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Student Loan Borrowers Potentially At-Risk when Payment Suspension Ends

CFPB Office of Research Special Issue Brief

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Consumer Financial Protection Bureau

Introduction and summary of findings

Based on a recent analysis by the U.S. Government Accountability Office (GAO), more than 26 million student loan borrowers have had their federal student loan payments suspended during the economic upheaval caused by the COVID-19 pandemic.[1] While some of the pandemic's immediate employment-related shocks may be past, resumption of payments could still pose challenges for student loan borrowers. In this report we use data from the CFPB's Consumer Credit Panel (CCP) to identify which types of borrowers might struggle to make their scheduled loan payments based on five potential risk factors: pre-pandemic delinquencies on student loans, pre-pandemic payment assistance on student loans, multiple student loan servicers, delinquencies on other credit products since the start of the pandemic, and new third-party collections during the pandemic.[2] Although many factors affect student loan repayment, we focus on these factors visible in the CCP because they either directly involve borrowers' interactions with their student loan servicers or they allow us to monitor ongoing risks at a time when student loan payments have not been required.[3]

The pandemic has brought job losses and financial uncertainty, but government policy interventions likely helped to avoid more widespread distress. For example, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act early in the pandemic, which, among other things, put federally owned student loan payments on hold, temporarily reduced interest rates on federally owned loans to 0 percent, and cured non-defaulted delinquencies for all federally owned student loans until September 30, 2020.[4] Subsequent administrative actions extended this relief several times, with the latest extension scheduled through August 31, 2022.[5] Such actions may have helped improve the credit conditions and financial status of the average

[1] See U.S. GAO "COVID-19: Significant Improvements Are Needed for Overseeing Relief Funds and Leading Responses to Public Health Emergencies," (January 2022) available at https://files.gao.gov/reports/GAO-22-105291/index.html#appendix8 (hereinafter GAO 2022).

[2] GAO reported that the Department of Education similarly identified three groups of borrowers potentially at increased risk of delinquency: those who did not complete their program of study, those previously delinquent on their student loans, and those who had entered repayment within the past three years (GAO 2022). Our data do not include information on program completion so we cannot include that in our analysis. We do not use recent entry into repayment as one of the factors we in our analysis, but we show how our factors vary for those not previously in repayment.

[3] We validate and discuss the correlation of these risk factors with student loan delinquency in more detail below.

[4] WHO declared COVID-19 a pandemic on March 11, 2020, and the CARES Act was passed and signed into law two weeks later. For more information on timing of events during the pandemic, see "A Timeline of COVID-19 Developments in 2020" available at https://www.ajmc.com/view/a-timeline-of-covid19-developments-in-2020.

[5] See https://studentaid.gov/announcements-events/covid-19 for more information. For ease of reading, we use the term "CARES Act payment suspensions," or similar, to refer both to the statutory payment suspension and subsequent administrative actions extending that relief.

consumer during the pandemic, but not all consumers have fared as well financially.[6] As forbearances, Economic Impact Payments and other financial assistance, and payment suspensions end, more borrowers may struggle to make their payments.

Prior to the pandemic, more than one in four student loan borrowers were past due or receiving some type of payment assistance on their student loans. Delinquencies across all credit products and available credit improved for student loan borrowers after February 2020, but this general improvement might reflect an increase in financial support or an easing of their monthly payment obligations. The median student loan borrower making payments prior to the pandemic has saved $133 each month due to the federal student loan payment suspension, and many borrowers had substantially larger savings. The payment suspension's end will require student loan borrowers to resume making roughly $6 billion per month in aggregate payments. Although some borrowers might resume payments without serious issues, many borrowers may struggle: we find that over 5 million borrowers have at least two of five potential risk factors considered in this report. We also find that borrowers with multiple risk factors are more likely to live in low-income or high-minority census tracts. With the record number of borrowers entering repayment at once, recent servicing changes, and many unresolved financial difficulties from well before the pandemic, millions of borrowers might face a difficult road after pandemic-related relief expires.[7]

Data and sample

The CCP is a 1-in-48 deidentified longitudinal sample of credit records from one of the nationwide consumer reporting agencies. The data include account-level payment, balance, and delinquency information on student loans and other credit accounts (including credit cards, auto loans, mortgages, and third-party collections).[8] However, credit record data do not include direct identifiers for whether loans are federally-held. As a result, some of the loans in this

[6] See, for example, Fulford, Rush, and Wilson, "Changes in consumer financial status during the early months of the pandemic: Evidence from the second wave of the Making Ends Meet survey" (April 2021) available at https://www.consumerfinance.gov/data-research/research-reports/changes-in-consumer-financial-status-during-early-months-pandemic/ (hereinafter Fulford, Rush, and Wilson (2021).

[7] See "Report of the CFPB Education Loan Ombudsman" 2021 report for more detail on some of these changes: https://www.consumerfinance.gov/data-research/research-reports/2021-annual-report-cfpb-education-loan-ombudsman/.

[8] Because credit data do not include information on demographics (other than age), we use the most recently available the census tract-level five-year estimates from the American Community Survey to categorize borrowers into approximate neighborhood income and racial composition categories. All characteristics are based on the borrower, even if the loan was used to finance someone else's education.

analysis are private loans or federal loans held by private lenders,[9] neither of which are covered by the CARES Act and subsequent administrative actions and are not directly affected by the payment suspension.[10]

We focus on consumers in the CCP who had student loans before the pandemic and may have scheduled payments come due after the payment suspension ends. To do this, we start with all student loans in the CCP and impose a few sample restrictions. First, we restrict our sample to records with outstanding student loans in February 2020, before the start of the pandemic's widespread health and economic effects in the United States.[11] This leaves us with a sample representing 44 million student loan borrowers before the pandemic. We exclude the approximately 3.6 million consumers who newly borrowed a student loan since March 2020 because these borrowers do not have a pre-pandemic baseline and because most of these borrowers will still be in deferment when the payment suspension ends. Borrowers who were not in repayment (that is, those with loans in deferment, forbearance, or grace period) as of February 2020 are included in this analysis.[12]

Next, we exclude the roughly 10 percent of borrowers who had entered repayment before the start of the pandemic but who did not have a scheduled payment. One such group we exclude are borrowers on an income-driven repayment (IDR) plan with scheduled payments of $0 who, due to policy interventions, will still likely not need to make payments when the suspension

[9] The shares of borrowers in different groups (such as those with a delinquency or with payment assistance) in Department of Education data generally align with the shares of borrowers in the CCP, but there are some differences as a result of the inclusion of private and privately-held loans and the proxies we use in our analysis, as discussed below. Additionally, we exclude some types of borrowers that would likely appear in the Department's data which results in further differences from the statistics shown in this analysis. See "Federal Student Loan Portfolio" available at https://studentaid.gov/data-center/student/portfolio (hereinafter "Federal Student Loan Portfolio") for more information.

