# Delinquent Student Loans Still on the Rise

September 11, 2012 - Student loan delinquencies continue increase even though many other forms of debt are seeing reduced delinquency rates.  As we have previously reported, for-profit schools have significantly higher delinquency rates than public or private non-profit universities.  For profit schools account for 47% of all current delinquencies. And, according to a report published in the New York Times, the leader of the pack for delinquency rates is the University of Phoenix with more than 35,000 people who fall into this category.  ITT Technical Institute ranked a distant 2nd place, with nearly 8,000 people considered delinquent.

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Unlike with home mortgages or automobile loans, where a borrower is considered delinquent after missing a payment, student loans are not counted as delinquent until a borrower is 360 days behind in payments. This likely means that the actual delinquency rates are significantly higher.

To combat the problem, the government is turning more and more to collection agencies. Last year, those collection efforts resulted in repayment of more than $12 Billion in delinquent loans. Many of those payments were not voluntary. They can involve wage & pension garnishments, seizure of tax returns and reduced benefits from Social Security. And there is no end in sight.

There are now nearly 6 million people who are in default on their student loans. That translates to roughly 18% of people who currently owe money on student loans. This group owes roughly $76 Billion.

Those trying to evade repayment are fighting an uphill battle that is usually an exercise in futility. The federal government

is much more capable of tracking down debtors and coercing repayment than the private sector. The end result of these efforts is that the government eventually collects around 80 cents on every dollar owed; a rate that is roughly four times the collection rate for delinquencies on other forms of debt.

Student loan debtors themselves often go to great lengths to avoid repayment, only to fail in that goal in the end. Much of this effort stems from the fact that most debtors don't understand that there are programs offered to forgive student loans.

Some of these programs involve work. For instance, those who are willing to take positions as teachers in underserviced communities can have a portion or all of their debt forgiven. The government also offers a program that caps repayment amounts at 15% of the borrowers' income for up to 25 years. At the end of that time, any remaining debt is forgiven.

Obviously, 15% of income is significant. But when the alternative is having your Social Security payments garnished after you are retired, the option becomes considerably more attractive.

Anyone who is behind in their student loan repayments can research the options available to them for repayment by visiting the federal student loan website at www.fafsa.gov. Additional information is available at www.StudentLoans.gov.

byJim Malmberg
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