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The Student Loan Default Divide: Racial Inequities Play a Role

Data finds Black and Hispanic or Latino federal borrowers face disproportionate repayment challenges

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The Pew Charitable Trusts

Michael Caudell-Feagan, *executive vice president and chief program officer*
Kil Huh, senior vice president, *government performance*
Travis Plunkett, senior director, *family economic stability*

Project Team

Ilan Levine, *senior associate*
Ama Takyi-Laryea, *senior manager*
Phillip Oliff, *senior officer*
Regan Fitzgerald, *senior manager*

External Reviewers

This report benefited from the valuable feedback and insights of Dr. Jalil Mustaffa Bishop, director of Freedom Dreams at the Equity Research Cooperative; Magin Sanchez, policy analyst at UnidosUS; Dr. T. Bradford Tarver, president at the Tarver Group LLC; and Dr. Desiree Zerquera, associate professor for higher education and student affairs in the Department of Leadership Studies at the University of San Francisco. Although they reviewed drafts of the report, neither they nor their institutions necessarily endorse the brief's findings or conclusions.

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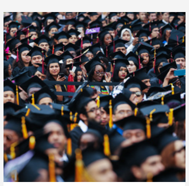

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The Pew Charitable Trusts

Contact: Omar Martinez, communications officer
Email: omartinez@pewtrusts.org
Project website: pewtrusts.org/studentloans

Overview

Black and Hispanic or Latino student loan borrowers are more likely to have difficulty repaying their loans than their White peers, according to a significant body of research. Both populations of borrowers are also more likely than their White peers to face barriers to completing degrees and have a higher chance than their White peers of experiencing financial difficulty that can put them at risk of falling behind on payments and having their loans end up in default.[1] Default, which occurs after 270 days of nonpayment, often triggers severe economic consequences for borrowers, such as seizure of tax refunds, wage garnishments, high fees, and a decline in creditworthiness. (See Glossary.)

To better understand the underlying factors that influence these disparate outcomes, including how borrowers' repayment patterns could be affected by economic and educational barriers such as racial discrimination, The Pew Charitable Trusts conducted a representative survey of student loan borrowers who first received undergraduate loans between 1998 and 2018, as well as a review of academic literature on the topic of student loan repayment and race.[2] This report draws on those analyses and also builds upon Pew's previous research on student loan repayment issues, which includes surveys and interviews with researchers, regulators, loan servicers, and borrowers.

The findings are particularly relevant for policymakers right now because collections of defaulted loans recently resumed this October, after a pause since March 2020 instated due to pandemic-related hardships. This suspension on collections was part of a larger moratorium on federal student loan payments, which ended in October 2023. During the pandemic, many borrowers reported facing increased financial pressures, and as payments resumed last year, many expected to see both an uptick in their monthly bill totals other than their student loans and a decrease in their savings.[3]

Pew's research aims to provide insight into the significant repayment barriers that Black and Hispanic or Latino borrowers face and to bolster existing research on an array of factors that appear to have a significant impact on default rates varying by race and ethnicity. The research found that:

1. **The repayment system does not work effectively for a large number of participants, as evidenced by much higher default and redefault rates for Black and Hispanic or Latino borrowers than for White borrowers.**
    - Over the past 20 years, half (50%) of Black and 2 out of 5 (40%) Hispanic or Latino student loan borrowers have had a loan default, compared with less than a third (29%) of White borrowers.
    - During this period, three-quarters of Black and Hispanic or Latino borrowers who experienced default reported doing so multiple times (74% for Black, 75% for Hispanic or Latino) compared with 56% among White borrowers.
2. **The repayment difficulties that many Black and Hispanic or Latino borrowers encounter may be partly explained both by heavy financial burdens and by educational circumstances.**
    - Black and Hispanic or Latino borrowers are more likely than White borrowers to face a combination of financial restraints, such as lower household incomes and unstable employment, and financial burdens, including holding other consumer debts and needing to provide financial support to family members. Black borrowers, in particular, are more likely to report having a negative net worth, and Hispanic or Latino borrowers are more likely to live in states with a higher-than-average cost of living.
    - Both borrower populations are more likely than their White peers to encounter challenging educational circumstances, such as being the first in their family to pursue a postsecondary degree or being limited to part-time enrollment. Each of these circumstances can make it harder to navigate higher education.

3. **Current repayment options designed to help borrowers struggling with loan repayment have had limited success, and may be underused.**
   - Black and Hispanic or Latino borrowers are more likely than their White peers to temporarily pause payments (69%, 56%, and 48%, respectively) in an effort to keep their loans in good standing. This strategy can provide a reprieve to borrowers in financial distress for a limited time but can also carry risks, such as the continued accrual of interest—which can substantially increase the cost of a loan over time.
   - Income-driven repayment (IDR) plans can provide sustained financial relief to struggling borrowers by setting the amount they must pay based on their income and family size. The less they earn, the lower their monthly payment. Yet the research found some evidence that Hispanic or Latino borrowers who would benefit from these plans are not enrolling: Hispanic or Latino borrowers' enrollment rate (32%) into IDR plans is significantly below that of Black (45%) borrowers. (Enrollment by White borrowers is 31%.) What's more, historically some borrowers, especially those who are Black, have reported challenges with IDR plans, such as completing the required paperwork for enrolling in and staying in these plans.

A substantial body of research has provided insight into the underlying reasons many Black and Hispanic borrowers may struggle with repayment. These studies have found that the financial and academic barriers that Black and Hispanic or Latino households face are grounded in structural, historic, and sometimes ongoing, disparate practices in the housing and labor markets, as well as in education.[4] For example, it has been well documented that Black and Hispanic or Latino people often encounter employment discrimination, and Black families have also faced prejudicial barriers to entering the housing market and accruing home equity, a major source of middle-class wealth.[5]

With millions of borrowers having recently reentered the collections system for the first time in several years, and new defaults set to begin occurring as early as summer 2025, it is important for policymakers to immediately attend to this issue. Pew's findings suggest that targeted changes to student loan default rules and requirements would be an important step in helping to address racial disparities in loan repayment. These changes should include:

A. **Restructuring and expanding borrower pathways out of default:** To help prevent borrowers' loans from being trapped in default, the Department of Education should create a new pathway out of default by enabling direct enrollment into an IDR plan. Currently, defaulted loans are ineligible for repayment plans and borrowers are first required to go through complicated and limited processes to exit default.

B. **Eliminating collections requirements that make it harder for borrowers to remain financially stable and repay their loans:** The Department of Education should restructure the default collections system to ensure that borrowers don't pay more in default than they do in regular repayment. For example, borrowers with loans in collections currently can have a greater proportion of their wages garnished than those in IDR plans. Costly collections fees (which are added to what borrowers owe to cover administrative expenses) can also create further financial burden that may ultimately make it more difficult for borrowers to repay their loans. This approach increases repayment accountability for borrowers as well, because they are more likely to be able to afford to pay down what they owe rather than entering default or becoming delinquent on the loan.

C. **Increasing the effectiveness of repayment tools by better matching borrowers with the right options:** In many cases, IDR can offer borrowers longer-term relief through lower monthly payments, yet borrowers report having used short-term tools at much higher rates than IDR—tools such as deferment and forbearance, which temporarily put monthly payments on pause. The Department of Education should consider ways to better connect struggling borrowers with repayment options that will best support them by figuring out why (and how often) borrowers who may be better served through an IDR plan end up using temporary payment pauses instead. Gaining a better understanding of why Hispanic or Latino IDR enrollment is so low relative to their Black peers and monitoring IDR attrition rates in the future could help policymakers better understand how to make further improvements to servicing.

These measures won't fully address the severe repayment barriers that many Black and Hispanic or Latino borrowers face, nor reduce students' need to borrow. And they won't immediately close racial and ethnic repayment gaps or address the historic or existing causes of discrimination and racism. But, over time, they could make the repayment system fairer, easier for all borrowers to navigate, and less harmful to those who face steep repayment barriers.

Glossary: Consequences Associated With Federal Student Loan Default

Before the payment pause on federal student loans, which ended in September 2023, defaulted loans were transferred from their assigned servicer to a private collection agency (PCA) through the Department of Education's Default Resolution Group. The Department of Education published a list of consequences that borrowers with a defaulted loan can experience.[6] They include:

Acceleration. Upon entering default, the entire remaining amount of the loan, along with any accumulated interest, becomes due immediately. Interest also continues to accrue while a loan is in default, which is different from how private markets typically operate.

Collection fees. A percentage of each payment made or collected from a defaulted loan is typically set aside as a fee for collections, which does not count toward bringing down a borrower's balance. These fees vary widely—from nonexistent to upward of approximately 24% of principal and interest—depending on one's default exit path.[7] The Education Department sets these fee structures, which can be very opaque to borrowers as they are not widely communicated or published.

Ineligibility for financial aid. Borrowers with a defaulted loan are barred from accessing additional federal student aid such as grants or loans.

Ineligibility for repayment plan enrollment. Once a loan is transferred to a PCA, borrowers are no longer able to enroll in or switch across different repayment plans.[8]

Loss of professional license. In some states, borrowers with defaulted loans can have their driver's or professional licenses suspended. A 2018 report found that 18 states had such laws in place, although enforcement varied widely.[9]

Notation on credit. Servicers are required to report loans to major credit bureaus once payments are 90 days late and after entering default. This results in borrowers experiencing a drop in their credit during the period leading up to default and a separate notation on their credit once the default occurs, which can make it more difficult for borrowers to access other forms of consumer credit such as credit cards, auto loans, and mortgages.[10] The default notation can remain on borrowers' credit reports for seven years.[11]

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Treasury offsets. The government can withhold borrowers' tax refunds and Social Security checks to collect on a defaulted loan. There are no limits as to how long one's tax refunds can be offset, or how much can be seized.[12] Social Security offsets are set at the lesser of 15% of one's monthly benefit payment or the amount by which the benefit surpasses $750 per month.[13]

Wage garnishment. The government can also require employers to withhold the lesser amount of either a) up to 15% of borrowers' remaining income after mandatory deductions, such as taxes and health care premiums, or b) the amount of income after deductions exceeding 30 times the current minimum wage (which is about $218 per week).[14] Once implemented, wage garnishment typically continues until either the defaulted loan is repaid or the loan exits default through other avenues.[15] Wage garnishment can occur at the same time as Treasury offset and other consequences of default.[16]

The repayment system does not work effectively for a large number of participants, as evidenced by much higher default and redefault rates for Black and Hispanic or Latino borrowers as compared with White borrowers.

