



CROWE Graduate Scholar Series #4

The Changing Landscape of Parent Student Borrowing *

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Executive Summary

- Approximately one-third of parents with a child in college take out a loan themselves, either in the private market or through the federal Parent PLUS program, but little is known about these borrowers.
- We examine how the private and federal (Parent PLUS) pools for parent student loans have diverged since 2010, and whether bank exits from private student lending increase reliance on federal loans.
- Private lenders have pulled toward a smaller, safer, higher-credit-score pool of borrowers, while Parent PLUS has absorbed a comparatively riskier pool that performs far worse — the delinquency rate is roughly four times higher than private loans five years after origination.
- Using JPMorgan's 2013 exit from private student lending as a case study, we find suggestive evidence that prime-credit families in areas more exposed to JPMorgan's local presence became somewhat more likely to use Parent PLUS loans afterward, though the estimated effects are small.
- These findings point to a growing tension between the government's fiscal position on Parent PLUS — which benefits from more creditworthy entrants — and the welfare of borrowers who may be paying a flat rate poorly suited to their individual risk.

Background

Wisconsin ranks among the least affordable states in which to attend college, and Wisconsin families are no exception to a national trend: as tuition has risen, roughly half of student borrowers now reach the annual federal borrowing limit, forcing families to seek alternative financing to close the remaining gap.[†] About one-third of parents with a child in college take out a student loan themselves, either in the private market or through the federal Parent PLUS program (Delisle and Blagg, 2022). While there is some work on the Parent PLUS program (Baum, Blagg and Fishman, 2019; Cellini, Darolia and Ritter, 2020; Di, Fletcher and Webster, 2022; Kargar and Mann, 2022), much remains unknown about parental borrowing patterns for their children's education – especially how Parent PLUS loans and their borrowers compare to those in the private market.

Parent PLUS loans charge a single fixed interest rate to all borrowers—4.6 percentage points above the 10-year Treasury note, or 8.94 percent in 2025—regardless of credit-worthiness. This rate is set legislatively and does not adjust with the riskiness of the borrower pool; it is substantially above the rate on federal Direct Loans to students (2.05 points above the 10-year Treasury).[‡] The standard repayment term is 10 years, though graduated and extended plans run as long as 30. Unlike most consumer debt, including mortgages, credit cards, and private student loans, Parent PLUS imposes no meaningful ability-to-repay check: borrowing is capped only by the cost of attendance, with minimal consideration of income, assets, or credit history.

Because the price of a Parent PLUS loan is fixed regardless of who borrows, the composition of the borrower pool has no effect on the rate any individual borrower pays — but it has a direct effect on the government's fiscal exposure. This decoupling of price from risk is what makes the composition of the Parent PLUS borrower pool — not just its size — important to understand.

Between 2012 and 2020, average private student debt balances roughly doubled, while average Parent PLUS balances nearly tripled.[§] Over the same period, several major banks — including JPMorgan and Citibank — exited private student lending, citing the expansion of federal lending programs, increased regulatory scrutiny, and rising compliance costs. We compare the private and federal parent student loan markets, and examine what happened when one large private lender, JPMorgan exited in 2013. We focus on JPMorgan because the bank was the second biggest provider of private student loans (behind Sallie Mae), and one of their cited reasons for exiting was government overregulation.

[†]<https://www.ncan.org/news/711864/New-Analysis-Affordability-Gaps-Remain-in-Great-Lakes-States.htm>

[‡]Origination fees follow the same pattern: 4.23 percent for Parent PLUS versus 1.06 percent for Direct loans and often zero for private loans.

[§]https://nces.ed.gov/programs/digest/d23/tables/dt23_331.95.asp

Data

To understand borrower behavior, we leverage an annual consumer-tradeline-level 1% credit panel from a major credit bureau, spanning from 2010 to 2024. While we use all these years of data to classify the loans as public or private parent student loans, we restrict our analysis sample to 2019 because the 2020 COVID payment pause for federal loans substantially affected selection into the program as well as borrower repayment behavior. This dataset includes loan-level information such as type of loan, amount, payments made, interest rate, status, and lender classification; at the person level, it includes age, credit score, zip code, and gender. Because we do not observe who's education the loan is for, we proxy for parent borrowers by restricting the sample to individuals age 40 and older, and assume any student loans taken out in the sample are for the borrower's child.

