Resetting Wallets: Survey Evidence on Household Budget Adjustments with Student Loan Payments Resumption

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In this fourth report of our series on the federal student loan payments resumption that began on October 1, 2023, we examine how student loan borrowers expected to change their earning, borrowing, saving, and spending behaviors and their household budgets coinciding with the return to repayment. Borrowers began considering adjustments to their household budgets after the end of the payments pause was announced in early July 2023 and continued to do so through the summer. This occurred amid several developments: changing macroeconomic and policy environments, concurrent transitions in borrowers' personal and financial circumstances, and considerably different servicing environments and repayment plan options compared with prior to the payments pause. As a result, we would expect borrowers' household budgets to be changing both as a result of the return to student loan repayment and because of these simultaneously occurring developments. Documenting borrowers' expectations of these household budget changes in real time is important to understanding and interpreting subsequent borrower outcomes and their causes.

In this report, we continue to draw insights from novel survey data collected from more than 2,000 student loan borrowers in November 2023 by the Consumer Finance Institute (CFI) of the Federal Reserve Bank of Philadelphia. We use questions on expected budget changes across categories of earnings, borrowing, savings, and spending to study the population of consumers potentially affected by the resumption of student loan payments and to contemplate how their budgets might have changed with the payments resumption. We build on previous reports in this series, which documented that many borrowers skipped their October payments or expected to miss one or both of their November or December payments, but also showed that many borrowers made payments in the years and months preceding the return to payment. For both categories of borrowers (those making payments prior to the

[1] The views expressed in this report are solely those of the authors and do not necessarily reflect the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System. Nothing in the text should be construed as an endorsement of any organization or its products or services. Any errors or omissions are the responsibility of the authors. No statements here should be treated as legal advice. The special reports in this series are available on the Philadelphia Fed website.

return to repayment and those who skipped payments in the fall), the resumption of student debt payments should not have affected their actual cash flows since they experienced no change in student debt payments.

Insights from our previous reports and the design of our survey collection enabled us to focus our analysis on borrowers most likely to be affected by the payments resumption — those who transitioned from not making payments to making them. At the same time, we could consider how the availability of the U.S. Department of Education's new and most generous to date income-driven repayment (IDR) plan — Saving on a Valuable Education (SAVE) plan — might limit the intensity of budget changes for borrowers whose payments were reduced. As survey respondents recorded their demographic characteristics, we generate more nationally representative estimates for student loan borrowers by reweighting the survey responses to reflect the American Community Survey along income, education, race, and age categories.

We found that a majority (60 percent) of student loan borrowers expected to experience a change in at least one of the budget categories listed above, and more than one-quarter expected to see changes in all categories. The category that was most likely to change — in the view of these borrowers — was spending (discretionary, essential, or both). On the other hand, while somewhat less frequently cited, the categories with the largest expected change (as a share of household income) were borrowing and savings.

Across all student loan borrowers in repayment, individuals expected to:

- increase their earned income by 0.9 percent of household income,
- increase borrowing by 2.5 percent of household income,
- decrease savings by 3.0 percent of household income,
- increase essential spending by 1.5 percent of income,
- decrease discretionary spending by 1.1 percent of household income, and
- increase monthly bills (other than student loans) by 2.0 percent of household income.

To be clear, the average expected budget changes reported here could be the result of many factors that these borrowers were experiencing or anticipating: overall economic conditions, life transitions, the resumption of student loan payments, and policy changes introduced by the Department of Education (primarily in the SAVE IDR plan and targeted debt cancellation). In fact, based on our analysis, a sizable portion of the reported expected changes in budget categories appear to be related to factors *other than* the payments resumption. Nevertheless, it is telling that borrowers with nonzero scheduled monthly payments on their federal loans were more likely to anticipate budget changes, and those changes were expected to be larger than changes reported by borrowers with scheduled payments of $0 on their federal loans (or among borrowers who only had private student loans that were unaffected by changes in government policy).

Borrowers most directly affected by the resumption of federal student loan payments — those with federal loans and nonzero scheduled monthly payments — expected to *increase* their net available funds by 4.7 percent of their household income.[2] This was almost entirely because of an expected increase in net borrowing (a 3.1 percent expected an increase in borrowing and a 3.4 percent expected a decrease in savings), and less so because of expected changes in earned income or spending. This is contrary to popular opinion, which focuses on potential reductions in spending. Yet in our data, borrowers most affected by the payments resumption expected to *increase* their overall spending by 2.4 percent of household income, while shifting its composition away from discretionary spending and toward essential spending.[3] Instead, the primary vehicle of budget adjustments for student loan borrowers resuming payments appears to be borrowing and savings.

In the aggregate, our best estimate places the total expected effect on borrowers' net available funds in the budget categories we studied between one-third and two-thirds of the aggregate resumed student loan payments, or between $2.4 billion and $4.2 billion. Overall, we find weak evidence that student loan borrowers expected to change their earning, borrowing, saving, or spending behaviors after the payments resumption in a way that significantly contributes to observed trends in *aggregate* consumption, borrowing, or savings. We emphasize that our estimates should be considered suggestive instead of causal, and that a more precise estimate of the expected changes in budget categories *directly* resulting from the resumption of student loan payments would need to carefully account for macroeconomic and individual budget influences beyond those available in our data.

Student Loan Payments Resumption and Household Budgets

At the time of our survey in early November 2023, student loan borrowers had time to adjust to the news of the payments restart on federally guaranteed student loans after a three-and-a-half-year payment pause. The restart was announced in early July 2023, shortly after the Biden administration's broad-based debt forgiveness plan was struck down by the U.S. Supreme Court. The expiration of the interest waiver was scheduled for September 1, and the first payment due dates were set for October 1, 2023. Between this announcement and our survey collection, a number of developments in addition to the payments resumption likely influenced borrowers' household budgets, and we discuss them here.

