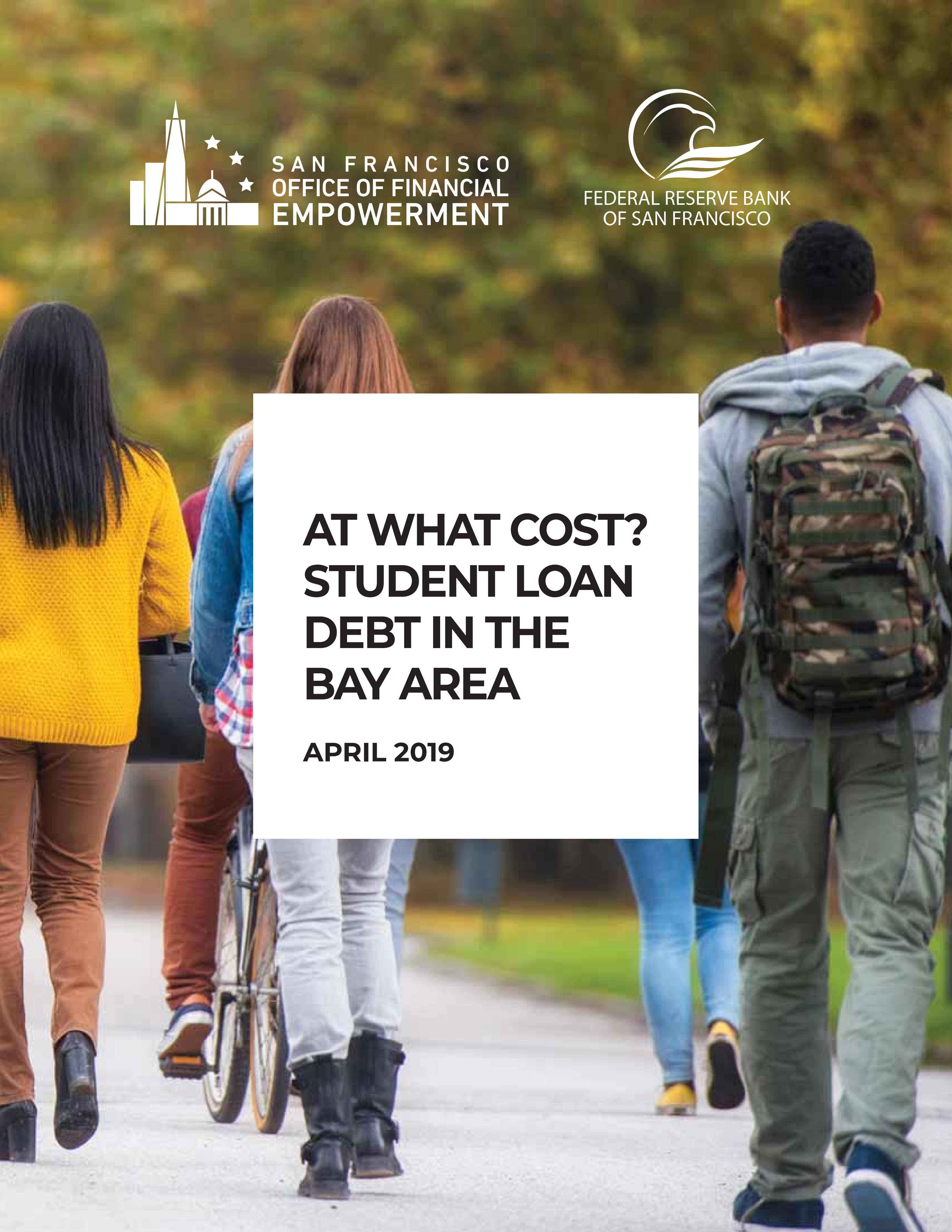

SAN FRANCISCO OFFICE OF FINANCIAL EMPOWERMENT

FEDERAL RESERVE BANK OF SAN FRANCISCO

AT WHAT COST? STUDENT LOAN DEBT IN THE BAY AREA

APRIL 2019

ABOUT THE AUTHORS

THE FEDERAL RESERVE BANK OF SAN FRANCISCO

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Bina Patel Shrimali, DrPH was the contributing author from the SF Fed.

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Jacob DuMez, MPP and Sarika Abbi, MPA were contributing authors from OFE.

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ACKNOWLEDGEMENTS

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EXECUTIVE SUMMARY

This report provides an in-depth look at student loan borrowing in the nine-county San Francisco Bay Area.[*] As of March 1, 2018, approximately 735,000 Bay Area student loan borrowers (12.2 percent of the adult population) owed a collective $26.6 billion in student debt, with an average balance of $36,243. Nationally, total student loan debt climbed to $1.46 trillion by the end of 2018, more than doubling in size in the past decade, making it now the second largest source of consumer debt.[1]

Although the Bay Area has a lower prevalence of student loan debt than California (13.9 percent) or the U.S. (17.9 percent), our research finds that Bay Area and even county-level trends mask dramatic disparities among communities throughout the region. Analyzing student loan debt at the zip code level finds wide variance in borrowing and loan balances, and considerably higher delinquency and default in low-income communities and communities of color.

Key findings include:

- **Student loan burden has increased considerably in the past 15 years**. Adjusting for inflation, total student debt in the Bay Area increased by 243 percent between 2003 and 2018, with the percentage of the adult population with student loan debt nearly doubling from 6.2 percent to 12.2 percent and median balance increasing by 27.8 percent, from $13,685 to $17,489 in 2018 dollars. At the same time, the borrower delinquency rate increased by 60 percent, from 7.4 percent to 11.8 percent, and the default rate increased by 135 percent, from 3.8 percent to 9.1 percent.[**]
- **Borrowers in low-income neighborhoods experience higher rates of delinquency and default.** Twenty percent of borrowers in the lowest income neighborhoods are 90 days or more delinquent on their loans, with three quarters of these borrowers in default. In the lowest income neighborhoods, only 37.1 percent of borrowers are successfully making payments that reduce their student loan balances, compared to 53.8 percent of borrowers in the highest income neighborhoods.
- **Borrowers with low student loan balances experience higher levels of delinquency and default.** Approximately half of all Bay Area student loan borrowers in default owe less than $15,000, and nearly one in five defaulted borrowers owe less than $5,000. The median loan balance among delinquent borrowers is $15,846, 10.4 percent lower than the median loan balance among all Bay Area borrowers.
- **Higher rates of delinquency and default are found in neighborhoods with high percentages of Black and Hispanic residents.** The Bay Area zip codes with the highest rates of delinquency and default tend to have higher percentages of Black and

[*] This report employs data from the Federal Reserve Bank of New York Consumer Credit Panel/Equifax Data (CCP).

[**] Delinquency is defined as being 90 days or more past due on one or more student loans. Default, a subset of delinquency, is defined as being at least 270 days late on payments.

Hispanic residents. In the Bay Area neighborhoods with the highest percentage of Black and Hispanic residents, 19.9 percent of borrowers are delinquent, 15.3 percent are in default, and 26.9 percent have defaulted since 2003.

- **One in six Bay Area student loan borrowers have experienced default in the past 15 years.** The percentage of student loan borrowers who have defaulted at some point since 2003 rises to 17.2 percent, nearly double the current rate of default in the Bay Area (9.1 percent). One out of every six Bay Area student loan borrowers has experienced severe difficulty repaying their loans, risking ruined credit and other negative consequences. At the zip code level, the percentage of borrowers who have defaulted at some point since 2003 reaches as high as 46.2 percent.

DATA AND METHODOLOGY

This report employed data from the Federal Reserve Bank of New York Consumer Credit Panel/Equifax Data (CCP). Collected quarterly by the credit bureau Equifax, these data comprise various credit and demographic characteristics of an anonymized 5 percent national random sample of consumers over 18 with a credit history and Social Security numbers. The student loan data component of the CCP used in this analysis provides loan-level information on each student borrower, The CCP data consists of various consumer characteristics including: age and geographic area of residence, but does not contain any information on race, ethnicity, gender, income, employment, type of school attended, school completion, or repayment plan participation

We followed the methods of the Federal Reserve Bank of New York for this report.[2] We aggregated loan-level information to student, zip code, and county levels for this analysis. To compare 2018 and 2003, we used data from the second quarter of 2003 and the first quarter of 2018. We adjusted 2003 balances for inflation to 2018 dollars. To examine whether borrowers had defaulted since 2003, we assessed default in any quarter between the first quarter of 2003 and the first quarter of 2018. We linked the CCP data to zip code tabulation areas used by Census 2000 and American Community Survey (ACS) 2013-2017 to calculate prevalence and characterize borrowers by various features of their neighborhood, including by quintile of neighborhood income and racial/ethnic composition.

We adjusted balances to account for jointly-held loans. We defined delinquency and default in accordance with the Department of Education definitions of being 90 days or 270 or more past due on one or more student loan, respectively. We excluded zip codes from analysis if they are missing Census or ACS data or from maps if they have fewer than 10 observations. In analyses of age only, we included individuals born in 1918 or later. We determined repayment status by comparing each quarter's balances with those in the previous quarter. Black refers to non-Hispanic black. Due to small sample sizes and reliance on population estimates from the ACS, prevalence estimates presented here are subject to measurement error and should be interpreted with caution.

INTRODUCTION

Today many student loan borrowers struggle with their debt, including borrowers who keep up with their loan payments as well as those falling behind. For most Americans, an investment in higher education continues to be a key driver of economic security and mobility, yielding a substantial financial and personal return.[3] However, while tuition and fees have risen rapidly (more than doubling over the past 30 years),[4] and more low-income students are borrowing to attend college[5], wages have stagnated, especially at the bottom of the income distribution.[6]

These trends, without the development of adequate support systems for borrowers, especially low-income borrowers, have resulted in more borrowing and rising rates of delinquency and default. Student debt has reached nearly $1.5 trillion nationally, while total student debt has more than doubled in the Bay Area in the past 15 years to $26.6 billion. Borrowers are taking longer to repay their loans, and cumulative default rates nationally continue to rise even 20 years after borrowers enter college, increasing from 18 to 26 percent between 12 and 20 years among borrowers who entered college in 1996. Based on these trends, national projections for cumulative student loan default 20 years after entry reach as high as 40 percent by 2023.[7]

Roughly one quarter of the national increase in student debt since 1989 is a result of more students enrolling in college.[8] Other factors contributing to ballooning student debt balances include state divestment in higher education and rising college costs – not only tuition, but student-related living costs such as housing, food, and transportation.[9] Recent analyses find that low-income students who attend one of California's public higher education institutions face considerable unmet needs.[10]

The share of students graduating with very high student loan balances (more than $50,000) has also tripled since 2000, increasing from 5 percent of borrowers in 2000 to 17 percent of borrowers in 2014. While eye-catching, high individual loan balances are not the main concern when it comes to student loan distress. Numerous researchers have shown that low earnings, especially among non-completers, for-profit college attendees, and borrowers of color, are bigger causes of delinquency and default.[11]

Student debt burden is especially concerning in the Bay Area, where incomes have not kept pace with the skyrocketing cost of living, and income inequality has increased significantly over the past several decades. Between 1970 and 2015, incomes for the poorest Bay Area households grew 15 percent, compared to 42 percent among the highest income households.[12] In a recent Brookings Institution analysis of 2016 data, both the San Francisco and San Jose metropolitan areas were among the cities with the highest levels of income inequality in the country.[13]

Stagnant wage growth has made it hard for low-income families in the Bay Area to cope with rising expenses. In the Bay Area, half of all renters, and 60 percent of Black, Latinx, and Native American renters are considered "rent-burdened," spending at least 30 percent of their income on housing. Six of every 10 Bay Area residents who are economically insecure are renters, and 75 percent of them are rent-burdened.[14] According to the California Self-Sufficiency Standard (which does not include any student loan repayment costs) a family of four in San Francisco with one school aged child and one preschooler must make $123,442 annually just to meet basic expenses; 28 percent of San Francisco households live below this Standard, including 63 percent of African American and 48 percent of Latinx households.[15]

College success is crucial to support economic mobility, especially in the context of growing inequality. However, rising costs of living and stagnant wages mean people need to work even harder to survive, including, for many low-income students, working while they attend college. In this environment, even a small obstacle like a financial emergency can negatively impact college completion, leaving many with the burden of student debt without a college degree and the higher earning power that comes with that degree.

For too many families in the Bay Area, it is a struggle to make ends meet, and these conditions present challenges for student loan borrowers. To gain a better understanding of who is suffering from financial distress related to student debt, we examine student borrowing and repayment at the county level and by zip code within the nine-county region. This report assesses how many people in the Bay Area have outstanding student loan debt and how much student loan borrowers owe. We focus on rates of delinquency, current default, and default since 2003, and examine how successful borrowers are in making payments to reduce their loan balance. We also examine repayment status by age.

Following a Bay Area-wide analysis we provide a more in-depth analysis of student loan borrowing and repayment in San Francisco. Throughout the report we provide additional context for the growing concern around student loan debt, highlighting recent research on national trends in delinquency and default, as well as research that describes how student loan debt creates an increasing burden for borrowers, with negative spillover effects that impact entire communities.

While this report provides critical insight into the state of student debt in the Bay Area, it is primarily descriptive and does not purport to provide a complete picture of borrower characteristics. Further research is needed to understand how borrowing and repayment vary by key variables such as race, income, gender, school type, employment status, degree completion, and participation in a repayment plan.

STUDENT DEBT BURDEN

STUDENT LOAN DEBT BURDEN HAS INCREASED SIGNIFICANTLY FOR BAY AREA BORROWERS SINCE 2003

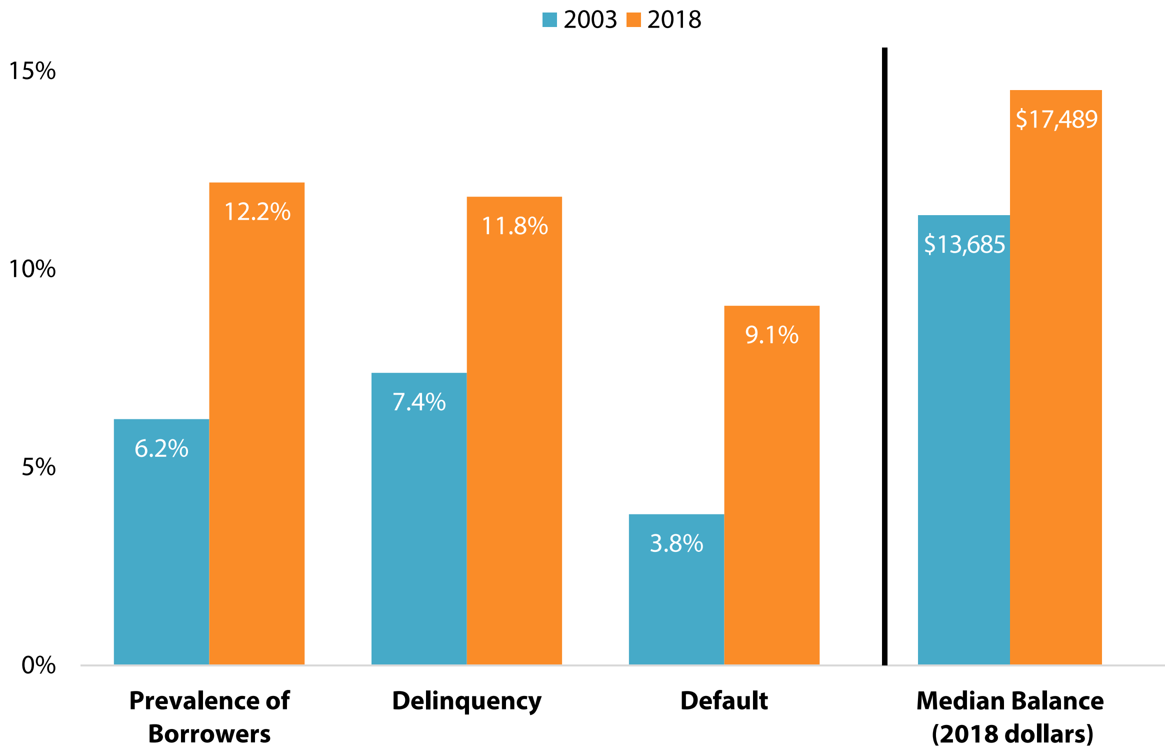
Student loan borrowing and borrower distress in the Bay Area have increased dramatically over the past 15 years, echoing the national trend (Figure 1). The percentage of people in the Bay Area borrowing to finance higher education has nearly doubled over the past 15 years, from 6.2 to 12.2 percent, and adjusting for inflation, median balances have increased 28 percent. The total student debt balance in the Bay Area tripled (from $7.8 billion to $26.6 billion in 2018 dollars) between Q2 2003 and Q1 2018. Total student debt in the United States quadrupled over the same period, from $328 billion to $1.41 trillion.[16]

Borrower repayment outcomes have deteriorated during this time, with significant increases in both delinquency and default. The delinquency rate for Bay Area borrowers increased by 60.3 percent, from 7.4 to 11.8 percent, while the borrower default rate grew by 135 percent, from 3.9 to 9.1 percent. The impact on some counties has been more severe than on others, with Napa, Solano and Santa Clara experiencing the largest increases in rates of delinquency and default during this period.

Default (a subset of delinquency) has also come to represent a larger component of the overall pool of delinquent borrowers in the Bay Area. In 2003, the percentage of defaulted borrowers (3.9 percent) was slightly more than half that of delinquent borrowers (7.4 percent). By 2018, defaults (9.1 percent of all borrowers) had grown to represent 77.1 percent of the total delinquency pool (11.8 percent of borrowers).

The magnitude and direction of these changes highlight an urgency to address the growing burden of student debt in the Bay Area.

FIGURE 1. STUDENT LOAN PREVALENCE, DELINQUENCY, DEFAULT, AND MEDIAN BALANCE, SAN FRANCISCO BAY AREA, 2003 AND 2018



Source: FRBNY Consumer Credit Panel/Equifax Data, Census 2000, and 2013-2017 American Community Survey.