[10] Borrowers may have still received some relief on their private loans or federal loans held by private lenders during the pandemic in the form of forbearances, for example, but such assistance was not universal, and borrowers typically had to request assistance. Additionally, changes in any assistance borrowers received for such loans is unlikely to change when the payment suspension ends.

[11] The CCP is based on snapshots near the end of the month, but accounts are reported (with some lag) throughout the course of the month to the nationwide consumer reporting agencies. As a result, the status of accounts may span multiple months which causes some complexity in defining the timing of the pre-pandemic periods. For all products we use the March 2020 snapshot for the pre-pandemic period. Student loans' statuses are typically observed as of the end of the prior month, so our pre-pandemic student loan statuses are most commonly from February 2020. Other credit products typically have statuses reported early-to-mid-month, so for these products our pre-pandemic statuses are most commonly from early-to-mid March 2020. The data in both cases should represent the most recently available status of these accounts before the major policy responses and economic effects of the pandemic.

[12] Some of these borrowers may continue to have loans in deferment or forbearance when the payment suspension ends. However, the credit data do not allow us to identify which loans might qualify for in-school deferments or grace periods and which loans will be entering repayment. As a result, our sample is likely over inclusive of this group, but this group is likely younger and has fewer other credit products and is less likely to have the risk factors considered in this analysis.

ends.[13] To maintain our focus on borrowers who may struggle to make their payments when the suspension ends, we also exclude borrowers with only loans in default as of February 2020, though these borrowers are by definition in serious financial distress.[14] In fact, at the start of the pandemic, many, if not most, of these borrowers were not making any regularly scheduled payments under, for example, a collections agreement or the loan rehabilitation program.[15] When the federal student loan payment suspension ends, borrowers with defaulted federal loans who are not subject to a recent rehabilitation agreement or who have not otherwise resolved their defaults, will not be subject to an automatic resumption of regularly scheduled payments under policies in effect as of this writing.[16] While both groups of borrowers likely experience financial distress, they are outside the focus of this report because they will not resume typical active repayment when the payment pause ends.[17]

In contrast, about 12 percent of borrowers fully paid off all their loans or had them forgiven during the pandemic as of data reported in late February 2022. Compared to the rest of the sample, these borrowers were generally older (median age of 41 versus 35) and had lower outstanding student loan balances (median of $8,444 versus $21,960) in February 2020. As with the above groups, we exclude these borrowers from this analysis since they will not have any payments due when the payment suspension ends.

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[13] As discussed below, ED has announced that borrowers enrolled in IDR plans before the suspension will not need to recertify their enrollment until at least November 2022 to maintain their pre-pandemic scheduled payments, including those with scheduled payments of $0. See "COVID-19 Relief: Income-Driven Repayment (IDR) Plans" available at https://studentaid.gov/announcements-events/covid-19/income-driven-repayment.

[14] These borrowers are still responsible for the full unpaid balance of their loans. This is true for private and federal education loans, both of which are subject to post-default collections. While in default, federal student loans are not eligible for income-driven repayment plans or any of the deferment and forbearance options available for non-defaulted federal loans.

[15] The payment suspension for federal student loans initiated under the CARES Act also includes a suspension of involuntary and voluntary collection of defaulted federal loans. Involuntary collection efforts include Administrative Wage Garnishment and the Treasury Offset of Social Security retirement benefits and federal tax refunds. Voluntary default resolution options include payments scheduled under a formal loan rehabilitation agreement. After a borrower successfully makes the nine payments required under the rehabilitation agreement, the default is "cured" and the loans are placed into a non-default status and transferred to a servicer, which will establish a new payment schedule. Rehabilitation payments, which can run as low as $5 a month, have been suspended under the pause, and given the duration of the suspension (now scheduled to last more than two years), borrowers who were making payments under a "rehab" plan prior to the start of the pandemic will have successfully rehabilitated their defaulted federal loans. Unless a deferment or forbearance is arranged, these loans will resume repayment after the federal payment suspension ends. Rehabilitated federal student loans are eligible for income-based repayment plans; however, IDR options for Parent PLUS loans are limited.

[16] Borrowers with loans in default may again be subject to involuntary collection efforts after the CARES Act suspension ends.

[17] Borrowers with scheduled $0 IDR payments, for example, have low incomes which may generally make repayment difficult for them in the absence of IDR plans. Borrowers with loans in default, meanwhile, have a clear history of nonpayment which may suggest broader financial difficulties. For more information on characteristics of these borrowers, see Appendix Table A.1.

With these restrictions, our sample represents around 34 million student loan borrowers, about 80 percent of all student loan borrowers in the CCP, including those with private loans and those with loans which had not yet entered repayment as of February 2020. We include borrowers whose scheduled monthly payments did not decrease to $0 to account for borrowers with federally owned loans covered by the payment suspension who also have other loans (either private loans or privately-owned loans).[18] Our inclusion of borrowers who had not yet entered repayment is the primary reason why our sample of 34 million is larger than GAO's estimate of 26.6 million borrowers likely to re-enter repayment when the suspension ends. The CCP data do not include information on borrowers' enrollment status so we cannot directly exclude those who will still be in school when the suspension ends.

