



# Federal Student Loans:

The Return of Delinquency and Its Impact on Lenders

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20 January 2026





Financial Services Summit

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# US Market Situation



Federal student loans entered deferral in March 2020 as the pandemic began.



They remained in deferral for much longer than other credit products until October 2023 when payments resumed with a one year on-ramp program.



At the conclusion of the on-ramp program in September 2024, we first started to see significant level of delinquencies impact consumer scores in early 2025.



Now many of these delinquent consumers are reaching default, which triggers collection efforts and will directly impact a consumers cash flow.

# Agenda

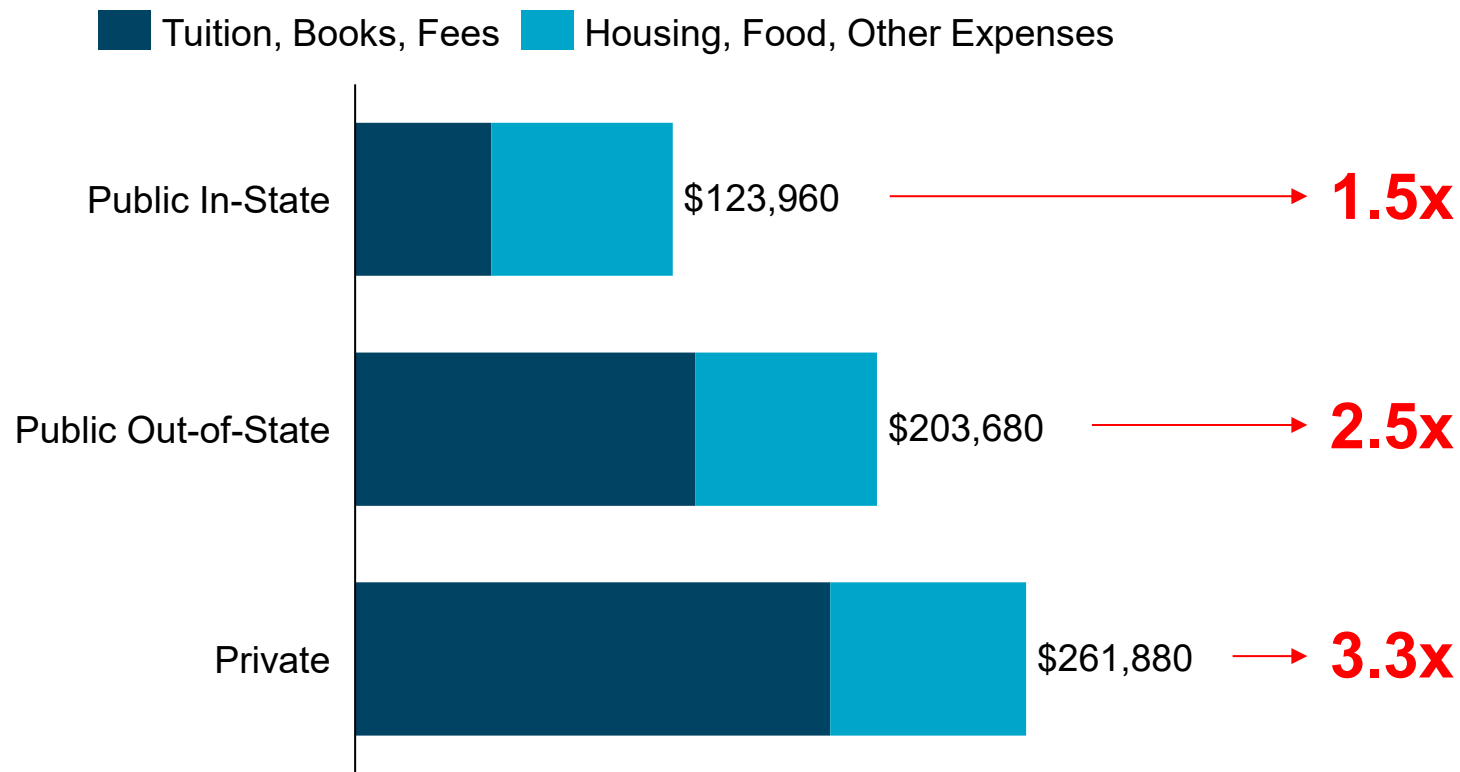
1. Overview of Federal Student Loans
2. Delinquency
3. Credit Score Impact
4. Lender Implications
5. What's Next?



# Overview of Federal Student Loans

# Average education costs far exceed the median annual wage of degree holders

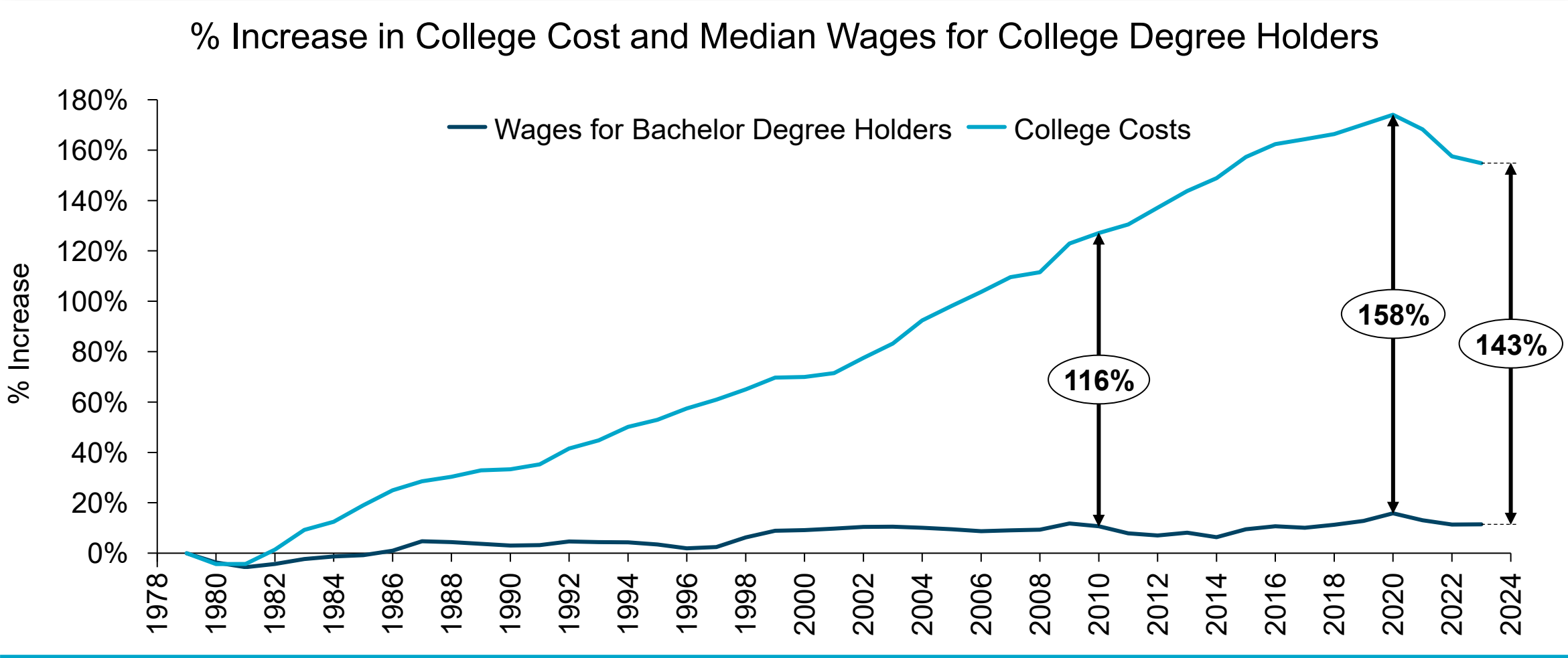
## Average 2025-26 Four Year Undergraduate Costs



