



LEFT ADRIFT

Student loan payment restart creates confusion — underserved borrowers most at risk

Time is up.

Millions of borrowers
are unprepared for
loan payments to restart.



Next month — October 2023 — [43.6 million student loan borrowers](#) will see an additional bill in their mailbox. The three-year pause in payments has ended, and student loan borrowers will need to start repaying their loans again. This restart comes after a period of profound uncertainty and confusion. Questions loomed about the restart until it was confirmed in the June debt ceiling deal. The 2022 promise to forgive up to \$20,000 of student debt for some borrowers also hung in the balance until the Supreme Court disallowed it at the end of June. [Media coverage](#) leading up to the restart reflects a broad scramble as borrowers make sense of when payments will start and how much they will have to pay and institutions and loan services try to support borrowers at an unprecedented scale. Those most at risk in this scramble are those who are already working with tight budgets, often borrowers who carry debt but don't have a Bachelor's degree.

Borrowers have repayment options, but the question is: *Do they know their options?*

In June of 2023, WGU Labs and Savi, with the assistance of Gallup, fielded a survey of a nationally representative sample of 3,406 student loan borrowers aged 21 to 50 to learn more about what they owe, how they are navigating repayment, and how the debt they carry shapes their personal, professional, and financial choices. In this report, we examine the extent to which borrowers understand their repayment options — and whether and who is taking advantage of these options. (See appendix for more details on the survey methodology.)

We learned that borrowers understand some of the available options but most aren't fully aware of all the options they have, and aren't taking advantage of the best option available for their circumstances. [The information gap seems particularly dire for borrowers who have not obtained bachelor's degrees.](#) As the federal government introduces still more repayment options, the information gap will likely only widen, and the need to support borrowers through repayment will be paramount.

RESTARTING PAYMENTS WILL ADD \$200 OR MORE TO MONTHLY EXPENSES FOR NEARLY 80% OF BORROWERS.

The new monthly payment is likely to be felt in a great many households. Indeed, over 87% of the borrowers in our sample reported feeling at least some stress over their student loan debt. Eighty percent of borrowers expect to see monthly bills for \$200 or more. Nearly 20% expect their monthly payment to exceed \$600.

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Borrowers who haven't yet earned a Bachelor's degree expect their monthly payments to be lower than borrowers who have a bachelor's degree or higher. Over 69% of borrowers who don't hold a bachelor's degree expect to pay less than \$400 a month with most of them expecting to pay less than \$200. By contrast, 52% of borrowers with at least a bachelor's degree expect to pay less than \$400 with most of those borrowers expecting to pay between \$200 and \$400.

Though their payments may be lower, there is good reason to think borrowers with less than a Bachelor's degree will be more severely impacted by the restart of payments. In [2022 the Bureau of Labor Statistics](#) reported that the median weekly earnings for those with some college but not yet a bachelor's degree fell between \$935 and \$1,005 dollars. Those with a Bachelor's degree had median weekly earnings of \$1,432 — over 42% higher than those without a bachelor's degree. Those with a master's or professional degree saw median wages of over \$1,600 to nearly \$2,100. It isn't hard to see how even lower payments could cut more deeply into the budgets of those without a Bachelor's degree. This may partly be why [borrowers without a bachelor's degree were almost three times more likely to report being in default](#) than borrowers with a bachelor's degree.

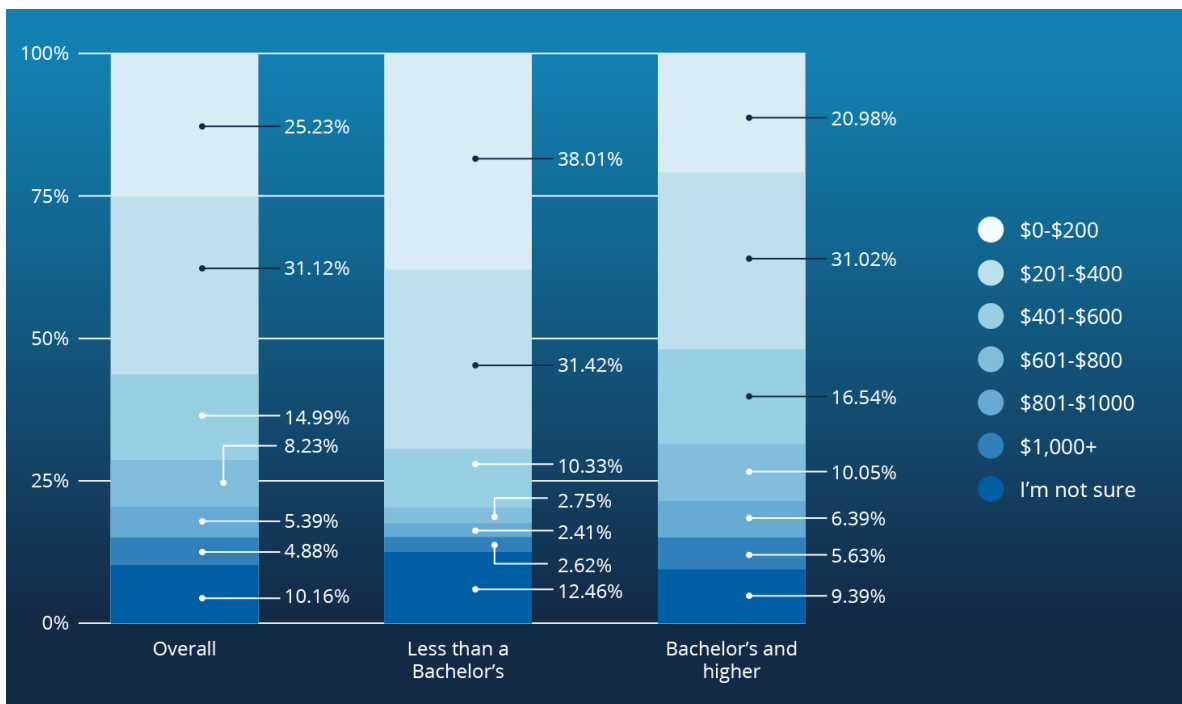
Of equal concern is the degree of uncertainty borrowers have about their upcoming payments. Fielded in June — just three months before repayment was set to restart — our survey also revealed that one in ten borrowers weren't sure what their loan payment would be come October. Just over 12% of those without a Bachelor's degree said they weren't sure what their loan payment would be.