According to Pew's survey, half (50%) of Black and 40% of Hispanic or Latino borrowers have had a loan default compared with less than a third (29%) of White borrowers. This finding aligns with past studies that found significant racial disparities in initial default rates.[17]

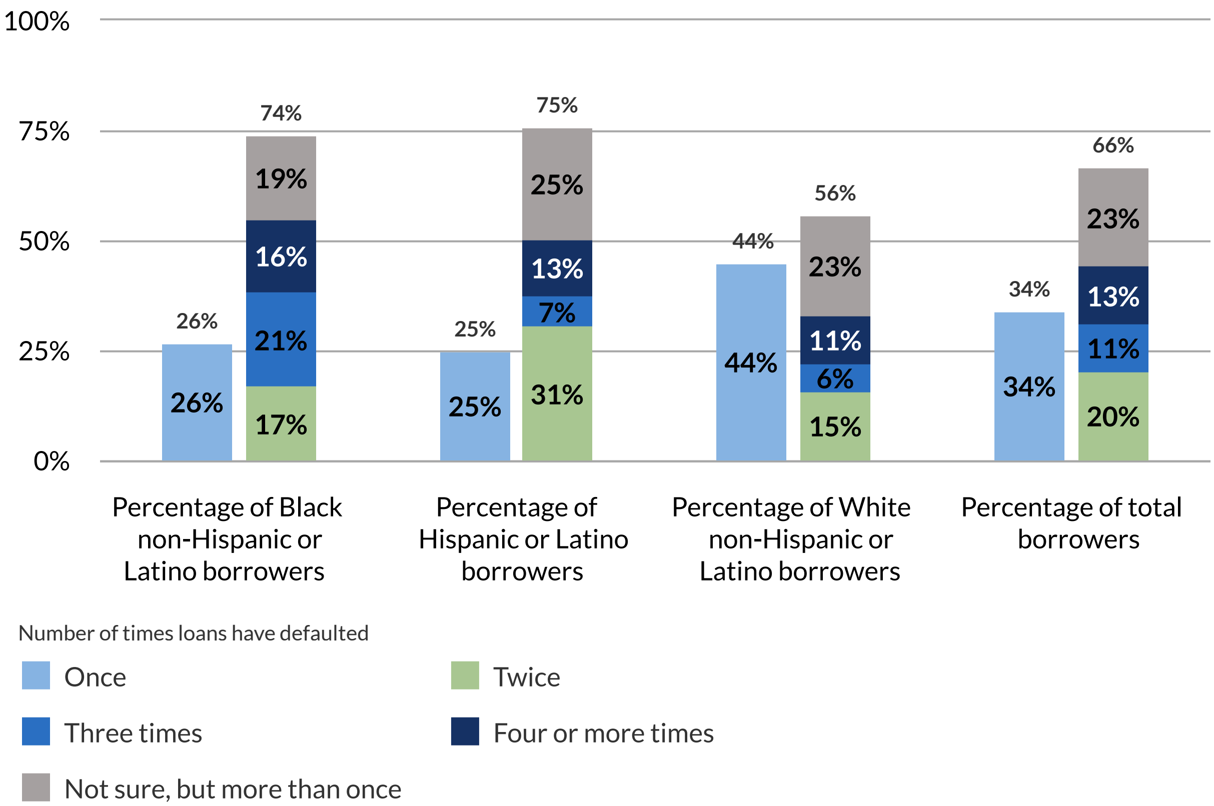
However, previous research did not examine multiple defaults by race and ethnicity. Pew's findings suggest that Black and Hispanic or Latino borrowers also face greater difficulty staying out of default than their White peers. Of borrowers who have ever had a defaulted loan, around three-quarters of Black (74%) and Hispanic or Latino (75%) borrowers reported doing so more than once. These redefault rates are significantly higher than among White borrowers (56%). Hispanic or Latino borrowers who have had a defaulted loan most often experienced default twice (31%). Black borrowers who have experienced default reported that they had experienced default three or more times (37%), showing more churn in the system.

Students walking around campus *Dania Maxwell/Contributor*

Figure 1

Redefault Rates Are Significantly Higher Among Black and Hispanic or Latino Borrowers Compared With White Peers

Among borrowers who have experienced default, breakdown of the number of times their loans have defaulted by race and ethnicity.



Note: "Total" is among Black, Hispanic or Latino, and White borrowers in the survey and excludes respondents of other race/ethnic classifications from the full sample. Percentages may not add up to 100 due to rounding errors. Respondents that selected "Don't know" to how many times they have had a loan default were removed from this figure. Percentages are weighted to the U.S. 18-and-older general population using benchmarks from the Current Population Survey.

The disparate rates of student loan default among Black and Hispanic or Latino borrowers are very concerning. Default carries serious consequences that range from ineligibility for additional federal financial aid, negative effects on credit scores, and involuntary collections, such as confiscation of tax refunds and Social Security income (also known as treasury offsets) and wage garnishment. (See Glossary.) Past Pew research has shown that most borrowers who experience such penalties say they resulted in a major financial impact, as reported by nearly 8 in 10 borrowers who experienced wage garnishment.[18]

Current Options to Exit Default Risk Ensnaring Borrowers Who Experience Redefault

The prevalence of redefault shows just how challenging it is for borrowers, particularly those who are Black and Hispanic or Latino, to get out—and stay out—of default. The more that borrowers cycle in and out of default, the more limited their options become to exit this status, and the more likely the consequences of default will harm their often-strained economic circumstances.

The first time a borrower experiences default, there are three options for returning to active repayment and avoiding involuntary collections: 1) rehabilitation, which requires nine on-time monthly payments over 10 months that vary according to a borrower's income but can be as low as $5; 2) consolidation, which combines all eligible loans into one that is put back in good standing; or 3) full payment, which could include the entire amount owed or a negotiated sum that is typically slightly lower. All of these options involve additional costs (from interest and fees). Borrowers could also choose to take no action and remain in default, where they will often be required to repay what is owed through involuntary financial penalties, as discussed below.

The first two options are of limited value for borrowers who redefault. Rehabilitation and consolidation can each be used only one time, unless a borrower has taken on additional loans since the last time they consolidated.[19] A fifth of Hispanic or Latino and over a third of Black borrowers reported having three or more defaults in Pew's survey, which is a strong indication that many of these borrowers will have only two realistic options: pay off the loan in full or continue in default.

Paying off an entire loan—even at a lower, negotiated balance—is obviously very difficult for borrowers who are already struggling financially, and the ancillary costs for doing so are typically higher than through rehabilitation or consolidation.[20] A study by the American Enterprise Institute calculated that the extra costs to a borrower for paying off a $7,000 defaulted loan through a lump sum payment was one of the most expensive pathways out of default, adding an extra $2,415 in net interest accumulation and collection fees.[21] In contrast, the extra costs for exiting default through rehabilitation or consolidation for the same loan amount range from $781 to $969.

Remaining in default also is not desirable because it can lead to involuntary collections, in addition to other consequences such as fees, negative credit impacts, and ineligibility for more federal aid, that can continue until the total outstanding debt—principal and interest—is satisfied. A previous Pew study using the same survey data found that 37% of those who experienced default reported having their tax refunds seized, and 17% had wages garnished.[22] Per the study, a majority of people who experienced these involuntary collections described them as having a "major" financial impact (55% for tax seizures and 79% for wage garnishment).[23]

Tax refund seizure may be particularly harmful for lower-income households with children because tax benefits designed for lower-income households, such as the earned income tax credit and child tax credit, may also be seized. One analysis estimated that over 5 million tax units (a measure similar to a household) with federal student loans receive income from at least one of these programs.[24] For borrowers whose loans default because of financial hardship, these penalties further perpetuate their economic challenges and undermine the purpose of these tax credit programs, which were intended to keep families out of poverty.

Pew's survey data on borrowers' reasons for experiencing default suggests that the collections system does little to take into consideration the underlying financial triggers that often lead borrowers to default in the first place. The top three reasons given for experiencing initial default and redefault by borrowers from all demographic groups were the same: 1) having other, higher-priority debts (72% for default/72% for redefault); 2) feeling overwhelmed (71%/74%); and 3) having unaffordable student loan payments (68%/67%).[25] The fact that borrowers' reasons for default remain the same when they experience redefault indicates that the current collections system has failed to set them back on the repayment track.

Table 1

Borrowers Most Commonly Cited Three Top Reasons for Default and Redefault

Top reasons given for loan default, redefault were the same

	Top reasons for loan default	Top reasons for loan redefault
I had other debt I needed to take care of first	72%	72%
I felt overwhelmed	71%	74%
My payments were unaffordable	68%	67%

Note: This data is visualized using previously reported findings from the full survey sample (n=1,609). Percentages are weighted to the U.S. 18-and-older general population using benchmarks from the Current Population Survey.

Exhibit A

The broader context: How structural economic and educational inequities have affected disparate U.S. student debt repayment outcomes

As previously noted, higher default rates for Black and Hispanic or Latino student loan borrowers as compared with their White peers are likely influenced by the greater financial difficulties these borrowers face, including lower incomes, employment gaps, and less wealth. A substantial body of research provides important contextual information about how disparate and discriminatory treatment of Black and Hispanic or Latino Americans in the housing and labor markets and also in higher education have contributed to these current difficulties. When examining the repayment challenges facing these student loan borrowers, understanding how socioeconomic factors interact with each other and systematically disadvantage Black and Hispanic or Latino people is necessary to design better policies in the future.

This section provides a brief overview of this literature:

Homeownership and Wealth

Past studies have documented how a history of discriminatory housing policies such as redlining—a term coined to describe intentional efforts by federal government regulators during post-Great Depression development to designate neighborhoods of color as high-risk investments for mortgage insurers—and others have translated into persistent gaps in Black-White homeownership and residential segregation.[26] In the second quarter of 2024, some half of Black (45%) and Hispanic or Latino (49%) households owned their home compared with three-quarters (74%) of White households.[27] Moreover, White heads of households under age 35 without a high school diploma are more likely to own their home than Black heads of households younger than 35 who hold at least a bachelor's degree—an indication of the financial barriers that borrowers of color may face even after earning a four-year degree.[28]

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While outright discriminatory housing policies such as redlining are now illegal, some scholars have documented how Black and Hispanic or Latino families continue to experience the negative consequences of "de facto segregation" today.[29] For example, one study found that neighborhood racial demographics are sometimes still used in home appraisals, a process that undervalues houses owned by people of color.[30]

Homeownership is the primary source of intergenerational wealth for most Americans. And not only do White homeownership rates greatly exceed that of Black and Hispanic or Latino households, but studies have shown that the average White homeowner accumulates tens of thousands of dollars more in equity than the average Black or Hispanic or Latino homeowner.[31] This in turn creates disparities in who gets to inherit property, or who might receive financial help to cover a down payment.

Research has identified that White households, on average, have almost four times the wealth of Black households and more than 2 1/2 times that of Hispanics or Latino households; in large part this is because of Black and Hispanic or Latinos' lower rates of homeownership and investment in capital markets.[32] Having significantly less wealth, which is often accumulated over generations, makes it harder for families of color to afford basic needs, such as groceries and rent, financial obligations like child care, and unexpected expenses.[33] Having family wealth can also minimize the amount students need to borrow for their postsecondary education and can help with repaying those loans upon leaving their program—underlying factors that could be partly driving repayment outcome disparities.

Labor and Income

Workplace discrimination has been well documented in research to date.[34] With respect to the hiring process, one meta-analysis of 24 studies conducted between 1989 and 2015 found that White job applicants typically received significantly more callbacks than their equally qualified Black or Hispanic or Latino counterparts.[35] The study also concluded that this type of labor discrimination has not significantly declined over this time frame, particularly with respect to Black applicants. This is concerning given data addressed later in this report that finds that Black and Hispanic or Latino borrowers reported needing six or more months to secure a job upon leaving school at much higher rates than their White peers. Payments on federal student loans begin six months after leaving school.

It's also important to note wage gaps by race and ethnicity. In 2020, Black and Hispanic or Latino earners made only 76 cents and 73 cents on the dollar, respectively, compared with White earners, with research also finding gaps in employment as well as underemployment (a term that describes being overqualified for one's job).[36] Pew's survey finds that lower household income and experiencing employment gaps are two financial circumstances linked to a higher likelihood of loan default, another indication of how the effects of persistent racial inequities can affect borrowers' repayment outcomes.

While research shows that gaps in racial and ethnic income and employment can be partially explained by certain factors, such as the industries earners work in and their differing educational attainment levels, evidence points to workplace discrimination as a likely factor in creating disparity that has spanned decades.[37] One paper found that even when comparing across the same age, gender, level of educational attainment, and region, Black earners make only about 85 cents on the dollar compared with their White counterparts.[38]

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Research has found that when it comes to pay, women of color face dual racial and gender disparities. Latina women, which research has identified as the only subset of women seeing a growing participation in the workforce, earned just 57 cents on the dollar compared with White, non-Hispanic or Latino men—a gap that has barely changed over the last three decades.[39] Similarly, Black women earn 34.2% less than White men, with those who have less than 10 years of experience struggling the most since 2000.[40]

Education

Scholarship has documented a long-standing history in America of racial school segregation, which the Supreme Court famously struck down in *Brown vs. Board of Education (1954)* but which has continued to persist in practice over the past seven decades.[41] A 2022 Government Accountability Office (GAO) report found that existing district boundaries contributed to more than a third of children attending schools where most students were of one race or ethnicity.[42] The report also found that when new districts are created, they often led to Whiter and richer schools.[43]

Such inequitable access, as well as funding in K-12 education, has fed disparate access to and outcomes in postsecondary education that persist. Studies have shown that competitive colleges have a history of explicitly excluding students of color and other minorities or limiting their choices of study, while for-profit schools may have engaged in predatory recruitment of these student populations.[44] One way in which this history has had a lasting impact on Black and Hispanic or Latino people is that students from these populations are more likely to be the first in their family to attend a postsecondary school—data this report expands upon later.