The credit bureau does not label loans as federal or private, so we classify them using the lender's line-of-business code, which distinguishes government agencies and federal loan servicers from banks and finance companies. We refine this classification using features unique to federal lending: federal parent loans are held individually rather than jointly or with a cosigner, are disbursed at most twice (once per semester, with a new loan each school year),[¶] and were subject to the 2020–2023 federal payment pause, during which balances stopped growing and required payments fell to zero.^{||} A parent loan is then classified as public if it satisfies these criteria and private otherwise.

To examine the effect of JPMorgan's exit from student lending in 2013, we measure the bank's share of deposits in each zip code using the FDIC's Summary of Deposits in 2012, the year just before exit. The dataset contains deposit amounts for each branch of bank's branches, and is required for all FDIC-insured banks.^{**}

Fact 1: Parent PLUS loans are growing fast — but serve a riskier borrower pool

How do Parent PLUS borrowers and the loans they receive compare to the private market? As Figure 1 shows, Parent PLUS loans perform far worse than private loans five years after origination. Roughly 11 percent of Parent PLUS loans are 30+ days past due, compared to about 3 percent of private loans. This is consistent with the fact that private lenders perform ability-to-repay checks, while the Parent PLUS program does not.

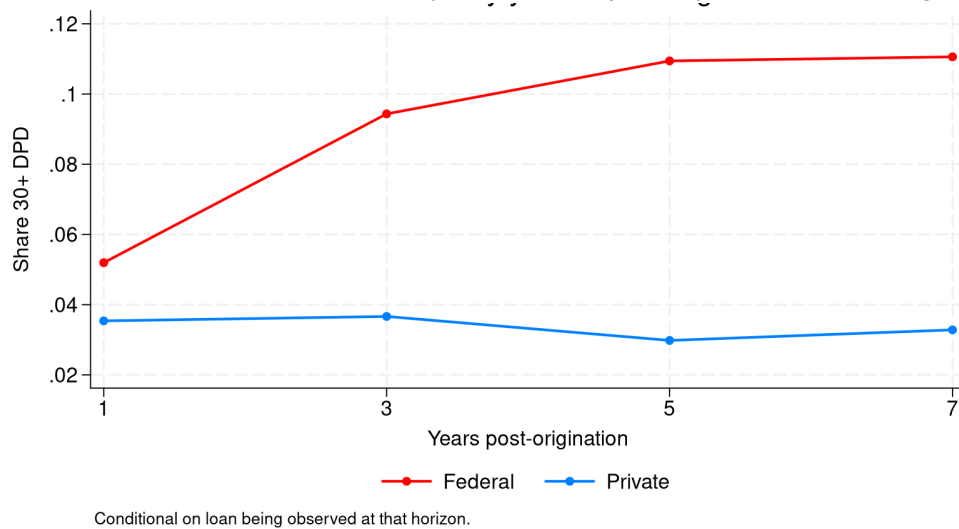
While median private parent-loan amounts have exceeded median Parent PLUS amounts

[¶]In contrast, borrowers typically have a private loan in which balances are disbursed every semester the child is in school.

^{||}For loans in our sample that remained open into 2020, we treat any loan showing continued interest accrual or positive required payments during the pause as private.

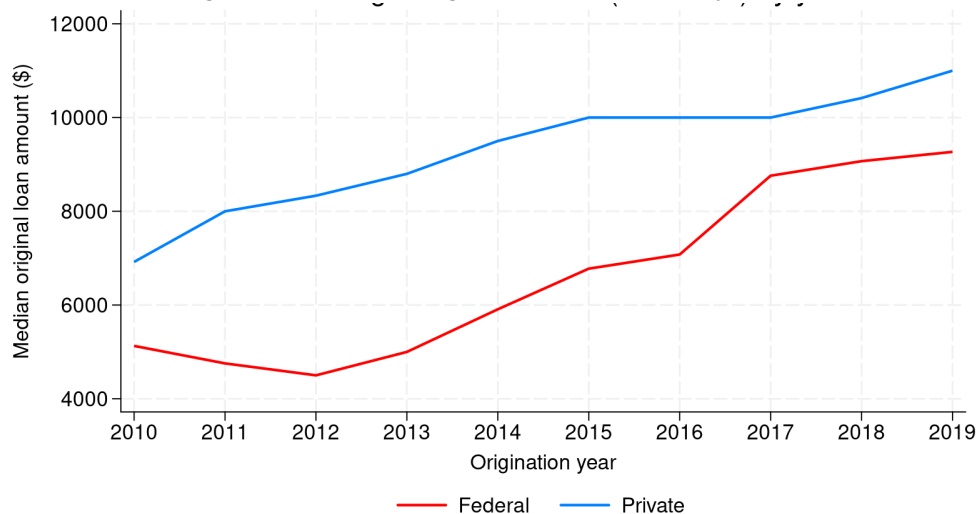
^{**}Note that this dataset excludes credit unions.

