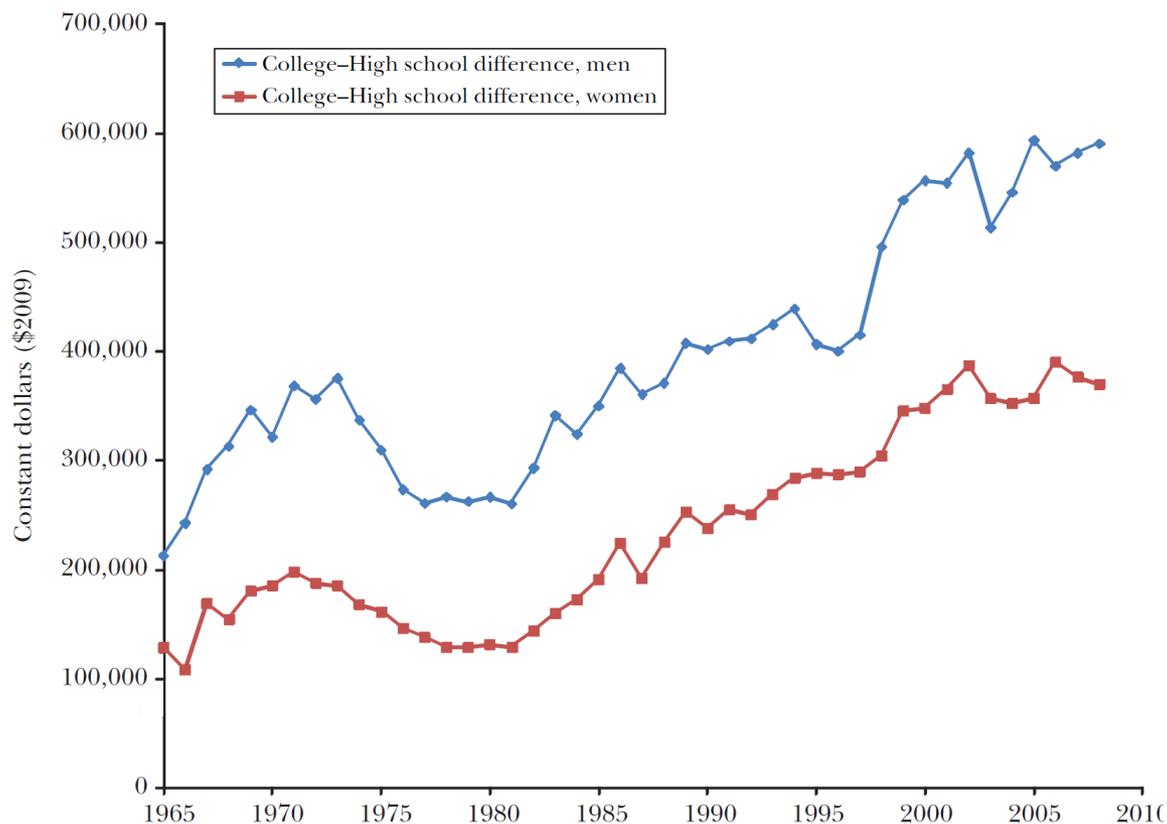
# Appendix

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