
Federal Loan Borrowing Patterns of UT System FTIC Undergraduates

INTRODUCTION

Student loans are a hot topic in the media, and not without reason. Between 2000 and 2020, the number of Americans with federal student loans doubled – from 21 million to 45 million.¹ Additionally, the total federal student loan debt quadrupled over this timeframe,² and currently sits at \$1.6 trillion.³ Messages in the media often paint an alarmist picture, suggesting that many Americans struggle with mounting student debt balances. While student debt can be burdensome, we must also acknowledge that federal loans offer critical financial support to students – some who may not otherwise be able to cover the cost of their degree. To better understand local context, this brief examines federal loan borrowing patterns within the University of Texas (UT) System.

The U.S. Department of Education offers direct subsidized and direct unsubsidized loans to qualified applicants who fill out the Free Application for Federal Student Aid (FAFSA). Subsidized loans are need-based, and the government pays the interest while the borrower is attending school. Unsubsidized loans, on the other hand, are not need-based, and interest accrues from the time the loan is disbursed. The loan limits vary based on the borrower's status. For dependent students, the aggregate borrowing limit is \$31,000, with annual loan limits of \$5,500 in the first year, \$6,500 in the second year, and \$7,500 in the third year and beyond. Independent students have higher borrowing limits, totaling \$57,500 in the aggregate. Independent students can borrow \$9,500 in their first year, \$10,500 in the second year, and \$12,500 in subsequent years. For both dependent and independent students, a maximum of \$23,000 of the aggregate loan limit may be in subsidized loans.⁴

This study analyzes federal loan borrowing patterns at UT System Academic Institutions, with a focus on students who reach the maximum federal loan aggregate within eight years. Institutional and demographic differences are explored, along with degree completion and enrollment trends for students who reach the aggregate federal loan borrowing limit.

KEY FINDINGS

- Nearly half (47.9%) of baccalaureate graduates received federal loans. For those who borrowed federal loans, the median aggregate loan amount was \$19,848. In addition, 90% of graduates completed with \$31,000 or less in federal student loan debt.
- Only 6.9% of students who borrowed federal loans reached the maximum aggregate loan limit allowable by the federal government (\$31,000 for dependent students, \$57,500 for independent students) within eight years.
- Pell recipients were more likely to reach the borrowing limit, with Pell recipients making up 79.8% of students who reached the aggregate federal loan limit, but only 65.0% of borrowers.
- Black or African American students were the most likely to reach the aggregate limit, comprising 23.5% of the students who reached the aggregate federal loan limit while making up only 11.5% of borrowers.
- Reaching the maximum before graduating does not appear to hinder enrollment for most students. More than 82% of students who reached the maximum before graduating remained enrolled the following year.
- Most students (85.9%) who reached the federal loan limit completed their degree within eight years.

¹ Looney, A. and Yannelis, C. (2024). What went wrong? A look at the U.S. economy's shifting trends. Brookings. https://www.brookings.edu/wp-content/uploads/2024/08/20240829_TPC_Looney_WhatWentWrong_1.pdf

² *ibid*

³ Federal Reserve Bank of New York. (2024). Quarterly report on household debt and credit: 2024 Q3. https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2024Q3

⁴ U.S. Department of Education. (n.d.). *Subsidized vs. unsubsidized loans*. Federal Student Aid. Retrieved November 25, 2024, from <https://studentaid.gov/understand-aid/types/loans/subsidized-unsubsidized>

STUDY POPULATION

The study population includes First Time in College (FTIC) students at the undergraduate level who entered a UT System Academic Institution in Fall 2015. Students were tracked for eight years to examine patterns in federal loan borrowing and graduation outcomes over this timeframe. Additional cohorts were initially analyzed, and no meaningful differences were found between cohorts over time, so this brief focuses on the Fall 2015 cohort. The data on student enrollment and degree status comes from the Texas Higher Education Coordinating Board (THECB) Student Census Report (CBM0C1) and Graduation Report (CBM009), while financial aid data is sourced from the THECB's Financial Aid Database (FADS). This study only considers federal loans incurred within UT System, and other loan types such as private loans and parent PLUS loans are not included in the analysis.

