

Beyond the Minimum: Excess Student Loan Payments in Summer and Fall 2023

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We provided a view into borrower expectations for resumed payments on the eve of the student loan payment pause coming to an end in our [previous report](#), which was the first in our [series](#) on student loan payments resumption. Our report showed that most borrowers successfully resumed payments and expected to continue being able to make payments through the end of 2023, but segments of the student borrower population have not resolved their repayment struggles despite available relief. The trends we identified in the data reflected any debt cancellation granted to borrowers in 2023, loan payoffs by borrowers, and scheduled monthly payment reductions as a result of the U.S. Department of Education’s newest income-driven repayment (IDR) plan: Saving on a Valuable Education (SAVE).

In this second installment of our series, we build on our analysis and consider those borrowers who reported making one-time lump-sum or excess payments — in other words, those borrowers who reported making payments in addition to any “regular” scheduled amount. Our analysis draws on publicly available data on payments made to the Department of Education as part of the U.S. Department of the Treasury’s Daily Treasury Statement, as well as on newly collected data from a consumer survey that the Consumer Finance Institute (CFI) at the Federal Reserve Bank of Philadelphia fielded in late September and early October 2023. The survey collected data on more than 5,000 consumers — both those with student loans and those without — and provides a view into borrowers’ expectations and concerns regarding payment resumption beginning on October 1. To account for differences in the demographic distributions in our sample and to generate more nationally representative estimates for student loan borrowers, we reweighted the survey responses to reflect the American Community Survey along income, education, race, and age categories.

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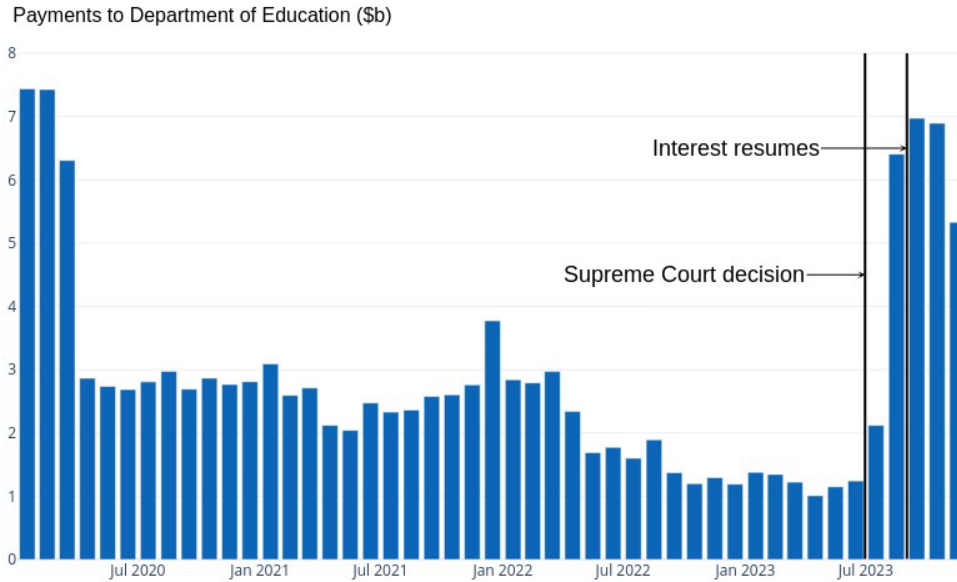
Our data show that approximately 30 percent of borrowers made lump-sum or excess payments toward their federal student loans in July–September 2023. The median payment was about \$500, and the average payment was about \$2,000, reflecting some relatively large payments made by a small number of borrowers, typically those with higher incomes. In fact, higher-income borrowers were considerably more likely to make lump-sum payments and in larger amounts. Nevertheless, lower-income borrowers accounted for a larger share of aggregate lump-sum payments because they account for a large proportion of all student loan borrowers. We estimate that borrowers made upward of \$15 billion of lump-sum payments — or nearly 1 percent of outstanding federal student debt — in July–September 2023, consistent with the publicly available payment receipts data from the Treasury Department. This amount was likely drawn from savings built up during the pandemic, which is consistent with our analysis in our [previous report](#) that found student loan borrowers were more likely to report a slowdown in savings behavior in Q4 2023 compared with nonborrowers.

