

COMMENTARY



Back to School for Students, Back to Payments for Borrowers

After a multi-year pause, federal student loan payments are back, bringing with them heightened financial pressures for millions of borrowers. A wave of student loan “payment shock” is forcing consumers to adjust quickly, with monthly obligations often ranging from \$200 to \$500 or more. As a result, households are making significant changes to their spending habits, a shift already impacting key industries—retail, travel, real estate, and banking, reshaping consumer behavior in ways businesses must understand to remain competitive.

Budget Shifts and Borrower Behavior

The most immediate impact of resuming student loan payments is the strain on household budgets. For many borrowers, monthly loan payments mean less money for discretionary spending. This is prompting greater reliance on credit cards, personal loans, and increasingly, buy now, pay later (BNPL) services to cover daily expenses.

Debt-to-income (DTI) pressures are at the heart of the challenge. The median DTI ratio, the percentage of a consumer’s monthly income used to service debt, has historically hovered near 34% in the U.S., according to Federal Reserve Economic Data (FRED) on mortgage

origination DTIs. Most lenders prefer ratios under 38% when extending credit. After the pandemic, stimulus measures and frozen debt collections drove median DTIs to a decade low of 32% in 2021. But by the end of 2023, that figure had risen to a record-high 38%, the upper threshold for many lenders.

Inflation has further complicated matters, making it difficult for borrowers to reduce debt. This squeeze is not limited to lower-income households; upper-middle and lower-upper income earners, many with substantial student debt, are feeling acute pressure. They also face higher housing cost and insurance premium costs. Home prices are up an average of 45%, according to North American Community Hub Statistics April report on average home value increase per year in the U.S.; insurance premiums are up 30% since 2020, according to the National Bureau of Economic Research Property Insurance and Disaster Risk: New Evidence from Mortgage Escrow Data, driving monthly housing costs up 25% to 40%.

When cash is tight, borrowers prioritize mortgage payments, vehicle loans, and the highest-available credit card lines. Student loans, which carry no immediate risk



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of repossession, are often deprioritized. As of July, 13% of U.S. student loans were delinquent and 10.2% were 90-plus days past due, according to the Federal Reserve Bank of New York. This has been a sharp increase since Q1 2025, when serious delinquencies were below 8%. Analysts expect delinquencies to peak by the end of Q3 2025 barring a sharp economic downturn.

Industry Impacts

Retail: Discretionary spending has slowed, especially for non-essentials like apparel, electronics, and dining out. Value shopping is gaining traction, benefiting discount retailers, thrift stores, and BNPL providers. While BNPL offers short-term relief, it's increasingly used by mid- and high-credit-tier borrowers, raising concerns about “debt stacking,” opening credit cards to pay BNPL balances, then returning to BNPL for purchases.

Travel: Borrowers are traveling less frequently and opting for budget-friendly trips. Vacations may be replaced by “staycations” or camping, and restaurant dining is shifting from full-service to fast-casual. Businesses in this space must highlight value and affordability to retain customers.

Real estate: Higher DTIs are delaying first-time home purchases. Renters are staying put longer or living with roommates to manage costs. Real estate professionals will need to focus on affordability and flexible financing to reach these consumers.

Banking and credit: Credit card balances are rising, with 46% of users carrying month-to-month balances, up from pre-pandemic norms. Average balances reached \$7,321 in Q1 2025, a 5.8% year-over-year increase, according to

LendingTree's 2025 Credit Card Debt Statistics article.

Financial institutions can seize an opportunity by offering budgeting tools, refinancing, consolidation programs, and hardship plans tailored to this environment.

Adapting to New Consumer Priorities

The return of student loan payments represents more than a monthly budget line, it's a fundamental shift in how consumers manage their money. The effects will ripple through industries differently, with some sectors seeing modest declines and others, like discount retail, finding new growth.

Key Takeaways for Consumers and Businesses:

1. Student loan debt is a financial tool. It should be approached with a clear understanding of the value of the education it funds. Borrowers should weigh whether their debt load aligns with their earning potential.
2. Options exist for borrowers under strain. Consolidation programs and professional financial advice can help create manageable repayment plans.
3. Businesses need to adapt. Offering flexibility, affordability, and empathetic customer service will help businesses maintain loyalty and market share.

As borrowers adjust to these financial realities, brands and institutions that anticipate shifts in spending and offer solutions, rather than simply products, will stand out.

About Amy Moser

Amy Moser is senior vice president of operations support at Mountain America Credit Union, where she leads a team that strengthens and supports compliance across



all operational business units, while also overseeing Asset Management and Loan Servicing. She joined the credit union in 1997 as a member service representative, later advancing to vice president of mortgage services, where she streamlined lending processes and helped members achieve their dreams of homeownership. Throughout her career, Moser has championed teamwork, professional growth, and a culture of success. She currently serves on the American Credit Union Association Board (ACUMA), with past service on committees for Freddie Mac, Fannie Mae, and the Credit Union National Association (CUNA) Sub-Housing Committee.

Deeply involved in her community, Moser frequently volunteers and provides resources to local schools in need. Outside of work, she enjoys family time, camping, traveling, and all things Disney.

About Jeremy Blair

Jeremy Blair is the senior vice president of finance and chief investment officer at Mountain America Credit Union. In this role, he is responsible for overseeing corporate investments, liquidity management and interest rate risk management. He also serves as a financial advisor to the CEO and executive team to support strategic planning and develop methods for tracking revenue and expenses. He is an expert at growth strategy and processing organizations' financial activities to maximize profits. His expertise also includes data analysis, which he uses to advise executives on how to act on data-backed strategies to ensure short- and long-term growth and compliance with financial laws and regulations.

Blair graduated from the University of North Texas with a Bachelor of Arts in finance and received an MBA in strategic management. He is married and the father of three children. In his spare time, he enjoys spending time with family, traveling, and exploring all the outdoor activities the Mountain West has to offer.