At the county level, there is considerable variation in the size of these increases (Figure 2). Contra Costa and Solano experienced the largest growth in prevalence of student loan debt (149.2 and 147.8 percent respectively), while median loan balances grew fastest in Napa (51.2 percent). The deterioration of repayment outcomes for borrowers in Solano is of particular concern, as delinquency and default rates that were comparable to other Bay Area counties in 2003 grew to become the highest in the region by a clear margin by 2018 (16.8 percent for delinquency and 12.3 percent for default, an increase of 114.8 percent and 238.3 percent respectively). On a percentage basis, Napa also experienced a marked increase in its default rate (238.2 percent), although Napa's 2018 delinquency and default rates remain among the lowest across all Bay Area counties.

We do not have a clear answer for why Solano borrowers experience such high levels of delinquency and default. One contributing factor appears to be higher prevalence of student debt but low levels of degree attainment, which could point to problems with college completion. More study is needed to better understand these repayment outcomes in Solano.

FIGURE 2. STUDENT LOAN PREVALENCE, MEDIAN BALANCE, DELINQUENCY, AND DEFAULT BY COUNTY, SAN FRANCISCO BAY AREA, 2003 AND 2018

	Prevalence			Median Balance (2018 dollars)			Delinquency			Default		
	2003	2018	% change	2003	2018	% change	2003	2018	% change	2003	2018	% change
Alameda	6.9%	13.6%	96.0%	$14,260	$17,768	24.6%	8.5%	13.4%	57.7%	4.4%	10.0%	130.5%
Contra Costa	5.3%	13.2%	149.2%	$13,493	$17,279	28.1%	7.2%	12.7%	77.4%	3.5%	9.5%	171.1%
Marin	5.0%	10.1%	100.9%	$15,519	$20,680	33.3%	6.8%	9.2%	34.8%	3.8%	7.6%	98.9%
Napa	4.9%	10.9%	121.7%	$10,734	$16,231	51.2%	4.8%	8.2%	71.2%	2.2%	7.3%	238.2%
San Francisco	9.2%	14.0%	52.6%	$17,869	$20,197	13.0%	7.7%	10.1%	31.6%	4.2%	7.9%	87.0%
San Mateo	6.0%	10.9%	81.7%	$12,936	$17,964	38.9%	7.0%	10.0%	41.5%	4.2%	7.7%	85.7%
Santa Clara	5.2%	10.3%	98.1%	$11,993	$15,500	29.2%	5.9%	11.3%	90.5%	3.1%	8.8%	182.7%
Solano	6.1%	15.0%	147.8%	$12,050	$17,260	43.2%	7.8%	16.8%	114.8%	3.6%	12.3%	238.3%
Sonoma	5.3%	10.1%	91.0%	$11,048	$16,068	45.4%	8.3%	7.9%	-5.5%	4.0%	7.3%	80.7%
Bay Area	**6.2%**	**12.2%**	**96.2%**	**$13,685**	**$17,489**	**27.8%**	**7.4%**	**11.8%**	**60.3%**	**3.9%**	**9.1%**	**135.4%**

Source: FRBNY Consumer Credit Panel/Equifax Data, Census 2000, and 2013-2017 American Community Survey.

GROWING STUDENT LOAN DEBT CREATES A BURDEN FOR BORROWERS AND COMMUNITIES

Typically, the story about the consequences of student loan debt focuses on borrowers who default on their loans, and with good reason: student loan default results in lower credit scores, potentially making it harder to obtain future loans, rent an apartment, or even find a job. Defaulters may have their wages garnished or tax refunds seized, and older defaulters may have their Social Security payments garnished. Returning to school is difficult, since borrowers who default may not receive any additional federal student aid until they return their loans to good standing. It is nearly impossible to discharge student loans through bankruptcy.

These are harmful outcomes, and new data on student loan repayment has increasingly drawn attention to the impacts of delinquency and default [see "Recent Research Paints a Troubling Picture of Student Loan Default," page 26]. However, this is only one piece of the student debt story. Millions of additional borrowers paying down their student debt struggle to buy a home, start a business, or save for retirement. This burden is likely to be particularly acute in areas with a high cost of living, such as the Bay Area.

Moreover, there is increasing evidence that student debt has negative spillover effects that go beyond individual borrowers and their families to impact entire communities. Seth Frotman, who served as Student Loan Ombudsman for the Consumer Financial Protection Bureau, has noted that "Researchers are beginning to show how this debt fuels economic, gender, and racial inequality, inhibits asset accumulation, accelerates wealth gaps, and carves out a generational divide that, even in the best of circumstances, will take decades to erase."[17]

Below are examples of recent research documenting increased burdens and negative consequences associated with student loan debt:

- **Rising monthly payments.** The Federal Reserve of New York estimated that the average monthly student loan payment increased by 73 percent, from $227 in 2005 to $393 in 2016.[18]
- **Homeownership.** Households with student loan debt have a lower overall homeownership rate than similar households without student debt[19], while rising levels of student debt resulted in a significant reduction in the homeownership rate between ages 28-30[20] and are attributable to 20 percent of the decline in homeownership among young adults since 2005.[21]
- **Wealth inequality.** Over a lifetime, a household owing $53,000 (the average debt for a dual-headed household with 4-year degrees) in student debt will experience a wealth loss of $208,000, largely due to lower retirement savings and home equity.[22] Additional research has found that student borrowing negatively impacts economic mobility.[23]
- **Savings and retirement.** A median debt balance of $23,300 was found to cost borrowers over $115,000 by the time they retire[24], while 55 percent of Americans are not saving for emergencies due to student loan debt.[25]
- **Small business formation.** Gallup researchers used survey results to find that between 2006 and 2015, there were 2 million less businesses started due to student debt[26], while research has found that increased student debt reduces small business formation by 14 percent.[27]
- **Gender inequality.** Women take on more student loans, take longer to repay their debt, and are more likely to experience student debt-related financial distress than men.[28] Women with student debt are also more likely to delay marriage[29], and student debt has been found to have negative impacts on marriage and career prospects.[30]
- **Physical and mental health.** Student debt is associated with poor psychological functioning.[31] In general, household debt relative to available assets is associated with higher perceived stress and depression, poorer self-reported general health, and higher diastolic blood pressure.[32]

BORROWING

WHO HAS STUDENT DEBT IN THE BAY AREA?

As of March 1, 2018, there were approximately 735,000 student loan borrowers across the nine Bay Area counties, representing 12.2 percent of the adult population. Bay Area student loan borrowers have a median loan balance of $17,489, slightly higher than the national median of $16,840 and roughly 12 percent higher than the median for California borrowers ($15,583). The median age of Bay Area borrowers is 35, with little variance across the nine counties.

Student loan debt is widely distributed throughout the Bay Area and varies by county (Figure 3). In San Francisco, loan prevalence and educational attainment are both among the highest of any Bay Area county; 14 percent of adults have student loan debt, and 55.8 percent have received a bachelor's or graduate degree. In Marin, educational attainment ranks highest among Bay Area counties (57.5 percent of adults have a bachelor's degree or higher), but loan prevalence is among the lowest in the region.

However, Solano County presents a different and more concerning scenario, where student loan prevalence is the highest of the nine counties and educational attainment is the lowest. Solano has the highest student loan prevalence in the region (15.0 percent), but the lowest levels of undergraduate or advanced degrees (25.6 percent of residents have a bachelor's degree or higher). Borrowers who do not complete a college degree might have a harder time repaying their student loans, especially since average wages nationally for workers with a high school degree or some college have stagnated or even declined since 2000, despite increases in the minimum wage.[33]

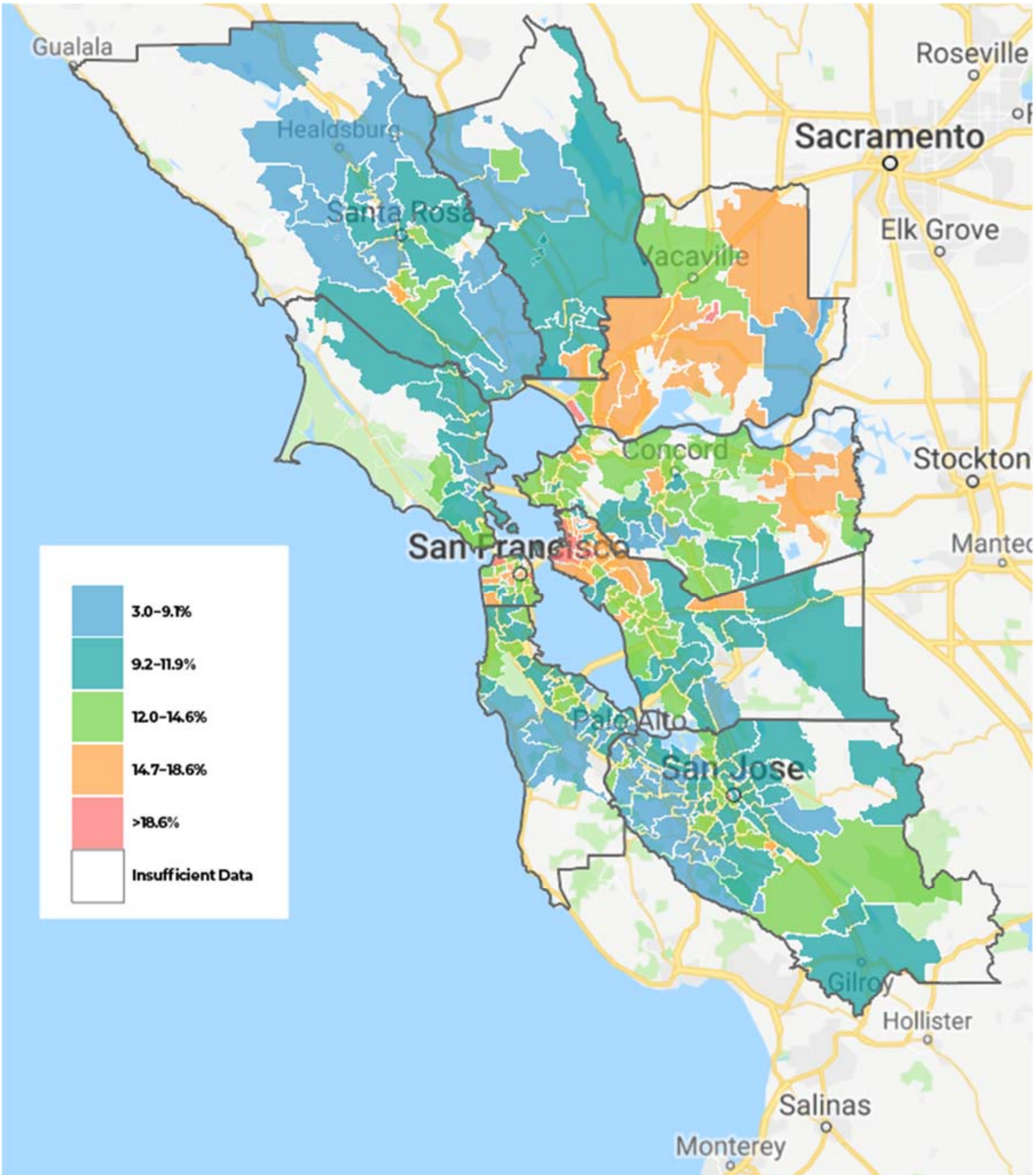
FIGURE 3. PERCENT OF ADULT POPULATION WITH A STUDENT LOAN AND EDUCATIONAL ATTAINMENT BY COUNTY, SAN FRANCISCO BAY AREA, MARCH 2018

	Some College	Bachelor's Degree	Graduate / Professional Degree	% Adults with Student Loan Debt
Alameda	24.9%	25.7%	19.0%	13.6%
Contra Costa	30.5%	25.9%	14.9%	13.2%
Marin	24.5%	32.5%	25.0%	10.1%
Napa	32.1%	22.8%	11.8%	10.9%
San Francisco	19.8%	33.4%	22.4%	14.0%
San Mateo	24.9%	28.2%	20.3%	10.9%
Santa Clara	22.7%	26.8%	23.2%	10.3%
Solano	38.7%	17.9%	7.7%	15.0%
Sonoma	34.7%	21.7%	12.2%	10.1%
Bay Area	**26.1%**	**26.7%**	**13.0%**	**12.2%**
California	29.3%	20.4%	12.2%	13.9%
United States	29.1%	19.1%	11.8%	17.9%

Source: FRBNY Consumer Credit Panel/Equifax Data; 2013-2017 American Community Survey.

The map in Figure 4 shows the percentage of the adult population with outstanding student loan debt by zip code across the Bay Area. While there is no single trend accounting for variation in borrowing, higher rates of borrowing can be found in high poverty areas, including Downtown and West Oakland (29.6 percent poverty and 20.4 percent with student debt), Oakland's Uptown-Lakeside neighborhoods (26.1 percent poverty and 20.4 percent with student debt), and San Francisco's South of Market neighborhood (22.0 percent poverty and 18.2 percent with student debt).

FIGURE 4. PERCENT OF ADULT POPULATION WITH STUDENT LOANS BY ZIP CODE, SAN FRANCISCO BAY AREA, MARCH 2018



Source: FRBNY Consumer Credit Panel/Equifax Data; 2013-2017 American Community Survey.

HOW MUCH DO BORROWERS OWE?

Student loan balances are typically correlated with level of educational attainment; borrowers with four-year college degrees (and especially professional degrees) often have higher loan balances. In Marin and San Francisco (where 57.5 percent and 55.8 percent of adults, respectively, have bachelor's degrees or higher), median loan balances are highest in the region ($20,680 and $20,197 respectively). Borrowers in Sonoma and Napa counties, where residents have lower levels of educational attainment (39.9 percent and 34.6 percent respectively with bachelor's degree or higher), have correspondingly lower median loan balances ($16,068 and $16,231 respectively).

However, despite this general and expected trend, two counties buck this trend in significantly differing ways. In Santa Clara, residents have relatively higher levels of educational attainment (50 percent with bachelor's degrees or higher) and the lowest median loan balances of any Bay Area county ($15,500), while Solano residents have the lowest rate of college completion (22.7 percent with bachelor's degrees or higher) and a relatively high median loan balance of $17,260 (ranking 6th among all Bay Area counties).

Figure 5 shows median loan balances by county. This table also looks at student loan balances relative to median household income to assess household ability to pay down student loan debt. While this is difficult to assess without fully understanding someone's financial life and monthly expenses, it is clear that borrowers in some counties might be struggling more than others to pay down their debt. For instance, although San Mateo and Solano borrowers have similar median loan balances, student loan debt represents a significantly higher percent of median income for borrowers in Solano than in San Mateo (23.7 percent versus 17.0 percent respectively).

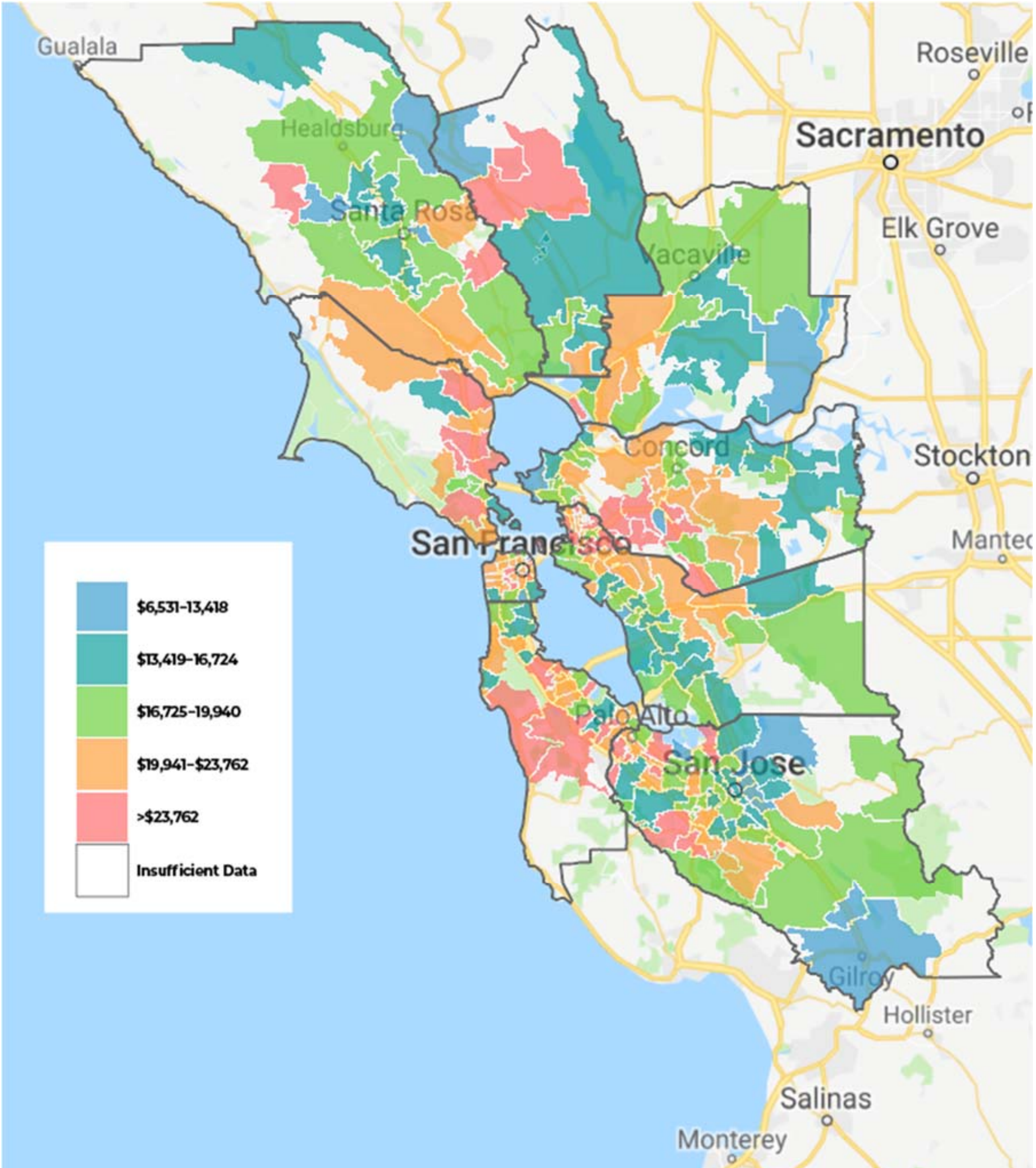
FIGURE 5. MEDIAN STUDENT LOAN BALANCES BY COUNTY AND AS A PERCENT OF MEDIAN COUNTY INCOME, SAN FRANCISCO BAY AREA, MARCH 2018

	Percent of Median Income	Median Loan Balance
Alameda	20.7%	$17,768
Contra Costa	19.5%	$17,279
Marin	19.8%	$20,680
Napa	20.4%	$16,231
San Francisco	21.0%	$20,197
San Mateo	17.0%	$17,964
Santa Clara	14.5%	$15,500
Solano	23.7%	$17,260
Sonoma	22.4%	$16,068
Bay Area	**19.1%**	**$17,489**

Source: FRBNY Consumer Credit Panel/Equifax Data; 2013-2017 American Community Survey.

