Education Loan Examination Procedures

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After completing the risk assessment and examination scoping, examiners should use these procedures to conduct an education loan examination.

In addition, the CFPB expects every regulated entity under its supervision and enforcement authority to have an effective compliance management system adapted to its business strategy and operations. Examiners should also use the compliance management system review procedures to conduct review and testing of components of the supervised entity's compliance management system.[1]

These education loan procedures include guidance for examination of all aspects of private education loans and examination of servicing practices in connection with all types of student loans. The examination procedures contain a series of modules, grouping similar requirements together. In many cases, the examination scope will focus on either origination or servicing. Depending on the scope, and in conjunction with the compliance management system and consumer complaint response review procedures, each examination will cover parts of one or more of the following modules. Module 7 – Examination Conclusions and Wrap-up is a required module and must be completed. The modules include:

1. Advertising, Marketing, and Lead Generation
2. Customer Application, Qualification, Loan Origination, and Disbursement
3. Student Loan Servicing
4. Borrower Inquiries and Complaints
5. Collections, Accounts in Default, and Credit Reporting
6. Information Sharing and Privacy
7. Examination Conclusion and Wrap-up

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[1] A supervised entity must develop and maintain a sound compliance management system that is integrated into the overall framework for product design, delivery, and administration — that is, the entire product and service lifecycle. Ultimately, compliance should be part of the day-to-day responsibilities of management and the employees of a supervised entity; issues should be self-identified; and corrective action should be initiated by the entity. Supervised entities are also expected to manage relationships with service providers to ensure that these providers effectively manage compliance with Federal consumer financial laws applicable to the product or service being provided. *See CFPB Supervison and Examination Manual Version 2.0*, http://files.consumerfinance.gov/f/201210_cfpb_supervision-and-examination-manual-v2.pdf.

Examination Objectives

1. To assess the quality of the regulated entity's compliance risk management systems, including internal controls and policies and procedures, for preventing violations of Federal consumer financial law in its private education lending business or student loan servicing business.
2. To identify acts or practices that materially increase the risk of violations of Federal consumer financial law in connection with private education lending or student loan servicing.
3. To gather facts that help determine whether a regulated entity engages in acts or practices that are likely to violate Federal consumer financial law in connection with private education lending or student loan servicing.
4. To determine, in consultation with headquarters, whether a violation of a Federal consumer financial law has occurred, and whether further supervisory or enforcement actions are appropriate.

Background

Education loans are essential for many students to obtain post-secondary education and are a significant part of the nation's economy. During the last decade, a greater proportion of Americans than ever pursued post-secondary education, and the costs to students have risen steadily. In light of the rising cost of obtaining post-secondary education, American consumers have increasingly turned to education loans to bridge the gap between personal and family resources and the total cost of education.

The Dodd-Frank Wall Street Reform and Consumer Act of 2010 (Dodd-Frank Act) gave the CFPB supervisory authority over a variety of institutions that may engage in private education lending or student loan servicing, including certain depository institutions and their affiliates, and nonbank entities in the private education lending market, as well as their service providers. The Dodd-Frank Act also gave the CFPB supervisory authority over "larger participants" of markets for consumer financial products, as the CFPB defines by rule, and their service providers (12 USC 5514(a)(1)(B)). On December 3, 2013, the CFPB issued a larger participant regulation for the student loan servicing market. The student loan servicing larger participant rule became effective March 1, 2014, and is codified in 12 CFR Section 1090.106. The rule provides that a nonbank covered person is a larger participant of the student loan servicing market if the person's servicing account volume, as defined by the rule, exceeds one million accounts.

Private Education Lending

The CFPB has supervisory authority over entities that originate private education loans. In broad terms, private education loans are consumer loans made directly to students and/or parents to fund undergraduate, graduate, and other forms of postsecondary education.[2] Private education loans are offered by banks, non-profits, nonbanks, and institutions of higher education, including for-profit schools (also known as proprietary institutions). Private education loans are typically used to cover the shortfall between the cost of higher education programs and financial aid, grants, and loans made by the U.S. Department of Education under the Federal Direct Loan Program (Direct Loans).

In the past, private lenders were also able to provide borrowers with federally-guaranteed student loans under the Family Federal Education Loan Program (FFELP).[3] Under FFELP, lenders would use private capital to make FFELP loans. FFELP was eliminated under the Health Care and Education Reconciliation Act of 2010.[4] Today, most federal student loans are made directly through the U.S. Department of Education under the Direct Loan program pursuant to Title IV of the Higher Education Act.[5]

Unlike Direct Loans or FFELP loans, private education loans are not subsidized or insured by the federal government. Private education loan borrowers are not eligble for the benefits and protections offered to borrowers with federal student loans under Title IV of the Higher Education Act, including certain Income-Driven Repayment plans, although some private loan programs offer graduated repayment options and private lenders can choose to offer Income-Driven Repayment options. However, like federal education loans, private education loans are generally non-dischargeable in bankruptcy, unless the borrower can show undue hardship by not discharging the loans.

Private education loans can be made through school referral (school channel) to a lender, or "direct-to-consumer" (DTC). Loans made through either the school channel or DTC marketing typically involve the school certifying enrollment, financial need levels, and academic progress to the lender. The school certification process enables school financial aid offices to gain an overview of student financing needs and propose appropriate mixes of aid sources to the student.

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[2] Under Regulation Z, a private education loan means an extension of credit that:

- Is not made, insured, or guaranteed under Title IV of the Higher Education Act of 1965;
- Is extended to a consumer expressly, in whole or part, for postsecondary educational expenses, regardless of whether the loan is provided by the educational institution that the student attends; and
- Does not include open-end credit or any loan that is secured by real property or a dwelling.
- A private education loan does not include an extension of credit in which the covered educational institution is the creditor if:
  - The term of the extension of credit is 90 days or less, or
  - An interest rate will not be applied to the credit balance and the term of the extension of credit is one year or less, even if the credit is payable in more than four installments.

[3] *See* Higher Education Act of 1965, Pub. L. No. 89-329, title IV, Sec. 421 (1965).

[4] *See* Health Care and Education Reconciliation Act of 2010, Pub.L. 111-152, title II, Sec. 2201 (2010).

[5] The vast majority (greater than 98 percent) of new federal student loans are originated by the Department of Education through the Federal Direct Loan Program. A small share of new federal student loan originations are made directly by higher education institutions through the Federal Perkins Loan Program, which provides low-interest loans to students with financial need. In 2015, Perkins Loans accounted for approximately 1.2 percent of all federal student loan originations. *See* https://www2.ed.gov/about/reports/annual/2015report/fsa-report.pdf.

