Synopsis: The default rate on federally backed college loans hit an all-time low in Fiscal Year 2001, according to the U.S. Department of Education. Nationally, 5.4 percent of college graduates who began making payments in FY01 defaulted on their debt, which was down from 5.9 percent the previous year. South Dakota’s default rate of 3.3 percent is the 5th lowest in the country.

South Dakota college students have among the lowest default rates on student loans in the country. The U.S. Department of Education announced this month that the nation’s student loan default rate dropped to an all-time low of 5.4 percent in Fiscal Year 2001. South Dakota’s default rate is even lower at 3.3 percent.

Of the 11,501 borrowers at 30 South Dakota postsecondary institutions who entered repayment in FY01 on their student loans, only 390 were in default, according to U.S. Education Department figures.

Only four other states reported a lower default rate than South Dakota’s for FY01: New Hampshire, North Dakota, Vermont, and Wisconsin.

Impact of Defaulted Federal Student Loans

The U.S. Department of Education releases official cohort default rates once a year. The FY01 rates are the most recent default rates available. Defaulted federal student loans cost taxpayers money and harm students. Students with defaulted loans also may face income tax offsets, wage garnishment, legal action, and collection costs and interest.
Federal education officials said the default rate peaked nationally at 22.4 percent in 1990, prior to federal legislation aimed at curtailing student loan abuses. They attribute the drop in defaults to improved credit counseling, more flexible repayment schedules, and low interest rates.

Default Rate of South Dakota’s Public Universities

South Dakota’s default rate covers public, private, and proprietary institutions. The following table shows default rate information for the six public universities in the South Dakota Board of Regents’ system compared to an average default rate for all other South Dakota higher education institutions reporting.

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