Just three months before repayment was set to restart — our survey also revealed that one in ten borrowers weren't sure what their loan payment would be come October.

“ *I’m nervous about being able to understand the processes of deciding and signing up for payment plans, I’m nervous about if I can afford repayment plans on top of my private loan repayment plans, and I’m nervous I won’t sign up for the best plan for my situation and I’ll lose out on savings because I don’t know what I’m doing.* ”

—Student loan borrower serving in public education

Figure 1. Anticipated monthly payments after payment restart in October



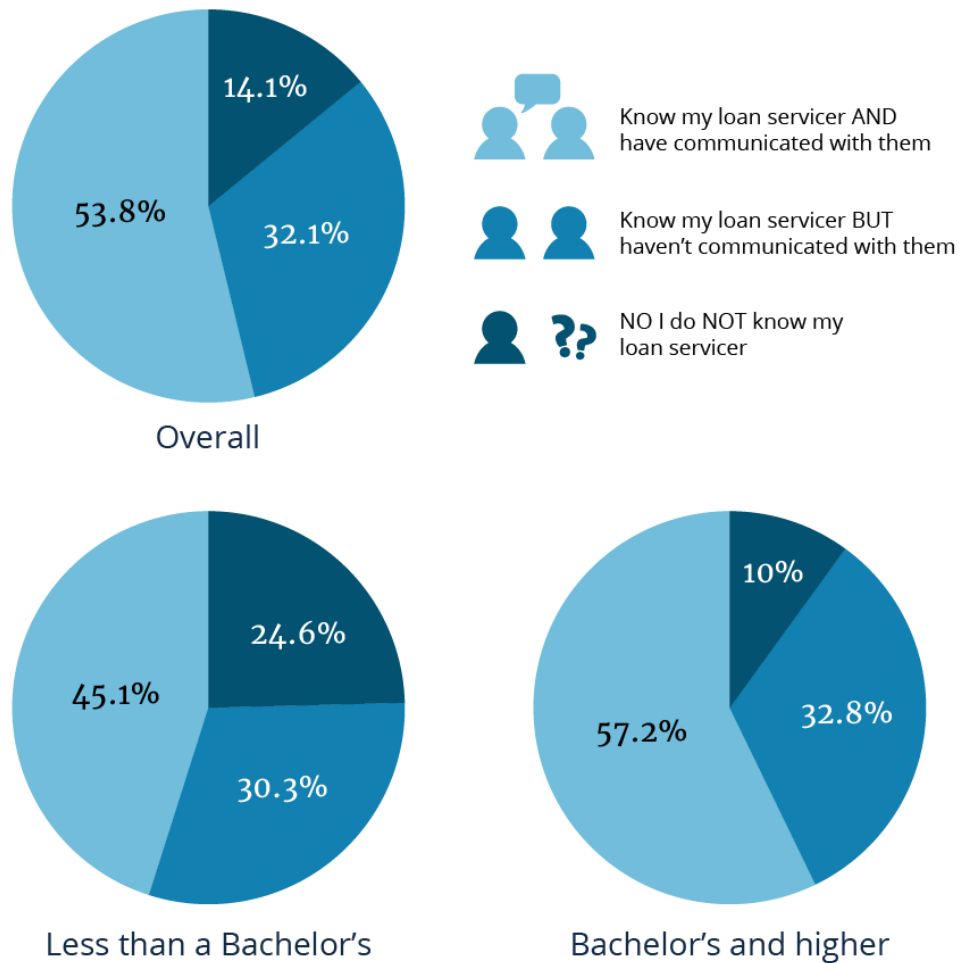
BORROWERS WITHOUT A BACHELOR'S DEGREE ARE LESS LIKELY TO ENGAGE WITH THEIR LOAN SERVICERS

During the repayment pause, many loans changed hands. Loan servicers are the agencies that oversee the repayment of student loans. Borrowers who need to make adjustments to their loans or payment schedules need to work with servicers to make alternate arrangements. To effectively manage your loan, you must know who your servicer is and how to reach them. By some estimates, [about 44% of borrowers had their loans transitioned to new loan servicers](#) over the last three years.

We found that almost 90% of borrowers know who their loan servicer is, and more than half have been in contact with them. However, borrowers who do not yet have a bachelor's degree were more than twice as likely to say they don't know their servicer. One in four borrowers without a bachelor's degree don't know who their servicer is. Borrowers without a bachelor's degree are also less likely to trust their servicer. Sixty percent of borrowers with a bachelor's degree report that they find their servicer very or extremely trustworthy. By contrast, only 46% of borrowers without a bachelor's degree report the same.

Loan servicers are the gateway to repayment options. Any disparities in borrowers' awareness of, outreach to, and trust in servicers is a serious concern for ensuring that borrowers will have equal access to repayment options and flexibilities in the student loan repayment system.

Figure 2. Borrowers' familiarity and communication with their loan servicer



There are options
available that
people aren't
using.



THE VAST MAJORITY OF BORROWERS KNOW ABOUT REPAYMENT OPTIONS, BUT FEW SEEM TO BE AWARE OF ALL OF THE REPAYMENT OPTIONS AVAILABLE TO THEM

With federal loans, borrowers have a range of repayment options that, for many, will make repayment easier. The standard repayment model is a fixed monthly payment set such that the borrower will repay the loan in 10 years. However, when we fielded this survey, borrowers could opt for one of the following repayment plans instead:

- **Graduated repayment plan:** Borrowers start with low monthly payments that increase every two years until the loans are paid off in 10 years
- **Extended repayment plan:** Borrowers make monthly payments for more than 10 years up to 30 years
- **Income-driven repayment plan:** Borrowers make monthly payments that are tied to your income and family size. For borrowers with low wages or unemployed borrowers, these payments could be as low as \$0.

