

Student loan debt sets record, doubling since recession

U.S. student loan debt outstanding reached a record \$1.465 trillion last month and one particular set of borrowers is having a hard time paying back their loans, according to a Bloomberg analysis of student loan securitization data. This debt is raising fiscal risks.

"Over 90% of student loans are guaranteed by the U.S. Department of Education, meaning that if a recession causes a rise in youth unemployment and triggers mass defaults, this contingent liability could prove burdensome for the U.S. government budget," said Paul Della Guardia, economist at the Institute of International Finance in emailed comments.

The record student debt level is more than double the \$675 billion outstanding in June 2009 when the recession ended.

For one group of young adults that took out loans in 2012, student loan debt is a particularly stark reminder of college. Loans disbursed in 2012 have defaulted at a faster rate than any other loan cohort since the financial crisis.



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While the New York Federal Reserve has data through September, Bloomberg securitization records provide two additional months of data and add insight into defaults in debt liabilities.

The Bloomberg analysis found that loans issued about six years ago have the highest cumulative loss percentage compared to any other year since the financial crisis ended. This indicates that students who took a loan in 2012 have had a much more difficult time making their monthly payments compared to students who received loans shortly before and after -- students who have had a similar amount of time to pay them down.

A large percentage of those who took out loans in 2012 are currently 24-33 years old, an age where many are generally establishing themselves in their careers. Borrowers in this group entered the labor force when the unemployment rate was twice as high as today and may have found it difficult to find a career track in their desired field. Further adding to the difficulties faced by this group was that finding a position in 2012 took almost three times longer than today, according to data from the Bureau of Labor Statistics.

The interest rate for a direct student loan disbursed on or after July 1, 2018, and before July 1, 2019 is more than 100 basis point higher than those issued in 2012 adding to the concern about the size of student loan debt outstanding.

Many student loan borrowers face significant debt burdens. Over 2.7 million borrowers owe in excess of \$100,000, of which, about 700,000 owe \$200,000 or more, according to data from the U.S. Department of Education. One year earlier, 2.5 million owed in excess of \$100,000.

Borrowers in the 25-34 age group owed \$489 billion as of the third quarter, slightly less than \$530 billion balance for 35 to 49-year-olds.

Many Americans are taking student debt with them into old age too. At the end of September, 1.8 million borrowers age 62 and older owed \$62.5 billion in federal student loan debt and those in the 50-61 age group owe \$213.6 billion, according to data from the Department of Education. In just one year, the aggregate amount owned by borrowers over the age of 50 increased by \$28.8 billion or 11.6 percent.

To perform aggregate data analysis on student loan backed securities on the Bloomberg terminal, please go to the mortgage search function MTGS and type the following screening criteria into the amber search box: Deal Type Students Click on the gray button 1) Results and adjust the fields you would like to see using the red Settings button in the toolbar on top. You can export the results using the red Export button on top.

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