Student Lending Session: Research on the Student Loan Payment Suspension

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Student loans and the pandemic

- Changes for federally owned student loans in response to the COVID-19 pandemic:
    - Payments put on hold in March 2020
    - Temporarily reduced interest rates on federal loans to 0%
    - Cured non-defaulted delinquencies
    - Collections halted on defaulted loans

- Payment suspension is scheduled to end in the coming months

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Student loan borrowers during the pandemic

- How have borrowers fared?
- Which borrowers are at risk when payments resume?

- Early 2020 through February 2022
  - Substantial concurrent government interventions (stimulus payments, forbearances, expanded unemployment insurance, etc.)
- Use CFPB's Consumer Credit Panel (CCP)
  - Deidentified 1:48 sample of credit records

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Sample definition

- Student loan borrowers who had required payments March 2020, and who will have required payments when suspension ends
- Excludes borrowers:
  - in default in February 2020
  - with $0 monthly payments in February 2020
  - fully paid off student loans in most recent data
- Caveat—will include borrowers with loans ineligible for the suspension (e.g., Commercial FFEL, private)

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Outcomes and borrower population segments

- Balances, scheduled payments, and delinquencies:
  - Student loans
  - Mortgages
  - Auto loans
  - Credit cards
  - Non-medical collections

- Examine across census tract income and race/ethnicity, borrower age, and prior delinquency status

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Five potential risk factors

To study the types of borrowers most at risk, use five factors:

1. Pre-pandemic delinquencies on student loans
2. Pre-pandemic payment assistance on student loans
3. Multiple student loan servicers
4. Delinquencies on other credit products during pandemic
5. New third-party collections during the pandemic

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Pre-pandemic student loan status, Feb. 2020

|	Student loan delinquency (%)	Received payment assistance on student loans (%)	Multiple servicers for student loans (%)	Mean scheduled monthly student loan payment ($)	Mean student loan balance ($)
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

- Monthly student loan savings: Median of $133, $6 billion total

Student loan borrowers' pre-pandemic status on other credit products, Mar. 2020

	Delinquency rate on active non-student loan account (%)	Mean scheduled non-student loan, non-mortgage payments ($)
Overall	6	542
Census tract income:		
Low	8	402
Moderate	7	522
High	5	627

- Only includes delinquencies on active accounts – if older accounts charged off or in collections are included, 19% overall delinquency

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Delinquency rate on active non-student loan debts, Jan. 2020 to Feb. 2022
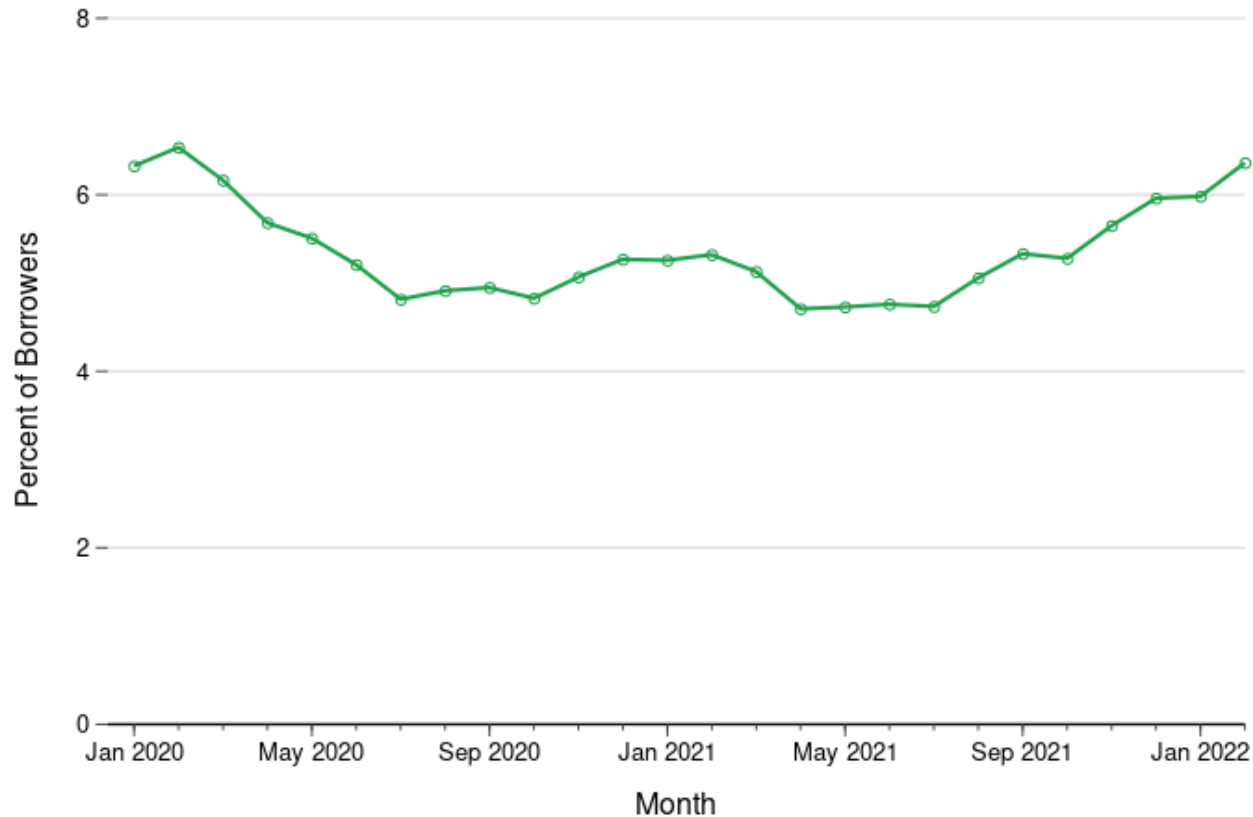
Student loan borrowers' delinquencies on other credit products, Mar. 2020 to Feb. 2022

	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
Census tract income:				
Low	9	+1	23	12
Moderate	7	0	17	8
High	5	0	11	5

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Balance and payment status for student loan borrowers, Feb. 2022

	Share with student loan balances at least 10% lower than Feb. 2020 (%)	Mean scheduled non-student loan, non-mortgage payments, Feb. 2022 ($)	Share with over 10% increase in scheduled non-student loan, non-mortgage payments, Mar. 2020-Feb. 2022 (%)	Mean number of risk factors
Overall	22	534	39	0.64
Census tract income:				
Low	14	438	42	0.76
Moderate	21	522	40	0.66
High	27	590	37	0.58

Report conclusions

- 44 percent of sample has at least one risk factor

- 15 percent have two or more

  - Represents 5 million potentially vulnerable borrowers

- Risks concentrated in low-income and high-minority census tracts, and among borrowers 30 to 49 years old

- CFPB to continue monitoring as scheduled payments begin

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Discussion questions for future work

- Other groups of borrowers the Bureau should focus its analysis on?

- When repayment restarts, are there outcomes we should include in addition to repayment performance on student loans and other products?

- Are there other risk factors in our data that we should consider in future work?

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