Policy Environment and Aggregate Payment Trends

By the time the Supreme Court struck down the Biden administration’s broad-based debt cancellation plan on June 30, 2023, fewer borrowers were continuing to make their student loan payments, compared with patterns observed at the very beginning of the pandemic. As shown in **Figure 1** using data from Table II of the Treasury Department’s Daily Treasury Statement that documents payments received by the Department of Education, many borrowers continued to make their loan payments early in the payment pause (offered beginning in April 2020).² At that point, monthly payments on loans held by the Department of Education averaged \$3 billion per month — or a little less than half the pre-pandemic total — and continued more or less at that level through July 2022. By the time the payment restart (set for October 1, 2023) was announced after the Supreme Court decision, aggregate payments had fallen to a little more than \$1 billion per month, owing to a variety of factors including servicer transfers, anticipation of debt cancellation, and the economic environment. Then aggregate payments on federally held loans rose to \$2 billion in July, more than \$6 billion in August, and nearly \$7 billion in September — even though the earliest payments due date was not until October 1. These data, as well as our analysis of patterns in the daily payments we examined in our November 2023 [report](#) and the Department of Education’s [analysis](#) of federal administrative data, suggest that some borrowers made lump-sum (or excess) payments on their loans to take advantage of the interest-free period as the payment pause drew to a close.

² Payments to the Department of Education primarily reflect student loan payments on federal loans but may include other sources, such as adjustments to aid disbursements and loan origination fees. We use *student loan payments* and *daily receipts* interchangeably.

Figure 1 — Monthly Payments to the Department of Education (January 2020–November 2023)



Source: Daily Treasury Statement, Table II (data through end of November 2023)

Lump-Sum Payments July–September 2023

We draw on our survey data, fielded to a national sample of consumers, 1,014 of whom reported owing federal student loans they borrowed for their own education, to provide novel insights into the prevalence of lump-sum payments in summer and fall 2023 and the characteristics of borrowers making such payments.³ On the eve of the payment restart for federal student loan borrowers, we asked borrowers about their recent debt payment behavior — including any lump-sum or other one-time payments made — as well as their expectations for payments resumption on October 1, 2023. In addition to these data on education loan holders, all survey respondents provided their demographic characteristics as well as information on their employment, income, overall financial stability, and disruptions in income/employment. As mentioned previously, these data are reweighted to be nationally representative based on income, education, race, and age of the respondents.

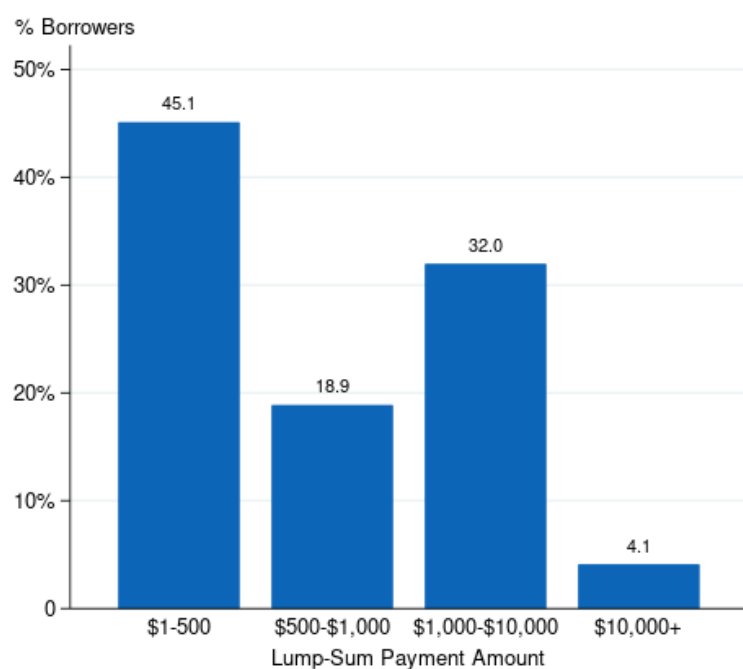
Approximately 30 percent of borrowers with federal student loans in our data made lump-sum payments of varying amounts during the period of July–September 2023. As shown in **Figure 2**, most borrowers making a lump-sum payment made modest payments, with 45 percent paying down as much as \$500, 19 percent paying down between

³ Our analysis sample includes student loan borrowers who borrowed for their own education, whether or not they also owe parent loans. We recognize that borrowers holding only Parent PLUS loans are ineligible for most relief programs provided by the Department of Education. Although our data show higher levels of financial health and security compared with younger borrowers, many parent borrowers persistently struggle to make their student loan payments.