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[2] We define *net available funds* as the sum of earned income and borrowing, less savings and spending.

[3] We define *overall spending* as the sum of essential spending, discretionary spending, monthly bills (other than student loans), and other.

First, macroeconomic factors such as inflation, interest rates, and the unemployment rate affect budgets on a monthly basis, as do life transitions such as unemployment, job/income transitions, moves, or changes in family composition. Second, student loan repayment was an active area of federal policy and operations in summer and fall 2023. The Biden administration used existing discharge rules to cancel nearly $127 billion of student loan balances for nearly 3.6 million borrowers by early October, removing part or all of a debt obligation from many borrowers' monthly budgets. And in summer 2023, many borrowers learned that their scheduled monthly payments would be reduced as the new SAVE plan replaced the previously most prevalent IDR plan by implementing a higher exemption amount for adjusted gross income before payments would become due for enrolled borrowers. As we show in the third report in our series, one-quarter of all federal borrowers in repayment were grandfathered into the SAVE plan, and another 18 percent applied to or intended to apply to the SAVE plan, based on CFI's survey data. Such borrowers might have anticipated a larger increase to their monthly debt service when the payments restart was announced, only to find later in summer 2023 that their future scheduled monthly payment would be somewhat or considerably lower than anticipated (including eliminated entirely, for borrowers below the now-higher-discretionary-income threshold) and therefore would require a smaller budget adjustment.

It is unclear, in an ex-ante sense, how borrowers might adjust their budgets because of the payments restart or how they might report those adjustments, for four key reasons. First, some federal student loan borrowers might not need to make budget adjustments because they had already made payments at different points in the pandemic, including some borrowers who made more or less of their (pre-pandemic) scheduled monthly payments earlier in 2023, as we show in a recent report. Second, even though payments were first due in October 2023, some borrowers had yet to make a payment; the first report in our series shows that 11 percent of borrowers in our survey expected to miss at least one scheduled payment in Q4 2023 and another 11 percent expected to miss all three. Third, although our questions were worded to elicit a comparison between post-restart and pre-restart budgets, borrowers may respond with their future plans relative to the October payments or may report no adjustments at all because many of them had already restarted payments by the time of our survey collection in early November. And fourth, borrowers may struggle to separate the portion of any individual budget adjustment that might be attributable to the resumption of student loan payments as opposed to other shocks they may have experienced. This last reason could be a source of overstating the effects of the resumption of student loan repayments if respondents tend to attribute all changes in their expected budget to this one cause, when in fact it is the result of many.

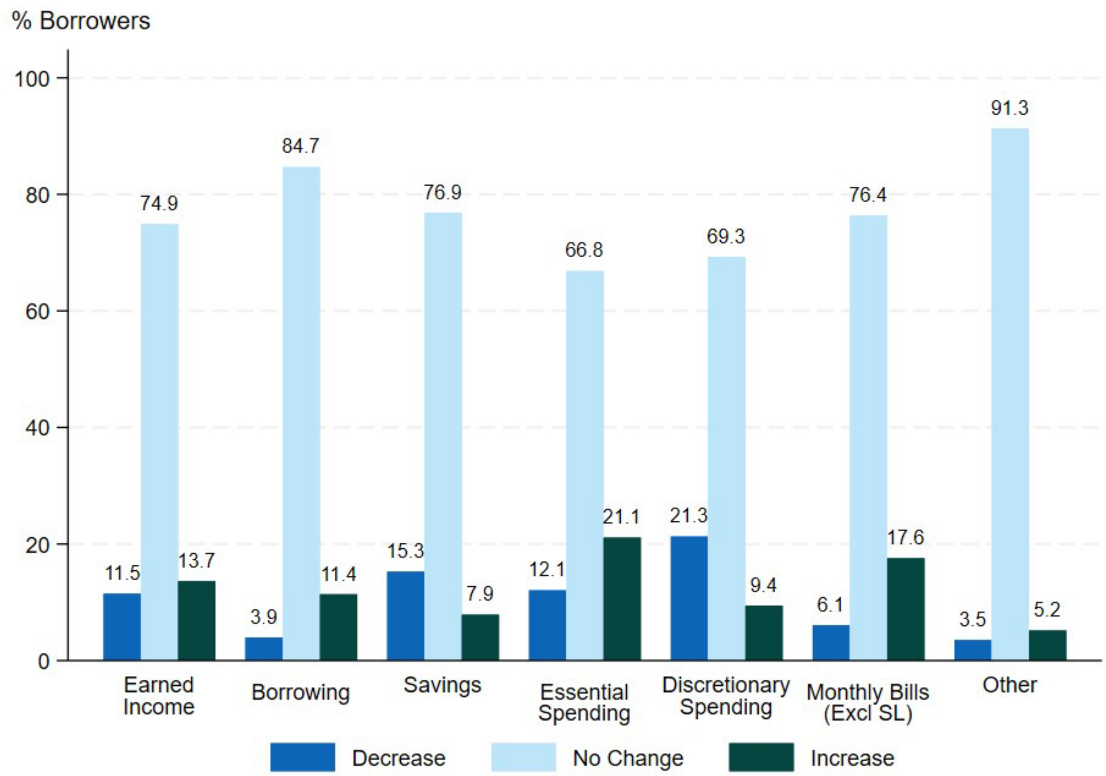
CFI fielded a consumer survey to student loan borrowers in early November 2023 to study federal student loan borrowers' experience with the resumption of student loan payments. We gathered high-level information about borrowers' repayment status, expected payment patterns in Q4 2023, and awareness of and enrollment intentions for the new SAVE plan, among other questions. We also asked detailed questions about borrowers' changes to earnings, borrowing, savings, essential spending, discretionary spending, and monthly bills (apart from student loans). For each budget category, we asked borrowers whether and by how much they expected the particular category to change by increasing, decreasing, or not changing its budget allocation. To be clear, our questions placed no constraints on the changes in individual categories, or on the total adjustment relative to borrowers' income or scheduled monthly payment, that respondents could report. We collected the data in this way to glean insights into expected movements in borrowers' key budget categories at a pivotal time in the resumption of paused student loan payments, while recognizing the challenges of disentangling the direct effect of the payments resumption on budgets as opposed to the confounding factors described in this discussion.

