

Helping Employees Prepare for Student Loan Repayment



The student loan repayment pause has given student loan borrowers of all generations and demographic groups a break from student loan payments for three years. We look at the possible impacts returning to repayment may have on employees – and steps employers can take to help their employees prepare for repayment and ease their emotional and financial stress.

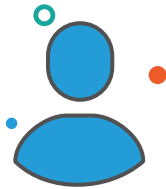
Introduction

With federal student loan payments on hold since March 27, 2020, most borrowers have not made payments over the past three years. In fact, the latest federal data shows that only 500,000 borrowers – or 1.16% of all 42.9 million federal loan borrowers – have made payments during of the pause.¹ Now that repayment will resume soon, how will borrowers be impacted?



What's Changed During the Payment Pause?

In the past three years, prices for most common goods have increased and interest rates have risen, impacting the cost of living and the cost of borrowing.



Employees in their mid-20s may not have experienced life with student loan payments yet at all.



Thirty-somethings may have gotten married, bought houses, started families, and taken on more debt.

Middle-aged borrowers may be feeling the crunch to save for retirement, facing issues caring for elderly parents, and paying for their children's education.



The 17% of borrowers who were delinquent before the payment pause may face similar or significant hardship with the restart of payments. ²



Some borrowers may not have completed their degrees due to health or financial issues and may not be earning the income they anticipated to be able to pay off debt they incurred.

Why Prepare Now?

Employers may be hesitant to take action helping employees with student loan repayment while the Supreme Court case is still pending, but anxiety for many employees with federal student loans is starting to ratchet up as a decision looms closer. Even if the Supreme Court rules in favor of the proposed debt cancellation plan, it will offer limited relief – up to \$10,000 for all borrowers who earn less than the income limits, and up to \$20,000 for those who ever received a Pell Grant.³

Employers who consider how they can provide useful information and guidance to prepare their employees for student loan repayment can gain an edge by showing they understand the challenges their employees face. They also reduce financial stress for their employees by encouraging them to take meaningful actions, such as consolidating loans or setting up a payment plan that makes payments affordable when repayment resumes.

Providing Guidance for Employees Prior to Repayment

A 2022 analysis of New York Fed's Survey of Consumer Expectations asked respondents with paused student loan payments to predict the likelihood of delinquency should payments resume in a month, with a predicted 16.1% risk of delinquency. Rates were somewhat higher for non-white, female, and middle-aged borrowers.⁴

While some borrowers may fail to make timely student loan payments when they resume, many others may make their payments but struggle with other expenses or life events such as buying a home, starting a family, or saving for retirement or dependents' future education needs. Employers can help by providing guidance and support to their employees prior to the end of repayment pause in one of several ways.

16.1%

of federal borrowers on repayment pause predicted risk of delinquency if payments resumed in a month.⁴

1 Direct Employees to Relief Programs and Help with Verification

For borrowers likely to struggle in repayment, hardship can be avoided. The U.S. Department of Education (ED) offers a variety of programs to help provide relief - [Income-Driven Repayment](#) (IDR), [Fresh Start to Repayment](#), and [Public Service Loan Forgiveness](#) (PSLF). Only a small number of borrowers have enrolled in IDR plans in the past three years. As Brookings Institution points out, there are three main reasons for this:

Borrowers are uncertain payments will restart without loan forgiveness in place.

1

Borrowers need to take proactive steps to enroll.

2

There are limited resources and tools available to facilitate borrower enrollment in programs.⁵

3

Getting borrowers who are likely to struggle when payments resume enrolled now in an available IDR plan can help reduce delinquency later. Encouraging your employees to consider the impact of repayment now and encouraging them to explore the links above can be very helpful. As an employer, you can help your employees complete the “Income Verification” and “Employment Certification” required to access relief under the IDR plans or PSLF.





2

Provide Guidance to Employees on Their Situation

While employers don't want to go too far down the path of advising employees on what to do, there are basic strategies that make sense for borrowers, depending on their goals.