The map in Figure 6 shows the median student loan balance per borrower in each Bay Area zip code. The highest median student loan balances tend to be located in predominantly higher income areas with higher educational attainment, including Marin and San Mateo counties and in the East Bay hills. However, this trend is not uniform, as borrowers in some high poverty neighborhoods have very high median loan balances. This includes Treasure Island (51.5 percent poverty, $30,503 median loan balance), West Berkeley (15.2 percent poverty, $30,365 median loan balance), and Guerneville (16.3 percent poverty, $29,344 median loan balance).

FIGURE 6. MEDIAN STUDENT LOAN BALANCES BY ZIP CODE, SAN FRANCISCO BAY AREA, MARCH 2018



Source: FRBNY Consumer Credit Panel/Equifax Data

WHICH BAY AREA BORROWERS ARE IN DISTRESS?

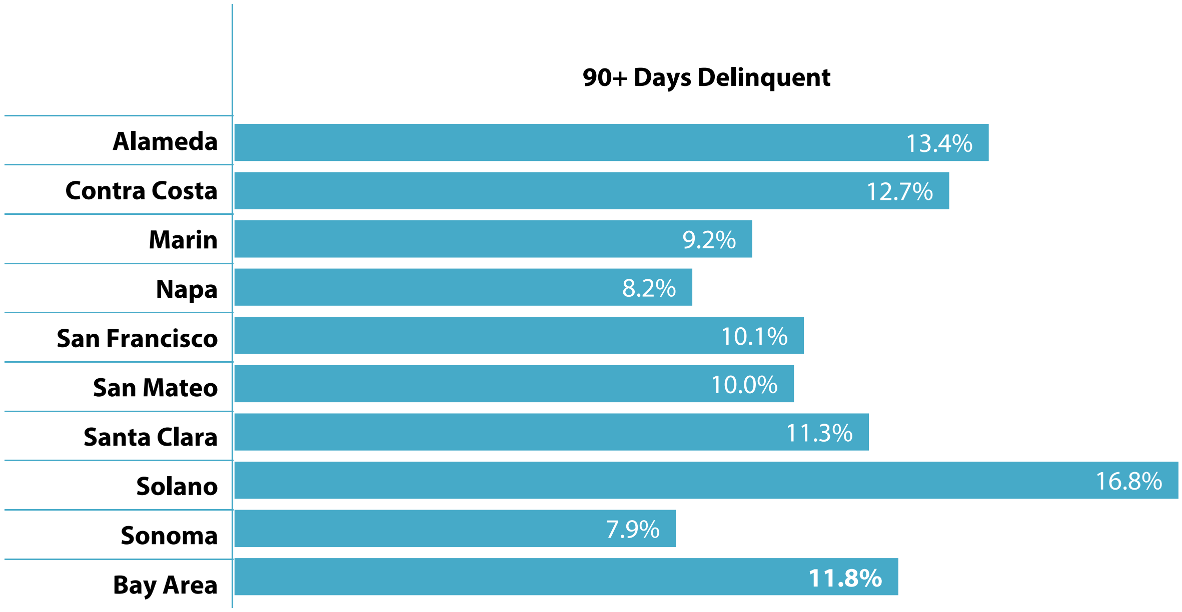
DELINQUENCY

As previously noted, delinquency is defined in this report as 90 or more days past due on one or more student loans. While loans are considered delinquent by loan servicers the first day after a missed payment, servicers typically report the delinquency to the three major national credit bureaus when a student loan borrower becomes more than 90 days past due on their loan payment.

Having a delinquency reported to credit bureaus will lower a borrower's credit score and negatively affect their finances. Thus, while this report uses the term delinquent to describe these borrowers, these borrowers are indeed "severely" or "seriously" delinquent (as other researchers have previously described them), and there are grave negative consequences of being more than three months late on loan payments.

The percentage of borrowers more than 90 days late on their student loan payments varies substantially by county. Solano, as we discuss earlier, has the highest prevalence of student loan debt and lowest levels of college attainment among the nine Bay Area counties, but has the highest rate of borrowers who are 90 or more days delinquent (16.8 percent). This delinquency rate is more than double those observed among borrowers in Sonoma (7.9 percent) and Napa (8.2 percent), which ranked second and third behind Solano in terms of lowest college completion but had much lower prevalence of student loan debt (10.1 and 10.9 percent respectively).

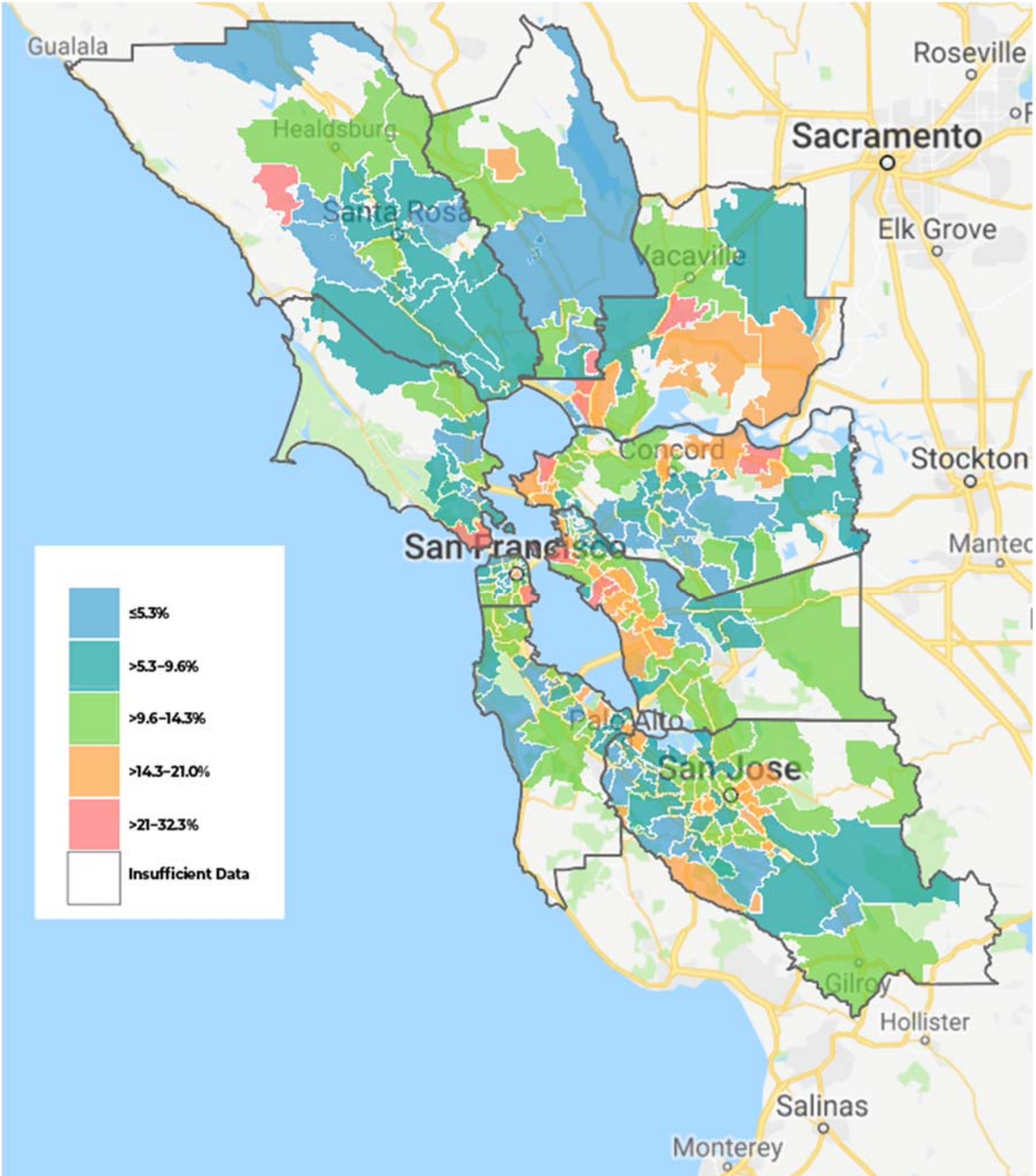
FIGURE 7. PERCENT OF STUDENT LOAN BORROWERS 90+ DAYS DELINQUENT BY COUNTY, SAN FRANCISCO BAY AREA, MARCH 2018



Source: FRBNY Consumer Credit Panel/Equifax Data

The map in Figure 8 indicates rates of student loan delinquency by zip code. Highest delinquency rates are almost uniformly found in low-income neighborhoods, including Bayview-Hunters Point in San Francisco, East and West Oakland, Richmond, and Vallejo.

FIGURE 8. PERCENT OF STUDENT LOAN BORROWERS 90+ DAYS DELINQUENT BY ZIP CODE, SAN FRANCISCO BAY AREA, MARCH 2018



Source: FRBNY Consumer Credit Panel/Equifax Data

When examining these neighborhoods, we find high rates of serious delinquency among borrowers living in low-income neighborhoods with high rates of household poverty. The highest level of delinquency is in East Oakland's Coliseum neighborhood, where nearly one in three borrowers (32.3 percent) is 90+ days past due. The median household income in this area is $34,566, well below the median income for Alameda County ($81,626), and 30.7 percent of people live in poverty. In seven of the top ten zip codes by delinquency rate, borrowers have median loan balances below that of the Bay Area overall, in line with other research showing that delinquent borrowers often have lower balances than average.[34]

There are some zip codes, however, where borrowers have high delinquency rates and high median loan balances. Treasure Island (23.1 percent delinquency) and Guerneville (28.6 percent) have median loan balances of $30,503 and $29,344, among the highest in the Bay Area. However, these communities appear to be outliers; the weighted median loan balance among the top 25 zip codes by delinquency rate is $15,379, 13.7 percent lower than the Bay Area median loan balance.

Sausalito/Marin City stands out on this list as an area with high student loan delinquency (24.6 percent), yet relatively low poverty (10.7 percent – still above the Bay Area median, but well below other high delinquency zip codes). Although Sausalito is known for its affluence, Marin City has significantly lower levels of household income and educational attainment. This juxtaposition of extreme wealth and poverty, even within the same zip code, represents part of the Bay Area story; extreme inequality in the region (Marin County has the second-highest income inequality ratio among Bay Area counties, according to the United Way of the Bay Area)[35] frequently masks the struggles of low-income families who face an exceptionally high cost of living and struggle to make ends meet.

FIGURE 9. ZIP CODES WITH HIGHEST PERCENTAGES OF STUDENT LOAN BORROWERS 90+ DAYS DELINQUENT, SAN FRANCISCO BAY AREA, MARCH 2018

	Zip Code	Neighborhood	Percent Delinquent	Median Balance	Percent Poverty	Percent Black	Percent Hispanic
1	94621	East Oakland - Coliseum	32.3%	$13,583	30.7%	30.6%	59.6%
2	94590	Vallejo	30.8%	$16,890	24.0%	25.2%	29.1%
3	95446	Guerneville	28.6%	$29,344	16.3%	1.0%	12.4%
4	94509	Antioch	26.8%	$12,955	18.1%	17.3%	37.7%
5	94589	American Canyon	24.8%	$15,913	15.3%	21.5%	33.2%
6	94965	Sausalito/Marin City	24.6%	$20,692	10.7%	8.8%	12.7%
7	94124	Bayview-Hunters Point	24.6%	$14,844	21.3%	27.6%	23.7%
8	94603	East Oakland - East 14th St.	23.6%	$13,742	21.6%	31.2%	56.2%
9	94806	North Richmond/San Pablo	23.3%	$15,150	15.8%	15.3%	50.0%
10	94130	Treasure Island	23.1%	$30,503	51.5%	17.1%	33.8%
		Bay Area	**11.2%**	**$17,489**	**9.6%**	**5.9%**	**23.6%**

Source: FRBNY Consumer Credit Panel/Equifax Data; 2013-2017 American Community Survey

DEFAULT

Student loan default is defined as becoming 270 days delinquent on student loan payments. Default is a sub-category within the larger pool of severely delinquent borrowers, and borrowers who become severely delinquent on their student loans tend to default. The fact that student loan debt is nearly impossible to discharge in bankruptcy also means that the pool of stagnant defaulted debts grows over time, increasing the representation of defaulted borrowers within the overall delinquency rate.

In the Bay Area, borrowers in default (9.1 percent) compose more than three-quarters of the overall pool of delinquent borrowers. Solano County, which has the highest delinquency rate, also has the highest default rate (12.3 percent), while Sonoma and Napa Counties, which had the lowest delinquency rates, also have the lowest default rates (both 7.3 percent). While delinquency is lowest in Sonoma and Napa, the vast majority of delinquent borrowers in these counties are in default (93.0 percent in Sonoma and 89.8 percent in Napa). Figure 10 shows the default rate for each Bay Area county and demonstrates how default represents a large share of overall delinquency.

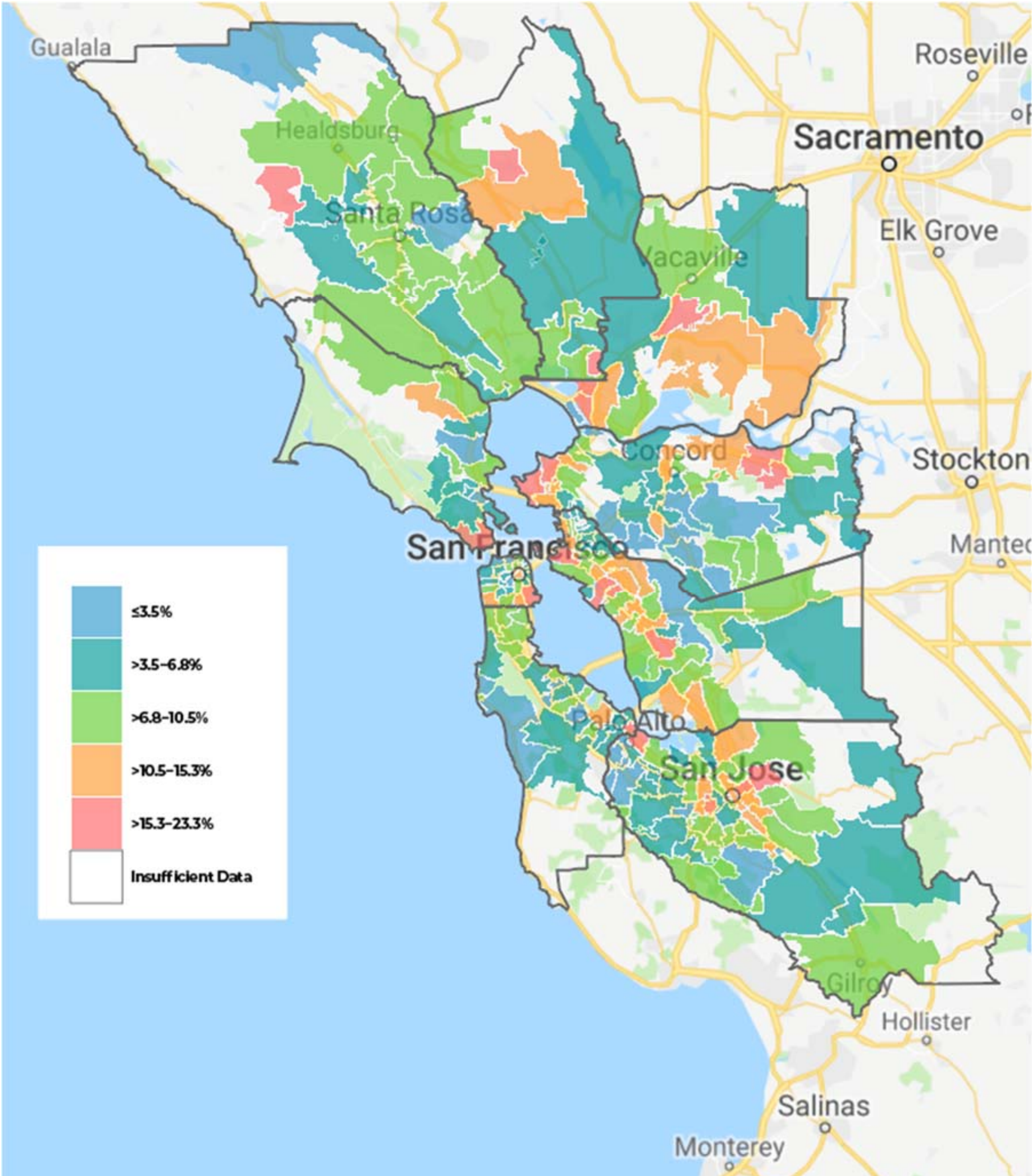
FIGURE 10. PERCENT OF STUDENT LOAN BORROWERS IN DEFAULT BY COUNTY AND AS A PERCENTAGE OF OVERALL COUNTY DELINQUENCY RATE, SAN FRANCISCO BAY AREA, MARCH 2018

	Default as Percent of Delinquency	Percent in Default
Alameda	74.7%	10.0%
Contra Costa	74.7%	9.5%
Marin	82.5%	7.6%
Napa	89.8%	7.3%
San Francisco	78.0%	7.9%
San Mateo	77.6%	7.7%
Santa Clara	77.6%	8.8%
Solano	72.9%	12.3%
Sonoma	93.0%	7.3%
Bay Area	**76.7%**	**9.1%**

Source: FRBNY Consumer Credit Panel/Equifax Data

The map in Figure 11 shows student loan default rates across Bay Area zip codes. This map is similar to Figure 8 (depicting delinquency rates across Bay Area zip codes) and as expected the frequency of borrower default and borrower delinquency are similarly distributed throughout the region, underscoring the strong correlation between delinquency and default. Neighborhoods with the highest rates of student loan default are generally characterized by low incomes and high poverty.