Inequitable access to higher education, combined with a dearth in wealth and income among Black and Hispanic or Latino families sustained through long-standing discrimination in the housing and labor markets as discussed above, has translated into racial and ethnic disparities in student loan borrowing and repayment outcomes, which is the focus of this report.

For Black students, this has led to their typically borrowing higher amounts compared with their White counterparts—a difference in debt that research has shown continues to accumulate in the years following school. Just four years after graduation, Black borrowers owe an average of $25,000 more in student loans than their White peers.[45]

For Hispanic or Latino students, borrowing patterns have varied over the years. However, to make postsecondary education possible, research finds that Hispanic or Latino students are more likely to work while enrolled, attend school part time, and enroll in community college or for-profit institutions (which can be cheaper and sometimes offer more flexible scheduling).[46] While these factors can often help offset the cost of a postsecondary education, research has linked these student experiences, regardless of race, to lower completion rates than among those who attend school full time at more selective institutions.[47] This can disadvantage Hispanic or Latino borrowers by leaving them with debt but without the boost in income that typically accompanies a postsecondary credential.

Heavy Financial Burdens, Educational Circumstances May Partly Explain Black and Hispanic or Latino Repayment Difficulties

Black borrowers are most likely to experience key barriers to loan repayment

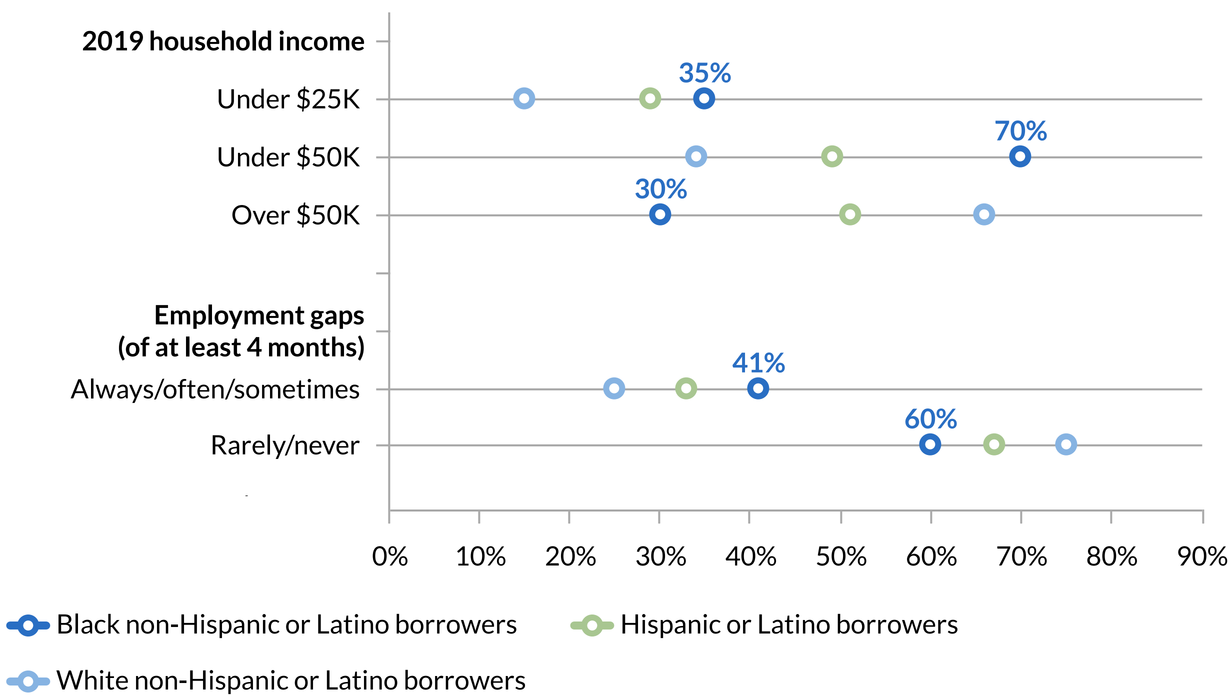
Beyond documenting the high rates of default and redefault among Black and Hispanic or Latino borrowers, Pew's survey helps shed light on what may be driving their student loan repayment struggles. In particular, the survey highlights several financial and academic circumstances that past Pew research has linked to student loan default, which could hamper their ability to repay their loans.[48] These factors are the focus of this section.

As previously discussed, it is also important to acknowledge that past studies have linked many of these circumstances to racial disparities that are often rooted in widespread inequities. For example, discrimination in housing policies has translated into racial wealth gaps that make it harder for families of color to absorb unexpected expenses, discrimination in the labor market has created persistent racial pay gaps and challenges to securing stable employment, and discrimination in education has led to inequitable access to the best school districts, colleges, and other opportunities.

Figure 2.1

Black and Hispanic Borrowers Disproportionately Face Key Barriers to Repayment

Survey finds Black borrowers self-reported experiencing the highest number of these factors

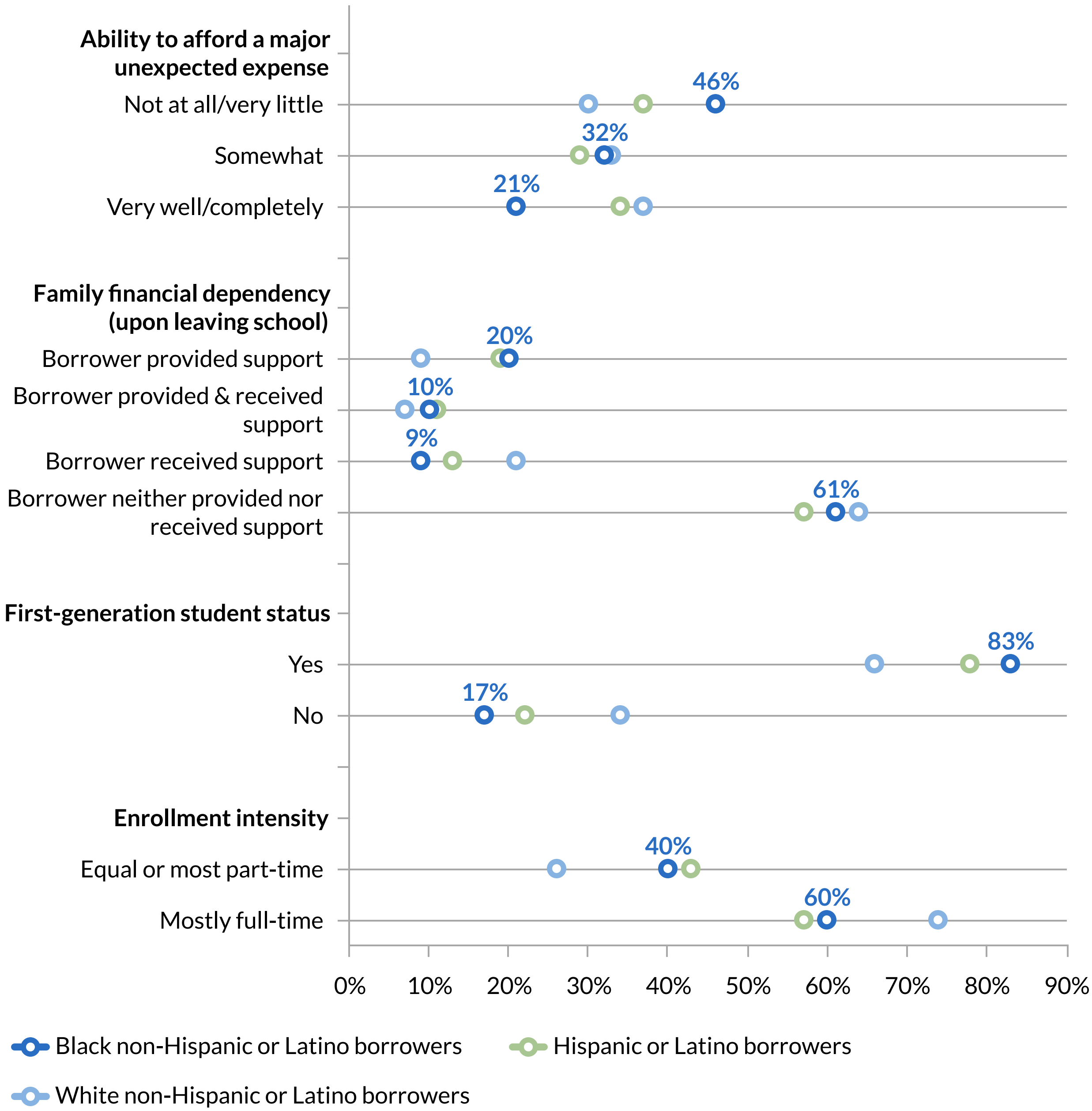


Note: Percentages may not add up to 100 due to rounding errors. Percentages are weighted to the U.S. 18-and-older general population using benchmarks from the Current Population Survey. For a complete list of all borrower characteristics analyzed in this report broken out by race and ethnicity, see Appendix B.

Figure 2.2

Black and Hispanic Borrowers Disproportionately Face Key Barriers to Repayment

Survey finds Black borrowers self-reported experiencing the highest number of these factors



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Black borrowers described having scarce resources and many financial obligations

Black borrowers reported having very limited financial resources to draw from. For example, 7 out of 10 Black borrowers (70%) said their 2019 annual household income was less than $50,000. This was a significantly higher rate than for Hispanic or Latino borrowers (49%) and more than twice that of White borrowers (34%) reporting similar income levels. Further, around a third of Black borrowers' incomes (35%) were under $25,000.

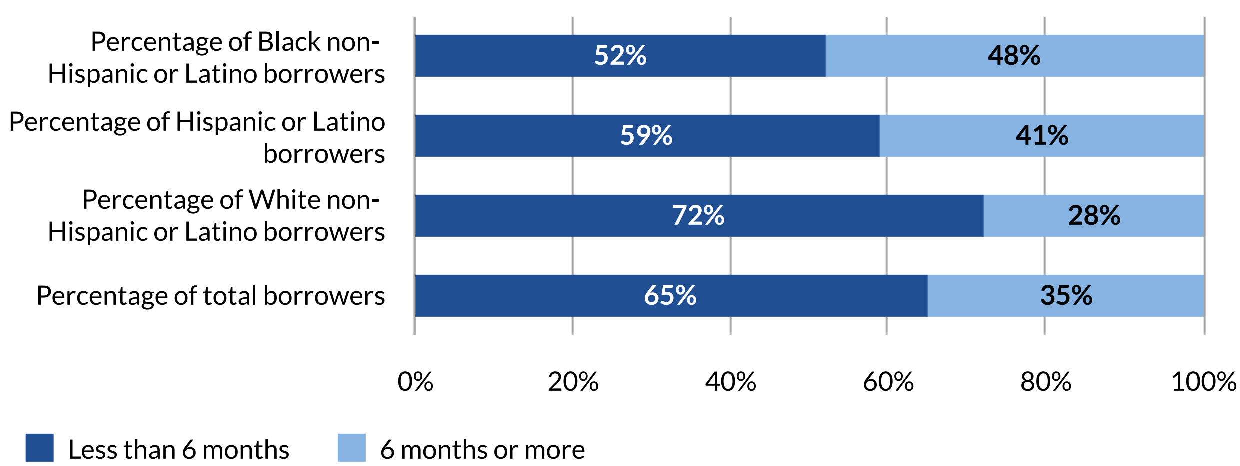
And for many, annual earnings were far from reliable. In a typical year prior to the pandemic, 41% of Black borrowers reported "sometimes," "often," or "always" experiencing employment gaps lasting four months or longer in a typical year, and nearly a fifth (19%) of Black borrowers reported that their income varied "quite a bit from one month to the next." Hispanic or Latino and White borrowers were less likely to report varying incomes (11% and 10%, respectively).

