Student Loan Genius Blog | How Employees Missing Payments Affects Your Business

The real student loan problem is that the tripling debt is causing short-term decisions - like late payments - and resulting in long-term financial crisis for employees and spiraling costs for employers. The impact of the student loan crisis rising above $1.3 trillion and affecting 70% of graduates can be easily missed by employers. Oftentimes, employers don't initially capture how this can affect their business. When an employee misses a payment, here's a rundown of the real effect on your business.

Employees Most Likely To Miss Payments

While student loan debt is often thought to be an issue primarily for Millennials, the student loan generation is really Generation X. According to the Federal Reserve Bank of New York, borrowers between the ages of 30 and 49 hold *at least* 50 percent of today's student loan debt. Trailing just behind, Millennials carry 30% of today's debt. Overall, 6.7 million borrowers are 90+ days delinquent, which equates to 17% of borrowers who now have increasing interest payments on top of their student loan payments.

Among borrowers in repayment, 17% of them hold a delinquent balance, meaning they have missed a monthly payment. In the repayment groups, the group under 30 years old has the highest share of borrowers who are 90+ days delinquent at 35%. Ages 30-49 trail them at around 33%, demonstrating again the impact of missed payments and overall student loan debt on both Generation X and Millennials.

Missed Payments Add to Stress and Turnover

Inevitably, as the weight of monthly student loan payments increases, it can get harder and harder to make payments. This becomes particularly difficult as these individuals seek to buy houses or even a new car, all while rent is becoming an increasingly difficult expense for employees. All of the payments add up. Many times, those with student loan debt have to put off these purchases or even starting a family as they continue to pay off student loan debt.

With this many borrowers missing payments, it's no wonder why data has found that 46% of employees are spending 1-3 hours each week worrying about financial stress. An Association for Financial Counseling Planning and Education [c] report showed that the average employer is suffering from $7,000 in lost productivity costs per employee each year due to financial stress. This financial stress also results in the revolving door issue of employees leaving for better salary options or benefit programs to help pay off debt.

How To Help Your Employees

To help counteract these effects of student loan debt on employees, HR managers can offer student loan benefits. Companies can implement Genius Advisor to allow employees to work with an advisor for the best solution, Genius Pay lets employees make student loan payments directly from payroll, Genius Match offers direct matching from employers toward student loan payments, and Genius Save uses the student loan payment of employees to trigger contributions into their 401(k) retirement plan.

Helping with any form of student loan benefits through Student Loan Genius can help eliminate the productivity gaps in your business due to increased financial stress, saving your thousands of dollars each year. It can also give you a recruiting edge over competitors, as our reports find that 83% of employees say student loan benefits would influence where they decide to work. With the average cost of replacing an entry-level employee being $16,000, this benefit option will save a lot of recruiting and retention money immediately.

If you think offering student loan benefits is the correct solution for your organization or are interested in learning more, let us help you get the answers you need. Complete the form below to start understanding how student loans are affecting your organization today.