**Median Annual Earnings of Bachelor Degree Holders\*\*:**

**\$80,236**

# College costs rose at a much quicker pace than wages over several decades

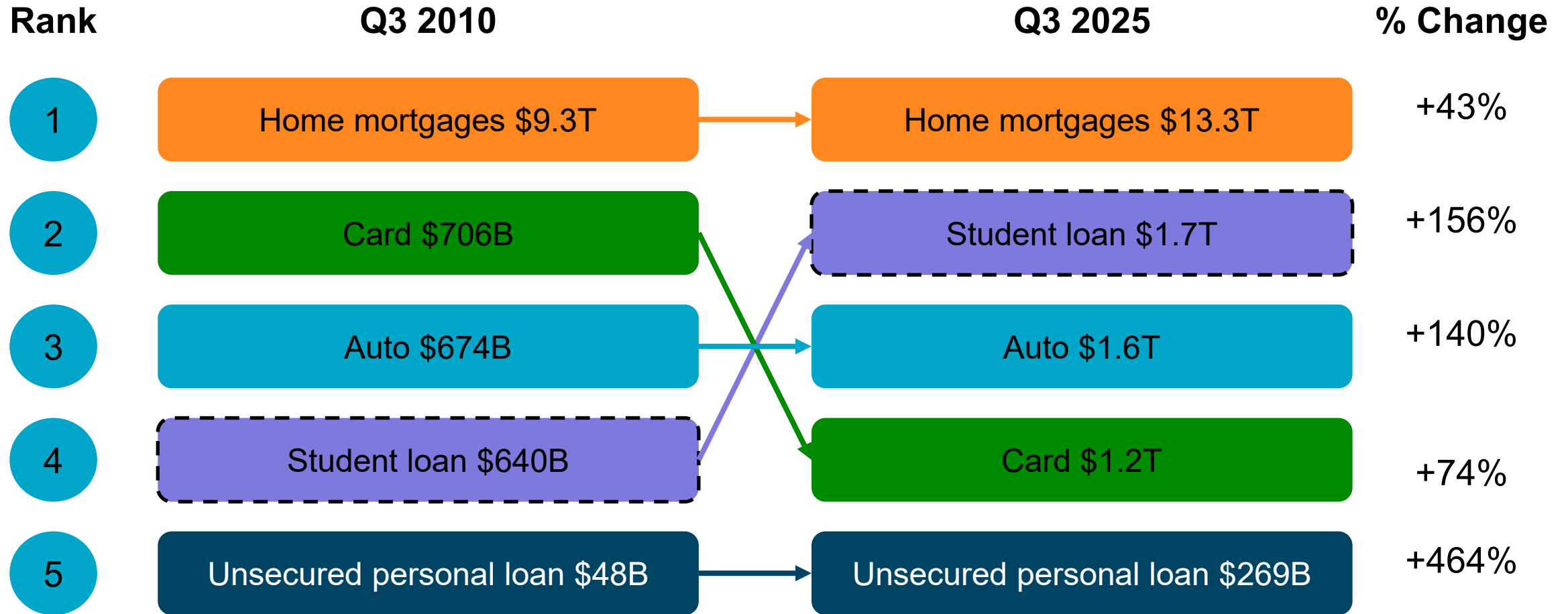


# More consumers are holding student loans with higher balances and payments

	Student Loan Holders	Average Balance	Average Payment
2025	41.5M	\$51,990	\$306
2010	30.0M	\$30,321	\$201
	38%	72%	52%



