

After two weeks of repayments, student borrowers still lack basic information about their loans

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After two weeks of resumed federal student loan payments, reports and studies are showing that many borrowers still do not have accurate information about how much they owe or what their monthly payments are.

On October 1, the three-and-a-half-year pandemic pause in repayment and interest accrual for more than 43 million student loan borrowers was ended by the Biden administration. The total amount of federal student loan debt in the US is \$1.7 trillion. Since 2003, student debt has been the fastest growing type of household debt, increasing by more than 500 percent over the last two decades.

Of the 43 million borrowers, 28 million people with student loans must now make monthly payments. The other 15 million borrowers are not required to make payments because they are either still in school or are enrolled in some type of repayment deferment, forbearance or grace period.

Some of those in repayment are reporting their government-contracted loan servicers have sent them incorrect bills, they are not able to reach anyone on the phone and, when they are able to talk to someone, the information provided is either confusing, unclear or incorrect.

Among the biggest problems are for borrowers who enrolled in the Biden administration's SAVE (Save on Valuable Education) plan, which the White House touted as the "most affordable repayment plan ever." It is one of several income-driven repayment (IDR) plans that supposedly make monthly payments affordable based on a borrower's current income.

According to a report by CNBC, many borrowers who signed up for the SAVE plan "complain they've

gotten incorrect bills." Higher education expert Mark Kantrowitz told CNBC that he estimates that "hundreds of thousands of borrowers may have been affected."

Kantrowitz said the student loan servicers are using an outdated poverty line from 2022 to calculate borrowers' payments instead of the current 2023 figures.

Meanwhile, Ella Azoulay, a policy analyst at the Student Borrower Protection Center, said, "Because of the misinformation being disseminated, borrowers are likely to make overpayments, or underpayments and get off-track." Azoulay continued, "Moreover, being forced to make incorrect monthly payments places additional strain on borrowers' monthly finances and puts some in the position of being unable to afford necessities, like medication."

In a report on Saturday by *Fortune*, student loan borrower Juniper, with a \$44,000 debt, said she had signed up for the SAVE program and was quoted a monthly payment of \$47. However, the article says, "Fast-forward to October, though, when the first loan payment was due, and Juniper was quoted \$138 per month on her loan servicer's website. In her account, she is enrolled in the PAYE program, another income-driven repayment (IDR) plan that isn't as generous, according to screen shots of her account reviewed by *Fortune*."

The 31-year-old, who had been laid off last November, told *Fortune*, "It's been a nightmare. I might not starve, but I certainly won't be thriving. When we're talking \$1,200 a year, it's significant. It's that much more I can't plan if life throws me another curveball."

According to the US Department of Education, the

SAVE payments for at least 420,000 borrowers have been miscalculated by their loan servicers in recent weeks. The *Fortune* report says, “the total number could grow much higher, given that at least 4 million people have applied for SAVE and not all of the applications have been processed yet.”

A representative of Biden’s Department of Education (DoE) issued a public relations statement about the chaos, claiming that the White House’s “top priority” is “supporting borrowers as they successfully navigate return to repayment and making sure they have the resources, tools, and information they need to find the best repayment plans.”

Meanwhile, the number of delinquencies and defaults on the massive amount of student loan debt is expected to increase rapidly. According to DoE data from third quarter of 2023, there are 34.2 million borrowers who owe \$40,000 or less on their student loans, while 6.9 million owe between \$40,000 and \$80,000 and another 4.8 million owe between \$80,000 and over \$200,000.

Other data from the DoE shows that during the repayment pause that began in 2020 the amount of total debt represented by students loans has fallen from over 10 percent to just over 9 percent. This means that other types of consumer debt, such as credit cards and auto loans, have been taken out over the past three years. Additionally, any new debt taken on in the last 18 months will have higher interest rates due to the Fed’s policy of rapidly raising the prime lending rates.

According to a press release by Liz Pagel, senior vice president and consumer lending business leader for Transunion, “The majority of consumers with a student loan have not been required to make payments for the better part of three years. Payment amounts will vary, but many of these consumers have taken on additional debt since the last time they had to pay their student loans. It’s important for both lenders and consumers to be prepared for this new payment shock.”

Prior to the payment pause, the number of student loan borrowers in delinquency or default had grown to about 15 percent. These numbers came down during the payment pause, but are now expected to rise rapidly. When those with student debt have to choose between buying food, paying their rent or putting gas in their car to get to work, the loan payments will have the lowest priority.

A report by 14 News WFIE of Evansville, Indiana

quoted one student who said she had no plans to repay her student loans. Kali Smith said, “I was 17 when I signed up for them, so I don’t know what kind of loan I actually got, but for some reason, mine didn’t actually get put off.” She said she only attended college for a year and a half in 2007 and now owes \$21,000. “I’m not paying them off,” she said.



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