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ABSTRACT

The characteristics of student loan borrowers and differences between those who repay their loans and those who default are examined. Data are based on the New York State Higher Education Services Corporation Guaranteed Student Loan database and responses to a questionnaire mailed in spring 1984 to a sample of New York State student loan borrowers. The study population consists of 175,204 borrowers who graduated or left school during fiscal year 1982 and who were due to enter repayment in 1983. Six percent of the sample were in repayment and 11 percent in default. Findings include: there was a strong relationship between default and the number of years spent in school; there was a strong inverse relationship between default and the level of school attended; the graduation rate for repayers was only slightly higher than for defaulters; borrowers who were employed when their loans became due were more likely to begin repayment; students who worked while in school were more likely to repay than nonworking students; repayers were three times as likely to receive family assistance in repaying loans. Eight recommendations are offered, including: extending deferments during periods of unemployment; discouraging students from excessive borrowing; and graduated repayment plans. The survey letter and questionnaire are appended. (SW)

Student Loan Payers and Defaulters

New York State Higher Education Services Corporation

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This paper was presented at the Annual Meeting of the Association for the Study of Higher Education held at the Gunter Hotel in San Antonio, Texas, February 20-23, 1986. This paper was reviewed by ASHE and was judged to be of high quality and of interest to others concerned with the research of higher education. It has therefore been selected to be included in the ERIC collection of ASHE conference papers.

Annual Meeting—February 20-23, 1986—Gunter Hotel
San Antonio, Texas

Student Loan Payers and Defaulters

December 1984

MARIO M. CUOMO, Governor of New York · **DOLORES E. CROSS**, President, NYS Higher Education Services Corporation

Foreword

This report examines the characteristics of student loan borrowers and seeks to identify differences between those who repay their loans and those who default. The report is based on an analysis of data (as of December 1983) from the New York State Higher Education Services Corporation Guaranteed Student Loan database, and on responses to a survey questionnaire mailed in the spring of 1984 to a sample of New York State student loan borrowers. The study encompasses the population of student loan borrowers who graduated or left school during Federal Fiscal Year 1982 and who were due to enter repayment in 1983.

It is hoped that the findings of this study will provide insight into the causes of student loan defaults and that the recommendations suggested herein will receive consideration in the attempt to reduce default costs.

Contents

SUMMARY OF FINDINGS

1. Borrowers who were employed when their loans came due were more likely to begin repayment of their loans. Eighty percent of repayers but only 26% of defaulters reported being employed at the time that their loans came due.

2. There was a strong inverse relationship between default and the number of years spent in school. Borrowers who last borrowed as freshmen had the highest default rate, 14.2%. The default rate dropped steadily as class level rose, with seniors and graduate students having the lowest percentages of defaults, 2.6%.

3. The graduation rate for repayers was only slightly higher than for defaulters (79.7% vs. 71.0%).

4. Borrowers who had graduated from one-year programs in vocational schools were classified as freshmen. The relatively high default rate in the vocational sector (17.2%) thus was consistent with our second finding.

5. Repayers tended to have borrowed more frequently and to have incurred greater indebtedness than borrowers in default. On the average, defaulters had 1 3/4 loans and had borrowed a total of $3,106, as compared with 2 1/4 loans and $4,626 for borrowers who were repaying their loans.

6. Defaulters were somewhat more likely than repayers to have other educational loans.

7. Repayers had slightly higher average attendance costs and received less in other financial aid than borrowers who had defaulted. Average attendance costs for repayers were $4,807 during the year of last guarantee, as compared with $4,348 for defaulters. Repayers averaged $610 in other aid while defaulters received $829.

8. Borrowers who were repaying their loans were on the average one year younger than those in default.

9. There were no significant differences in repayment/default experience at the major types of lenders. However, students who borrowed from savings and loan institutions or credit unions had lower proportions of defaulters.

10. Borrowers who had worked summers or part time while in school were more likely to repay their loans. Eighty-six percent of repayers reported that they had worked summers or during the academic year, while only 48% of delinquent defaulters and 70% of paying defaulters said that they had been so employed.

11. Generally, borrowers who were in repayment had higher dollar amounts of fixed monthly expenses than those in default. However, those higher fixed costs represented a smaller percentage of their monthly take-home pay.

12. Borrowers in general received little family assistance in repaying their loans. However, the proportion of repayers who reported receiving family assistance was three times as large as the proportion of defaulters who reported such help.

13. Both repayers and defaulters alike reported very low levels of exit counseling. Fewer than one-fifth of both groups (19% and 18%, respectively) reported meeting with school officials to discuss student loan obligations.

14. Borrowers who were repaying their loans were nearly twice as likely as defaulters to know when payments would begin. Seventy percent of repayers reported knowing when they would have to begin repayment, as compared with 39% of delinquent defaulters and 43% of paying defaulters.

RECOMMENDATIONS

1. Deferments for periods of unemployment should be extended. The Guaranteed Student Loan program now provides for deferment of payments for up to one year if a borrower is unemployed. However, it appears from our study that unemployment is still a major reason why borrowers default on their student loans.

2. Borrowers who default because of unemployment and who subsequently find jobs and begin repayment on a regular basis should have their loans sold back to private lenders. The federal government could realize substantial income from such sales and should pay an incentive fee to guarantors and lenders for repurchasing previously defaulted loans. The borrower's eligibility for other aid would be restored.

3. Borrowers who have defaulted and subsequently resumed payment for a year's time should have their eligibility for financial aid restored even if their loans are not sold back to a lending institution. Currently, many borrowers in default cannot afford to complete their education because they are ineligible to receive aid. Thus, they cannot improve their employment opportunities and remain in a poor position to pay off their loan.

4. Students should be discouraged from excessive borrowing. Wherever possible, other types of financial aid should be fully explored and utilized. Institutional financial aid officers should promote the use of grants, scholarships and work-study first, and loans should be used as a last resort.

5. Educational institutions should receive administrative expense payments for counseling, exit interviews and student status verification.

6. Graduated repayment plans should be encouraged. This would allow borrowers to make relatively small payments immediately after leaving school and to make larger payments as they become financially more able.

7. More detailed information should be provided to prospective students regarding job placement history of recent graduates. Several of the respondents who had graduated from vocational schools enclosed newspaper ads from their schools which they felt were misleading. These respondents had completed their programs but were unable to find work. Students should be given adequate information regarding the school's ability to prepare its graduates for a job.

8. Longer than a ten year repayment schedule should be allowed for certain students. Students with special needs should be permitted additional time to repay debt obligations.

INTRODUCTION

Increasing college enrollments, coupled with escalating educational costs, have resulted in tremendous growth in the federal Guaranteed Student Loan (GSL) program over the last decade. In New York State, the number of student loans guaranteed has tripled, from 131,000 in 1974-75 to 409,000 in 1983-84, and their dollar amount has grown from $178 million to $974 million in new loans annually.