Prevalence of Expected Budget Changes

To begin our investigation of borrowers' expected budget changes, we provide the overall prevalence of increases and decreases to budget categories for our sample of 1,540 borrowers who reported being in repayment in **Figure 1**.[4] As mentioned previously, the data are reweighted to be nationally representative based on income, education, race, and age of the respondents throughout this report. Immediately evident from this figure is that most borrowers reported not changing an individual category, ranging from 66.8 percent of borrowers not expecting to change essential spending to 91.3 percent of borrowers not expecting to change the "other" budget category. As we would have expected, the data reflect a relatively small share of borrowers with expected changes in all categories, with most adjusting only a few.

[4] Throughout this report, we omit a small number of borrowers who declined to report a household income to keep the sample consistent between tables and charts that incorporate income data and those that do not.

Figure 1 — Prevalence of Individual Expected Budget Changes, November 2023



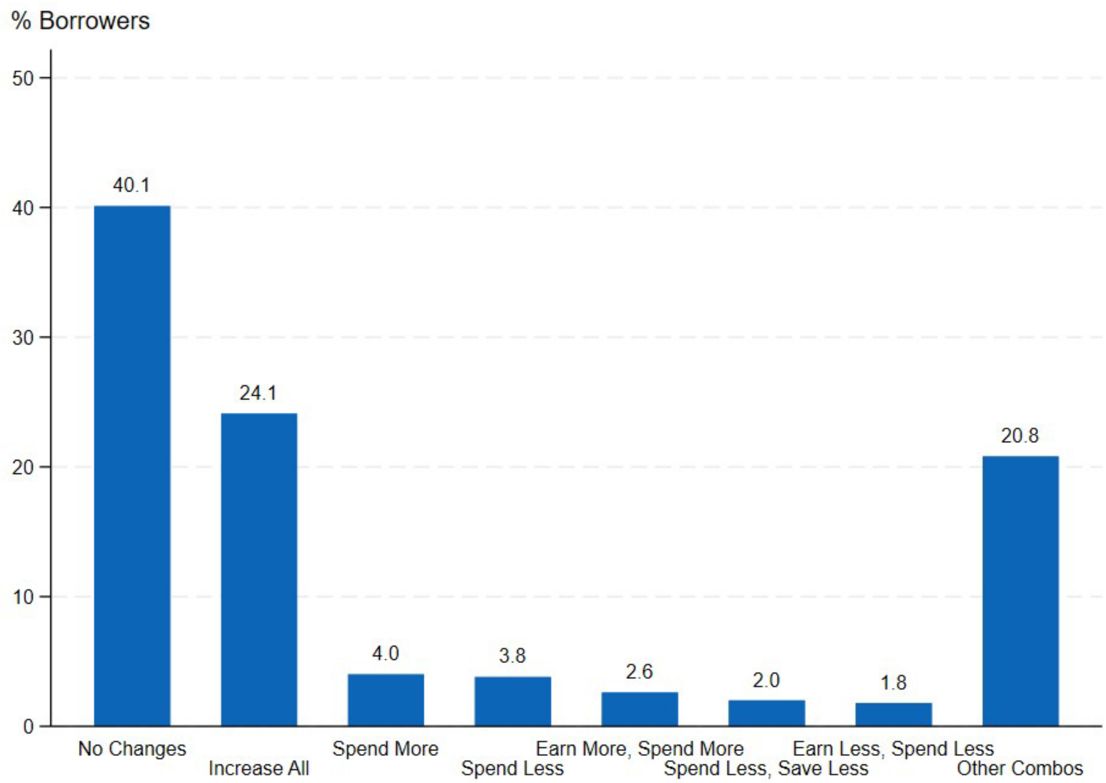
Notes: Sample includes respondents who reported a student loan in repayment and a household income (including income of $0). Responses are reweighted to reflect the American Community Survey distribution by income, education, race, and age.

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

Turning to borrowers who expected to change allocations to budget categories, similar shares of borrowers changed earned income and other budget categories, whereas more borrowers expected to increase borrowing, essential spending, and monthly bills than to decrease them. Finally, more borrowers expected decreased savings and discretionary spending than expected to increase them. These are the two most often cited examples of anticipated behavioral responses mentioned in public discourse and the popular press.

We consider the possible combinations of budget changes in greater detail in **Figure 2**. For purposes of this figure, we combined essential spending, discretionary spending, monthly bills, and "other" into a single category of "spending." Figure 2 presents the aggregate of 48 observed combinations of these adjustment margins to earnings, borrowing, savings, and spending. The largest share depicted (40 percent) are borrowers who expect changes in none of the categories. As discussed previously, many borrowers were not restarting payments although the payment pause ended for three reasons: because they made payments during the payment pause, because they did not have a payment due ($0 scheduled payment in IDR), or because they skipped their payment in October 2023.

