

Competiscan Commentary

Student Loans & The Return of Federal Loan Payments

BY DANIEL GRISKELL, RESEARCH & INSIGHTS

MARCH 2024

It's peak student loan marketing season and six months have passed since millions of borrowers were required to resume making payments on their federal student loans. Read along as we feature how the restarting of federal student loan payments impacted the communications sent to borrowers and how marketing tactics to acquire new borrowers have been influenced.

Recap: During the height of the COVID-19 pandemic, Congress passed the CARES Act to provide financial aid to citizens affected by the virus and lockdown. Under this financial relief plan, a halt was placed on the interest and the repayment of federal student loans to help struggling borrowers during the pandemic. After several extensions to the student loan relief plan and three and a half years later, interest on Federal Student Loans began to accrue again in September 2023, and payments resumed in October 2023.

Borrower Resources

In preparation that some borrowers might struggle to keep up with student loan payments, the U.S. Department of Education, loan servicers, and other student lenders provided borrowers with a variety of resources and payment options to help them navigate this added expense.

The SAVE Plan

Several communications called specific attention to the SAVE (Saving on Valuable Education) plan. With the SAVE Plan, interest will not accrue as long as the borrower makes their monthly payment. Federal student loan statements were used to educate borrowers on the Save Plan, with callouts like "Find tools and resources to make the best repayment decision for you." and "Payments are Resuming: 3 Ways to Prepare."

Digital Federal Credit Union released a comprehensive email to its member base when payments resumed. The email offered an explanation of what to expect, who might qualify for forgiveness, and what repayment options existed. SoFi included a downloadable guide on federal student loans within its "SoFi Daily" newsletter.

Federal Student Loan, Statement Messaging, Q4 2023

Find tools and resources to make the best repayment decision for you.

Most borrowers can lower their payments by enrolling in the new SAVE Plan or other Income-Driven Repayment plans.

Visit StudentAid.gov/restart



Payments are Resuming
3 Ways To Prepare:

1. Use Loan Simulator to choose a repayment option that best meets your needs. Visit StudentAid.gov/loan-simulator
2. Check out NEW repayment plan, Saving on a Valuable Education (SAVE). Visit StudentAid.gov/save
3. Sign up for Auto Debit on mohela.com

Why Sign Up for Auto Debit?

- Save 0.25% on your interest rate.
- Get a reminder ahead of each withdrawal.
- Relax knowing your bill will be paid each month.

Qualifying Payments May Apply Toward Forgiveness

Your payments may count toward income-driven repayment plan forgiveness or Public Service Loan Forgiveness. Learn more at StudentAid.gov/forgiveness

Create and Manage Your Account on mohela.com

- Make payments
- Update your contact info
- Go Paperless



Digital Federal Credit Union, November 2023

From: DCU
Date: Fri, Nov 3, 2023, 3:39 PM
Subject: Federal Student Loans: Repayment, Forgiveness Eligibility



Payments on federal student loans have resumed – could you be eligible for forgiveness programs?

After a three-and-a-half-year pause, payments on federal student loans resumed in October. You might be wondering what options you have - or if you are eligible for loan forgiveness.

We understand you might have a lot of questions, so we've put together information on how to handle repayment as well as resources on possible loan forgiveness.

What happens now?

The U.S. Department of Education is now providing a 12-month on-ramp to repayment, which began on October 1, 2023, and will end on September 30, 2024. During this on-ramp period, borrowers' credit reports will not be negatively impacted if they miss payments. However, interest will still accrue and missed payments will not count toward requirements for income-driven repayment plans or Public Service Loan Forgiveness. If you are able to make payments, you should do so.

Do I qualify for federal student loan forgiveness?

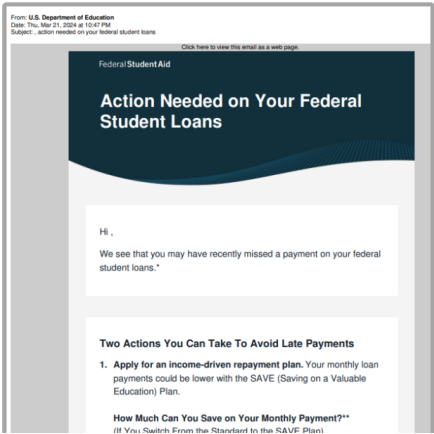
Currently federal student loan forgiveness **may** be available in the following instances:

In December 2023*, the U.S. Department of Education released data stating that of 22 million borrowers, only 60% made their first payment by mid-November.

