**CFI in Focus**

**Understanding Older Student Loan Borrowers**

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- Between 2003 and 2019, the share of individuals who have student loans rose at all ages. However, the largest relative increases were among the middle- and retirement-aged population: from 5 percent in 2003 to 23 percent in 2019 at age 40 and from 0.8 percent to over 6 percent at age 65 in the same period.
- Aggregate student loan balances have grown the fastest among those between the ages of 60 and 69, whose aggregate balance in 2019 was over $88 billion, 6 percent of the national total ($1.45 trillion).
- The rapid increase in the presence of student loans among older individuals is not being driven by cosigned loans; rather, the increase comes from the rising number of individual loans and loans shared by married couples.
- Student loan borrowers' debt portfolios have become less diverse over time, especially among the middle- and retirement-aged groups. In particular, the share of student loan borrowers who also hold a mortgage and any other type of loan has decreased markedly since 2003, with those aged 50–59 being the most affected.
- The decrease in debt portfolio diversity is likely driven by many factors, such as new cohorts of individuals (even older ones) who seek higher education that is increasingly debt financed. It also reflects a relative decrease in the prevalence of loans cosigned by consumers with deeper and broader balance sheets.

## Introduction

We analyze student loan borrowers' portfolios of debt across the life cycle using a large sample of anonymized credit bureau data. We find a substantial increase over time in student loan borrowing for

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all stages of the life cycle. Older borrowers have experienced the most rapid increases in borrowing, while their debt portfolios have become less diverse. We build on research by the Consumer Financial Protection Bureau (2017) and the Urban Institute (Lei and Goodman, 2015).

## Data

We use the FRBNY Consumer Credit Panel/Equifax Data (CCP), a longitudinal data set with anonymized individual-level data on most major types of credit and debt in the U.S. The CCP is a 5 percent national sample of individuals with a credit report and a Social Security number collected by Equifax.[2] It contains quarterly data from 1999Q1 onward. Data on student loans are only available from 2003Q1, so we begin our observations here, and we take first quarter observations from 2003Q1 to 2019Q1. We also multiply our gross statistics by 20 to make them commensurate with the national numbers.

For this Research Brief, we separate the types of debt into three categories: student loans, mortgages (including Home Equity Line of Credit (HELOC) loans), and other (mainly auto loans and credit cards, but also consumer finance loans and personal finance loans). The sum of these latter balances is about the same as student loan or mortgage balances. For our purposes, this group is more important for comparison than for direct analysis.

## Student Loans Are Prevalent Among the Young and the Old

Most of the research on student loans focuses on the amount of student debt and finds nonmonotonic results, particularly for delinquencies. Some economic outcomes are found to depend more on the presence than on the amount of student loan debt (de Gayardon, Callender, Deane, and DesJardins, 2018). For this reason, we begin by looking at the share of individuals with each type of debt. Notice that these frequencies do not add up to 100 percent because individuals can have different types of debt at the same time.

**Figure 1** Panel I illustrates 2010 as a benchmark, in which student loans are the most prevalent form of debt among the young, but also that a significant portion of the middle- and retirement-aged population also have student loans. Because many individuals between the ages of 18 and 22 do not have a credit report yet, the corresponding percentages may be unreliable, so we also report the

[2] We use the tradeline data of the CCP. Originations may have a seasonal component particularly at the beginning of the academic semester. We verified that we obtain similar patterns if we use quarters different than Q1.

absolute frequency of each type of debt in Panel II.[3] The pattern of student loans by age is high for younger people and is monotonically decreasing over age, while mortgage and other products exhibit an inverted U-shape by age.

The prevalence of student loans may be partially explained because most categories of student loans supported by the federal government are not subject to credit underwriting — student loans are usually unsecured debt, requiring no form of collateral for approval.[4] The increase in the prevalence of student loans among older groups can be explained by two channels. First, higher loan balances are often associated with longer terms, which means that yesterday's borrowers are more likely to still have education debt today. Second, as costs increase, young borrowers who reach their federal student loan limit will increasingly need assistance from their parents or grandparents through Parent PLUS loans.[5] As mentioned previously, helping a family member pay for school explains roughly 73 percent of the borrowers aged 60 or older, according to the Consumer Financial Protection Bureau (2017).