Finally, credit record data do not directly indicate whether student loans are in an IDR plan, one of the potential risk factors we consider in this analysis. To estimate which borrowers were receiving payment assistance pre-pandemic, mostly likely through enrollment in an IDR plan, we categorize all non-deferred student loans in our restricted sample with inferred interest rates below 2.875 percent as of February 2020 as receiving payment assistance.[19]

In the analyses that follow, we present our five potential risk factors. We do not attempt to establish these factors as causing student loan delinquencies, but we validated that student loan delinquencies are positively correlated with all five factors in pre-pandemic data using regression analysis (not shown). Specifically, student loan delinquency in February 2020 was positively correlated with having multiple student loan servicers, use of payment assistance, delinquencies on non-student loans, delinquencies on student loans, and new non-medical collections reported between March 2018 and December 2019.[20] In the case of a risk factor like

[18] As shown below, 17 percent of borrowers in our sample have multiple servicers. A borrower with multiple servicers likely has multiple kinds of federal loans or a mix of federal and private loans. As a result, excluding these borrowers might undercount the set of borrowers affected by the payment suspension who may be at-risk of difficulties when the suspension ends.

[19] This proxy is an incomplete measure of IDR enrollment that is more likely to underestimate the share of borrowers enrolled in IDR relative the share reported by the Department of Education for all federally held student loans. For example, very few fixed or variable rate federal loans had rates below 2.875 percent as of February 2020, though some private student loans and older FFELP and Direct loans may have had rates this low. However, some loans enrolled in an IDR plan may have inferred rates above 2.875 percent and would not be identified by this measure. Specifically, our estimated rate of IDR prior to the pandemic (Table 1) is slightly below the Department's rate (17 versus 21 percent, see https://studentaid.gov/data-center/student/portfolio). Looking at all student loans in repayment (including those in default or with $0 scheduled payments), our estimated rate of IDR increases to 21 percent and aligns with the Department's rate (not shown). For more information and other methods on proxying for loans enrolled in an IDR plan, see Conkling and Gibbs, "Borrower experiences on income-driven repayment" (November 2019) available at https://www.consumerfinance.gov/data-research/research-reports/data-point-borrower-experiences-income-driven-repayment/.

[20] The March 2018 to December 2019 period that roughly matches the duration of the CARES Act payment suspensions as of this writing. While payment assistance is designed to improve student loan repayment, borrowers who need payment assistance are more likely to be struggling, and our sample excludes borrowers whose payments have been lowered to $0, since they will not be required to make payments when the suspension ends.

receiving payment assistance, this is an indicator of borrowers taking action to try to avoid delinquency. These factors are also consistent with those analyzed in Mezza and Sommer (2016), which focused on predicting delinquencies to better target outreach to borrowers.[21]

In Table 1 we provide a baseline picture of borrowers' student loan finances prior to the disruptions of the pandemic, including our student loan-related potential risk factors.[22] In Table 2 we introduce statistics on non-student loan products for the same pre-pandemic period, while Table 3 and Figure 1 highlight our potential risk factors based on these other credit products using more up-to-date data. Finally, in Table 4 we show how borrowers' balances and payments have evolved through the pandemic and provide a summary of our potential risk factors. Throughout this report, we provide overall statistics, as well as shares and averages for different groups of borrowers, such as by prior student loan delinquency status, census tract income and racial composition, and borrower age, in order to provide more information about which types of borrowers may be vulnerable when the payment suspension ends.

Before CARES Act and COVID policy interventions

As seen in Table 1, 7 percent of student loan borrowers had at least one student loan 90 days or more past due as of February 2020, which we define as the pre-pandemic period.[23] Loans that were delinquent (but not in default) were administratively cured through the CARES Act,[24] but in many cases the underlying causes of these delinquencies are unlikely to have been addressed during the pandemic, so these borrowers may still struggle to make loan payments once relief ends. Additionally, about 18 percent of borrowers appear to have never been in repayment prior to the pandemic (Table A.2), and their first transition into repayment may present heightened

[21] Our data do not include all the factors in Mezza and Sommer (2016) such as college completion and grant use, so we can only include a subset of those they consider. We also consider some factors not included in their analysis such as the use of income-driven repayment plans which were much less commonly used in the period they analyzed. See Mezza and Sommer, "A Trillion Dollar Question: What Predicts Student Loan Delinquencies?," *Journal of Student Financial Aid* (2016), available at https://ir.library.louisville.edu/jsfa/vol46/iss3/3.

[22] Throughout the report, all statistics are calculated using all loans reported for borrowers, regardless of whether some or all their loans are individual or cosigned. The credit record data do not allow us to determine whether the borrower has made arrangements with someone else to repay the loan.

[23] For comparison, the Department of Education reports just over 5 percent of all federally managed student borrowers had loans that were 90 or more days past due but not in default at the end of 2019, but those data include loans with scheduled payments of $0 and loans which were fully repaid during the pandemic and do not include private student loans. Excluding borrowers not yet in repayment, the share increases to 9 percent of borrowers with loans 90 days or more past due but not in default. See "Federal Student Loan Portfolio."

[24] Delinquent loans held by the federal government were changed to current without any payments made by borrowers to resolve the delinquencies. Defaulted federal student loans were not administratively cured through the CARES Act or any subsequent administrative action, although collection efforts were halted. Borrowers could use the payment suspension to count as $0 payments that would rehabilitate their loans, but take up of that option appears to have been low as 7.2 million borrowers were still in cumulative default as of June 2021 (see "Federal Student Loan Portfolio.").

risks given the long delay in starting repayment, the large number of borrowers entering repayment, and recent servicing transfers.

Borrowers in our sample had an average monthly payment of $236 before the pandemic, which includes 18 percent of borrowers not in repayment and the 17 percent of borrowers who were receiving some form of payment assistance on their student loans in February 2020, typically via an IDR plan.[25] Among those in the sample not in an IDR plan and who did not have some sort of deferred payment, the average monthly payment was $322 (not shown). Under Department of Education policy at the time of this writing, borrowers enrolled in IDR before the payment suspension will not need to immediately recertify their enrollment in these plans prior to the payment restart but can seek to reduce their IDR payments if they have had a reduction in their income.[26] The Department of Education has also eased some IDR enrollment and recertification processes during the pandemic,[27] aiding the upcoming transition for borrowers. Still, with an unprecedented number of borrowers entering or re-entering repayment simultaneously, those who need to work with their servicer(s) to change their IDR enrollment or other payment details (including opting back into or changing their auto-debit or updating their contact information) could face logistical hurdles to making timely payments.