Racial disparities in labor market opportunities also show up in the experiences of Black student loan borrowers. For example, among those who were seeking employment, it took six months or longer for nearly half (48%) of Black borrowers to find employment upon leaving the school that they borrowed to attend (with or without a resulting degree) compared with 41% of Hispanic or Latino and 28% of White borrowers. And 15% of Black borrowers reported being unemployed but seeking work in the last three months before taking the survey compared with 11% of Hispanic or Latino and 5% of White borrowers. Federal student loan payments begin six months after a borrower leaves school, meaning that many Black borrowers are required to start repayment before securing an income.[49] Past Pew research has also found that borrowers who miss their first three payments are 2 1/2 times more likely to end up experiencing default than those who begin with making on-time payments.[50]

Figure 3

Time It Took Borrowers to Secure Employment After Leaving School

These borrower populations were significantly more likely to report needing 6 months or more to find a job after leaving their program



Note: "Total" is among Black, Hispanic or Latino, and White borrowers in the survey and excludes respondents of other race/ethnic classifications from the full sample. Percentages are weighted to the U.S. 18-and-older general population using benchmarks from the Current Population Survey.

In addition to having limited and volatile financial resources and experiencing barriers to employment, many Black borrowers have little or no wealth to draw from. Wealth is an important measure to examine in addition to factors like income because borrowers with more wealth (or access to more financial resources) have more flexibility to weather financial shocks such as a job loss, an unexpected medical bill, or a car repair and remain on schedule with their recurring expenses.

When borrowers were asked to think about their net worth (a measure of wealth) by subtracting all of their debts from all of their assets, approximately half (51%) of Black borrowers said that they would still be in debt (and only 26% said they would be net positive). This was significantly higher than among their Hispanic or Latino and White peers, of whom 38% and 37%, respectively, said they would still be in debt and 53% and 49%, respectively, said they would have some assets left.

The low net worth among Black borrowers reflects both limited assets and substantial debts and should be viewed in the context of the historical and contemporary discriminatory factors around labor, housing, and educational inequities. When asked to select what types of assets they held, Black and Hispanic or Latino borrowers were more than twice as likely as White borrowers to say they had none (17% and 16%, respectively, versus 6%). Having no assets means these borrowers don't have access to any checking, saving, or retirement accounts, among other resources.[51]

In terms of debts, Black borrowers were more likely to have larger student loan balances than White borrowers, with 64% reporting having student loan balances above $10,000 at the time of the survey as compared with 53% of White borrowers. While past research has shown that default is more strongly linked to smaller levels of debt, typically amounts under $10,000, other studies have explained how Black borrowers are more likely to experience student debt balance growth that outpaces that of their White and Hispanic peers; this is due in large part to a higher likelihood of taking on additional debt for graduate school.[52]

Holding multiple debts is common among all student loan borrowers, with 85% reporting having debts in addition to their student loans. But Black borrowers are more likely to hold debt that deepens financial hardship rather than builds wealth (such as medical debt, for example).

Over half of Black borrowers listed having credit card debt (52%), which typically has higher interest rates than most other types of consumer debt. Many Black borrowers listed having several other higher-interest debts as well, including medical debt (37%), municipal debt (12%), and payday loans (10%), which confer very high interest rates. In fact, it is concerning that 12% of Black borrowers report having a municipal debt (which includes things such as parking tickets, state tax debts, and court fees) as compared with 2% of Hispanic or Latino and 4% of White borrowers, but only 10% of Black borrowers say they have a mortgage—a type of debt that can help borrowers build wealth through home equity—versus 31% of Hispanic or Latino and 42% of White borrowers who have mortgages.

The relatively high proportion of Black borrowers with municipal debt is striking, and significant evidence exists to suggest that some communities of color have been disproportionately targeted by the enforcement of activities that generate fines and fees, such as traffic stops or missing a court summons.[53] A recent survey found that many people who incurred such fines and fees said paying them made it harder to cover essential expenses such as housing (27%), food (35%), and transportation (32%).[54] Some research suggests that these court fines and fees have often been imposed without regard to defendants' ability to pay, which could help explain why they frequently lead to financial strain.[55]

Borrowers' use of payday loans is another key example of a kind of debt that can compound their financial hardships. This type of lending, which typically comes as a small-dollar loan with a very high interest rate—the rate can equate to 400% as an annual percentage rate—is often considered a form of predatory lending.[56] In fact, one study found that the payday lending industry often targets Black and Hispanic or Latino communities through advertising, while traditional banking institutions direct advertising toward White communities.[57]

An extensive body of Pew research has detailed the negative effects of payday loans.[58] While payday loans are often marketed as a solution to a temporary cash crunch, 70% of borrowers who take out these loans do so to meet monthly financial obligations such as rent and utilities.[59] And because these types of loans are required to be paid back in full, which many borrowers can't afford, people end up paying exorbitant fees to "renew" the loans—total fees typically dramatically exceed the amount borrowed. Understanding that Black student loan borrowers (and Black communities more generally, per Pew research) are disproportionately more likely to have this type of debt helps illustrate how structural disadvantages can lead to a range of financial challenges that make it harder to pay off student loans.[60]

It is critical to keep a borrower's full scope of debts in mind when considering what makes student loans so challenging for many. In fact, "having other higher-priority debt" was a top reason borrowers (regardless of race or ethnicity) gave for having their student loans default and redefault.[61] Past research has found that borrowers rank student loan payments low on their priority list for the bills they owe.[62] This is sensible considering that repercussions for defaulting on private and civil debts are often collateralized. For example, falling behind on one's car payments can lead to repossession, which in turn may affect a person's ability to get to work and earn the income needed to meet basic needs and pay off other debts. And the ability to get to work is of course related to fiscal resiliency overall. When asked how well they or their household could handle a major unexpected expense prior to the COVID-19 pandemic, nearly half (46%) of Black borrowers said "not at all" or "very little" compared with 37% of Hispanic or Latino and 30% of White borrowers.

While Black borrowers are less likely to have the wealth to take on additional expenses or build a personal safety net, they are also more likely to provide financial support for their family members beyond their children (e.g., parents, grandparents, aunts/uncles, nieces/nephews) than to have received financial support from family. In fact, 20% of Black borrowers reported having financially helped family, versus 9% who said they had received such help. This means that Black borrowers more often provide financial support to nondependent family members while being less likely to have the means to do so—a finding also found in past studies.[63] At the same time, they are also less likely to be supported financially by their family when facing challenges of their own. Given the inequities around intergenerational wealth and access to opportunities for Black borrowers, it's not surprising that these statistics on familial support are virtually flipped for White borrowers, with 9% saying that they have provided financial support and 21% saying they have received such support.

One example of how family support can play out in the context of student loans is with Parent PLUS loans. These are a type of federal student loan parents can take out on behalf of their children to minimize the amount of a student's debt in his or her own name or to help cover the full cost of attending college. These loans require underwriting based on the borrower's ability to repay the loan, come with higher interest than other federal Direct loans, and have significantly more limited access to IDR plans.[64]

While the survey did not measure whether borrowers took out or were beneficiaries of Parent PLUS loans, other research has shown how this type of debt has been increasingly used by Black borrowers and their parents, with one study finding that from 1996 to 2018, the share of Black students who received financial support through Parent PLUS loans increased from 3.5% to 6.2%.[65] In 2018, this share was 3.1% for Hispanic or Latino students and 5.1% for White students, respectively.[66]

Factors that hinder Black borrowers' repayment success also include academic experiences

Beyond purely financial factors, the survey identifies several academic challenges that disproportionately affect Black borrowers and are strongly linked to repayment challenges and default.

Many Black borrowers face hurdles in postsecondary education well before their student loan repayment experience begins. For example, over 8 in 10 (83%) Black borrowers entered school as first-generation students and almost half (45%) said they did not complete the degree for which they borrowed. Borrowers in the survey were classified as first-generation students if they reported that their parents did not earn an associate degree or higher.[67]

A significant body of research has documented the adversity faced by first-generation students compared with their peers whose parents also attended college. One study found that, even when controlling for income, first-generation students were still 16 percentage points less likely to complete their degrees than their non-first-generation peers.[68] Another study, which looked at first-generation completion by race and ethnicity, found that only 21% of Black first-generation students completed at least a bachelor's degree, whereas the completion rate for Black non-first generation students was 57%.[69] Noncompletion is one of the biggest risk factors for default because these borrowers leave school without an income-boosting credential but with the added debt burden of their student loans.[70]

First-generation students face unique barriers to completion, such as systems that depend on students having connections to higher education and networks to lean on for financial, intellectual, or emotional support. This phenomenon, which academics refer to as "social capital," could be at play here since first-generation students cannot necessarily rely on the experiences of their parents or siblings to help navigate complex and jargon-laden systems of higher education enrollment and financing. For example, one study found that students who are the first in their family to attend a postsecondary school often did not know what important terms like "FAFSA" meant.[71] The Free Application for Federal Student Aid, commonly known as "FAFSA," is the form the Department of Education requires students to complete each year to access federal grants, loans, and other forms of financial aid. States and institutions of higher education also often require FAFSA completion to provide their own additional financial aid to students. Examples such as this underscore how students are not adequately supported through critical elements of higher education financing, which can greatly influence how students pay for college, or whether they attend one in the first place.

Research has found that racial and ethnic barriers to college access have been a major driver in creating disparate outcomes between Black and Hispanic or Latino first-generation students and their White peers. In addition to the long history of barring or limiting marginalized communities from enrolling in American colleges and universities or pursuing certain programs as cited earlier, inequities in the K-12 education system also create unequal postsecondary opportunities. A good example are private schools; as of 2019, 9% of K-12 students were enrolled in private school.[72] Yet, White students made up about two-thirds of these enrollments while Hispanic or Latino and Black students combined made up about a fifth.[73] One sociological study highlighted the advantage that an elite K-12 education can have in a student's college experience by showing how lower-income students of color who had access to elite college preparatory schools were much better equipped to navigate the higher education system than their lower-income peers who were not afforded such opportunities.[74]

Hispanic or Latino borrowers also frequently face financial and educational situations that leave them vulnerable to experiencing default

While Black borrowers reported experiencing the most barriers to repayment, Hispanic or Latino borrowers also reported experiencing several of these hurdles at higher rates than their White counterparts, and in some situations Hispanic or Latino borrowers were the most likely to report such experiences.

Like their Black peers, many Hispanic or Latino borrowers also indicated having access to limited and unstable financial resources while also having to pay off other high-interest debt beyond their student loans. Nearly half of Hispanic or Latino borrowers (49%) reported earning less than $50,000 in 2019, approximately a third (33%) reported "sometimes," "often," or "always" experiencing gaps in employment lasting four months or longer, 41% said it took six months or longer to enter the workforce upon leaving school, 16% indicated that they hold no assets at all, and 37% felt that they'd be unlikely to be able to handle a major unexpected expense.

Looking specifically at household income below $25,000 (i.e., below the poverty level for a family of four), 29% of Hispanic or Latino borrowers fell into this category compared with 35% of Black and 15% of White borrowers. This data helps put student loan obligations in the broader context of Hispanic or Latino borrowers' financial situations.

Hispanic or Latino borrowers also reported providing support to nondependent family members (parents, grandparents, aunts/uncles, nieces/nephews) at a similar rate to Black borrowers (19% versus 20%), although they were slightly more likely to receive such support (13% versus 9%). Past studies have also found that Hispanic or Latino households are the most likely to report feeling burdened by providing financial support to family, with approximately three-quarters (76%) reporting so compared with 61% of Black and 57% of White households.[75] As previously cited, White borrowers are more than twice as likely to receive financial support from family (21%) than needing to provide it (9%).