MAXIMUM FEDERAL LOAN DEBT AT UT SYSTEM ACADEMIC INSTITUTIONS

Nearly half (47.9%) of UT System baccalaureate graduates who entered a UT System Academic Institution in Fall 2015 as FTIC students received federal loans. For those who borrowed federal loans (subsidized or unsubsidized), the median aggregate loan amount was \$19,848, well below the aggregate limit for just subsidized loans (\$23,000) as well as the aggregate limit for subsidized and unsubsidized loans combined (\$57,500 for independent students or \$31,000 for dependent students). **Table 1** shows the distribution of aggregate federal loans for students who borrowed across the UT System Academic Institutions and the percentage of students taking federal loans. Among graduates who borrowed, 25% completed with less than \$10,500 in federal student loans, 75% completed with less than \$27,000 in federal student loans, and 90% completed with \$31,000 or less in federal student loans.

Institutional differences exist in federal loan borrowing patterns. Notably, the median loan amount and percentage of students taking federal loans is the highest at Stephen F. Austin. Institutions with the lowest percentages of students taking federal loans are UT Dallas, UT Austin, and UT Permian Basin. The lowest median federal loan debt of graduates is seen at UT Rio Grande Valley, followed by UT Permian Basin, and UT El Paso.

Table 1. Distribution of Federal Loan Debt, Baccalaureate Graduates from Fall 2015 Cohort of FTICs

Institution	10th Percentile	25th Percentile	50th Percentile	75th Percentile	90th Percentile	% Taking Federal Loans
UTA	\$5,442	\$10,850	\$19,795	\$26,720	\$30,854	48.1%
UTAUS	\$5,500	\$11,250	\$20,500	\$27,000	\$30,750	40.7%
UTD	\$5,442	\$8,192	\$19,159	\$26,794	\$28,987	34.6%
UTEP	\$3,500	\$7,418	\$16,250	\$25,888	\$30,956	49.4%
UTPB	\$4,800	\$10,000	\$15,000	\$25,000	\$30,000	41.7%
UTRGV	\$2,750	\$5,500	\$12,022	\$19,849	\$26,509	44.5%
UTSA	\$5,569	\$13,854	\$23,256	\$29,194	\$33,861	60.2%
SFA	\$8,000	\$17,442	\$24,944	\$30,725	\$38,902	66.3%
UTT	\$7,500	\$14,448	\$20,319	\$26,773	\$31,488	47.0%
All Academic Institutions	\$5,275	\$10,399	\$19,848	\$26,944	\$31,000	47.9%

The subsequent analyses in this brief look beyond students who completed a degree, focusing instead on all entering FTIC students from the Fall 2015 cohort to analyze who reached the maximum federal loan aggregate. Only 6.9% of students who borrowed federal loans reached the maximum aggregate loan limit allowable by the federal government within the eight-year timeframe examined, displayed in **Table 2**.

As discussed in the introduction of this brief, the federal loan limit is different for independent students (\$57,500) and students who are dependent upon parents (\$31,000), and only \$23,000 of the aggregate amount may be in subsidized loans. The majority of federal loan borrowers were students with a dependent status (93.5%). Almost all students who

reached the maximum were dependent students (99.8%). Seventy-eight percent of federal loan borrowers received unsubsidized loans, and 87% received subsidized loans. For students who reached the maximum aggregate, 100% received unsubsidized loans, and 96.4% received subsidized loans. Only 10.0% of the students who reached the maximum aggregate federal loan aggregate also maxed out the allowable portion of subsidized loans (\$23,000).

Table 2. Aggregate Loan Limit Status for Federal Loan Borrowers, Fall 2015 Entering Cohort of FTICs

Aggregate Loan Limit Status	Count	Percent
Did not Reach Maximum	13,090	93.1%
Reached Maximum	965	6.9%

Table 3 shows the status of the students who reached the borrowing limit – whether they completed their degree within eight years, are considered non-completers (i.e., have not completed their degree and were not enrolled in academic years 2022 or 2023), or are still enrolled (i.e., have not completed their degree and were enrolled in academic year 2022 or 2023). The majority (85.9%) of students who reached the maximum federal aggregate loan load were completers, while 8.2% were still enrolled. Only 5.9% of the students who reached the maximum were non-completers; these students attempted a total of 134 semester credit hours on average.

Table 3. Federal Loan Borrowers who Reached the Maximum Aggregate, by Completion Status, Fall 2015 Entering Cohort of FTICs

Completion Status	Count	Percent
Completer	829	85.9%
Non-completer	57	5.9%
Still Enrolled	79	8.2%

Table 4 displays the Pell status of federal loan borrowers. Pell recipients were slightly more likely to reach the maximum aggregate – 8.4% of Pell recipients who took out federal loans reached the aggregate maximum, compared to 4.0% of non-Pell recipients who received federal loans. For the Fall 2015 entering cohort, 65.0% of federal loan borrowers received one or more Pell grant over their undergraduate enrollment. The majority of students (79.8%) who reached the aggregate debt limit were Pell recipients.