School certification also enables lenders to ensure that private loan monies are used to cover the student's cost of attendance.[6]

Unlike federal loans, private education loan products are typically underwritten to a credit policy and priced based on risk. Private education lenders typically involve a cosigner because many younger students may not have a robust credit record. The private education loan product often has variable rates, based on LIBOR or Prime plus a margin. The margin is risk-based, usually ranging from zero percent to over 13 percent. Private lenders often offer fixed rate loans as well. Like the variable rate loans, the pricing is risk-based.

Education loans are generally longer in duration than other forms of consumer credit, with the exact term varying based on the terms of the loan and the total amount borrowed. The term can be as short as five years and as long as 30 years.

Lenders use different underwriting methods relying on various measures of the borrower's ability to pay when originating private student loans. For loans to full-time undergraduate students, product approval and pricing are predominantly based on the credit of a cosigner. For graduate professionals or part-time, employed students, pricing may be solely based on the student's credit history, if the student applies without a cosigner.

Like federal loans, private education loans have traditionally offered full deferment of payments during school, capitalizing the accrued interest upon entering repayment. However, some private education loans require some form of in-school payment, from full principal-and-interest payments to interest-only payments to nominal fixed monthly sums (e.g., $25). Increasingly, lenders offer a range of loan products that enable borrowers to choose whether to make in-school payments or defer payments until the end of the post-school grace period. Whether payments are required during the in-school period can affect the loan's interest rate. Borrowers may acquire loans with different repayment terms – for example, they may choose to make interest-only payments on freshman and sophomore year loans, and then switch to deferred loans for subsequent years.

Student Loan Servicing

As a result of the Larger Participant Rule issued on December 3, 2013, the CFPB also has supervisory authority over a number of nonbank student loan servicers. Student loan servicers handle three main types of post-secondary education loans.[7] First, some entities service outstanding loans made under FFELP. These loans are either serviced by the loan holders themselves or serviced pursuant to contracts with the loan holders. Second, the student loan servicing market includes Direct Loans originated by the U.S. Department of Education. Direct

[6] Lenders who market loans directly to borrowers often use school verification as an additional underwriting tool.

[7] There are additional federal programs under Title IV that also authorize student loans. For example, one such program finances loans made directly by certain post-secondary education institutions through their financial aid offices. *See* 20 USC Section 1087aa. Another program offers grants to those who pledge to become teachers. If the recipients do not become teachers, then the disbursed funds are converted from grants to loans. *See* 20 USC Section 1070g-2.

Loans are serviced by entities that contract with the Department of Education pursuant to Title IV of the Higher Education Act of 1965. Third, some entities service private student loans, made without federal involvement. Private student loans are usually serviced either by the originating institutions or by other nonbank entities. The same nonbank entities awarded servicing rights of Direct Loans may also service legacy FFELP loans and private student loans.

Servicing, in general, is the day-to-day management of a borrower's loans. Servicers' duties typically include maintaining borrowers' account records, sending periodic statements advising borrowers about amounts due and outstanding balances, receiving payments from borrowers and allocating them among various loans and loan holders, reporting to creditors or investors, providing borrowers with information and facilitating enrollment in a range of benefits and protections, and attempting default aversion activities for delinquent borrowers. Servicers receive scheduled periodic payments from borrowers pursuant to the terms of their loans, and apply the payments to principal and interest and other fees as may be required pursuant to the terms of the loans or of the contracts governing the servicers' work. Typically, student loan servicing also involves maintaining records of payments and balances, and answering borrowers' questions. Servicers also make borrowers aware of alternative payment arrangements such as income-driven payment plans or deferments, and process requests or applications for said payment arrangements. Servicers may provide other services to help prevent default as well.

Student loan servicers also play a role while students are still in school. A borrower may receive multiple disbursements of a loan, or multiple loans, over the course of one or more academic years. Repayment of the loans may be deferred until some future point, such as when the student finishes post-secondary education or separates from school prior to completion of a program of study. A student loan servicer will maintain records of the amount lent to the borrower and of any interest that accrues; the servicer also may send statements of such amounts to the borrower.

Private education lenders and student loan servicers—whether banks or nonbanks—must comply with Federal consumer financial laws to the extent that the law applies to the particular entity and its activities:

- The Truth in Lending Act (TILA) and its implementing regulation, Regulation Z, generally impose requirements on lenders for private education loans, including disclosure of terms and interest rates. They also impose requirements on lenders regarding advertising of these terms, crediting of payments, and treatment of credit balances with respect to closed-end consumer credit transactions. In 2009, Regulation Z was amended following the passage of the Higher Education Opportunity Act (HEOA) to add disclosure and timing requirements that apply specifically to creditors making private education loans. TILA, as amended by HEOA, also bans prepayment penalties on private education loans.[8]
- The Electronic Funds Transfer Act (EFTA) and its implementing regulation, Regulation E, impose requirements if the loan servicer of the education loan within the scope of coverage obtains recurring electronic payments from borrowers.

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[8] 15 USC 1650(e).

- The Fair Debt Collection Practices Act (FDCPA) governs the activities of debt collectors.
- The Fair Credit Reporting Act (FCRA), and its implementing regulation, Regulation V, require entities that furnish information to consumer reporting agencies to have reasonable written policies and procedures to ensure the accuracy and integrity of information they furnish to consumer reporting agencies. FCRA and Regulation V also require that lenders give risk-based pricing notices when, based on consumer reports, they give borrowers materially less favorable loan terms than a substantial proportion of other consumers to which they lend. FCRA and Regulation V also put restrictions on the use and dissemination of various types of consumer information. In addition, when a consumer reporting agency notifies a furnisher of a consumer dispute, FCRA and Regulation V require the furnisher to reinvestigate the dispute. They also require furnishers to handle disputes submitted directly to the furnisher by consumers about information the lender furnished to the consumer reporting agency. They also place limits on obtaining or using medical information when determining eligibility for a student loan.
- The Equal Credit Opportunity Act (ECOA) makes it unlawful to discriminate against any applicant for credit with respect to any aspect of a credit transaction:
    - On the basis of race, color, religion, national origin, sex or marital status, or age (provided the applicant has the capacity to contract);
    - Because all or part of the applicant's income derives from any public assistance program; or
    - Because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.[9]

    Creditors also are prohibited from making any oral or written statement, in advertising or otherwise, to applicants or prospective applicants that would discourage on a prohibited basis a reasonable person from making or pursuing an application.

    In addition, ECOA and Regulation B require lenders to provide adverse action notices to consumers.
- The Gramm-Leach-Bliley Act (GLBA), through its implementing regulation, Regulation P, requires entities to provide privacy notices and limits information sharing in particular ways.