# As a result, student loan debt is now the second largest consumer debt class at \$1.7T



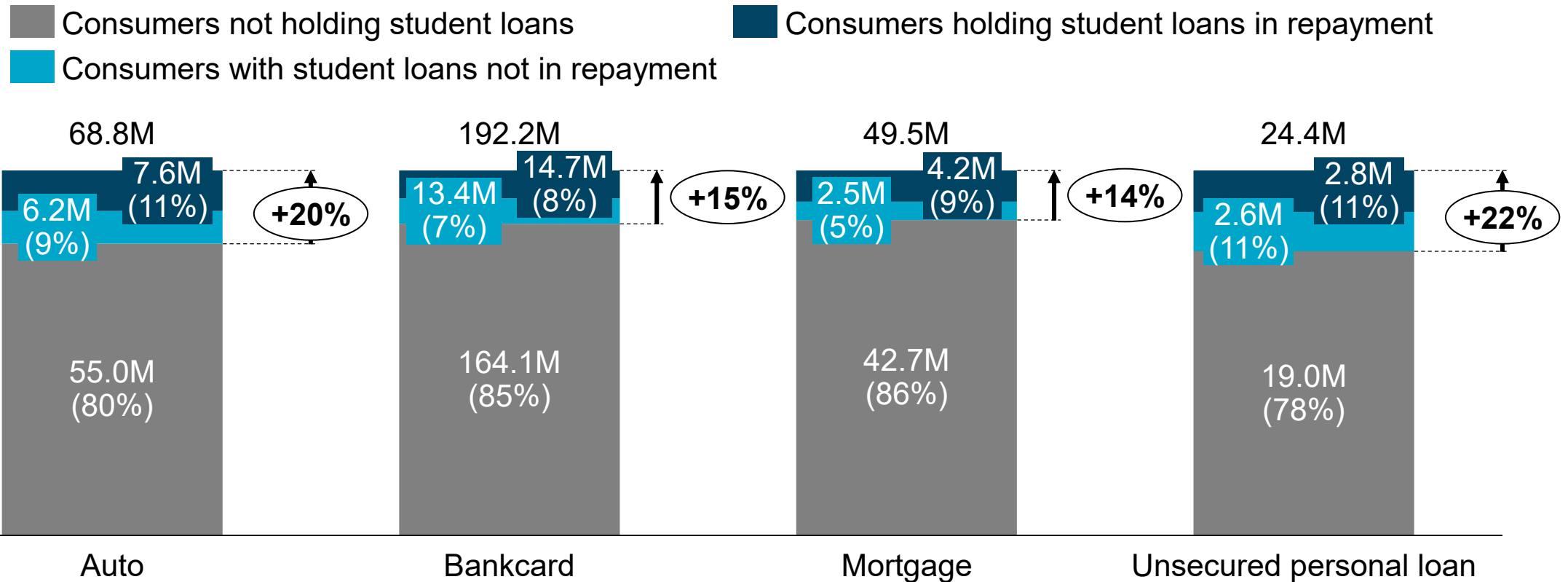
# The pandemic paused student loan payments for an extended period, but they have since resumed

## Student Loan Timeline



# While consumer lenders don't have direct exposure to student loan debt, a large portion of their consumers do

% of Consumers With Federal Student Loans, by Product Portfolio



The background is a solid teal color. In the top right corner, there is a white circle partially cut off by the edge. Below it, a dark blue circle is partially visible. On the right side, a large, light blue circle is partially cut off by the edge. In the bottom right corner, another dark blue circle is partially visible.

Delinquency

# Federal student loans are reported delinquent at 90+ days past due and in default at 270+ days past due

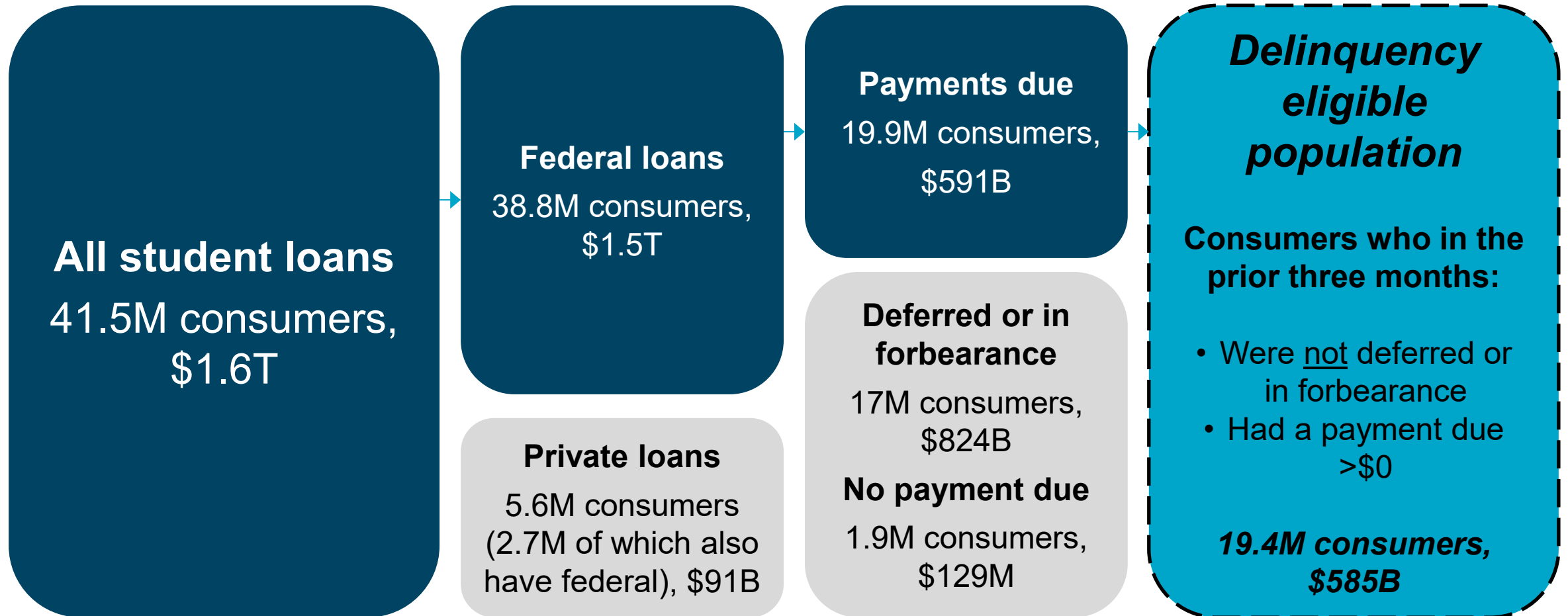
## Delinquency:

- Only reported at 90+ days past due (DPD) vs. 30/60/90+ DPD for other consumer products
- Serviced by 3<sup>rd</sup> party servicers
- **Significant score impact**