Figure 1: Share of Borrowers 30+ Days Past Delinquent by Years Since Origination



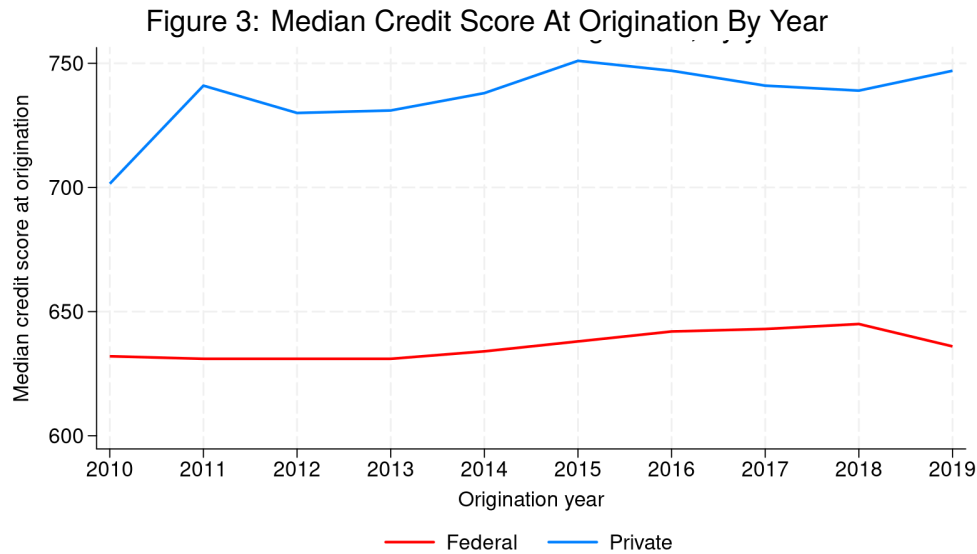
in every year since 2010, federal loan amounts grew faster in percentage terms over this period — roughly doubling between 2012 and 2018 (Figure 2).

Figure 2: Median Original Loan Amount By Year



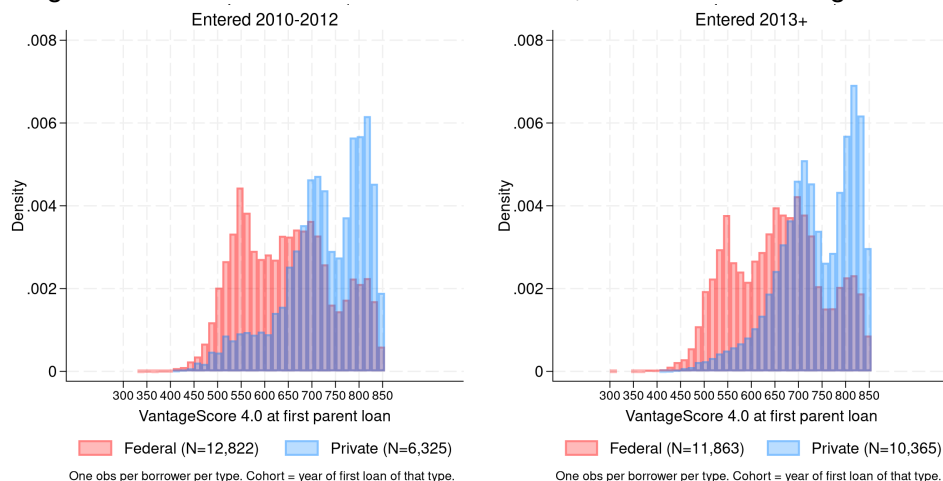
Fact 2: Both pools have become more creditworthy over time

How have parent student loan borrowers changed over time? We explore this in Figure 3. As mentioned in Fact 1, the private borrowing pool was more creditworthy to begin with, and has become more so: between 2010 and 2019, the median credit score has risen by approximately 50 points. Creditworthiness among federal borrowers increased as well, but by a much more modest 10 points.