This expansion is producing a parallel growth in loan defaults. The cost of defaulted loans was $24 million in New York in 1974-75. In 1983-84, defaults purchased totalled $127 million. Nationwide, the U.S. Department of Education estimates that 1983-84 default claims paid to lenders by guarantee agencies totalled $688 million. These rising costs are certain to be a major consideration by Congress during the reauthorization of the federal Title IV student aid programs in 1985.

Early in 1984, the New York State Higher Education Services Corporation (HESC) undertook a study of student loan borrowers in order to gather information about why students default and to determine whether there should be new policies regarding debt levels, loan maximums and repayment terms. The purpose of the study was to collect information which would provide insight into those characteristics which are more likely to be found among defaulters, as opposed to borrowers who repay their loans. Such information would be useful in avoiding default risk both before and after borrowing.

METHODOLOGY

The study of student loan payers and defaulters was conceived as a two-stage project. The first stage involved developing a set of summary statistics on borrowers from the HESC GSL database. The population selected for the study consisted of 175,204 borrowers who had graduated or left school for other reasons during Federal Fiscal Year (FFY) 1982. As the most recent group of borrowers due to enter repayment (in 1983), they were deemed the likeliest to supply the type of information being sought. Unfortunately, data on income at the time of borrowing was unavailable for this group, since their loans had, in large part, originated prior to the adoption of the income-reporting requirement for the GSL program.

The borrowers included in the study were placed in one of three categories: 1) those who were in repayment; 2) those who were in default; and 3) those who had defaulted and who had subsequently made some payment to HESC. Certain groups of borrowers were omitted from the study, i.e., those borrowers who were not paying because of deferment or forbearance, and those whose defaults resulted from death, disability, bankruptcy or being untraceable due to address changes.

The second stage of the project involved mailing a questionnaire to a population sample selected from the three categories described above. The questionnaire was intended to gather information about the borrower's current financial status, the circumstances under which he or she left school and the borrower's understanding of how much was owed and the terms of repayment. In order to maximize the response among defaulters, who as a group might be less likely to respond, questionnaires were mailed to all delinquent defaulters (13,822) and to all paying defaulters (2,624). A 6% stratified random sample of repayers (6,718) was also selected for questionnaire mailing.

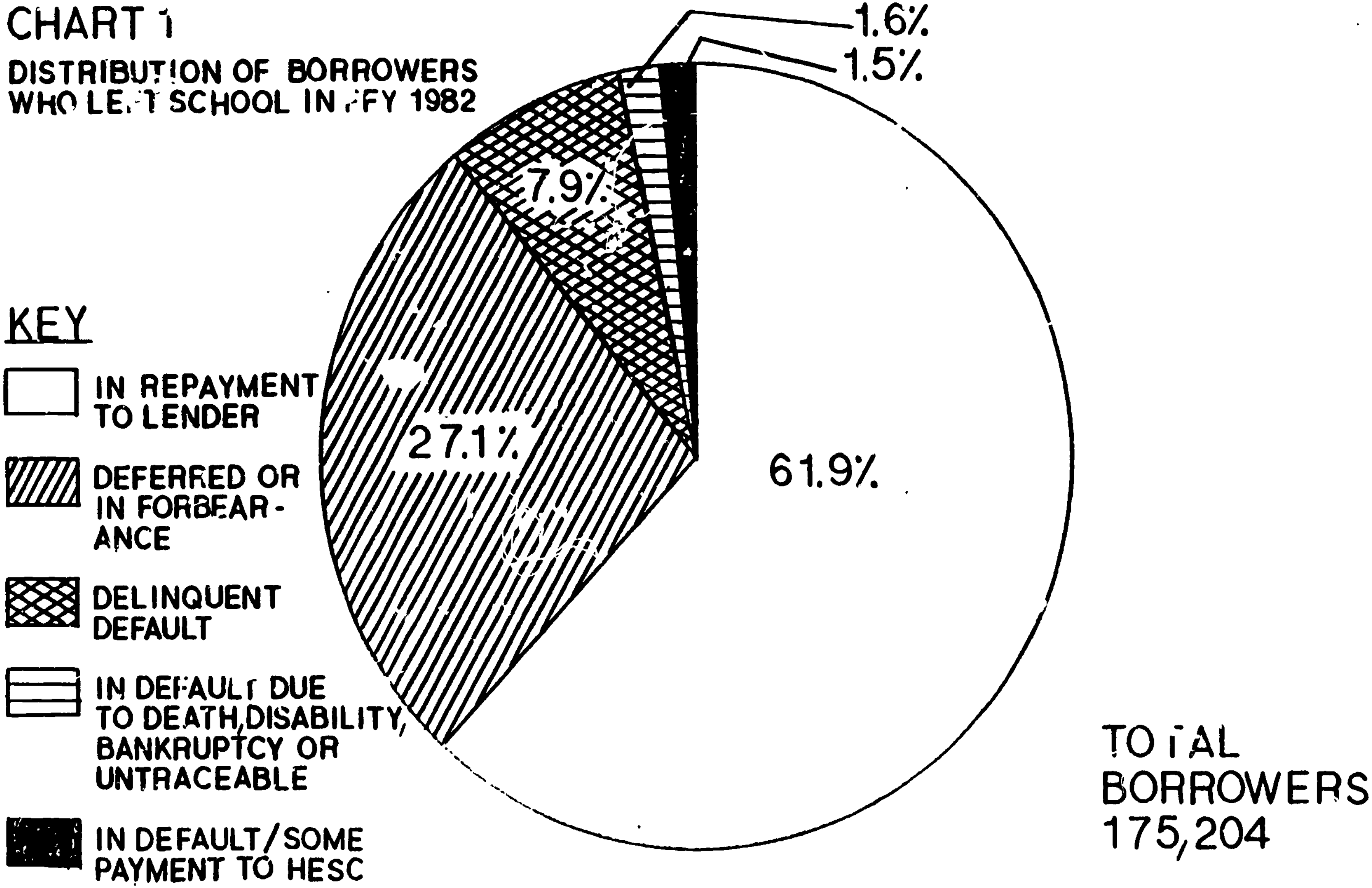
Responses were anonymous. However, the survey instrument was color-coded in order to identify the category of the respondents. The mailing was done by a non-HESC firm in order to increase the likelihood that the envelope would be opened and its contents read. The cover letter assured anonymity and indicated a concern about the effect of educational borrowing on students after they leave school. Copies of the survey instrument and cover letter appear in Appendix A.

