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## STUDENT-LOAN DEFAULTS ROSE BY 1.1 MILLION IN 2016

Research shows many borrowers in default never earned a degree and haven't found steady work

By Josh Mitchell March 14, 2017

More than 3,000 people a day defaulted on their federal student loans in 2016, new government data show, underscoring persistent problems in the way the government and families finance higher education in the U.S.

The number of Americans who fell at least nine months behind on a payment on federal student loans increased by 1.1 million in 2016, according to Education Department data released this week. As of Dec. 31, roughly 8 million people owing \$137 billion were in default. The government considers a borrower in default after 270 days of no payment, though in some government reports defaults aren't recorded until 360 days of no payment.

The rise in defaults is striking given the strengthening labor market. Unemployment is low, employers continue to hire steadily and incomes are rising.

"Despite an improving economy, the number of defaults is way too high," said Rohit Chopra, a senior fellow at the Consumer Federation of America, a nonprofit consumer advocacy group that analyzed the data.

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In total, roughly 42 million Americans owed roughly \$1.3 trillion in federal student debt as of Dec. 31. Total debt rose by \$80 billion last year.

Mr. Chopra's analysis of the data also showed the average balance on federal student loans has grown sharply in just three years. Americans with federal student loans owed on average \$30,650 in student debt as of Dec. 31, up 17% from late 2013.

It is not clear why the average balance rose. One factor is that students borrowed more during the recession and early in the expansion compared to prior years as other forms of financing – such as family savings and home wealth – evaporated after the financial crash. Also, a greater share of low- and moderate-income families attended school over the past 15 years than prior to the recession.

Also, borrowing by graduate students has risen sharply in recent years. Grad school students typically borrow more than college students.

The Obama administration sought to reduce student-debt defaults by promoting plans that set borrowers' monthly payments as a share of their incomes and then ultimately forgive part of their balances. Enrollment in the so-called income-driven repayment plans has surged in recent years.

President Donald Trump proposed during his campaign last year to offer his own version of income-driven repayment plans. His administration hasn't announced any details on such a plan.