Table 4. Federal Loan Borrowers, by Aggregate Loan Limit Status and Pell Status, Fall 2015 Entering Cohort of FTICs

Pell Status	# Borrowers who did not Reach Maximum	# Borrowers who Reached Maximum	% Borrowers who Reached Maximum
Not Pell Recipient	4,727	195	4.0%
Pell Recipient	8,363	770	8.4%

Table 5 disaggregates data by race/ethnicity and examines the proportion of borrowers who reached the federal aggregate loan limit within eight years. Black or African American students were the most likely to reach the aggregate limit, with 14.1% of Black or African American students borrowing the maximum. Asian American students constituted the lowest proportion of borrowers reaching maximum debt levels, at 3.6%. Both Hispanic and White borrowers had 6.3% of students reaching maximum debt levels. Summing across all borrowers, Black or African American students made up 23.5% of the students who reached the aggregate limit but only 11.5% of federal loan borrowers.

Table 5. Federal Loan Borrowers, by Aggregate Loan Limit Status and Race/Ethnicity, Fall 2015 Entering Cohort of FTICs

Race/Ethnicity	# Borrowers who did not Reach Maximum	# Borrowers who Reached Maximum	% Borrowers who Reached Maximum
Asian American	1,330	49	3.6%
Black or African American	1,384	227	14.1%
Hispanic	6,898	462	6.3%
International	12	1	7.7%
Other Races	372	18	4.6%
White	3,094	208	6.3%

Table 6 displays the proportion of borrowers who reached the federal aggregate loan limit within eight years at each UT System Academic Institution. UT Austin (8.3%), UT San Antonio (8.3%), and Stephen F. Austin (12.3%) were above the Academic Institution average (6.9%) for the percent of borrowers reaching the aggregate loan limit.

Table 6. Federal Loan Borrowers, by Aggregate Loan Limit Status and Institution, Fall 2015 Entering Cohort of FTICs

Institution	# Borrowers who did not Reach Maximum	# Borrowers who Reached Maximum	% Borrowers who Reached Maximum
UT Arlington	1,291	67	4.9%
UT Austin	2,891	261	8.3%
UT Dallas	930	14	1.5%
UT El Paso	1,555	98	5.9%
UT Permian Basin	207	7	3.3%
UT Rio Grande Valley	1,793	64	3.5%
UT San Antonio	2,746	249	8.3%
Stephen F. Austin	1,328	187	12.3%
UT Tyler	349	18	4.9%

Table 7 examines the enrollment status in the academic year following federal loan borrowers reaching the maximum aggregate. Note that students who graduated in the year they reached the maximum aggregate are excluded from this analysis. Most students (82.4%) enrolled the year after reaching the maximum aggregate, suggesting that reaching the federal loan debt cap does not impede the continuation of enrollment for most students.

Table 7. Enrollment Status in the Year After Federal Loan Borrowers Reached the Maximum Aggregate, Fall 2015 Entering Cohort of FTICs

Enrollment Status	Count	Percent
Enrolled in Year After Reaching Maximum	384	82.4%
Did not Enroll in Year After Reaching Maximum	82	17.6%

CONCLUSION

Baccalaureate graduates who entered a UT System Academic Institution as a FTIC student in Fall 2015 do not have high federal loan debt loads overall. Of the nearly half (47.9%) of UT System baccalaureate graduates who received federal loans, the median aggregate loan amount was \$19,848, and 90% of graduates completed with \$31,000 or less in federal student loans. Only 6.9% of entering FTIC students from the Fall 2015 cohort who borrowed federal loans reached the maximum aggregate loan limit allowable by the federal government. Pell recipients and Black or African American students were slightly more likely to reach the aggregate loan limit, while no differences by gender were found. Encouragingly, reaching the maximum aggregate loan limit does not appear to hinder enrollment or completion outcomes for most students, as the majority (85.9%) of students who reached the maximum federal aggregate loan load in this study completed their baccalaureate degree within eight years and only 5.9% were classified as non-completers. In addition, most students (82.4%) who had not already graduated enrolled in the year after reaching the maximum aggregate loan limit.

While keeping the cost of attendance low and ensuring higher education is accessible remain essential goals for public universities, student loans play a crucial role in enabling students to complete their degree. This data shows that even for students who borrow the highest amount allowed by the federal government, the use of federal loans does not derail their success but rather supports their educational aspirations.