## More People with Student Loans; Fewer People with Mortgages

**Figure 2** Panel I illustrates the increased prevalence of education debt for all ages over the last two decades. The share of individuals with student loans at age 30 more than doubled between 2003 and 2019, from 16 percent to 35 percent. But the largest relative increases occurred among the middle- and retirement-aged population. The share of consumers with student loan debt at age 40 increased from 5 percent to 23 percent over the same time period; the share of 65-year-olds who had student loan debt increased from 0.8 percent in 2003 to more than 6percent in 2019.[6] **Figure 2** Panel II illustrates the

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[3] A CFPB report found that more than 60 percent of youths aged 18 and 19 were credit invisible in 2010. However, for those aged 20–24, the share of individuals who are invisible drops to 20 percent, and for those aged 25–29, the percentage drops again to around 11 percent, the national average (Brevoort, Grimm, and Kambara, 2015).

[4] While a student loan does not require any form of collateral for approval, this debt is largely nondischargeable in bankruptcy and the government has the first claim against income tax refunds and Social Security benefits.

[5] Parent PLUS loans are part of the federal Direct PLUS loan program. Parent PLUS borrowers may borrow as much as needed to cover the remaining cost of attendance, meaning that these loan balances can be substantially larger than Direct Loan student loans. See https://studentaid.gov/understand-aid/types/loans/plus/parent.

[6] In this same period, there was a "great deleveraging," a dramatic decrease in mortgage debt following the 2008 financial crisis (Haughwout, Lee, Scally, Thomas, and van der Klaauw, 2019). In the CCP data, this deleveraging has been fairly uniform across the life cycle, being around a 10 percentage point decrease for those aged 35–50. The only exceptions are older borrowers, 22 percent of whom still had a mortgage balance by age 70, a 3.7 percentage point increase over 2003. Yet, deleveraging cannot be considered a permanent phenomenon since consumer debt in 2019 increased again, though not as high as in 2007, both in totals and by products: mortgage, auto and student loans, and credit cards.

associated relative decline in the share of individuals with mortgages, except for individuals older than 65. Data from the Survey of Consumer Finance (SCF) exhibit similar trends as noted in Figure 2 Panel I: a substantial increase in student loans and a relative decrease in mortgage loans, except for older segments.

The major contribution for this increased prevalence of student loans among the middle- and retirement-aged population appears to have come from older individuals taking out Parent PLUS loans and similar loans to help pay for the education of others. A CFPB report found that 73 percent of student loan borrowers aged 60 or older took out loans to help pay for their children's or grandchildren's education (Consumer Financial Protection Bureau, 2017).

We explore in our data whether the increased prevalence of student loans among individuals over 50 years old is being driven by an increase in cosigners in **Figure 3**, which is based on tradeline-level, anonymized data about student loan borrowers in the CCP.[7] A cosigner — in the CCP called a *comaker* — does not bear direct responsibility for paying a student loan; that is, this is a contingent liability. The function of the cosigner is to take responsibility of the loan if the signer ceases to be able to pay. The signer — called a *maker* — is the person primarily responsible for monthly payments. The decrease over time in the share of loans that appear as comaker loans implies that cosigned loans do not account for the steep rise in student loan debt among the middle- and retirement-aged population.[8]

Most likely, the spread of student loan debt among the older age groups is because of the rising costs of attending a postsecondary institution (U.S. Department of Education, 2018). There are two channels through which this would explain the increase in the presence of student loans among older

[7] As mentioned previously, the aggregated CCP data used in this paper are derived from the CCP's tradeline-level, anonymized data, which include information about the loan's status, origin, and ownership. The aggregated data include all tradelines regardless of whether they are held by the signer or cosigner. Typically, what is done to avoid double counting is that aggregate estimates take all individual tradelines but only half of the tradelines that are joint (held by a married couple) or cosigned. In aggregate, this works well, but it does not work as well across the life cycle because almost all maker tradelines are held by young individuals, while the vast majority of all comaker tradelines are held by older individuals (Consumer Financial Protection Bureau, 2017). So, even taking half of all jointly held loans, a steep rise in cosigned loans could cause the increase in the prevalence of student loans to be exaggerated among the old. The same is not true of joint loans, which are usually the financial responsibility of both holders.

[8] The reasons for the observed decreasing trend in cosigning are that expanded loan limits enable students to borrow more than before, private loans became nondischargeable in bankruptcy, and lenders found less need for a cosigner for private debt. Yet, there is evidence that family members are still contributing to their children's education: Around 40 percent of individuals involved in student loan repayment are helping someone else pay off their student loan debt, with most helpers holding no student loan debt themselves (Farrell, Greig, and Sullivan, 2020).

groups. First, older borrowers are more likely to have education debt today because they had higher loan balances that are often associated with longer effective terms. Also, although debt terms are standardized for student loans, default and income-based repayment may have extended terms, considering that these loans are nondischargeable in bankruptcy and do not affect credit records. Second, as costs increase, young borrowers who reach their federal student loan limit will increasingly need assistance from their parents or grandparents in the form of a Parent PLUS loan.[9] As mentioned previously, helping a family member pay for school explains roughly 73 percent of the borrowers aged 60 or older, according to the CFPB (2017).