How did this divergence in credit scores emerge? Figure 4 examines the distribution of borrower credit scores before and after JPMorgan’s 2013 exit from private student lending. Following the exit, private lenders concentrated their lending on the most creditworthy (super prime) borrowers, while Parent PLUS became comparatively more popular among those with good, but less strong credit histories (prime borrowers).^{††} Strikingly, private lenders dramatically decreased credit access for borrowers with low credit scores (sub-prime borrowers). While the PLUS pool became more creditworthy, the program continued lending to subprime borrowers.

Figure 4: Credit Score At First Parent Loan, Pre vs Post JPMorgan Exit

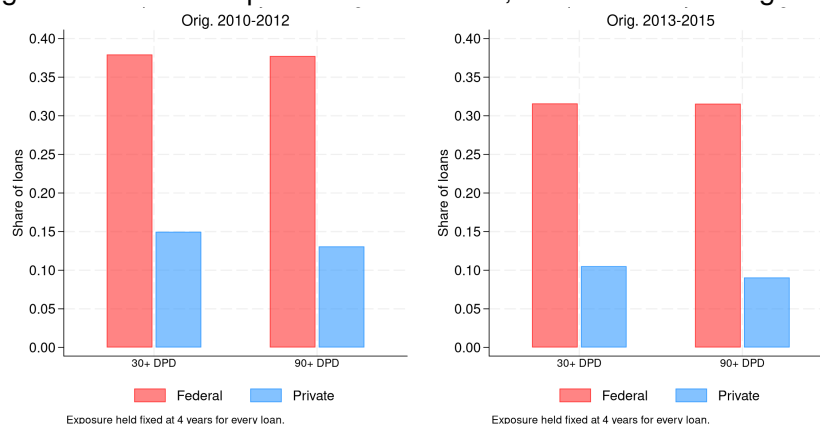


As a result of these changes in borrower creditworthiness, delinquencies for both private

^{††} Prime borrowers have Vantage scores ranging from 681-780. Super prime borrowers have Vantage scores 781 and up.

and federal loans have fallen at roughly the same rate (Figure 5).

Figure 5: Ever Delinquent Within 4 Years, Pre vs Post JPMorgan Exit



Together, Facts 1 and 2 describe a market that has split in two: private lenders have pulled toward a smaller, safer, better-performing pool of borrowers, while Parent PLUS has absorbed those left behind.

Fact 3: Prime Borrowers Might Have Increased Federal Borrowing In Response To Private Bank Exits

How do contractions in private student lending affect parental borrowing? To answer this, we focus on JPMorgan’s exit from the market in 2013. Given that Figure 4 shows that prime borrowers used both loan types, we consider them to be the marginal borrower. Intuitively, borrowers with lower credit scores may not have qualified for private student loans, and borrowers with higher credit scores may have had several alternative financing options to protect them from the exit.^{‡‡}

Rather than comparing borrowing before and after the exit nationally—which would confound the exit with rising tuition, changes in federal policy, and broader macroeconomic trends—we exploit geographic variation in JPMorgan’s pre-exit market presence. Families living in zip codes where JPMorgan held a larger share of local deposits were likely more exposed to its withdrawal from private student lending than families in areas where the bank had little presence.

We estimate a difference-in-differences model in which treatment intensity is measured by JPMorgan’s pre-exit deposit share. The coefficient on the interaction between JPMorgan’s deposit share and the post-exit period captures whether borrowing outcomes changed more in areas that were more exposed to the bank’s exit.

^{‡‡}For example, super prime borrowers may be more able to draw from their home equity at lower rates.

More specifically, we run the following regression:

$$Y_{izt} = \beta (\text{JPMSHare}_z \times \text{Post}_t) + \alpha_z + \gamma_t + X'_{it}\delta + \varepsilon_{izt}$$

where i indexes borrowers, z indexes zip codes, and t indexes years. JPMSHare_z is JPMorgan's deposit share in zip code z prior to its exit, and Post_t indicates the years after the exit. Zip code fixed effects (α_z) and year fixed effects (γ_t) absorb, respectively, fixed differences across places and shocks common to all places in a given year. We also include some observable characteristics of the borrower at origination, X_{it} . The coefficient β is our main estimate of interest: it captures how much more likely families in high-JPMorgan-exposure zip codes were to take out a Parent PLUS loan, relative to low-exposure zip codes, once JPMorgan exited the market.