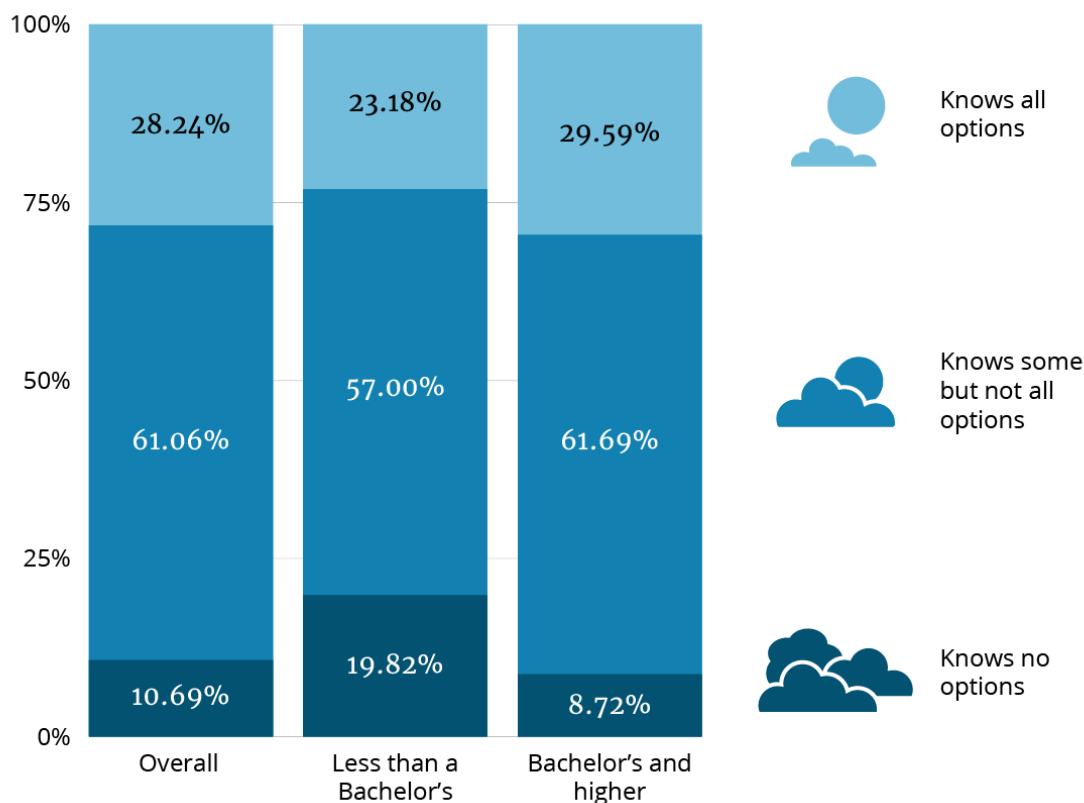
(In August 2023, the Biden Administration unveiled additional repayment and forgiveness plans that have not been accounted for in this brief. There are also two loan forgiveness plans, but those are limited to teachers working in low-income districts and individuals working in non-profit or government organizations. We discuss the use of these specific programs later in this report.)

To make a good decision about how to repay a loan, borrowers need to know their options. Those who are aware of the full suite of options will have the greatest opportunity to consider and opt into the best repayment plan for their circumstances.

In our survey, almost 90% of borrowers indicated that they know at least one of the three repayment options, but only about 28% are aware of all of the options. Almost 11% reported that they didn't know about any of the alternative plans. Again, borrowers who have a

bachelor's degree seemed to have slightly more familiarity with the repayment options. Almost 30% of borrowers with a bachelor's degree reported knowing about all of the options whereas less than 25% of borrowers with less than a bachelor's degree were aware of all the options. Almost 20% of borrowers with less than a bachelor's degree reported not knowing any of the options compared to less than 9% of borrowers with a bachelor's degree or higher.

Figure 3. *Borrowers' awareness of alternative repayment plans*



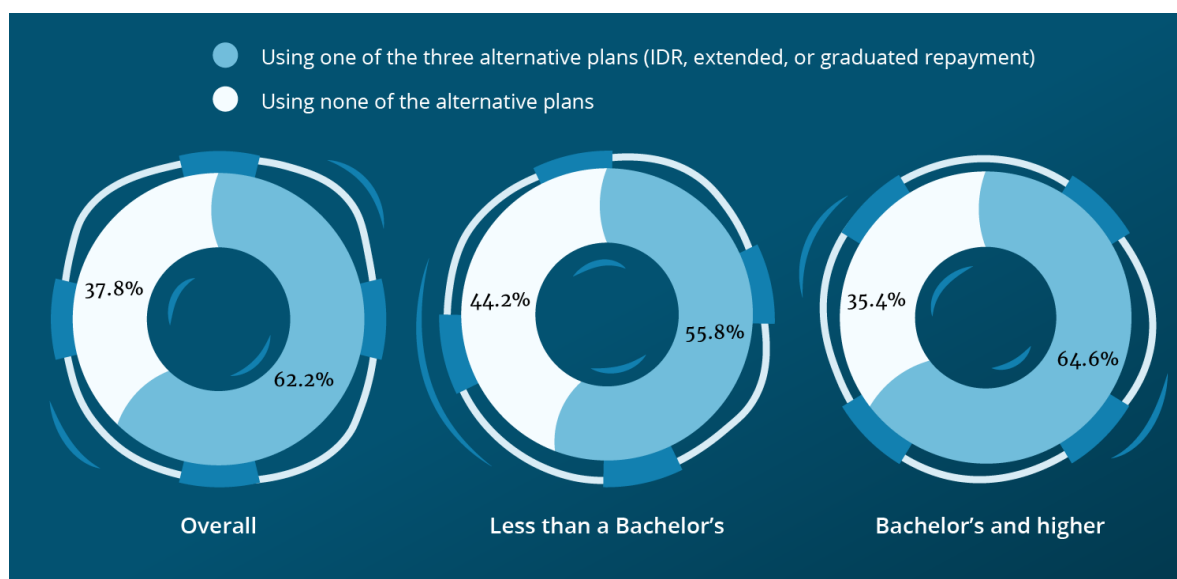
MORE THAN ONE-THIRD OF BORROWERS AREN'T TAKING ADVANTAGE OF ALTERNATIVE REPAYMENT OPTIONS

For many borrowers, a non-standard, or alternative, repayment plan will not only help them manage repayment but may be required to be eligible for loan forgiveness. The student loan program limits the length of time borrowers must repay loans. For instance, borrowers who have faithfully made payments on their loans for 20 years can have the remainder of their balance forgiven. (The Biden Administration recently announced that those who take out less than \$17,000 are only required to maintain payments for 10 years.) Borrowers in the public and government sectors are eligible for forgiveness after 10 years of repayment. Given these options, the standard repayment plan, which is structured such that borrowers pay a consistent monthly payment and complete repayment in 10 years, is not the best option for

many borrowers. In particular, borrowers who have very large loans and modest incomes or those who are committed to the non-profit and government sector are often much better off in one of the alternate repayment plans as these would likely allow them to benefit from the forgiveness that is offered after 10 or 20 years of repayment.