## The National Student Loan Balance Is Growing the Fastest Among Older Age Groups

The increased prevalence of student loan debt among older age groups has been accompanied by an increase in the portion of the aggregate balance held by this group. **Figure 4** shows that the national student loan balance is growing the fastest for those aged 60–69, followed by 70+ and 50–59. However, this should not be surprising because of the relatively low student loan balances of older age groups. Yet, the balance held by these older groups bears some importance. In 2019, borrowers aged 50 or older held 20 percent of the national student loan balance, a total of $294 billion. This substantial portion of the national balance defies the common idea that student loans are only a millennial problem.[10]

The increase in the national balance is not surprising, however, considering the rate at which student loans are spreading among those age groups. And yet, it isn't an immediate conclusion that more borrowers lead to higher national balances. Student loan balances per capita for these age groups stayed almost steady or increased over the same period. Indeed, for individuals aged 50–59, from 2003 to 2019, the median student loan balance increased by 184 percent, from $6,885 to $19,593; for those aged 60–69, the median balance increased by 169 percent, from $5,270 to $14,207. An increase in the median balance indicates a higher demand or a slower amortization by older groups for these student loans, whether for their own continuing education or for their children's.

[9] Parent PLUS loans are part of the federal Direct PLUS loan program. Parent PLUS borrowers may borrow as much as needed to cover the remaining cost of attendance, meaning that these loan balances can be substantially larger than Direct Loan student loans. See https://studentaid.gov/understand-aid/types/loans/plus/parent.

[10] Liabilities are falling more often on older cohorts, but those cohorts may be supporting the education of millennials and the next generation probably marked by the pandemic.

## Student Loan Borrowers' Debt Portfolios Are Becoming Less Diversified

**Figure 5** shows a breakdown of debt portfolios by age category. Debt portfolios in 2003 are more diverse than they were in 2019; this is evident in 2019 by the dominance of the portfolios of *only student loans*. In 2003, individuals in groups aged 30–39 are unlikely to have only student debt; they commonly have a combination of debts, such as student loans and a mortgage. By contrast, in 2019, individuals who have student loans, especially in older groups, tend *only* to have student loans. A major contributor to this trend is the decrease in the number of borrowers who have a student loan, a mortgage balance, and any other type of debt balance; 33 percent of borrowers aged 50–59 had this portfolio in 2003, but only 19 percent had it in 2019. Certainly, this pattern shift by age is in part caused by the influx of recent cohorts entering higher education and borrowing from programs such as Parent PLUS.

More research is needed to explain this shift, but borrowing trends among these older borrowers may offer some insight. First, as shown in the preceding section, per capita balances have risen substantially for all age groups, including the older ones. Second, as mentioned previously, fewer older borrowers are mere cosigners on loans in 2019. Cosigners are not required to make payments unless the main signer fails to make payments, and so their balance sheets look different from those who hold a Parent PLUS loan, for example. Because there were relatively more cosigners in 2003, more of those borrowers had space on their balance sheets for other liabilities such as mortgages and auto loans. In 2019, borrowers had fewer contingent liabilities but more actual liabilities.

**Figure 6** shows that older borrowers have higher Equifax Risk Scores than younger borrowers. This is likely to be driven by the compositional effect mentioned previously: New cohorts demand more education and borrow for that purpose. This also suggests that older cohorts should generally have more access to credit. Further, they would have been less affected by tightening lending standards. And yet, in recent years, older borrowers with student loans exhibit appreciably less diversity in their debt portfolio than older borrowers a decade ago. Thus, while higher balances, increased repayment burden, and, indirectly, a relative decrease in cosigning[11] may have contributed to lower holdings of mortgages and other forms of debt by older student loan borrowers in recent years, credit constraints do not seem to have contributed.

[11] The decline in cosigning explains the change in composition, and that change in composition explains the decline in debt diversity.

