

FinRegLab Identifies Urgent Needs in Preparing for Federal Student Loan Payment Resumption

At Least 14 Million Borrowers May be Affected When Forebearances End

WASHINGTON, D.C., May 10, 2023 — FinRegLab today issued a research brief entitled “The Countdown Clock for Student Loan Forbearances” that highlights the need for quick action by consumers, federal agencies, servicers, and counselors to prepare for the August 2023 end of pandemic-era forbearances on federal student loans.

The research brief outlines the urgent financial situation facing student loan borrowers. While payment requirements and interest accrual on federal student loans have been suspended since March 2020, they are set to resume this fall. That deadline has been overshadowed by court challenges to a Biden Administration program that would eliminate federal student loan debt for an estimated 20 million consumers. A decision is expected in June but even if that program is upheld, an estimated 14 million consumers will need to begin payments when the forbearances end.

“After more than three years, resuming these payments could have a major effect on household budgets and the broader economy,” states Kelly Thompson Cochran, Deputy Director of FinRegLab. “Families who are already struggling with rising prices or layoffs can take steps now to figure out what other support programs are available. But they will need help in navigating the system.”

The research brief further summarizes the challenges that borrowers face in understanding and taking advantage of the assistance programs available to them. Options for help may include income-driven repayment (IDR) plans, longer-term forgiveness programs, and a Fresh Start initiative to help borrowers who are already in default on their loans. However, evaluating those options and applying for assistance programs can take time.

A third major issue identified in the brief deals with servicer constraints. Many student loans have been transferred between servicers since 2020, so payment and contact information may be outdated. Federal budget constraints are affecting call center resources, which increases the importance of educating student loan borrowers to take early action. The Department of Education is considering administrative changes to provide some flexibility to borrowers during the transition this fall, but details have not been finalized.

The brief is part of a broader research project that FinRegLab has launched using data from the National Foundation for Credit Counseling to evaluate ways to help consumers recover more quickly from personal and economic crises such as COVID-19. Reports from the project and FinRegLab’s other work focusing on building an inclusive recovery are [available on the organization’s website](#).



About FinRegLab (FRL)

FinRegLab is an independent, nonprofit research organization that conducts research and experiments with new technologies and data to drive the financial sector toward a responsible and inclusive marketplace. The organization also facilitates discourse across the financial ecosystem to inform public policy and market practices. To receive periodic updates on the latest research, [subscribe to FRL's newsletter](#) and visit www.finreglab.org. Follow FRL on [LinkedIn](#) and [Twitter](#).