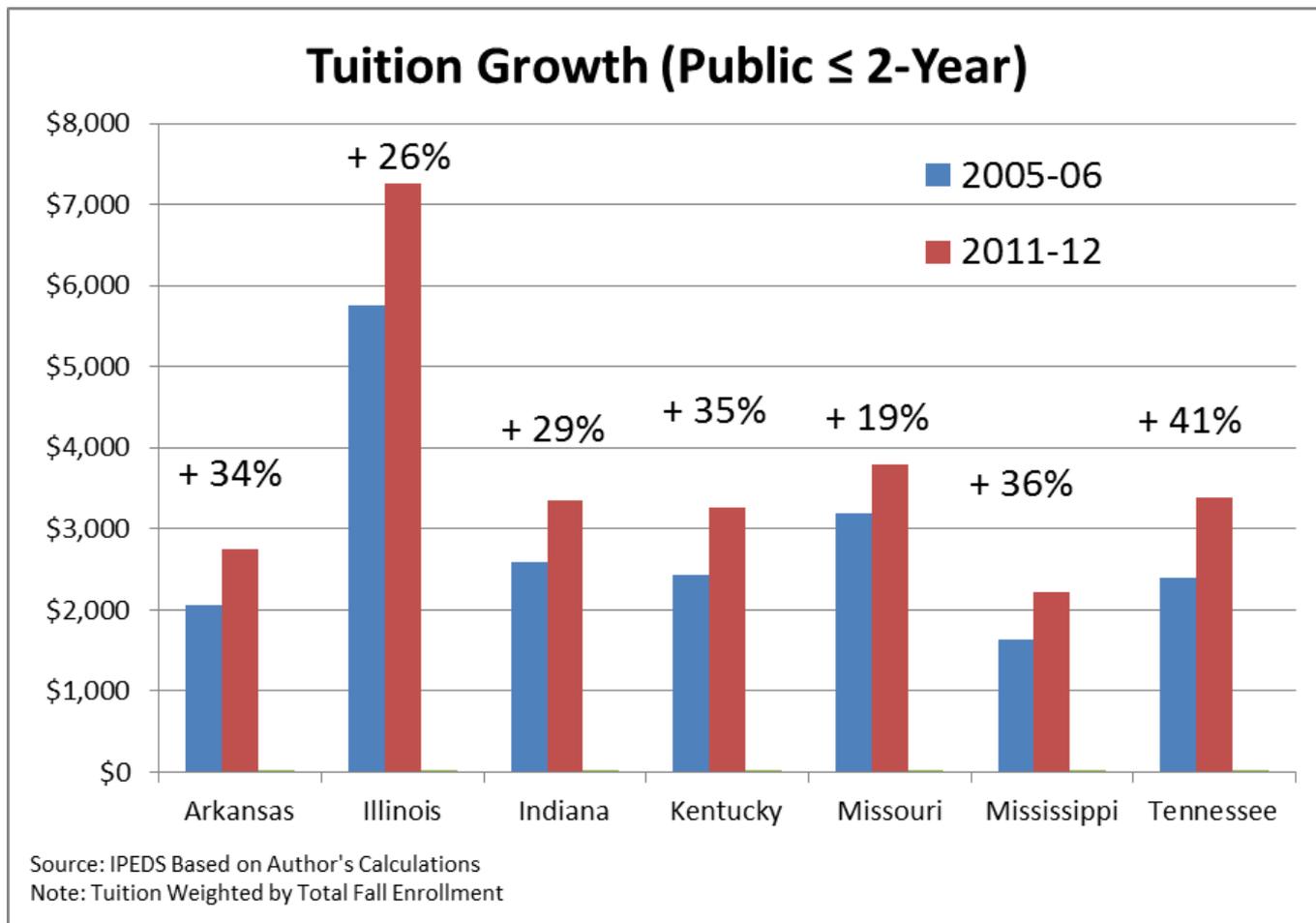
# Enrollment

