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STUDENT LOAN SERVICING ALLIANCE

Key Indicators Show **Borrowers Are Ready to Resume Federal Student Loan Payments in May**

To help sustain Americans during the COVID-19 pandemic, the federal government passed four special appropriation bills to deliver broad economic relief – including expanded unemployment benefits, an eviction moratorium, rent assistance, mortgage assistance and a pause on federal student loan payments and interest.

Now, two years later, the nation has moved away from a state of emergency, concluding most COVID-19 relief programs. However, despite evidence that the nation, and borrowers, are prepared to resume pre-pandemic financial responsibilities, the pause on federal student loan payments and interest remains in place – with the current pause expected to conclude by May 1, 2022.

All signs point to a nation in recovery and new support has been implemented to ensure student loan borrowers can successfully resume their obligations:

- **The Nation Has Stabilized Back to Pre-Pandemic Levels.** Today, 64.7 percent of Americans are fully vaccinated which has greatly helped the country weather the most recent variant of the virus. The U.S. unemployment rate has fallen back to pre-pandemic levels – 4 percent in January 2022 – a rate that is widely considered to be full employment. Further, the unemployment rate for college graduates stands at 2.1 percent, just 0.2 away from its all-time low of 1.9% in Feb 2020. All in all, the economy has recovered nearly 19 million of the 22 million jobs that were lost in the early months of the pandemic in 2020 – a recovery that has been significantly faster than the six-year recovery from the Great Recession of 2007 to 2009.

- **New, Expanded Support Is in Place for Borrowers.** A new Government Accountability Office (GAO) report details a Department of Education (Ed) effort to implement four-part plan to help borrowers transition back to repayment that includes:
  - **A phased, multi-channel communications campaign** to educate and prepare borrowers for payment resumption,
  - **Targeted outreach to support borrowers** who may be at risk of delinquency or default,
  - **Additional flexibilities for borrowers** resuming repayment, including simplifying Income-Driven Repayment (IDR) requirements, and
  - **Expanded customer service** offerings, including new evenings and weekend hours and significant increases in the number of customer service staff available to support borrowers.

- **Broad Borrower Distress Has Subsided.** The repayment rates of private student loans demonstrate that borrowers are experiencing no more distress now than they were before the pandemic. According to the latest MeasureOne, Inc. biannual *Private Student Loan Report*, "the private student loan market has stabilized and returned to pre-pandemic norms: students and families continue to effectively manage payments, the overwhelming majority back to making regular payments." The recovery we see within the private student loan market mirrors the recovery in unemployment figures nationally and translate to a similar response within the federal student loan market.

- **Emergency Student Loan Forbearance Did Not Improve Quality of Life for Borrowers.** A recent CNBC poll found that fewer than 40 percent of student loan borrowers said the payment pause improved their quality of life. The poll data shows the pause may have produced a paradoxical effect – instead of benefitting lower income and minority borrowers, the pause created a greater benefit for white, wealthier borrowers who were able to take advantage of the two-year, zero interest period to make continued loan payments and reduce their overall loan principle. The poll shows:
    - 44 percent of white borrowers said the two-year pause positively affected their quality of life compared to just 32 percent of black borrowers.
    - 34 percent of white borrowers made at least some payments on their student loans during the pause compared to 26 percent of black borrowers.
    - Nearly half (46 percent) of borrowers earning over $100,000 per year were able to make at least some payments during the pause, with one-third of that cohort (32 percent) continuing their regular monthly payments. This is compared to just 23 percent of borrowers earning under $50,000 per year who could make at least some payments.

- **Further Extension of the Student Loan Payment Pause Will Make It More Difficult for Student Loan Programs to Resume.** Student loan borrowers have been out of touch with their servicers for two full years, making it difficult to reconnect. Borrowers have rebuilt their financial lives and removed student loan obligations from their monthly budgets. The longer the pause continues the more difficult it will be for borrowers and families to adjust back into repayment and reincorporate monthly student loan payments into their budget. In addition, borrowers don't yet understand that the pause did not change the total amount they owe, but it did extend their loan repayment period by two years. Borrowers will now be paying on their student loans two years longer than they would have been previously.

THE BOTTOM LINE:

Conditions across the nation have improved back to pre-pandemic levels while new data demonstrates the pause on student loan payments did not improve borrower quality of life during the pandemic. With the majority of borrowers out of COVID-19 related financial distress and expanded federal support in place for borrowers still in need of continued help, it's time to move the nation forward to economic recovery and resume federal student loan responsibilities in May 2022.