ANALYSIS OF THE BORROWERS IN THE HESC DATABASE

Of the 175,204 HESC student loan borrowers who graduated or withdrew from school in FFY 1982 and who were selected for the study, 62% were in repayment and 11% in default as of December, 1983. The remaining 27% had deferments or had been granted forebearance (see Chart 1). Among the borrowers in default, 14% had made some payment to HESC, 15% were classified as untraceable or as having defaults resulting from death, disability, or bankruptcy, and 71% were delinquent.

CHART 1

DISTRIBUTION OF BORROWERS WHO LEFT SCHOOL IN FFY 1982



The characteristics of repayers, delinquent defaulters, and paying defaulters are compared in Tables 1 through 4.

The analysis shows the following:

1. There was a strong inverse relationship between default and the number of years spent in school. Table 1 indicates that, among people who last borrowed as freshmen, 14.2% were in default and not making payments to HESC. This percentage dropped steadily as class level rose except among fifth-year undergraduate students. Seniors and graduate students were the least likely to default. Only 2.6% of the seniors and graduate students were in default. Freshmen were two to five times as likely to default as borrowers who had progressed beyond that level when they last borrowed. Furthermore, freshmen comprised 69% of delinquent defaulters.

Table 1

Default Rate by Class Level at Time of Last Guarantee
Borrowers Who Left School in FFY 1982

Class Level	All Borrowers	Repayers		Defaulters		Paying Defaulters	
		#	%	#	%	#	%
Freshman	67,452	33,935	50.3%	9,578	14.2%	1,423	2.1%
Sophomore	24,570	16,314	66.4	1,593	6.5	357	1.5
Junior	15,225	10,012	65.8	803	5.3	212	1.4
Senior	36,303	26,625	73.3	93[illegible]	2.6	310	0.9
5th Year	4,527	3,169	70.0	184	4.1	71	1.6
Graduate	26,248	17,838	68.0	693	2.6	242	0.9
ALL	174,325*	107,893	61.9%	13,790	7.9%	2,615	1.5%

Source: HESC GSL Active and Default Mirror Files 12/83

* 879 Records missing level indicator.

2. There was a strong relationship between default and the level of school attended. Table 4 indicates that people who last borrowed for attendance at vocational schools had a proportion of defaulters (17.2%) two times as great as borrowers who had attended two-year schools (8.6%). At four-year colleges and graduate schools, the percentages of delinquent defaulters dropped lower still, to 4.8% and 2.7%, respectively. Borrowers who had attended vocational schools comprised 49% of the delinquent defaulters.

This finding reinforces the conclusion made earlier that a strong inverse relationship exists between default and the number of years spent in school.

Table 2

Default Rate By Level of School Attended
at Time of Last Guarantee
Borrowers Who Left School in FFY 1982

School Type	All Borrowers	Repayers		Defaulters		Paying Defaulters	
		#	%	#	%	#	%
Vocational	39,088	18,720	47.9%	6,705	17.2%	897	2.3%
Two-Year	31,668	19,710	62.2	2,734	8.6	533	1.7
Four-Year	75,067	50,061	66.7	3,599	4.8	916	1.2
Graduate	29,381	19,912	67.8	784	2.7	283	1.0
ALL	175,204	108,403	61.9%	13,822	7.9%	2,624	1.5

Source: HESC GSL Active and Default Mirror Files 12/83.

3. The graduation rate for repayers was only slightly higher than for defaulters (79.7% vs. 71.0% - see Table 3). Paying defaulters had a 71.8% graduation rate. It is surprising that there is a relatively small difference in the graduation rates of repayers and defaulters.

4. Borrowers who were repaying their loans borrowed more frequently and incurred a greater debt than borrowers in default (see Table 3). On the average, defaulters had 1 3/4 loans as compared with 2 1/4 loans per borrower in repayment. Defaulted students borrowed an average total of $3,106, while the average for students repaying their loans was approximately 50% higher at $4,626. The number of loans and amount of indebtedness of borrowers generally reflect the relative length of time a student attended school.

5. Average attendance costs were slightly higher ($4,807 vs. $4,348) and the average amount of other financial aid received lower ($610 vs. $829) for borrowers in repayment than for those who had defaulted (see Table 3). Since most other forms of student aid are need based, this is an indication that income levels of repayers at the time of borrowing were generally higher than those of defaulters.

6. Borrowers who were repaying their loans were on the average one year younger than those in default (see Table 3). This, combined with the fact that repayers attended school longer, means that repayers were, on the average, considerably younger when they first borrowed.

Table 3

Characteristics of Repayers vs. Defaulters
Borrowers Who Left School in FFY 1982

	Repayers	Defaulters	Paying Defaulters
Average Indebtedness	$4,626	$3,106	$3,589
Average # Loans	2.26	1.76	1.97
Age	27	28	28
Cost of Attendance	$4,807	$4,348	$4,095
Other Aid	$ 610	$ 829	$ 667
% Who Graduated	79.7%	71.0%	71.8%
NYS Resident	98.6%	98.8%	98.7%
	(N=108,403)	(N=13,822)	(N=2,624)

Source: HESC GSL Active and Default Mirror Files 12/83

7. <u>There were no significant differences in repayment/ default experience at the major types of lenders</u>. Table 4 indicates, however, that students who borrowed from savings and loan institutions or from credit unions had lower proportions of defaulters. A possible explanation for this is that savings and loan associations and credit unions tend to deal with a narrower clientele and generally have had dealings over a longer period with the families of the student loan borrowers.

Table 4

Default Rate by Lender Type for Last Guarantee Borrowers Who Left School in FFY 1982

Lender Type	All Borrowers	Repayers #	Repayers %	Defaulters #	Defaulters %	Paying Defaulters #	Paying Defaulters %
Commercial	93,021	60,924	65.5%	7,763	8.3%	1,384	1.5%
Savings	69,249	40,317	58.2	5,600	8.1	1,100	1.6
Savings & Loan	3,292	2,130	64.7	91	2.8	22	0.7
Fed. Savings & Loan	7,068	3,543	50.1	340	4.8	99	1.4
Credit Union	2,570	1,486	57.8	28	1.1	19	0.7
ALL	175,200*	108,400	61.9%	13,822	7.9%	2,624	1.5%

Source: HESC GSL Active and Default Mirror Files 12/83

* Four loans made by institutional lenders.

FINDINGS FROM THE SURVEY QUESTIONNAIRE

The information reported in this section is based on an analysis of responses to the survey questionnaire. The patterns which have evolved and the unsolicited comments and letters added by the respondents provide considerable insight into the problems and concerns of student loan borrowers.

Two cautions are necessary in relation to the generalization of findings reported here. Because of the anonymity of respondents, bias due to non-response cannot be measured. Conclusions stated are based on this group of respondents. However, the recommendations in this report are made with the expectation of reducing defaults generally. Respondent representativeness in relation to the borrower population for the study is examined in Appendix B. The response rate for defaulters was quite low at 8%; repayers had a 25% response rate and paying defaulters had a 22% response rate.

