

Loan Repayment and Default

Cunningham, A. F., & Kienzl, G. S. (2011). *Delinquency: The untold story of student loan borrowing*. Washington, DC: Institute for Higher Education Policy. Retrieved from http://www.ihep.org/assets/files/publications/a-f/delinquency-the_untold_story_final_march_2011.pdf

Cunningham and Kienzl assess the impact of delinquency in regards to student loan repayments. Students in delinquency have not made all loan payments, but have not yet failed to pay the number of payments required to fall into default. Following students who entered repayment in 2005 over 5 years, this report seeks to fill in the gap of information regarding loan repayment, and assess student difficulties in repayment even if the student does not default. The report analyzes the source of student delinquencies and defaults - both based upon the final institution type they attended and the final year of school that was achieved. Ultimately, the article suggests that the type of institution, as well as whether or not a student received a degree, is definite factors in whether a student enters delinquency or default.

Gross, J.P.K., Cekic, O., Hossler, D., & Hillman, N. (2009). What matter in student loan default: a review of the research literature. *Journal of Student Financial Aid*, 39(1), 19-29. Retrieved from http://www.nasfaa.org/research/Journal/subs/What_Matters_in_Student_Loan_Default__A_Review_of_the_Research_Literature.aspx

This article focuses upon the lack of reliability that default rates alone have in assessing student hardships in repaying loans. Default rates identify the number of students who fail to make a loan payment for an extended period of time (as set by the lending institution). It further delves into the potential factors that could predetermine default, but concludes in stating that these factors should not be used as an assessment for whether or not students are eligible for loans in the first place. The article argues that federal student aid policies are the root cause of the tensions affecting students going into default. Ultimately, the authors create a basis for which further study regarding default rates and policy can be enacted and urge for more information regarding this issue to be made public.

Herr, E., & Burt, L. (2005). Predicting student loan default for the University of Texas at Austin. *Journal of Student Financial Aid*, 35(2), 27-49.

Herr and Burt focus upon identifying students most likely to default in order to target interventions to prevent defaults before they occur. The article creates a response plan that includes several departments at UT-Austin in order to better protect at-risk students from default. The study concludes that Black and Hispanic students and low-income students would benefit from interventions to help with integration into the community and meeting college costs. Furthermore, better high school performance is linked to lower default rates, suggesting that UT should use high school rank to indicate possible default. The most important conclusion, that completion lowers the risk of default, leads the authors to suggest that UT-Austin enhance the first-year experience to increase the chance of retention and lower default risks. The article briefly touches upon intervention programs recently instated by UT-Austin, and suggests that their Pathway to Progress program will greatly decrease loan defaults.

Pinto, M.B., & Mansfield, P.M. (2006). Financially at-risk college students: An exploratory investigation of student loan debt and prioritization of debt repayment. *Journal of Student Financial Aid*, 35(2), 22-30.

Pinto and Mansfield focus their research on debt priorities for those students who are identified as financially at-risk. For the purpose of this analysis, financially at-risk students are students who had a credit card balance of \$1,000 or higher, paid less than the minimum each month or had reached their credit card limit. Determining that students are more at risk during repayment if they carry credit card debt, the authors further offer discussion as to the differences between public and private university students. The biggest risk in regards to these students, according to the authors, is that they place personal debt repayment above the repayment of their student loans.

Price, D. V. (2001). *Student loan forbearance and its relationship to default*. Indianapolis, IN: Lumina Foundation for Education. Retrieved from <http://inpathways.net/studentloan.pdf>

Price, director of higher education research at Lumina Foundation when he wrote this article, focuses upon the impact of forbearance in repayment. Price analyzes the impact of forbearance and whether it substantially impacts default rates for those borrowers who choose to use forbearance. Forbearance is an agreement between the lender and indebted person stating that the lender will not take action if the indebted person is able to catch up on late payments within a specified period of time. The article narrows its focus on the financial burden of forbearance on the government and taxpayers. By identifying the impact of the type of institution, the article concludes that fluctuations in forbearance, in general, are the result of other specific factors (i.e., length of time in school and amount borrowed).