



Two Million Student Borrowers at Risk of Docked Pay

BY OYIN ADEDOYIN

Nearly two million studentloan borrowers are at risk of having their wages garnished this summer.

Roughly six million federal student-loan borrowers are 90 days or more past due after a pandemic-era reprieve ended, according to TransUnion. The credit-reporting company estimates that about a third of them, or nearly two million borrowers, could move into default in July and start having their pay docked by the government. That's up from the 1.2 million that TransUnion had estimated in early May.

An additional one million borrowers are on track to default by August, followed by another two million in September. Borrowers fall into default when they are 270 days past due.

Some borrowers might be having communication issues with their student-loan servicers, while others might be too financially stretched to make payments, said Joshua Turnbull, head of consumer lending at TransUnion.

The Education Department restarted collections on defaulted student loans in May, something it hadn't done since before the pandemic. The department sent notices to borrowers saying their tax refunds and federal benefits could be withheld starting in June if they don't take steps to resume payments.

Wage garnishment is also set to restart this summer. Until past due payments are paid in full or the default status is resolved, borrowers could see up to 15% of their wages automatically deducted from their paychecks.

Student-loan payments were paused during the pandemic. In 2023, the Biden administration gave borrowers a 12-month "on-ramp" period where late or missed payments wouldn't hurt their credit scores. That period ended last fall.

Borrowers who have been newly reported as delinquent since then on their student loans have seen an average 60-point drop in their credit scores, according to Trans-Union. Nine percent of borrowers who fell into delinquency were current on their payments by April, according to TransUnion.

The Education Department has been urging borrowers to resume payments and emphasizing the consequences. Roughly 43 million borrowers owe more than \$1.6 trillion in student-loan debt.

WOW!