1. Borrowers who were employed when their loans became due were more likely to begin repayment of their loans. Chart 2 indicates that eighty percent of repayers but only 26% of delinquent defaulters who responded to the question, "Were you employed when your student loan became due?", said yes. Forty-eight percent of paying defaulters reported being employed when their loans came due. Clearly, the borrower's employment status and earning power were strongly related to repayment status.

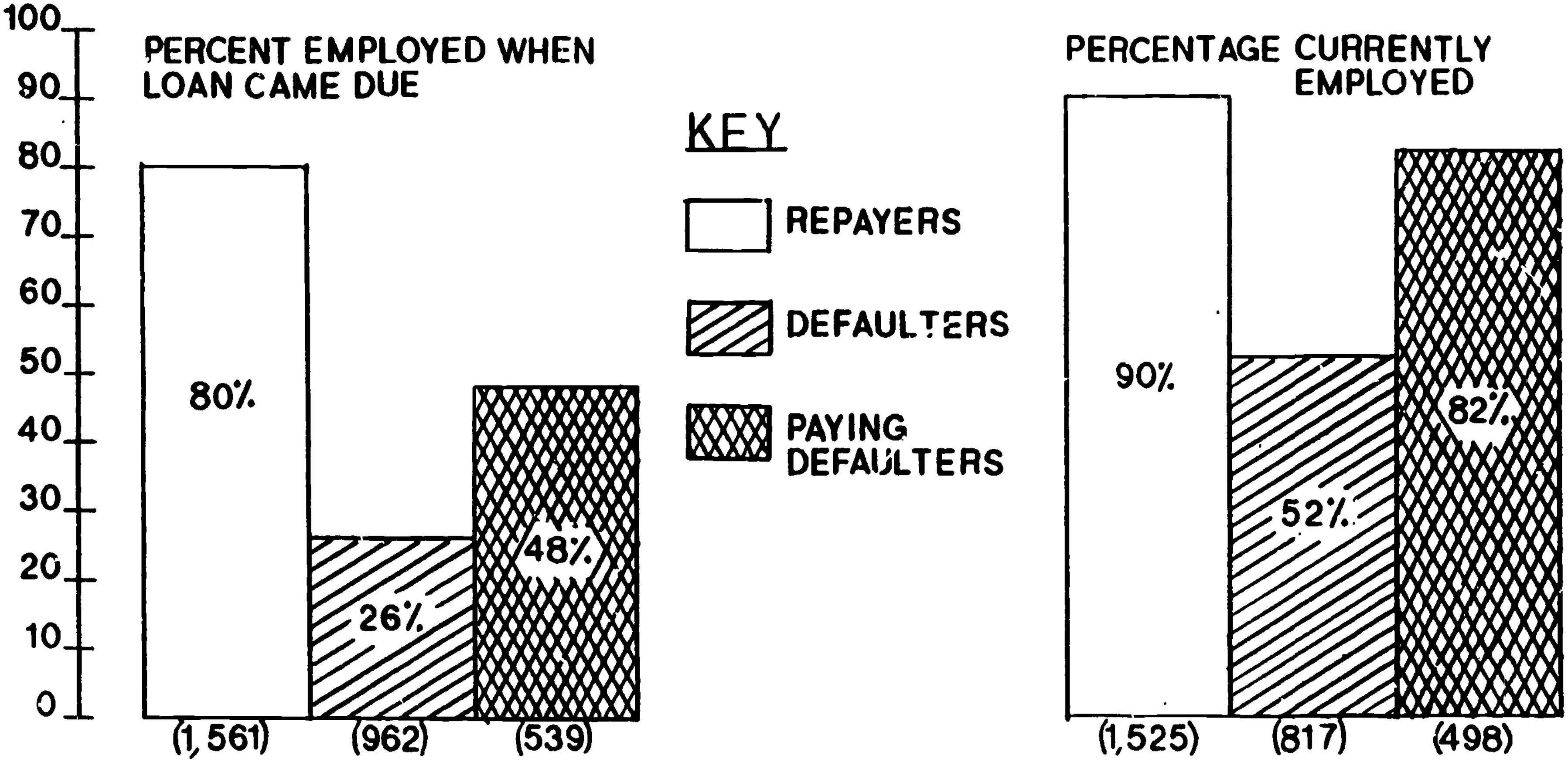
Only slightly more than half (52%) of the delinquent defaulters who responded to the question on current employment status are now employed, as compared with 90% of repayers and 82% of paying defaulters.

Delinquent defaulters were employed for a shorter time and were earning considerably lower salaries than borrowers in the other two categories. Among the defaulters who were employed, the average length of employment was 19.7 months as compared with 26.7 months of employment for repayers. Average monthly earnings, after taxes, were $649 for delinquent defaulters and $993 for borrowers in repayment (see Chart 3). Paying defaulters reported an average of $805 monthly take-home wages. Non-taxable income, such as public assistance, was included where reported.

While this correlation between employment status and repayment may come as no surprise, it possibly suggests the need for a longer period of deferment for unemployment than the current one year. A borrower who can avoid going into default while unemployed will be more likely to begin payment following resumption of employment, whereas one who is already in default may believe that there is nothing to be gained by paying. In addition, the extra costs which are incurred by agencies and the government in collection efforts could be avoided.