## Conclusions

In the last decade, there was a substantial increase in the share of individuals who have student loans, especially among the middle- and retirement-aged population. This increase is not being driven by cosigned loans; mainly, it's being driven by individual loans and loans shared by married couples who borrow to fund a child's or grandchild's education. Aggregate student loan balances have grown the fastest for older age groups as well. A potential consequence of larger and longer-lasting student loan balances is that borrowers may be deterred from borrowing for other kinds of debts: Student loan borrowers today are less likely to hold mortgages or other types of debt; that is, their debt portfolio has become less diversified and more concentrated on just student loans. This matter deserves further attention in future research, particularly to sort out the effect of new cohorts who hold student loans (compositional effect) from the effect of individuals' decisions in each cohort over their lifetime (time series or panel effect). Yet, we have shown so far that the increased burden and duration of student loans over the life cycle does not arise from a deterioration of the creditworthiness of student loan borrowers, as older individuals in recent years exhibit improved credit scores compared with older individuals 15 years ago.

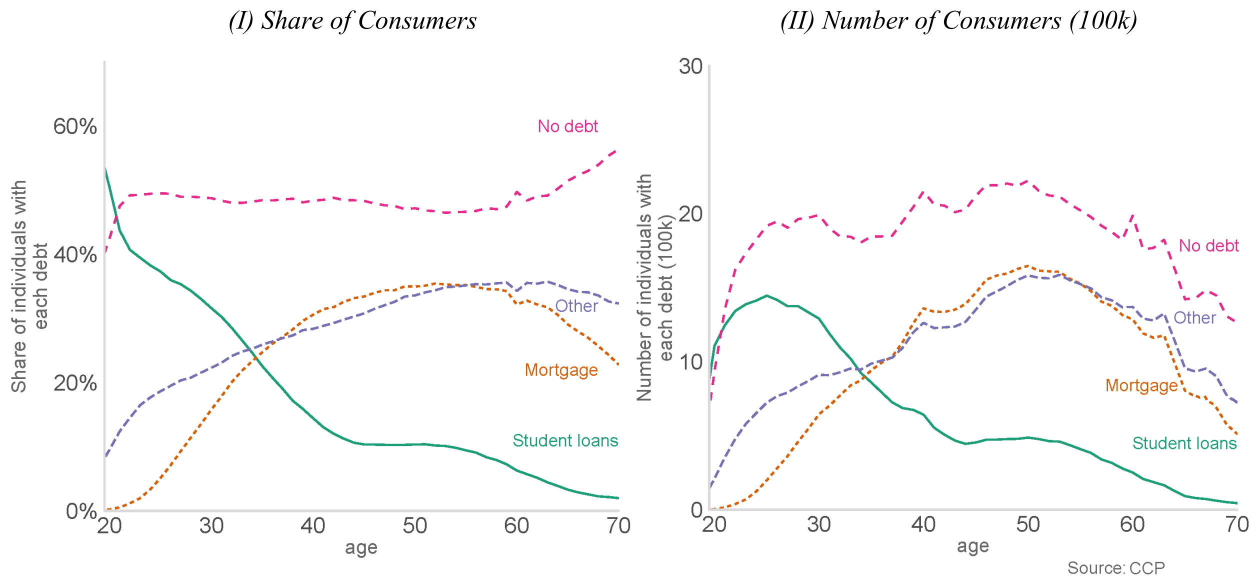


**Figure 1.** This is the prevalence of each type of debt across the life cycle in 2010. Graph (b) is in hundreds of thousands of consumers, which approximates the national frequency by scaling up from the sample. A consumer is said to have debt if they have a balance greater than zero. Numbers are scaled by 20 to reflect the U.S. population.