FIGURE 11. PERCENT OF STUDENT LOAN BORROWERS IN DEFAULT BY ZIP CODE, SAN FRANCISCO BAY AREA, MARCH 2018



Source: FRBNY Consumer Credit Panel/Equifax Data

The highest rates of default among Bay Area zip codes range from 18.4 percent in Downtown & West Oakland to 23.3 percent in East Oakland-Coliseum (Figure 12). In these neighborhoods, the majority of all delinquent borrowers are in default – from 71.1 percent in East Oakland-Coliseum to (incredibly) one hundred percent in Treasure Island. More research may be needed to understand why default makes up such a high percentage of overall delinquency. It is possible that loan servicers are not reporting delinquent borrowers to the credit bureaus until they have already reached the point of default, however we do not have adequate information to explain this pattern.

In these high-default zip codes we generally observe high poverty and low levels of educational attainment. Poverty rates range from 10.7 percent in Sausalito/Marin City to 51.5 percent in Treasure Island, compared to the Bay Area-wide poverty rate of 9.6 percent. Eight of the ten neighborhoods with the highest default rates have lower levels of degree completion (bachelor's degree or higher) than is found in the Bay Area overall. Sausalito/Marin City again stands out as one exception to this trend, with the lowest poverty rate and highest educational attainment (62.2 percent with bachelor's degree or higher) among zip codes with highest rates of borrowers who have defaulted since 2003.

These neighborhoods are also characterized by lower median student loan balances and significant Black and Hispanic populations. Most of the top ten highest default zip codes have median loan balances below the Bay Area median ($17,489). Black residents compose more than one quarter of the population in East, West, and Downtown Oakland, as well as Bayview-Hunter's Point and Vallejo, much larger than the Black population in the Bay Area overall (5.9 percent). Guerneville is a counter-example to this larger trend, with a small Black or Hispanic population; borrowers in both Guerneville and Treasure Island are unique in having some of the highest median loan balances in the Bay Area ($29,344 and $30,503 respectively) with high levels of student loan default.

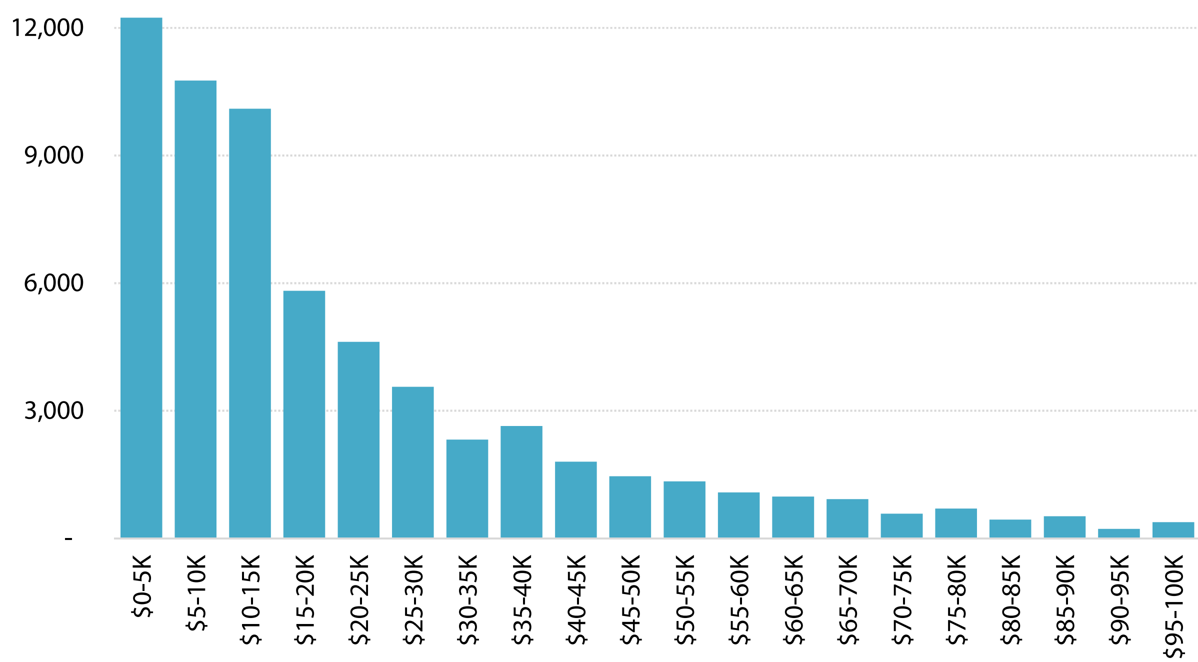
FIGURE 12. ZIP CODES WITH HIGHEST PERCENTAGES OF STUDENT LOAN DEFAULT, SAN FRANCISCO BAY AREA, MARCH 2018

	Zip Code	Neighborhood	Percent Default	Default as Percent of Delinquency	Median Balance	Percent Poverty	Percent Black	Percent Hispanic
1	94621	East Oakland - Coliseum	23.3%	72.1%	$13,583	30.7%	30.6%	59.6%
2	94590	Vallejo	23.2%	75.3%	$16,890	24.0%	25.2%	29.1%
3	94130	Treasure Island	23.1%	100.0%	$30,503	51.5%	17.1%	33.8%
4	95446	Guerneville	21.4%	74.9%	$29,344	16.3%	1.0%	12.4%
5	94509	Antioch	21.4%	79.7%	$12,955	18.1%	17.3%	37.7%
6	94965	Sausalito/Marin City	20.0%	81.3%	$20,692	10.7%	8.8%	12.7%
7	94589	American Canyon	19.4%	78.1%	$15,913	15.3%	21.5%	33.2%
8	94124	SF - Bayview-Hunters Point	19.1%	77.7%	$14,844	21.3%	27.6%	23.7%
9	94603	East Oakland - 14th Street	18.5%	78.4%	$13,742	21.6%	31.2%	56.2%
10	94607	Downtown & West Oakland	18.4%	83.9%	$19,101	29.6%	31.9%	14.2%
		Bay Area	**9.1%**	**77.0%**	**$17,489**	**9.6%**	**5.9%**	**23.6%**

Source: FRBNY Consumer Credit Panel/Equifax Data; 2013-2017 American Community Survey

Figure 13 highlights large numbers of defaulted borrowers with relatively small student loan balances. This table divides borrowers into categories by loan balance in $5,000 increments, up to $100,000; an additional 4,140 borrowers with balances above $100,000 are also in default but not shown here. Among all borrowers in default, almost half (49.7 percent) owe less than $15,000, with 18.4 percent owing less than $5,000 in student loan debt.

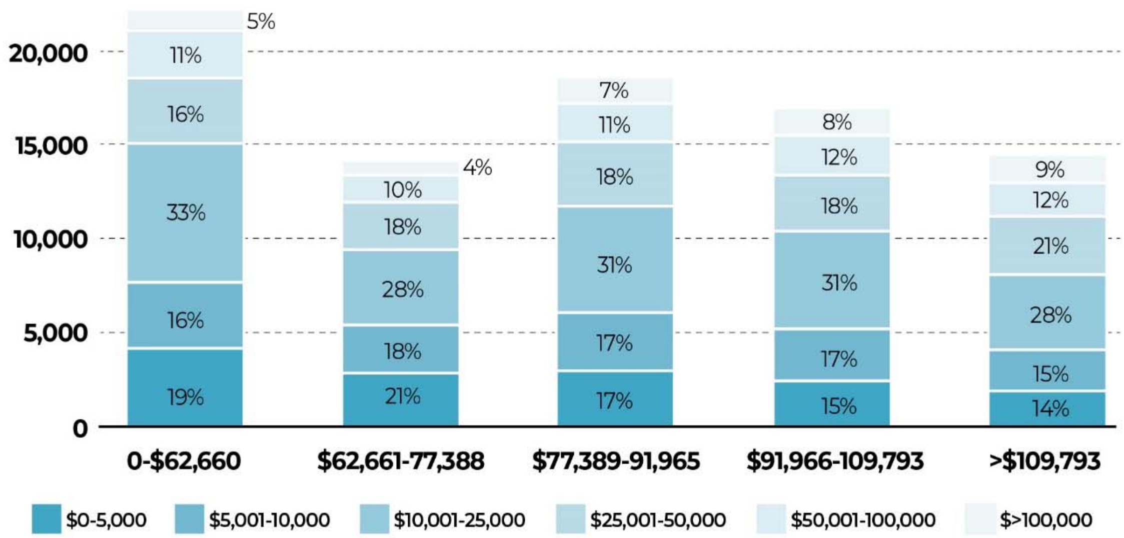
FIGURE 13. NUMBER OF BAY AREA STUDENT LOAN BORROWERS IN DEFAULT BY LOAN BALANCE, SAN FRANCISCO BAY AREA, MARCH 2018



Source: FRBNY Consumer Credit Panel/Equifax Data

We further assess patterns of distressed borrowers by loan balance and by quintiles of neighborhood income in the Bay Area (Figure 14). In the lowest neighborhood income quintile 68 percent of delinquent or defaulted borrowers owe less than $15,000, with nearly one in five borrowers (19 percent) owing less than $5,000. While the largest number of student loan borrowers who are either severely delinquent or in default live in the lowest income Bay Area neighborhoods, the trend of delinquent and default borrowers having relatively small loan balances holds across all income quintiles.

FIGURE 14. NUMBER OF STUDENT LOAN BORROWERS 90+ DAYS DELINQUENT OR IN DEFAULT BY NEIGHBORHOOD INCOME AND LOAN BALANCE, SAN FRANCISCO BAY AREA, MARCH 2018*



Source: FRBNY Consumer Credit Panel/Equifax Data; 2013-2017 American Community Survey

* Within each column, the colored sections and accompanying percentages represent the proportion of delinquent and defaulted borrowers within each neighborhood income quintile whose loan balance falls within a given range. For example, in the lowest neighborhood income quintile, 19 percent of delinquent and defaulted borrowers owe between $0 and $5,000, 16 percent owe between $5,001 and $10,000, and so on.

RECENT RESEARCH PAINTS A TROUBLING PICTURE OF STUDENT LOAN DEFAULT

Newly available national student-level repayment data, including national datasets like the College Scorecard and new measures of student outcomes in the Integrated Postsecondary Education Data System, have begun to fill in gaps in our understanding of student loan repayment, default rates, and risk factors associated with default. Researchers using this data find that borrowers are taking longer to repay their loans, and that default rates are rising over time. The risk of default is particularly high for borrowers with relatively small amounts of student loan debt, for students who attend for-profit colleges, and for students of color.

According to the Department of Education's most recent statistics, 10.8 percent of borrowers who entered repayment in 2015 had defaulted three years later.[36] This official "cohort default rate" doesn't tell the full story, however, and reflects a misconception that most defaults happen within the first few years after students leave school, when they may be unemployed or working in a low-paid job. Ben Miller from the Center for American Progress found that 15.5 percent of borrowers who entered repayment in 2012 defaulted within 5 years; Miller also analyzed data for students who entered college in 2004, finding that 29 percent defaulted within 12 years after entry.[37] And Judith Scott-Clayton of the Brookings Institution found that for students entering college in 1996, default rates continued to rise between 12 and 20 years after enrollment; applying these trends to the 2004 cohort suggests that almost 40 percent of borrowers may default by 2023.[38]

The new data confirms that defaults are highest among borrowers with small amounts of student loan debt. According to Miller, the median defaulter from the 2004 cohort owed $9,625 – $8,500 less than the median loan balance for a non-defaulter.[39] Scott-Clayton showed that 37 percent of those who borrow between $1 and $6,125 for undergraduate study default within 12 years, compared with 24 percent of those who borrow more than $24,000.[40] This new research shows that, contrary to the prevailing media narrative, borrowers with smaller loan balances face a greater risk of default than those with larger debts.

Student loan borrowers who attend for-profit colleges are experiencing very high, and rising, rates of default. Scott-Clayton found that among all new students entering a for-profit school in 2004, 47 percent had defaulted within 12 years, compared to 24 percent in the 1996 cohort – a rate nearly four times that seen in public or private non-profit schools.[41] Scott-Clayton also noted the importance of examining outcomes not just for borrowers, but for all entrants, since borrowing rates differ substantially (most for-profit students borrow, for example, compared to less than half of community college students).

Outcomes for Hispanic and especially African-American students are the most alarming. Scott-Clayton showed that while 28 percent of borrowers who entered college in 2004 had defaulted 12 years later, the default rate for Hispanic borrowers (35 percent) and Black borrowers (48.7 percent) was significantly higher than that of white borrowers (21.4 percent).[42] Black students who completed their bachelor's degree had a default rate (21 percent) more than five times higher than that of white BA graduates (four percent); Hispanic BA graduates had a default rate of 8.6 percent. The default rate for black students who achieved a bachelor's degree was even higher than the default rate for white college dropouts (21 versus 18 percent).[43]

Among all African-American first-time college entrants in 2004, almost 38 percent had defaulted within 12 years, up from 25 percent in the 1996 cohort. Projections for 2004 entrants suggest that as many as 70 percent of black borrowers – and nearly 50 percent of Hispanic borrowers – may default by 2023.[44] Contributing to higher default rates among Black and Hispanic borrowers are higher attendance (and borrowing) at for-profit schools, and lower average incomes for college graduates of color. While Black and Hispanic students make up less than one-third of all college students, they represent nearly half of all those attending for-profit institutions.[45] The median white worker with a bachelor's degree earned $64,084 in 2018, about $13,500 and $11,800 more, respectively, than the median income of their Black and Hispanic counterparts.[46]

MANY MORE BORROWERS HAVE DEFAULTED AT LEAST ONCE SINCE 2003

In addition to showing current repayment status for student loan borrowers, we examine current student loan borrowers who have defaulted at some point on their student loans since 2003. While the patterns are similar across Bay Area zip codes, the magnitude of default is quite a bit higher. Across the Bay Area, 17.2 percent of student loan borrowers have defaulted at least once during this period, nearly twice the current rate of default (9.1 percent).

Nearly half of borrowers from Treasure Island (46.2 percent) and the Coliseum neighborhood in East Oakland (45.1 percent) have experienced a default since 2003 – roughly double the percentage of borrowers from these neighborhoods currently in default (23.1 percent among Treasure Island Borrowers and 23.3 percent among borrowers in East Oakland-Coliseum). In Rio Vista, the percentage of student loan borrowers who have defaulted since 2003 (31.3 percent) is 150 percent higher than the current borrower default rate (12.5 percent).

FIGURE 15. ZIP CODES WITH HIGHEST PERCENTAGES OF STUDENT LOAN BORROWERS WHO HAVE DEFAULTED AT LEAST ONCE SINCE 2003, SAN FRANCISCO BAY AREA, MARCH 2018

	Zip Code	Neighborhood	Percent Default Since 2003	Percent Poverty	Percent Black	Percent Hispanic	Bachelor's Degree or Higher
1	94130	Treasure Island	46.2%	51.5%	17.1%	33.8%	43.3%
2	94621	East Oakland - Coliseum	45.1%	30.7%	30.6%	59.6%	7.9%
3	94590	Vallejo	41.7%	24.0%	25.2%	29.1%	22.0%
4	95446	Guerneville	35.7%	16.3%	1.0%	12.4%	34.6%
5	94124	SF - Bayview-Hunters Point	35.0%	21.3%	27.6%	23.7%	25.3%
6	94589	American Canyon	32.7%	15.3%	21.5%	33.2%	19.2%
7	94509	Antioch	31.9%	18.1%	17.3%	37.7%	16.4%
8	94571	Rio Vista	31.3%	11.4%	6.4%	14.5%	23.1%
9	94605	East Oakland - Elmhurst	31.0%	16.5%	43.8%	25.1%	32.4%
10	94533	Fairfield	30.8%	14.1%	16.1%	35.8%	18.3%
		Bay Area	**17.2%**	**9.6%**	**5.9%**	**23.6%**	**39.7%**

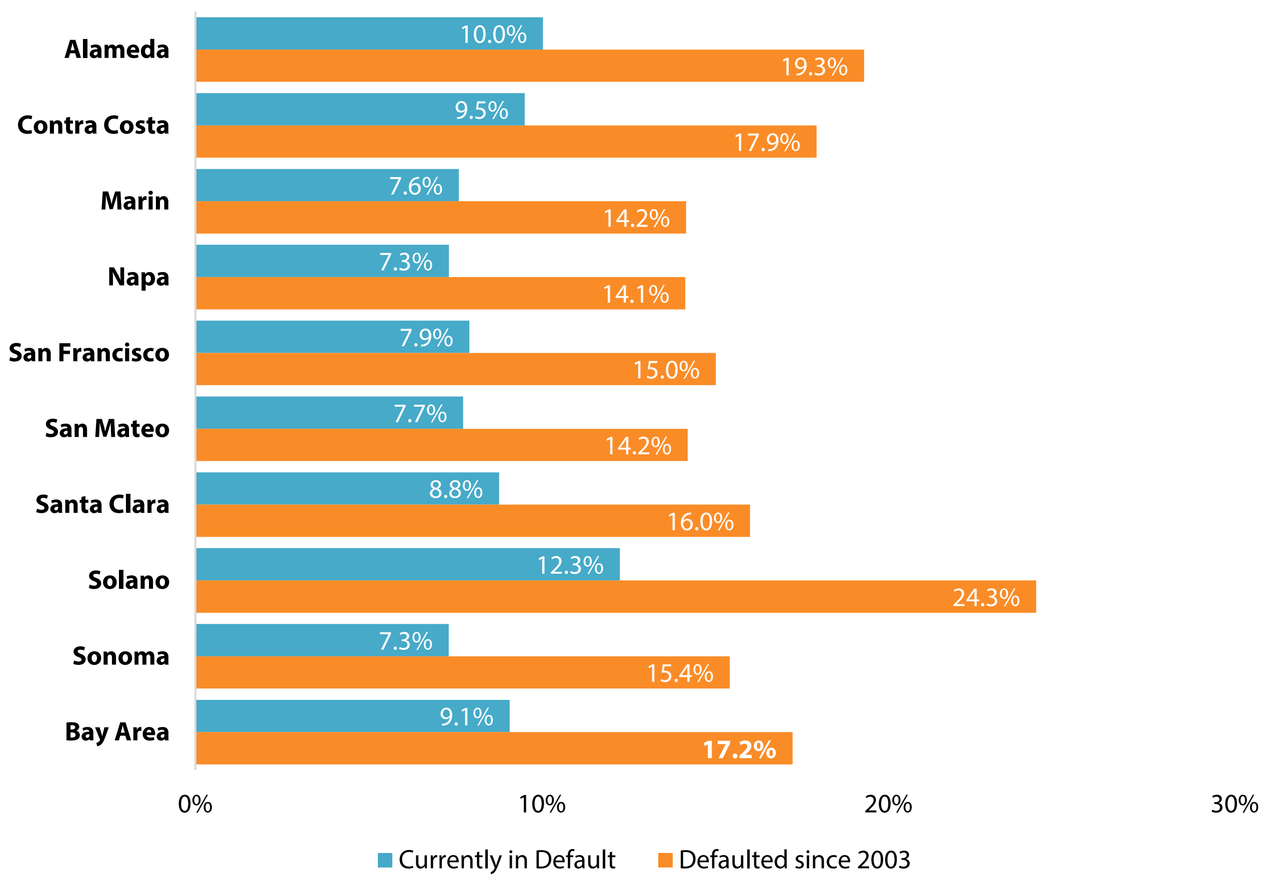
Source: 2013-2017 American Community Survey

While default sounds like an end state, it is not necessarily a static position. Borrowers can "cure" (or restore to good standing) defaulted federal student loans through rehabilitation, loan consolidation, or paying off the loan in full.[47] Most borrowers choose rehabilitation to cure defaulted loans – according to the Consumer Financial Protection Bureau (CFPB), rehabilitations make up 70 percent of federal loan collections, while consolidation makes up less than 20 percent (repayment in full is relatively rare, as might be expected).[48] Borrowers only get one chance to rehabilitate their loans, which requires a series of nine on-time monthly payments over a ten month period, driven by the borrower's income and family size, rather than their loan balance.[49]

Unfortunately, borrowers attempting to cure their student loan default through rehabilitation are not broadly successful. A 2017 CFPB report found that nearly one in three borrowers who exited default through rehabilitation defaulted for a second time within 24 months, and over 40 percent of borrowers re-defaulted within three years.[50] While there are likely multiple reasons for the low rate of success in student loan rehabilitation, the default and rehabilitation process is expensive for borrowers, including the cost of placing the loan with a private collection agency as well as processing fees and attorney fees from the Department of Justice. The Urban Institute found that loan balances balloon by an average of 10 percent following default, likely due to the collection fees and the accumulation of interest.