\$500 and \$1,000, 32 percent paying down between \$1,000 and \$10,000, and 4 percent paying down more than \$10,000.⁴ Among respondents in our data who reported making lump-sum payments, the median ratio of lump-sum payments to estimated scheduled monthly payments was approximately 1.5, with most borrowers making lump-sum payments on the order of 1–10 times their scheduled monthly payment (or less than a year of scheduled monthly payments).⁵

When we reweighted our sample to match the approximately 34 million borrowers with federal student loans obtained for their own education, our data show that borrowers with federal loans made just less than \$15 billion in lump-sum payments in July–September 2023, accounting for the majority of the aggregate payments observed over the comparable time period in Figure 1. This amounts to approximately 1 percent of the overall outstanding federal student debt.

Figure 2 — Borrowers by Amount of Lump-Sum Payment, July–September 2023



Notes: Sample includes respondents who reported an outstanding student loan for their own education and a lump-sum payment in the previous three months. Responses are reweighted to reflect the American Community Survey distribution by income, education, race, and age.

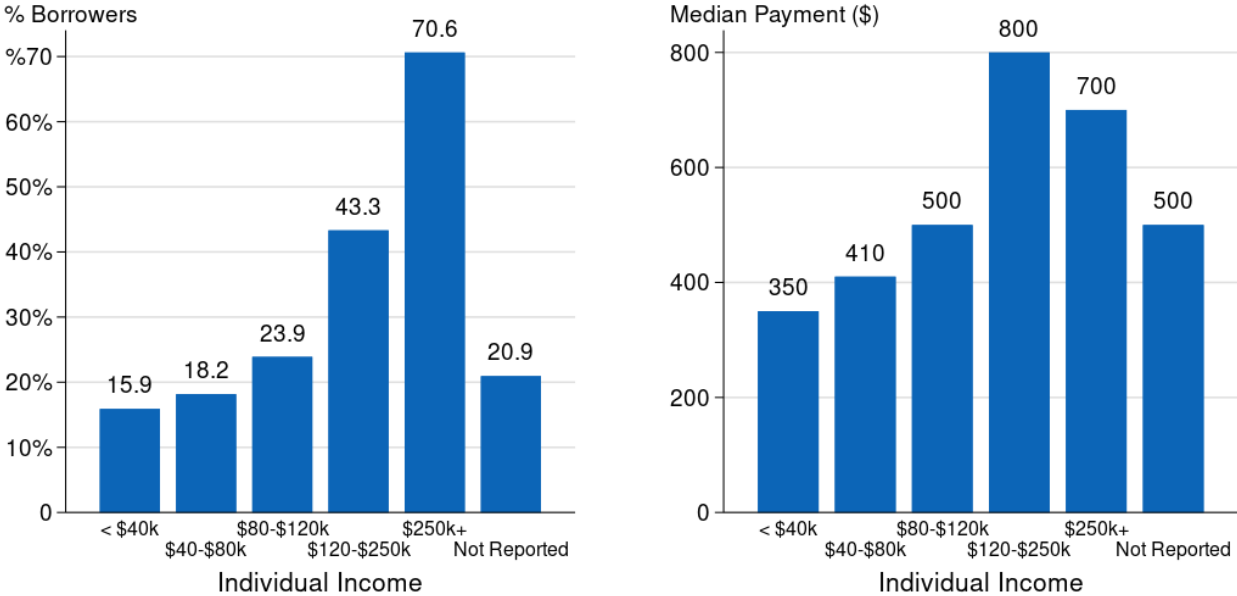
Source: Federal Reserve Bank of Philadelphia Consumer Finance Institute Survey Data, October 2023

⁴ Since our survey design identifies student loan borrowers as those who have outstanding student loans as of the survey date, we cannot capture lump-sum payments by those borrowers who paid off the full balance on *all* their student loans. Those borrowers are likely to be very few.

⁵ Unfortunately, we did not collect overall student loan balances to consider the magnitude of the lump-sum payments relative to outstanding debt.

For different categories of borrower income, **Figure 3** plots the likelihood a borrower made a lump-sum payment (panel a) and the median size of that payment (panel b). It is clear there is a strong correlation between the likelihood and magnitude of lump-sum payments and borrower income. Panel (a) shows that only 20 percent of borrowers making less than \$40,000 per year made lump-sum payments, but 70 percent of borrowers with incomes of more than \$250,000 made lump-sum payments. Not only were higher-income borrowers more likely to make lump-sum payments, but they also made larger-sized payments as shown in panel (b). The median payment for borrowers making less than \$40,000 was about \$300, while it was \$410 for borrowers making \$40,000–\$80,000, and \$500 for borrowers making \$80,000–\$120,000. Yet the median lump-sum payment for borrowers making \$120,000–\$250,000 was \$800, and it was \$700 for borrowers making more than \$250,000. This is consistent with evidence from our earlier reports that many student loan borrowers — and particularly higher-income borrowers — saved payments that they would have made toward student loans during the payment pause. Those appear to be precisely the borrowers in a position to contribute some portion of those savings to reduce their outstanding student loan balances as the interest-free period came to an end.