Figure 2 — Combinations of Expected Budget Changes, November 2023



Notes: Sample includes respondents who reported a student loan in repayment and a household income (including income of $0). 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, November 2023

The next most common combination of changes (among nearly one-quarter of borrowers) was an increase in allocations to all four categories. This can be described as an increase in spending funded in part by increased earnings and by increased *net borrowing* (which is borrowing – savings). The remaining combinations were considerably less common, with 4 percent of borrowers expecting to spend more (typically dominated by essential spending) and 3.8 percent of borrowers expecting to spend less (typically dominated by discretionary spending). Another 2.6 percent of borrowers expected to earn more and spend more, 2.0 percent expected to spend less and save less, and 1.8 percent expected to earn less and spend less. The remaining 41 permutations amount to almost 21 percent of borrowers; yet only five of the remaining individual combinations amount to 1–2 percent of the total, while the rest amounts to less than 1 percent of the total each. We provide a more detailed tabulation of all observed combinations in **Appendix** Table A1.

Magnitude of Expected Budget Changes

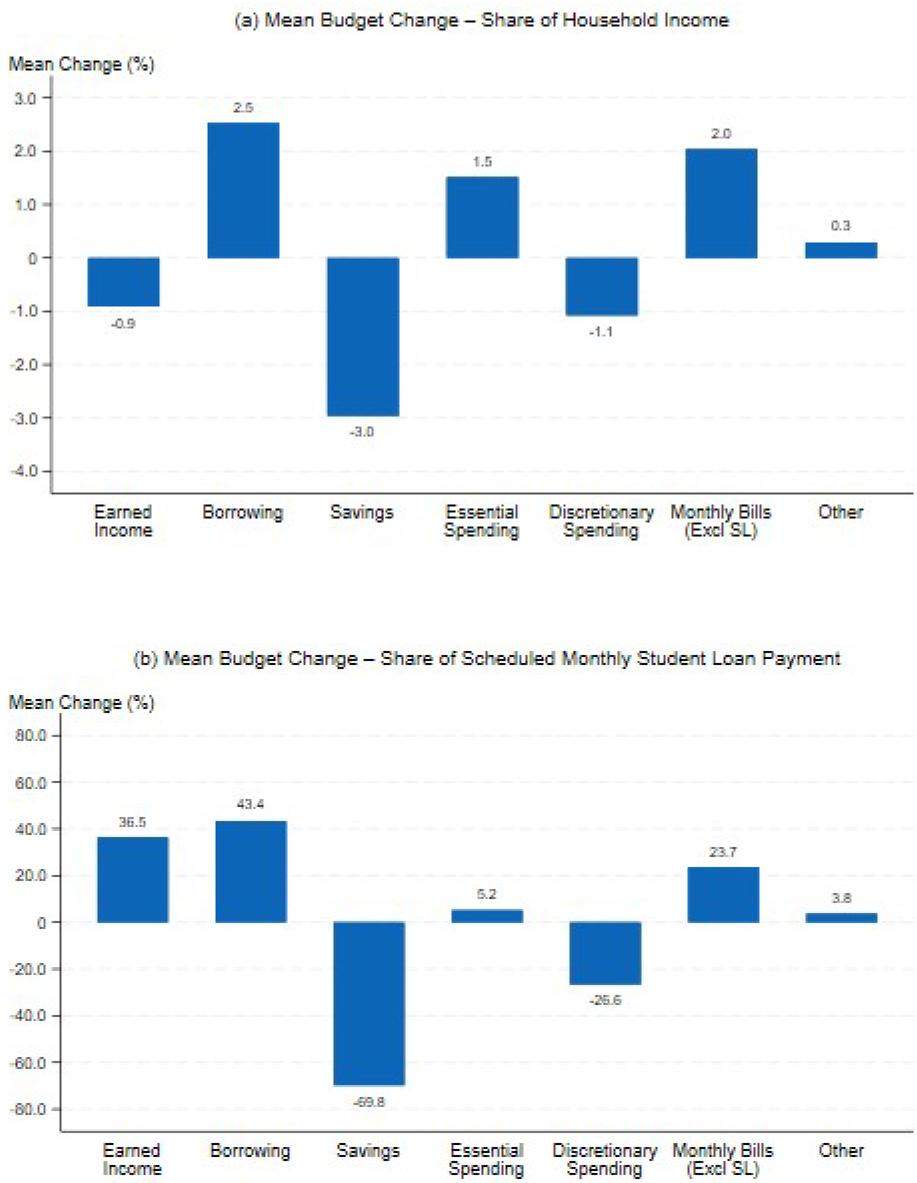
Having investigated the prevalence of borrower budget changes, we turn to summarizing the magnitude of expected changes in **Figure 3**. Panel (a) shows the mean (average) expected budget change in each category as a share of household income, while panel (b) expresses the mean expected budget change as a share of the borrower's scheduled monthly student loan payment among borrowers with a scheduled payment greater than $0. The statistics in Figure 3 are produced to be comparable to those in the previous figures; the calculations rely on data for all borrowers who reported a student loan in repayment and a household income, including borrowers who reported no expected changes to a particular budget category. In the **Appendix**, Table A2 provides the average changes both for all individuals in repayment and separately for those who reported an expected change in a budget category (in other words, omitting individuals with no changes in a particular category).

Panel (a) of Figure 3 shows that borrowers' expected budget changes represent a relatively moderate share of their monthly household income. For all categories except earned income, the direction of the average expected budget change is consistent with the relative prevalence of expected increases versus decreases in Figure 1.

The average borrower in our data expected to increase essential spending by 1.5 percent, decrease discretionary spending by 1.1 percent of household income, decrease savings by 3.0 percent of household income, and increase borrowing by 2.5 percent.