It is difficult to know exactly how many borrowers would be better off using one of the alternative plans but alternative plans seem to be widely used. Sixty-two percent of survey respondents indicated that they have used one of the repayment options. Once again, however, borrowers with a bachelor's degree or higher used one of the three alternative plans more (65%) than borrowers with less than a bachelor's degree (56%) by a wide margin.

Figure 4. *Borrowers' use of alternative repayment plans*



BORROWERS MAY BE LEAVING GOOD REPAYMENT AND FORGIVENESS OPTIONS ON THE TABLE

Exactly which repayment or forgiveness option is available and what will provide the greatest benefit is a complicated calculation based on income, loan balances, expected future earnings, household size, and more. However, there are a few clear-cut scenarios. Those who are eligible for loan forgiveness — teachers and those employed in non-profit and government sectors — are almost certainly better off taking advantage of this option. Borrowers living on limited income who are struggling to make payments are better off in an income-driven repayment plan (IDR) and maintaining a payment history, even if payments are calculated to be very low or \$0, than going into forbearance.

We looked at these three scenarios to see how often eligible borrowers are making use of likely beneficial repayment or forgiveness options and found in each case that a notable share of borrowers are likely missing out on important benefits.

SCENARIO 1: TEACHER LOAN FORGIVENESS (TLF)

Loan forgiveness can substantially reduce the overall burden of student loans and is a valuable option for those who are eligible. Teachers working in U.S. elementary or secondary schools or educational service agencies are eligible for up to \$17,500 of loan forgiveness under the Teacher Loan Forgiveness (TLF) program if they meet four criteria:

1. Are recognized as highly qualified teachers
2. Work in a qualifying low-income district
3. Teach in the fields of special education or secondary mathematics or science
4. Have completed 5 consecutive academic years of service

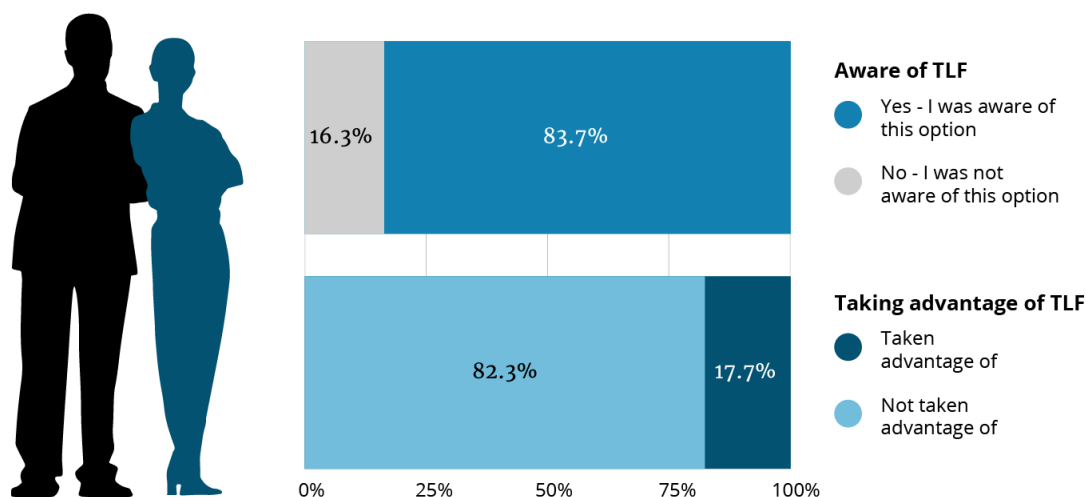
Teachers who do not teach in one of the qualifying fields but otherwise meet the above requirements are eligible to receive up to \$5,000 in loan forgiveness.

We would hope a large number of eligible borrowers would both know about this program and take advantage of it. Using self-reported occupation and age data, we looked at the share of individuals who report working as teachers in the K12 system and are 27 years of age or older (presumably those most likely to be near or beyond the 5 years of teaching service required) to see how often they knew about and took advantage of the TLF program. We found that more than 80% of these individuals are aware of the program, but only about 17% reported taking advantage of the TLF program. We also found disparities in who reported taking advantage of the program, with Black or African American teachers, teachers who identify as male, and teachers with less than a bachelor's degree less likely to apply for forgiveness than their counterparts.

As noted above, TFL is limited to teachers who work in schools that enroll a large share of students from low-income households — often recognized as Title I schools. As such, not all teachers are eligible for TFL. Given that almost half of all schools are recognized as Title I schools, however, we might reasonably assume that more than 25% of borrowers could be eligible for TFL suggesting that many borrowers are leaving this valuable benefit on the table.



Figure 5. Share of teachers* who know about and take advantage of the TLF



**Teachers include those who report their occupation as elementary, middle, or high school teachers and are 27 years of age or older.*

SCENARIO 2: PUBLIC SERVICE LOAN FORGIVENESS (PSLF)

Individuals working full time for a qualifying non-profit and government entity are eligible to have the remainder of their student loans forgiven after 120 qualifying monthly payments made under an accepted repayment plan (e.g., an IDR repayment plan). Borrowers who work in the non-profit and government sectors and hope to take advantage of the PSLF are required to enroll in an IDR to be eligible for the forgiveness benefit.

