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Student loan defaults up, but cause unclear

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Figures released this week by the U.S. Department of Education show an increase in the student loan default rate, and Illinois numbers bear that out, too -- though the details vary among individual colleges and universities.

The national economic downturn is getting at least a chunk of the blame, but financial aid officials acknowledge the new statistics were compiled before the worst of the recession hit. The figures deal with borrowers whose first loan repayments were due in the 12-month period ending September 2007 and who defaulted before Sept. 30, 2008.

"The only thing I can point to is the economy," said Lee Bursi, assistant vice president for financial aid at Lincoln Land Community College.

The student loan default rate at Lincoln Land increased to 14.2 percent as of Sept. 30, 2008. A year earlier, the rate was 8.3 percent.

At the University of Illinois Springfield, the student loan default rate improved slightly. The most recent rate was 3.8 percent, compared with 3.9 percent for the prior year.

Gerard Joseph, director of financial assistance at UIS, said the school -- like many others -- tries to encourage students to borrow only what they need. UIS is doing a better job of retaining its students, and that helps keep the loan default rate down because students are more likely to pay off their loans if they stay in school, he said.

The default rate at Eureka College jumped from 4.7 percent a year ago to 8.4 percent -- an increase that Kurt Krile attributed partly to a drop in the number of borrowers at the small school.

"Five students, one way or another, skews the percentage quite a bit for us," said Krile, dean of admission and financial aid.

Bill Bushaw, director of financial aid at Western Illinois University, said the latest statistics might signal an upward trend that will become more obvious in September 2010, when another batch of figures is released.

"We're just seeing the initial results this year," Bushaw said. "I think we're going to see the same number or maybe even a higher default rate than what we see this year."

Krile added: "It's becoming more difficult for college grads to find jobs, and the default rate will probably increase if that continues."

Jane Glickman, a spokeswoman for the U.S. Department of Education, said no one knows for sure what the statistics will reveal in a year.

"But certainly, the economy always plays a part in default rates," she said.

The default rate figures are for schools that participate in either the Federal Family Education Loan Program, which involves private lenders, or the Direct Loan Program that the U.S. government runs.

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