On the other hand, the average borrower expected a decline of 0.9 percent in earned income (as a share of household income), meaning that although slightly more borrowers anticipated an increase in earned income relative to a decrease (see Figure 1), the anticipated decreases in income were somewhat larger than the anticipated increases and yield a negative mean expected change in earned income.

Figure 3 — Expected Budget Changes — Share of Income and Monthly Payment, November 2023



Notes: Sample includes respondents who reported a student loan in repayment and a household income (including income of $0). In panel (b), we report statistics for those borrowers with a scheduled monthly payment greater than $0. 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, November 2023

In panel (b) of Figure 3, we consider the average expected changes in each budget category as a share of the borrower's scheduled monthly student loan payment. We only calculate expected changes as a share of monthly payment for those borrowers who had a non-$0 scheduled monthly payment (in other words, those who are not in an IDR plan with a $0 payment and who were actually required to make payments). For borrowers with a scheduled payment, the expected change in earned income was 36.5 percent of the monthly payment, while the expected change in borrowing was 43.4 percent of the scheduled payment. Borrowers expected to reduce their savings by 69.8 percent of the monthly payment and discretionary spending by 26.6 percent of the scheduled payment. Changes in essential spending, despite their high prevalence (see Figure 1), represented a small share of scheduled payments. That is because the relative proportions of borrowers who increased their essential spending and those who decreased their essential spending did not vary much across the range of monthly scheduled payments.

In the **Appendix**, Table A1 provides comparable statistics for the subsets of borrowers who reported a change in a particular category. As expected, average changes are larger in magnitude, on average, for borrowers who reported a change than for all borrowers.

What Types of Borrowers Expected Budget Changes?

As discussed previously, we expected ex ante that borrowers would report expected budget changes that reflect both the return to student loan repayment and other factors. We should also acknowledge that it is possible respondents may struggle to attribute changes in their expected budgets specifically to the resumption of loan payments versus all other influences. It would be helpful then to understand more about the types of borrowers who may expect larger versus smaller budget changes, so we can begin to estimate what portion of the responses we received might reflect the payments resumption versus expected budget adjustments unrelated to changes in the borrowers' student loan obligations.

In **Table 1**, we separate borrowers into categories by the degree to which we might expect the return to repayment to affect their budget allocations. We classify respondents into three groups: a) borrowers with government loans and a nonzero scheduled monthly payment (some of whom also have private loans), b) borrowers with government loans and a $0 scheduled IDR payment on those government loans (some of whom also have private loans), and c) borrowers with only private loans. It is possible the borrowers in the latter category may have previously had government loans that were cancelled or paid off before the return to repayment. We emphasize that borrowers in these three categories tend to have systematically different demographic and financial characteristics, such that any differences in their responses must be interpreted with caution.

Table 1 — Prevalence of Expected Budget Changes by Loan Type and Repayment Group, November 2023

	Borrowers with Government Loans and Scheduled Payment > $0	Borrowers with Government Loans and $0 IDR Payment	Borrowers with Only Private Loans
Earned Income	30.2%	17.2%	19.7%
Borrowing	16.8%	13.7%	12.0%
Savings	27.3%	16.5%	19.5%
Essential Spending	38.3%	26.6%	23.8%
Discretionary Spending	35.6%	22.3%	28.4%
Monthly Bills (Excl Student Loans)	26.5%	20.0%	18.2%
Other	10.6%	6.7%	3.7%

Notes: Sample includes respondents who reported a student loan in repayment and a household income (including income of $0). 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, November 2023

All else equal, we would expect borrowers with nonzero scheduled payments to be the most likely to expect changes to their budget, and that turns out to be the case for our sample. Across all budget categories, those borrowers are more likely to expect a budget change than either borrowers with $0 IDR payments or borrowers with only private loans. Beyond our analysis of prevalence in Table 1, we confirmed in the data that the average changes as a share of income are also more pronounced for borrowers with nonzero government loan payments. Those borrowers are particularly more likely to expect earned income increases, discretionary spending decreases, and borrowing increases.

To further illustrate the types of borrowers who expected budget changes, we present differences across demographic groups in the prevalence and magnitude of expected budget changes for two budget categories of particular interest: discretionary spending and savings. We present our results in **Table 2**. As shown in panel (a) that examines changes in expected discretionary spending, borrowers who typically have a lower incidence of repayment struggles (e.g., middle-to-high income borrowers, highly educated borrowers, older borrowers, or white borrowers) are particularly likely to expect a decrease in discretionary spending instead of an increase. When we consider the average change in discretionary spending as a share of household income (the fourth column of panel a), we find that borrowers with the largest expected declines tend to be in the segments of borrowers who we identified in our earlier reports as more likely to struggle making student loan payments. Those include borrowers making less than $40,000 per year (a decrease of 1.8 percent of income, on average), borrowers with some college education but less than a bachelor's degree (a decrease of 1.9 percent, on average), and middle-aged borrowers (a decrease of 1.7 percent, on average).

We examine expected changes to savings in panel (b). There, we find that borrowers with household incomes of less than $40,000 anticipated a large decline in savings relative to their incomes (a decrease of 5.7 percent, on average). Yet those reporting the largest expected drop in savings by far relative to their income were borrowers with a bachelor's degree (a decrease of 8.0 percent, on average). This is not surprising, as borrowers with the highest levels of education are most likely to have savings to begin with and can therefore use those savings to accommodate the return to repayment. However, lower-income borrowers often reported expecting no change in savings precisely because they did not have any savings to begin with. Looking across all borrowers, the average expected decline in savings was 3.0 percent. The only other demographic segments that reported relative declines significantly larger than this are females (4.7 percent) and white borrowers (4.5 percent). Again, we caution that results in Table 2 should be interpreted in the context of underlying differences between the demographic groups in terms of financial standing, employment, and other measures.

