November 17, 2020
jficommunications@jainfamilyinstitute.org

**Report by Marshall Steinbaum shows that non-repayment by student loan borrowers is getting worse over time**
Part of JFI's Millennial Student Debt project, the report scrutinizes the impacts of increased income-driven repayment

*Press Release*

New York, NY, November 17, 2020 — A new report from Marshall Steinbaum with support from Jain Family Institute researchers finds that increased uptake of income-driven repayment (IDR) and recovery from the recession have not diminished the student loan crisis.

The fourth in an ongoing series on millennial student debt, this report builds upon JFI's extensive interactive maps and analyses of student debt nationwide.

Key findings from this report include:

- Income-driven repayment (IDR) programs are not helping borrowers fully repay debt. While they lower rates of delinquency and default, they give rise to mounting balances over time, rather than facilitating repayment on a delayed schedule. The result is a rising stock of outstanding debt that will never be repaid.
- The crucial shortcoming of IDR is that it misconceives student debt as a liquidity problem rather than what it is: a wealth problem.
- Over two business cycles—two expansions, two recessions (2008 and 2020)—the data do not show progress being made on student debt during expansionary periods. Un-repayable debt continues to accumulate regardless of macroeconomic conditions.
- Over 50% of the borrowers with outstanding debt in 2009 hadn't fully paid back their student loans ten years later. 25% of borrowers with outstanding student debt in 2009 had a larger student loan balance ten years later. In the 90th percentile, borrowers have almost four times as much debt outstanding in 2019 as in 2009.
- Non-repayment is getting worse for all debtors, but particularly so for non-white debtors. In 2018, in majority community-of-color ZIP codes, 61.6% of student loans have current balances that are higher



568 Broadway, Suite 601,
New York, NY, 10012

than the loan's original balance, compared to 49.5% of loans in majority white ZIP codes.

Read the full report here.

One key implication is that student debt cancellation is already happening, and will continue on a mass scale—but at the *end* of current repayment periods. The report shows that balances are increasing over time. Almost 60% of loans originated between 2012 and 2015 have higher balances as of 2019 than they did when they were originated. Students will likely never repay them; at the end of a 20 or 25 year IDR term, their debt will be cancelled.

The report is authored by JFI Senior Fellow in Higher Education, with research support from Laura Beamer and Eduard Nilaj. Read the other pieces in the series here. Upcoming analysis will examine Census tract-level trends in student debt and misleading representations of price among post-secondary institutions nationwide.

Michael Stynes, CEO at JFI, said, "As Marshall Steinbaum writes in this report, income driven repayment was designed to address a liquidity problem for students, when the real problem is one of wealth. While many policymakers push for expanded IDR, Steinbaum's report shows that that policy alone cannot address this crisis."

**About the Jain Family Institute**:

The Jain Family Institute (JFI) is a nonpartisan applied research organization in the social sciences that works to bring research and policy from conception in theory to implementation in society. Founded in 2015 by Robert Jain, JFI focuses on building evidence around the most pressing social problems. The *Phenomenal World* is JFI's independent publication of theory and commentary on the social sciences.

**Contact:** jficommunications@jainfamilyinstitute.org