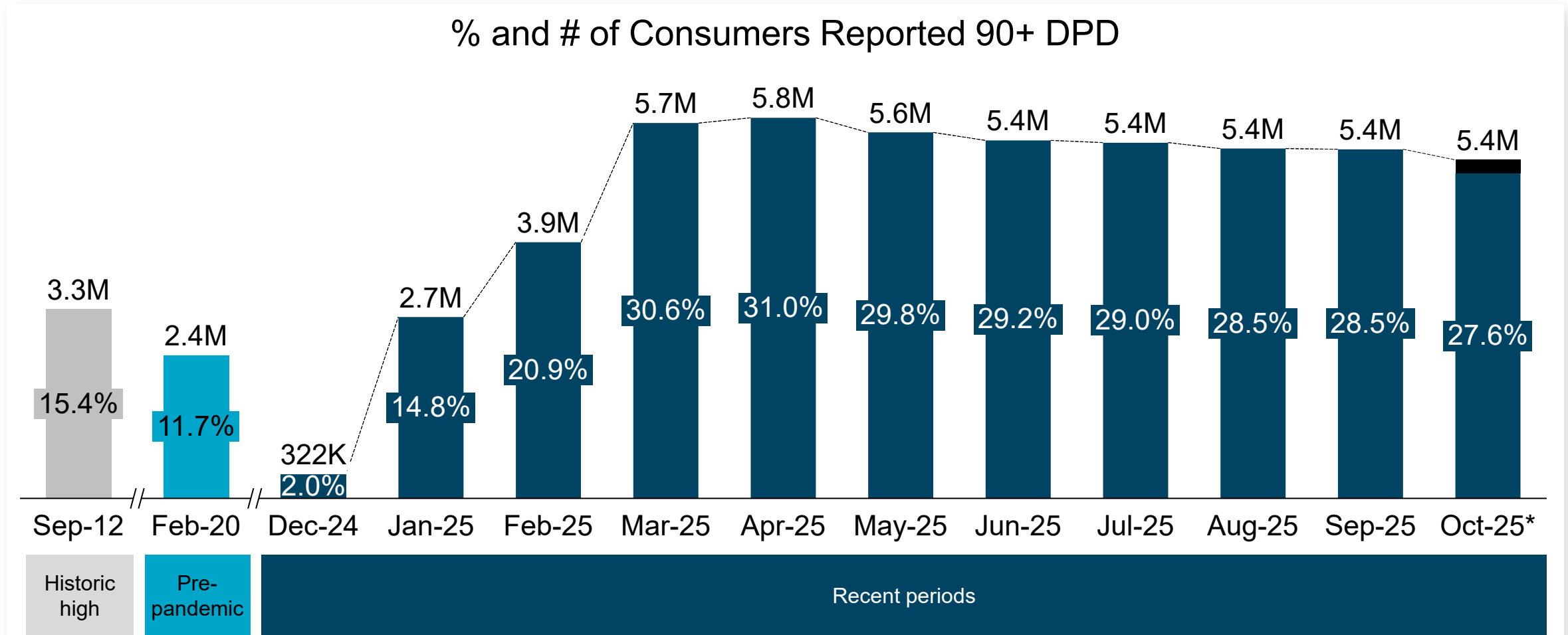
## Default:

- 270+ days past due
- Minimal score impact
- Serviced by Department of Education
- **Initiates collections activities**, including wage garnishment and tax offsets

# Delinquency rates exclude private student loans and borrowers in deferment or forbearance with no payments due



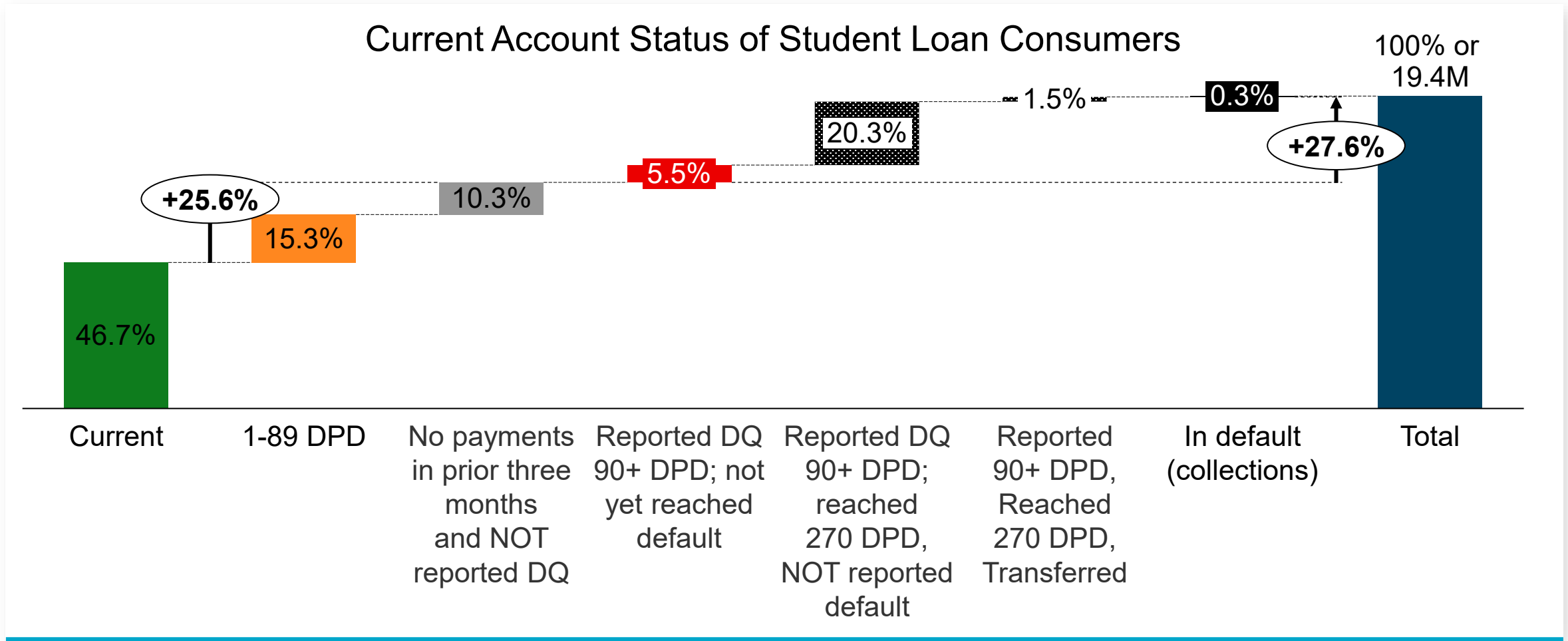
# 27.6% or 5.4M consumers are estimated to be 90+ days past due by October