Table 2 — Prevalence and Magnitude of Expected Budget Changes by Demographic Group, November 2023

	(a) Change in Discretionary Spending				(b) Change in Savings			
	% with Decrease	% with Increase	Differential (% Decrease - % Increase)	Average Change (% Income)	% with Decrease	% with Increase	Differential (% Decrease - % Increase)	Average Change (% Income)
All Borrowers	21.3%	9.4%	11.9%	-1.1%	15.3%	7.9%	7.4%	-3.0%
Income Range								
< $40,000	17.7%	10.2%	7.5%	-1.8%	12.2%	8.7%	3.5%	-5.7%
$40,000 - < $80,000	24.2%	8.4%	15.8%	-0.8%	16.1%	5.4%	10.7%	-1.3%
$80,000+	23.0%	9.4%	13.6%	-0.5%	18.1%	8.9%	9.2%	-1.2%
Degree Attainment								
High School or Less	12.3%	14.7%	-2.4%	0.2%	10.5%	10.9%	-0.4%	-1.0%
Less than Bachelor's	20.8%	6.3%	14.5%	-1.9%	11.4%	7.4%	4.0%	-1.3%
Bachelor's	26.3%	9.3%	17.0%	-1.0%	22.4%	6.6%	15.8%	-8.0%
Graduate Degree	27.9%	9.2%	18.7%	-1.1%	20.3%	6.6%	13.7%	-2.3%
Age Range								
18-34	17.6%	12.2%	5.4%	-0.5%	14.2%	12.0%	2.2%	-2.2%
35-54	22.3%	7.6%	14.7%	-1.7%	15.1%	5.4%	9.7%	-3.5%
55+	29.8%	5.5%	24.3%	-1.4%	18.8%	1.5%	17.3%	-3.8%
Gender								
Male	18.0%	10.9%	7.1%	-1.2%	17.0%	6.0%	11.0%	-1.1%
Female	24.4%	8.1%	16.3%	-0.9%	13.4%	9.9%	3.5%	-4.7%
Race/Ethnicity								
White (Non-Hispanic)	22.7%	9.2%	13.5%	-1.3%	17.5%	7.5%	10.0%	-4.5%
African American / Black	16.6%	7.5%	9.1%	0.0%	13.3%	8.9%	4.4%	-3.5%
Hispanic	19.1%	10.5%	8.6%	-1.4%	12.6%	4.7%	7.9%	-1.5%
Other	24.5%	11.5%	13.0%	-0.8%	11.4%	13.4%	-2.0%	2.9%

Notes: Sample includes respondents who reported a student loan in repayment and a household income (including income of $0). 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, November 2023

Aggregate Budget Changes

What might be the aggregate effects of the resumption of federal student loan payments on borrowers' budgets and the economy? As discussed previously, it is difficult to precisely attribute the portion of all the expected budget changes reported by our respondents that is specific to the resumption of student loan payments and not some other causes. Borrowers' responses to our survey reflected a combination of the following: a) more general budget changes driven by the economic environment, b) life transitions, and c) the effect of the resumption of student loan payments, among other things. In the previous section, we examined the variation in the prevalence and magnitude of expected budget changes that considered borrowers' relative exposure to the resumption of student loan payments (Table 1) and across demographic segments (Table 2). We concluded that overall economic and life changes account for a large part of the observed changes in expected budget changes, but also that the return to repayment has incrementally affected borrowers.

In this section, we attempt to present a useful estimate of bounds for the effect on changes in net available funds potentially attributable to the resumption in student loan payments. In **Table 3**, we compare the overall expected change in the available budget in different budget categories for borrowers for the three loan/repayment type groups we considered previously in Table 1. The average borrower with government loans and nonzero payments expected to increase available funds by 7.1 percent of household income (calculated by adding the expected changes in earned income and borrowing and subtracting the expected change in savings) and expected to increase their spending (calculated by adding the expected changes in essential spending, discretionary spending, monthly bills, and other) by 2.4 percent of household income. This results in an *expected increase in net available funds* available for student loan payments of 4.7 (7.1–2.4) percent of household income.

Table 3 — Magnitude of Expected Budget Changes as a Share of Household Income, by Loan Type and Repayment Group, November 2023

	Borrowers with Government Loans and Scheduled Payment > $0	**Borrowers with Government Loans and $0 IDR Payment**	**Borrowers with Only Private Loans**
Earned Income	0.6%	-2.7%	-4.2%
Borrowing	3.1%	2.0%	1.0%
Savings	-3.4%	-2.0%	-3.4%
Essential Spending	1.7%	2.1%	-1.2%
Discretionary Spending	-1.8%	0.1%	-0.5%
Monthly Bills (Excl Student Loans)	2.1%	2.4%	0.7%
Other	0.4%	0.2%	-0.1%
Income + Borrowing - Savings (A)	*7.1%*	*1.3%*	*0.2%*
Spending (B)	*2.4%*	*4.8%*	*-1.1%*
Net Change in Available Funds (A - B)	*4.7%*	*-3.5%*	*1.3%*

Notes: Sample includes respondents who reported a student loan in repayment and a household income (including income of $0). 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, November 2023

In comparison, average borrowers with government loans and a $0 IDR payment expected to *decrease* their net available funds by 3.5 percent, owing to a combination of an expected reduction in earned income of 2.7 percent, expected increase in net borrowing of 4 percent (a 2 percent expected increase in borrowing and a 2 percent expected reduction in savings), and an expected increase in total spending of 4.8 percent. This may reflect their relatively more precarious financial position (and resulting eligibility for a $0 IDR payment) compared with government loan borrowers with nonzero payments, or it may represent a common macroeconomic effect or a combination of factors. Meanwhile, borrowers with only private student loans expected an increase in net available funds of 1.3 percent of household income, including the largest expected decrease in earned income among the three groups (4.2 percent of household income), as well as a 4.4 percent increase in net borrowing and a 1.1 percent decrease in spending.

