Student Loan Delinquency Rates in the Fifth District

This issue of 5th District Footprint examines student loan delinquency rates in the Fifth District. Student loans are the second largest component of U.S. household debt after mortgages. Unlike other debt, student loans are extremely difficult to discharge in bankruptcy. Student loans over 90 days delinquent are reported to credit reporting agencies who may lower a borrower’s credit score as a result. Lower credit scores are associated with higher interest rates when financing purchases, such as mortgages and automobile loans. Thus student loan delinquency may impact future financial decisions.

As of March 2013, the U.S. student loan delinquency rate was 11.8 percent with an average student loan balance of $24,755. The rate is 2.3 percentage points higher compared to 2012. West Virginia had the highest state-level delinquency rate in the Fifth District at 16.1 percent, whereas the District of Columbia had the lowest at 8.7 percent. The average student loan balance, however, was highest in the District of Columbia ($39,619) and lowest in West Virginia ($22,338).

High student loan balances are not necessarily associated with high delinquency rates. For example, Tyler County, W.Va. has the District’s lowest average loan balance at $10,776 and a delinquency rate of 21 percent while Arlington County, Va. has an average loan balance of $38,697 and a delinquency rate of 3.8 percent.

In March 2013, student loan delinquency rates were above the national average in 61 percent of counties in the Fifth District. The highest and lowest student loan delinquency rates were in Norton City, Va. (61.7 percent) and Mitchell County, N.C. (0.6 percent), respectively.

There are some similarities among the 18 counties with the Fifth District’s highest delinquency rates. In more than 90 percent of these counties, the 2011 median household income is below the national and state median incomes. In half of these counties, the 2011 poverty rate for college graduates is above the national average of 3.9 percent. The 2011 unemployment rate among 25 to 64 year olds with at least some level of college is higher than the national average in some of these counties. For example, the unemployment rate in Anson County, N.C. among adults with some college or an associate’s degree is 10.4 percent and among those with a bachelor’s degree is 5.3 percent. The comparable national rates are 7.2 percent and 3.8 percent, respectively.

Source: FRBNY Consumer Credit Panel/Equifax.

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1. Past due loans are 30 or more days late plus severe derogatory. Data is from the FRB New York’s Consumer Credit Panel, a 5 percent random sample of Equifax data.
5. Ibid.