Figure 16 shows rates of borrowers who have experienced a default in the past 15 years, by county. Solano again stands out with 24.3 percent of borrowers having defaulted at least once during this time, but the percentage of borrowers who have defaulted in the last 15 years is significantly higher in every county than the percentage of borrowers currently in default.

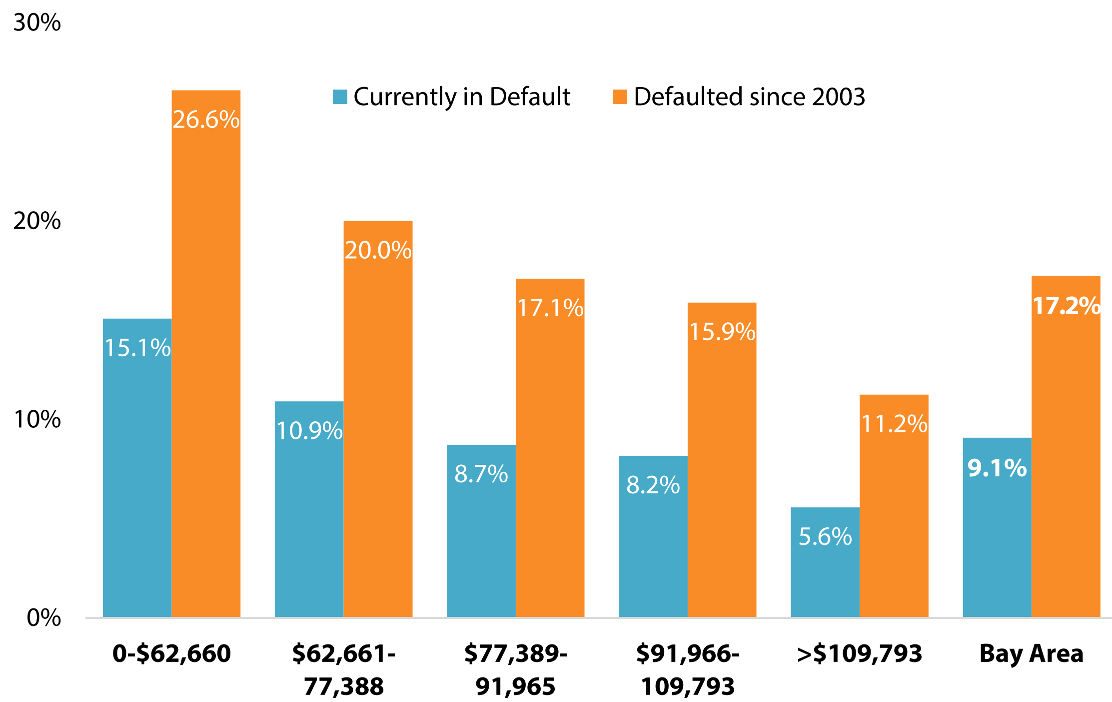
FIGURE 16. PERCENT OF STUDENT LOAN BORROWERS CURRENTLY IN DEFAULT AND DEFAULTED AT LEAST ONCE SINCE 2003 BY COUNTY, SAN FRANCISCO BAY AREA, MARCH 2018



Source: FRBNY Consumer Credit Panel/Equifax Data

In this longer-term analysis of borrower distress, borrowers living in low income neighborhoods are still more likely to have experienced default since 2003, as shown in Figure 17. Across the Bay Area, borrowers in the lowest income quintile are nearly 2.5 times more likely to have ever defaulted in the last 15 years than those in the highest income quintile.

FIGURE 17. PERCENT OF STUDENT LOAN BORROWERS CURRENTLY IN DEFAULT AND DEFAULTED AT LEAST ONCE SINCE 2003 BY NEIGHBORHOOD INCOME, SAN FRANCISCO BAY AREA, MARCH 2018



Source: FRBNY Consumer Credit Panel/Equifax Data; 2013-2017 American Community Survey

HIGHER DEFAULT RATES IN NEIGHBORHOODS WITH HIGH PERCENTAGES OF BLACK AND HISPANIC RESIDENTS

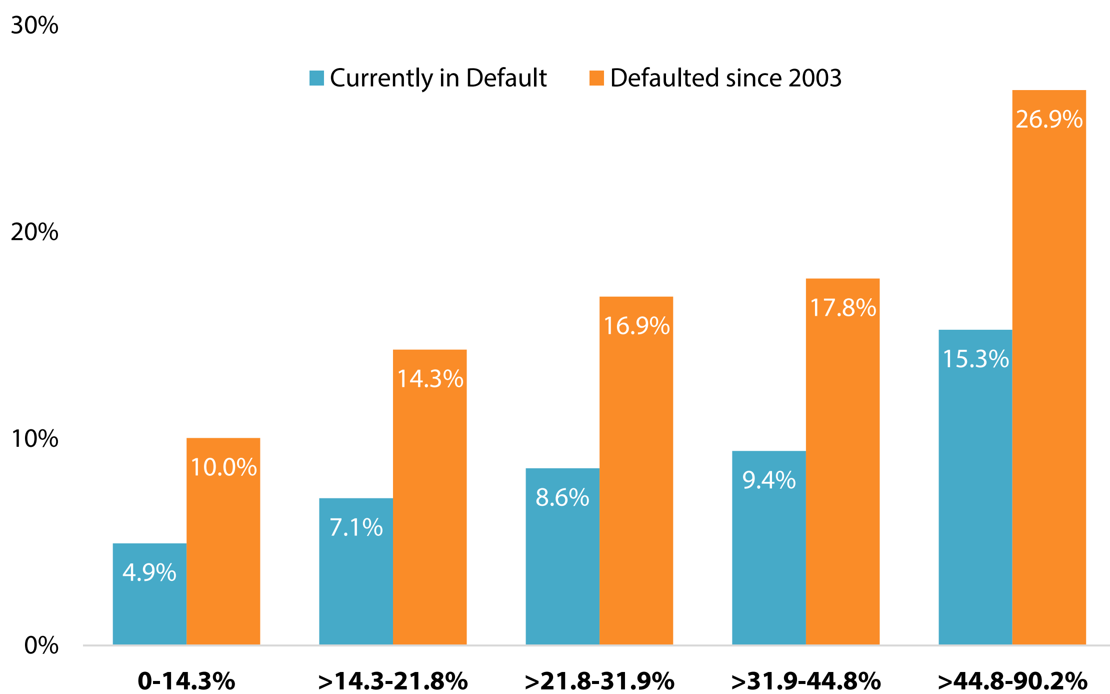
Bay Area borrowers in neighborhoods with larger percentages of Blacks and Hispanics experience higher rates of both delinquency and default.[†] We examine repayment outcomes by racial/ethnic composition, dividing neighborhoods into quintiles by combined percentage of Black and Hispanic residents. We focus on the percentage of Black and Hispanic residents

[†]While recent national-level research on student loan delinquency and default among Black and Hispanic borrowers is able to identify borrower race, this variable is not included in the Consumer Credit Panel, thus we examine repayment outcomes by neighborhood race and ethnicity in zip codes where borrowers live.

based on extensive evidence that Black and Hispanic student borrowers nationally experience far higher levels of delinquency and default.[51]

Figure 18 shows the current default rate and the percent of borrowers who have experienced a default since 2003 in these zip code quintiles. In the lowest zip code quintile 14.3 percent or fewer residents are Black or Hispanic, while in the highest zip code quintile 44.9 to 90.2 percent of residents are Black or Hispanic. Rates of current default and default since 2003 rise as the Black and Hispanic population increases. While the neighborhoods with the lowest percentage of Black or Hispanic residents have only 4.9 percent of borrowers currently in default and 10 percent have experienced a default since 2003, in the neighborhoods with the highest percentages of Black and Hispanic residents, 15.3 percent of borrowers are currently in default and 26.9 percent have experienced a default since 2003.

FIGURE 18. PERCENT OF BAY AREA BORROWERS CURRENTLY IN DEFAULT AND DEFAULTED AT LEAST ONCE SINCE 2003 BY PERCENTAGE OF NEIGHBORHOOD POPULATION OF BLACK AND HISPANIC RESIDENTS, SAN FRANCISCO BAY AREA, MARCH 2018



Source: FRBNY Consumer Credit Panel/Equifax Data; 2013-2017 American Community Survey

The percent of borrowers who are currently 90+ days delinquent on student loans in these neighborhoods (not shown) follows the same pattern. In the lowest quintile by Black and Hispanic residency, 6.7 percent of borrowers are delinquent, rising across each quintile to a peak of 19.9 percent borrower delinquency in neighborhoods with the highest percentage of Black and Hispanic residents.

REPAYMENT SUCCESS

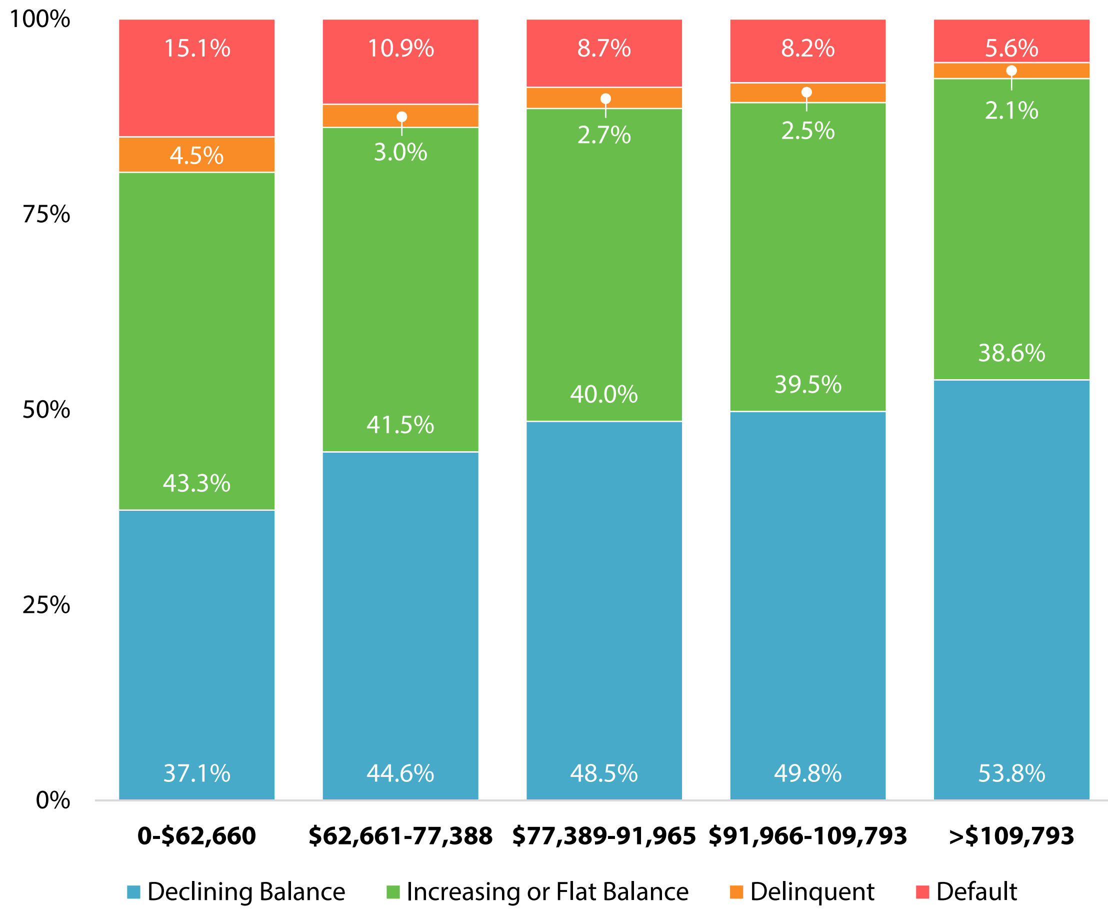
WHO IS PAYING DOWN THEIR LOAN BALANCES?

In addition to delinquent or defaulted borrowers, we examine borrowers who are current on their loan payments and break them into two additional repayment categories in order to better understand how borrowers are making progress paying down their loan balances. The first category indicates borrowers whose accounts are current and whose balances are declining. The second category indicates borrowers whose accounts are current but whose balances are either increasing or flat since the previous quarter.

The first category (declining balance) is a clearer indicator of repayment "success." The second category is harder to analyze, as it includes multiple types of borrowers. A borrower with a flat or increasing balance could be enrolled in school, or in a grace period following graduation or leaving school; making payments that are smaller than the accruing interest, for example through participation in one of the federal government's income-driven repayment plans; or in a deferment or forbearance that allows for the temporary suspension of loan payments. Further research is needed to disaggregate and understand this category of borrowers with flat or increasing balances.

Figure 19 divides borrowers into quintiles based on median neighborhood income. We find that low-income neighborhoods have the lowest percentage of borrowers who are successfully paying down their loan and the highest percentage of borrowers in delinquency and default. In the lowest income neighborhoods, only 37.1 percent of borrowers are making progress in reducing their balances, and this percentage of borrowers paying down their loan balance rises by income quintile to 53.8 percent in the highest income neighborhoods. In the lowest income neighborhoods, nearly 1 in 5 borrowers are either in delinquency or default, and this percentage in delinquency or default declines by income quintile to only 7.7 percent of borrowers in the highest income neighborhoods.

FIGURE 19. STUDENT LOAN REPAYMENT STATUS BY NEIGHBORHOOD INCOME, SAN FRANCISCO BAY AREA, MARCH 2018



Source: FRBNY Consumer Credit Panel/Equifax Data; 2013-2017 American Community Survey

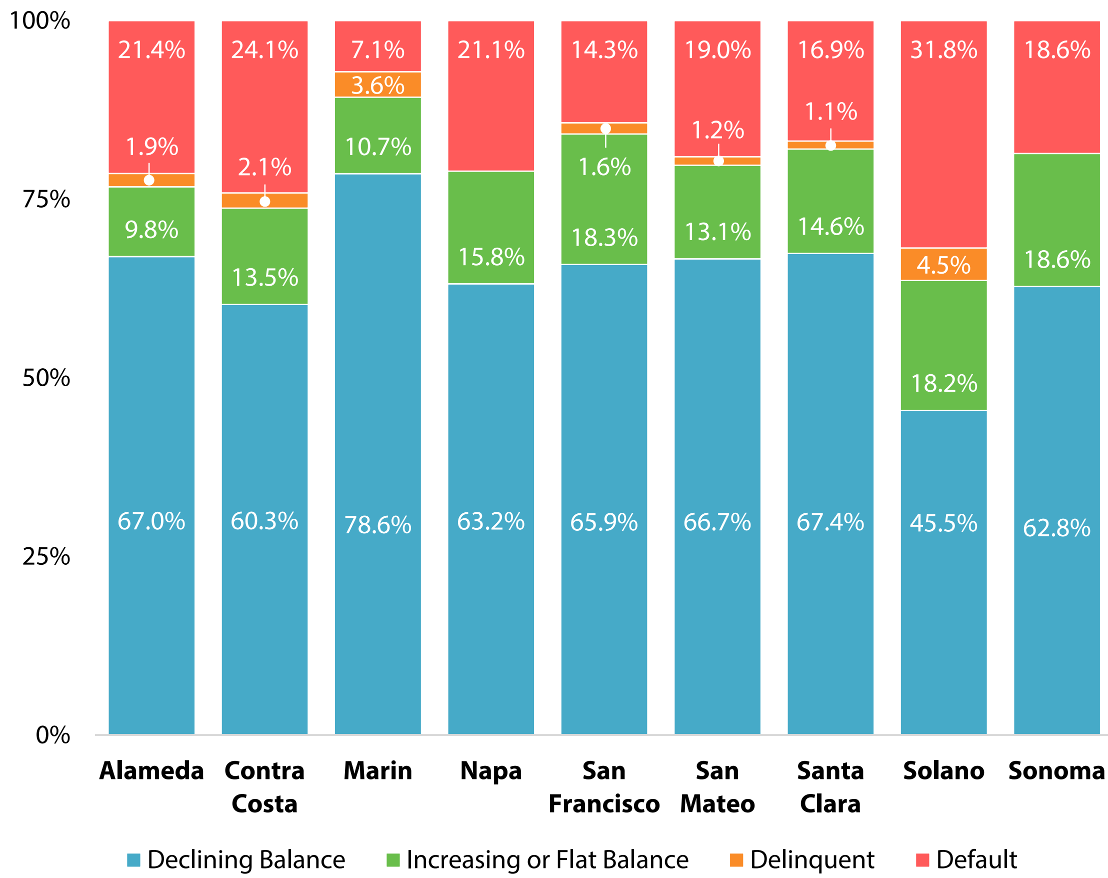
Figure 20 examines repayment success for borrowers with very low balances (under $1,000), which represents a small subset of borrowers (2.5 percent; about 18,000 borrowers). While the majority of low balance borrowers are making payments that reduce their loan balance, we also observe very high rates of default. In four counties, more than one in five borrowers owing less than $1,000 are in default. Solano's low balance borrowers are particularly distressed, with nearly a third (31.8 percent) in default.