Our interpretation of these patterns is that the expected changes in net available funds for the different borrower groups may help us to develop helpful bounds for the direct effect of the payments resumption. We do not consider differences across borrower groups in *individual* budget categories as useful because borrowers in different groups are clearly experiencing varied shocks and start from disparate underlying economic circumstances. They have the capacity and may expect to adjust different combinations of budget categories and to different degrees. Individual personal or macroeconomic circumstances are also more likely to affect an individual budget category than the net available funds. Thus, a comparison of expected changes in *net* available funds may be more instructive and appears to show that borrowers with $0 IDR payments may be facing economic hardship and life transitions (expected earned income reduction combined with an expected decrease in net available funds), while borrowers with only private student loans appear to be expecting more of a budget reshuffle (expected earned income reduction combined with expected net increase in available funds). On the other hand, borrowers with government loans and nonzero scheduled payments expected a slight *increase* in earned income, a sizable increase in net borrowing (6.5 percent of household income), together with a moderate increase in spending of 2.4 percent of household income.

Using our data, we can contemplate an *aggregate* expected change in net available funds for borrowers in the three different groups and use them to derive potential bounds for the direct effect of the return to repayment on borrowers' budgets. First, we can calculate the total expected change in *net available funds*, as a share of household income, for the borrowers with government loans and nonzero payments, which, at 4.7 percent, comes out to $2.4 billion. If those borrowers were not affected by any other factors, which is unlikely, this could be a measure of the direct effect of the resumption in student loan payments.

But as we have emphasized throughout this report, adverse macroeconomic and personal shocks also play a role in expected budget adjustments. The data in Table 3 would suggest that these shocks likely have the effect of *reducing* net expected available funds available to student loan borrowers. This, in turn, would imply that $2.4 billion represents a *lower bound* of the net expected change in available funds among government borrowers with nonzero payments resulting from the resumption in student loan payments. If that is the case, can we infer a plausible upper bound? The negative effect of macroeconomic and personal shocks on student loan borrowers can be seen most clearly among government loan holders with $0 IDR payments, who expected a net reduction in available funds of 3.5 percent as a share of household income. We would expect that borrowers with nonzero payments would experience macroeconomic and personal shocks less severely than borrowers with $0 IDR payments because of their overall stronger financial standing. This means that the reduction in net available funds expected by the $0 IDR group should be an upper bound on the effect of macroeconomic and personal shocks for government borrowers with nonzero payments. This means that an *upper bound* for the direct effect of the payments resumption on net change in available funds, as a share of household income, under these conservative assumptions (and without an ability to account for richer covariates) might be 8.2 percent (4.7 percent plus 3.5 percent), or $4.2 billion. Thus, a reasonable yet broad range of estimates for the amount of aggregate student loan payments conceivably attributable to the payments resumption across the budget categories identified in this report might be between $2.4 billion and $4.2 billion, or between one-third and two-thirds of aggregate resumed payments.

We emphasize again that our survey questions were not posed in such a way that the sum of expected changes in budget categories should "add up" to the student loan payment, either in the aggregate or at the individual level. For example, our savings question inquired about the borrowers' monthly *flow* of savings, whereas borrowers could choose to use their *stock* of savings to make student loan payments. Some borrowers could be relying on family help to make their payments, and others might not be making payments at all. Additionally, our budget categories are not comprehensive, such that there may be a separate category in the borrower's budget — for example, charitable donations or support with family members outside the household — that may also be expected to accommodate student loan payments but that we did not observe. In practice, this means that the difference between the aggregate payments reported to the Department of Education and the expected budget changes estimated from our data must have been covered by borrowers' budget categories not observed in this report, or that some borrowers lumped their student loan payment into one of the categories we inquired about (e.g., essential spending), thus concealing it in their budget.

Conclusion

We conclude that a considerable portion of the expected changes in budget categories reported by borrowers appears to be attributable to factors *other than* the resumption of federal student loan payments. In other words, there was a great deal going on in the economy and individuals' lives in the Q4 2023, and the return to student loan repayment was only one budget influence. While we find that there appears to be an incremental effect of the resumption of federal student loan payments on the expected budget changes of borrowers directly exposed to resumed payments, we find little evidence that such changes could materially explain movements in the observed trends in consumption or savings at the level of the economy as a whole. We find there are some differences across demographic groups in the prevalence and magnitude of certain expected budget changes, and while they are not exceptional, they demonstrate that certain segments of the population are affected more than others.

Our analysis should be considered as a helpful precursor and complement to the analysis of administrative and other outcome data as it materializes. Survey data such as ours has the advantage of gathering consumers' expectations in a timely manner; in this case, borrowers' impressions were collected as they adjusted to a new normal after a three-and-a-half-year payment pause while navigating a considerably different servicing environment and a revised set of repayment options. To make truly causal statements requires richer data that permits a comparison of outcomes between borrowers and nonborrowers and between finer categories of student loan borrowers. This would help to eliminate the potential confounding effects of other economic and individual shocks that could be erroneously attributed to the resumption of payments on federal student loans.