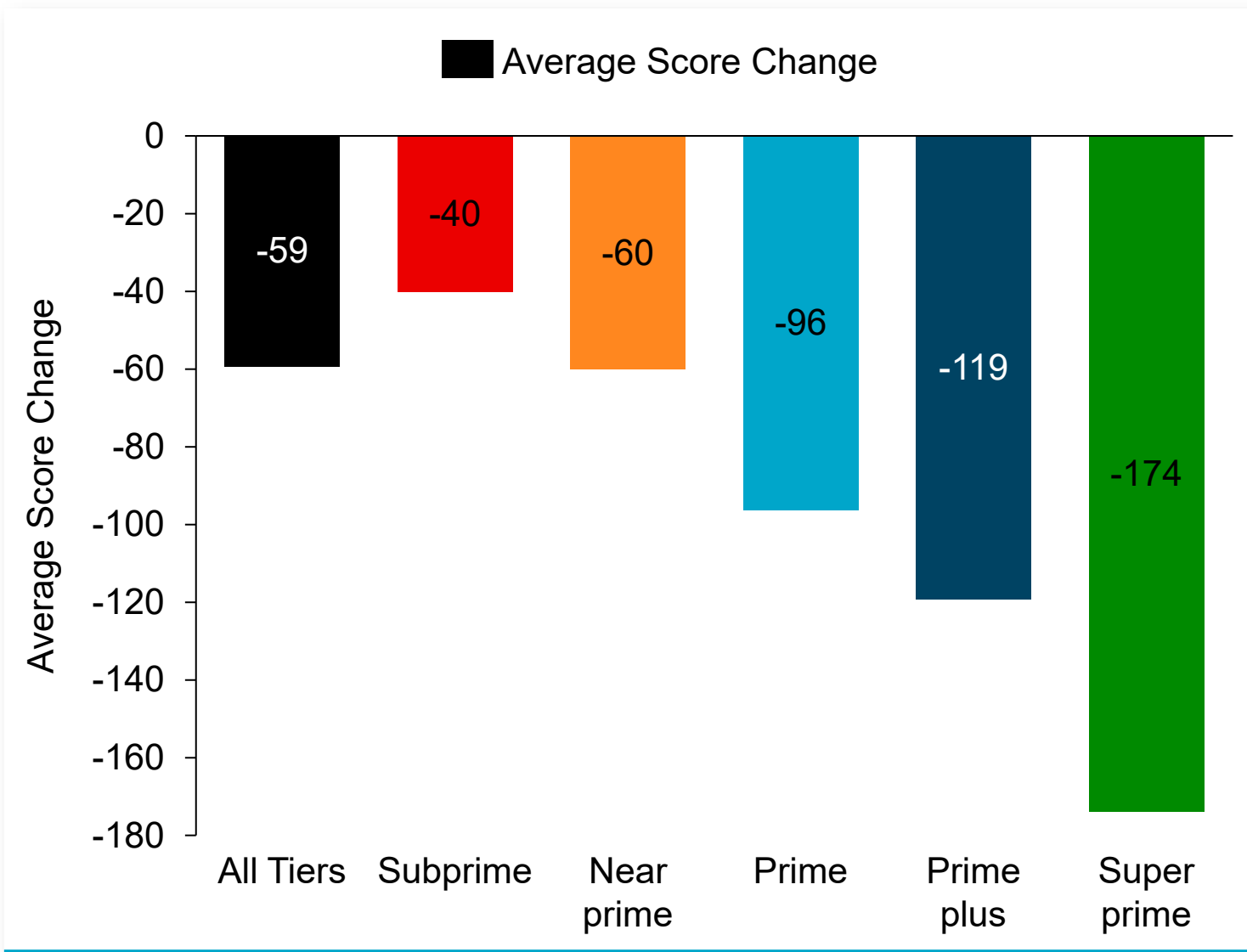
\*Includes closed accounts previously marked as delinquent and with a remark code of account transferred