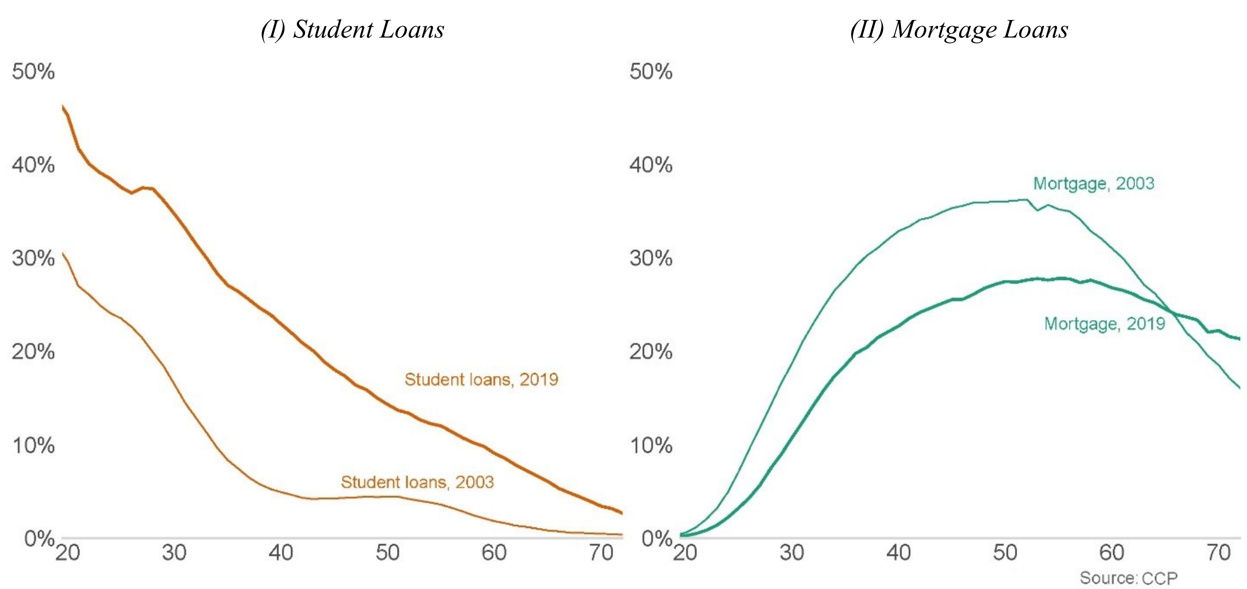


**Figure 2.** This reflects the share of consumers with student loans or mortgage debt and a credit report over time. Student loans have become much more prevalent over time, while mortgages have declined.

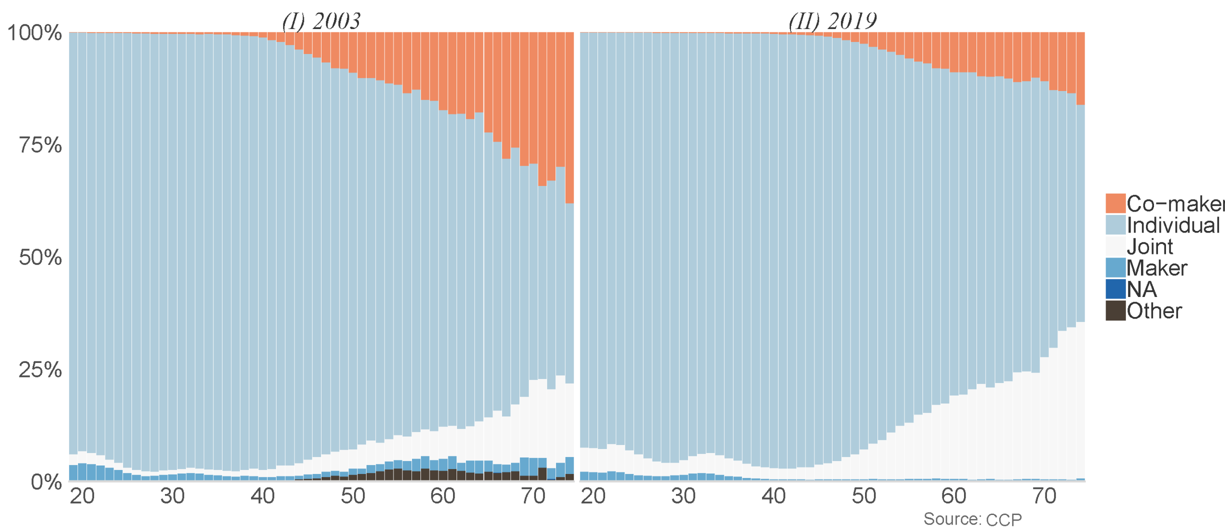


**Figure 2.** The share of tradelines show each Equal Credit Opportunity Act (ECOA) code by age, over time. Today, cosigned student loans (comaker) make up substantially less of the national student loan pool than in 2003.