Richer data would also allow for the documentation of different types of circumstances that may lead to some of the patterns of the expected budget changes we measure. For example, student loan borrowers who found their new scheduled payment under the SAVE plan more affordable than they previously imagined might decide to move forward with a home purchase they had been delaying. For those borrowers, such an increase in spending and a decrease in savings might, in the long run, facilitate the accumulation of wealth. Other borrowers might simply reduce spending and savings to afford their resumed student loan payment. Understanding key combinations of personal and macroeconomic circumstances in which borrowers make decisions about their student loan payments and household budgets is crucial for a comprehensive understanding of the effect of not only the payments resumption but also student loans more generally on borrowers' budgets and overall financial well-being.

We therefore encourage researchers with access to administrative data — such as data drawn from financial institutions, credit bureaus, or the Department of Education — to use the insights in this report to inform careful analyses of trends in borrowers' student loan payments, household budgets, and financial well-being, taking into account the potential confounding factors described in this report.

This fourth and final report of our series on the student loan payments resumption concludes our current investigation of data on student loan borrowers' experiences with the payments resumption collected in fall 2023. We look forward to continuing our investigation of the return to repayment in 2024 as the policy and servicing environments settle, and as we are able to discern patterns in borrowers' ultimate outcomes.

Appendix

Table A1 — Combinations of Budget Changes, November 2023

Income	Spending	Borrowing	Saving	Classification	% Borrowers
No Change	No Change	No Change	No Change	No Changes	40.1%
Increase	Increase	Increase	Increase	Increase All	24.1%
No Change	Increase	No Change	No Change	Spend More	4.0%
No Change	Decrease	No Change	No Change	Spend Less	3.8%
Increase	Increase	No Change	No Change	Earn More, Spend More	2.6%
No Change	Decrease	No Change	Decrease	Spend Less, Save Less	2.0%
Decrease	Decrease	No Change	No Change	Earn Less, Spend Less	1.8%
No Change	Increase	No Change	Decrease	Other	1.6%
No Change	No Change	No Change	Decrease	Other	1.6%
Decrease	Decrease	No Change	Decrease	Other	1.3%
Increase	No Change	No Change	No Change	Other	1.3%
No Change	Increase	Increase	No Change	Other	1.0%
Increase	Increase	No Change	Increase	Other	0.9%
Decrease	Increase	No Change	No Change	Other	0.9%
Decrease	Increase	No Change	Decrease	Other	0.8%
No Change	Increase	No Change	Increase	Other	0.8%
Increase	Increase	Increase	No Change	Other	0.7%
Decrease	No Change	No Change	No Change	Other	0.7%
Increase	Decrease	No Change	Decrease	Other	0.6%
No Change	No Change	No Change	Increase	Other	0.5%
Decrease	Increase	Increase	Decrease	Other	0.5%
No Change	Decrease	Increase	No Change	Other	0.5%
No Change	Increase	Increase	Decrease	Other	0.4%
Increase	Decrease	No Change	No Change	Other	0.4%
No Change	Increase	Increase	Increase	Other	0.4%
Increase	Increase	No Change	Decrease	Other	0.4%
Decrease	Decrease	Increase	No Change	Other	0.4%
Decrease	Increase	Increase	No Change	Other	0.4%
Decrease	Decrease	Increase	Decrease	Other	0.4%
No Change	No Change	Increase	No Change	Other	0.4%
Increase	Increase	Increase	Decrease	Other	0.3%
Increase	Decrease	No Change	Increase	Other	0.3%
No Change	Decrease	Increase	Decrease	Other	0.3%
Decrease	Increase	Increase	Increase	Other	0.3%
Increase	No Change	No Change	Increase	Other	0.3%
No Change	Decrease	No Change	Increase	Other	0.2%
Decrease	Decrease	No Change	Increase	Other	0.2%
Decrease	No Change	Increase	No Change	Other	0.2%
Increase	No Change	No Change	Decrease	Other	0.2%
Increase	Decrease	Increase	Decrease	Other	0.2%
Decrease	Increase	No Change	Increase	Other	0.2%
Decrease	Decrease	Increase	Increase	Other	0.1%
Increase	Decrease	Increase	No Change	Other	0.1%
Decrease	No Change	No Change	Decrease	Other	0.1%
No Change	No Change	Increase	Decrease	Other	0.1%
Increase	No Change	Increase	No Change	Other	0.1%
Increase	No Change	Increase	Decrease	Other	0.1%
Decrease	No Change	Increase	Decrease	Other	0.1%

Notes: Sample includes respondents who reported a student loan in repayment and a household income (including income of $0). Combinations of changes with no incidence were omitted for brevity. 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, November 2023

Table A2 — Average Budget Changes, November 2023

Budget Category	Average Change (% of Household Income)		Average Change (% of Monthly Payment)	
	All Borrowers	Borrowers with Change	All Borrowers	Borrowers with Change
Earned Income	-0.9%	-3.6%	36.5%	126.0%
Borrowing	2.5%	16.5%	43.5%	257.8%
Savings	-3.0%	-12.8%	-69.7%	-270.7%
Essential Spending	1.5%	4.6%	5.7%	15.7%
Discretionary Spending	-1.1%	-3.5%	-26.6%	-77.9%
Monthly Bills (Excl Student Loans)	2.0%	8.6%	23.7%	93.2%
Other	0.3%	3.4%	3.8%	37.0%
Number of Observations	1540		1371	

Notes: Sample includes respondents who reported a student loan in repayment and a household income (including income of $0). The sample is further restricted to those individuals with a scheduled monthly payment greater than $0 for the average change as a share of the scheduled monthly student loan payment. The specific sample for borrowers with a change in a particular category differ based on the number of consumers who reported a change in that category and are not indicated in the table for readability. 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, November 2023