Millions Face Credit Score Hits as Student Loan Delinquencies Resurface

March 28, 2025 - In a major shift affecting millions of Americans, roughly 9.7 million student loan borrowers are now seeing their delinquent loans reported to credit bureaus for the first time since the COVID-19 pandemic began. This change, which could drastically lower credit scores, comes after the end of pandemic-era protections that had temporarily shielded borrowers from the financial consequences of missed payments.

During the height of the pandemic, federal student loans were automatically placed in forbearance, freezing required payments and keeping delinquent accounts from damaging credit scores. According to Time Magazine, that relief officially ended in September 2023. It was followed by a 12-month â€œon-rampâ€• period that allowed missed payments without immediate credit consequences. That on-ramp expired on September 30, 2024.

Now, with those protections gone, borrowers whoâ€™ve fallen behind are seeing their delinquencies reported just like before the pandemicâ€”sometimes with steep consequences. The Federal Reserve Bank of New York, writing in its Liberty Street Economics blog on March 25, 2025, noted that more than 9 million borrowers will likely see their credit scores fall in the first half of 2025. For borrowers who previously had excellent credit, the average drop could be as much as 171 points, while those with lower scores may see a hit of around 87 points.

According to The Wall Street Journal, these newly reported delinquencies could cause long-lasting damage, affecting access to car loans, mortgages, or even rental applications and job opportunities.

The financial weight behind these numbers is staggering. As Reuters and Investopedia report, the 9.7 million borrowers in delinquency collectively owe more than $250 billion. On an individual level, the average undergraduate borrower holds about $29,300 in federal student loan debt.

While some borrowers have been able to resume payments without issue, others have struggledâ€”especially amid rising costs of living. Advocates urge borrowers who are falling behind to contact their loan servicers right away. Options like income-driven repayment plans, deferment, or forbearance may soften the blow and help avoid deeper credit damage.

Though the return to normal credit reporting marks the end of a long grace period, borrowers still have tools to manage whatâ€™s ahead. With attention and action, many can avoid the worst outcomesâ€”even as the safety nets of the past few years disappear.

by Jim Malmberg

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