To carry out the objectives set forth in the **Examination Objectives** section, the examination process also will include assessing other risks to consumers that are not governed by specific statutory or regulatory provisions. These risks may include potentially unfair, deceptive, or

[9] The Consumer Credit Protection Act (the Act), 15 USC 1601 *et seq.*, is the collection of federal statutes that protects consumers when applying for or receiving credit. The Act includes statutes that have dispute rights for consumers, such as the Fair Credit Reporting Act (FCRA). The Equal Credit Opportunity Act (ECOA) prohibits discriminating against an applicant who has exercised a dispute right pursuant to one of the statutes outlined in the Act.

abusive acts or practices (UDAAPs) with respect to lenders' or servicers' interactions with consumers.[10] Collecting information about risks to consumers, whether or not there are specific legal guidelines addressing such risks, can help inform the CFPB's policymaking. Generally, the standards the CFPB will use in assessing UDAAPs are:

- A representation, omission, act, or practice is deceptive when:
    1. The representation, omission, act, or practice misleads or is likely to mislead the consumer;
    2. The consumer's interpretation of the representation, omission, act, or practice is reasonable under the circumstances; and
    3. The misleading representation, omission, act, or practice is material.
- An act or practice is unfair when:
    1. It causes or is likely to cause substantial injury to consumers;
    2. The injury is not reasonably avoidable by consumers; and
    3. The injury is not outweighed by countervailing benefits to consumers or to competition.
- An abusive act or practice:
    1. Materially interferes with the ability of a consumer to understand a term or condition of a consumer financial product or service; or
    2. Takes unreasonable advantage of –
        - A lack of understanding on the part of the consumer of the material risks, costs, or conditions of the product or service;
        - The inability of the consumer to protect its interests in selecting or using a consumer financial product or service; or
        - The reasonable reliance by the consumer on a covered person to act in the interests of the consumer.

Refer to the examination procedures regarding UDAAPs for more information about the legal standards and the CFPB's approach to examining for UDAAPs.

The particular facts in a case are crucial to a determination of UDAAPs. As set forth in the **Examination Objectives** section, examiners should consult with Regional management and headquarters to determine whether the applicable legal standards have been met before a violation of any Federal consumer financial law is cited, including a UDAAP violation.

[10] Section 1036 of the Dodd-Frank Act, PL 111-203 (July 21, 2010).

General Considerations

Completing the following examination modules, as applicable, will allow examiners to develop a thorough understanding of a regulated entity's practices and operations. To complete the modules, examiners should obtain and review, as applicable, each entity's:

- Organizational charts and process flowcharts;
- Board minutes, annual reports, or the equivalent to the extent available;
- Relevant management reporting;
- Policies and procedures;
- Rate sheets;
- Fee sheets;
- Loan applications, loan account documentation, notes, disclosures, and all other contents of loan underwriting and servicing of account files;
- Underwriting guidelines;
- Loan servicing contracts;
- Loan transfer policies and procedures;
- Payment posting and allocation policies and procedures;
- Policies and procedures relating to alternative repayment plans, including income-based repayment plans, deferment, forbearance, and public service loan forgiveness;
- Operating checklists, worksheets, and review documents;
- Relevant computer program and system details;
- Service provider due diligence and monitoring procedures and service provider contracts;
- Compensation policies;
- Historical examination information;
- Audit and compliance reports;
- Management's responses to findings;
- Training programs and materials;
- Advertisements; and

- Complaints.

Finally, examiners should obtain access or a walkthrough of the creditor's online origination interface, the creditor's online applications, walkthrough of the origination process to test the timeliness and completeness of disclosures, and access to the systems used for the servicing and collection of payments for education loans, including any consumer interfaces.

Depending on the scope of the examination, examiners should perform transaction testing using approved sampling procedures, which may require use of a judgmental or statistical sample. Examiners also should conduct interviews with management and staff to determine whether they understand and consistently follow the policies, procedures, and regulatory requirements applicable to private education lending; manage change appropriately; and implement effective controls. Examiners also should consider observing customer interactions if consumer complaints or document review indicate potential concerns.

Module 1: Advertising, Marketing, and Lead Generation

Examiners analyzing private student loan origination should engage in several steps to assess potential violations of law in connection with the advertising or marketing of private education loans. Examiners should begin the process by understanding how private education loans are developed and marketed to consumers. This can be accomplished through a review of the private education lender's policies, procedures, and internal controls. Examiners should also interview the entity's management to determine the process used to verify that marketing and advertising materials comply with consumer protection laws. Examiners should evaluate representative samples of all marketing and advertising materials, including print, electronic and other media, such as the Internet, email and text messages, telephone solicitation scripts, agreements and disclosures for the product(s) and service(s). Examiners should also understand the extent of any relationships that the private education lender has with service providers (including brokers, agents, or lead generators) to advertise, offer, or provide loans.

Truth in Lending Act (TILA) and Implementing Regulation Z

Regulation Z imposes general advertising requirements applicable to all closed-end loans. Regulation Z has additional requirements applicable to private education lending, including additional disclosure requirements, prohibitions on co-branding an educational institution with the private education lending advertising material, and prohibitions on statements that an educational institution endorses the lender's loans. Additionally, Regulation Z includes model forms that creditors may use which vary depending on the step of the origination process.

1. Assess compliance with the advertising requirements in Regulation Z for closed-end loans. (12 CFR 1026.24)

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2. Determine whether the advertisements for credit are clear and conspicuous and state specific credit terms that actually are, or will be, arranged or offered the lender. (12 CFR 1026.24(a) and (b))

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3. Determine whether the lender is using "triggering terms," and if so, that additional requirements are satisfied. (12 CFR 1026.24(d))

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4. In connection with solicitations[11] for private education loans, assess compliance with private education loan specific disclosure requirements. (12 CFR 1026.47). Disclosures are required on or with the solicitation and must include:

   a. The interest rates (or range of rates) at the time of the solicitation, and a statement, if applicable, that the interest rate will depend on the consumer's creditworthiness; whether the rate is fixed or variable, and certain additional information regarding interest rates than may increase after consummation;

   b. Fees and default or late payment costs;

   c. Repayment terms;

   d. Cost estimates;

   e. Eligibility;

   f. Alternatives to private education loans;

   g. Rights of consumers; and

   h. Self-certification information.