Our data cannot show us who is working in a non-profit, but we do know who is working in a government organization. Again, we would expect a large share of government workers to know about and seek to take advantage of the PSLF program to reduce their overall debt burden. To determine how many of these individuals are positioned to take advantage of the PSLF or have taken advantage of it, we looked at how many government workers are either enrolled in an IDR plan and/or report taking advantage of the PSLF.

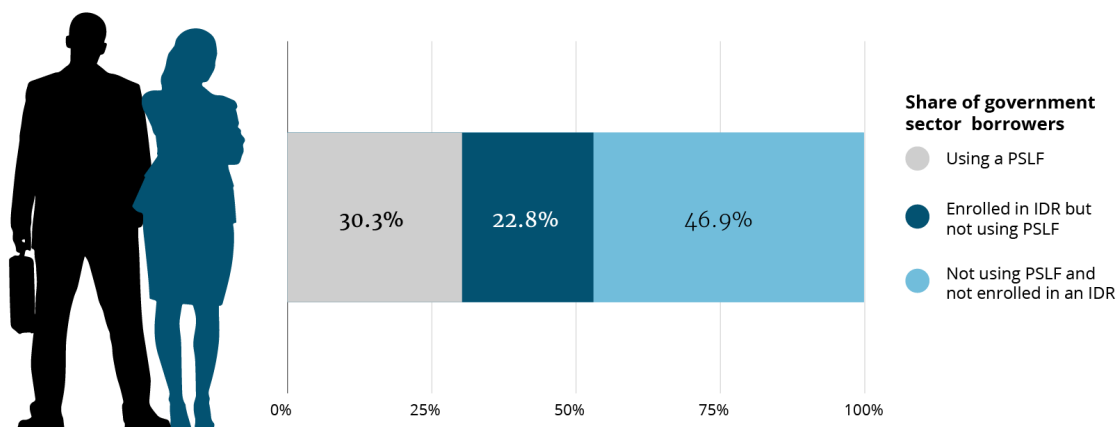


Nearly 80% of those reporting that they work in the government sector are aware of the PSLF program. We found that only about 30% of government workers report taking advantage of the PSLF. Only another 20% of government workers report being enrolled in an IDR. That means only about 50% of respondents working in the government sector either took advantage of PSLF or are positioned to take advantage of PSLF once they complete 120 payments.

The vast majority of government workers in our sample hold a bachelor's degree, however, about 13% do not. These government workers without a bachelor's degree, however, were about as likely to have used PSLF or enroll in an IDR as their counterparts with a bachelor's degree. At least among this segment of workers, borrowers with or without a bachelor's degree are leveraging the potential forgiveness option at a similar rate.

Only about 50% of respondents working in the government sector either took advantage of PSLF or are positioned to take advantage of PSLF once they complete 120 payments.

Figure 6. Share of government workers using PSLF or enrolling in an IDR



SCENARIO 3: INCOME-DRIVEN REPAYMENT TO MANAGE REPAYMENT FOR LOW-WAGE WORKERS

Income-Driven Repayment (IDR) plans calibrate the monthly loan payment based on the borrower's income and ability to pay. Borrowers who are earning relatively low wages or are unemployed have two options for managing their repayment. They can place their loans into forbearance, which will pause their payments, though their interest will continue to accrue.

Alternatively, they can enroll in an IDR, which will adjust the monthly payment according to their earnings, meaning those making very low wages could pay as low as \$0 per month. However, unlike borrowers in forbearance, borrowers in an IDR will still be considered to be “making payments” — even if the payment is \$0 — and these payments will count toward their maximum number of payments. Since borrowers who have faithfully made payments for 20 years will have their remaining balance forgiven, it is better for struggling borrowers to enroll in an IDR than to place their loans into forbearance.

We looked at borrowers who reported an income less than \$25,000 and unemployed borrowers — those who are most likely to be struggling to make payments and eligible for forbearance or \$0 IDR payments. We found that both low-wage and unemployed borrowers are more likely to be enrolled in an IDR than to report having their loans in forbearance.

It seems like most borrowers in these situations are getting the right advice. Nonetheless, 25% of borrowers who are either low-wage or unemployed are still placing their loans into forbearance.

