

Student Debt Collection

A strong rule from the Consumer Financial Protection Bureau (CFPB) is needed to protect consumers from abusive debt collection tactics, especially those carried out by collectors of student debt—debt exceeding [\\$1.5 trillion](#) and impacting more than 44 million Americans.



2 in 3 students graduate with significant student debt. Among the Class of 2017, [65% of graduates of public and private non-profit colleges](#) graduated with debt. Students of non-profit colleges graduated with an average of \$28,650 in student loan debt.

More than one million borrowers default on their student loans each year. Kristin Blagg, research associate at the Urban Institute found that [borrowers who default are more often financially](#)

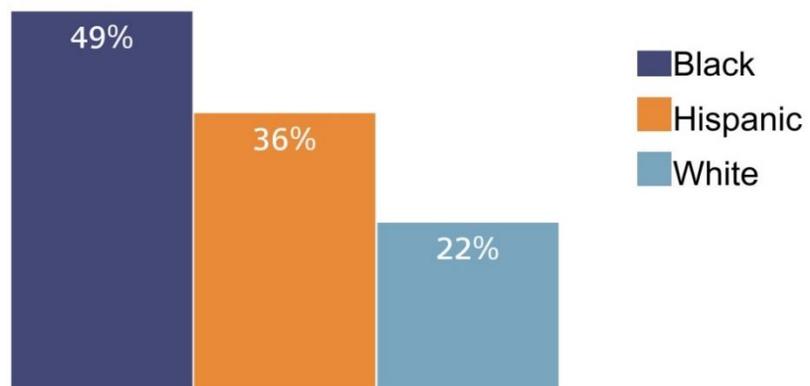
[distressed by other debts in collections](#) than non-defaulting borrowers. In these circumstances, borrowers are forced to address or manage other types of debt before addressing their student loans. Judith Scott-Clayton, nonresident senior fellow at the Brookings Institute, predicts that by 2023, [40% of borrowers included in her study of 2004 college entrants will likely default on their student loans](#).

Low-income borrowers graduate with more debt, greater risk of default. Pell Grant recipients, most of whom have family incomes under \$40,000, are [five times more likely](#) to end up in default as their higher income peers. 21% of Pell Grant recipients defaulted within 12 years of entering college compared to just 5% of non-Pell Grant recipients. For low-income students attending for-profit colleges, the default rate jumps to 52%.

For-profit college students borrow more, and more often. [83% of graduates of for-profit colleges had student loans](#), with the average borrower carrying a whopping \$39,900 in debt at the time of graduation. Mark Huelsman, associate director, policy and research at Demos found that students enrolled in associate's degree programs at for-profit colleges [borrow almost the same amount](#) as bachelor's degree recipients attending public colleges. Despite accumulating more debt on average, [for-profit students are less likely to graduate](#), with just 26% completing a bachelor's program within 6 years compared to 62% of non-profit college students.

Black and Hispanic borrowers default at twice the rate of White borrowers. Among Black students who started school in 2003, [nearly 1 in 2 defaulted on student loans](#) within the following 12 years. 36% of Hispanic borrowers defaulted in the same period, compared to just 22% of White borrowers.

Student Loan 12-Year Default Rates



Student debt is a barrier to home ownership. [A Federal Reserve study](#) found a correlation between rising college tuitions and falling rates of homeownership among recent graduates. For every 10 percent increase in public 4-year college tuition, researchers observed a 1 to 2 percentage drop in homeownership rates.



Students of color carry the most student debt. Ben Miller, vice president, postsecondary education at the Center for American Progress found that black students [borrow at higher rates](#) than other groups. 78% of black students take out federal student loans to attend college, compared to just 57% of White students. Black students' [higher rate of reliance on student loans](#) is a result of the racial wealth gap and enhanced targeting for enrollment by for-profit schools.

200,000 active duty servicemembers collectively owe more than \$2.9 billion in student debt. While servicemembers with student debt have certain protections under federal law to ensure they do not struggle to repay their student loans, [the CFPB received many complaints from servicemembers, as well as from veterans and military families](#) who faced obstacles to accessing affordable repayment plans and other issues.



Student loan debt among older consumers is surging. In 2018, consumers over the age of 50 owed [more than \\$260 billion in student loan debt](#), up from \$36 billion in 2004. In addition to furthering their own education, older consumers often take out loans or act as co-signers for their children and grandchildren. 50% of baby boomers say college debt impedes their ability to meet financial goals and has damaged their quality of life in retirement.

Recent graduates will have to delay retirement due to the increasing burden of student debt. According to a [NerdWallet study](#), recent college graduates won't be able to retire until age 75, due in part to ballooning student debt. If instead of being applied to loan balances, the average monthly student loan payments were invested over a 10-year period, borrowers would have nearly \$700,000 towards their retirement.

The CFPB should protect consumers with student loan debt from abusive debt collection practices by:

- Stopping telephone harassment
- Banning collection of time-barred “zombie” debt
- Protecting consumer privacy