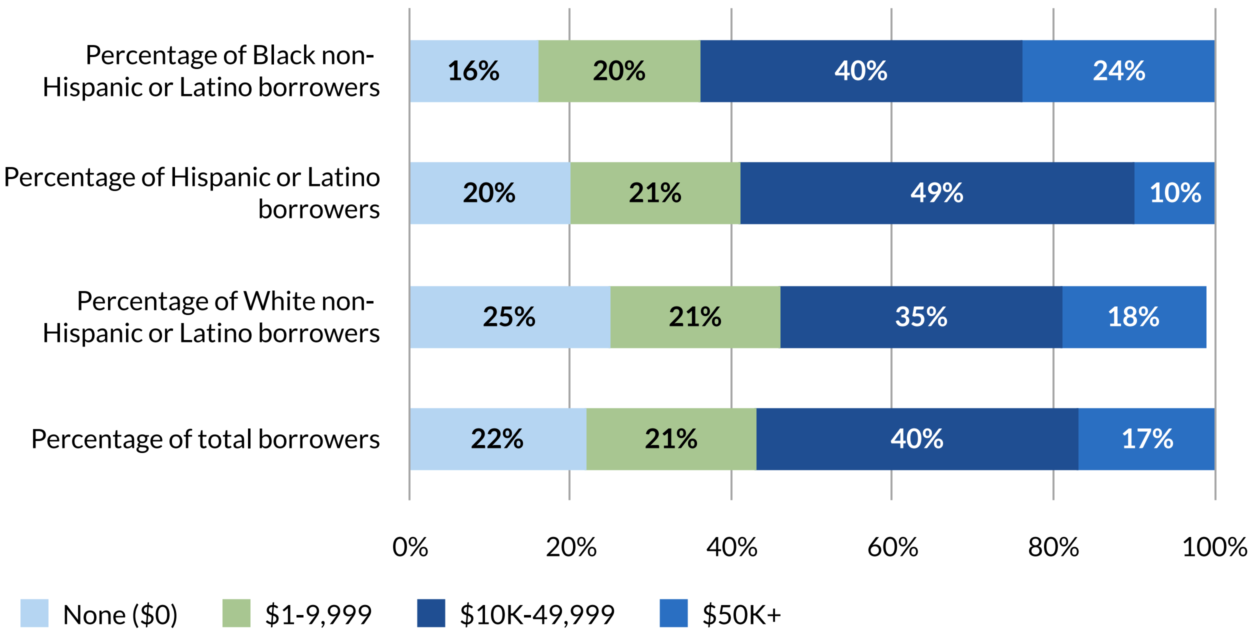
Another key area that could be contributing to elevated financial constraints for Hispanic or Latino borrowers has to do with where they reside. The survey found that Hispanic or Latino borrowers (43%) were significantly more likely to live in states where 2019 price levels of goods and services were higher than the national average compared with their Black (21%) or White (28%) peers.[76] This is noteworthy because higher-than-average price levels, which take into account the costs of goods and services such as housing, health care, food, clothing, and transportation, lower people's purchasing power, making their income go less far in covering financial obligations, and could be a contributing factor to Hispanic or Latino default rates.[77] In fact, when looking only among borrowers who have experienced default, this cost-of-living gap increases with 53% of Hispanic or Latino borrowers living in states with higher-than-average living expenses compared with 19% of Black and 24% of White borrowers. The cost of living in California appears to be the primary reason for this finding; approximately a quarter of the survey's Hispanic or Latino borrowers resided there at the time of data collection, and these findings do not hold when California is removed from the analysis.

There are also some indications that many Hispanic or Latino borrowers may need to pay off higher levels of student loan debt than their White peers. At the time of the survey, 59% of Hispanic borrowers owed more than $10,000 compared with 53% of White borrowers. Although when looking at high levels of debt ($50,000 or more) this trend does not hold, here Black borrowers are the most likely to fall into this top category.

Figure 4

Black and Hispanic Borrowers Report Higher Student Loan Debts Than White Peers

Amount owed in federal and private student loans for undergraduate and graduate education in 2021



Notes: Respondents were asked approximately how much they owed at the time of the survey in federal and/or private loans, as well as for both their undergraduate and graduate education. The survey did not measure whether borrowers also had student loans on behalf of their dependents, known as Parent PLUS loans, so the total debt in this figure includes only loans taken out for borrowers' own education. "Total" is among Black, Hispanic or Latino, and White borrowers in the survey and excludes respondents of other race/ethnic classifications from the full sample. Percentages may not add up to 100 due to rounding errors. Percentages are weighted to the U.S. 18-and-older general population using benchmarks from the Current Population Survey.

In terms of postsecondary experience, Hispanic or Latino borrowers, like their Black peers, were also more likely to attend postsecondary school as first-generation students (78% versus 83%) than their White counterparts (66%), which, as noted above, may represent unique institutional barriers to completion. In fact, according to a 2019 study cited earlier, completion rates among Hispanic or Latino first-generation students are concerningly low. Whereas 21% of Black and 29% of White first-generation students ultimately earned at least a bachelor's degree, just 15% of Hispanic or Latino first-generation students were able to do so.[78] The completion rate among Hispanic or Latino non-first-generation students was 58%, compared with 57% among Black and 72% among White non-first-generation students.[79]

Research has found that the experiences of Black and Hispanic borrowers are not always the same. A 2021 Lumina Foundation report describes how Hispanic or Latino families can often view debt, such as student loans, as a "family burden" as opposed to an individual one.[80] The authors also explain that Hispanic or Latino families often have weak social trust in educational, government, and financial institutions that stems from a history of poor treatment within public schools and social systems. This lowered trust has led many families to be wary of the guidance received from school counselors and instead to gravitate toward decisions that mitigate debt accrual.[81] Perhaps related to this last point, Hispanic or Latino students are also more likely to work while in school.[82]

That Hispanic or Latino families often consider debt such as student loans as a "family burden" as opposed to an individual one may also tie into the use of Parent PLUS loans. While the share of Hispanic or Latino students who received financial support through these types of loans in 2018 (3.1%) was lower than among Black (6.2%) and White (5.1%) students, usage has increased at a faster rate since 1996, with the number of Hispanic or Latino borrowers who received this support nearly quadrupling over this period (the number of Black students nearly tripled during the same time frame).[83]

Moreover, when combining students' Hispanic or Latino personal student debt with the Parent PLUS debt their parents had accrued for their education, the study found that total debt 10 years after earning a bachelor's degree was, on average, 25% larger than students' annual incomes.[84] In comparison, Black students' total debt in the same time frame was 9% larger than their income, and for White students debt was 2% larger than income.[85]

Research on Parent PLUS loans is concerning because, as noted earlier, this type of debt comes with less favorable terms and greater repayment plan restrictions than the federal loans that students have access to. In reality, this type of debt, which is disproportionately held by families of color, is yet another financial obligation that can affect the financial wellness of students and their families and make it harder for borrowers to afford federal loan repayment after leaving school.

The Pew survey found that Hispanic or Latino borrowers were slightly more likely than their Black peers and much more likely than White borrowers to attend school either mostly part time or equally split between part- and full time (43%, 40%, and 26%, respectively). Attending school part time reflects intentional strategies that Hispanic and Latino students have reported using to be able to pay for school, such as using the extra time away from coursework to work full time.[86]

While discussions on college completion often don't take part-time learners into account, available data shows that completion rates are lower for those who attend school part time, likely because of the many responsibilities these students often juggle alongside their coursework.[87] While part-time attendance may be the only option for some students seeking a postsecondary degree, it puts those borrowers at higher risk of leaving school with debt but no credential, which in turn can make loan repayment more challenging and put disproportionate financial strain on Hispanic and Latino borrowers and others who attend programs part time.

Additionally, survey data found that Hispanic or Latino borrowers were more likely to report attending a program that was exclusively online (18%, versus 13% of Black and 12% of White borrowers) and to attend a for-profit school (19%, versus 15% and 9%, respectively). As with part-time enrollment, online and for-profit programs typically offer students significant flexibility to work while enrolled and/or juggle other commitments. Yet past studies have found that students who attend postsecondary school online or at for-profit schools are also more susceptible to poor outcomes—such as noncompletion, student loan default, or higher tuition costs—than public schools.[88] And other research has identified predatory practices used by for-profit institutions that specifically targeted Hispanic or Latino communities, which at times even pull students away from other institutions.[89]

Understanding the various financial and other challenges that Black and Hispanic or Latino borrowers disproportionately face may partly explain why these groups experience default and redefault at much higher rates than their White counterparts.

Current Repayment Options Designed to Help Borrowers Struggling With Loan Repayment Have Had Limited Success, and May Be Underused

In considering the causes of student loan default, it is important to also examine how borrowers navigate the repayment system itself, especially when using available relief tools designed to promote loan affordability. For example, borrowers can use forbearances and deferments (see Exhibit B) during periods of personal economic hardship, which allow borrowers to temporarily pause payments. For longer-term solutions, borrowers can enroll in an IDR plan, which can lower monthly payments by tying the amount owed each month to borrowers' incomes and family sizes.

This section investigates the extent to which Black and Hispanic borrowers make use of these tools and their effects on the ability of borrowers to meet their loan obligations, and more generally examines whether there are racial disparities in borrowers' experiences with the repayment system that could be contributing to disparate default rates.

Pew's survey finds that while both Black and Hispanic or Latino borrowers make frequent use of shorter-term repayment relief tools such as temporarily pausing their payments, enrollment and retention in IDR plans vary, with Hispanic or Latino borrowers being the least likely to enroll in these plans. This suggests that struggling borrowers often are not matched with the most appropriate repayment option for their circumstances and more research is needed to better understand the extent of such cases and to monitor future enrollment and retention in IDR plans.

Exhibit B

Borrowers have access to repayment tools that can offer relief

Pausing payments
A set of tools, known as deferment and forbearance, is available to support borrowers who need to postpone or suspend their payments. Eligible borrowers include those who are enrolled at least half time in school, unemployed, disabled, serving in the military, or experiencing economic hardship, among other reasons.[90]

Deferment: Borrowers with certain types of loans may be able to pause their payments and avoid accruing interest during the deferment period. Most borrowers who are permitted to use deferments do so while enrolled in school or because of financial hardship, such as unemployment.[91]

Forbearance: In general, loans paused using forbearance continue to accrue interest. Borrowers can opt-in to discretionary forbearances—typically offered during periods of economic hardship—or be placed in mandatory forbearances by their servicers. Servicers can apply forbearances while they process IDR and other loan-related applications or while borrowers work to submit required documentation. In addition to pausing future payments, forbearance can be applied retroactively to make delinquent accounts current so the borrowers can use certain repayment options; for example, IDR plans.

Borrowers who qualify for a deferment or a forbearance can typically postpone their payments for up to a year at a time (although some borrowers use these tools for shorter periods) and for a maximum of three

Continued on next page

years using each type of tool.[92] With some types of deferment and many types of forbearance, when the period of suspended payments ends, unpaid interest on the loan capitalizes—that is, is added to the principal and increases the amount subject to interest charges.[93]

Income-driven repayment (IDR) plans

These plans, which are recertified annually, can lower borrowers' monthly payments to as little as $0 because they cap payments to a certain percentage of borrowers' income and adjust for family size. They also forgive remaining balances after a set number of years in repayment.

There are several types of these plans, the most recent addition being Saving on a Valuable Education (SAVE), which replaced the Revised Pay as You Earn (REPAYE) plan but is being legally challenged at the time of writing.[94] Under SAVE, 225% of the federal poverty guideline is protected income for borrowers (roughly $32,800 in 2024 for a borrower who is single). Additionally, borrowers enrolled in SAVE whose monthly payments do not cover interest accrual received interest subsidies, ensuring that borrowers' balances do not grow over time. The percentage of borrowers' nonprotected income that makes up their payments was also lowered in summer 2024 from 10% to 5% for undergraduate loans (with a weighted allocation for borrowers that also have graduate loans).[95]

SAVE also allows borrowers with balances of $12,000 or less after 10 years in repayment to have $1,000 forgiven each year that a borrower is on the plan. Any remaining balance of the original $12,000 is forgiven after the 10-year mark, and for amounts greater than $12,000, another $1,000 is written off each additional year of payments (for example, a $13,000 balance will be forgiven after 11 years in repayment). For any remaining balances, forgiveness for undergraduate loans occurs at 20 years, and at 25 years for graduate loans.[96]

In addition to the new SAVE plan, the Education Department also implemented some changes that apply to all IDR plans. One particularly noteworthy update comes from provisions of the Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act of 2019, which allows borrowers to opt-in to the use of income and family size information held by the Internal Revenue Service (IRS) to automatically recertify their participation and monthly payment amount in an IDR plan. This greatly simplifies the annual recertification process for those who opt in and ensures that they will not be dropped from an IDR plan (and then required to make a higher monthly payment for failure to provide recent information on their income). And as part of this change, new borrowers who opt-in to this agreement when they originate their loan will be automatically enrolled into the IDR plan with the lowest monthly payment that they are eligible for if their payments become 75 days late.[97]

At the time of the Pew survey (summer 2021), the most generous version of IDR available to borrowers was REPAYE, which set monthly payments at 10% of borrowers' discretionary income for those who earned more than 150% of federal poverty guidelines and forgave any outstanding balance after a borrower made payments for 20 years (undergraduate loans) or 25 years (graduate loans).[98] One estimate found that almost half of those enrolled in an IDR plan qualify for $0 monthly payments.[99] See Appendix A for a detailed breakdown of how the REPAYE and SAVE IDR plans compare.