Most borrowers have just one servicer for their student loans, but borrowers can have multiple servicers if they have both federal and private student loans or if they have multiple types of federal student loans. Before the pandemic, about 17 percent of student loan borrowers in our sample had more than one servicer. Having multiple servicers does not necessarily mean borrowers will face greater difficulties, but some of these borrowers may be at increased risk of confusion or payment difficulties while coordinating communication and payments with multiple entities, especially as servicers work to add staff following a long period without as much need for customer service support and during a tight labor market.[28] The Bureau through its supervisory work has previously found that student loans servicers were denying or failing to

[25] As noted above, this estimate does not include those with a scheduled payment of $0. When those borrowers are included, our estimate of the share of borrowers on an IDR plan more closely aligns with data reported by the Department of Education (see "Federal Student Loan Portfolio").

[26] Borrowers enrolled in an IDR plan will eventually need to recertify their enrollment, but the earliest recertification date is currently November 2022, several months after the end of the payment suspension. See "COVID-19 Relief: Income-Driven Repayment (IDR) Plans" available at https://studentaid.gov/announcements-events/covid-19/income-driven-repayment.

[27] For more information on IDR enrollment changes during the pandemic including allowing borrowers to self-certify their income, see https://studentaid.gov/announcements-events/covid-19/income-driven-repayment. Additionally, see GAO (2022) for a discussion of specific actions taken by the Department of Education and planned flexibilities once the suspension ends.

[28] GAO recently reported that federal student loan servicers expect higher call volume from borrowers as the suspension ends and an increased hiring need and that the Department of Education will require servicers to increase customer service representative availability. See GAO (2022).

approve qualified consumers for income-driven repayment plans[29] and misrepresenting the eligibility of the Federal Family Education Loan Program loans for Public Service Loan Forgiveness (PSLF), the employer types that qualified for PSLF, and the effect of employer certification forms.[30]

TABLE 1: PRE-PANDEMIC STUDENT LOAN (SL) STATUS, FEBRUARY 2020

	SL delinquency (%)	Received payment assistance on SL (%)	Multiple servicers for SL (%)	Mean scheduled monthly SL payment ($)	Mean SL balance ($)
Overall	7	17	17	236	40,615
Census tract income:					
Low	11	16	14	188	35,201
Moderate	7	17	17	223	39,006
High	5	17	19	271	44,773
Age:					
18–29	5	11	17	121	25,825
30–49	8	22	19	284	48,096
50+	6	16	15	307	46,877

Note: All statistics are calculated for student loan borrowers who may have a payment due when the suspension ends and who had an outstanding student loan in February 2020. Student loan delinquencies include loans 90 days or more past due but not yet in default. Receipt of payment assistance on a student loan is proxied by inferred interest rates less than 2.875 percent. Census tract categories are defined by adults in the tract with household income below 200 percent of the Federal poverty threshold; "low" income is 40 percent or more of adults, "moderate" income is 20 percent or more but less than 40 percent of adults, and "high" income is less than 20 percent of adults.

In addition to these headline numbers, we also show how borrowers' financial situations varied substantially across demographics including neighborhood income and borrower age before the pandemic.[31] For example, delinquency rates were more than twice as high among borrowers in low-income census tracts (11 percent) as among those in high-income census tracts (5

[29] See CFPB, "Supervisory Highlights: Issue 13," (Fall 2016) at 17 available at https://files.consumerfinance.gov/f/documents/Supervisory_Highlights_Issue_13__Final_10.31.16.pdf.

[30] See CFPB, "Supervisory Highlights: Issue 24," (Summer 2021) at 34–36 available at https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-24_2021-06.pdf.

[31] We chose these demographic groups based on characteristics those without credit record information (such as the Department of Education, student loan servicers, and advocacy groups) might be able to target outreach to. We also looked at groups of borrowers based on total student loan balances, local unemployment rates, and whether borrowers are in urban or rural tracts, but found relatively small differences in these groups (not shown). See Appendix Table A.2 for the share of borrowers in each of these groups, as well as median payments and the share of borrowers with other credit products.

percent).[32] Note that these census tracts reflect borrowers' current neighborhoods (and proxy for current incomes) rather than where they lived prior to attending school. In Appendix Table A.3, we show similarly elevated delinquency rates for student loan borrowers in high-minority census tracts relative to those in low-minority census tracts. Additionally, borrowers aged 30–49 were more likely to have a delinquent student loan (8 percent), use payment assistance (22 percent), or have multiple servicers (19 percent) than either younger or older borrowers. Finally, there is wide variation in average student loan balances across different groups of borrowers, with the highest balances for borrowers in higher income areas and those aged 30–49 and substantially lower balances for those aged 18–29. Younger borrowers may still be completing their education, while older borrowers may have loans for graduate programs or someone else's education. In addition, those with smaller initial loan amounts are more likely to have already repaid their loans and not be included in this sample.[33]

Taken together, the results in Table 1 show repayment difficulties for some student loan borrowers pre-pandemic, particularly in certain demographic groups.

Next, to understand borrowers' pre-pandemic credit situations more fully and to provide context for borrowers' current situations, we examine delinquency status and payments for non-student loan products. Overall, 19 percent of student loan borrowers had at least one delinquency on any non-student loan account before the pandemic (not shown), but this measure of delinquency on any account includes delinquencies on active accounts as well as older accounts that have been charged off or are in collections.[34] Delinquencies on these older accounts likely reduce new credit access for borrowers by reducing credit scores, but they may not reflect current payment difficulties. In contrast, delinquencies on active accounts reflect more immediate financial distress. Turning to more recent, "active" 60+ day delinquencies (that is, excluding accounts which have been charged-off or sent to collections), Table 2 documents that 6 percent of borrowers had an active non-student loan delinquency before the start of the pandemic.

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[32] We categorize tracts as "low" income if 40 percent or more of adults in the tract have household income less than 200 percent of the Federal poverty threshold. "Moderate" income is defined as 20 percent or more but less than 40 percent of adults and "high" income as less than 20 percent of adults with income less than 200 percent of the Federal poverty threshold.

[33] For more information about differences in repayment speeds by total amount borrowed and borrower age, see Gibbs, "CFPB Data Point: Student Loan Repayment," (August 2017) available at https://www.consumerfinance.gov/data-research/research-reports/cfpb-data-point-student-loan-repayment/.