Figure 3 — Lump-Sum Payments by Borrower Income, July–September 2023



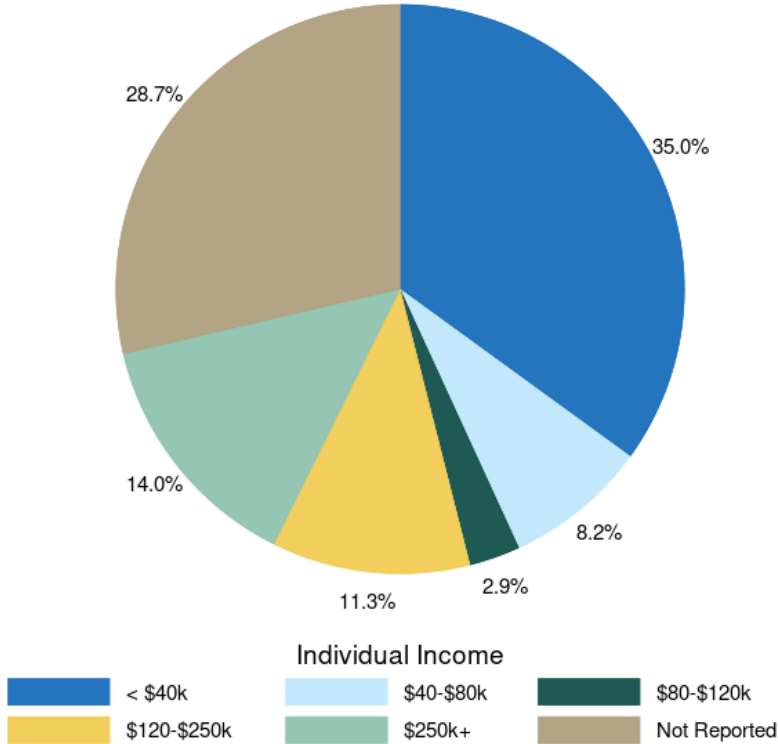
Notes: Sample includes respondents who reported an outstanding student loan for their own education. Responses are reweighted to reflect the American Community Survey distribution by income, education, race, and age.

Source: Federal Reserve Bank of Philadelphia Consumer Finance Institute Survey Data, October 2023

While borrowers in the lowest income category were the least likely to make a lump-sum payment in July–September 2023, and the size of their payments were relatively modest when they did, it is still the case that those borrowers account for the largest share (or 35 percent) of aggregate lump-sum payments, as shown in **Figure 4**.

That is because borrowers in this income category account for such a disproportionate share of all student loan borrowers in our data. At the same time, while we only have a relatively small proportion of borrowers making more than \$120,000, they nevertheless account for about one-quarter of the total lump-sum payments in our sample. This is because the amount of their payments is typically much larger than we observe for borrowers with lower incomes.

Figure 4 — Aggregate Amount of Lump-Sum Payments by Income, July–September 2023



Notes: Sample includes respondents who reported an outstanding student loan for their own education and a lump-sum payment in July–September 2023. Responses are reweighted to reflect the American Community Survey distribution by income, education, race, and age, as well as to match the estimated number of borrowers with federal loans for their own education (34 million).

Source: Federal Reserve Bank of Philadelphia Consumer Finance Institute Survey Data, October 2023

Finally, in **Table 1**, we show the prevalence of lump-sum payments and self-reported expectations for payment capacity in October 2023 by a range of borrower characteristics, including income, education, age, gender, and race/ethnicity. Consistent with payment patterns in our previous reports, panel (a) shows that borrowers with lower incomes, less than a bachelor’s degree, middle-aged borrowers, and borrowers of a race/ethnicity other than those in the Black, Hispanic, or white population were less likely to demonstrate financial capacity and make lump-sum payments in summer and fall 2023. Those same borrowers were also more likely to report that they expected to make less than full payments (including expecting to miss payments entirely) in October 2023 in panel (b).

