

Lessons Learned About Borrowers With Lingering Loan Debt

[By Hunter B. Martin, NASFAA Staff Reporter](#)

In an effort to address the growing concern for borrowers who face persistent financial hardships and difficulties repaying student loans, a [report](#) released this month sought to find lessons from borrowers who have lingering student loan debt from the 1990s or before.

The report, written by Kristin Blagg, a research associate at the Urban Institute, hinted at the characteristics of people struggling with decades-old debt in an attempt to create policy recommendations for lawmakers seeking to address this issue.

“We’re entering an era where the fact is that student loan debt can’t be discharged in bankruptcy and it’s really hard to get rid of other than to just pay it off,” Blagg said in an interview. “What I’m trying to do here is show the potential consequences of this — that you have these folks that are holding onto debt for a really long time and it may be pulling them down for other things.”

While not impossible, discharging student loans during bankruptcy filings is extremely difficult, especially since amendments to the Higher Education Act (HEA) in 1991 were passed, under which student loans are no longer subject to a statute of limitations for debt collection.

Using data collected from credit bureaus, Blagg estimated about 99,000 borrowers have loans with origination dates from before 1990, and 1.5 million have origination dates before 2000. While credit reports don’t contain demographic data, they do offer insight into the borrowers are by listing where they live.

“In line with previous research about who struggles with debt the most, these borrowers are more likely to live in neighborhoods with more black neighbors and more likely to live in lower-income neighborhoods compared to more recent borrowers,” Blagg said.

Blagg also noted that her data could be missing a large number of borrowers whose student loan defaults may have disappeared from their credit reports following at least a seven-year period of default.

“One of the biggest pitfalls of this report is — if there are lots of people who have been in default for a really long time — I’m not going to be able to see them,” Blagg said. “We have this whole other group of people who could potentially be in default and haven’t resolved it.”

The report also addressed whether current borrowers will face decades of lingering student loan debt. While there are more generous income-driven repayment (IDR) options in place today, there is uncertainty if these options will help borrowers, considering some have found it difficult to initially enroll in and maintain their enrollment in IDR, according to the report.

Borrower demographics have also changed from the 1990s and before. Growing numbers of today’s undergraduate students are students of color and less likely to be classified as financially dependent on their families. The median household income of dependent undergraduate students also decreased by about \$10,000 from 2008 to 2016, according to the report. The amounts and types of loans borrowed have also changed over the years as more parents are taking out Parent PLUS Loans. The report also indicates that borrowers are taking out higher amounts of loans and repaying them at a slower rate than previous cohorts.

While it remains uncertain that decades-long loan debt will be an issue for borrowers in the future, the report addresses potential policy reforms that could help borrowers find relief from lingering student loan debt. Blagg recommended lawmakers work to mitigate accruing interest on student loans, improve the process for the “needlessly complex” federal default policies, and investigate the potential for loan forgiveness for individuals who can prove persistent financial hardships.

“These may be people who face long-term, persistent hardship and would probably be paying nothing under income-driven repayment anyway,” Blagg said. “But that might not be an option for them, or they might not be aware that option that exists.”

Publication Date: 1/13/2020