Millennial Student Debt and Rural Migration Patterns

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Disclaimer

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Presentation Topics

SECTION 1  Research Questions

SECTION 2  Data and Methods

SECTION 3  Migration Patterns

SECTION 4  Credit and Economic Outcomes
Research Questions
1. At what rate are millennials with student loans leaving rural areas?

2. What is the relationship between an individual’s student loan balance and their urban-rural migration patterns?

3. How do rural students who move to urban areas compare to those that remain in rural areas?
Data & Methods
Data

- We used the Equifax / FRB NY Consumer Credit Panel (CCP), which contains credit reporting data for a nationally representative 5 percent sample of all adults with a social security number and a credit report.
- We analyzed a subsample of the CCP containing about 750,000 millennials who:
  - Entered the panel between 2000 and 2017, and
  - Entered the panel and originated a student loan between the ages of 18 and 22.

<table>
<thead>
<tr>
<th>We Know</th>
<th>We Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Information</td>
<td>Race / Ethnicity</td>
</tr>
<tr>
<td>Age</td>
<td>Gender</td>
</tr>
<tr>
<td>Location</td>
<td>Income</td>
</tr>
<tr>
<td></td>
<td>School Enrollment / Graduation Status</td>
</tr>
<tr>
<td></td>
<td>School Information</td>
</tr>
</tbody>
</table>
Definitions

• **First Enter the Panel**: The first quarter in which an individual appears in the panel, typically because they originated a debt product, e.g., a credit card or student loan.

• **First Originate a Student Loan**: The quarter in which the individual’s first student loan is reported to the credit bureau. This is not necessarily the quarter in which the student enrolls in school.

• **Last Originate a Student Loan**: The quarter in which the individual’s last student loan is reported to the credit bureau. This is not necessarily the quarter in which the student graduates or leaves school.

• **Enter Repayment**: We consider someone as entering repayment if they have not originated a new student loan in five quarters.
Student loan borrowers tend to enter the panel earlier than non-borrowers.

Source: Equifax / FRB NY Consumer Credit Panel

Note: Values less than 0.5 percent not shown.
DATA & METHODS

We focus on those that originate a student loan between 18 and 22.

Source: Equifax / FRB NY Consumer Credit Panel

Note: Values less than 0.5 percent not shown.
Most millennials with credit records live in metro areas.

Source: Equifax / FRB NY Consumer Credit Panel
DATA & METHODS

Where are rural Census tracts located?
Migration Patterns
A large share of millennials are leaving rural areas.

Source: Equifax / FRB NY Consumer Credit Panel
Borrowers are less likely to remain in rural areas than non-borrowers.

Source: Equifax / FRB NY Consumer Credit Panel
High-balance rural borrowers are the most likely to leave rural areas.

Source: Equifax / FRB NY Consumer Credit Panel
This trend accelerates over time.

Rural Student Borrowers: Enter Panel vs. Two Years Into Repayment

Quantile 4 (> $27,781)
- Metro: 53.8%
- Micro: 31.5%
- Small Town: 5.2%
- Rural: 28.5%

Quantile 3 ($12,743 - $27,780)
- Metro: 41.2%
- Micro: 41.2%
- Small Town: 5.2%
- Rural: 28.5%

Quantile 2 ($5,718 - $12,742)
- Metro: 33.2%
- Micro: 50.0%
- Small Town: 5.2%
- Rural: 28.5%

Quantile 1 (< $5,717)
- Metro: 27.6%
- Micro: 55.2%
- Small Town: 5.2%
- Rural: 28.5%

Source: Equifax / FRB NY Consumer Credit Panel
Urban areas are the most common destinations for those who leave non-metropolitan areas.

Flow of Non Metropolitan Millennials with Student Loans

Source: Equifax / FRB NY Consumer Credit Panel
Credit & Economic Outcomes
Rural students who move to urban areas are more likely to have mortgage debt.

Presence of Mortgage Debt After Entering Repayment

- **One year**: Moved to Metro (24.2%), Stayed Rural (12.4%)
- **Two Years**: Moved to Metro (26.9%), Stayed Rural (15.1%)
- **Three Years**: Moved to Metro (30.0%), Stayed Rural (18.7%)

Source: Equifax / FRB NY Consumer Credit Panel
Are less likely to be seriously delinquent on student loan debt.

Percent of Individuals 120 Days Past Due / Collections (Student Loan Tradelines)

- **One year**
  - Moved to Metro: 5.9%
  - Stayed Rural: 7.5%

- **Two Years**
  - Moved to Metro: 5.4%
  - Stayed Rural: 7.6%

- **Three Years**
  - Moved to Metro: 4.8%
  - Stayed Rural: 7.3%

Source: Equifax / FRB NY Consumer Credit Panel
And are faster to repay their student loan balances.

Average Percent Change in Student Loan Balances, Years Into Repayment

- One Year: 
  - Moved to Metro: -8.9%
  - Stayed Rural: -1.1%
- Two Years: 
  - Moved to Metro: -18.3%
  - Stayed Rural: -3.2%
- Three Years: 
  - Moved to Metro: -27.1%
  - Stayed Rural: -10.2%

Source: Equifax / FRB NY Consumer Credit Panel
Rural millennials are moving to areas with higher median wages.

Source: Equifax / FRB NY Consumer Credit Panel
And lower unemployment rates.

Source: Equifax / FRB NY Consumer Credit Panel
Where exactly is everyone going?

Top Ten MSA’s for Rural Millennials who Moved to a Metropolitan Area Upon Entering Repayment

<table>
<thead>
<tr>
<th>Enter Repayment</th>
<th>% of Rural Millennials who Moved to a Metro Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minneapolis-St. Paul-Bloomington, MN-WI</td>
<td>4.6%</td>
</tr>
<tr>
<td>New York-Newark-Jersey City, NY-NJ-PA</td>
<td>7.2%</td>
</tr>
<tr>
<td>Boston-Cambridge-Newton, MA-NH</td>
<td>9.8%</td>
</tr>
<tr>
<td>Des Moines-West Des Moines, IA</td>
<td>2.3%</td>
</tr>
<tr>
<td>Fargo, ND-MN</td>
<td>2.1%</td>
</tr>
<tr>
<td>Kansas City, MO-KS</td>
<td>2.0%</td>
</tr>
<tr>
<td>Omaha-Council Bluffs, NE-IA</td>
<td>2.0%</td>
</tr>
<tr>
<td>Chicago-Naperville-Elgin, IL-IN-WI</td>
<td>1.9%</td>
</tr>
<tr>
<td>Burlington-South Burlington, VT</td>
<td>1.5%</td>
</tr>
<tr>
<td>Waterloo-Cedar Falls, IA</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

Source: Equifax / FRB NY Consumer Credit Panel
Conclusions
At what rate are millennials with student loans leaving rural areas?

- Only 57 percent of millennials with credit records who are in rural areas at ages 18 – 22 are still in rural areas six years later.
- Student loan borrowers are less likely to remain in rural areas than non-borrowers.
RESEARCH QUESTIONS

What is the relationship between an individual’s student loan balance and their urban-rural migration patterns?

• Rural millennial high-balance student loan borrowers are less likely than low-balance borrowers to remain in rural areas.
• Just 36 percent of rural high-balance borrowers were still in rural areas when entering repayment, compared to 62 percent of low-balance borrowers.
How do rural students who move to urban areas compare to those that remain in rural areas?

- Rural student loan borrowers who stayed in rural areas are about half as likely as those who move to urban areas to have mortgage debt within three years of entering repayment.
- They are also more likely to be seriously delinquent on their student loan debt.
- And are slower to repay their student loans.
Thank you.