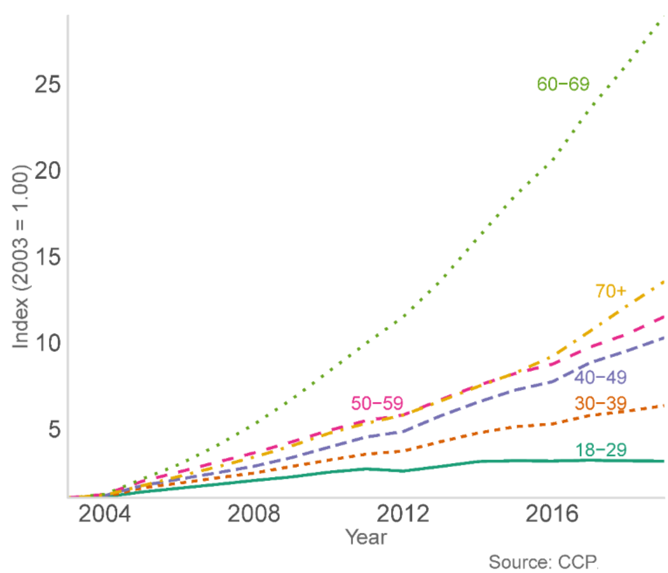


**Figure 3.** Changes from 2003–2019 in the national balance of student loans are displayed for different age groups, 2003 = 1.00. The rate of change of the national balance is inversely proportional to the age of the group. The national student loan balance of 60- to-69-year-olds is 28 times higher.

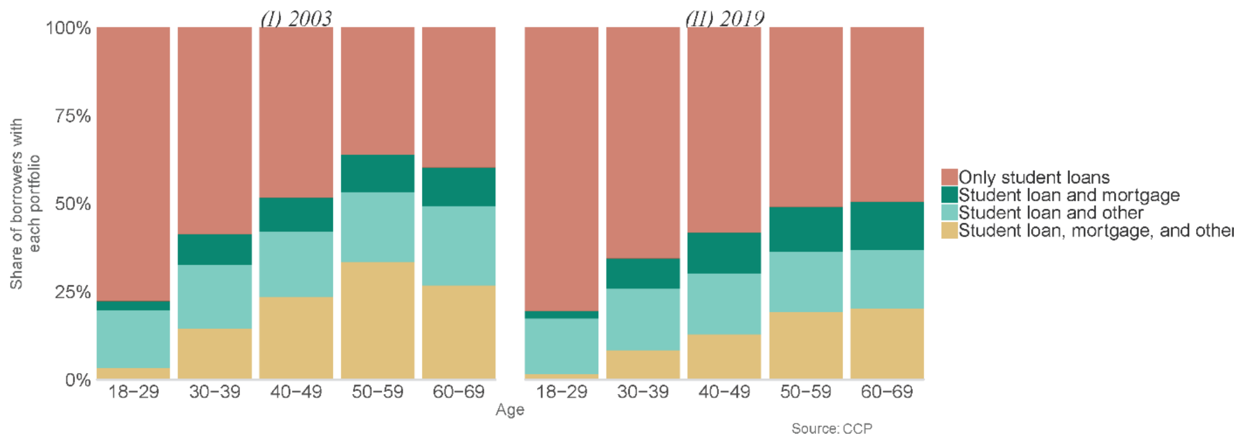


**Figure 4.** Student loan borrower debt portfolios are shown here from 2003 to 2019. Student loan borrowers' portfolios have become less diverse over time. This is especially true for older borrowers.

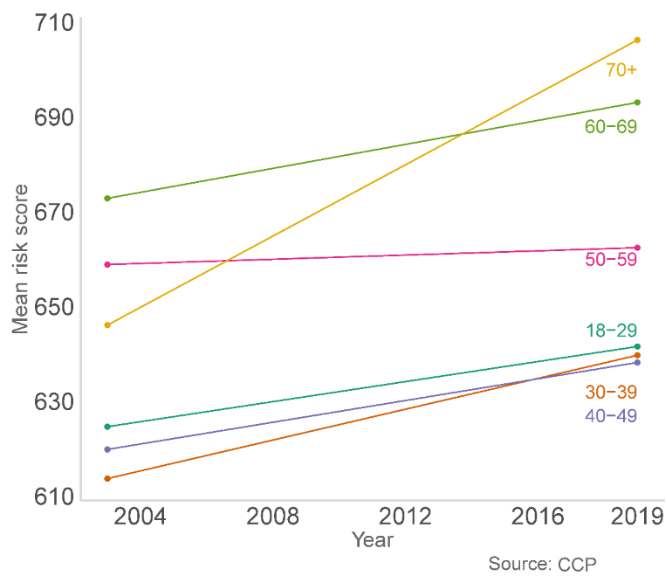


**Figure 5.** Here is the change in mean Equifax Risk Score for student loan borrowers, 2003 versus 2019. The average Equifax Risk Score for student loan borrowers rose in every age category. Further, older borrowers have substantially higher Equifax Risk Scores than younger borrowers, implying that they are not credit constrained.

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