[34] In this report all statistics are unconditional, meaning they include all borrowers in our sample, regardless of whether they have a particular credit product. As shown in Table A.2, 81 percent of borrowers held credit cards, 50 percent held auto loans, and 27 percent held mortgages. Other products (not shown) are less common and make up a small share of overall balances, but delinquencies on these products are still included in our measure of non-student loan delinquencies.

TABLE 2: STUDENT LOAN (SL) BORROWERS' PRE-PANDEMIC STATUS ON OTHER CREDIT PRODUCTS, MARCH 2020

	Delinquency rate on active non-SL account (%)	Mean scheduled non-SL, non-mortgage payments ($)
Overall	6	542
Prior SL delinquency:		
Never in repayment	5	276
Delinquent	15	342
Not delinquent	6	623
Census tract income:		
Low	8	402
Moderate	7	522
High	5	627
Age:		
18–29	3	218
30–49	8	633
50+	7	841

Note: All statistics are calculated for student loan borrowers who may have a payment due when the suspension ends and who had an outstanding student loan in February 2020. Delinquencies on active non-student loan accounts were 60 days or more past due (but not charged-off or in collections) as of March 2020. Mean scheduled payments include all minimum scheduled monthly payments for all credit products other than student loans and mortgages. Prior student loan delinquency is defined as having a student loan in February 2020 reported as 90 days or more past due while those classified as never in repayment have no reported prior payments as of February 2020. Census tract categories are defined by adults in the tract with household income below 200 percent of the Federal poverty threshold; "low" income is 40 percent or more of adults, "moderate" income is 20 percent or more but less than 40 percent of adults, and "high" income is less than 20 percent of adults.

Past-due payment on non-student loan debts varies substantially across groups and is correlated with student loan delinquency. Among borrowers who were delinquent on a student loan, 15 percent also had an active non-student loan delinquency. This is more than twice the rate for borrowers without a student loan delinquency (6 percent) and three times the rate for those who were not previously in repayment (5 percent). Likewise, the share of active non-student loan delinquencies was higher for borrowers in low-income census tracts (8 percent) than for borrowers in high-income census tracts (5 percent). These gaps persist even though, as shown in Table A.2, borrowers in high-income census tracts and borrowers without student loan delinquencies were generally more likely to have other types of credit (credit cards, auto loans or mortgages). This means that conditional on having these credit products, the gaps in delinquency are even larger.

Finally, active delinquencies on other credit products were lower for younger borrowers (3 percent) than for those aged 30–49 (8 percent) or those aged 50 or older (7 percent). This latter finding is consistent with the patterns seen in Table 1, potentially suggesting borrowers in the

30–49 age bracket were the most exposed to student loan-related risks prior to the pandemic. Younger borrowers, meanwhile, have fewer credit products and were less likely to have been in repayment prior to the start of the pandemic and were thus less likely to have delinquencies on all products.

As discussed above, student loan borrowers had an average pre-pandemic monthly payment of $236, though not all borrowers had their total monthly payment drop to $0 since some had private loans or federal loans held by a commercial lender. As a result, the average monthly payment dropped by $160 (not shown), less than the pre-pandemic average monthly payment. This still represents a substantial reduction in average monthly debt payments for many borrowers. In all, the student loan payment suspension represented a 19 percent reduction in monthly debt payments (excluding mortgage payments)[35] for borrowers overall, with the largest average savings for borrowers living in low-income census tracts (26 percent), borrowers aged 30–49 (25 percent), and borrowers living in high-minority census tracts (25 percent).

The pandemic and where we are now

As discussed above, the economic effects of lockdowns, job losses, and uncertainty brought on by the pandemic have been mitigated by policy interventions including Economic Impact Payments, increased unemployment benefits, and expanded forbearance and payment suspensions. Due in part to these interventions, prior research has found improvements in delinquencies, balances, and credit conditions for many consumers.[36] However, some of this improvement is the result of programs that are ending, and the pandemic has harmed some consumers more than others.

In this section, we focus on how the rest of student loan borrowers' credit profiles have evolved during the pandemic to help us understand how their other obligations may affect their student loan repayment in the coming months. Most student loans have been subject to the payment

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[35] We exclude mortgage payments to make more consistent comparisons across homeowners and renters since credit record data do not include rental payments.

[36] See, for example, Sandler and Ricks, "The Early Effects of the COVID-19 Pandemic on Consumer Credit," (August 2020) available at https://www.consumerfinance.gov/data-research/research-reports/special-issue-brief-early-effects-covid-19-pandemic-on-consumer-credit/ (hereinafter Sandler and Ricks (2020)); Fulford, Rush, and Wilson (2021); and JP Morgan Chase Institute, "Initial Impacts of the Pandemic Reflect that Families Changed their Saving and Spending Behavior," (June 2020), available at https://www.jpmorganchase.com/institute/research/household-income-spending/jpmorgan-chase-institute-take (hereinafter JPMCI (2020)).

suspension since March 2020, so we do not include updated statistics for student loans during the pandemic in this section.[37]

Table 3 shows that 6 percent of borrowers had a non-student loan delinquency on an active account in the most recently available data, comparable to the pre-pandemic level. However, 16 percent of borrowers had a non-student loan delinquency on an active account at some time from April 2020 through February 2022 due to a substantial turnover in which borrowers had a delinquent loan throughout the pandemic rather than a short-lived increase in delinquencies during the pandemic. As we show below in Figure 1, the percentage of student loan borrowers with active delinquencies on other credit products decreased in the early months of the pandemic but has increased back to roughly pre-pandemic levels. In addition, 7 percent of borrowers had a new non-medical collection account reported on their credit record during this period, though this rate of new non-medical collections during the pandemic was slightly lower than the rate during 2018 and 2019.[38] Still, student loan borrowers with recent or active delinquencies may be more likely to have payment difficulties on their student loans over the next year, especially since many borrowers deprioritize student loan payments relative to other debt obligations.[39]

Non-student loan delinquencies were higher for some demographic groups considered here, but delinquencies for all groups have remained near pre-pandemic levels.[40] While just over one in three borrowers who were delinquent on a student loan before the pandemic also had an active non-student loan delinquency between April 2020 and February 2022, active delinquencies are currently 1 percentage point lower for these borrowers than before the pandemic. Active delinquencies (23 percent) and new collections (12 percent) during the pandemic were also more common for borrowers in low-income census tracts than for those in tracts with higher incomes.