At the time of writing, the outcome and implications of the legal challenge against SAVE remains unresolved.

Continued on next page

Public Student Loan Forgiveness (PSLF) Program:
Borrowers who work full time for a government or nonprofit organization can also qualify for the PSLF Program, which forgives any remaining balance after 120 qualifying payments in an IDR plan (and takes at least 10 years). Research released in 2019 found that 99% of borrowers who thought they had reached the threshold for PSLF forgiveness and submitted their request were denied.[100] The Department of Education subsequently provided a limited PSLF waiver period and adopted program changes that fixed existing issues with tracking borrowers' progress and broadened eligibility requirements to make the program more accessible.[101] As of April 2024, these changes have resulted in more than 876,000 borrowers receiving forgiveness through the program.[102]

Majority of Black and Hispanic or Latino borrowers have paused payments

A majority of Black and Hispanic or Latino borrowers report having used forbearance or deferment to temporarily pause their payments (69% and 56%, respectively), doing so at higher rates than White borrowers (48%).

But while pausing payments can offer a temporary reprieve for dealing with short-term financial challenges such as a short-term disability or unexpected car repair, it can make it harder for borrowers to pay off their loan when payment resumes. In most circumstances, interest continues to accrue during these temporary pauses and borrowers' progress toward forgiveness on any eligible programs is typically stalled. So, it is not surprising that default rates are high despite frequent use of paused payments because rather than adjusting payment terms to make the loan more affordable or provide forgiveness, these tools simply push the often-growing loan obligation further down the road.

The survey suggests that many Black and Hispanic or Latino borrowers faced ongoing rather than temporary financial challenges, with nearly half (48%) of Black and approximately a third (34%) of Hispanic borrowers reporting that they struggled with their monthly student loan payments "all" or "most of the time" they have been in repayment, as compared with 29% of White borrowers. In fact, borrowers who struggled were much more likely to use a forbearance or deferment (77%), temporary tools not suited to address persistent financial challenges, than those who reported struggling with payments only "some of the time" or "never" (41%).

Black and Hispanic or Latino borrowers use IDR at very different rates

IDR plans can provide more sustained repayment relief for borrowers struggling with repayment requirements by tying payment amounts to income and family size. While these plans often come with extended terms relative to the standard plan, especially for those with larger balances, a benefit of IDR is that these plans lead to loan forgiveness of any remaining balance after a set period of payments. The Standard Repayment Plan is the default option for borrowers beginning repayment unless they choose a different plan; it encompasses a set monthly payment over a fixed period—typically 10 years.[103]

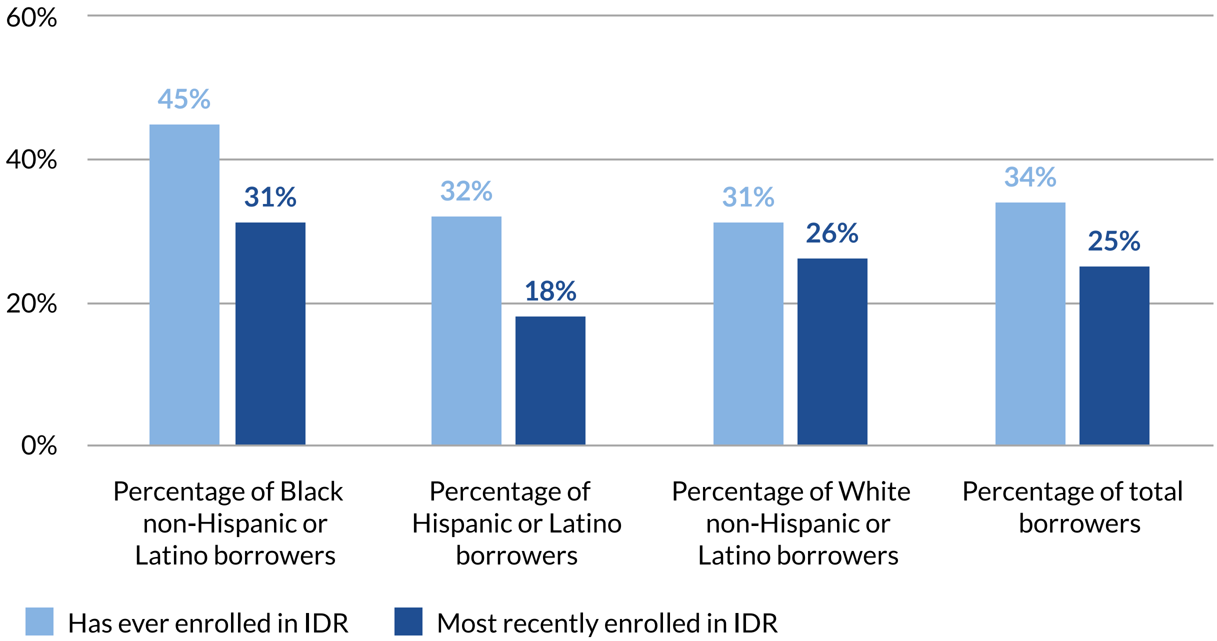
IDR plans have also been shown to reduce default rates. A Congressional Budget Office report found that borrowers who began repayment in 2012 and enrolled in an IDR plan by 2013 experienced default at about half the rate of their peers who enrolled in fixed-payment plans.[104]

Pew's survey found that IDR enrollment rates varied widely by race and ethnicity. Among those who have ever enrolled in an IDR plan over the past 20 years, higher proportions of Black (45%) borrowers did so than Hispanic or Latino (32%) or White (31%) borrowers.[105] When asked what was the most recent repayment plan that borrowers were enrolled in prior to the pandemic-related payment pause, 31% of Black, 18% of Hispanic, and 26% of White borrowers said an IDR plan.[106]

Figure 5

Hispanic or Latino Borrower Enrollment in IDR Is Significantly Lower Than That of Black Borrowers

IDR enrollment rates vary greatly by race and ethnicity



Notes: "Total" is among Black, Hispanic or Latino, and White borrowers in the survey and excludes respondents of other race/ethnic classifications from the full sample. Respondents who selected "Don't Know" are not shown but are included in the analysis; this is why numbers do not add up to 100%. Percentages are weighted to the U.S. 18-and-older general population using benchmarks from the Current Population Survey.

While nearly half (45%) of Black and about a third (32%) of Hispanic or Latino borrowers reported ever enrolling in an IDR plan, the survey provides some cause for concern.

First, examining IDR use among borrowers who reported earning less than $50,000 in 2019 household income reveals starker differences, particularly between Black and Hispanic or Latino borrowers. Among lower-income borrowers, greater proportions of Black (54%) and White (44%) borrowers had ever enrolled in IDR, while these reported rates remained very similar (35%) for Hispanic or Latino borrowers. This is particularly noteworthy because borrowers that earn less are more likely to have lower or $0 monthly payments on an IDR plan.[107] While a majority of lower-income Black borrowers have enrolled in such a plan, the fact that lower-income Hispanic or Latino IDR enrollment remains flat could indicate that many of these borrowers may be able to access more affordable monthly payments if they enrolled. Likewise, this could also be an indication that household income levels are more evenly distributed across Hispanic or Latino borrowers while Black and White borrowers may be more likely to fall into lower or higher income brackets, respectively.[108]

While the survey does not ask borrowers why they enrolled in a particular plan, studies discussed above highlight the lack of trust and rifts between financial institutions and Hispanic or Latino communities when it comes to borrowing and debt.[109] This points to a greater need for policymakers to engage with trusted partners to conduct outreach with this group of borrowers to ensure that they are aware of their repayment options and the benefits associated with IDR plans in particular.

Second, the data suggests that those who enroll in IDR don't necessarily stay enrolled. The survey asked borrowers both whether they had ever enrolled in an IDR plan and what their most recent repayment plan was prior to the 2020 payment pause. There was a noticeable drop-off between the percentage that had ever enrolled and the percentage that were most recently enrolled for all racial and ethnic groups (45% to 31% for Black, 32% to 18% for Hispanic or Latino, and 31% to 26% for White borrowers), with Hispanic or Latino borrowers reporting the lowest rates of recent IDR enrollment.

Though the survey did not examine why borrowers did not stay enrolled in IDR, past research suggests that borrowers have often had challenges with the annual recertification requirements for staying enrolled in an IDR plan.[110] It could be that Black and Hispanic or Latino borrowers are facing particularly steep challenges staying in IDR, which could contribute to their disproportionate rates of default and redefault. For example, as cited above, Black and Hispanic or Latino borrowers are more susceptible to gaps in employment than White borrowers, and Black borrowers are also more likely to experience income volatility than other groups, which could make it harder for Black and Hispanic or Latino borrowers to keep up with more frequent recertification, which has been a historically arduous process.

Other research has shown that balance growth, which happens when borrowers' monthly payments on an IDR plan are not high enough to cover the accruing interest, had negative impacts for borrowers. A 2021 study of Black borrowers found that most (71%) who enrolled in an IDR plan still felt their student loans had a "negative impact on [their] quality of life."[111]

Additionally, administrative tracking errors by the Department of Education reported in March 2022 by the Government Accountability Office (GAO) found that thousands of borrowers enrolled in an IDR plan may have qualified for forgiveness but had yet to receive it.[112] While these issues came to light after this survey was fielded, it is yet another example of the challenges borrowers have historically faced with these plans. Since the GAO report was released, the Education Department has taken steps to review borrowers' progress toward forgiveness and make payment count adjustments to resolve the issue.[113]

In addition to the payment count adjustments, other changes have been made to IDR, including the addition of the new SAVE plan and the automatic income recertification option through the FUTURE Act, that show promise to help mitigate the previous challenges created by recertification barriers and interest accrual in the future. However, such efforts must also be accompanied by strategic communication and outreach to borrower communities that in the past have been disproportionately overlooked or underserved.

Pew's survey suggests one potential explanation for why Hispanic or Latino enrollment in IDR is lower than for Black and White borrowers, especially when accounting for lower income levels. Previous research has pointed to gaps in awareness of IDR plans among groups that are more vulnerable to repayment difficulties. For example, a 2022 survey of borrowers found that 40% of those who earned less than $30,000 annually did not know about IDR plans.[114] And while Pew's survey did not find meaningful differences across Black, Hispanic or Latino, and White borrowers' awareness of IDR overall—57% of all borrowers knew about IDR at the time of the survey—when looking specifically among borrowers who earned $50,000 or less in 2019 household income, awareness among Hispanic or Latino borrowers (43%) was significantly lower than among Black or White borrowers (60% and 63%, respectively). This is particularly concerning because lower-income borrowers stand to gain the most from enrolling in an IDR plan. This finding is also consistent with trends in communication and education about borrowing, financial aid, and other services that have historically disserved Hispanic or Latino students, showing how these inequitable relationships with financial systems may affect borrowers in the long term.[115]

These findings underscore the importance for policymakers to explore the extent to which borrowers may be matched with temporary payment pauses when they might otherwise benefit more from an IDR plan. Additionally, given the significant changes to IDR since this survey was fielded, policymakers should continue to closely monitor IDR enrollment and retention in the future, particularly among SAVE users, and, if possible, by race and ethnicity to identify the extent to which recent IDR changes alleviate past issues.

More research is needed to better understand how interactions with the repayment system vary by race

While the survey suggests that experiences with the repayment system may vary by race, more research is needed to understand the extent and causes of those differences.

Pew's survey explored borrowers' interactions with servicers, a key factor that helps shape their experiences in the repayment system. But this analysis does not reveal stark differences by race and ethnicity that could help explain disparate default and redefault rates.

In fact, survey findings indicate that Black and Hispanic or Latino borrowers, populations who face greater adversity with repayment, are more likely to report having had an interaction with their servicer(s) at least once over the past two decades compared with their White peers (77%, 69%, and 61%, respectively). This finding aligns with past analysis of this survey, which found that borrowers with default experience were more likely to have ever had a communication with their servicer (74%) than those who had not experienced default (61%).[116] But it is important to distinguish who is initiating the communication. The survey found that borrowers who subsequently experienced default were nearly twice as likely to report not knowing how to contact their servicer(s) compared with those who had not experienced default (48% vs. 25%, respectively), underscoring the importance that targeted outreach from servicers can have on connecting struggling borrowers with support.