This trend likely sparked action from the U.S. Department of Education. Borrowers who missed payments received communications, encouraging them to explore payment plan options. One email communication noted that the U.S. Department of Education had introduced a 12-month on-ramp transition period that would last through the end of September 2024. During the on-ramp period, missed or late student loan payments would not be considered delinquent and would not be reported to credit bureaus (interest would continue to accrue). Importantly, the U.S. Department of Education also congratulated borrowers when they were on track with their payments, reminding them that if their situation changed, they could receive help from their loan servicer.

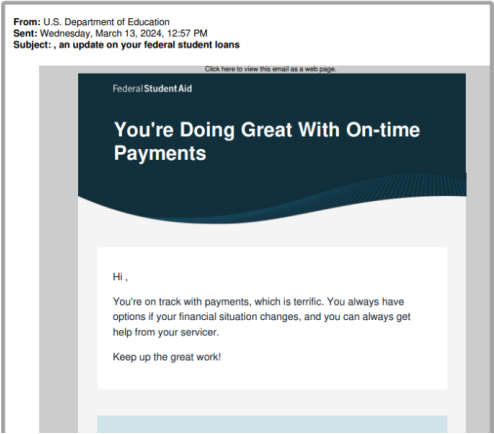
U.S. Department of Education (March 2024)

Two Actions You Can Take To Avoid Late Payments
1) Apply for an income-driven repayment plan.
2) Set up auto-debit



U.S. Department of Education (March 2024)

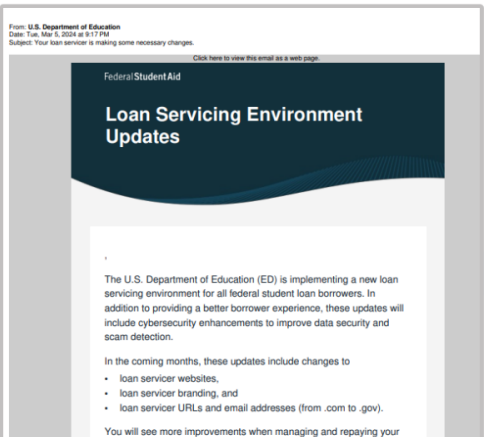
You're on track with payments, which is terrific. You always have options if your financial situation changes



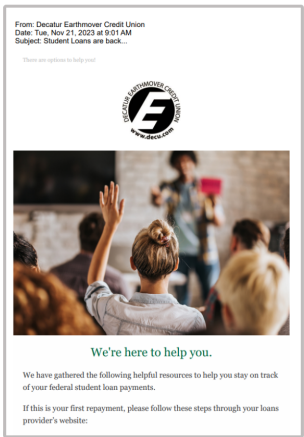
Scam Awareness

As seen in other areas of financial services, Competiscan observed an uptick in scam and cybersecurity awareness marketing. Notably, the U.S. Department of Education announced this month that a new loan servicing environment was coming for all federal student loan borrowers. Along with providing a better borrower experience, these updates will include cybersecurity enhancements to improve data security and scam detection. Other student loan communications were seen using space below the fold to alert borrowers to be on the lookout for scam attempts.

U.S. Department of Education, March 2024
New Loan Servicing Environment Announcement



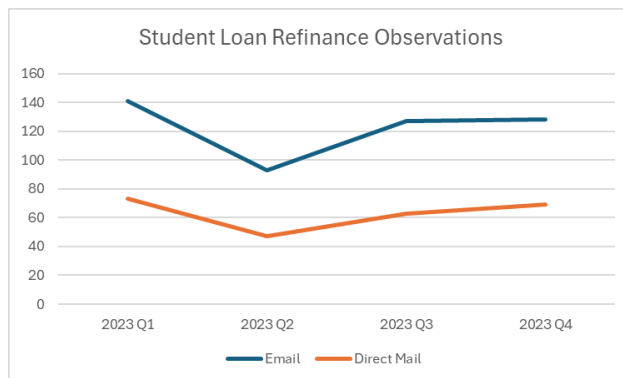
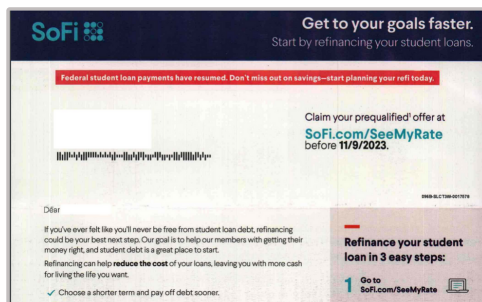
Decatur Earthmover Credit Union, November 2023
Be wary of scam callers and scam emails asking about loan forgiveness



Refinance Opportunity for Private Lenders

Repayment messaging strategies were seen in student loan refinance offers immediately following the end of the payment pause. SoFi drew attention to the return of federal student loan payments by using a red banner across the top of its refinance mail campaign in October 2023. The message created a sense of urgency by stating “Don’t miss out on savings – start planning your refi today.” Plus, while the interest rate market cooled off most lending offers in 2023, Competiscan saw student loan refinance offers return in Q3 and remain stable through the end of 2023.