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[37] Because the majority of student loans are covered by the CARES Act's payment suspension, curing of delinquencies, and cessation of collections on defaulted student loans, we do not include a detailed analysis of student loans here, but we do include a brief discussion with Table 4. In general, borrowers with federal loans from the FFEL program held by private lenders and borrowers of private student loans were not given automatic forbearances or payment suspensions, likely had less flexibility during the pandemic, and may have been required to continue making payments on these loans. For example, about 26 percent of borrowers in our sample still had scheduled student loan payments as of November 2021.

[38] Compared to the 7 percent of student loan borrowers with a new non-medical collection during the pandemic, 9 percent had a new non-medical collection between March 2018 and November 2019.

[39] See, for example, Braga, McKernan, and Hassani, "Delinquent Debt Decisions and Their Consequences Over Time" (March 2019) available at https://www.urban.org/sites/default/files/publication/100005/delinquent_debt_decisions_and_their_consequences_over_time_5.pdf.

[40] Similarly, reported use of forbearance programs on non-student loan products has returned to very low levels (about 1 percent of borrowers) and there are few differences across student loan borrowers (not shown).

TABLE 3: STUDENT LOAN (SL) BORROWERS' DELINQUENCIES ON OTHER CREDIT PRODUCTS MARCH 2020 – FEBRUARY 2022

	Active delinquency, Feb. 2022 (%)	Difference in active delinquency, Mar. 2020 to Feb. 2022 (percentage point)	Active delinquency, Apr. 2020–Feb. 2022 (%)	New non-medical collection reported, Apr. 2020–Feb. 2022 (%)
Overall	6	0	16	7
Prior SL delinquency:				
Never in repayment	5	0	14	8
Delinquent	14	-1	34	19
Not delinquent	6	0	15	7
Census tract income:				
Low	9	+1	23	12
Moderate	7	0	17	8
High	5	0	11	5
Age:				
18–29	5	+2	12	7
30–49	8	0	19	8
50+	6	-1	15	6

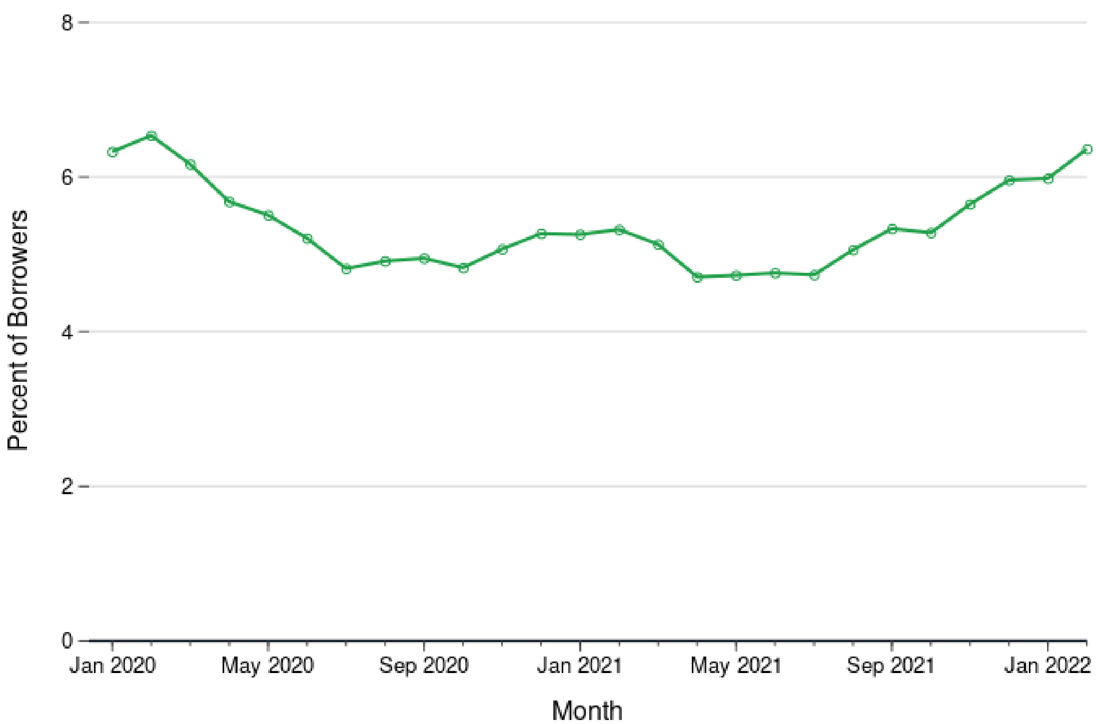
Note: All statistics are calculated for student loan borrowers who may have a payment due when the suspension ends and who had an outstanding student loan in February 2020. Delinquencies on active non-student loan accounts were 60 days or more past due (but not charged-off or in collections) as of February 2022 (first column) or in any month from April 2020 through February 2022 (third column). Prior student loan delinquency is defined as having a student loan in February 2020 reported as 90 days or more past due while those classified as never in repayment have no reported prior payments as of February 2020. Census tract categories are defined by adults in the tract with household income below 200 percent of the Federal poverty threshold; "low" income is 40 percent or more of adults, "moderate" income is 20 percent or more but less than 40 percent of adults, and "high" income is less than 20 percent of adults.

Even groups of borrowers who were in a stronger financial position pre-pandemic have had substantial non-student loan delinquencies during the pandemic: 15 percent of borrowers who were current on their student loans and 11 percent of borrowers in high-income neighborhoods had a non-student loan delinquency during the pandemic. As with borrowers from low-income neighborhoods and those with a prior student loan delinquency, delinquency rates on non-student loans have begun to return to pre-pandemic levels.

In all, this shows that borrowers' payment performance on non-student loan products is comparable to their pre-pandemic performance, but this performance occurred during a period of increased financial assistance and suspended loan payments, which are ending. While some borrowers have been able to use the federal student loan payment suspension and other assistance to improve their financial standing, others remain behind on other debts and will be at risk of repayment difficulties as they soon face an increase in monthly payment obligations.

