

Student Loan Default: Some Relevant Factors
Iowa College Student Aid Commission
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Research has identified a number of factors associated with the risk of student loan default. Whether associated with increased or decreased likelihood of student loan default, these factors touch on a wide range of background characteristics and personal experiences of student borrowers. Using information available from various sources*, staff of the Iowa College Student Aid Commission have compiled the following brief summary of factors that relate to student loan default. The list below is intended as a general overview of the best-documented factors, but it is not intended to be exhaustive. For more extensive discussion, see the sources listed under References.

Some factors associated with the risk of student loan default:

1. Withdrawing from school -- Student borrowers who withdraw before completing a degree are more likely to default on their student loans than those who complete a degree.
2. Employment while enrolled -- Students who work full-time while enrolled in college are more likely to default than those who do not.
3. Unemployment after leaving school -- Student borrowers who experience unemployment after leaving school are more likely default.
4. Enrollment less than full-time -- Student borrowers who were enrolled only part-time are more likely to default on their student loans.
5. Delaying enrollment after high school -- Student borrowers who delay enrollment in a postsecondary institution after leaving high school are more likely to default.
6. High school diploma -- Student borrowers who dropped out of high school and did not earn a high school diploma are more likely to default.
7. Type of School Attended -- Student borrowers who attend proprietary schools, community colleges, or private two-year schools are more likely to default than those who attend other types of institutions. Student borrowers who attend public four-year colleges and universities, by contrast, are less likely to default on their student loans.
8. Number of schools -- Student borrowers who borrow in order to attend a greater a number of schools are less likely to default
9. Income and assets -- Student borrowers from low-income households and borrowers with low wages are more likely to default on their student loans. By contrast, student borrowers who earn higher wages and who come from households with higher incomes and greater assets are less likely to do so.
10. Default history -- Student borrowers who have defaulted on other student loans are more likely to default.
11. Number of loans -- Student borrowers with many loans are more likely to default.
12. Amount borrowed -- The more money students borrow, the more likely they are to default.
13. Number of dependents -- Student borrowers with dependents other than a spouse are more likely to default.
14. Single parent status -- Student borrowers who are single parents are more likely to default than other student borrowers.
15. Financial independence -- Student borrowers who are financially independent are more likely to default.
16. Loan forbearance -- Student borrowers who receive forbearance are less likely to default, and the longer they remain in forbearance, the less likely they are to default.
17. Loan consolidation -- Student borrowers who consolidate their loans are less likely to default.

* See References.

References

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