

Macro Roundup Article

Headline: [Debt Moratoria: Evidence from Student Loan Forbearance](#)

Article Link: <https://bfi.uchicago.edu/working-paper/debt-moratoria-evidence-from-student-loan-forbearance/>

Author(s)	Michael Dinerstein, Constantine Yannelis and Ching-Tse Chen
Publication	University of Chicago
Publication Date	June 06, 2023

Tweet: The 2020 student loan moratorium failed to reduce student loan balances and increased borrowers' net leverage by 3% as borrowers took on additional student loans, mortgage, auto, and credit card debt. @mikedinerstein

Summary: By the end of 2021, borrowers subject to the payment freeze had an additional \$1,500 in outstanding student loan balances relative to those that did not see a payment stoppage. Despite having higher cash on hand, borrowers do not use their additional liquidity to pay down other debt. In fact, household leverage rises as borrowers make higher payments on other loans, and mortgage, auto, and credit card debt rise. Overall, excluding student loans, household leverage increases by \$1,200 (3%) for households subject to the pause. Student loan balances increase by a similar amount. The results suggest that the payment pause led to higher durable and non-durable consumption in the short term, but higher overall leverage, consistent with binding liquidity constraints. We find that the effects are concentrated among borrowers who have not previously been delinquent on a loan. These borrowers likely had no change in their supply of credit. Instead, their increased use of credit implies that their demand for credit increases as they have more liquidity.

Primary Topic: Government Spending

Topics: Academic paper, Database, Fiscal Policy, Government Spending, Weekly

Permalink: <https://www.edwardconard.com/macro-roundup/the-2020-student-loan-moratorium-failed-to-reduce-student-loan-balances-and-increased-borrowers-net-leverage-by-3-as-borrowers-took-on-additional-student-loans-mortgage-auto-and-credit-card-debt?view=detail>

Featured Image

Link: <https://www.edwardconard.com/wp-content/uploads/2023/06/Student-Loan-Balances-.jpg>