CHART 2

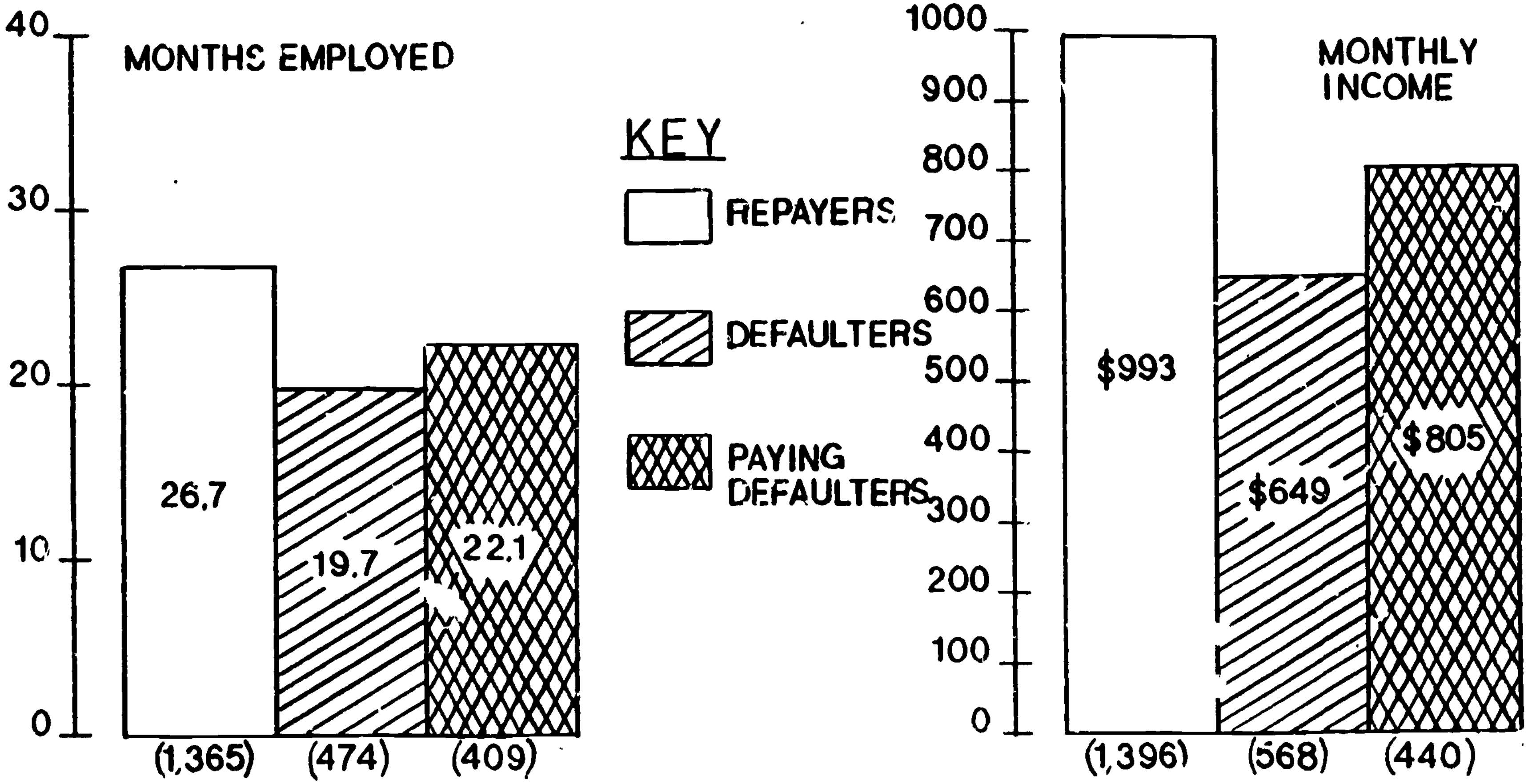
EMPLOYMENT PERCENTAGES WHEN LOANS CAME DUE AND CURRENTLY



NUMBERS IN PARENTHESES INDICATE NUMBER OF RESPONDENTS IN EACH CATEGORY WHO ANSWERED THE QUESTION

CHART 3

AVERAGE LENGTH OF CURRENT EMPLOYMENT AND MONTHLY INCOME AFTER TAXES*
FOR BORROWERS WHO ARE EMPLOYED



*MAY INCLUDE NON-TAXABLE INCOME SUCH AS PUBLIC ASSISTANCE

NUMBERS IN PARENTHESES INDICATE NUMBER OF RESPONDENTS IN EACH CATEGORY WHO ANSWERED THE QUESTION

2. Borrowers who had worked summers or part time while in school were more likely to repay their loans than those who had not worked. When asked whether they had worked summers or part time while in school, 86% of respondents who were repaying their loans reported that they had (see Chart 4). In contrast, fewer than one-half (48%) of delinquent defaulters and 70% of paying defaulters had prior work experience. It may be that working to help pay one's way through school is an indication of responsibility or that students with an employment record are in a better position to find a job after leaving school. In fact, 23% of respondents who reported having jobs while in school indicated that their in-school job had become their full-time position after leaving school.

3. Generally, borrowers who were in repayment had higher dollar amounts of fixed monthly expenses than those in default. However, those higher fixed costs represented a smaller percentage of their monthly take-home pay. Borrowers in repayment had average monthly fixed costs of $494, which represented 50% of their income. Delinquent defaulters spent $368 per month, or 57% of their income for rent, credit payments, child support, or alimony, where applicable. In some cases they lived with family or friends, paying little or no rent. Paying defaulters reported nearly the same dollar amount of monthly fixed costs as repayers, $492 or 61% of their income. Smaller proportions of discretionary income, especially when combined with lower take-home salaries, appear to be related to the likelihood of default.

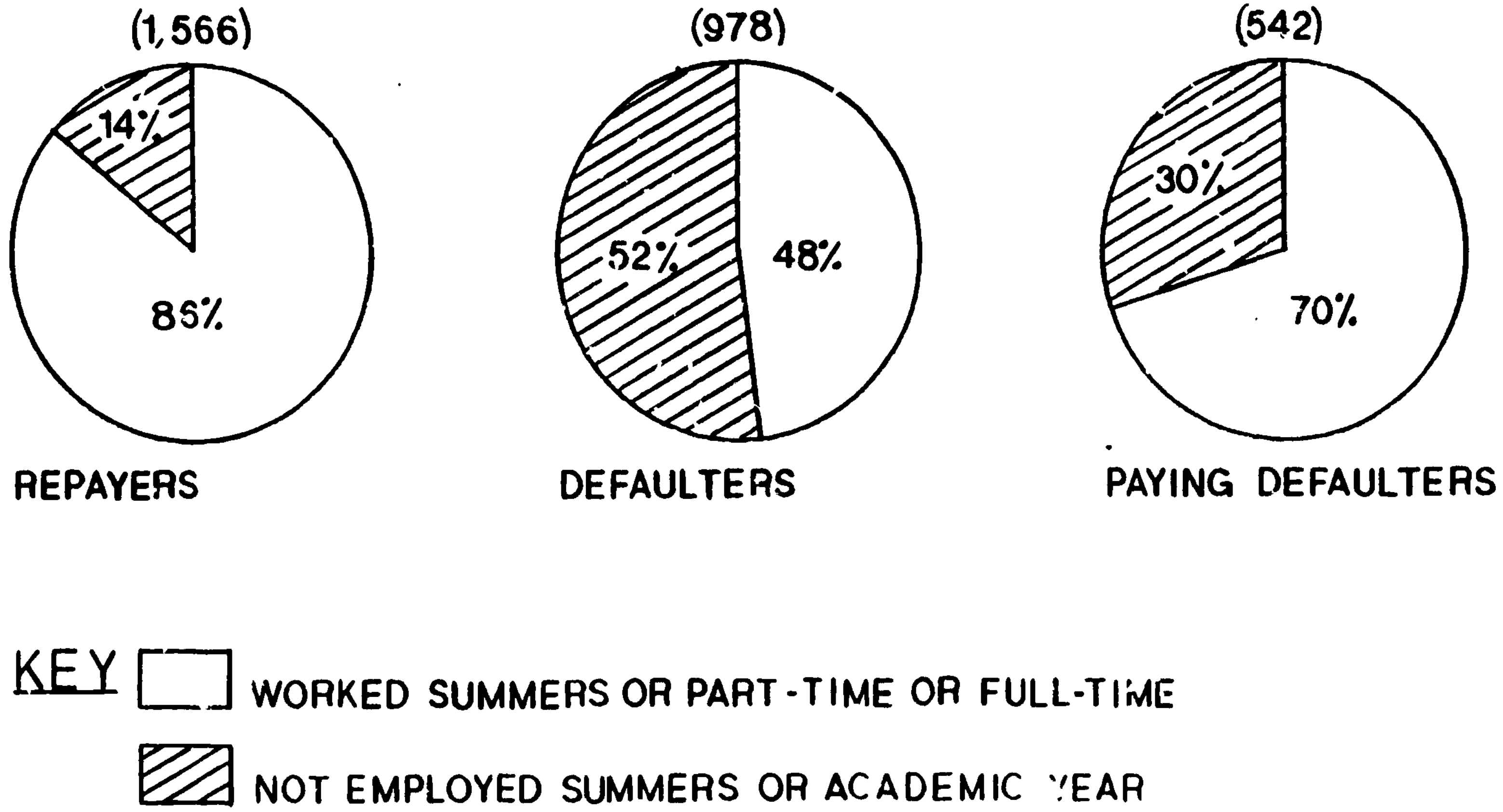
Nearly nine-tenths (88%) of the respondents were willing to provide information concerning their fixed monthly costs, e.g., mortgage or rent (including utilities) and monthly credit payments other than student loans. Those who were divorced were also asked whether they paid child support or alimony and if so, how much.

