JULIAN BOND INSTITUTE

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Congress Has the Authority & Obligation to Respond as Many Student Loan Borrowers Struggle

Many student loan borrowers are financially strained, and policy changes will make it harder to keep up

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Background

As living costs continue to rise and the federal student loan system is being fundamentally restructured, millions of borrowers are caught between increasing household expenses and a repayment system that is becoming harder to navigate. Understanding the financial condition of the borrower population before these changes take full effect matters because policy changes interact with the financial circumstances of the people they affect.

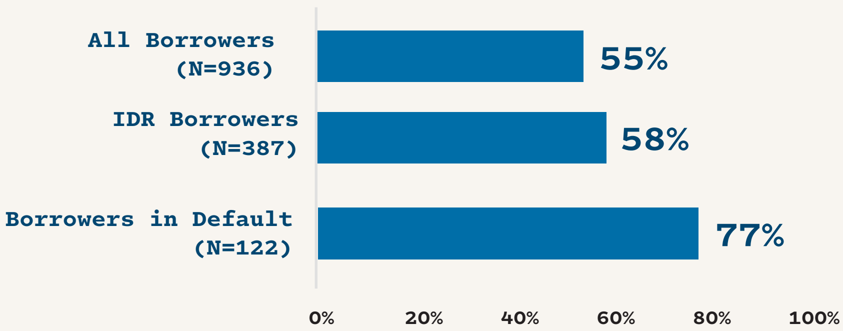
Drawing on data from the Julian Bond Institute's 2050 Survey, which was administered by NORC at the University of Chicago, this analysis examines how federal student loan borrowers are faring as those changes take effect. The survey is a nationally representative effort designed to examine financial experiences at the intersection of race and generation, and it captures a broader range of financial indicators than most existing data sources. The findings reported here draw on the subset of respondents who currently hold federal student loan debt.

The data show that many borrowers are already financially strained. For a population already managing multiple debt obligations, with little savings and limited cash flow, policy changes that increase payment obligations, narrow repayment options, or resume aggressive collections could not be coming at a worse time.

Financial strain is severe & worst among the most vulnerable

The 2050 survey shows that most borrowers are struggling to keep up with their finances. More than half (55%) report finding it difficult to get by or just getting by financially. That share rises to 58% among borrowers on income-driven repayment (IDR) plans and to 77% among borrowers in default.

Percent of Borrowers Finding It Difficult or Just Getting by Financially



Source: JBI 2050 Survey, conducted by NORC at the University of Chicago, Sept-Oct 2025.

For many borrowers, financial strain is driven by expenses outpacing income. Nearly half (42%) say their household cannot save money because their monthly expenses exceed their income. That includes 45% of IDR borrowers and 67% of borrowers in default.

42%

of all borrower households cannot save money because expenses exceed income.

That includes 45% of IDR borrowers and 67% of borrowers in default.

As a result, many borrowers have very little financial cushion. Only 29% have enough set aside to cover three or more months of expenses if their household lost its main source of income. Among IDR borrowers that figure is 27%, and among borrowers in default it drops to just 7%.

29% of all borrowers have enough set aside to cover three or more months of expenses.

27% of IDR borrowers and 7% of borrowers in default have this cushion.

Credit card debt, medical debt, & utilities debt compound the student loan burden

Most borrowers are managing their student loans alongside other significant financial obligations. Nearly half (49%) carry revolving credit card balances, at a time when American families are already grappling with record levels of consumer credit card debt. Nearly 1 in 5 (18%) report medical debt or past-due medical bills, and one in 10 (10%) report utilities debt.

More than 1 in 4 borrowers turned to high-cost loans in the past year

Many borrowers are bridging the gap between what they earn and what they owe with payday loans, wage advance apps, and other high-cost products. More than 1 in 4 (26%) used at least one high-cost financial product in the past year, including payday loans, wage advance apps, pawn loans, retirement withdrawals, and rent-to-own arrangements. Thirteen percent used a wage advance app at least once, 7% took out a payday loan, and 10% took a retirement loan or hardship withdrawal to cover short-term needs.

26% of borrowers used at least one high-cost financial product in the past year.

13% of borrowers used a wage advance app at least once.

7% took out a payday loan.

10% took a retirement loan or hardship withdrawal.

Nearly half of borrowers experienced a credit distress event in the past five years

The financial pressure borrowers face has already pushed many into missed payments and collections. Nearly half (45%) experienced a credit distress event in the past five years, such as a missed payment or collections. And more than a third (36%) sought financial help from family or friends at some point to avoid going past due on a loan or other obligation. Financial strain is taking a toll on borrowers' long-term financial goals.

45%

of student loan borrowers experienced a credit distress event in the past five years.

36%

sought financial help from family or friends at some point to avoid going past due on a loan or other obligation.

High aspirations but lack of access

The 2050 survey asks respondents about their wealth-building aspirations and their confidence in achieving them. Federal student loan borrowers enter the current policy environment with high aspirations but limited confidence. Nearly all borrowers (90%) aspire to save for retirement and 86% aspire to own a home. However, more than half (51%) feel off track on retirement, and that share is consistent across racial groups, suggesting this is a widespread problem among student loan borrowers. On homeownership, 38% feel off track overall. That share is 46% among Black borrowers, 37% among Latino borrowers, and 36% among White borrowers.

Congress has the authority & the obligation to respond

For borrowers with thin savings, multiple debt obligations, and monthly expenses that exceed income, looming changes to their repayment options will only make things worse. Racial disparities across nearly every indicator in the survey (credit distress, high-cost product use, utilities debt) suggest that Black and Latino borrowers face compounded risk as these changes take effect.

At the same time, the workforce reductions and changed policies at the Department of Education and the Consumer Financial Protection Bureau (CFPB) compound these risks. With fewer staff to catch servicing errors, respond to borrower complaints, or enforce servicer accountability, borrowers navigating a more complex repayment system will have fewer avenues for help precisely when they need them most.

Congress has the authority to change course by passing new legislation to reverse provisions of the One Big Beautiful Bill Act, such as reinstating the $0 payment option and more generous hardship deferment and forbearance. Further, Congress should eliminate the new borrowing limits that will push students towards higher-cost private loans, or worse, make education completely inaccessible. Congress should also restore and maintain adequate funding to the Department of Education, investing in programs like subsidized loans and Pell grants that help lower- and middle- income borrowers. Congress must likewise fully fund the CFPB to identify servicing errors, enforce borrower protections, and respond to borrower complaints. Finally, Congress should hold servicers accountable for accurate payment calculations, correct credit reporting, and accessible customer support.