EQUIFAX

5 ways lenders can assess the impact of federal student loan debt

Hundreds of millions of dollars could be at risk

After a three year deferment, most federal student loan payments have resumed.

What could that mean for consumers facing repayment?

Up to a **17%** jump in monthly debt commitments[1]

An extra **$244**[2] or up to $500[3] or more owed each month

4-5% pay cut off median household income[4]

Federal student loan related risk exposure could surprise you

Check out these findings based on analyses performed for multiple banks and credit unions:[5]

About **20%** of customers held federal student loan debt at another lender

Each customer with federal student loan debt has between **3-4** student loan accounts

Federal student loan debt ranges from **4%-10%** of overall consumer debt

Average federal student loan debt:
About **$31,000 - $43,000** in total
About **$9,000 - $12,000** per account

Dollar risk exposure:
Hundreds of millions for smaller lenders
Several billions for larger lenders

About **26%** have low financial durability and are unlikely to have the resiliency to meet all of their financial obligations

Amongst prime and super prime borrowers.

Why should lenders be concerned?

Lenders — even those that do not hold student loans on their books — need to evaluate which of their customers have federal student loan debt and gain insight on their ability to meet financial obligations.

- What percent of your customers have federal student loans?
- What is the risk exposure that this debt presents?
- How much federal student loan debt is owed by these customers?
- Which student loan borrowers are most likely to have the financial capacity to pay their student loan bills and all of their debt commitments? And which might not?

Now is the time to deepen your understanding of the impact of student loan debt on your customer base and portfolio.

How Equifax can help

1. **Determine which customers have federal student loans.**
   Customer Portfolio Review
2. **Incorporate student loan and alternative data attributes** to create high-risk categories for further analysis.
   Consumer Attributes
3. **Increase the frequency of account reviews.** Identify customers that have taken on new credit, increased utilization, only made minimum payments, recently missed payments, or experienced credit score changes.
   Customer Portfolio Review
4. **Get alerts** to risk changes "Off-You".
   Account Management Triggers
5. **Segment borrowers by their financial durability** and resilience to meet debt commitments.
   Financial Durability Measures

With this additional insight, take action

Maintain close ties with customers and **reach out early** to segments that may present increased risk:
- Provide financial education/counseling
- Offer modified repayment plan, refinancing, or debt consolidation

Manage credit limits for revolving customers

Adjust cut-off scores for new loans

Revise collection strategies

Contact your account manager or ask for a consultation with our risk advisor experts.

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1) The student loan crisis white paper, Shur℠, Equifax, and VantageScore®, July 2022.
2) The student loan crisis white paper, Shur℠, Equifax, and VantageScore®, July 2022.
3) Education Data Initiative, May 30, 2023.
4) Wall Street Journal, July 15, 2023.
5) Equifax analytics. Results may vary based on actual data and situation.