4. Repayers were twice as likely as defaulters to have incurred other debts. However, there were no significant differences between the two groups in the amounts of debt incurred. Repayers who reported making monthly credit payments spent an average of $223 per month, as compared with $208 for delinquent defaulters and $244 for paying defaulters.

Sixty-eight percent of repayers reported paying monthly credit installments, as compared with 31% of defaulters and 49% of paying defaulters. The comparatively low likelihood of defaulters having other credit is a logical consequence of their low employment rates and incomes and their inability to obtain credit once they have defaulted.

CHART 4

PERCENTS OF BORROWERS WHO HAD WORKED SUMMERS OR DURING THE ACADEMIC YEAR



NUMBERS IN PARENTHESES INDICATE NUMBER OF RESPONDENTS IN EACH CATEGORY WHO ANSWERED THE QUESTION

5. <u>Repayers were three times as likely to receive family assistance in repaying their loan.</u> Nearly one-fourth (24%) of repayers and less than one-tenth (7%) of delinquent defaulters reported assistance from parents, grandparents or a spouse in repaying loans. Seventeen percent of paying defaulters received such assistance. In all groups, spouses were the main source of such support (see Table 5 below).

Table 5

Percentages of Respondents Reporting Family Assistance in Repaying Student Loans

Family Member(s)	Repayers	Defaulters	Paying Defaulters	All
Parents	8.6%	2.4%	5.3%	6.1%
Grandparents	0.3	0.2	0.7	0.4
Spouse	14.9	4.2	11.4	10.9
	23.8%	6.[illegible]%	17.4%	17.4%

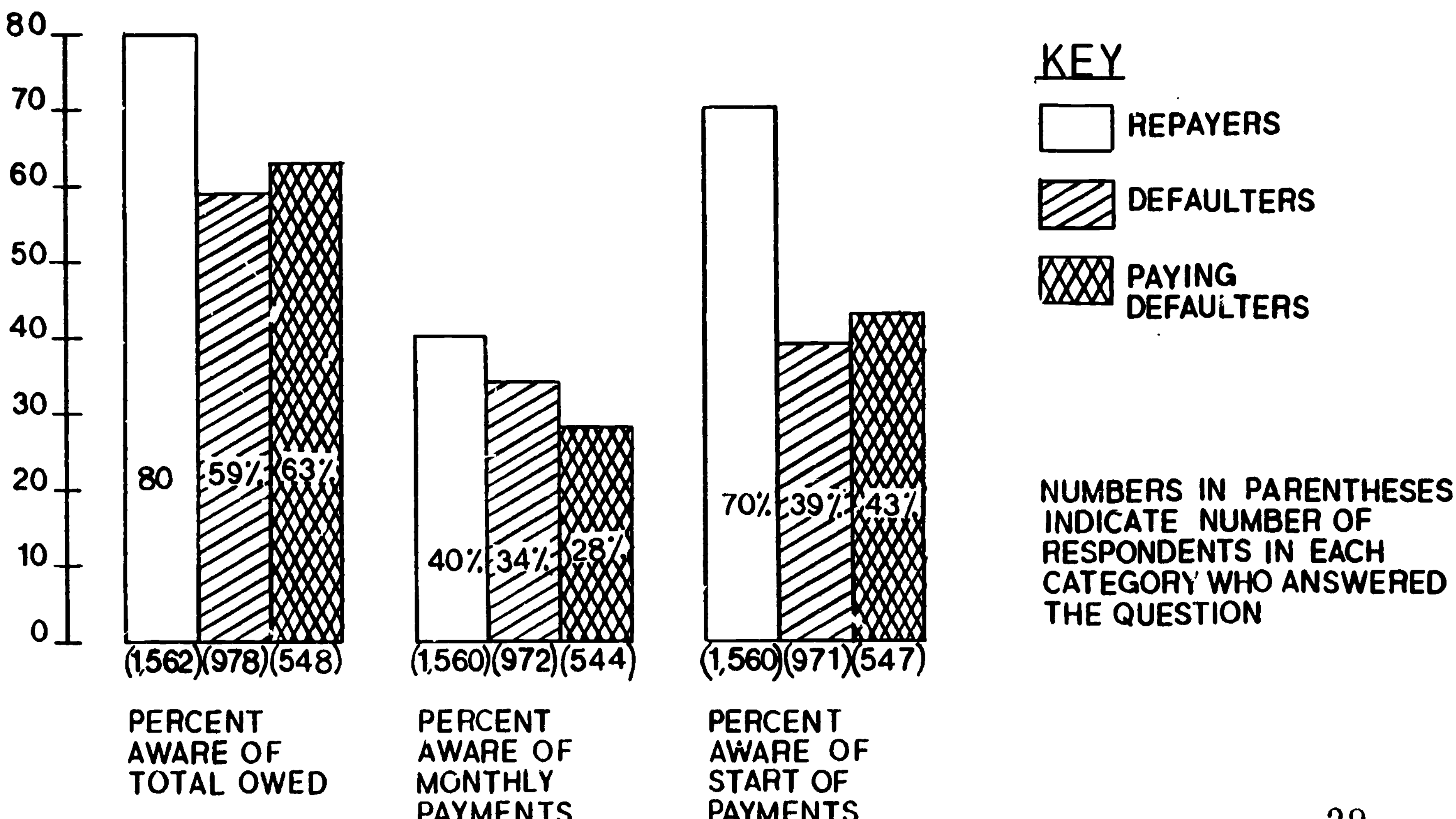
The degree to which spouses provided repayment assistance for borrowers in each of the categories was consistent with the different rates of marriage reported by borrowers in each group. Thirty-two percent of repayers reported being currently married, as compared with 21% of delinquent defaulters and 27% of paying defaulters.