Other examination of borrowers' experiences with servicing did not vary significantly by race or ethnicity. For example, of all borrowers, regardless of race or ethnicity, who have communicated with their servicer, nearly three-quarters (74%) reported that outreach is equal between them and their servicer or that they typically are the ones to initiate the outreach than to say that they usually wait for their servicer to reach out to them first (26%). Reports of issue resolution were also similar across Black, Hispanic or Latino, and White borrowers with most saying that servicers addressed their issues—54% reported this after just one interaction with their servicer and another 30% said issues were addressed after two or more interactions.

There were also no differences across Black, Hispanic or Latino, and White borrowers in how consistent borrowers felt their servicers were with the information they received, with 39% of all borrowers who had multiple communications with their servicer reporting that communication was "always" consistent and 44% saying it was "sometimes" consistent. That said, it is worth noting that inconsistent information can more easily throw a struggling borrower off track, creating differential effects on communities that are more likely to encounter repayment challenges.

While the survey does not show many significant racial or ethnic difference in how borrowers interact with their servicers, the data cannot provide a complete picture. For example, the survey does not indicate whether borrowers received comprehensive guidance about all of their repayment options. It's possible that borrowers felt their "issue was addressed" by temporarily pausing their payments through deferment, when enrolling in an IDR plan may have put them in a better long-term position to stay on track with repayment. Likewise, it is possible that borrowers felt unsatisfied with their interaction because they requested information outside of servicers' domain, such as seeking individual counseling and advice.

Past audits of loan servicers and consumer complaint reports have in fact found evidence that borrowers have not always been given comprehensive information about their repayment options, such as eligibility requirements for IDR or how these plans work, or have been given information about them only when borrowers explicitly ask.[117] In some cases, borrowers have reported being guided toward a temporary payment pause through a deferment or forbearance when an IDR plan may have been the better option (or at least a serious consideration).[118]

It is also worth noting that servicers may assume an outsize role as the only or primary source of repayment information for certain communities, making it even more critical that they provide comprehensive information. For example, those who were first-generation students, which Black and Hispanic or Latino borrowers are more likely to be, may rely on servicer information more heavily because their personal networks do not have or share the same degree of firsthand experience with the federal student loan repayment system.

Research that focuses in greater depth on repayment experiences by race for borrowers in specific situations, such as those who could benefit from a $0 payment in IDR but are not enrolled in this type of plan, and on more available data regarding servicer-borrower interactions could shed light on whether disparities lie below the surface of these initial findings.

To Improve Repayment Outcomes for the Many Borrowers Who Struggle, Reforms Are Needed

Payments and interest on federal student loans resumed in October 2023 after a more than three-year pause implemented because of challenges caused by the COVID-19 pandemic. As borrowers continue to adjust to the resumption of payments, the Department of Education has been implementing several policies that will reshape major aspects of how student loan repayment continues to operate.

Perhaps most widely recognized is the Biden administration's ongoing efforts to grant debt forgiveness to certain borrowers, which was initially struck down by the Supreme Court and has since been pursued in more limited form through regulatory authority of the Department of Education.[119] The department is also expected to release another proposed rule as a second part to this effort, which will outline circumstances that would qualify as "hardship" for borrowers and could lead to loan forgiveness under the discretion of the secretary of education.[120] The likelihood of loan default is expected to be a factor in determining whether borrowers will qualify for this form of forgiveness.[121]

As mentioned above, the department also revamped an IDR plan, now called SAVE, which helps increase the affordability of monthly payments and reduce balance growth for many borrowers, among other benefits, and will hopefully help a substantial number of borrowers to avoid loan default in the future. The SAVE plan was fully implemented as of July 1, 2024, but its future is uncertain due to legal challenges that were ongoing at the time of writing this report.

The department also launched the Fresh Start program, which temporarily and automatically continued the suspension of default penalties that began during the payment pause, such as involuntary collections, through September 2024 and prevents any federal loans from defaulting during this time frame. As an additional component to the program, which required a sign-up from borrowers, those with a defaulted loan could have their loan placed back into good standing, thereby exiting default status and becoming eligible for repayment plans such as SAVE. This component of the program is particularly notable because it is a much easier and faster pathway out of default than traditional methods such as rehabilitation and consolidation, and it also helps borrowers who have exhausted these options and whose loans would otherwise be trapped in default.

Finally, in 2021 the department ended the role of private collection agencies, which have historically managed defaulted loans.[122] Maximus, a federal contractor that has historically processed and transferred defaulted loans between servicers and collection agencies, is currently managing the defaulted loan portfolio. The department plans to ultimately assign one or more entities to handle the portfolio for the long term. The department also plans to begin the process of installing specific rules focusing on debt collection, although the timing is unclear.[123]

These changes have the potential to significantly reshape what repayment looks like for millions of borrowers and reduce the number who experience default. While it is too soon to know the extent to which they will close the large and persistent racial and ethnic gaps in student loan repayment outcomes, the hope is that they will. However, more action is needed to reform the default system itself. Apart from ending the role of private collection agencies, none of these recent policies change how the default and collections system will function once it is fully operational in fall 2024.

The following set of policy recommendations focuses on reforms that the Department of Education can enact to have a timely impact on shaping the repayment experience of struggling borrowers.[124] While these recommendations will help borrowers who struggle, regardless of their race or ethnicity, these reforms will hopefully help address in a timely way a key driver of inequity in the student loan system given that Black and Hispanic or Latino borrowers disproportionately struggle with repayment.[125]

Problem A: Black and Hispanic Borrowers Disproportionately Experience Default and Redefault

Research shows that default rates vary significantly by race and ethnicity—a concerning trend that also extends to redefault. Among those who ever had a defaulted loan, some three-quarters of Black (74%) and Hispanic or Latino (75%) borrowers experienced default multiple times compared with about half (56%) of White borrowers. And many Black and Hispanic or Latino borrowers exhaust the two traditional pathways to exiting default, rehabilitation and consolidation.

Recommendation A: Restructure and Expand Borrower Pathways Out of Default

Since Black and Hispanic or Latino borrowers are more likely to end up in a difficult and expensive situation to exit default and begin repayment again, the Education Department should create a new permanent pathway out of default. Doing so would allow borrowers to exit default by enrolling in an IDR plan, which can provide long-term repayment relief by lowering monthly payment to as little at $0. This pathway is currently available to borrowers until September 2024 through the Fresh Start initiative and is much faster than rehabilitation or consolidation, which can take several months to complete. The department should consider making this a permanent way for borrowers to exit default and limit any associated penalties to just what is required by law or due to logistical complexity (i.e., a potential impact on borrowers' credit).

If the department is unable to create IDR enrollment as an additional default exit mechanism, it should seek to remove the one-time limits on rehabilitation and/or consolidation. This would at least ensure that borrowers always have a viable pathway back into repayment.

Problem B: Black and Hispanic Borrowers Disproportionately Experience Circumstances Linked to Default

Prior Pew research identified several characteristics and factors linked to higher default rates, and this report highlights the greater likelihood of Black and Hispanic or Latino borrowers experiencing these challenges. Other studies have shown that these often are rooted in widespread inequities such as lower household incomes, more volatile employment, and other debt obligations with higher risk or fewer assets to draw from. All of this means that if their loans default, Black and Hispanic or Latino borrowers are more financially vulnerable to existing punitive collections practices such as Treasury offsets, wage garnishments, and collection fees.

Recommendation B: Eliminate the Collections System's Counterproductive Aspects

Because borrowers with fewer resources—including many Black and Hispanic or Latino borrowers—are more likely to feel greater financial repercussions from a defaulted student loan due to higher collections costs than what's incurred in repayment, the Education Department should restructure the system to be less focused on penalties and, instead, more focused on fostering active repayment. In this manner, borrowers will be held accountable to repay their loans, but will do so at more affordable rates on par with IDR repayment plans. Specifically, the department should:

- Align involuntary collections—wage garnishment and tax seizure—with how much a borrower would owe on an IDR plan so that borrowers are not paying more on a defaulted loan than they would otherwise owe in repayment. While the calculations are quite complex, currently, more of a borrower's income is protected from payments in an IDR plan than with wage garnishment. And borrowers' entire tax refunds can be seized each year until their entire balance is paid back, with no consideration of the impact on a borrower's financial situation. Even tax programs for lower-income households that can be paid out through tax refunds, such as the earned income tax credit and child tax credit, can be confiscated to collect on defaulted loans, which is counterintuitive because these programs are designed to help families meet basic needs.
- Make collection fee calculations transparent. These fees can currently vary significantly depending on different exit pathways, and borrowers are not able to see these rates. Creating transparency will enable borrowers to better calculate the costs of each exit option and make an informed decision. The department should also ensure that collection fees are never higher than the actual costs incurred to recuperate the debt. In other words, fees should not be used as additional financial penalties for borrowers unable to repay their loans.
- Adjust financial aid eligibility requirements to allow borrowers with defaulted loans to access additional aid. There is a strong link between noncompletion and loan default for borrowers, and Black and Hispanic or Latino students both disproportionately face barriers to completion. Barring borrowers without a degree or postsecondary credential, such as a certificate, from accessing financial aid essentially traps them in debt because they do not have the same earnings potential as their peers who were able to complete their programs, and they are also unable to afford to reenroll.[126] The same applies for borrowers who may have earned a credential, but one of low value that did not lead to an appropriate income increase.

Problem C: Costly Short-Term Repayment Relief Tools Are Used More Often Than Longer-Term Options

A majority of Black and Hispanic or Latino borrowers reported ever using a deferment or forbearance to temporarily suspend their payments (69% and 56%, respectively) and did so more than their White peers (48%). While these tools can help with short-term repayment challenges, interest typically continues to accrue and borrowers eventually need to resume payments. On the other hand, IDR offers the potential for longer-term repayment relief by lowering monthly payments. Yet, IDR enrollment rates vary by race and ethnicity: Among borrowers who earned less than $50,000 in household income—and therefore stand to benefit the most from an IDR plan—Black IDR enrollment was highest at 54%, followed by White (44%), and then Hispanic or Latino borrowers (35%).

Recommendation C: Increase Effectiveness of Repayment Tools by Matching Borrowers With the Right Options

While the survey did not identify many differences by race or ethnicity in how borrowers reported experiences and perceptions of communication with servicers, the fact that deferment and forbearance usage and IDR usage and retention vary so significantly underscores the importance that policymakers better understand what's driving these divergences. This is particularly important regarding the finding that Hispanic IDR usage is so relatively low, even when looking specifically at lower-income households likely to benefit the most from an IDR plan. Additionally, past studies have shown some cause for concern in the type of information struggling borrowers receive when seeking support. The Department of Education should consider ways to better connect these borrowers with repayment options that will best support them. More information is needed to do this effectively. The department should therefore:

- Release audits that examine the consistency by which servicers give borrowers information about all their available options, especially when borrowers indicate facing repayment challenges. It would be particularly helpful to know, for example, how often temporary pauses are discussed compared with IDR.
- Publish information on how IDR is discussed by servicers to ensure that borrowers are being given clear and comprehensive explanations of how these plans work and their eligibility requirements. Specifically, the department should collect and release servicer information on how representatives are trained to troubleshoot borrowers' issues and navigate available options, as well as publish periodic reports from its own assessments of servicer-borrower interactions so researchers have the data required to fully examine this aspect of the repayment experience.
- Regularly release deferment and forbearance usage statistics broken down by income and payment plan. This would enable policymakers and other stakeholders to identify roughly how many borrowers are using temporary relief tools when they may have been better served by enrolling in an IDR plan.
- Make data publicly available on the new SAVE IDR plan and recent changes to how IDR operates, which seem promising for addressing some of the historical issues borrowers have had with enrolling and staying in these plans. Yet, substantial attrition rates highlighted in this report, paired with other studies that unpack the challenges that Black borrowers, in particular, have faced with IDR, call for closely monitoring IDR enrollment and retention moving forward. If possible, the department should also explore these trends by different racial and ethnic borrower populations.
- Release data on borrower uptake with opting-in to data sharing between the IRS and the Education Department at the various touchpoints, as well as auto-IDR enrollment rates of borrowers who are 75 days or more delinquent on payments, to evaluate how effective default prevention measures are performing.
- Look beyond servicers as the only or main source of information for borrowers. Thus, the Department of Education should continue to partner with organizations that have established trust in Black and Hispanic or Latino communities and lower-income areas to help broaden outreach about available tools and supports.

