

# Borrower Perspectives on Student Loan Repayment: Barriers and Solutions

## The Borrower Journey: Why It Matters

Student debt is one of the biggest financial decisions young people make—yet most begin unprepared. Limited high school financial education, unclear repayment options, and systemic gaps leave borrowers vulnerable. Families avoid cost conversations, institutions rarely curb borrowing, and college optimism often meets harsh repayment realities in a shifting loan landscape. Understanding these challenges is essential to creating solutions that support borrowers before, during, and after college.

**Only 16% of high schoolers are required to take a financial education course.**

Over **50% of college students view repayment as ‘extremely important,’** compared to just 35% of former students.

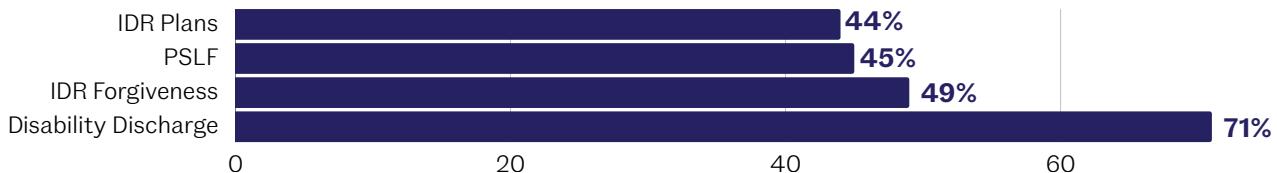
Yet, recent graduates show far higher repayment inaction. **Among borrowers out of school for less than two years, 57% have taken no steps to repay, compared to 37% of those aged 18–24 and 23% of all adults.**

Why? Repayment Grace Period Pitfalls: The 6-month post-graduation window shifts focus to housing and jobs, delaying loan action. **10 million borrowers may be in default by year-end.** Only 50% are actively repaying or in deferment.

**College and graduation years are a prime window for proactive engagement, repayment education, and extra, targeted support to ease students’ transition into repayment.**

### Almost Half of Borrowers Are Unaware of Critical Relief Options

● % Unaware/Not Sure



## Reasons for Not Repaying

### Financial Pressures

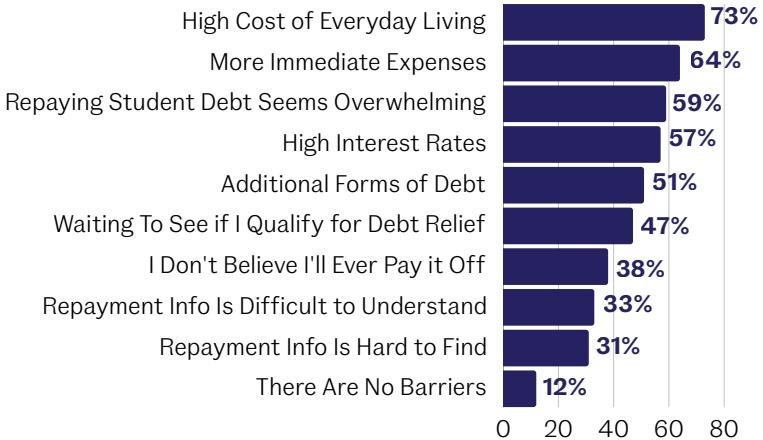
- 73% cite everyday costs as the top barrier to repayment.
- 64% have more immediate expenses, including other, more stressful types of debt (credit cards, auto loans, medical bills, etc.).

### Emotional & Cognitive Barriers

- 59% feel overwhelmed by repayment.
- 47% expect future, automatic forgiveness, though most programs require payments.
- 38% believe they'll never pay off their loans.
- 33% know little or nothing about repayment options or find it difficult to understand.
- 24% tried to take action but were confused by repayment options and information.
- 17% find the student loan system unfair, broken, or rigged against them.

**2 in 3 borrowers live paycheck to paycheck.**

● % Citing Biggest Barriers To Student Loan Repayment



## Strategies to Help Borrowers Better Manage Student Loan Repayment

### How to Communicate with Borrowers to Improve Repayment Outcomes

#### Consequences First, Then Balance with Hope:

- Messages emphasizing the “damaging consequences” of nonpayment outperform benefit-only messages.
- Borrowers respond to real-world impacts like credit damage, wage garnishment, and housing limitations.
- After naming consequences, pivot to empowerment with a clear path forward.