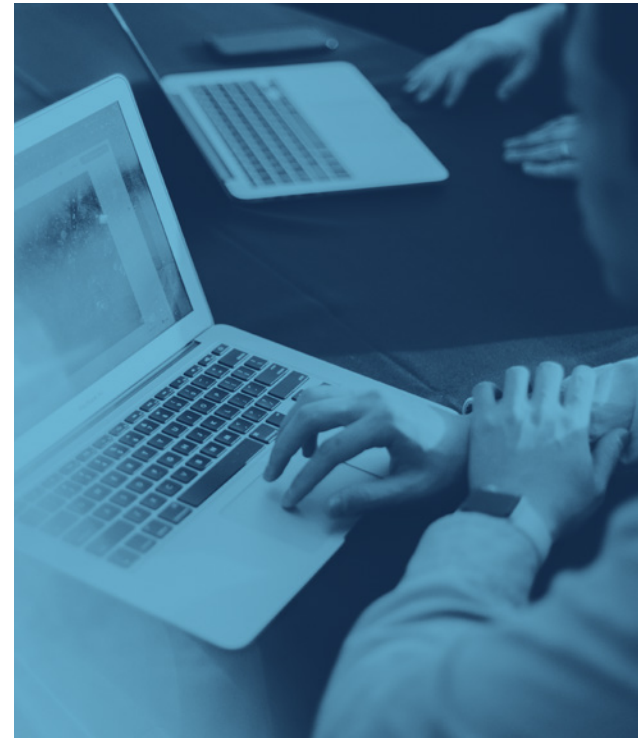
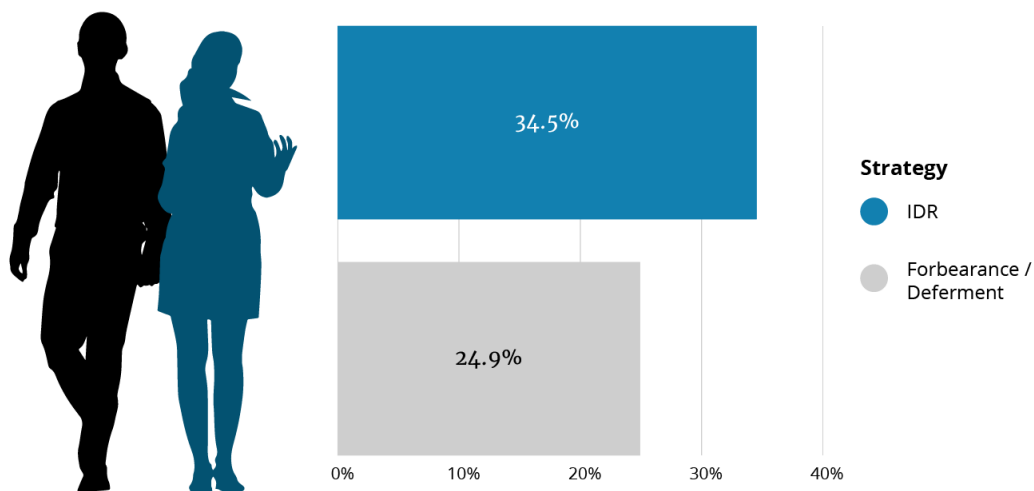
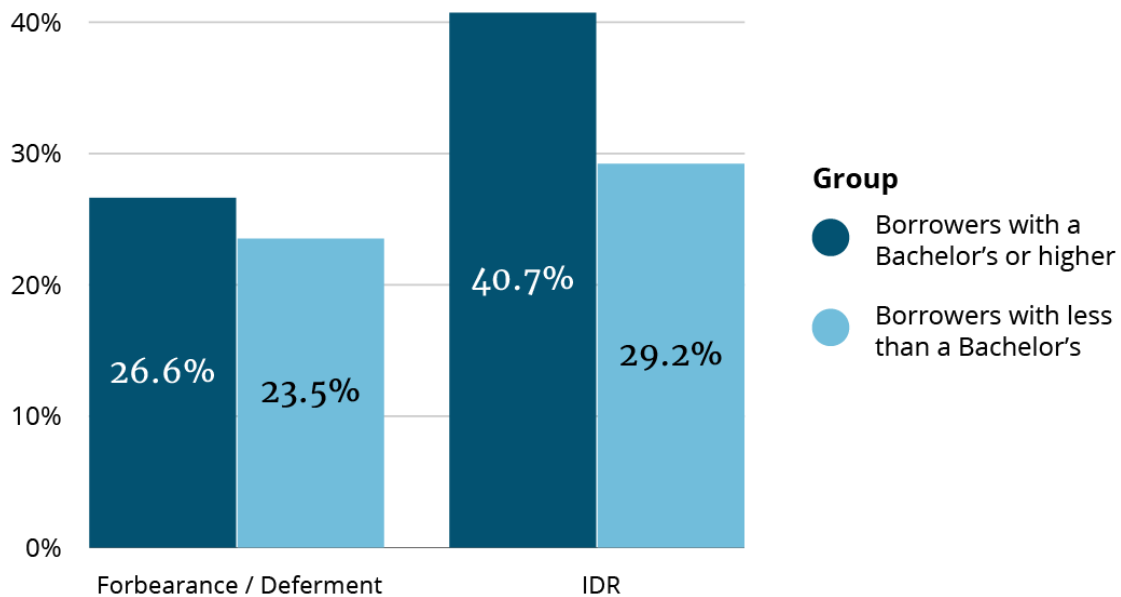


Figure 7. *Unemployed or low income borrowers’ use of IDR and forbearance/deferment*



Additionally, it appears that unemployed and low income borrowers with less than a bachelor's degree are less likely to take advantage of IDR than unemployed and low income borrowers with a bachelor's degree or higher. However, unemployed and low income borrowers with less than a bachelor's degree are also less slightly likely to be on forbearance/deferment compared to unemployed and low income borrowers with a bachelor's degree or higher. All in all, there is still work to do to ensure that borrowers facing serious financial hardship have the right information and guidance to stay on course for repayment.

Figure 8. *The use of IDR or forbearance/deferment by degree attainment*



Ensuring borrowers
know their options
could make **ALL**
the difference.



CONCLUSION: CLOSING THE INFORMATION GAP

The student loan program touches the lives of 43 million borrowers who find themselves in a wide variety of financial and personal circumstances. Over the years, the program evolved to offer borrowers a variety of options that are meant to help them manage repayment regardless of the circumstances they face. Though intended to be helpful, the range of options can make it difficult to understand exactly what course of action best suits an individual's circumstances. Sorting this all out was made all the more complicated given the three-year pause to repayment and the questions that loomed around repayment and loan forgiveness in the months leading up to the restart of payments.

“*I’m nervous that I’m forgetting to submit something. I don’t want to pay thousands extra because **I didn’t submit something correctly.***”

—Student loan borrower working in the healthcare sector

Our survey shows that most borrowers seem to have a grasp on some of the options that are available to them, but many are not taking advantage of the best options for them. This seems to be particularly true for borrowers who have less than a Bachelor’s degree and borrowers living on limited income. New plans like the Biden Administration’s SAVE are attempting to better support borrowers, [but so far have added to the confusion](#) as borrowers race against the clock.

With 43 million student loan borrowers across the country holding \$1.6 trillion of federal debt, student debt and repayment is a national concern. This survey is an important reminder that, if we want to make sure our loan program is setting borrowers up for successful repayment, they can’t be left alone to figure it all out. It is also a call to action for loan services, universities, employers and anyone else who is invested in the financial well-being of America’s borrowers.

APPENDIX

NOTE ON TIMING OF THE SURVEY

Gallup administered the survey between June 1 and June 20, 2023. Within this timeframe, borrowers already knew that the Biden administration's debt repayment pause was not going to be extended, and that their student loans would resume at some point in 2023. The exact date was not decided on until the survey began, so some of borrowers responding to the survey may not have known the exact date repayments would commence. However, all borrowers who took our survey, provided that they were tracking the news, would have known that their repayments were going to start again in the near future.

Separately, but relevant to loan repayment, the Supreme Court issued its ruling striking down the Biden administration's plans to forgive up to \$20,000 of student loan debt until June 30th. The fate of loan forgiveness was not resolved until after the survey closed.