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5. Assess the creditor's advertisements and marketing materials for compliance with the Regulation Z prohibition on co-branding and institutional endorsement requirements. (12 CFR 1026.48)

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6. Determine whether the creditor has established a preferred lender arrangement with a covered educational institution. For each preferred lender arrangement determine whether the creditor met the requirements of 12 CFR 1026.48(f) to provide the covered educational institution with the information required under 12 CFR 1026.47(a)(1)-(5) for each type of loan planned to be offered by the preferred lender for students attending the covered educational institution.

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[11] *See* 12 CFR 1026.46(d)(1)(i). For the purposes of the disclosures for private education loans, the term solicitation means an offer of credit that does not require the consumer to complete an application. A *firm offer of credit* as defined in section 603(l) of the Fair Credit Reporting Act (15 USC 1681a(l)) is a solicitation.

Equal Credit Opportunity Act (ECOA) and Implementing Regulation B

1. Assess the private education lender's compliance with ECOA's marketing and advertising requirements, including the prohibition against discrimination or discouragement on a prohibited basis. Examiners should complete the advertising portion of the ECOA chapter of the *CFPB Supervision and Examination Manual*.

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2. Assess the methods used by the private education lender to solicit, market to, or advertise to potential applicants for private education loan products, including but not limited to identifying any scripts. Determine whether there are any differences in the entity's solicitation or marketing efforts by lines of business, channel, loan product, particular educational institution, type of educational institution, or geography.

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3. Assess the factors used by the private education lender to determine which potential applicants receive solicitations for private education loan products, as well as the terms and conditions of those solicitations.

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4. Assess the marketing prospect databases used by the private education lender to determine which potential applicants receive solicitations for private education loan products, including the factors used by the marketing prospect database.

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5. Assess the private education lender's guidelines, policies, procedures, and standards regarding making private education loan product recommendations, referring a loan applicant to a different loan product than first requested (including parent or co-signer loan products), or referring a loan applicant to subsidiaries, affiliates, or different lending channels within the entity.

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Service Provider Business Arrangements (e.g., Agents, Brokers, or Lead Generators)

Private education lenders may have arrangements with service providers to perform advertising and marketing. Examiners should assess whether the private education lender is monitoring its service provider relationships and activities for compliance with consumer regulations. Examiners' review of service provider arrangements should include a review of the private education lender's internal policies, procedures, service provider agreements, compensation programs, and training and promotional materials, including telemarketing scripts.

1. Determine whether the private education lender monitors the training of the service provider employees who market or promote private education loan products to ensure that those employees are trained to comply with applicable law, including to avoid making statements or taking actions that might be unfair or deceptive.

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2. Determine whether the private education lender reviews a service provider's primary interface with consumers, such as reviewing recorded telephone calls or transcripts of online communication.

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Other Risks to Consumers

1. Determine whether the private education lender's advertisements make representations about future potential employment opportunities.

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2. Determine whether the private education lender describes the loans as "government loan programs," "government-supported loans," or otherwise endorsed or sponsored by a federal or state government entity.

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3. Determine whether the private education lender uses terms such as *pre-approved*, *guaranteed,* or *fixed rate* on promotional material, and if so, whether the lender discloses any limitations, conditions, or restrictions on the offer.

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4. Determine whether the private education lender has established a compensation structure that rewards employees based on the dollar value or number of private education loans originated.

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Module 2: Application, Qualification, Loan Origination and Disbursement

Examiners analyzing private student loan origination should obtain and review a sample of applications (including scripts for telephone applications and screen captures of online applications), policies and procedures, training materials, and audits pertaining to the taking of applications, to ensure that the private education lender has controls to comply with consumer protection regulations. If possible, examiners should observe the interaction between consumers and the private education lender's loan officers. Examiners should also review loan files and conduct loan officer interviews to determine whether the officers understand the policies, procedures, and regulatory requirements applicable to private education lending, and whether the officers are consistently applying applicable policies and procedures. If consumer complaints or document review indicates potential violations in the application, qualification, origination, or disbursement process, examiners may also conduct interviews of consumers and ask questions relevant to each topic below.

Customer Application, Qualification, and Underwriting

TILA and Implementing Regulation Z

In addition to the Regulation Z requirement that private education lenders provide TILA closed-end disclosures prior to loan consummation under 12 CFR 1026.17 and .18, lenders also have three additional disclosure requirements for private education loans. Specific disclosures are required for the following stages in the loan origination process: application, approval, and final. Additionally, TILA provides customers with a right of rescission after consummation of private education loans.

1. Assess the private education lender's compliance with Regulation Z general disclosure requirements for closed-end credit. (12 CFR 1026.18). TILA disclosures must, among other things, be clear and conspicuous and made prior to the consummation of the loan. In addition, certain information must be disclosed, including:

   a. Creditor;

   b. Amount financed;

   c. Finance charge;

   d. Annual Percentage Rate (APR);[12]

   e. Variable Rate;

[12] NOTE: When verifying Annual percentage rage (APR) accuracies, use the Office of the Comptroller of the Currency's APR calculation model or other calculation tool acceptable to the CFPB.

f. Payment schedule including amount, timing and number of payments;

g. Total of payments;

h. Demand feature; and

i. Late payment.

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2. Assess the private education lender's compliance with Regulation Z general disclosure requirements for variable rate loans. (12 CFR 1026.18(f))

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3. Assess the private education lender's compliance with Regulation Z private education disclosure requirements. (12 CFR 1026.47). Examiners should verify that each disclosure was provided at the appropriate stage of the lending process, and that all information required by the respective disclosure was included. Review TILA chapter in the *CFPB Supervision and Examination Manual* for a full list of each item required for each of the four private education disclosures.[13]

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4. Application Disclosures – Lenders must provide application disclosures on or with an application for a private education loan. If the application is taken over the phone, the creditor may, at its option, provide the application disclosure orally. If the creditor does not provide an oral disclosure, the application disclosure must be provided to the consumer or placed in the mail within three business days[14] unless the lender denies the application or approves the loan and instead provides the approval disclosure within three business days. Content of the application is the same as the solicitation disclosure. (12 CFR 1026.46(d)(1)). *See* Module 1's discussion of Solicitation Disclosures for more information.

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5. Approval Disclosures – Lenders must provide approval disclosures prior to consummation of the loan, on or with any notice of approval provided to the consumer. (12 CFR 1026.46(d)(2)). If the lender provides an approval notice to the consumer in person, the approval disclosure must be provided concurrently. If notice of approval is communicated over the phone, the private education lender must place the approval disclosure in the mail within three business days. Content of the approval disclosure must include:

   a. Interest rate information;

[13] Solicitation Disclosures are covered in Module 1.

[14] The lender satisfies this requirement once the disclosure is mailed to the consumer.

b. Fees and default or late payment costs;

c. Repayment terms;

d. Alternatives to private education loans; and

e. Rights of the consumer.