We focus on three main outcomes: (1) the probability of parental student loan borrowing, (2) the probability of having a Parent PLUS loan, and (3) the probability of having a private parent student loan.

Table 1 reports the estimated effects. JPMorgan's pre-exit market presence was concentrated geographically. While the average deposit share is 7.4 percent because many zip codes had no JPMorgan branches, deposit shares were substantially larger where the bank operated. We therefore also report effects at the 90th percentile of exposure.

Table 1: Estimated Effect of JPMorgan's Exit on Parent Borrowing

Outcome	Baseline Rate	Effect at Mean JPM Share (7.4%)	Effect at 90th Pct. JPM Share (25.2%)
Any Parent Student Loan	9.32%	0.011 pp	0.039 pp
Parent PLUS Loan	8.13%	0.014 pp*	0.047 pp*
Private Loan	5.53%	0.010 pp	0.035 pp

Notes: * $p < 0.10$.

We find modest evidence that families in areas more exposed to JPMorgan's exit became more likely to use Parent PLUS loans after the bank left the market. At the 90th percentile of exposure, the estimated increase in the probability of holding a Parent PLUS loan is approximately 0.047 percentage points (about a 0.56 percent increase relative to the baseline rate). We do not find statistically significant changes in overall parental borrowing or private student borrowing.

Although the estimated effects are small, they are consistent with the idea that some families substituted toward federal credit when a major private lender exited the market. The absence of a detectable decline in private borrowing suggests that many affected families obtained credit from other private lenders. One possible explanation is that competing private lenders replaced JPMorgan but offered smaller loans or less favorable terms, leading some families to supplement private borrowing with Parent PLUS.

Taken together, these patterns suggest that when private lenders retreat, at least some of the resulting demand lands on Parent PLUS rather than on other private lenders — and the borrowers most likely to make that shift are not the riskiest parents, but relatively creditworthy ones.

Welfare Implications

The welfare consequences of prime borrowers entering Parent PLUS in response to reduced private-market access are unclear. Because Parent PLUS charges every borrower the same fixed rate regardless of credit history, a more creditworthy entrant is fiscally favorable for the government: they are more likely to repay in full, improving the government's expected fiscal position, without the government having to price in — or pay for — that lower risk. Importantly, the Parent PLUS program is already one of the few federal student loan programs that generates revenue — 16.2 cents per dollar disbursed.^{§§}

For the borrower, the same fixed rate works against them. A prime borrower who would have qualified for a competitively priced private loan instead pays Parent PLUS's flat rate. In effect, these borrowers cross-subsidize a pool that includes far riskier borrowers, with no discount for their own comparatively low risk. The result is a program that may be becoming more fiscally sound at the direct expense of the borrowers it draws in.

Conclusion

We document a growing divide in the parent student loan market: private lenders have consolidated around a smaller, more creditworthy pool of borrowers, while the federal Parent PLUS program — priced uniformly regardless of risk — has absorbed a comparatively riskier pool. Using JPMorgan's 2013 exit from private student lending, we find modest evidence that this shift is driven, in part, by prime-credit families turning to Parent PLUS when local private options contract. Because Parent PLUS does not price for risk, any inflow of more creditworthy borrowers improves the government's expected fiscal returns on the program — but may leave those same borrowers paying more than they would have in a functioning private market. In future work, we intend to extend this analysis and examine other major bank exits from the private market.

Parent PLUS loans and their interaction with private credit markets are becoming increasingly policy relevant. Under the recently enacted One, Big, Beautiful Bill, federal borrowing will be capped at \$20,000 annually and \$65,000 over a lifetime per student, beginning in the 2026–27 academic year. Private lenders such as SoFi and Navient have been transparent about their intent to step in if government lending recedes.^{¶¶} As federal student

^{§§}<https://www.cbo.gov/publication/59499>

^{¶¶}<https://investors.sofi.com/events-and-presentations/event-details/2025/SoFi-Q1-2025-Earnings-Conference-Call-/default.aspx>

lending policy continues to evolve, understanding how private and public credit interacts will be essential. Policies that reduce access to one loan type may not reduce borrowing overall—they may simply shift borrowers toward another market with different prices, risks, and fiscal consequences.

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