# 27.6% of consumers are delinquent or in collections, while 25.6% of consumers are past due and not yet delinquent



# Credit Score Impact

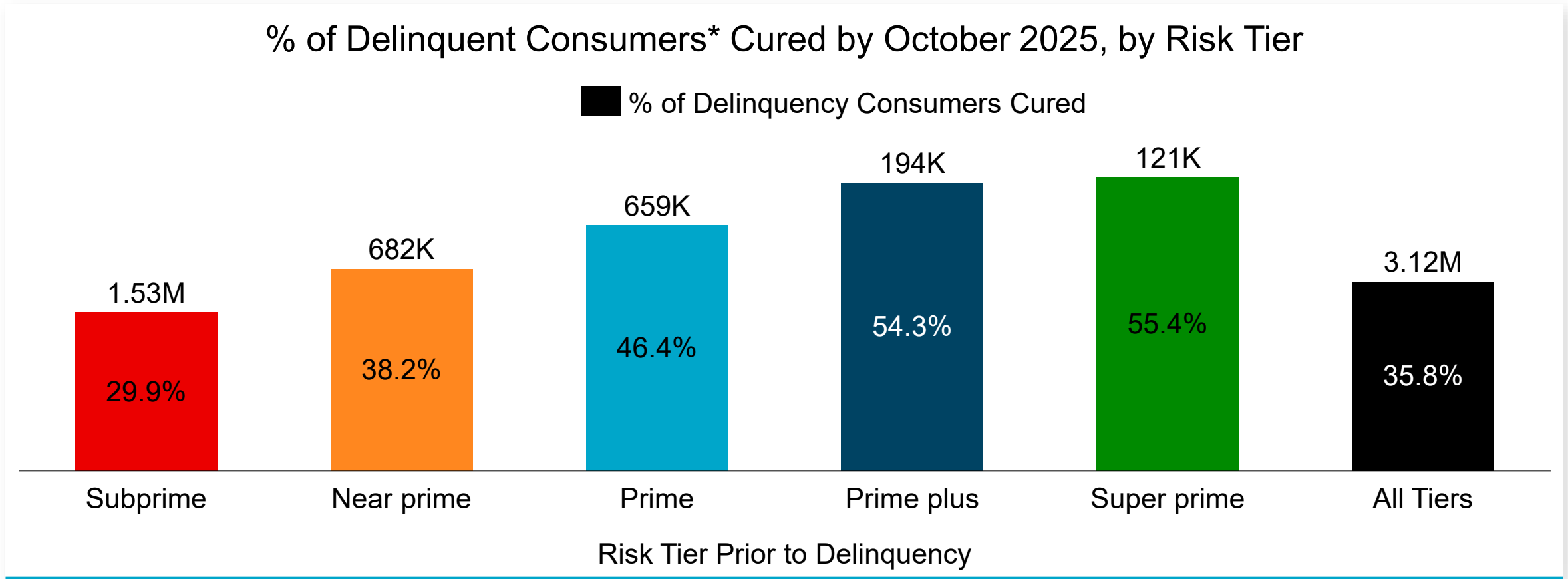


Of consumers with a new student loan default,\* the average VantageScore® 4.0 change is larger for better scored consumers

\* Based on new delinquencies between December 2024-October 2025

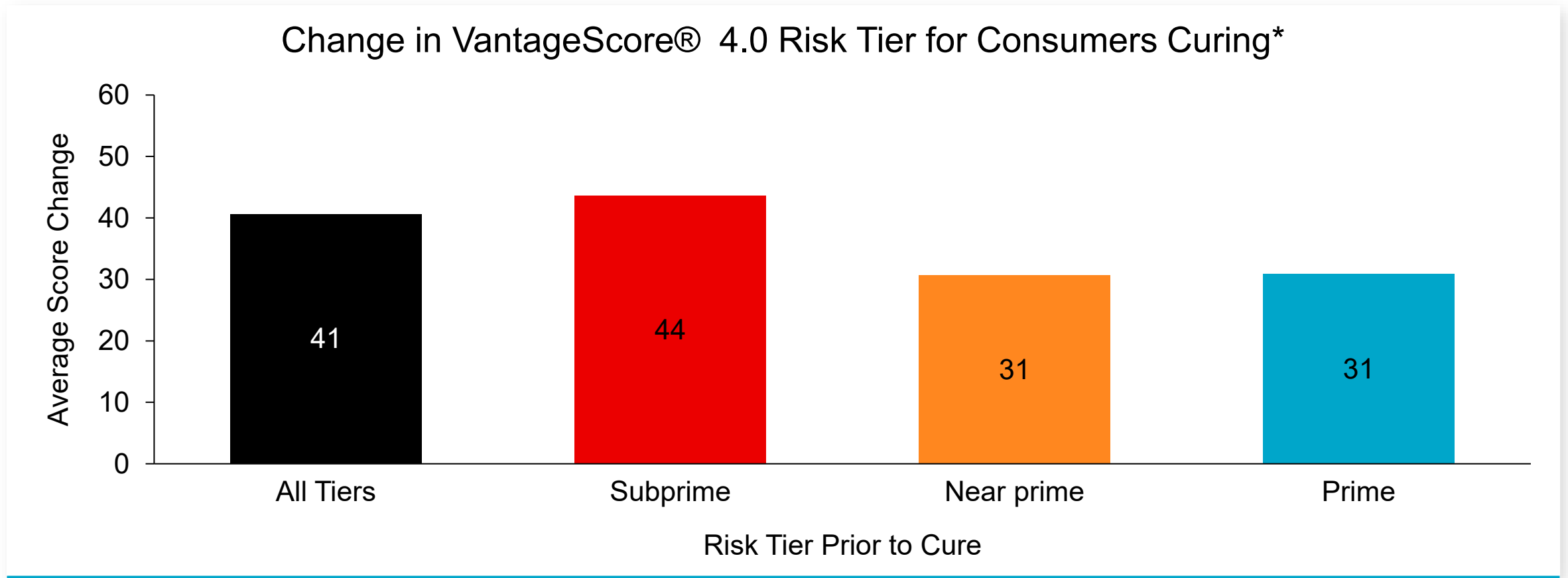
VantageScore® 4.0 risk ranges:  
 Subprime = 300–600, Near prime = 601–660, Prime = 661–720, Prime plus = 721–780, Super prime = 781+

# 35.8% of consumers who were delinquent cured by October, which rank orders by risk tier prior to delinquency



\*For consumers newly delinquent or defaulted between December 2024 and October 2025. Risk tier is prior to delinquency.  
 VantageScore® 4.0 risk ranges: Subprime = 300–600, Near prime = 601–660, Prime = 661–720, Prime plus = 721–780, Super prime = 781+

# For consumers who cured a prior delinquency, scores increased on average 41 points



\*For consumers newly delinquent or defaulted between December 2024 and October 2025. Score change calculated from month prior to the cure to October 2025.

Prime and below account for 99.97% of scores prior to cure.

VantageScore® 4.0 risk ranges: Subprime = 300–600, Near prime = 601–660, Prime = 661–720, Prime plus = 721–780, Super prime = 781+c