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6. Final Disclosure – Lenders must provide a final disclosure after the consumer accepts the loan and prior to disbursement (*see* #14, below). Content of the final disclosure must include:

   a. Interest rate information;

   b. Fees and default or late payment costs;

   c. Repayment terms; and

   d. Cancellation right (*see* #14 below).

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7. Assess, as applicable, the private education lender's compliance with the Regulation Z requirement to obtain a signed self-certification form, attesting to the cost of attendance for the period covered by the loan and amount of financial assistance, other than the private education loan, for that period. (12 CFR 1026.48(e)). The U.S. Department of Education has published a specific form that must be used by the lender.

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8. Determine whether the private education lender has a process to verify the accuracy and completeness of signed self-certification forms or uses other procedures (such as verifying students' financial aid need with the school financial aid office) to determine that loan amounts do not exceed financial need. (12 CFR 1026.48(e))

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9. Assess the private education lender's compliance with Regulation Z term change and re-disclosure provisions. (12 CFR 1026.48(c)). Examiners should request loan files for loans where there was a change in terms, specifically the rate or terms of the loan under 12 CFR 1026.48(c)(4)(ii), to verify compliance with these provisions.

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10. Determine whether the private education lender provided a new TILA disclosure if the lender changed the consumer's interest rate, payment, or term to accommodate a specific request from the consumer.

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11. If the private education lender changed loan terms, and the change was not in connection with a specific request from the consumer, assess compliance with the exemptions to the change prohibition not requiring re-disclosure under 12 CFR 1026.48(c)(3).

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12. Determine whether the lender withdrew a previously approved offer, or terms, for a reason other than those permitted under the regulation, or for a reason that was not a direct request from the consumer.

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13. Assess the private education lender's compliance with Regulation Z requirement that the consumer's application and offer must remain open for 30 days. (12 CFR 1026.48(c)(1))

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14. Assess the private education lender's compliance with Regulation Z requirement that consumers be allowed a right to cancel the private education loan. (12 CFR 1026.48(d)). Included in the final disclosure, the lender must provide customers with statements that:

    a. The consumer has the right to cancel the loan, without penalty, at any time before midnight of the third business day following the date on which the consumer receives the final loan disclosures. The statement must include the specific date on which the cancellation period expires and state that the consumer may cancel by that date.

    b. The loan proceeds will not be disbursed until the cancellation period expires.

    c. The method or methods by which the consumer may cancel; if the creditor permits cancellation by mail, the statement must specify that the consumer's mailed request will be deemed timely if placed in the mail not later than the cancellation date specified on the disclosure.

[Click&type]

15. Assess compliance with the Electronic Signatures in Global and National Commerce Act (E-Sign Act) (15 USC 7001 *et seq*.). (The E-Sign Act does not mandate that lenders or consumers use or accept electronic records or signatures. It permits lenders to satisfy any statutory or regulatory disclosure requirements by providing the information electronically after making certain disclosures, obtaining the consumer's affirmative consent, and obtaining a reasonable demonstration that the consumer can receive and retain disclosures electronically.)

[Click&type]

ECOA and Implementing Regulation B

Eligibility, Underwriting, and Pricing

1. Determine whether the entity utilizes cohort default rates (CDR) or any other educational institution specific variable (such as graduation rate), in determining borrower eligibility, underwriting and/or pricing of private education loans.

[Click&type]

2. Assess the entity's business justification for utilizing CDR or any educational institution specific variables and determine whether the entity conducts an analysis to support its business justification.

[Click&type]

3. Determine whether the lender maintains any partnership, referral relationship, or preferred lender agreement with any educational institution regarding the entity's private education lending programs. Assess any financial or compensation arrangements. To the extent the entity distinguishes among or categorizes educational institutions, assess each such category.

[Click&type]

4. Assess the entity's procedures, guidelines, and policies for identifying new educational institutions at which to make its private education loan products available. Assess eligibility standards, the eligibility monitoring process, and procedures for the elimination of ineligible educational institutions.

[Click&type]

5. Assess the entity's underwriting and pricing guidelines, policies, procedures, and standards for each private education loan product offered during the review period. If the underwriting or pricing guidelines, policies, or procedures differ by lines of business, channel, divisions or geography, assess the differences.

[Click&type]

6. Assess any credit scoring systems used in the underwriting and/or pricing processes. If the system is proprietary, assess all variables that in any way influence the score, including the weight of each variable in determining the score, and documentation validating the system.

[Click&type]

7. Determine whether the entity used an automated underwriting system (AUS) in underwriting private education loans and assess how it was used during the review period. Determine all variables that in any way influence the AUS decision or score. For each product, determine

the percentage of private education loan applications underwritten with the assistance of each AUS, and the percentage of private education loans underwritten without using any AUS.

[Click&type]

8. Assess differences between rate sheets used for pricing private education loan products by line of business, channel, division, or geographical area, as well as rate sheets that are specific to a particular educational institution or a particular type of educational institution.

[Click&type]

9. Determine whether the underwriting and/or pricing guidelines, policies, procedures, or standards differ in any way based on the applicants' or the co-applicants' race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to contract), receipt of income from any public assistance program, or other prohibited basis. Include any consideration of age in the credit process, including but not limited to products with age restrictions or incorporation of age into a model or credit decision.

[Click&type]

10. Assess any underwriting or pricing criteria related to a specific educational institution or type of educational institution.

[Click&type]

11. Assess any differences in underwriting or pricing of products designed for individual institutions or different institution types (for instance, university, college, undergraduate, graduate, two-year, certificate).

[Click&type]

12. Assess the entity's guidelines, policies, procedures, and standards for making overrides or exceptions in the underwriting and/or pricing of a private education loan. Determine if overrides or exceptions are capped at a certain percentage or number. Determine whether exception reporting is conducted and assess the quality of the report and the review process.

[Click&type]

13. Assess the entity's guidelines, policies, procedures, and standards for providing adverse action notices to private education loan applicants. Include the procedures currently followed when the entity takes adverse action on oral or written private education loan applications and requests for preapproval submitted by consumers.

[Click&type]

14. Determine how the entity links variables used in underwriting into adverse action reasons.

[Click&type]

15. Assess the circumstances under which the entity requires an applicant to obtain a guarantor or co-signer for a private education loan.

[Click&type]

16. Determine whether the private education lender refrains from collecting information on the race, color, religion, national origin, or sex of the applicant or any other person in connection with a loan transaction unless it is for purposes of a "self-test."

