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## **Study Finds 1 in 3 Student Loan Holders with Payments Due Are Late With Payments and More Than Half Regret Their Borrowing**

### **Data Shows Many Borrowers Don't Understand Loans They Obtain**

**WASHINGTON (Nov. 14, 2016)**—Nearly half of young Americans start their working lives with student debt, and 43 million Americans carry student loans. A new study by the Global Financial Literacy Excellence Center (GFLEC) at the George Washington University School of Business found that many borrowers are struggling to make student loan payments and regret their borrowing.

GFLEC's [newly published policy brief](#) reports that most borrowers did not fully understand what they were taking on when they obtained student loans. Additionally, 54 percent of student loan holders did not try to figure out what their monthly payments would be before taking out loans. And 53 percent said that if they could go back and redo the process of taking out loans, they would do things differently.

The center used data from the FINRA Investor Education Foundation's 2015 National Financial Capability Study, a survey of more than 27,000 respondents, jointly released in July by GFLEC and the FINRA Foundation. The study is one of the largest and most comprehensive assessments of financial capability in the country. This year, the study for the first time included key questions on student loan debt and its implications for the borrowers and for the economy as a whole.

The number of Americans contending with student loan debt has nearly doubled in the past decade. Outstanding student debt has increased to \$1.3 trillion from \$240 billion in 2003. The study found the ubiquity of student loan debt could impede financial stability for both individuals and the economy.

Strikingly, some 37 percent of respondents with payments due reported having been late with a student loan payment at least once in the last 12 months.

“Almost half of student loan holders are concerned about their ability to pay off their student debt, and nearly two in five are late with their debt payments,” said Professor Annamaria Lusardi, academic director of GW's Global Financial Literacy Excellence Center. “But these are not the only concerning findings. We find that many borrowers take out student loans without being fully aware of what they are getting into. These findings provide further evidence of the importance of improving individuals' financial capability, in particular, in the areas of debt and debt management.”

The study also noted:

- Student loan debt is concentrated among younger borrowers. Some 45 percent of people aged 18 to 34 have student loans, compared to 27 percent for ages 35 to 54. But

older Americans are also borrowing for higher education, with 9 percent of those 55 and older holding student loans.

- Some racial minorities (African Americans and Hispanics) and low-income borrowers are more likely to fall behind on loan payments.
- The nearly 30 percent of student loan holders who do not complete their degrees report serious problems repaying their debt. Some 53 percent said they had been late with a payment at least once in the previous year.
- While programs exist to help students with low incomes repay their loans, many borrowers fail to take advantage of them. Slightly more than a third of borrowers say they have income-driven repayment plans, which generally limit their payments to a percentage of their income. Almost one in five said they did not know whether their payments were keyed to their income.
- When borrowers did estimate what their loan payments would be before taking out loans, they were significantly more satisfied with their decision: 39 percent of borrowers who estimated their loan payments said they would make the same moves again, compared to only 24 percent of those who did not make these estimates.

Better, more widely available financial education could go a long way toward helping millions of student loan holders make the best possible choices for themselves, the policy brief concluded. That, in turn, could benefit the economy overall.

“This study takes a deeper dive into data collected through the FINRA Foundation’s 2015 National Financial Capability Study, exploring trends in financial capability related to the impact of student loan debt on individuals, their families and the larger society,” said Gerri Walsh, president of the FINRA Foundation. “The Foundation hopes this data will be used by policy makers, elected officials, consumer advocates and others to determine how to best help individual borrowers overcome the financial, psychological and emotional impact of student loan debt, and improve the financial capability of all Americans, especially the young.”

[GFLEC](#) seeks to inform policy as well as develop and promote financial literacy programs around the world through its research and expertise. GFLEC focuses on groundbreaking research, with particular emphasis on financial education in schools, in the workplace and in the community.

The [FINRA Investor Education Foundation](#) supports innovative research and educational projects that give underserved Americans the knowledge, skills and tools necessary for financial success throughout life.

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