Table 1 — Prevalence of Lump-Sum Payments and Expectations of Payment Capacity, by Demographic Group, July–September 2023

	(a) Lump-Sum Payment (July–September 2023)			(b) Expected Payment Capacity (October 2023)		
	% Panelists	Median	Average	Expect Full Payment	Expect Partial Payment	Expect No Payment
All Borrowers w/Payment Due in October	26.6%	\$500	\$2,084	50.4%	22.0%	27.6%
<u>Income Range</u>						
< \$40,000	22.0%	\$350	\$2,008	38.0%	20.3%	41.7%
\$40,000 - < \$75,000	21.1%	\$410	\$863	53.2%	27.9%	18.9%
\$75,000 - < \$125,000	26.3%	\$500	\$586	64.6%	19.3%	16.1%
\$125,000 - < \$250,000	45.5%	\$800	\$1,651	76.4%	18.8%	4.8%
\$250,000+	74.6%	\$700	\$2,774	90.4%	4.6%	5.0%
<u>Degree Attainment</u>						
High School	45.1%	\$410	\$816	48.9%	26.2%	24.9%
Less than Bachelor's	14.4%	\$600	\$3,908	30.1%	24.7%	45.3%
Bachelor's	22.0%	\$500	\$3,613	65.5%	18.5%	16.1%
Graduate Degree	31.3%	\$500	\$1,348	67.5%	16.6%	16.0%
<u>Age Range</u>						
18-35	44.2%	\$500	\$2,923	54.0%	35.5%	10.5%
26-35	29.7%	\$400	\$1,627	57.1%	17.4%	25.5%
36-45	21.8%	\$500	\$1,572	49.5%	22.2%	28.3%
46-55	13.7%	\$500	\$959	42.3%	17.9%	39.9%
55-65	6.1%	\$500	\$3,665	31.7%	12.5%	55.8%
65+	19.7%	\$2,000	\$1,871	57.5%	0.0%	42.5%
<u>Gender</u>						
Male	26.0%	\$500	\$1,581	53.9%	23.7%	22.3%
Female	26.9%	\$500	\$2,645	47.0%	19.8%	33.2%
Other	31.3%	\$35	\$37	51.5%	34.4%	14.1%
<u>Race/Ethnicity</u>						
White (Non-Hispanic)	24.7%	\$500	\$1,966	50.6%	21.7%	27.7%
African American / Black	30.9%	\$410	\$1,795	48.8%	22.6%	28.6%
Hispanic	35.2%	\$200	\$2,424	57.3%	19.6%	23.1%
Other	13.0%	\$1,000	\$2,738	38.0%	27.2%	34.8%

Notes: In panel (a), we displayed the share of borrowers who reported making lump-sum payments in July–September 2023, as well as the median and average lump-sum payments they reported making. In panel (b), we reported the share of borrowers with payments due in October who expected to make full payments, partial payments, or no payments in October 2023. All statistics except *All Borrowers* are for borrowers in repayment (i.e., borrowers who reported a payment due in October 2023).

Source: Federal Reserve Bank of Philadelphia Consumer Finance Institute Survey Data, October 2023

Conclusion

Our data show that approximately 30 percent of borrowers made lump-sum or excess payments toward their federal student loans in July–September 2023. Higher-income borrowers were considerably more likely to make lump-sum payments — and in larger amounts — though lower-income borrowers still accounted for a larger share of aggregate lump-sum payments because they represent such a large proportion of all borrowers. The difference between the median payment of about \$500 and average payment of about \$2,000 reflect some relatively large payments made by a small number of borrowers — typically those with higher incomes. Among respondents in our data who reported making lump-sum payments, most made modest payments in relation to their estimated scheduled monthly payments (with a median lump-sum payment of 1.5 times their regular monthly payment), and most borrowers made lump-sum payments on the order of 1–10 times their scheduled monthly payment.

We estimate that borrowers in the payment pause made upward of \$15 billion of lump-sum payments — or nearly 1 percent of outstanding federal student debt — during July–September 2023, consistent with the publicly available payment receipts data from the Treasury Department. This amount is likely drawn from savings accumulated during the pandemic payment pause, which is consistent with our analysis in our [previous report](#) that found student loan borrowers were more likely to report a slowdown in savings behavior in Q4 2023 compared with nonborrowers.

In future reports in our [series](#) on the student loan payments resumption, we will continue our investigation of student loan borrowers' financial well-being by exploring their awareness of and anticipated enrollment in the SAVE IDR plan, as well as the budget adjustments borrowers anticipated making in Q4 2023 in response to the payments restart.