METHODOLOGY

On behalf of WGU Labs, Gallup conducted a web-based survey of US adults ages 21 to 50 to understand how student loans have impacted their lives, including their financial choices and their decisions to pursue additional postsecondary education.

The survey was administered to a non-probability, opt-in panel sample and demographic quotas were used to ensure the sample of respondents was broadly representative of the adult US population. Respondents were able to complete the survey on a desktop computer, tablet, or mobile device.

Gallup administered the survey to the following three subgroups of U.S. adults:

1. 350 Bachelor's degree holders (and above) with no student loans
2. 1,520 Bachelor's degree holders (and above) with student loans, including an oversample of 350 Hispanic and 350 Black borrowers
3. 1,350 adults with either an Associate's degree or some college credit but no Bachelor's with student loans, including an oversample of 350 Hispanic and 350 Black borrowers

FIELDWORK

Fieldwork was conducted between June 1, 2023 and June 22, 2023.

Fieldwork Management

As a standard procedure, Gallup sets “soft quota” targets on key demographics for population samples to ensure a good balance of responses from different groups of people and to reduce bias. Additionally, soft quotas control for subgroups who are more likely to respond quickly, thus giving late responders (who are more likely to be from harder-to-reach subgroups) more time to complete the survey. These soft quotas are a critical tool when administering surveys to opt-in web panels, where respondents tend to be older and have higher education and income levels.

Gallup used the 2021 Survey of Household Economics and Decisionmaking (SHED) data set from the Federal Reserve to develop soft quotas for our target population of US adults ages 21 to 50. Gallup set quotas for gender and region within each subgroup described above.

Gallup monitored the demographic composition of respondents throughout the fieldwork period to bolster the representativeness of the sample.

Quality Assurance (QA) and Quality Control (QC) Procedures

Gallup employed a variety of QA/QC procedures to ensure the highest data quality, including reviewing the following metrics on a daily basis during the fielding period as well as at the close of fieldwork:

- **Speeding:** Identifies respondents who are moving too quickly through the survey to provide quality responses. Gallup removed cases that were one-third below the median survey length.
- **Straightlining:** Identifies respondents who provide the same response to most or every item within a battery of questions when such responses are not plausible. Gallup also looks across items to see if respondents are selecting the same response options across multiple sets of items (e.g., if a respondent straightlines across more than one battery of items). For this study, Gallup identified some potential straightlining in the L19 battery (that measured the extent to which borrowers trusted a series of sources for information about debt repayment) but opted to retain those cases as, given the question wording, it was plausible for a respondent to select the same response option for each question in the battery. Gallup also confirmed that respondents did not select only the top or bottom responses across the questionnaire.
- **Consistency/logic checks:** Identifies respondents who provide inconsistent responses across items. Gallup also compared distributions of items that may lead to more satisficing from respondents and flagged extreme outliers.

Throughout the fieldwork period, Gallup checked all cases that met one or more of the criteria above. Gallup automatically removed any case that had at least two quality concerns associated with it and investigated other cases that had one instance of potentially fraudulent or inattentive behavior.

Weighting

Gallup conducted post-stratification weighting on the final samples for each subgroup and the sample overall, constructing five weights in total.

Variable Name	Description	Stratification Variables	Use
group1_weight	Weight for BA+ no loan scaled to the sample size	race, age and income*	When comparing group specifically
group2_weight	Weight for BA+ with loan scaled to the sample size	race, age, region, income and gender	When comparing group specifically
group3_weight	Weight for Associates some college with loan scaled to the sample size	race, age, region, income and gender	When comparing group specifically
proj_weight	Weight for BA+ no loan scaled to the US population	race, age, region, income and gender	When wanting to project to the national prevalence
total_weight	Weight for all cases scaled to total sample	race, age, region, income and gender	When wanting to analyze the entire sample without needing to incorporate weighting effects

*Due to small sample sizes within this subgroup, region and gender were omitted for stratification.

The post-stratification variables included race, age, income, gender, and region. Gallup constructed these demographic targets using the SHED data set. Gallup conducted post-stratification using a raking procedure, ranking multiple times with different trimming options and choosing the option with the best tradeoff between variance introduced from weighting and how closely the data matched the national demographic targets.

Finally, Gallup conducted an audit of the weighting procedure to assure that the weighting process was properly implemented.

Descriptive statistics for the sample

The tables below describe the weighted make-up of the sample. The sample is divided into three groups by debt category:

1. Student loan borrowers with a Bachelor's degree or higher
2. Student loan borrowers with an Associates degree or some credit for a Bachelor's degree but no Bachelor's degree
3. Individuals with a Bachelor's degree or higher who never took out student loans

The following tables contain the weighted counts and percentages of the race/ethnicity, gender, and age breakdown of borrowers with a Bachelor's degree or higher.

Count of how many individuals were in each of the three debt category groups

Debt category group	Count	Percentage
Borrowers with Bachelor's degree or higher	1686.14	49.50%
Borrowers with less than a Bachelor's degree	566.49	16.63%
Individuals with Bachelor's degree or higher and no loans	1153.37	33.86%