Releasing the data described above would greatly increase visibility of how borrowers interact with the repayment system and the types of information they receive when seeking support. Additionally, given this report's findings, there are several other aspects of borrowers' experiences with the repayment system that would benefit from more publicly available data and additional research. To the extent possible, this research must consider the unique contexts faced by various borrower communities, such as connecting experiences and outcomes to structural barriers imposed on Black and Hispanic communities. Specifically:

- While Pew's survey revealed large variation in IDR enrollment by race and ethnicity, it did not capture borrowers' reasons behind their enrollment choices and therefore did not provide enough information to fully unpack these enrollment gaps. Researchers must undertake further analysis to explore why IDR enrollment is so low among Hispanic or Latino borrowers and how the department can act to better support this population.
- Detailed aggregated data from the department on borrowers' pathways out of default would be extremely beneficial in gaining a better understanding of how borrowers typically navigate the default system. It would be particularly useful to know rates of completion for rehabilitation and consolidation and among borrowers who have had loans default multiple times, rates that show how many have exhausted these options. Additional transparency around which exit pathways incur the highest collection fees would shed light on which parts of the collections system are the most financially punitive to borrowers.

Conclusion

Because there are stark differences in student borrowing and the loan repayment outcomes by race and ethnicity, it is critically important to look beyond aggregated data and break down how different borrower populations experience the repayment system. Doing so will deepen understanding of what is happening and why. The data shows that Black and Hispanic or Latino borrowers are significantly more likely to face major barriers to successful repayment, whether it be from greater risk of their loans being trapped in default because of higher redefault rates, through understanding the various other socioeconomic barriers that make student loans even less affordable for these populations, or by unpacking how struggling borrowers navigate available repayment relief tools when trying to get back on track and examining when these trends diverge by race.

This report's findings underscore a critical need for reforming the default and collection system as soon as possible in a way that better facilitates borrowers getting back on track with payments when they face challenges. Doing so will create a more equitable and fair repayment system for all.

Exhibit C

Study Limitations

This report focuses on Black, Hispanic or Latino, and White student loan borrowers. Sample size limitations prohibited meaningful analysis of additional races and ethnicities, such as Native Americans, Asian Americans, or people of mixed race.[127] It is also important to recognize that Black, Hispanic or Latino, and White people are not homogenous groups; another limitation of this survey is that it is unable to further parse out Black, Hispanic or Latino, and White borrowers respectively to get at the many nuanced differences and intersectional experiences these groups of borrowers surely have.

Additionally, readers should keep the timing of this survey in mind, which was conducted in summer 2021, when interpreting its findings. Data was collected during the COVID-19-related federal payment pause that lasted until October 2023 and before the latest IDR plan, SAVE, was announced.

Continued on next page

Although these limitations exist, this nationally representative survey data of borrowers who took out a federal student loan for their own education at any point between 1998 and 2018 (regardless of whether they completed their program) provides new and important insights into the experiences of Black and Hispanic or Latino student loan borrowers that will help explain why these groups have disproportionately experienced higher rates of default, while uplifting the voices of Black and Hispanic or Latino borrowers themselves. While specific sources cited in this report used different terms to describe Hispanic or Latino populations (Latino, Latina, Latinx, Latine), Pew uses this term consistently throughout, save for one finding specific to Latina women. The Pew survey used data supplied by the study panel to classify respondents' race or ethnicity, which used the term "Hispanic" for this group.

Methodology

This analysis is based on data from an online survey conducted by NORC at the University of Chicago using its AmeriSpeak probability panel on behalf of The Pew Charitable Trusts. This nationally representative survey, conducted from June 18 to July 28, 2021, studied borrowers' experiences in and perceptions of the repayment system with a focus on those who had ever had a loan in default. Conducted after the federal student loan payment pause was announced in March 2020, respondents were asked to think specifically about their experiences with repayment and default before the start of the pause. Data collection was among a sample of 1,609 respondents. The margin of error for all respondents was plus or minus 3.5 percentage points at the 95% confidence level.

About This Report

This report was researched and written by Ilan Levine, senior associate with The Pew Charitable Trusts' student loan initiative team, along with senior manager Ama Takyi-Laryea, senior officer Phillip Oliff, and senior manager Regan Fitzgerald.

Appendix A

Figure 1

Revisions to REPAYE Would Increase Affordability and Limit Balance Growth

Comparison of current REPAYE versus the new SAVE

	REPAYE	SAVE
Percentage of discretionary income used for payment calculation	10%	5% (for undergraduate loans) 10% (for graduate loans)* This component of SAVE was implemented in July 2024.
Definition of discretionary income	Calculated as the difference between a borrower's annual income and 150% of the poverty guidelines, depending on family size and state.	Calculated as the difference between a borrower's annual income and 225% of the poverty guidelines, depending on family size and state.
Interest treatment	The government pays all of the remaining interest not covered by the payment that accrues each month for the first three years of repayment for subsidized loans, and half of the remaining interest once the three-year period concludes. The government will pay for half of the remaining interest on unsubsidized loans during all periods.	The government pays all of the unpaid interest that remains each month on loans after borrowers make their payment.
Forgiveness timeline	20 years for undergraduate loans 25 years for graduate loans	Borrowers who originally borrowed $12,000 or less receive forgiveness after making loan payments for the equivalent of 10 years. For every $1,000 of additional borrowing, forgiveness would be granted after one additional year. Outside of that provision, forgiveness timelines remain the same as in REPAYE. The forgiveness component of SAVE was implemented in July 2024.
Marital status	Spouse's income is included, regardless of whether they file taxes jointly or separately.	Spouse's income is excluded for borrowers who are married and file separately, which may lower payments for such borrowers.

*Borrowers with both undergraduate and graduate loans will repay a percentage of their discretionary income based on a weighted average calculated from the share of their original loan balances used for undergraduate versus graduate education.
Note: This table reflects only a comparison between REPAYE and SAVE. Other IDR plans have different terms that may lead them to be more beneficial for certain borrowers. However, the department plans to limit or eliminate future access to some other plans.

Appendix B

Figure 2

Financial Characteristics by Race/Ethnicity and Likelihood of Default

Percentage of borrowers reporting each characteristic, paired with likelihood of default by each factor

	Percentage of Black borrowers	**Percentage of Hispanic or Latino borrowers**	**Percentage of White borrowers**	**Percentage of total** (Black, White, Hispanic or Latino)	**Default incidence rate (%)**
2019 household income (percentages in "Under $25K" not comparable to others in category)					
Under $25K	35%	29%	15%	22%	62%
Under $50k	70%	49%	34%	45%	52%
$50K or more	30%	51%	66%	55%	19%
Household income volatility					
Varies quite a bit	19%	11%	10%	12%	66%
Some variance	29%	31%	22%	25%	38%
Roughly the same monthly	53%	58%	68%	63%	25%
Employment gaps (of at least 4 months)					
Always/often/ sometimes	41%	33%	25%	31%	57%
Rarely/never	60%	67%	75%	69%	26%
Time to enter workforce upon leaving school					
6 months or more	48%	41%	28%	35%	50%
Less than 6 months	52%	59%	72%	65%	25%
Employment status (past 3 months)					
Unemployed, seeking work	15%	11%	5%	9%	60%
Working part time	13%	12%	10%	11%	45%
Working full time	51%	62%	66%	61%	27%
Homemaker	9%	10%	11%	10%	40%
Student, retired, other	13%	5%	8%	8%	50%
Net worth					
Negative	51%	38%	37%	40%	45%
Zero	22%	10%	14%	15%	51%
Positive	26%	53%	49%	46%	17%

Assets					
No assets	17%	16%	6%	11%	57%
Has any assets	83%	84%	94%	89%	33%
Debts (percentages not comparable across debt types)					
Credit card	52%	58%	44%	49%	39%
Medical	37%	25%	24%	27%	53%
Municipal	12%	2%	4%	5%	73%
Payday	10%	3%	4%	5%	70%
Mortgage	10%	31%	42%	33%	19%
Amount of student loan debt owed (federal & private, undergraduate & graduate)					
$50,000 or more	24%	10%	18%	17%	33%
$10,000-49,999	40%	49%	35%	40%	39%
$1-9,999	20%	21%	21%	21%	42%
None ($0)	16%	20%	25%	22%	23%
State cost of living (using 2019 Regional Price Parity measure)					
Higher than U.S. average	21%	43%	28%	30%	Incidence rate not statistically significant
Lower than U.S. average	79%	57%	72%	70%	
Ability to afford a major unexpected expense					
Not at all/very little	46%	37%	30%	35%	48%
Somewhat	32%	29%	33%	32%	38%
Very well/ completely	21%	34%	37%	33%	20%
Family financial dependency (upon leaving school)					
Provided support	20%	19%	9%	14%	34%
Provided & received support	10%	11%	7%	8%	51%
Received support	9%	13%	21%	16%	21%
Neither	61%	57%	64%	61%	37%

Notes: The “Total” column is among Black, Hispanic or Latino, and White borrowers in the survey and excludes respondents of other race/ethnic classifications. Sample sizes vary by characteristic and percentages may not add up to 100% due to rounding errors. The default incidence rates for financial characteristics reported here vary from past publications because past publications examined borrowers who were still in repayment at the time of the survey (the percentages reported here are among the total survey sample). All percentages are weighted to the U.S. general population age 18 and older using benchmarks from the U.S. Census Bureau’s Current Population Survey.

Educational Characteristics by Race/Ethnicity and Likelihood of Default

Percentage of borrowers reporting each characteristic, paired with likelihood of default by each factor

	Percentage of Black borrowers	Percentage of Hispanic or Latino borrowers	Percentage of White borrowers	Percentage of total (Black, White, Hispanic or Latino)	Default incidence rate (%)
First-generation student status					
Yes	83%	78%	66%	72%	42%
No	17%	22%	34%	28%	18%
Program completion status					
No	45%	27%	32%	33%	59%
Yes	52%	72%	66%	64%	23%
Still enrolled	3%	1%	2%	2%	N/A
Enrollment intensity					
Equal or most part time	40%	43%	26%	33%	50%
Mostly full time	60%	57%	74%	67%	28%
Mode of attendance					
Online	13%	18%	12%	14%	52%
Mix of in person and online	32%	36%	25%	29%	37%
In person	55%	46%	63%	57%	30%
School type					
For profit	15%	19%	9%	13%	38%
Public 2-year or less	21%	17%	20%	20%	45%
Public 4-year	46%	47%	46%	46%	23%
Private	17%	17%	25%	22%	21%

Notes: The “Total” column is among Black, Hispanic or Latino, and White borrowers in the survey and excludes respondents of other race/ethnic classifications. Sample sizes vary by characteristic and percentages may not add up to 100% due to rounding errors. “N/A” indicates that the sample size for a given subgroup was too small to report (i.e., less than n=100). All percentages are weighted to the U.S. general population age 18 and older using benchmarks from the U.S. Census Bureau’s Current Population Survey.

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125 For the latest information about this rulemaking, see: Debt Collection Practices, 1894-AA12, U.S. Department of Education, 2024, https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=202404&RIN=1894-AA12.

126 While the Education Department must work within existing legislation pertaining to student loan repayment, statutory reforms are beyond the scope of this report.

127 Pew has also previously released a more comprehensive list of policy principles pertaining to student loan default reform. For more information, see: The Pew Charitable Trusts, "Student Loan Default System Needs Significant Reform."

128 Postsecondary credentials, sometimes also referred to as certificates, are typically used in shorter-term programs and are not accredited to be a bachelor's or associate degree.

129 Race and ethnicity was captured using data provided by the survey's probability panel. The panel's race categories are unduplicated and respondents are able to select either "White, non-Hispanic," "Black, non-Hispanic," "Other, non-Hispanic," "Hispanic," "2+, non-Hispanic," or "Asian, non-Hispanic." Unfortunately, the panel data was not able to capture respondent intersectionality between Hispanic and races, such as Black Hispanic borrowers. For more information, see the survey methodology and toplines.