

Educational Lending - US - March 2014

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"The student loan crisis continues, driven by the escalating cost of college as well as slow recovery, which is hindering graduates' abilities to repay their loans. The government is beginning to take the problem seriously, and proposals are being considered both to help students repay their loans and to make lenders more accountable."

– Robyn Kaiserman, Financial Services Analyst

This report looks at the following areas:

- How serious is the student debt crisis anyway?
- What can be done to lower the default rate?
- What is the long-term impact of so much student debt?

It is widely reported that the student loan situation is a crisis that is reminiscent of the mortgage crisis. Large numbers of unsecured loans are being handed out – in many cases to people who may never be able to repay them. Roughly 25% of respondents to Mintel's survey for this report are either in default, actively considering default, or have considered default in the past, and more than 40% consider their monthly loan payments to be a financial hardship. Perhaps more importantly, almost a quarter of respondents believe that their student loan payments will get in the way of them applying for a credit card or a mortgage, which may further dampen the sluggish economic recovery.

At the same time, the industry struggles with defaults and the government works to pass legislation that will help the situation, and enrolling in college is losing a bit of its luster. While 54% of respondents to the survey for Mintel's previous report "Education Lending – US, April 2012" felt that taking out a student loan was a good investment, that number significantly dropped for this report. An additional challenge in the marketplace is the declining numbers in younger age groups as America's population ages and the college-aged cohort is not completely being replaced. There was also a slight decline in both graduate and undergraduate enrollment from 2011 to 2012, and, while it is not yet clear whether this decline is the beginning of a trend or merely another temporary dip, it bears watching.

This report builds on the analysis presented in Mintel's Education Lending – US, April 2012.

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DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

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