6. <u>Both repayers and defaulters alike reported very low levels of exit counseling.</u> The survey questionnaire asked borrowers whether they had received counseling on their repayment obligations prior to leaving school. Only a small percentage responded that they had, and there was almost no difference between the percentages of repayers and defaulters who said they had met with someone from their school. Only 18% of defaulters, including those who later paid, and 19% of repayers reported such a meeting.

7. <u>Generally, both groups of borrowers (repayers and defaulters) were more likely to report that they were aware of the total amount they owed than what their monthly payments would be.</u> Eighty percent of repayers, 59% of delinquent defaulters, and 63% of paying defaulters reported knowing the total amount owed when they left school, while only 40% of repayers, 34% of delinquent defaulters, and 28% of paying defaulters knew what their monthly payments would be (see Chart 5).

CHART 5

BORROWER AWARENESS OF REPAYMENT OBLIGATIONS



Repayers were considerably more aware of the total owed than were defaulters. More noteworthy, however, was the large discrepancy within each category between awareness of total owed and awareness of monthly payments. The overall lack of knowledge about monthly payments indicates a need for more comprehensive counseling, both at the time of borrowing and when the borrower leaves school.

8. Awareness of when payments would begin was reported by repayers at almost twice the rate of defaulters. While 70% of borrowers who were repaying their loans reported knowledge of when payments were expected to start, only 39% of delinquent defaulters and 43% of paying defaulters reported that knowledge (see Chart 5). This appears to be another area where stronger counseling efforts, perhaps on an individual basis, are indicated.

9. Among borrowers who did not graduate, defaulters were more likely than repayers to withdraw for financial reasons. Of the respondents who stated reasons for withdrawing, nearly two-thirds (63%) of both delinquent and paying defaulters reported withdrawing for financial reasons or to help their families. Only 41% of repayers gave those reasons. In contrast, 22% of repayers responding to the question said they preferred to work, as compared with 6% of delinquent and 11% of paying defaulters. Other reasons reported are shown in Table 6.

Table 6

Reasons for Withdrawing From School

	Repayers	Defaulters	Paying Defaulters
Academic	14.5%	10.7%	7.8%
Financial	33.0	45.2	51.4
To Help Family	8.0	18.1	11.9
Preferred to Work	21.5	6.3	10.5
Other	23.0	19.7	18.4
	100.0%	100.0%	100.0%
	(N=339)	(N=559)	(N=294)

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10. <u>Defaulters were more likely than repayers to have other educational loans</u>. Among borrowers who had attended vocational schools, 9% of defaulters but only 5% of repayers reported having school loans. In the other sectors, 26% of defaulters and 22% of repayers reported having borrowed from a school. The limited availability of NDSL funds at vocational schools explains the generally lower level of school borrowing among those borrowers.

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APPENDIX A

Cover Letter
Survey Instrument

PRIORITY RESPONSE MAIL

DATALINC™

Research Division
One Commerce Plaza
Albany, New York 12255

April 6, 1984

Dear :

Later this year Congress will be considering changes to the student loan program. New borrowing limits and repayment terms for Guaranteed Student Loans may be established at that time.

To prepare for these upcoming discussions, the Research Division of the New York State Higher Education Services Corporation is conducting a survey of people who have had experience with the current student loan program.

The purpose of the survey is to determine the effect of educational borrowing on the lives of students after they leave school.

More than 20,000 student loan borrowers have been asked to participate in this survey and have received a copy of the enclosed questionnaire. Your name was selected at random to be part of this important survey. The information which you and the other respondents provide will be anonymous and will not in any way be identifiable or linked to a particular respondent. It will not affect your credit eligibility.

Please take a few minutes to complete the enclosed brief questionnaire and return it in the postage-paid envelope as soon as possible. Your assistance in this research project is important to help improve the student loan program and provide better repayment terms to student borrowers.

Sincerely,

Dennis L. Cabral

Dennis L. Cabral
Vice President for Research
and Policy Analysis

1

STUDENT LOAN BORROWER SURVEY

1. What type of school did you attend when you last received a student loan?
(PLEASE CHECK ONE IN EACH COLUMN.)

1☐ SUNY	1☐ Less than 2 year program
2☐ CUNY	2☐ 2-yr. undergraduate degree
3☐ Private / Independent in New York	3☐ 4-yr. undergraduate degree
4☐ Vocational, Trade or Technical	4☐ Graduate School
5☐ Out-of-State	

2. How many years of college or vocational school have you completed?
(PLEASE CHECK HIGHEST LEVEL.)

Undergraduate	☐ 1 yr.	☐ 2 yrs.	☐ 3 yrs.	☐ 4 yrs.	☐ 5 yrs.
Graduate or Professional	☐ 1 yr.	☐ 2 yrs.	☐ 3 yrs.	☐ 4 or more yrs.	

3. Did you: (PLEASE CHECK ONE WHICH BEST APPLIES TO YOU.)

1☐ Graduate	4☐ Withdraw to help family
2☐ Withdraw for academic reasons	5☐ Withdraw because you preferred to work
3☐ Withdraw for financial reasons	6☐ Other ____________________

4. a. At the time that you left school, did you meet with someone from your school to discuss your student loan obligations?
1☐ Yes 2☐ No

b. If yes, did you meet:
1☐ Privately 2☐ In a group session

5. a. When you left school, did you know how much you owed for your student loans?
1☐ Yes 2☐ No

b. Did you know how much your monthly payments would be?
1☐ Yes 2☐ No

c. Did you know when your payments would begin?
1☐ Yes 2☐ No

6. a. Did you work summers and / or part-time while in school?
1☐ Yes 2☐ No

b. If yes, did this become your full-time employment after leaving school?
1☐ Yes 2☐ No