[Click&type]

Other Risks to Consumers

1. Assess the private education lender's process for approving and communicating approval of private education loans.

[Click&type]

2. Determine whether the private education lender approves loans in a timely manner, allowing borrowers to have full use of a 30-day firm offer period.

[Click&type]

3. Determine whether the private education lender discloses that optional or related products and services which are offered simultaneously with credit—such as insurance, credit protection, and consumer report update services—are not required to obtain credit and are not considered in decisions to grant credit.

[Click&type]

4. Determine the circumstances under which the private education lender requires students to add a co-signer; and, if applicable, the consequences that flow from the addition of a co-signer, including whether the borrower is provided accurate information about such consequences.

[Click&type]

5. Determine whether the lender provides co-signers with information and disclosures of the co-signers' rights and responsibilities associated with signing the private education loan.

[Click&type]

Disbursement Processing

Regulation Z

1. Determine whether the private education lender disbursed funds at least three business days after the consumer received the disclosures required by section 1026.47(c). (12 CFR 1026.48(d))

[Click&type]

Other Risks to Consumers

1. Assess the private education lender's cancellation policy in the event that a borrower consummates a loan and subsequently has less or no need for the private education loan.

[Click&type]

2. Determine whether the lender is fully disbursing the principal amount of the loan disclosed to the customer, whether in a lump sum or in accordance with the educational institution's disbursement requirements (e.g., half each semester).

[Click&type]

3. Determine whether the lender places limitations on the student's use of private education loan funds (e.g., a lender establishes a requirement that funds borrowed to pay for books or other educational expenses are used solely at a specific retailer).

[Click&type]

4. Determine whether the lender has arrangements that require or pressure students to accept disbursement of education funds to a prepaid card or other required payment device; and if so, any attendant fees and requirements are fully disclosed to consumer.

[Click&type]

Module 3: Student Loan Servicing

Student loan servicing portfolios may include private education loans, legacy loans from the discontinued FFEL program, loans made by colleges and universities (including loans made under the Perkins loan program), and/or Direct Loans.[15] Private education lenders may service their own accounts, or contract with servicers who specialize in managing education loans to service their portfolios. Only servicers under contract with the Department of Education may service Direct Loans, but contractors that service loans for the Department of Education may also service private education loans or FFELP loans from other loan holders. Servicing requirements and borrower protections may differ depending on whether an education loan is a private education, FFELP, or Direct loan; however, servicers generally adopt consistent approaches to common servicing functions across loan types.

Refer to the Department of Education's website for more information on various loan characteristics, repayment plans, benefits, etc., relating to federal loans.

During a student loan servicing examination, examiners should review policies and procedures, including policies and procedures governing the oversight of subcontractors and service providers, as well as samples of servicing files and any relevant portions of IT systems responsible for servicing education loans. Examiners should review loan records on servicers' systems, copies of written communications provided to borrowers, call recordings, websites and online accounts using test logins, and any other relevant documentation. Examiners also should review the servicer's complaint files to identify patterns of issues or significant concerns. Unless otherwise specified, examiners should consider the following as it applies to the servicing of all student loans, including private loans and federal loans (FFELP, Direct Loans, Perkins loans, etc.).

Electronic Fund Transfer Act (EFTA) and Implementing Regulation E

1. Determine whether the servicer obtains appropriate authorization for preauthorized electronic fund transfers (EFTs). *See* 12 CFR 1005.10(b); CFPB Compliance Bulletin 2015-06.

[Click&type]

2. Determine whether the servicer provides a copy of the authorization to the consumer. *See* 12 CFR 1005.10(b); CFPB Compliance Bulletin 2015-06.

[Click&type]

[15] There are additional federal programs under Title IV that also authorize student loans. For example, one such program offers grants to those who pledge to become teachers. If the recipients do not become teachers, then the disbursed funds are converted from grants to loans. *See* 20 USC Section 1070g-2.

Truth In Lending Act (TILA) and Implementing Regulation Z

1. Assess compliance with Regulation Z – Treatment of Credit Balances. Refer to the examination procedures regarding Regulation Z, 12 CFR 1026.21, for more information.

[Click&type]

Adverse Action Notices (Fair Credit Reporting Act (FCRA) and Equal Credit Opportunity Act (ECOA))

1. Assess the servicer's compliance with FCRA, 15 USC 1681m, pertaining to notices required when a servicer takes adverse action with respect to any borrower on the basis of information in a consumer report.

[Click&type]

2. Assess the servicer's compliance with Regulation B, 12 CFR 1002.9, pertaining to notices required when a servicer takes adverse action relating to applications for credit, as defined in 12 CFR 1002.2(f) and (j).

[Click&type]

3. Assess compliance with Regulation B, 12 CFR 1002.12(b) pertaining to retaining records of applications for credit.

[Click&type]

Other Risks to Consumers

As stated in the Background section above, the examination process will include assessing other risks to consumers, including potentially unfair, deceptive, or abusive acts or practices (UDAAPs) with respect to servicers' interactions with consumers. Please refer to the examination procedures regarding UDAAPs for information about the legal standards and the CFPB's approach to examining for UDAAPs. The particular facts and circumstances in a case are crucial to the determination of UDAAPs. To the extent the Department of Education's contracts or regulations instruct federal student loan servicers to service federal loans in a given manner, adherence to those instructions may be relevant as the Bureau reviews for risks to consumers and the prohibition against UDAAPs.

While not determinative of whether a UDAAP violation occurred at any one servicer, depending on the particular facts and circumstances, the following may potentially assist examiners in evaluating for potential UDAAPs, risks to consumers, or compliance management system concerns, and/or help identify when further follow-up requests may be appropriate. The particular facts and circumstances in a case are crucial to the determination of UDAAPs, and this is not an exhaustive list of the facts and circumstances that might be relevant. As set out in the Examination Objectives section and consistent with the Bureau's supervisory process, examiners should consult with Headquarters to determine whether the applicable legal standards have been met before a UDAAP violation is cited.

Payment Processing

Student loan borrowers often take out more than one loan to cover the total expense of obtaining an education. Servicers typically group those loans into one servicing account, meaning that borrowers get one billing statement and have one online login even though they might have several independent loan obligations. The borrower is billed a regular monthly payment that is the aggregate of the monthly payments owed for each loan. When a borrower pays more (overpayment) or less (underpayment) than that monthly payment, the servicer allocates the payment among the borrower's various loans according to certain default allocation methodologies. Borrowers also have the ability to choose how the servicer allocates a payment among the borrower's loans.