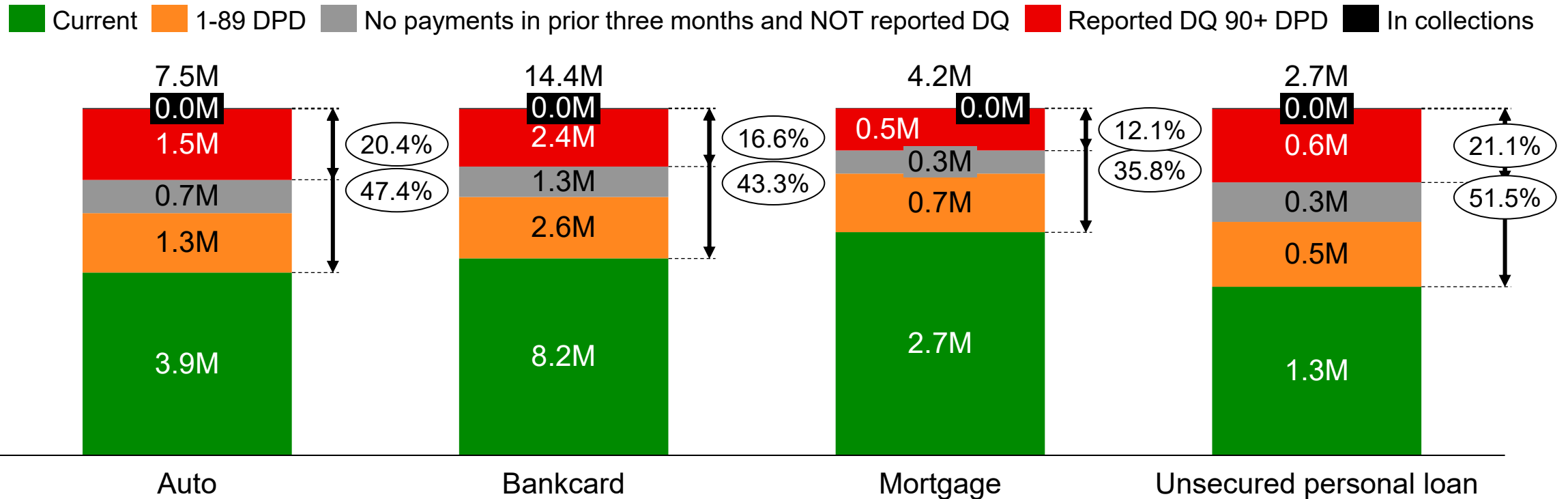




# Lender Implications

# Lender exposure and risk varies by products and portfolio composition

## Distribution of Federal Student Loan Consumers in Repayment, by Product Portfolio and Payment Status



\*Non-Delinquency eligible consumers excluded



# 93% of delinquent federal loan consumers are not paying in excess of minimum payments due, indicating limited capacity

32%

of paying consumers...

39%

of past due consumers...

66%

of shadow delinquent consumers...

93%

of delinquent or defaulted consumers...

... have an aggregate excess payment of \$0, indicating **limited capacity to make payments**

\*Aggregate Excess Payment (AEP) = actual payment made – minimum payment due. We utilize a three-month excess payment on all obligations, normalized to one month



# To address questions about federal student loan borrowers' abilities to pay, you need insights into potential portfolio risks



**Identify consumers and assess portfolio risk** — Note which customers are impacted by federal student loans and assess impact to risk thresholds and capital requirements.



**Detect early warning signs** — The risk and opportunities in a portfolio can fluctuate daily. Understanding these changes early can be key to improved strategies and decision-making.



**Leverage more granular and actionable insights to enact refined treatment strategies** — Gain a more holistic view of a consumer's financial position to make better-informed decisions.

# TruVision Trended Algorithms and Premium Attributes offer actionable insights on payment behaviors and liquidity risk

- ▶ **TruVision™ Premium Student Loan Attributes** deliver more granular insights on student loans and includes information on type of student loan (private or federal), as well as balances, payment history, payment due and more.
- ▶ **TruVision Trended Usage Algorithms** indicate if the consumer is making the minimum payment — or payments in excess of or less than the minimum — to understand shifts in payment behaviors for student loans and other credit products.
- ▶ **TruVision Trended Liquidity Algorithms** measure the change in liquidity over 3, 6 and 12 months to help lenders differentiate risk levels of consumers.
- ▶ **TruVision Trended Student Loan Balance Algorithms** enable identification of consumers with student loan balance reductions over 6 and 12 months to inform account management and collection efforts and enhance risk decisions.



# Current underwriting isn't accounting for nuances of federal student loan holders



**Ava**

Requests \$10,000 unsecured personal loan



715 credit score



Approve



**Zoey**

Requests \$10,000 unsecured personal loan



715 credit score



Approve

# Attribute overlays help uncover hidden risks and create opportunities to present better offers



**Ava (715 credit score)**

*TruVision Premium Student Loan & Trended Usage Attributes/Algorithms:*

**Student loan payment status:**  
Paying

**+**

**Aggregate Excess Payment:**  
\$750



**Approve**



**Zoey (715 credit score)**

*TruVision Premium Student Loan & Trended Usage Attributes/Algorithms:*

**Student loan payment status:**  
Not paying, not yet reported DQ

**+**

**Aggregate Excess Payment:**  
\$0



**Decline**

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What's Next?

# ~8M SAVE consumers are in forbearance with interest accruing — and could resume payments at any point



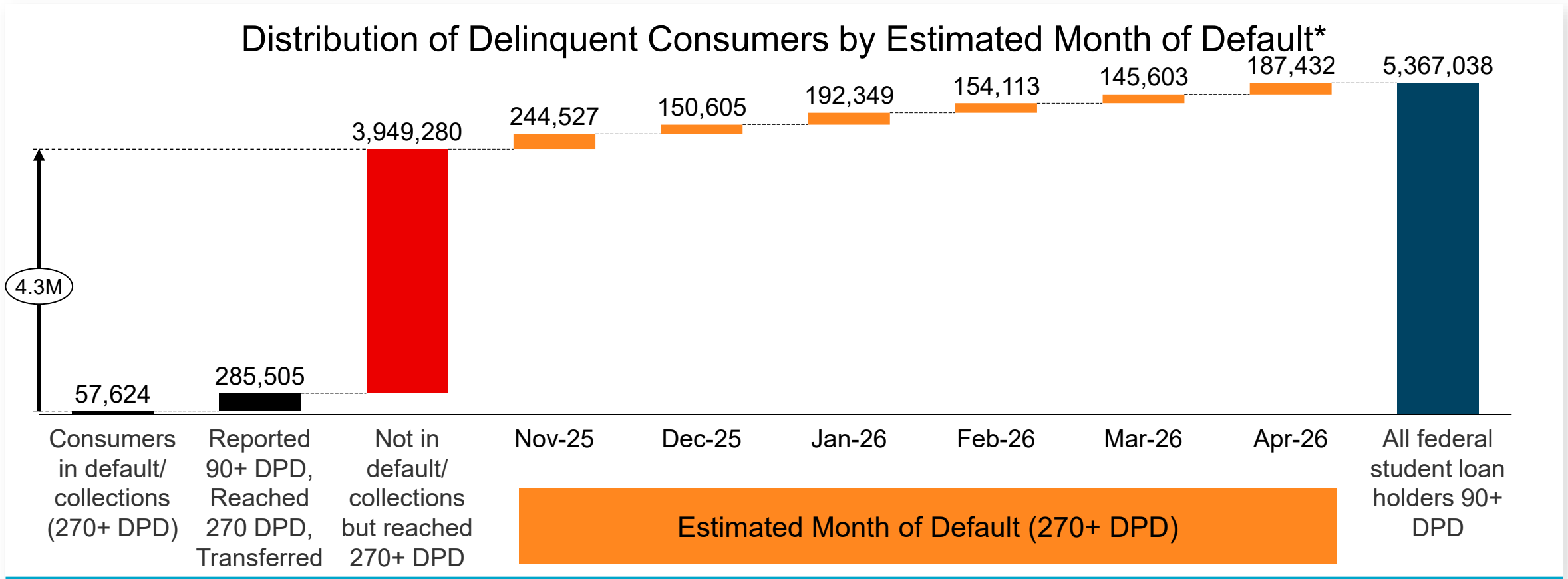
**SAVE program enrollment:\***  
7.73M consumers | \$433B in balances,  
with 60% estimated to have \$0 payments under the plan\*\*

