

## Record Numbers Of Student Loan Borrowers Failing To Make Repayment

January 5, 2024 - Last year the Biden Administration attempted to forgive \$400 Billion in student loan debt. The administration's initiative would have allowed borrowers to eliminate at least \$10,000 each in debt, and in some cases that amount would have been doubled. But the administration was sued and last summer the Supreme Court ruled that the administration had exceeded its authority with its plan. So in September, loan repayments became mandatory again. But according to the most recent government data, borrowers have not done what the government expected. A staggering 40% of student loan borrowers are now delinquent on their loans. That amounts to 9 million people failing to pay their bill.

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Repayment of federal student loans was initially put on hold in March 2020 due to the COVID-19 pandemic. Before the pandemic, only about one-quarter of borrowers were avoiding payments, but the extended forbearance period led to a substantial increase in the number of delinquent accounts.

Some additional delinquencies were anticipated when repayment restarted, but nobody expected that number to soar to the current levels. According to various sources though, it wasn't just borrowers who weren't prepared for repayments to start again. Loan servicers are also apparently having trouble processing the volume of loans they are working.

It is understandable that after more than a three-year break in repayment, some borrower may have gotten used to not having to make their payments. But student loan borrowers need to be aware of the fact that there are consequences for nonpayment. And they include more than just a reduction in their credit score.

Federal student loans were made available by an act of congress. The law that provides the loans specifically prohibits these loans from being discharged in bankruptcy and it makes clear that the government expects the money back. The government has the right to withhold tax return payments and can even garnish social security and pension payments for retirees that still have student loan debt. In the long run, borrowers who fail to make repayment as planned could find that they never have the ability to retire because of their decisions to avoid repayment.

Borrowers would be much better served to get on a repayment plan with the government. There are a number of programs available including those that are income based. All of these programs will eventually lead to the debt being repaid or discharged and eliminate the threat of garnishment.

by Jim Malmberg

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