7. a. Were you employed when your student loan came due?
1☐ Yes 2☐ No

b. If yes: 3☐ Full-time 4☐ Part-time

8. a. If you are currently employed, how long? ________ Months
If you are currently unemployed, how long? ________ Months

b. What is your approximate monthly income after taxes? $________.00

PLEASE TURN THIS FORM OVER
AND COMPLETE ALL QUESTIONS

9. What is your approximate monthly payment for:

a. Rent or mortgage (including utilities). $_______.00

b. Other credit (excluding student loans), such as auto loans or credit card purchases. $_______.00

10. a. How much did you borrow in student loans from:

Your school? $_______.00 A bank? $_______.00

b. How much did you borrow for:

Undergraduate study? $_______.00 Graduate study? $_______.00

11. Are you making student loan payments to:

1☐ A lender in New York State
2☐ A lender out-of-state
3☐ New York State Higher Education Services Corporation
4☐ A school

12. Are any of the following family members helping you repay your student loan? (PLEASE CHECK ALL THAT APPLY.)

1☐ Parents 2☐ Grandparents 3☐ Spouse

13. How old are you? ________ years

14. Your sex? 1☐ Male 2☐ Female

15. a. Are you:

1☐ Single 2☐ Married 3☐ Divorced 4☐ Widowed

b. How many dependents do you have (not including yourself)? __________

c. If married, does your spouse have a student loan?

1☐ Yes 2☐ No

If yes, how much did your spouse borrow? $_______.00

d. If divorced, are you paying alimony or child care?

1☐ Yes 2☐ No If yes, how much monthly? $_______.00

16. Your ethnic background?

1☐ American Indian
2☐ Asian
3☐ Black
4☐ Hispanic
5☐ White
6☐ Other ____________________

END OF QUESTIONNAIRE.
THANK YOU FOR YOUR ASSISTANCE

APPENDIX B

Response Rate
Sample Representativeness

Table 7
Response Rates By Sector
("Other" Designation Indicates Level or Sector Unknown)

	Repayers			Defaulters			Paying Defaulters			All Groups		
Sector	# Resp	Mailed	%	# Resp	Mailed	%	# Resp	Mailed	%	# Resp	Mailed	%
SUNY												
2 Yr.	135	335	40%	41	143	29%	26	35	74%			
4 Yr.	198	624	32	37	672	6	31	176	18			
Grad.	112	353	32	13	69	19	9	25	36			
Other[2]	71			32			29					
ALL SUNY	516	1,312	39	123	884	14	95	236	40	734	2,432	30%
CUNY												
2 Yr.	21	315	7	37	711	5	14	104	13			
4 Yr.	57	389	15	39	775	5	17	137	12			
Grad.	68	310	22	9	92	10	8	28	29			
Other[2]	26			35			15					
ALL CUNY	172	1,014	17	120	1,578	8	54	269	20	346	2,861	12
IND												
2 Yr.	69	706	10	55	1,822	3	30	390	8			
4 Yr.	230	1,141	20		1,540	5	56	4[illegible]4	14			
Grad.	29	559	5	[illegible]	398	[illegible]	21	162	13			
Other[2]	33			56			33					
ALL IND	361	2,406	15	208	3,760	6	140	966	14	709	7,132	10
OOS[3]												
2 Yr.	12	344	3	5	205	2	3	37	8			
4 Yr.	135	542	25	37	612	6	28	189	15			
Grad.	49	249	20	23	225	10	14	68	21			
Other[2]	11			5			8					
ALL OOS	207	1,135	18	70	1,042	7	53	294	18	330	2,471	13
Voc	152	851	18	356	6,558	5	133	859	15	641	8,268	8
Other[4]												
2 Yr.	67			54			28			149		
4 Yr.	41			26			21			88		
Grad	56			21			20			97		
TOTAL	1,572	6,718 (444)	25%[5]	978	13,822 (1309)	8%[5]	544	2,624 (102)	22%[5]	3,094	23,164 (1855)	15%[5]

Numbers in parentheses are questionnaires undelivered.

1 Based on 3,119 responses; 23 responses had no sector or level indicators, 2 responses had no response code
2 Level not indicated
3 Out-of-State
4 Sector not indicated
5 Response rate based on actual number of questionnaires delivered

RESPONSE RATE

A total of 3,119 completed questionnaires were returned. An additional 1,855 envelopes were returned as undeliverable due to lack of a forwarding address. As predicted, defaulters were less cooperative in responding, with an 8% response rate. Repayers and paying defaulters had response rates of 25% and 22%, respectively. Table 7, on the preceding page, indicates response rates by sector and level of school. Borrowers who had attended the State University of New York (SUNY) had the highest response rates (39% for repayers, 14% for defaulters, and 40% for paying defaulters), while vocational school attendees had the lowest (18% for repayers, 5% for delinquent defaulters, and 15% for paying defaulters).

SAMPLE REPRESENTATIVENESS

A comparison of the characteristics of survey respondents with information about the borrower population on the HESC database is a measure of the similarity between respondents and all borrowers who left school during FFY 1982. Table 8 shows the percentages of respondents in each category (repayers, defaulters, and paying defaulters) who attended two-year, four-year, graduate or vocational schools, and compares them to the percentages of all borrowers in each of the sectors who left school in FFY 1982.

Table 8

Sector Distributions of Survey Respondents and All Borrowers Who Left School in FFY 1982

School Type	Repayers All Borr.	Repayers Resp.	Defaulters All Borr.	Defaulters Resp.	Paying Defaulters All Borr.	Paying Defaulters Resp.
2 Year	18.2%	21.3%	19.8%	22.6%	20.5%	22.0%
4 Year	46.2	46.2	26.0	25.2	34.9	33.3
Grad	18.4	21.9	5.7	10.4	10.8	15.7
Voc	17.3	10.6	48.5	41.8	33.8	29.0
N =	(108,403)	(1,431)	(13,822)	(850)	(2,624)	(459)

Note: 378 responses had no level indicator, one had no response code

The proportions of respondents at two- and four-year schools were similar to the proportions of FFY 1982 out-of-school borrowers in those sectors. Borrowers who attended graduate schools were somewhat overrepresented in all categories and borrowers who attended vocational schools were somewhat underrepresented in all categories.

Respondents to the questionnaire reported average ages of 26.7 years for repayers, 27.9 years for delinquent defaulters, and 27.7 years for paying defaulters. These were identical to the mean ages in each of the categories on the HESC database.

The average total amount borrowed from a bank was reported by survey respondents as $4,926 for repayers, $3,722 for delinquent defaulters, and $3,955 for paying defaulters. These figures were $300 to $600 higher than the average total borrowed in each category on the HESC database. Borrowers with greater debt levels, whether in default or repayment, could have been more likely to respond, possibly because of greater anxiety about how much they owe. It may also be that respondents were including loans other than GSLs which were not guaranteed by HESC.