\*Based on reporting as of 6/30/2025 from the Federal Student Aid (DOE): <https://studentaid.gov/data-center/student/portfolio>

\*\*U.S. Government Accountability Office Report 8/14/2024: <https://www.gao.gov/products/gao-24-107150#:~:text=SAVE%20generally%20offers%20borrowers%20lower,as%20of%20January%2031%2C%202024.>



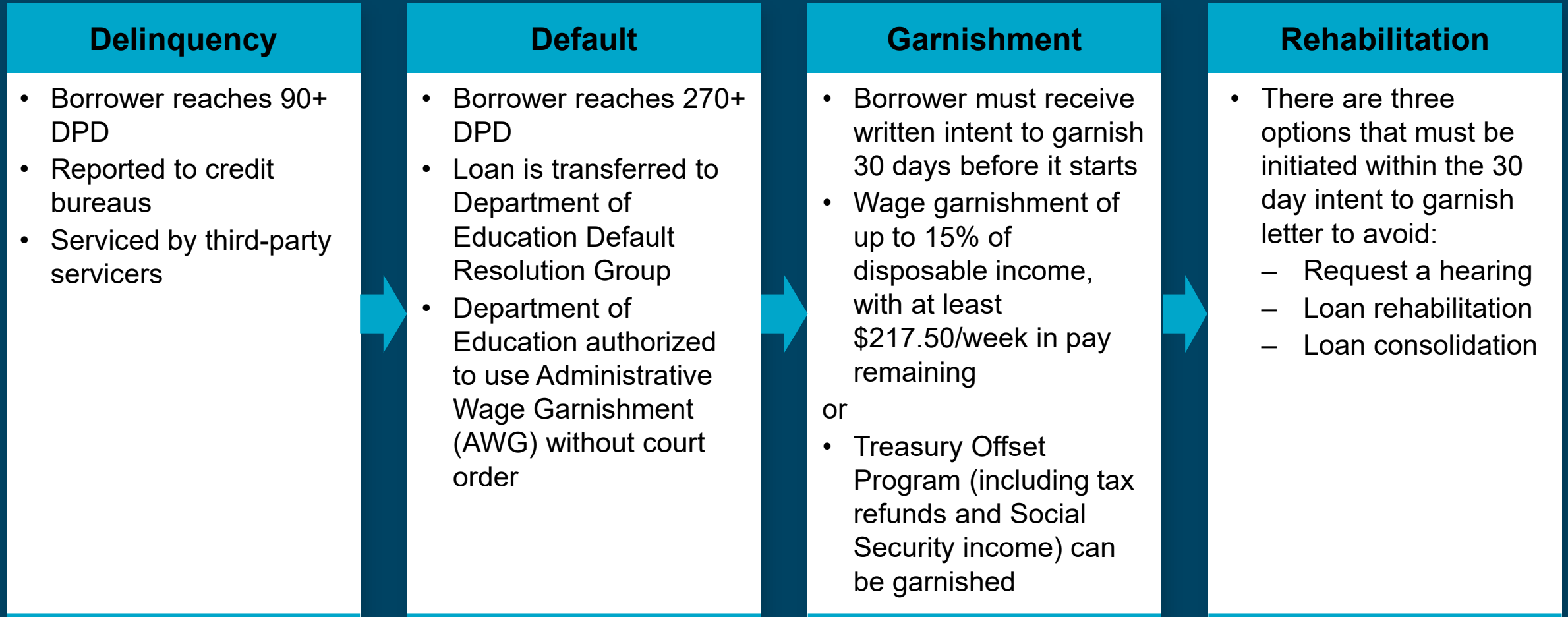
# While 4.3M consumers are estimated to have reached default, only ~57K are reported in a default status while ~285k were in transferred by October



\*Estimate looks at the first 90+ DPD reported delinquency and adds 180 days assuming no additional payments are made



# Once a loan enters default, wage garnishment may begin, altering the consumer's payment hierarchy



Source: LegalClarity. "How Wage Garnishment Works for Student Loans." Published November 25, 2025. Available at: <https://legalclarity.org/how-wage-garnishment-works-for-student-loans/>

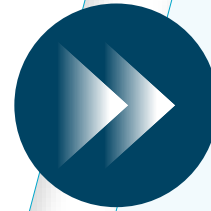
## Federal student loan wage garnishment amount



gross income



taxes (federal, state,  
Medicare, Social Security)



*of delinquent student loan  
consumers estimated  
garnishment exceeds their  
current payment due\**

\*Estimate based on current payment due amount, estimated federal and state taxes and TruVision Income Estimator  
Source: TransUnion US consumer credit database; LegalClarity. "How Wage Garnishment Works for Student Loans." Published November 25, 2025.  
Available at: <https://legalclarity.org/how-wage-garnishment-works-for-student-loans/>

## Key takeaways:

**Delinquencies have surged post the pandemic pause** – 27.6% of borrowers are 90+ days past due

**Credit scores dropped on average 59 pts following a delinquency**, impacting consumer credit access and cost

**4.3M consumers are default eligible**, which could trigger collections, impacting consumer lenders

**Policy uncertainty still exists**, requiring lenders to continuously monitor current exposure and adjust underwriting