SoFi, October 2023



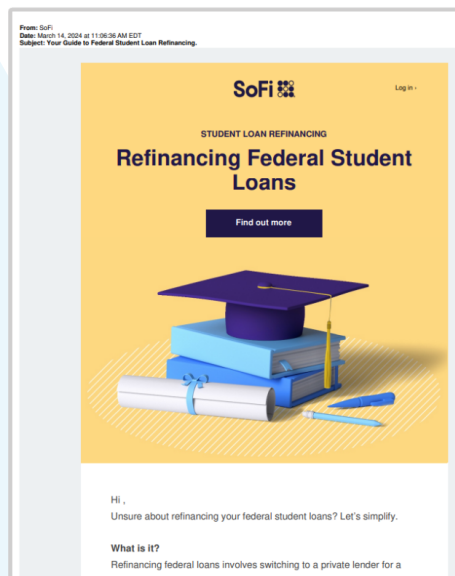
Fast forward to present day and recent industry publications cite that six out of ten borrowers have missed at least one payment since October and 25% of borrowers have yet to make a payment (an intentional move for some in attempt to pressure the government to annul the debt).

SoFi stood out once again as a private lender that addressed the frustration and stress that borrowers may be feeling in an attempt to attract them to refinance. In a March email campaign, the fintech used the headline “Unsure about refinancing your federal student loans? Let’s simplify.” The email outlined how refinancing a federal student loan worked and listed both the advantages and disadvantages.

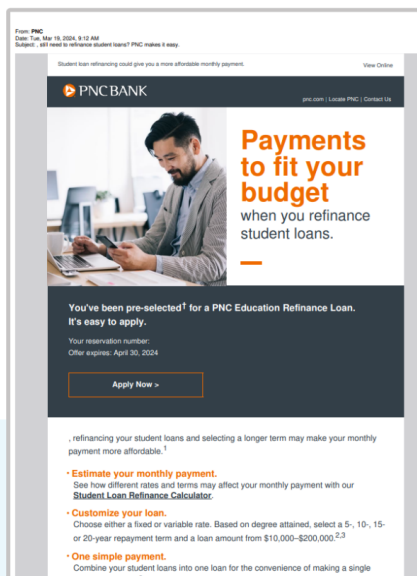
PNC Bank led with the value proposition of budget-friendly payments and other benefits, like customizable loan options and one simple payment, while Navient led with a message of “Don’t let overwhelming student loan payments sneak up on you – refinance now...”

The return of federal loan payments has given private lenders something to emphasize in recent months, however the fact remains that interest rates are still elevated and Competiscan doesn’t expect the student lending marketing landscape to fully rebound until rates begin to drop.

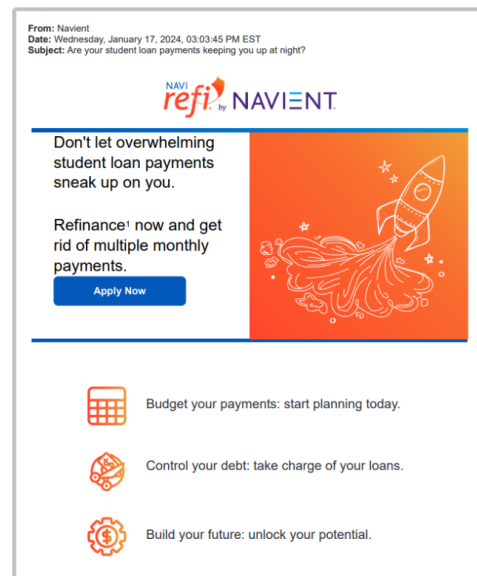
SoFi, March 2024



PNC Bank, March 2024



Navient, January 2024



THANK YOU

For more information on marketing trends, Competiscan clients can view our archive of reports and insights [online](#).

Not a client? [Sign up for a demo today](#).

ABOUT US

Competiscan gives our clients the ability to analyze direct and digital marketing activity. As a market intelligence innovator, Competiscan leverages the largest longitudinal panels of consumer, business owner, insurance professional, financial advisor, healthcare provider, and mortgage broker audiences in the marketplace to provide key insights and trends. For more information, visit www.competiscan.com.

Keep in Touch:

312.488.1810

research@competiscan.com

www.competiscan.com