Present Discounted Value of College Degree Net of Tuition, 1965–2010



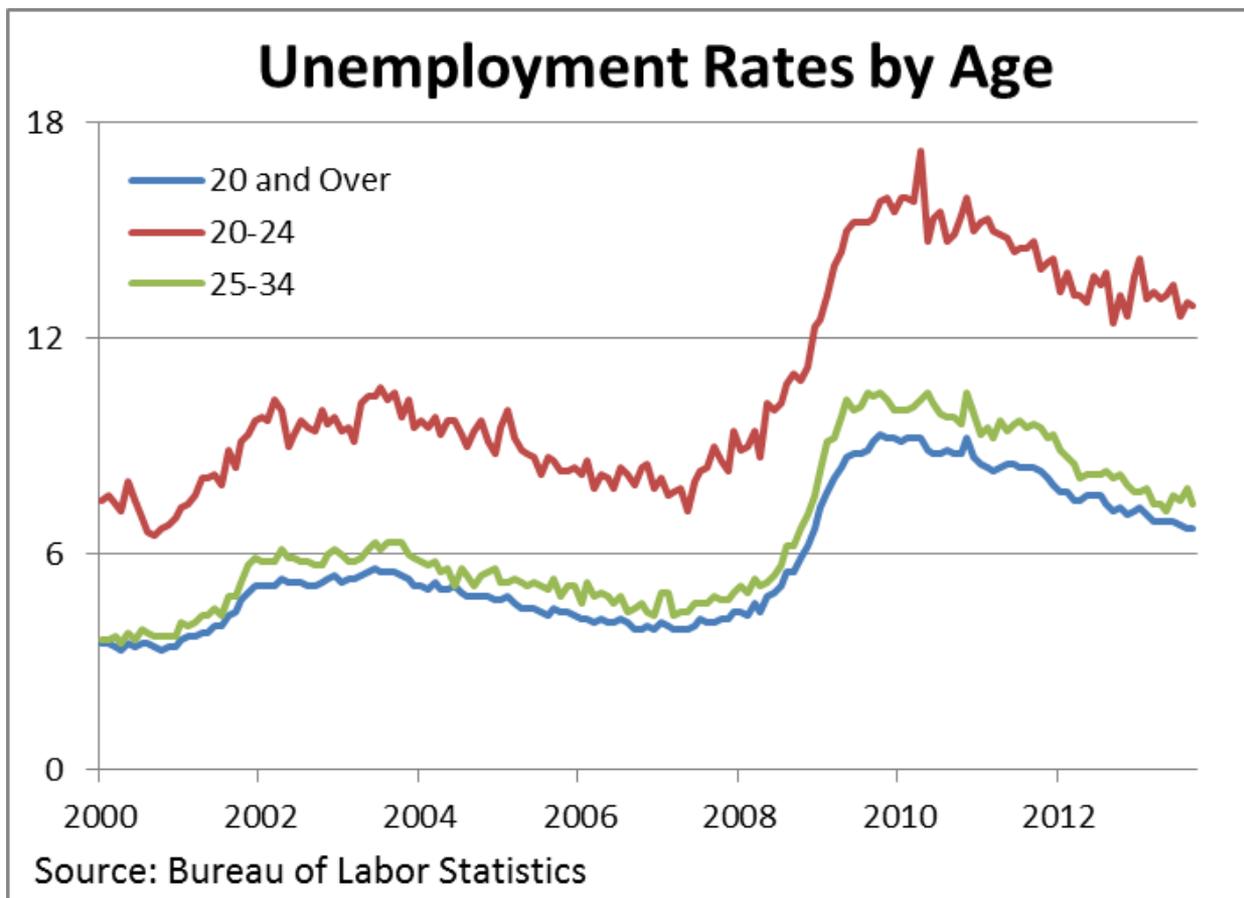


# Tuition Increasing





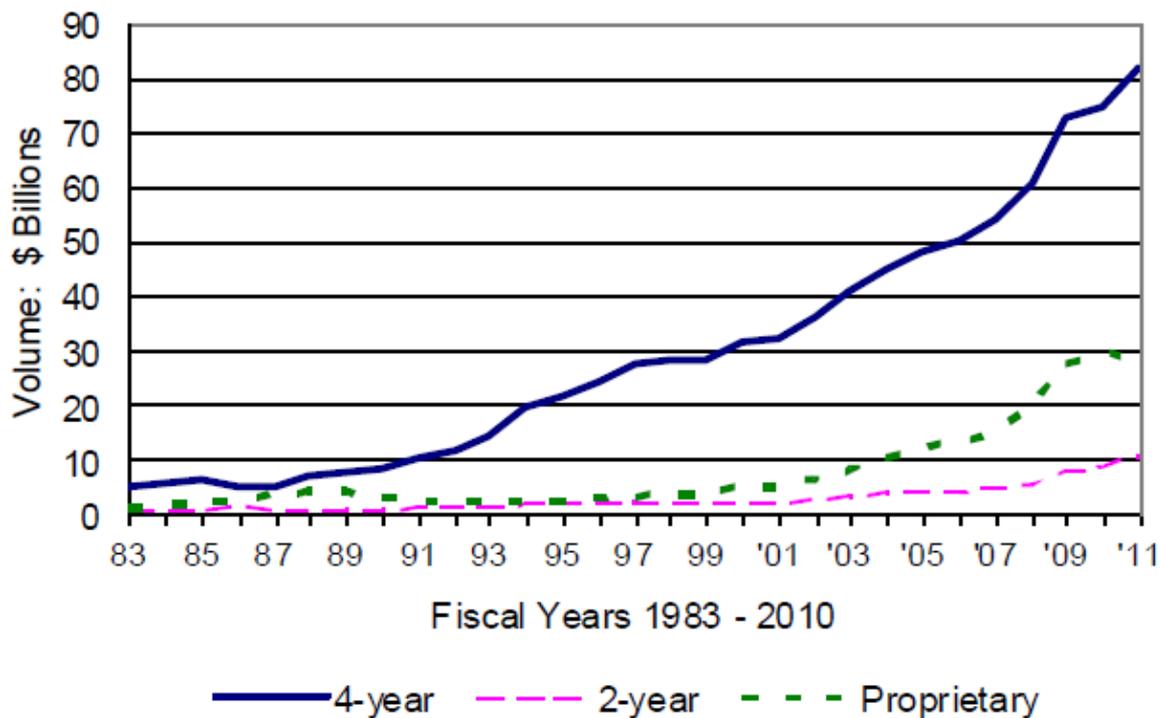
# Other Factors





# Other Factors

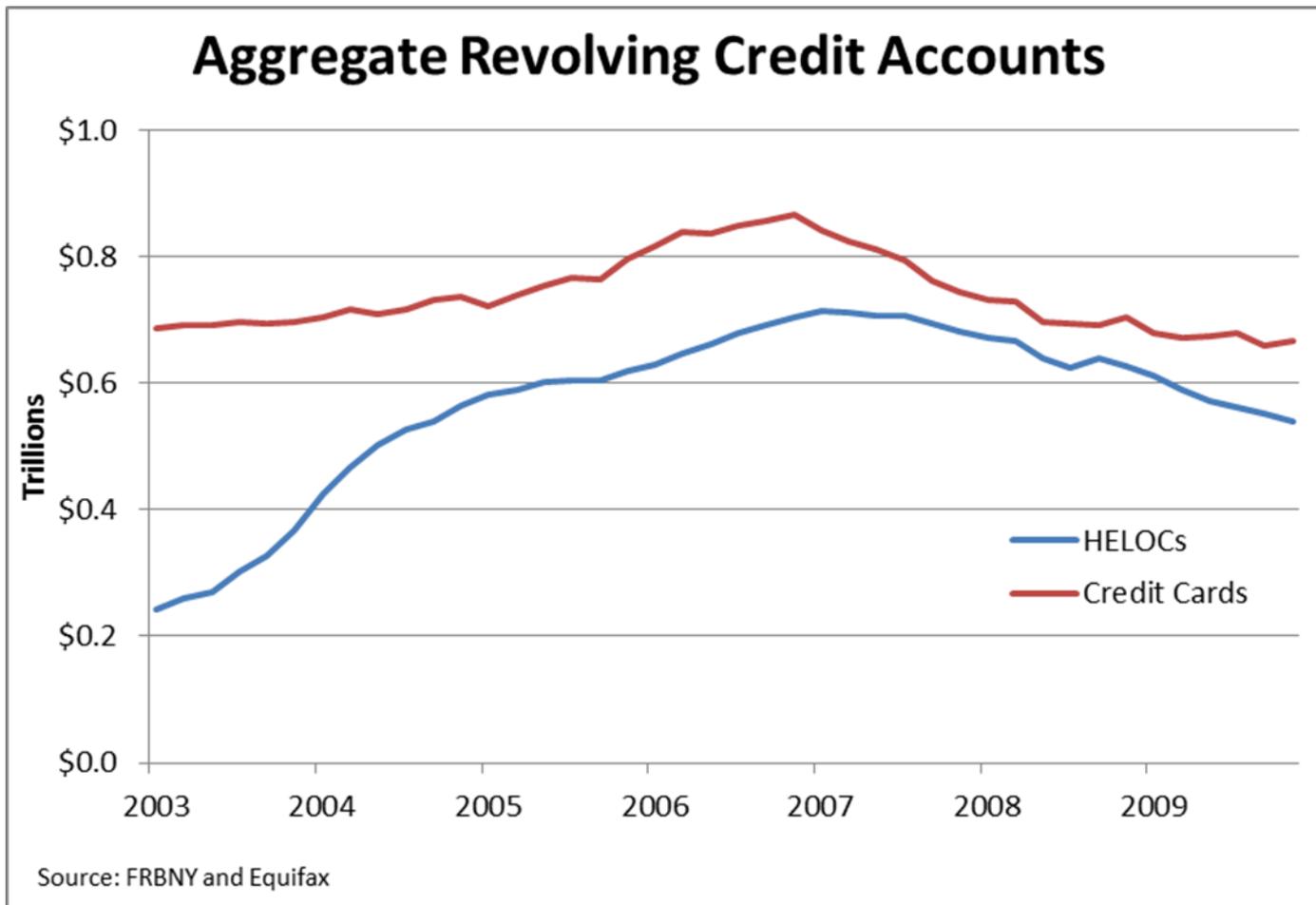
## Annual Loan Volume by 4-Year, 2-Year, and Proprietary School Sectors



Source: 2013 Department of Education Budget Request



# Other Factors





# Debt

## Number of Credit Reports with Student Debt

	Arkansas	Illinois	Indiana	Kentucky	Missouri	Mississippi	Tennessee
Q1 2005	173,500	968,900	512,300	278,780	504,600	201,500	398,020
Q1 2013	327,580	1,674,620	940,500	539,440	825,880	370,960	748,760
Pct Increase	88.8%	72.8%	83.6%	93.5%	63.7%	84.1%	88.1%



Source: FRBNY Credit Panel and Equifax Based on Authors Calculations