For both federal and private loans, when a borrower makes an overpayment that is high enough to cover the current month's payment, as well as one or more future months' payment, servicers may offer an option to advance the due date, either automatically or upon request by the borrower. For example, a borrower making a February payment that would also cover the March payment may have the next due date advanced to April. However, borrowers have a choice as to whether an overpayment should advance the due date or not.

1. Determine whether payments from borrowers, cosigners, and third parties received by the servicer are accurately credited to the appropriate account as of the date of receipt. If not, determine whether the delayed crediting results in a late fee, additional interest accrual, furnishing of negative credit information, or loss of any borrower or cosigner benefit.

[Click&type]

2. Determine whether and how the servicer allows borrowers, cosigners, or third parties to provide instructions on how to allocate underpayments and overpayments among multiple loans in one account, including whether and in what circumstances the servicer allows borrowers to provide standing instructions.

[Click&type]

3. Assess whether the servicer clearly and prominently discloses the ability to provide instructions on how to allocate underpayments and overpayments among multiple loans in an account. Such disclosures may be found, for example, on the servicer's website or billing statement.

[Click&type]

4. Assess the ease of using available methods for providing instructions, including over the phone, by mail, online, and through mobile application.

[Click&type]

5. Assess whether the servicer consistently honors payment instructions, and the extent to which the servicer honors borrower, co-signer, or third-party instructions provided after a payment is received.

[Click&type]

6. Assess the servicer's default methodology for allocating overpayments among multiple loans in an account and the resulting borrower consequences. Also, assess the servicer's default methodology for allocating underpayments among multiple loans in an account and the resulting borrower consequences, particularly for loans with late fees and borrowers in late-stage delinquency.

[Click&type]

7. Determine whether the servicer clearly and prominently discloses a basic overview and/or detailed description of the default allocation methodologies for payment allocation, and/or whether the servicer discloses the manner in which the default methodologies will impact the borrower's loan balances, total interest expense, etc. Such disclosures may be found, for example, on the servicer's website or billing statement.

[Click&type]

8. When the servicer advances a due date automatically upon receipt of an overpayment that is high enough to cover the current month's and one or more future months' monthly payments, determine whether the servicer advances the due date when a borrower submits an overpayment. If so, determine whether the servicer allows the borrower to opt out, including whether the borrower may opt out on an ongoing basis. Where the borrower provides an instruction regarding whether to advance the due date after an overpayment is received, determine whether the servicer honors the instruction.

[Click&type]

9. Where applicable, determine whether disclosures explaining the ability to opt out of advancing the due date and the consequences of advancing or not advancing the due date are clear and prominent, including with respect to the additional interest that accrues when borrowers do not continue making monthly payments and any potential effect nonpayment may have on eligibility for benefits and protections to which a borrower may be entitled. Such disclosures may be found, for example, on the servicer's website or billing statement.

[Click&type]

10. Determine whether the servicer treats multiple underpayments within a billing cycle that, when combined, equal the full monthly payment differently from a single payment equal to the monthly payment.

[Click&type]

11. Determine whether, and under what circumstances, the servicer recalculates payments, repayment schedules, or amortization schedules for borrowers' loans, and assess any applicable notices to the borrower.

[Click&type]

Fees

1. Determine whether the servicer charges any fees (e.g., late fees, payment fees, etc.), and if yes, whether such fees are permissible under the relevant promissory note and consistent with any requirements related to fees established by the holder of the loan.

[Click&type]

2. Determine whether fees or other charges were assessed when the servicer received payments on or before the applicable due date, including during any applicable grace period.

[Click&type]

3. Determine whether the servicer charges late fees on a per-loan basis at a fixed-dollar amount, including a minimum fixed-dollar fee per loan, such that total late fee amounts change depending on how an underpayment is allocated.

[Click&type]

4. Determine whether the servicer charges a borrower or cosigner a late fee more than once with respect to a single late payment (including late fee pyramiding).

[Click&type]

5. Determine whether the servicer charges a borrower or cosigner any fee to modify, defer, forbear, renew, extend, or amend a loan, and review communications and disclosures relating to those fees.

[Click&type]

6. Determine whether and how the servicer charges fees for processing payments, including any fees for a borrower to submit payment by phone or for expedited payment processing, and review communications and disclosures relating to those fees.

[Click&type]

Billing Statements and Payment Histories

1. Determine whether information provided on billing statements and/or borrowers' online accounts is accurate, clear, and understandable, and whether relevant information borrowers need on a monthly basis to make informed decisions about managing their loan obligations is missing.

[Click&type]

2. Determine whether the billing statement and borrowers' online accounts provide information on individual loan obligations, at the account-level, or using sub-groups of loans.

[Click&type]

3. Determine whether the billing statement and online account includes the total accrued interest due on the account and for each loan.

[Click&type]

4. Where the billing statement reflects zero dollars due, determine whether the billing statements and website provide an easily understandable explanation of the meaning and consequences of having loans with due dates that have been advanced beyond the next regular due date, including, for example, the next date upon which payments will come due, why the borrower is billed for zero dollars, and the consequences associated with the decision to accept a payment holiday (e.g., the effect on interest accrual and the borrower's ability to make a qualified payment towards certain federal student loan programs).

[Click&type]

5. Determine whether information on billing statements and the website about alternative, non-standard repayment plans, including Income-Driven Repayment plans if applicable, is accurate and clear.

[Click&type]

6. For borrowers with loans for which late fees are not permitted, determine whether the billing statements or other communications suggest late fees may be charged.

[Click&type]

7. Determine whether, for cosigned loans, cosigners have access to, for example, billing statements, online accounts, payment histories, or other account information related to the loans for which they have cosigned.

[Click&type]

8. Determine whether, upon request, the servicer provides, for example, an amortization schedule, payment history, or other communication documenting historical payments on individual loans.

[Click&type]

9. Determine whether and how the servicer accurately informs consumers about the number of qualifying payments made towards various benefit offerings, including, as applicable, potential Public Service Loan Forgiveness (PSLF) for borrowers who certified public service employment, cosigner release, interest rate reductions, etc.

[Click&type]

10. Determine whether and how a servicer records payments that have met the on-time requirements for borrower benefit programs, includingpayments that may qualify for PSLF if the borrower later certifies public service employment.

Borrower Communications for Federal Loans

Borrowers of FFELP loans and Direct Loans are entitled to various repayment plans, including Standard Repayment, Graduated Repayment, Extended Repayment, and Income-Driven Repayment plans. The Standard Repayment plan, which is the default choice if a borrower does not opt into a different plan, is a 10-year repayment plan with fixed payments. The Extended Repayment plan consists of fixed or graduated payments that are lower than the standard plan because the repayment term is extended to up to 25 years. Graduated Repayment plans are 10-year plans, with payments starting lower and ending higher.

