

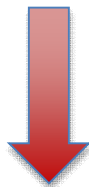


New Study: Ways Policymakers Can Help Borrowers During and After COVID-19

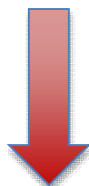
Focus groups provide lessons for meeting the needs of people struggling to repay their student loans

Briefing overview

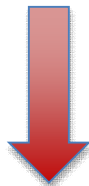
Student loans and COVID-19



Pew's focus groups and key findings



Policy solutions



Longer-term considerations



Student loans and COVID-19

Policymakers need a clear understanding of where borrowers fall off-track and policies to support successful repayment

Student loans and COVID-19

- Significant toll on **borrowers and servicers**.
- The **CARES Act** provides protections:
 - Pauses payments and interest charges
 - Suspends collection efforts
 - Expires September 30, 2020

Student loans and COVID-19

- ~26M borrowers reenter repayment *at the same time*.
- Servicers must manage outreach from millions.

Student loans and COVID-19

- During and after the pandemic, **policymakers need to understand:**
 - Where borrowers fall off-track in repayment
 - Actions that can promote successful repayment



Focus Groups: Borrowers discuss the challenges of student loan repayment

Participants express gratitude for their education, frustration over unaffordable payments and rising balances

About the focus groups

- 16 groups
- >150 borrowers
- 8 cities:
 - Alexandria, VA
 - Detroit, MI
 - Kansas City, MO
 - Memphis, TN
 - Miami, FL
 - Phoenix, AZ
 - Portland, ME
 - Seattle, WA

Three key issues

1. Financial insecurity drives repayment behavior.
2. IDR plans are difficult to access.
3. Borrowers face challenges and confusion around transitions.

1. Financial insecurity drives behavior

- Economic shocks—**job loss, unexpected health problems, and natural disasters**—were biggest barrier to repayment.
- Many wanted, were unable, to make payments.

“The payments stopped because I didn't have work. ... And so [I'm] just trying to take care of myself in survival mode.”

—Seattle borrower

2. IDR plans are difficult to access

- IDR plans tie monthly payments to family size and income.
- More affordable payments = borrowers **less likely to default.**
- Difficult to access: **complex application and annual recertification processes.**

3. Transition points create challenges

- Borrowers experienced confusion and were **likely to fall off track**:
 - Entering repayment
 - Exiting periods of paused payment
 - Enrolling in IDR plans



Five actions policymakers can take to help borrowers manage the pandemic's impact

Provisions should reduce barriers to repayment and be easy for servicers to implement

Five Solutions

1. Automatically extend deadlines for IDR plans.
2. Make it easier to enroll in or recertify for IDR.
3. Facilitate a robust outreach campaign.
4. Automatically allow additional pauses.
5. Facilitate more uniform communications.

1. Automatically extend IDR deadlines

- Help borrowers maintain current payments.
- Extending the deadline until early 2021.
- Focus on helping those struggling most.

2. Make it easier to enroll in IDR

- Help borrowers who have reductions in income.
- Updating income info can be time-intensive.
- Temporarily enroll borrowers into IDR without extensive paperwork.

3. Facilitate a robust outreach campaign

- Help borrowers struggling before the pandemic.
- Indicators for at-risk borrowers.
- Targeted assistance to those who (pre-pandemic):
 - Were delinquent
 - Were in a hardship status
 - Paused payments repeatedly or for long periods

4. Automatically allow additional pauses

- Help borrowers who miss payments.
- Give servicers more time to reach them.
- Give borrowers more time to re-enroll in automatic debit arrangements.

5. Facilitate more uniform communications

- **Help all borrowers.**
- ID promising methods: consistent, accurate, relevant, and timely info.
- Standards for servicing:
 - Focus on borrower outcomes
 - Require targeted outreach in periods of transition



Longer-term issues identified by Pew's focus group research

*The pandemic alone did not cause the problems
that borrowers face now and in the future*

Long-term: Many struggle early

- Interaction between student loan payments, other expenses → choice of plan.
- Many had difficulty understanding all options.

“The repayment system is “not as user-friendly to find out what you’re supposed to do. ...It’s like so many steps, and it’s so much overwhelming information.”

–Phoenix borrower

Long-term: Most report pausing payments

- Many did so for far longer than they planned.
- Pausing payments was easy in times of stress.
- Accessing IDR was **more complicated**.

I “went to go to lunch like maybe six minutes away, literally, and ... by the time I got to the parking lot of the Smashburger, I was already on deferment.”

—Phoenix borrower

Long-term: Increasing balances discouraged borrowers

- Balance growth = **psychological, financial barriers.**
- Failures of the system chipped away at borrowers' resolve.

Take-aways

- Focus on:
 - Maintaining flexibility
 - Reducing repayment complexity
 - Supporting at-risk borrowers.
- Lessons for implementing structural changes.