- For borrowers with high income who wouldn't qualify for debt cancellation even if the Supreme Court ruled favorably, making payments during the period when the interest rate is set to 0% means every dollar of their payment goes toward principal, bringing their balance down faster.
- For those staying on a standard repayment plan, making payments during the pause can help chip away at their principle balance.
- For those enrolled in IDR or planning to do so, if the plan is to pay until the loans are forgiven, making payments during the pause doesn't get you any further ahead since you'll have the same payment count whether you pay during the pause or not.
- For those seeking Public Service Loan Forgiveness, it's unnecessary to make payments during the repayment pause, since the months of automatic forbearance count toward the 120 months needed for PSLF.
- Borrowers with Federal Family Education Loan (FFEL) Program debt will only be entitled to receive federal debt cancellation or qualify for the no-interest forbearance with an IDR program if the government owns the loans. These borrowers must consolidate their federal- or commercially-held FFEL Program loans by the end of 2023 in order to take advantage of these options.⁶

For some employers, this may be more information than they have interest, resources, or time to share with their employees. At BenefitEd, one unique resource offered to employers who use one of their education benefits is free financial coaching sessions for employees as part of [Support Solutions](#). BenefitEd is a joint venture between Ameritas and Nelnet, leveraging our experts' student loan expertise and providing clarity and stress relief by helping our clients' employees navigate student loan repayment.

3

Offer a Student Loan Repayment Benefit

When an employer provides information and guidance about student loan repayment to employees, it shows they understand an area where they need help. When an employer provides financial assistance with student loans, it speaks volumes to employees about their level of commitment and genuine caring and provides relief on a different level. Student loan repayment is also shown to provide a proven recruitment and retention edge, too.

The CARES Act provided legislation through at least 2025 which allows employers to use tax-free contributions to make payments toward their employees' student loans. The annual limit of \$5,250 tax-free per employee toward federal or private student loans allows employers to have a significant impact in helping employees manage their payments and pay down loan balances.⁷

Implementing a student loan repayment plan under the CARES Act is fairly simple for employers, but if resources for administration are an issue, providers like BenefitEd offer [Employer-Assisted Student Loan Repayment](#). This program allows employers to choose which employees receive the benefit and how much the employer contributes to each of them. And the experts at BenefitEd handle all of the administrative duties.



4

Prepare Now for SECURE Act 2.0 in 2024

While this strategy doesn't directly help employees prepare for repayment, it's an essential step employers should consider now as they prepare to support their employees who will soon be paying down student loan debt.

As part of the Omnibus Spending Bill passed at the end of 2022, Congress passed the [SECURE Act 2.0](#). Beginning in 2024, this legislation will allow employers to make matching contributions to an employee's retirement plan based on the employee's monthly student loan payments, reducing the number of employees who leave employer match dollars on the table each year. More significantly, employers who take advantage of this legislation will make a tremendous financial impact – and a huge difference in reducing stress – for their employees who struggle to save for retirement while paying down student loan debt.



Supporting Employees Now

Underestimating the impact returning to repayment may have on employees could be a costly mistake for employers. While some employees may be preparing for repayment, it appears likely that many others could be taken by surprise and some will find themselves unable to meet financial demands. If that happens, it may create another employment shift, with employees making changes to seek out employers that offer favorable education benefits such as student loan repayment. At the very least, employers that offer guidance and support to employees as the payment pause ends are building employee goodwill and loyalty – never a bad thing in today’s employment climate.



-
- 1 <https://www.nerdwallet.com/article/loans/student-loans/you-can-pause-two-student-loan-payments-but-should-you>
 - 2 <https://www.brookings.edu/2023/04/13/student-loan-pause-has-benefitted-affluent-borrowers-the-most-others-may-struggle-when-payments-resume/>
 - 3 See footnote 1.
 - 4 See footnote 2.
 - 5 See footnote 2.
 - 6 See footnote 2.
 - 7 <https://www.forbes.com/sites/quora/2023/03/08/how-employers-can-help-with-employees-student-loan-repayments/?sh=dad729b7864d>



To learn more about how BenefitEd can help provide support for employers with **Employer-Assisted Student Loan Repayment** and **Support Solutions**, visit **YouBenefitEd.com**, call 844-358-5707, or email support@youbenefited.com.



BenefitEd is a joint venture between Ameritas  and 