STATISTICS FOR STUDENT LOAN BORROWERS WITH A BACHELOR'S DEGREE OR HIGHER

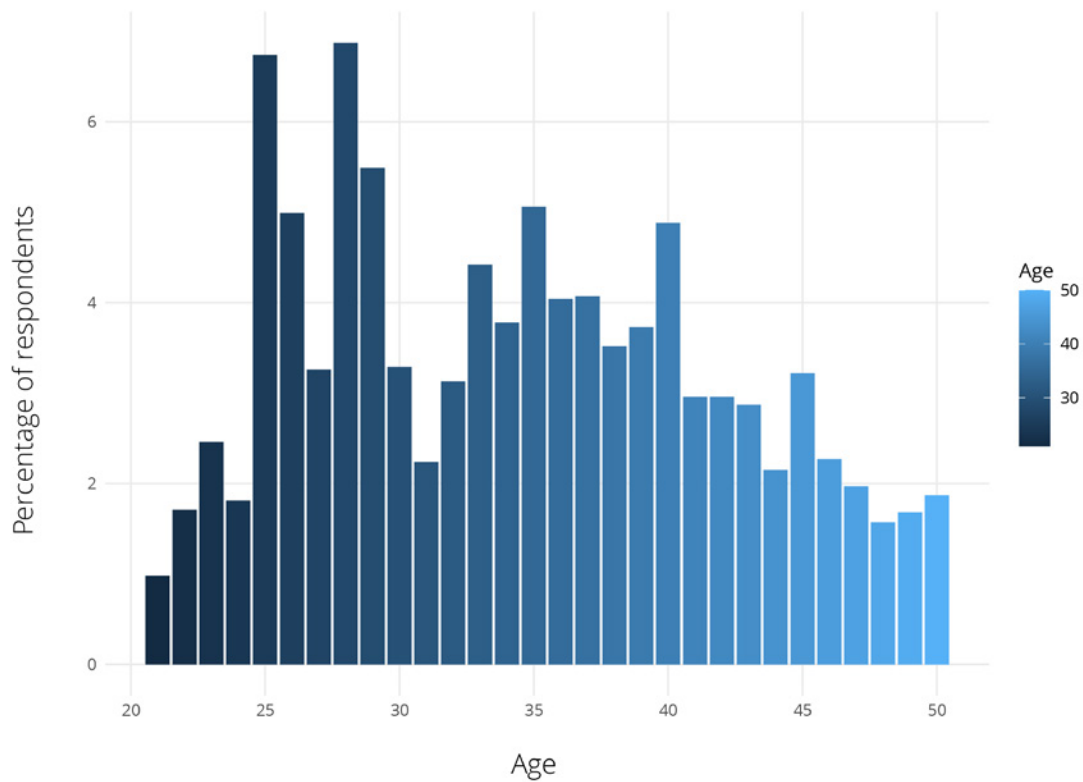
The following tables contain the weighted counts and percentages of the race/ethnicity, gender, and age breakdown of borrowers with a Bachelor's degree or higher.

Race/ethnicity group	Count	Percentage
Black or African American borrowers	170.22	11.20%
Hispanic or Latina/o/x borrowers	166.97	10.98%
Other borrowers (mostly white)	1182.81	77.82%

Gender breakdown

Gender breakdown	Count	Percentage
Women	837.81	55.32%
Men	668.13	44.11%
Non-binary folk	8.58	0.57%

Age breakdown



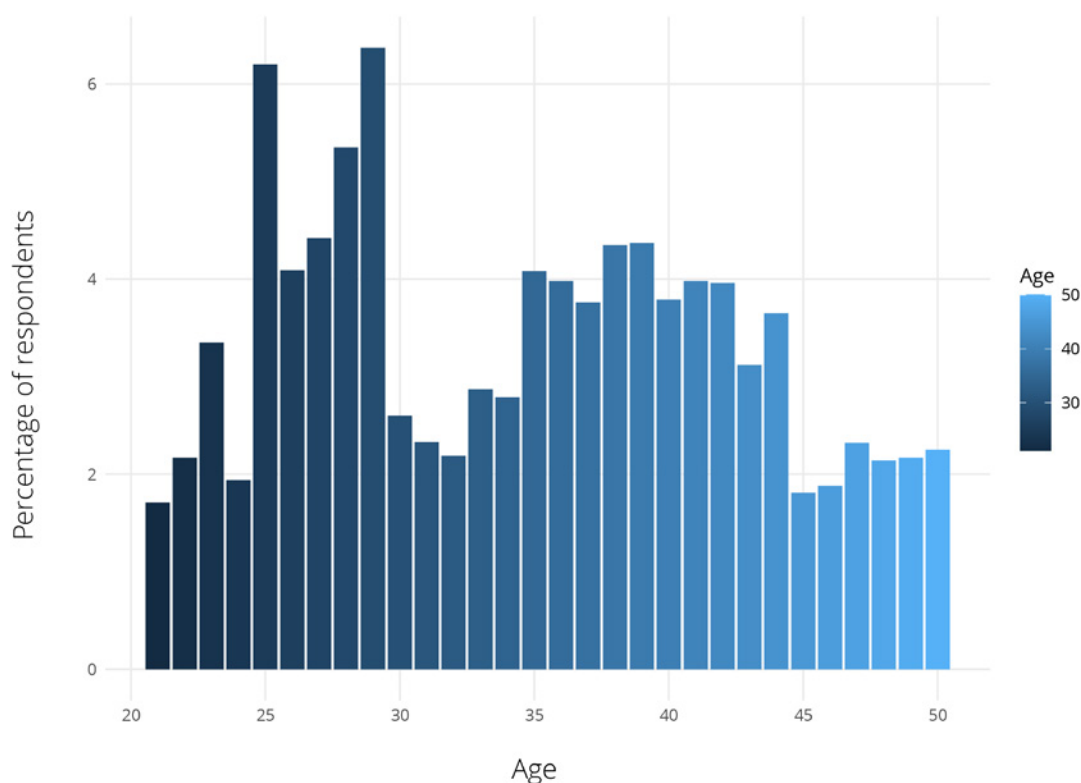
Statistics for Student loan borrowers with less than a Bachelor's degree

The following tables contain the weighted counts and percentages of the race/ethnicity, gender, and age breakdown of borrowers with less than a Bachelor's degree.

Race/ethnicity group	Count	Percentage
Black or African American borrowers	326.76	21.27%
Hispanic or Latina/o/x borrowers	314.71	20.49%
Other borrowers (mostly white)	894.53	58.24%

Gender breakdown	Count	Percentage
Women	837.81	55.32%
Men	668.13	44.11%
Non-binary folk	8.58	0.57%

Age breakdown



Statistics for individuals with a Bachelor's degree or higher and no student loans

The following tables contain the weighted counts and percentages of the race/ethnicity, gender, and age breakdown of individuals with a Bachelor's degree or higher and no student loans.

Race/ethnicity group	Count	Percentage
Black or African American borrowers	19.36	5.53%
Hispanic or Latina/o/x borrowers	42.45	12.13%
Other borrowers (mostly white)	288.19	82.34%

Gender breakdown

Gender breakdown	Count	Percentage
Women	197.59	56.49%
Men	152.17	43.51%
Non-binary folk	0	0.00%

Age breakdown