While we cannot be certain what is causing such high rates of default among low balance borrowers, we believe that many students who signed up for a college course or who attended but did not complete college are saddled with low balance loans. Because of the huge lag between borrowing and default, it could take well over a year before these borrowers have to face the consequences of non-repayment.

According to analysis by the College Board, 35 percent of borrowers who entered repayment in 2010-11 and defaulted on their federal loans within three years owed less than $5,000.[52] A 2017

CFPB report found that student loan borrowers with small loan amounts have become less likely to actively pay down their loans in recent years, and more likely to become delinquent.[53] The increase in low-balance borrowers in delinquency or default is especially salient given the creation of new repayment plans meant to ameliorate difficulty repaying loans during times of hardship. Nearly every federal student loan borrower has the right under federal law to make a monthly payment based on their income (known as Income-Driven Repayment or IDR). If you have low or no income, "payments" can even be as low as zero dollars a month. After 20 or 25 years, you may be eligible to have any remaining debt forgiven.[54]

FIGURE 20. STUDENT LOAN REPAYMENT STATUS BY COUNTY AMONG BORROWERS WITH LOAN BALANCES <$1,000, SAN FRANCISCO BAY AREA, MARCH 2018



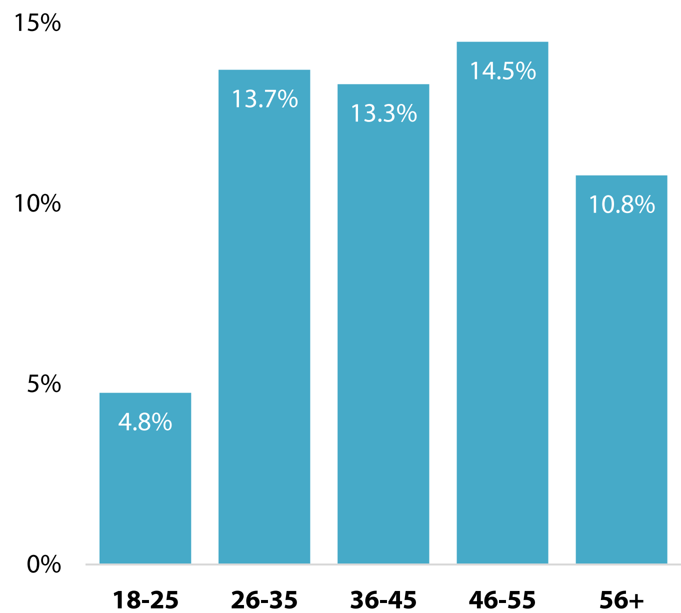
Source: FRBNY Consumer Credit Panel/Equifax Data

While more borrowers are taking advantage of IDR plans, publicly available information on the characteristics of borrowers using these repayment plans is limited.[55] Many borrowers who might be eligible for relief through enrollment in an IDR plan do not appear to be taking up this option.[56] This likely results in higher rates of delinquency and default, and there is increasing advocacy for new, better ways to notify distressed borrowers of their repayment options, and other IDR reforms.

HOW ARE OLDER BORROWERS MANAGING STUDENT LOAN DEBT?

Examining repayment status by borrower age, we find that older borrowers (45 and older) have higher delinquency rates than younger borrowers, who are more likely to be enrolled in school or eligible for income-driven repayment plans that limit monthly payments. Delinquency rates shown in Figure 21 peak among borrowers age 46-55, with a small decline among borrowers 56 or older.

FIGURE 21. PERCENT OF STUDENT LOAN BORROWERS 90+ DAYS DELINQUENT BY BORROWER AGE, SAN FRANCISCO BAY AREA, MARCH 2018



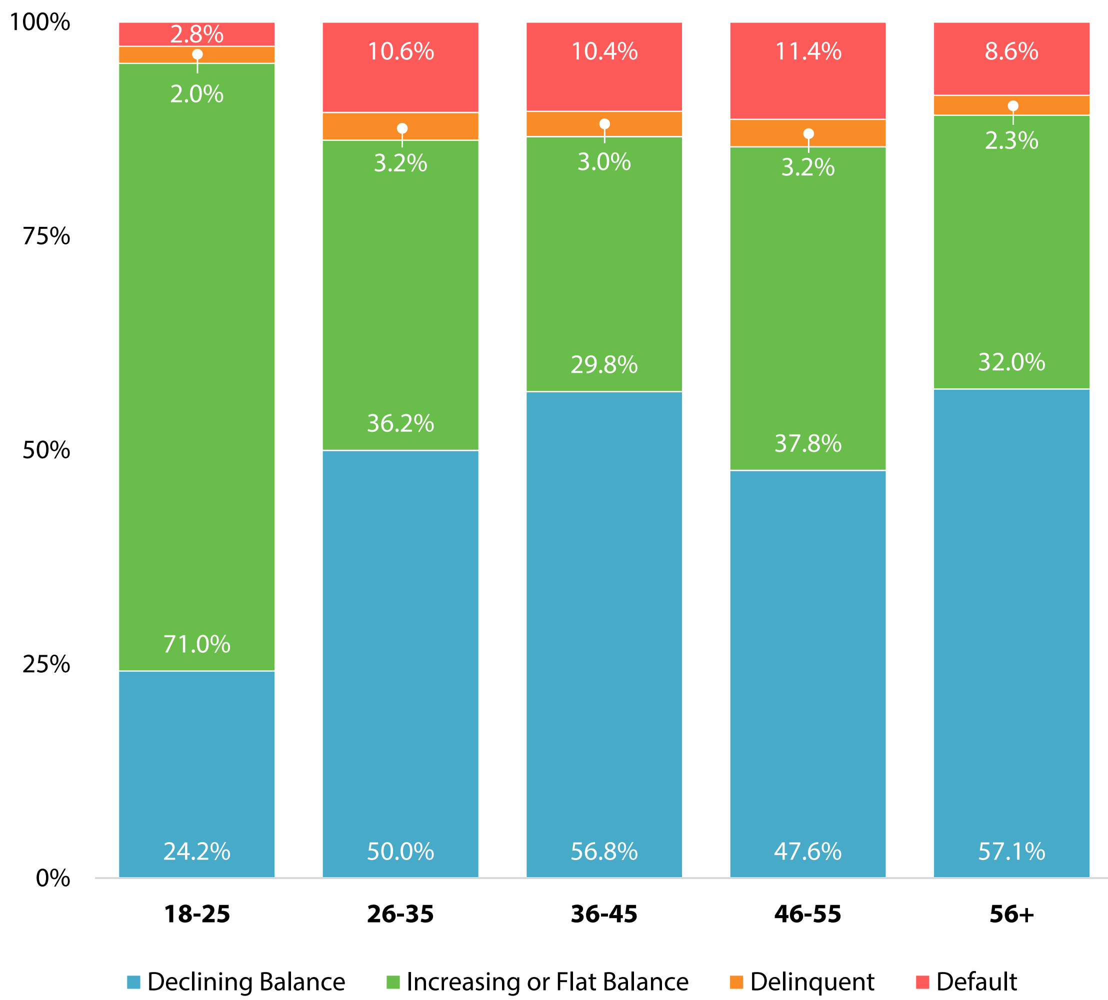
Source: FRBNY Consumer Credit Panel/Equifax Data

There are several potential reasons why older borrowers continue to experience delinquency and default. As loan balances have ballooned, borrowers are now taking longer to repay their loans, beyond the 10-year repayment cycle that has historically been considered standard for repayment.[57] Thus, older student loan borrowers may be taking longer to repay their loans or may possess loans that have been lingering in delinquency status for many years. These individuals may also have borrowed later in life to begin or re-enter college. Additionally, the near impossibility of discharging student loan debt in bankruptcy means that the pool of stagnant defaulted debt grows with age, inflating delinquency rates.

Older borrowers may also have taken on student loan debt to finance their children's education. We cannot observe in our data whether an individual has borrowed for his or her own education or to finance the education of a child or family member. Figure 22 divides borrowers into four repayment status categories, this time by age. Default rates are very similar across age brackets from 26 to 55, declining slightly for borrowers age 56 and older. The percentage of borrowers age 45 to 55 who are successfully reducing their loan balance dips slightly, which may be attributable to co-signing on private loans or loans taken out through the federal Parent PLUS program to finance the education of children.

Multiple factors likely influence borrowing and repayment trends among these age cohorts, and these findings should be interpreted with some caution. Across the age spectrum, borrowers have faced different college prices and economies, and older individuals with student debt may have borrowed to finance education for children or grandchildren. Nonetheless, student debt clearly persists across the age spectrum, and warrants attention.

FIGURE 22. STUDENT LOAN REPAYMENT STATUS BY BORROWER AGE, SAN FRANCISCO BAY AREA, MARCH 2018



Source: FRBNY Consumer Credit Panel/Equifax Data

STUDENT LOAN BORROWING AND REPAYMENT IN SAN FRANCISCO

While this brief examines student loan borrowing across all nine Bay Area counties, we also analyze San Francisco County in greater detail. This section focuses on San Francisco student loan borrowing and repayment. The table in Figure 23 provides an overview of select demographic data for all San Francisco zip codes. Note: San Francisco is both a city and a county.

FIGURE 23. SAN FRANCISCO DEMOGRAPHICS BY ZIP CODE

	Zip Code	Neighborhood	Median Income	Percent Poverty	Percent Black	Percent White	Percent Asian	Percent Hispanic	Some College	Bachelor's Degree	Grad/Prof Degree
1	94102	Hayes Valley/Tenderloin/Mid-Market	$ 33,552	23.6%	10.7%	35.0%	29.1%	20.3%	22.8%	28.4%	16.1%
2	94103	South of Market	$ 49,052	22.0%	8.6%	33.0%	30.0%	22.0%	21.8%	31.2%	16.4%
3	94104	Financial District	$ 48,429	19.3%	0.0%	29.8%	38.8%	24.3%	14.8%	28.0%	10.6%
4	94105	South of Market/Rincon Hill	$ 199,364	9.6%	0.5%	46.9%	41.6%	7.3%	13.6%	34.2%	51.1%
5	94107	Potrero Hill	$ 143,467	11.5%	5.8%	48.8%	29.7%	10.7%	14.4%	38.7%	31.5%
6	94108	Chinatown	$ 55,341	21.7%	2.6%	30.9%	56.8%	7.1%	15.1%	29.0%	16.2%
7	94109	Polk/Russian Hill	$ 79,979	12.1%	4.0%	56.2%	25.6%	10.3%	16.4%	39.6%	25.4%
8	94110	Inner Mission/Bernal Heights	$ 109,747	10.0%	3.2%	43.5%	13.4%	35.3%	18.9%	33.3%	22.3%
9	94111	Financial District/Embarcadero	$ 99,464	19.7%	7.2%	46.5%	28.4%	10.2%	12.4%	32.5%	37.5%
10	94112	Ingleside-Excelsior/Crocker-Amazon	$ 82,692	9.1%	3.5%	15.7%	50.4%	27.0%	26.6%	21.4%	8.9%
11	94114	Castro/Noe Valley	$ 143,902	6.0%	1.8%	71.3%	12.4%	9.1%	15.9%	37.8%	39.8%
12	94115	Western Addition/Japantown	$ 103,625	12.9%	9.7%	52.6%	23.1%	8.3%	15.2%	38.0%	30.8%
13	94116	Parkside/Forest Hill	$ 101,746	8.5%	2.1%	32.8%	52.5%	7.8%	25.2%	31.4%	18.1%
14	94117	Haight-Ashbury	$ 132,979	8.6%	4.8%	67.6%	11.6%	10.6%	15.0%	46.4%	29.8%
15	94118	Inner Richmond	$ 102,021	9.5%	2.1%	53.3%	32.2%	6.8%	16.1%	39.2%	27.9%
16	94121	Outer Richmond	$ 87,001	9.0%	2.0%	41.5%	44.8%	5.5%	23.4%	33.5%	21.4%
17	94122	Sunset	$ 102,838	9.6%	1.2%	36.5%	48.7%	7.2%	20.5%	35.6%	21.6%
18	94123	Marina	$ 134,809	4.7%	1.8%	77.8%	9.9%	6.6%	10.0%	52.5%	30.2%
19	94124	Bayview-Hunters Point	$ 55,823	21.3%	27.6%	7.5%	34.7%	23.7%	25.8%	18.5%	6.9%
20	94127	Miraloma/West Portal	$ 151,094	5.1%	2.8%	49.9%	32.4%	9.0%	18.9%	37.6%	32.1%
21	94129	Presidio	$ 190,167	3.1%	0.3%	80.0%	4.5%	9.9%	10.3%	43.1%	40.0%
22	94130	Treasure Island	$ 52,143	51.5%	17.1%	27.7%	12.2%	33.8%	30.6%	33.3%	10.0%
23	94131	Twin Peaks-Glen Park	$ 119,924	5.9%	4.8%	57.1%	18.4%	14.5%	17.4%	36.4%	34.8%
24	94132	Lake Merced	$ 72,970	18.0%	7.6%	28.9%	43.5%	14.3%	28.2%	31.0%	17.7%
25	94133	North Beach/Chinatown	$ 66,422	16.0%	0.8%	39.0%	50.2%	7.3%	13.5%	29.9%	20.2%
26	94134	Visitacion Valley/Sunnydale	$ 71,352	11.8%	6.8%	10.0%	55.9%	24.0%	26.9%	17.7%	6.7%
27	94158	Mission Bay	$ 133,981	14.6%	7.1%	40.8%	30.2%	16.8%	18.6%	42.3%	29.0%
		San Francisco	**$ 96,265**	**11.7%**	**5.1%**	**40.8%**	**33.9%**	**15.3%**	**19.8%**	**33.4%**	**22.4%**

Source: 2013-2017 American Community Survey

WHO HAS STUDENT DEBT IN SAN FRANCISCO?

As of March 1, 2018, there were approximately 104,180 total student loan borrowers in San Francisco, with a collective balance just over $220 million. Borrowers, 14 percent of the adult population, are widely distributed across the city. In general, higher prevalence of borrowing is found in neighborhoods with higher median incomes and higher levels of educational attainment. However, there are exceptions, such as the South of Market neighborhood, a relatively low-income neighborhood with lower educational attainment, but 18.2 percent of adults have student loan debt.

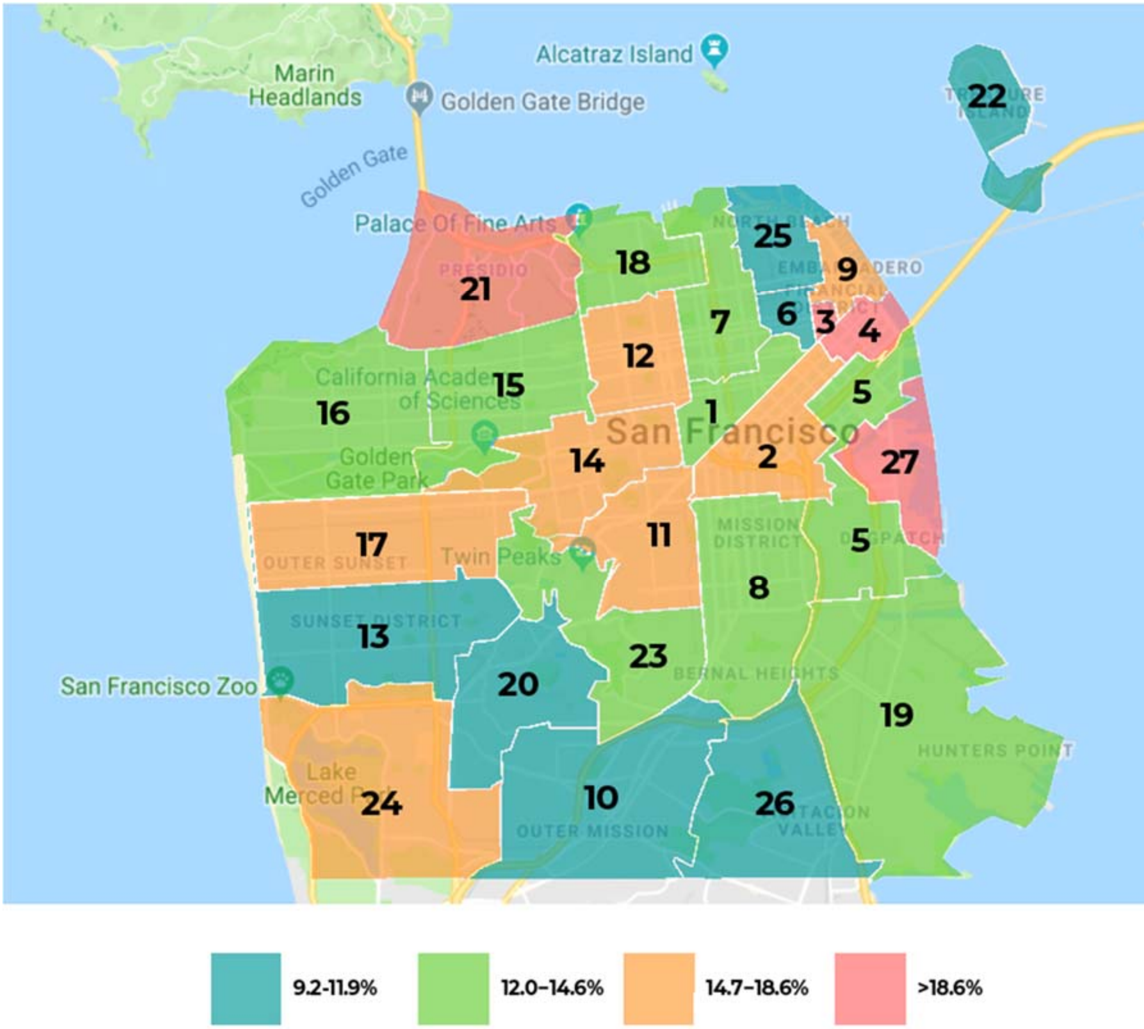
Figure 24 shows the percentage of San Francisco's adult population with a student loan balance. The highest student loan borrowing rates are in South of Market/Rincon Hill, Mission Bay, and the Presidio, where more than one in five adults carry student loan debt. Each of these neighborhoods is characterized by median household incomes well above the median income for San Francisco ($87,701), ranging from nearly $134,000 in Mission Bay to almost $200,000 in South of Market/Rincon Hill. Residents of these neighborhoods also have high levels of educational attainment – for example, 51.1 percent of South of Market/Rincon Hill residents have graduate or professional degrees.