As noted above, average delinquency rates on other products have been fairly stable for student loan borrowers through the pandemic, as shown in Figure 1. These results are consistent with patterns found in prior research on delinquencies during the pandemic,[41] though we note a new upward trend in non-student loan delinquencies in the second half of 2021. This trend has continued through the beginning of 2022 with delinquencies nearly returning to pre-pandemic levels. These results suggest that policy interventions taken in response to the pandemic likely avoided spikes in delinquency that could have occurred due to the pandemic, but as these policies end and the pandemic continues, delinquencies could rise further.

FIGURE 1: PERCENT OF STUDENT LOAN BORROWERS WITH ACTIVE DELINQUENCIES ON OTHER CREDIT PRODUCTS, JAN. 2020 TO FEB. 2022



Note: All statistics are calculated for student loan borrowers who may have a payment due when the suspension ends and who had an outstanding student loan in February 2020. Delinquencies on non-student loan accounts are 60 days or more past due (but not charged-off or in collections).

[41] See, for example, Sandler and Ricks (2020), JPMCI (2020), and Fulford, Rush, and Wilson (2021) for trends in delinquencies early in the pandemic.

Finally, Table 4 highlights how borrowers' balance and payment obligations have evolved relative to the pre-pandemic period, including a summary measure of our five potential risk factors. Overall, 22 percent of borrowers reduced their student loan balances by at least 10 percent between February 2020 and January 2021, reflecting voluntary payments by some segment of borrowers or continued scheduled payments for loans not held by the federal government. For such borrowers, the resumption of mandatory payments is unlikely to cause disruption.

TABLE 4: BALANCE AND PAYMENT STATUS FOR STUDENT LOAN (SL) BORROWERS, FEBRUARY 2022

	Share with SL balances in Jan. 2022 at least 10% lower than Feb. 2020 (%)	Mean scheduled non-SL, non-mortgage payments, Feb. 2022 ($)	Share with over 10% increase in scheduled non-SL, non-mortgage payments, Mar. 2020-Feb. 2022 (%)	Mean number of risk factors
Overall	22	534	39	0.64
Prior SL delinquency:				
Never in repayment	4	326	45	0.28
Delinquent	15	364	38	2.27
Not delinquent	27	598	38	0.58
Census tract income:				
Low	14	438	42	0.76
Moderate	21	522	40	0.66
High	27	590	37	0.58
Age:				
18–29	14	288	46	0.52
30–49	24	627	39	0.76
50+	32	709	28	0.58

Note: All statistics are calculated for student loan borrowers who may have a payment due when the suspension ends and who had an outstanding student loan in February 2020. Mean scheduled payments include all minimum scheduled monthly payments for all credit products other than student loans and mortgages. Prior student loan delinquency is defined as having a student loan in February 2020 reported as 90 days or more past due while those classified as never in repayment have no reported prior payments as of February 2020. Census tract categories are defined by adults in the tract with household income below 200 percent of the Federal poverty threshold; "low" income is 40 percent or more of adults, "moderate" income is 20 percent or more but less than 40 percent of adults, and "high" income is less than 20 percent of adults.

Borrowers' average minimum scheduled payments on non-student loan, non-mortgage accounts were down approximately 1.5 percent from $542 in March 2020 to $534 in February 2022. However, more than one-third of borrowers (39 percent) had minimum scheduled payments that are at least 10 percent higher than in March 2020. While these debts may be affordable for borrowers, they were undertaken during a period of suspended student loan payments and some borrowers could experience difficulties when student loan payments resume, potentially requiring reduced spending or savings or enrollment in IDR plans to pay these bills.

Comparing across groups of borrowers, those who were not delinquent on student loans, those from high-income neighborhoods, and older borrowers were much more likely to have reduced their student balances and less likely to have minimum scheduled payments on their non-student loan, non-mortgage products that are at least 10 percent greater than they were before the pandemic. Consistent with their stronger financial standing, these borrowers all had average or below-average risks based on our count of risk factors. As a reminder, we consider the following risk factors: (1) delinquency on student loans in February 2020, (2) receipt of payment assistance prior to the pandemic, (3) multiple student loan servicers, (4) delinquency on active non-student loan products from April 2020 to February 2022, and (5) new non-medical collections reported from April 2020 to February 2022.

By contrast, indicators of potential repayment difficulties were more concentrated among those in low-income census tracts (0.76 risk factors) and those aged 30–49 (0.76 risk factors). These indicators, alongside the direct evidence from previous student loan delinquency (2.27 risk factors), most strongly signal potential risks when payments resume.

Conclusion

In this report we document the status of student loan borrowers during the pandemic and consider five potential risk factors in borrowers' credit records that may signal difficulty when the payment suspension for federal student loans ends. As of the most recent data available and program rules in effect as of this writing, we estimate that 15 million borrowers have at least one of these risk factors, and over 5 million borrowers have two or more such risk factors.[42] The latter group may have a lot of overlap with the 18 percent of borrowers who did not have a plan for the end of the payment suspension in a survey of student loan borrowers in November

[42] Due in part to differences in data, some of the factors we consider in this report differ from those used by the Department of Education to identify borrowers at increased risk of delinquency (GAO, 2022). Nonetheless, the share of borrowers we identify as having one risk factor (43 percent) combined with the share of those who have not previously been in repayment and have no risk factors (14 percent) is similar to the nearly half of federal student loan borrowers identified as at-risk in GAO's report. Some other work concurrent to this report focuses instead on borrowers with $0 scheduled payments for the duration of the payment pause resulting in a slightly different group of borrowers. See, for example, Goss, Mangrum, and Scally, "Student Loan Repayment during the Pandemic Forbearance," (March 2022) available at https://libertystreeteconomics.newyorkfed.org/2022/03/student-loan-repayment-during-the-pandemic-forbearance/ and Ghoshal-Datta, Jambulapati, and White, "Who benefits from the student loan payment pause and what will happen when it ends?" (March 2022) available at https://www.capolicylab.org/wp-content/uploads/2022/03/Impact-of-the-Student-Loan-Pause-Policy-Brief.pdf which uses somewhat different criteria to identify borrowers at-risk of payment struggles when the suspension ends.

