

Federal Loans: Repayment Rates

Sixty-seven percent of federal student loan borrowers who entered repayment in 2009-10 and 2010-11 after earning a degree or certificate had paid down at least one dollar of their loan principal after five years. This repayment rate was 41% for noncompleters.

FIGURE 14A Federal Student Loan Five-Year Repayment Rate by Completion Status and by Dependency Status: Borrowers Entering Repayment in 2009-10 and 2010-11

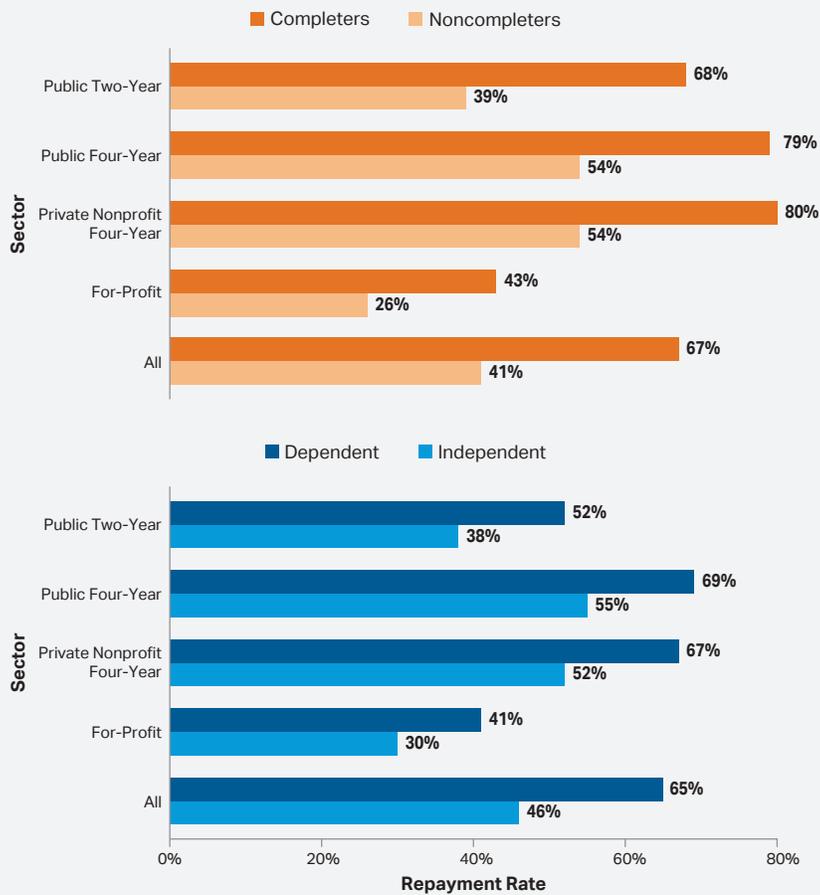
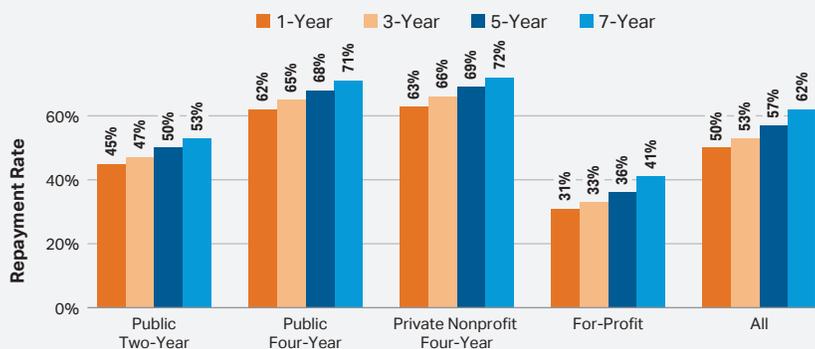


FIGURE 14B Federal Student Loan One-Year, Three-Year, Five-Year, and Seven-Year Repayment Rates by Sector, Borrowers Entering Repayment in 2007-08 and 2008-09



- Completers had higher repayment rates than noncompleters in all sectors, but completers from the for-profit sector had lower repayment rates than noncompleters from the public and private nonprofit four-year sectors.
- In all sectors, dependent students had higher repayment rates than independent students. Repayment rates ranged from 30% for independent students from the for-profit sector and 38% for those from public two-year colleges to 67% for dependent students from the private nonprofit four-year sector and 69% for those from the public four-year sector.
- In all sectors, the share of borrowers who have made some progress paying down their student debt increases as time in repayment increases. The largest increments are for borrowers from for-profit institutions, where the repayment rate for borrowers who entered repayment in 2007-08 and 2008-09 rose from 31% after one year to 41% after seven years.
- After seven years, 41% of borrowers from for-profit institutions had reduced their loan balances by at least one dollar. This repayment rate was lower than the one-year repayment rates in all other sectors, including public two-year colleges, where the repayment rate rose from 45% after one year to 53% after seven years.

ALSO IMPORTANT:

- Borrowers can be in good standing without paying down the principal owed. They may be enrolled in an Income-Driven Repayment (IDR) plan. Some may have no required payments and, for others, the required payments may be too small to cover the interest charged, leading to increases in the balance owed. In addition, borrowers may be in deferment or forbearance and not required to make payments in their current circumstances.

NOTES: The repayment rate is defined as the percentage of borrowers in each repayment cohort whose payments reduced the loan principal by at least one dollar after the specified number of years. Repayment status on each loan is attributed to the school for which the loan was taken. Therefore, a student can be counted in the repayment cohorts of more than one institution.

SOURCES: U.S. Department of Education, College Scorecard data; calculations by the authors.