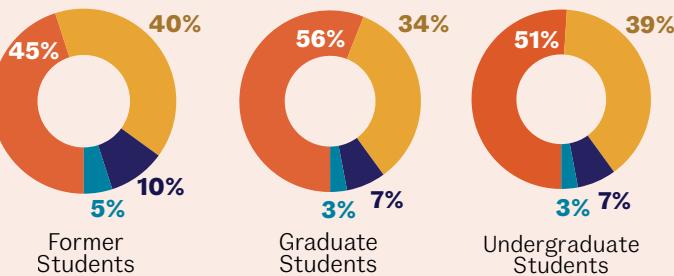
#### Winning Messaging from In-Market Testing:

- Avoiding your student loans can cost you for life.
- You might qualify for more affordable payments and other relief, or even forgiveness. Free counseling can show you how.
- Get free, personalized counseling from a student loan expert to help manage your debt and explore relief options.
- Book no-cost student loan assistance now.

#### What Borrowers Want:

- “Opportunities” to improve their credit.
- To “manage” their loans and “understand” their options.
- Payments they can “afford”.
- Free student loan counseling.

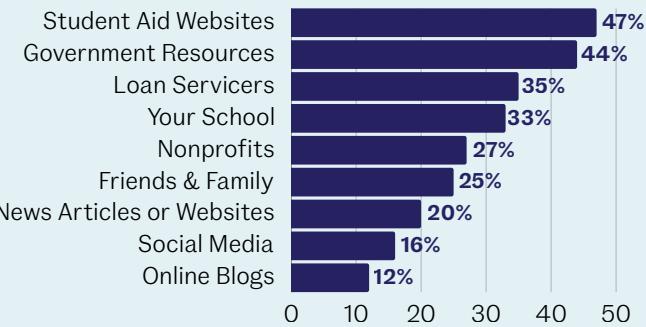
#### 87% of Borrowers Would be Somewhat or Very Likely to Use Free Student Loan Counseling



#### How To Reach Borrowers:

- Trusted messengers: Government resources, loan servicers, universities, and nonprofits.
- Preferred contact method: Once-a-month emails.
- Preferred communication times:
  - Upon graduation and first payment due date.
  - When applying for a student loan.
  - When a student loan is past due.

#### % Viewed As A Trusted Student Loan Information Source



## Recommendations for Borrower Engagement & Intervention

- 1 Deploy targeted, behaviorally informed campaigns to increase awareness of nonpayment risks and relief options like IDR and forgiveness. Deliver clear, actionable information through trusted channels to close knowledge gaps and dispel misconceptions that drive disengagement—like the belief that borrowers must repay their full balance or that new, broad-based relief is coming.
- 2 Embed loan education into high school and college curricula to build financial literacy early and reduce age-related risk of inaction.
- 3 Streamline and automate repayment processes to minimize servicing failures, reduce complexity, and prevent cognitive overload.
- 4 Expand personalized, trust-based counseling throughout the borrower lifecycle to address confusion, decision fatigue, and demand for tailored guidance.

#### About This Research

Findings stem from research using insights from the Community Service Society’s Education Debt Consumer Assistance Program (EDCAP)—the nation’s first statewide direct-assistance program for student loan borrowers. The research combined qualitative research, quantitative analysis, and large-scale message testing to develop strategies to reduce delinquency and default. It included a focus group of 11 borrowers, a national survey of 1,000 borrowers, and message testing with over 74,000 New York adults.

## Addendum: Messaging Hierarchies for Targeted Repayment Guidance

Extensive survey research explored how different combinations and sequences of messages resonate with distinct borrower groups. Below are the most compelling messaging hierarchies and flows identified for each group:

	Former Students	Graduate Students	Undergraduate Students
Consequences	<p>The damaging consequences of putting off student loan repayment can impact your entire life.</p> <p>Federal student loans have no statute of limitations, meaning if you default, not only will your credit score be impacted, the government can also enforce automatic collections on various sources of income until you die.</p> <p>If your loans go into default, the government can contact your employer, garnish or offset your wages, tax refund, and even your social security in retirement for the rest of your life. Your balance will also continue to grow as interest, penalties, and fees accumulate.</p>	<p>Putting off repayment after graduation can have serious, lasting consequences.</p> <p>Once your six-month grace period ends, missed payments lead to delinquency and credit damage. After three months, delinquency is reported to credit bureaus, and each missed payment can drop your score by 49 to 82 points, making it harder to rent an apartment, buy a car, or even secure employment. After nine months, your loans go into default, which can trigger wage garnishment and collections.</p>	<p>Putting off repayment after graduation can have serious, lasting consequences.</p> <p>Once your six-month grace period ends, missed payments lead to delinquency and potential default later, significantly damaging your credit score.</p> <p>Late payments, typically reported after 90 days for federal loans, can remain on your credit report for up to seven years.</p> <p>This can make it challenging to qualify for favorable terms on future loans, rent an apartment, or open a phone plan.</p>
Benefits	<p>You deserve financial peace of mind. There are simple ways to make your monthly payments more manageable, postpone your loan repayments, or explore relief options—all designed to help you stay on track and keep your loans in good standing.</p> <p>Keeping your loans in good standing improves your credit score and prevents collection activity. Getting control of your student debt doesn't always mean paying it off, but it will give you more opportunities and control over your future.</p>	<p>Reducing your financial stress is simple.</p> <p>There are easy ways to make your monthly payments more manageable, postpone your payments, or explore relief options—all designed to help you stay on track and keep your loans in good standing. Keeping your loans in good standing improves your credit score and prevents collection activity. If you want to buy a home or a car, improving your credit is important. Taking action to tackle your debt with consistent, on-time payments is vital to building credit and can open doors to better interest rates on future borrowing.</p>	<p>You deserve some financial peace of mind and reducing your financial stress is simple.</p> <p>There are easy ways to make your monthly payments more manageable or to postpone your payments. Getting control of your student debt doesn't always mean paying it off, which is not feasible for many borrowers. Taking action will help you invest in your future.</p>

## Addendum: Messaging Hierarchies for Targeted Repayment Guidance (cont'd)

	Former Students	Graduate Students	Undergraduate Students
<b>Education That Moves</b>	<p>Overwhelmed by your student debt? You have options.</p> <p>There are resources to help you understand your relief options and define a comprehensive strategy to manage your student loans.</p> <p>There are 10 different options: Income-Driven Repayment Forgiveness, Public Service Loan Forgiveness, Borrower Defense to Repayment if you were defrauded by your school, disability discharge, state-based forgiveness programs, Teacher Loan Forgiveness, Perkins Cancellation, school closure discharge, discharge upon death, and bankruptcy.</p> <p>These programs help you avoid paying the full balance, which is often unrealistic for many.</p>	<p>Staying on track after graduation is easier than you think. Start by updating your contact information at studentaid.gov and setting up your loan servicer account—monitor your correspondence closely. You'll receive a notice 21 days before your first payment is due. Even if you don't have a job yet, you can enroll in an Income-Driven Repayment (IDR) plan, which bases your payment on income and family size, some as low as \$10.</p> <p>You also have options to reduce your long-term burden and avoid paying the full balance. These include IDR Forgiveness, Public Service Loan Forgiveness, Borrower Defense to Repayment, disability discharge, state-based forgiveness programs, Teacher Loan Forgiveness, Perkins Cancellation, school closure discharge, discharge upon death, and bankruptcy.</p>	<p>Don't let student loans keep you from doing what you want. Learn more about your options to manage your debt.</p> <p>Start by updating your contact information at studentaid.gov and setting up your loan servicer account—monitor your correspondence closely. You'll receive a notice 21 days before your first payment is due. Even if you don't have a job yet, you can enroll in an Income-Driven Repayment (IDR) plan, which bases your payment on income and family size, some as low as \$10.</p> <p>You also have options to reduce your long-term burden and avoid paying the full balance. These include IDR Forgiveness, Public Service Loan Forgiveness, Borrower Defense to Repayment, disability discharge, state-based forgiveness programs, Teacher Loan Forgiveness, Perkins Cancellation, school closure discharge, discharge upon death, and bankruptcy.</p> <p>Managing your student loans now means you can invest more into what you care about in the future.</p>



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