2021.[43] These borrowers can be found in all demographic groups but are concentrated in low-income and high-minority census tracts and are more likely to be 30 to 49 years old. Additionally, there are other borrowers outside the scope of this report, such as those with scheduled IDR payments of $0 and those with loans in default, who may not struggle immediately after the suspension ends but who may face difficulties later.

Before the start of the pandemic, many student loan borrowers were already struggling; more than one in five borrowers in our sample was using payment assistance or was past due on their loans, and 6 percent were past due on other active credit products. Although student loan borrowers are generally doing better with their other credit products than they were before the pandemic, this performance has occurred during the ongoing federal student loan payment pause and other assistance programs, and does not necessarily mean they will be better prepared to resume making student loan payments, especially as assistance programs have ended. The CFPB Office of Research will continue monitoring borrowers' repayment performance over the coming months to observe whether these risks materialize into financial distress and to understand where further support may be needed.

[43] See Bareham, "Survey: Most federal student loan borrowers anticipate negative financial impacts when payments resume in February," (December 2021) available at https://www.bankrate.com/loans/student-loans/survey-end-of-federal-forbearance/.

APPENDIX A: ADDITIONAL TABLES

TABLE A.1: STUDENT LOAN BORROWERS NOT EXPECTED TO HAVE SCHEDULED PAYMENTS AT END OF PAYMENT SUSPENSION

	Borrowers with $0 IDR scheduled payments, Feb. 2020	Borrowers with only defaulted student loans, Feb. 2020	Borrowers with fully repaid loans by Feb. 2022
Share by census tract income (%):			
Low	28	33	19
Moderate	45	45	42
High	27	23	40
Share by census tract minority share (%):			
Low	60	57	71
Majority	22	23	17
High	18	21	12
Share by age (%):			
18–29	22	25	15
30–49	59	56	52
50+	19	18	33
Percent delinquent on other products in:			
Mar. 2020	10	9	5
Feb. 2022	11	11	5
Apr. 2020 through Feb. 2022	26	26	13

Note: Census tract income categories are defined by adults in the tract with household income below 200 percent of the Federal poverty threshold; “low” income is 40 percent or more of adults, “moderate” income is 20 percent or more but less than 40 percent of adults, and “high” income is less than 20 percent of adults. Census tract minority share categories are defined by the share of tract that is non-White or Hispanic; “high-minority” is 80 percent or greater non-White or Hispanic, “majority-minority” is between 50 percent or more but less than 80 percent, and “low-minority” is less than 50 percent. Percentages may not sum to 100 due to rounding.

TABLE A.2: ADDITIONAL STATISTICS ON GROUPS REPORTED IN MAIN TEXT, FEB. AND MAR. 2020

	Share (%)	Median scheduled SL payment ($)	Median scheduled non-SL, non-mortgage payments ($)	Share with credit card (%)	Share with auto loan (%)	Share with mortgage (%)
Overall	100	130	350	81	50	27
Prior SL delinquency:						
Never in repayment	18	-	44	61	29	11
Delinquent	7	170	180	66	51	13
Not delinquent	75	179	434	86	55	32
Census tract income:						
Low	18	93	228	71	46	15
Moderate	42	125	353	80	51	26
High	40	159	401	85	51	33
Age:						
18–29	32	50	65	66	33	5
30–49	47	176	463	87	59	32
50+	21	182	625	89	58	48

Note: All statistics are calculated for student loan borrowers who may have a payment due when the suspension ends and who had an outstanding student loan in February 2020. Census tract categories are defined by adults in the tract with household income below 200 percent of the Federal poverty threshold; "low" income is 40 percent or more of adults, "moderate" income is 20 percent or more but less than 40 percent of adults, and "high" income is less than 20 percent of adults. Percentages may not sum to 100 due to rounding.

TABLE A.3: STUDENT LOAN BORROWERS' STATUS BY RACIAL AND ETHNIC COMPOSITION OF CENSUS TRACTS

	High-minority share tract	Majority-minority share tract	Low-minority share tract
Share (%)	13	18	69
Student loan status, Feb. 2020:			
Delinquent (%)	11	8	6
Received payment assistance (%)	16	17	17
Multiple servicers (%)	14	16	18
Mean scheduled monthly SL payment ($)	201	231	244
Mean SL balance ($)	37,314	42,245	40,783
Status on other products, Mar. 2020:			
Delinquency on active non-SL account (%)	9	7	5
Mean scheduled non-SL, non-mortgage payment ($)	447	508	568
Share with credit card (%)	75	80	82
Share with auto loan (%)	47	50	51
Share with mortgage (%)	16	21	30
Delinquency on non-SL, Mar. 2020–Feb. 2022:			
Active delinquency, Feb. 2022 (%)	10	8	5
Diff. in active delinq., Mar. 2020-Feb. 2022 (ppt.)	+1	+1	0
Active delinquency, Apr. 2020–Feb. 2022 (%)	23	19	13
New non-medical collection reported (%)	12	9	6
Balance and payment status, Feb. 2022:			
Share with SL balances reduced at least 10% (%)	13	18	25
Over 10% increase non-SL, non-mtg. payments (%)	42	40	39
Scheduled non-SL, non-mortgage payments ($)	472	514	550
Number of risk factors	0.76	0.70	0.61

Note: All statistics are calculated for student loan borrowers who may have a payment due when the suspension ends and who had an outstanding student loan in February 2020. Census tract categories are defined by the share of tract that is non-White or Hispanic; "high-minority" is 80 percent or greater non-White or Hispanic, "majority-minority" is between 50 percent or more but less than 80 percent, and "low-minority" is less than 50 percent. Federal student loans are not reported as delinquent until they are 90 days or more past due. Receipt of payment assistance on a student loan is proxied by inferred interest rates less than 2.875 percent or $0 scheduled payments on loans not in deferment or forbearance. Delinquencies on active non-student loan accounts were 60 days or more past due (but not charged-off or in collections). Mean scheduled payments include all minimum scheduled monthly payments for all credit products other than student loans and mortgages. Prior student loan delinquency is defined as having a student loan in February 2020 reported as 90 days or more past due while those classified as never in repayment have no reported prior payments as of February 2020. Percentages may not sum to 100 due to rounding.