69% With Federal Student Loans Will Need to Take Additional Action to Afford Monthly Payments When Deferment Ends Next Year

75% Note Some Aspect of Their Personal Finances Will Be Negatively Impacted When Payments Resume

Dec. 6, 2021 (Seattle, WA) - With less than two months left until the federal student loan deferment period ends on January 31, 2022, a new report from Bankrate.com and BestColleges.com finds that nearly 7 in 10 (69%) with federal student loans will need to take additional action(s) to be able to afford the monthly payment. Furthermore, 75% indicate some aspect of their personal finances will be negatively impacted when payments resume in February. Click for more information:

https://www.bankrate.com/loans/student-loans/survey-end-of-federal-forbearance/

The most common actions federal student loan borrowers will need to take to fit the expense within their budget are cutting back on discretionary spending (32%), finding a higher paying job (26%) and taking on a second job/side hustle (25%). Less common actions include selling personal belongings (19%), finding cheaper living arrangements (15%), borrowing money such as a personal loan or a loan from family/friends (13%) and something else (7%).

While 3 in 5 borrowers who earn at least $100,000 per year will need to take some action(s) to afford the revived monthly payment, the numbers jump to 71% for those earning between $50,000 - $99,999 per year and 72% for those earning less than that. The biggest disparity among any one course of action comes in the form of taking on a second job or side hustle, cited by 27% and 29% of the lowest and middle earners, respectively, compared to 18% of the highest income bracket.

Moreover, the return of this monthly payment will negatively impact most borrowers' personal finances in some way, including the ability to save money for emergencies or retirement (43%), having less to spend on discretionary purchases (39%), the ability to pay down other debts (37%), difficulty paying for day-to-day essentials like groceries and bills (36%), having less money to invest (26%) and the ability to pay for current rent/housing (25%).

Again, disparity among income brackets is apparent:

	Under $50,000	$50,000 - $99,999	$100,000+
Ability to save money for emergencies or retirement	**49%**	40%	38%
Discretionary income (i.e., electronics, vacations, entertainment, etc.)	39%	**42%**	40%
Ability to pay down other debt (i.e., credit cards, personal loans, etc.)	39%	**42%**	31%
Ability to pay for day-to-day essentials (i.e., groceries, bills, etc.)	**43%**	37%	27%
Ability to invest	26%	28%	**29%**
Ability to pay for rent/housing	**30%**	24%	14%
Other	**2%**	1%	1%
No aspect of personal finances will be negatively affected	23%	20%	**31%**

"Student loan debt is a massive burden that follows borrowers around for years after they graduate, often making it harder to afford moving out, buying a home, starting a family, as well as saving for retirement and emergencies," said Bankrate.com analyst Sarah Foster. "Even worse, wage growth has not kept pace with the exponential rise in college tuition, putting students in a deeper hole once they graduate and making debt the only way many students can afford to attend school.

"College students often face one of the most stressful Catch-22s of personal finance: Higher education increases their lifetime earnings potential, but both affording it and paying it off can be a strain on their finances and mental health."

With the deferment deadline looming, most borrowers already have a repayment strategy in place. The most popular tactics are continuing with regular repayment (31%) – cited most by those earning $100,00 or more per year (46% compared to 32% of those earning between $50,000 - $99,999 and 25% who make less than that) – and enrolling in an income-driven repayment plan (29%). Sixteen percent plan to apply for more deferment, with this being more popular among those who make less than $50,000 annually (20%) and between $50,000 - $99,999 (15%) than the highest earners (7%). Only a fraction (5%) will refinance with a private lender, and nearly 1 in 5 (18%) do not yet know what they will do.

"It's encouraging that most borrowers have already considered strategies for resuming payments in anticipation of deferment ending," said Melissa Venable, Ph.D., online education advisor for BestColleges.com. "For those that haven't, the good news is that there is time to speak with their federal student loan servicer to discuss options and avoid missed payments. Unfortunately, student loans are a hardship for many, and those who become delinquent face myriad of additional financial challenges."

Most borrowers did indeed take a break from paying down their federal student loans during the deferment period, as just 36% continued to repay their debt during this time (22% put the same amount as usual towards their loans, and 15% still put some money, but less than normal). Meanwhile, 40% used the money they would have spent on student loans on everyday expenses/bills, 31% paid down other debts, 24% used it on rent/housing and 21% saved it. Less popular uses include using the money on discretionary spending (18%), investing it (11%) and something else (4%).

The highest earners are the most likely to have paid down their student loan debt during the deferment period (49%), followed by 35% of the lowest earners. Meanwhile, just over one-quarter (26%) of middle-income borrowers continued to knock down their liability during this time.

Methodology

Bankrate.com commissioned YouGov Plc to conduct the survey. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 4,773 adults, including 770 with federal student loan debt. Fieldwork was undertaken November 3 – 9, 2021. The survey was carried out online and meets rigorous quality standards. It employed a non-probability-based sample using both quotas upfront during collection and then a weighting scheme on the back end designed and proven to provide nationally representative results.

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