San Francisco zip codes with lower rates of student loan borrowing tend to fall into two categories. In one category are neighborhoods with lower degree attainment, like Visitacion Valley/Sunnydale, where student loan prevalence is 11.7 percent and only 24.5 percent of residents have either bachelor's or graduate/professional degrees. Lack of a college degree in these cases is often paired with a higher percentage of residences with at least some college attendance, which indicates higher numbers of residents who might have borrowed for college without successful completion or attainment of a four-year degree.

The other category for zip codes with lower rates of student borrowing is composed of neighborhoods like Miraloma/West Portal and Twin Peaks-Glen Park, with 11.0 percent and 13.6 percent student loan prevalence respectively. These neighborhoods have higher median incomes and higher levels of educational attainment. Residents in these neighborhoods might be able to finance their education without borrowing or repay their loans more quickly.

Note: The zip code with the highest prevalence of borrowing (86.7 percent) is likely an anomaly. This very small zip code represents a largely commercial and retail section of the financial district bordering Market Street and has an extremely small population (less than 500 residents).

FIGURE 24. PERCENT OF ADULT POPULATION WITH A STUDENT LOAN BY ZIP CODE, SAN FRANCISCO, MARCH 2018



	Zip Code	Neighborhood	Percent with Loans		Zip Code	Neighborhood	Percent with Loans
1	94102	Hayes Valley/Tenderloin/Mid-Market	14.4%	15	94118	Inner Richmond	13.2%
2	94103	South of Market	18.2%	16	94121	Outer Richmond	13.8%
3	94104	Financial District	86.7%	17	94122	Sunset	14.8%
4	94105	South of Market/Rincon Hill	24.2%	18	94123	Marina	14.6%
5	94107	Potrero Hill	14.5%	19	94124	Bayview-Hunters Point	13.7%
6	94108	Chinatown	11.2%	20	94127	Miraloma/West Portal	11.0%
7	94109	Polk/Russian Hill	14.6%	21	94129	Presidio	20.9%
8	94110	Inner Mission/Bernal Heights	13.6%	22	94130	Treasure Island	9.6%
9	94111	Financial District/Embarcadero	15.1%	23	94131	Twin Peaks-Glen Park	13.6%
10	94112	Ingleside-Excelsior/Crocker-Amazon	11.1%	24	94132	Lake Merced	15.5%
11	94114	Castro/Noe Valley	15.9%	25	94133	North Beach/Chinatown	9.7%
12	94115	Western Addition/Japantown	15.5%	26	94134	Visitacion Valley/Sunnydale	11.7%
13	94116	Parkside/Forest Hill	11.9%	27	94158	Mission Bay	21.0%
14	94117	Haight-Ashbury	15.9%			**San Francisco**	**14.0%**

Source: FRBNY Consumer Credit Panel/Equifax Data

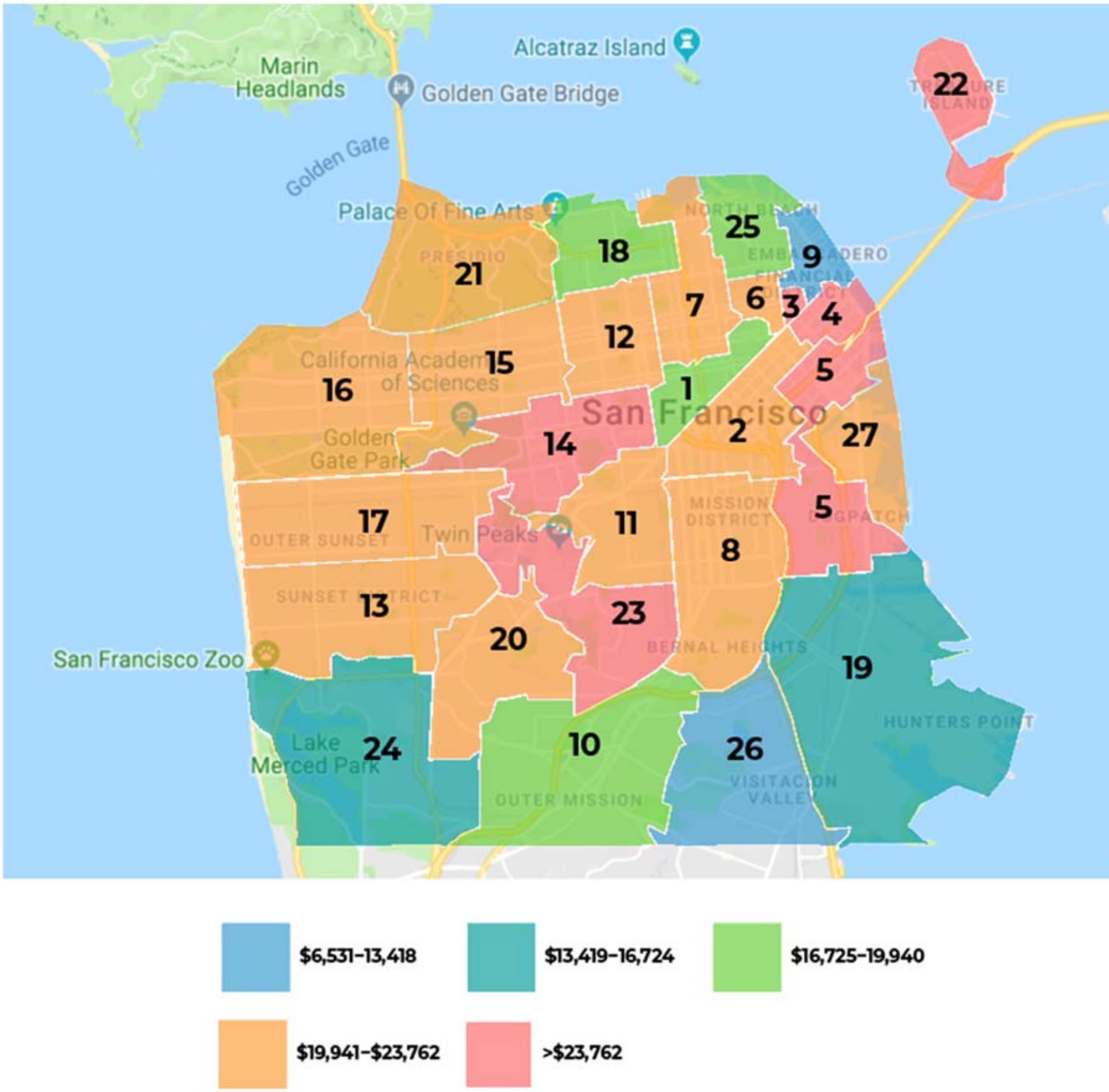
HOW MUCH DO SAN FRANCISCO BORROWERS OWE?

While the median student loan balance for San Francisco borrowers is $20,197, student loan balances in San Francisco are generally correlated with both educational attainment and income. Most of the San Francisco zip codes with highest median loan balances are higher income with high levels of college attainment. These include Potrero Hill, Twin Peaks-Glen Park, South of Market/Rincon Hill, and the Presidio, where median loan balances range from $21,997 to $26,799. The lowest median loan balances, ranging from $11,794 to $15,500, are found in neighborhoods with a mix of lower educational attainment, lower incomes, and higher poverty rates, such as Bayview-Hunters Point, Visitacion Valley/Sunnydale, and Lake Merced.

This trend does not necessarily hold for every zip code, and there are some notable aberrations, including the Marina, which had the sixth-lowest median student loan balance ($17,843), but relatively high median income and educational attainment. The strangest anomaly is Treasure Island, a neighborhood where over half of the residents live in poverty. Despite the low borrowing rate, it has the highest median loan balance in San Francisco of $30,503 (and the Bay Area as a whole), although small sample size and population warrants interpreting this finding with some caution.

Treasure Island's population is small (less than 3,000 adult residents), but it has the highest percentage of residents (30.6 percent) who have at least some college education, but no four-year degree. While more research is needed to understand borrowing behavior and outcomes, it is possible that a small number of residents are borrowing heavily to finance a bachelors or advanced degree but are not successfully completing and are left burdened with high levels of student debt.

FIGURE 25. MEDIAN STUDENT LOAN BALANCES BY ZIP CODE, SAN FRANCISCO, MARCH 2018



	Zip Code	Neighborhood	Median Balance
1	94102	Hayes Valley/Tenderloin/Mid-Market	$19,109
2	94103	South of Market	$21,066
3	94104	Financial District	$27,239
4	94105	South of Market/Rincon Hill	$23,249
5	94107	Potrero Hill	$26,799
6	94108	Chinatown	$21,607
7	94109	Polk/Russian Hill	$21,668
8	94110	Inner Mission/Bernal Heights	$19,398
9	94111	Financial District/Embarcadero	$11,147
10	94112	Ingleside-Excelsior/Crocker-Amazon	$16,111
11	94114	Castro/Noe Valley	$21,957
12	94115	Western Addition/Japantown	$21,926
13	94116	Parkside/Forest Hill	$21,150
14	94117	Haight-Ashbury	$21,791

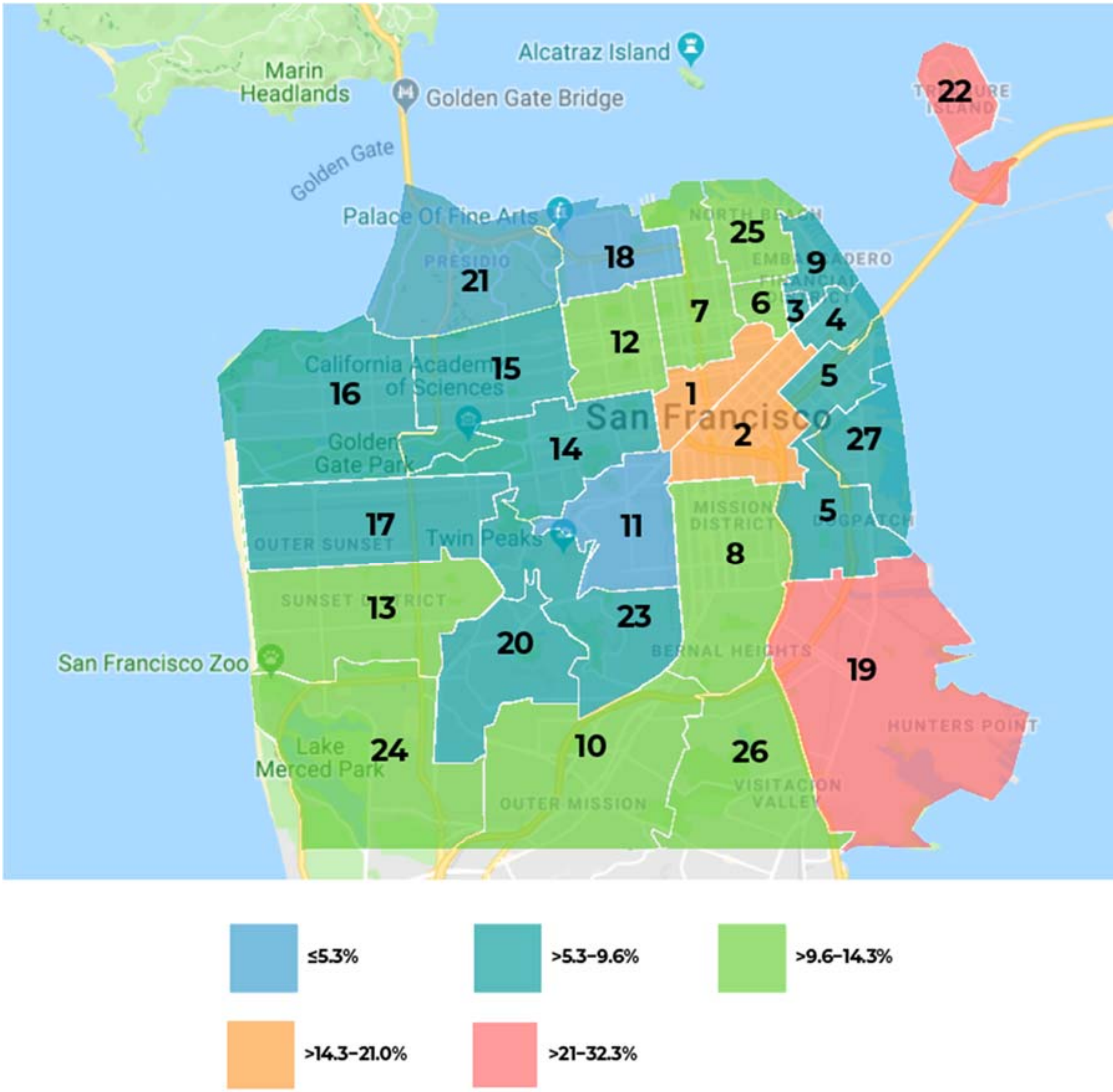
	Zip Code	Neighborhood	Median Balance
15	94118	Inner Richmond	$21,850
16	94121	Outer Richmond	$20,767
17	94122	Sunset	$21,421
18	94123	Marina	$17,843
19	94124	Bayview-Hunters Point	$14,844
20	94127	Miraloma/West Portal	$20,220
21	94129	Presidio	$21,997
22	94130	Treasure Island	$30,503
23	94131	Twin Peaks-Glen Park	$26,000
24	94132	Lake Merced	$15,500
25	94133	North Beach/Chinatown	$19,444
26	94134	Visitacion Valley/Sunnydale	$11,794
27	94158	Mission Bay	$19,500
		San Francisco	**$20,197**

Source: FRBNY Consumer Credit Panel/Equifax Data

DELINQUENCY

Although the delinquency rate across San Francisco is 10.0 percent, student loan delinquency rates are highest in some of San Francisco's poorest neighborhoods: Bayview-Hunter's Point (24.6 percent), Treasure Island (23.1 percent), Hayes Valley/Tenderloin/Mid-Market (17.0 percent), and South of Market (16.1 percent). In these areas, borrowers carry relatively small loan balances, but struggle to repay on time, and are in danger of having their credit score damaged due to delinquency being reported to credit bureaus. While other neighborhoods fare better, in many zip codes at least one in ten borrowers is three or more months behind on their loan payments, an indicator of broader financial distress for residents in a high cost of living area.

FIGURE 26. PERCENT OF STUDENT LOAN BORROWERS 90+ DAYS DELINQUENT BY ZIP CODE, SAN FRANCISCO, MARCH 2018



	Zip Code	Neighborhood	Percent Delinquent		Zip Code	Neighborhood	Percent Delinquent
1	94102	Hayes Valley/Tenderloin/Mid-Market	17.0%	15	94118	Inner Richmond	6.0%
2	94103	South of Market	16.1%	16	94121	Outer Richmond	6.9%
3	94104	Financial District	5.9%	17	94122	Sunset	7.8%
4	94105	South of Market/Rincon Hill	6.0%	18	94123	Marina	1.8%
5	94107	Potrero Hill	8.9%	19	94124	Bayview-Hunters Point	24.6%
6	94108	Chinatown	11.8%	20	94127	Miraloma/West Portal	8.6%
7	94109	Polk/Russian Hill	9.9%	21	94129	Presidio	3.3%
8	94110	Inner Mission/Bernal Heights	10.5%	22	94130	Treasure Island	23.1%
9	94111	Financial District/Embarcadero	8.7%	23	94131	Twin Peaks-Glen Park	6.5%
10	94112	Ingleside-Excelsior/Crocker-Amazon	9.8%	24	94132	Lake Merced	14.2%
11	94114	Castro/Noe Valley	4.5%	25	94133	North Beach/Chinatown	11.9%
12	94115	Western Addition/Japantown	12.0%	26	94134	Visitacion Valley/Sunnydale	13.7%
13	94116	Parkside/Forest Hill	10.1%	27	94158	Mission Bay	8.2%
14	94117	Haight-Ashbury	8.2%			**San Francisco**	**10.0%**

