

NEWS BRIEF

Provided by: National Insurance Services

Most Student Loan Borrowers Made No Payment During Freeze

In a [recent paper](#), the Federal Reserve revealed that almost 60% of borrowers who qualified for forbearance did not make a single payment from August 2020 through December 2021. The Federal Reserve also indicated that many borrowers will not be able to resume paying their student loans once the moratorium is lifted due to strained budgets.

Federal student loan forbearance started in March 2020 in response to the large-scale economic shutdown caused by the COVID-19 pandemic. After six extensions, the moratorium on student loan payments and interest is set to expire on Aug. 31, 2022. Current signs indicate borrowers' budgets are strained, and many may struggle to resume paying their loans, likely leading to defaulting on their loan payments.

How Student Loans Impact Americans

As of April 2022, student loan debt in the United States totaled \$1.75 trillion, with about 1 in 8 Americans carrying some student debt. According to NerdWallet's 2020 household debt study, the average U.S. household with student debt owes \$57,520.

At the end of 2021, student loan borrowers' debt balances were slightly higher than two years ago. Their delinquency rates on credit cards, auto loans and mortgages have also increased since the second half of 2021. This data reveals how many Americans are burdened by student loan debt.

Reports indicate that the Biden administration is considering erasing \$10,000 in federal student loan

debt for all borrowers who earn less than \$150,000. However, no final decision has been made yet. On June 1, 2022, the Biden administration erased all outstanding student loans for former Corinthian Colleges students. According to the Department of Education, this debt cancellation will benefit approximately 560,000 borrowers, totaling approximately \$5.8 billion. This recent decision may provide a general indication of the Biden administration's policy regarding federal student loan forgiveness.

Employer Takeaway

As borrowers prepare to resume payments on their student loans, employers can consider how to help employees and earn their long-term loyalty in today's competitive employment landscape. Offering benefits—such as student loan repayment—could allow employers to gain a competitive edge. A recent survey from Betterment at Work revealed that 86% of participants indicated they'd stay at their job for at least five years if their employer offered loan repayment benefits.

Some employers are already exploring student loan repayment platforms that allow them to match an employee's loan payment—similar to 401(k) contributions.

We will keep you apprised of any notable updates from the current administration. For more employee benefits resources, such as tuition reimbursement programs and 401(k) plans, contact National Insurance Services today.