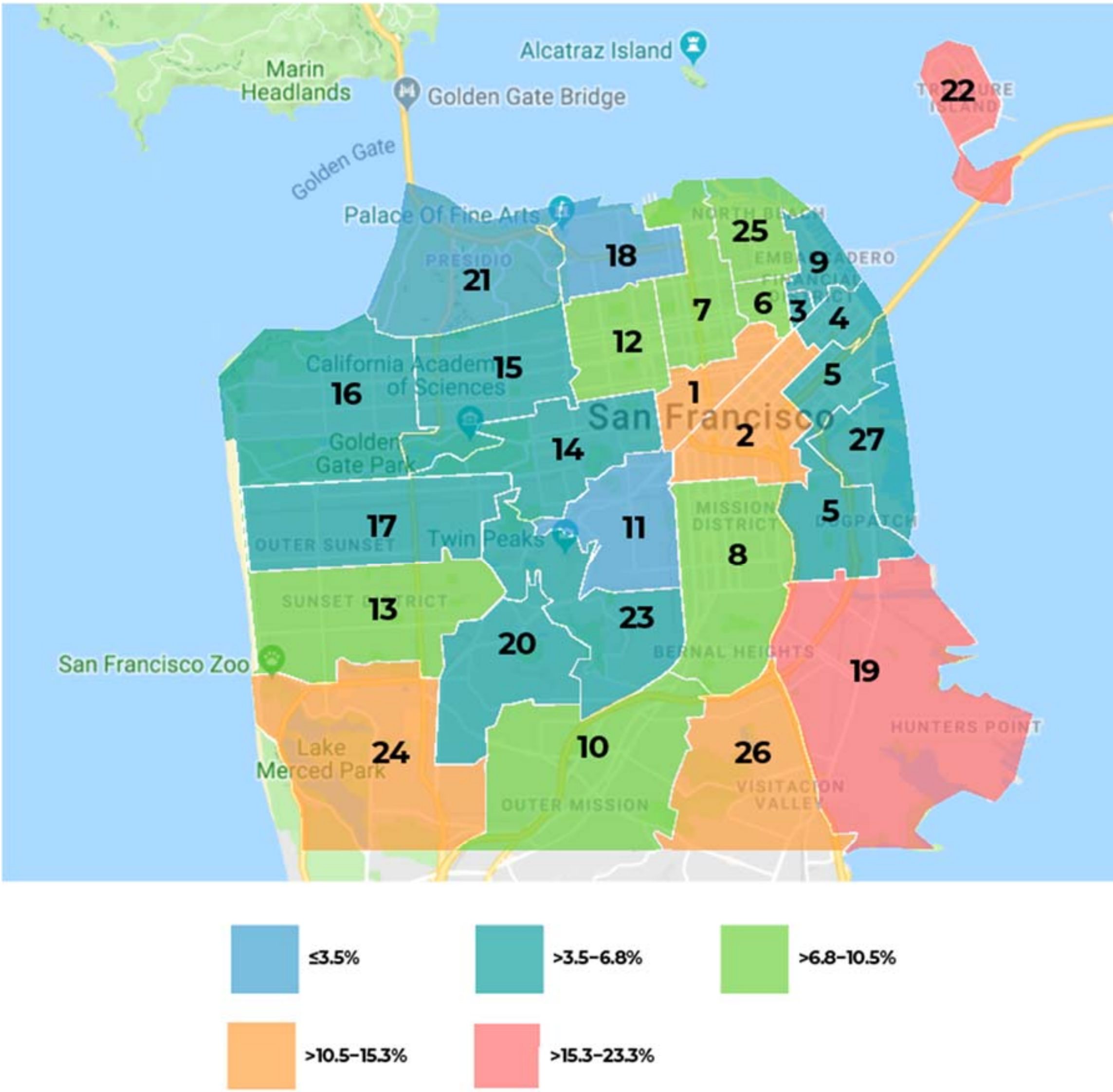
Source: FRBNY Consumer Credit Panel/Equifax Data

DEFAULT

While across San Francisco 7.9 percent of borrowers are in default, the default rates range from zero in the Marina to 23.1 percent in Treasure Island. Default rates are strongly correlated with poverty. Ten of the eleven San Francisco zip codes with the highest percentage of student loan default (Figure 27) have poverty rates exceeding that the overall poverty rate for San Francisco (11.7 percent), ranging from 10.0 percent in Inner Mission/Bernal Heights to 51.5 percent in Treasure Island. Default rates are also generally higher in neighborhoods with relatively low median student loan balances. Eight of the ten highest-default zip codes have median student loan balances below the citywide median of $20,197, including Visitacion Valley/Sunnydale, where the median loan balance is $11,794 and 13.7 percent of borrowers are in default, and Bayview-Hunters Point, where the median loan balance is $14,844 and 19.1 percent of borrowers are in default.

High default rates are also observed in zip codes with a high percentage of Black residents. The three San Francisco neighborhoods with highest percentages of Black residents are among the five zip codes with highest rates of default among student loan borrowers: Bayview-Hunters Point (27.6 percent Black and 19.1 percent default rate); Treasure Island (17.1 percent Black and 23.1 percent default rate); and Hayes Valley/Tenderloin/Mid-Market (10.7 percent Black and 12.5 percent default rate).

FIGURE 27. PERCENT OF STUDENT LOAN BORROWERS IN DEFAULT BY ZIP CODE, SAN FRANCISCO, MARCH 2018



	Zip Code	Neighborhood	Percent Default
1	94102	Hayes Valley/Tenderloin/Mid-Market	12.5%
2	94103	South of Market	13.8%
3	94104	Financial District	5.9%
4	94105	South of Market/Rincon Hill	4.8%
5	94107	Potrero Hill	6.3%
6	94108	Chinatown	7.9%
7	94109	Polk/Russian Hill	8.4%
8	94110	Inner Mission/Bernal Heights	8.4%
9	94111	Financial District/Embarcadero	4.3%
10	94112	Ingleside-Excelsior/Crocker-Amazon	7.3%
11	94114	Castro/Noe Valley	3.3%
12	94115	Western Addition/Japantown	9.1%
13	94116	Parkside/Forest Hill	7.6%
14	94117	Haight-Ashbury	6.6%

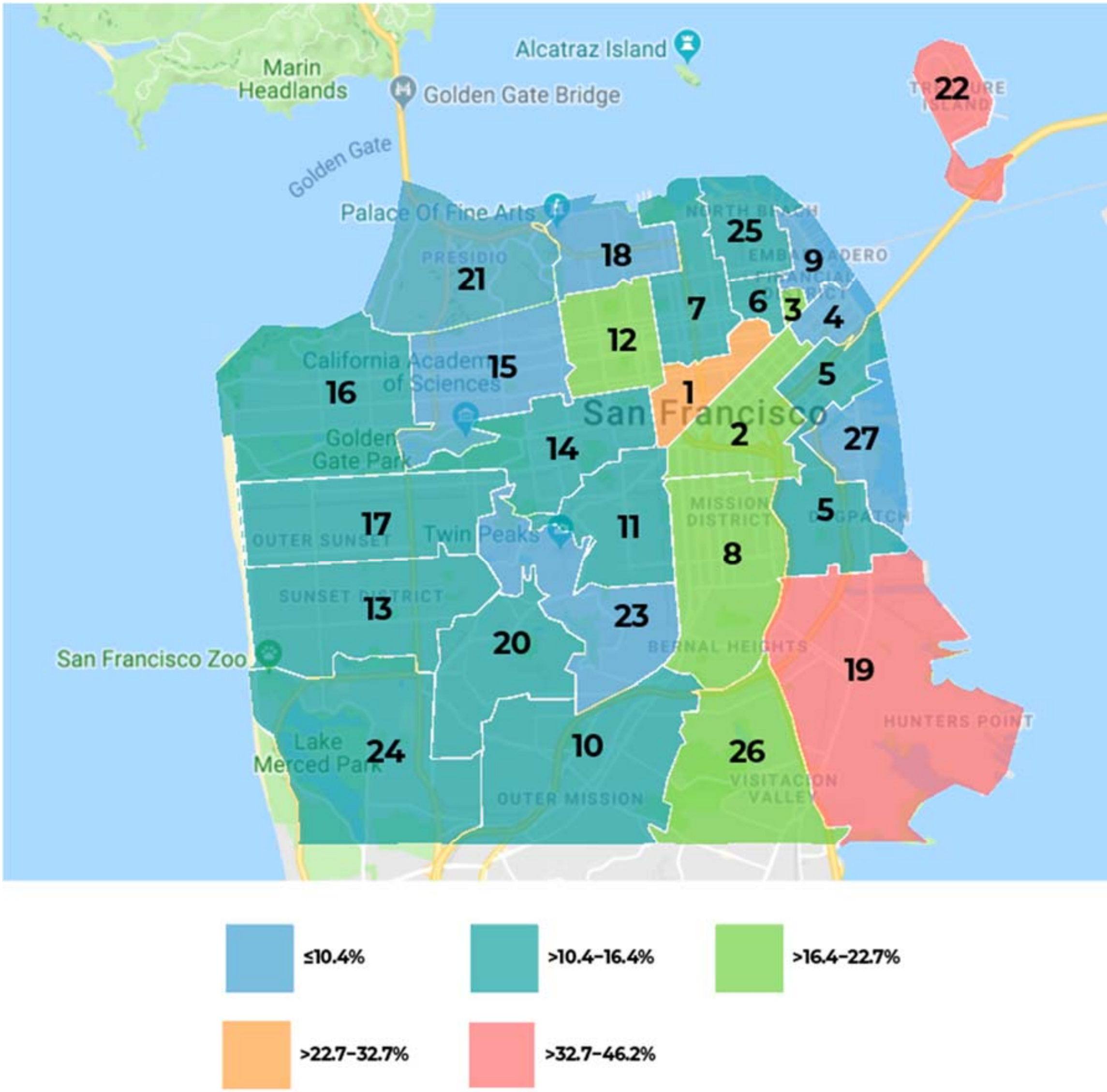
	Zip Code	Neighborhood	Percent Default
15	94118	Inner Richmond	4.3%
16	94121	Outer Richmond	5.8%
17	94122	Sunset	5.5%
18	94123	Marina	0.0%
19	94124	Bayview-Hunters Point	19.1%
20	94127	Miraloma/West Portal	6.5%
21	94129	Presidio	0.0%
22	94130	Treasure Island	23.1%
23	94131	Twin Peaks-Glen Park	4.1%
24	94132	Lake Merced	11.4%
25	94133	North Beach/Chinatown	9.3%
26	94134	Visitacion Valley/Sunnydale	13.7%
27	94158	Mission Bay	4.9%
		San Francisco	**8.0%**

Source: FRBNY Consumer Credit Panel/Equifax Data

DEFAULT SINCE 2003

When we examine San Francisco borrowers who have defaulted on their student loans at least once in the last fifteen years (Figure 28), the results further highlight the neighborhoods with most significant levels of borrower distress. Citywide, the percentage of borrowers who have ever defaulted over this period (15 percent) is nearly twice the current rate of default (8 percent). Twenty-one percent of Visitacion Valley/Sunnydale borrowers and 21.4 percent of South of Market borrowers have defaulted since 2003, and this rises to one in four among borrowers in Hayes Valley/Tenderloin/Mid-Market (25.0 percent), over one in three among Bayview-Hunters Point borrowers (35.0 percent), and nearly half of Treasure Island borrowers (46.2 percent).

FIGURE 28. PERCENT OF STUDENT LOAN BORROWERS WHO HAVE DEFAULTED AT LEAST ONCE SINCE 2003 BY ZIP CODE, SAN FRANCISCO, MARCH 2018



	Zip Code	Neighborhood	Percent Default Since 2003
1	94102	Hayes Valley/Tenderloin/Mid-Market	25.0%
2	94103	South of Market	21.4%
3	94104	Financial District	17.6%
4	94105	South of Market/Rincon Hill	8.4%
5	94107	Potrero Hill	12.6%
6	94108	Chinatown	13.2%
7	94109	Polk/Russian Hill	15.0%
8	94110	Inner Mission/Bernal Heights	16.6%
9	94111	Financial District/Embarcadero	8.7%
10	94112	Ingleside-Excelsior/Crocker-Amazon	16.2%
11	94114	Castro/Noe Valley	11.5%
12	94115	Western Addition/Japantown	16.5%
13	94116	Parkside/Forest Hill	13.9%
14	94117	Haight-Ashbury	14.6%

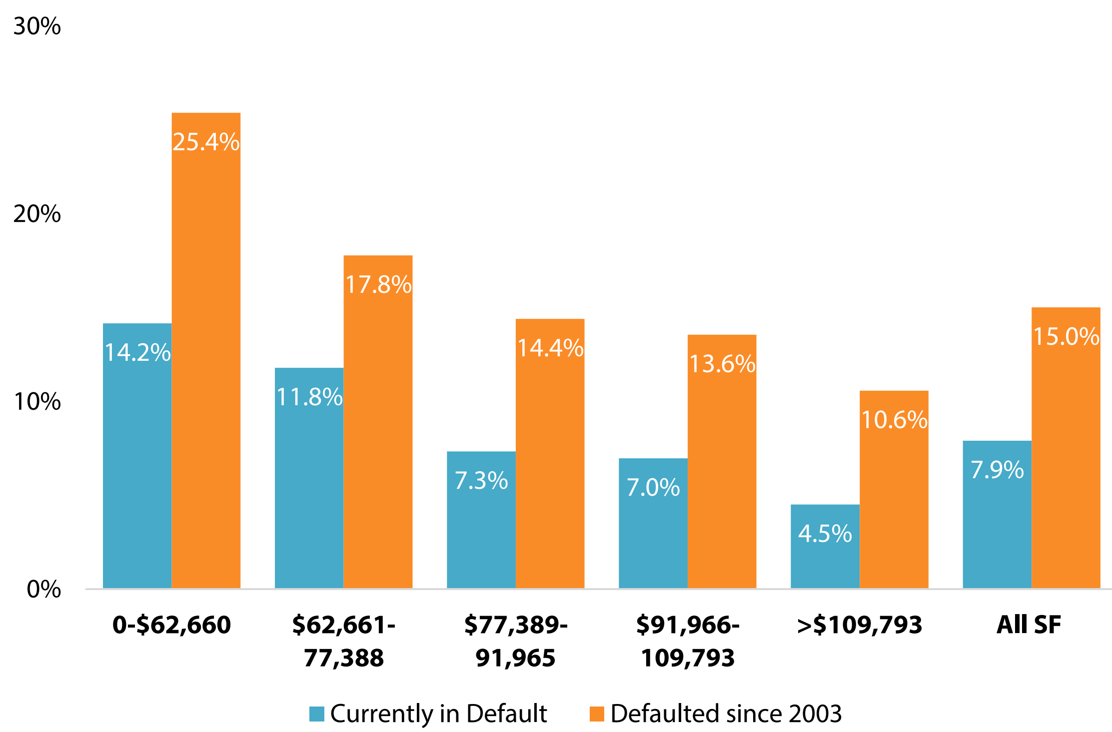
	Zip Code	Neighborhood	Percent Default Since 2003
15	94118	Inner Richmond	8.9%
16	94121	Outer Richmond	10.8%
17	94122	Sunset	11.3%
18	94123	Marina	2.4%
19	94124	Bayview-Hunters Point	35.0%
20	94127	Miraloma/West Portal	12.9%
21	94129	Presidio	6.7%
22	94130	Treasure Island	46.2%
23	94131	Twin Peaks-Glen Park	8.9%
24	94132	Lake Merced	16.1%
25	94133	North Beach/Chinatown	15.3%
26	94134	Visitacion Valley/Sunnydale	21.0%
27	94158	Mission Bay	8.2%
		San Francisco	**15.0%**

Source: FRBNY Consumer Credit Panel/Equifax Data

As discussed previously, research now shows that cumulative default rates are rising, and that many borrowers who rehabilitate their student loans following a default end up defaulting again within a few years. Given this research, many San Francisco borrowers (and borrowers throughout the Bay Area) who have previously defaulted but are not currently in default will likely re-default in the near future. This research suggests that cumulative default rates in San Francisco are likely very high in San Francisco's lowest-income neighborhoods.

Figure 29 compares percentages of borrowers currently in default with percentages of borrowers who have defaulted at least once since 2003, by neighborhood income quintiles. Borrowers in the lowest-income neighborhoods are more than twice as likely to have defaulted within this period compared to borrowers from the highest income neighborhoods (25.4 percent vs 11.8 percent). The differences shown here between borrowers currently in default and borrowers who have defaulted since 2003 echo those observed in the previous analysis of the Bay Area overall.

FIGURE 29. PERCENT OF STUDENT LOAN BORROWERS CURRENTLY IN DEFAULT AND DEFAULTED AT LEAST ONCE SINCE 2003 BY NEIGHBORHOOD INCOME, SAN FRANCISCO, MARCH 2018



Source: FRBNY Consumer Credit Panel/Equifax Data; 2013-2017 American Community Survey

CONCLUSION

This report provides new insights on student debt in the Bay Area, presenting a detailed overview of student loan borrowing and repayment. This comprehensive examination of student loan debt at the county and zip code level adds to a growing body of research that indicates student loan borrowers are in serious distress, and that the situation is worsening. Our findings include:

- The Bay Area's total and median student debt balances, prevalence of student borrowing, and rates of delinquency and default have all increased significantly since 2003.
- Distressed borrowers, as measured by rates of serious delinquency and default, are concentrated in some of the Bay Area's poorest communities, and in communities with higher percentages of Black and Hispanic residents.
- A large percentage of delinquent and defaulted borrowers have relatively low amounts of student debt, but struggle to make payments on their loans, potentially due to noncompletion or low earnings in a high cost of living area.

In a region where many households struggle to achieve or maintain financial stability, the increasing student loan debt burden and distress in the Bay Area must urgently be addressed. While this report is primarily descriptive, below we highlight brief recommendations for policymakers and practitioners arising from the findings in this report.

For educational leaders:

- **Improved information and counseling for prospective borrowers** can educate prospective borrowers about repayment resources and strategies, including expansion of one-on-one counseling for prospective borrowers and their families and creation of resources such as student borrowing toolkits.
- **Stronger support systems for high school and college students** can help to close gaps in access and completion for low-income students—a group that disproportionately includes students of color, single parents, and others who do not receive the support they need to enroll in and complete college at the same rates as their wealthier peers.

For city agencies and nonprofit partners:

- **Improving awareness and enrollment in income-driven repayment programs** through outreach and engagement can reduce and mitigate delinquency and default for distressed borrowers, especially in low-income neighborhoods.
- **Integrating student debt education and assistance within city services**, including financial coaching and student debt clinics/workshops, can provide distressed borrowers with trusted advice and referrals to mitigate delinquency, default, and other negative consequences of student debt.

For policymakers and advocates:

- **Legislation and budgetary support to increase college affordability** can reduce the need to finance higher education by taking on debt, including focusing financial aid on the total cost of attendance, and not just tuition.
- **Stronger state oversight and enforcement of lending and servicing activities** can protect borrowers from predatory lending and student loan repayment practices.

The Office of Financial Empowerment (OFE) is launching a student debt project that seeks to provide relief for struggling student loan borrowers and work toward a future where higher education is affordable and accessible to all, without the burden of financial hardship. This report is an important first step toward understanding the indicators of borrower vulnerability in San Francisco and the Bay Area. OFE will leverage this research as we build strong local partnerships, including cities, school districts, and colleges, and convene diverse stakeholders to focus on solutions to the student debt crisis.

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