Income-Driven Repayment plans allow borrowers to tie their payments to a percentage of their discretionary income. There are four Income-Driven Repayment plans: (1) Revised Pay As You Earn (REPAYE); (2) Pay As You Earn (PAYE); (3) Income-Based Repayment (IBR); and (4) Income-Contingent Repayment (ICR). Depending on the type of loans the borrower has, a borrower may be eligible for one repayment plan, but not another. For example, the REPAYE plan is available to all Direct Loan borrowers except borrowers of Parent PLUS Direct Loans, but only available to FFELP loan borrowers if the borrower consolidates the loans into a Direct Loan. PAYE is only available to new borrowers of Direct Loans on or after October 1, 2007, who received a disbursement of a Direct Loan on or after October 1, 2011. IBR is available to all FFELP and Direct Loan borrowers, except for Direct or FFEL Plus Loans made to parents.

Each plan has slightly different terms, including the number of payments necessary before the remainder is forgiven (20 or 25 years), and the payment calculation. Payments under REPAYE and PAYE are 10 percent of a borrowers' discretionary income (calculated as Adjusted Gross Income minus 150 percent of the applicable Federal Poverty Level). IBR payments are also 10percent of discretionary income for new borrowers on or after July 1, 2014, but otherwise 15 percent of discretionary income. ICR payments are the lesser of 20 percent of discretionary income (calculated as 100percent of the applicable Federal Poverty Level), or what a borrower would pay on a repayment plan with a fixed payment over the course of 12 years, adjusted according to income. For any of these plans, borrowers who have no discretionary income would have zero dollar payments.

To apply for an Income-Driven Repayment Plan, borrowers can fill out a form online with the Department of Education, and authorize the servicer to use IRS income data for the calculation. This information is forwarded to the servicer to process. The borrower can also file an application by filling out a manual form and sending it to the servicer along with proof of income. After enrolling, borrowers must recertify their income and family size every 12 months to continue making the lower payments.

Borrowers are also eligible for various deferment and forbearance plans in various scenarios. For example, borrowers may obtain a deferment when a borrower is enrolled in school at least half-time, is unemployed, has an economic hardship, or is on active military duty. Certain administrative, voluntary, and hardship forbearances are also available.

For more information on the different repayment options, refer to the Department of Education's website and the Income-Driven Repayment application form. Servicers are responsible for communicating these repayment options to borrowers, helping borrowers understand the application processes, processing and approving applications, and implementing the repayment options.

Communications about repayment options

1. Assess the policies, procedures, and scripts related to oral and written communications and the training provided to personnel who communicate with borrowers about alternative repayment or forgiveness options, including Income-Driven Repayment plans, loan forgiveness, loan cancellation, discharge options, and defense to repayment.

[Click&type]

2. Assess the servicer's monitoring of personnel who communicate with borrowers about alternative repayment or forgiveness options.

[Click&type]

3. Determine whether the servicer has any incentives or performance goals based on call/task time or resolution goals, and assess whether they impact the service provided by personnel who communicate to borrowers about Income-Driven Repayment plans or forgiveness options.

[Click&type]

4. Determine whether written communications provided to borrowers about repayment options clearly and prominently disclose important information, like the steps to apply and the fact that payments can be as low as zero dollars per month (for Direct and FFELP loans).

[Click&type]

5. Determine whether the servicer encourages federal loan borrowers with long-term financial hardship to sign up for forbearance or deferment instead of an Income-Driven Repayment plan, for example, by mentioning forbearance or deferment before income-driven repayment plans in the servicer's communications with borrowers or by omitting mention of income-driven repayment plans in such communications.

[Click&type]

6. Determine whether the servicer enrolls federal loan borrowers with long-term financial hardship in multiple, consecutive forbearances instead of income-driven repayment plans.

[Click&type]

7. Determine whether the servicer has procedures, and whether the servicer follows its procedures, related to communicating with borrowers about repayment plans, including, for example:

    a. Whether phone representatives assess the borrower's long and short term financial situation and disclose the repayment plan reasonably believed to be the most appropriate for the borrower;

    b. The order in which phone representatives discuss, in various scenarios, income-driven repayment plans versus other options;

    c. Whether phone representatives present the income-driven repayment plan that would give the borrower the lowest monthly payment;

    d. Whether phone representatives disclose important information, like the steps to apply and the fact that payments can be as low as zero dollars per month (for Direct and FFELP loans); and

    e. Whether phone representatives discuss the attributes and potential consequences of the repayment plans, including that certain repayment arrangements may increase costs over the life of the loan or result in tax liabilities.

[Click&type]

8. Determine whether phone representatives' assessments of the temporary or short-term nature of hardship, for borrowers the representatives enroll in voluntary "hardship" forbearance or deferment, match the borrowers' communications with the representatives.

[Click&type]

9. Determine whether phone representatives communicate to borrowers before enrolling in a forbearance or deferment (1) the consequences of forbearance or deferment, including interest capitalization and any impact on co-signer release for private student loans (where

applicable), and (2) the benefits and potential consequences of an income-driven repayment plan for federal student loans.

[Click&type]

10. Determine whether phone representatives obtain sufficient income information from borrowers, including any spousal income, and inform borrowers that if they have low or no income, they may be eligible for Income-Driven Repayment plans with payments as low as zero dollars.

[Click&type]

11. For borrowers of FFELP loans applying for the Income Based Repayment (IBR) plan or who inquire about loan forgiveness options, determine whether phone representatives disclose that borrowers may be eligible for other benefits or protections, including REPAYE and PSLF, if they obtain Direct Consolidation loans.

[Click&type]

12. Determine whether and in what circumstances phone representatives tell borrowers that payments are required to enroll in income driven-repayment plans.

[Click&type]

Income-Driven Repayment Plan Applications and Recertification

13. Determine whether, when, and how the servicer informs borrowers that they need to recertify their income and family size to continue making reduced payments under an income-driven repayment plan.

[Click&type]

14. Assess the sufficiency and timeliness of notices informing borrowers of the need to recertify to continue making reduced payments under an income-driven repayment plan.

[Click&type]

15. When recertification notices are sent via email, determine what information the servicer provides in the email and where in the email the information is placed, and whether the message refers borrowers to an online mailbox. Determine whether the servicer tracks whether borrowers open emails or initiated contact with the servicer, and if servicer initiates additional outreach to non-responders.

[Click&type]

16. Determine whether and how the servicer provides borrowers with timely information on the status of income-driven repayment plan applications (including recertification applications).

[Click&type]

17. Determine whether, when received timely, the servicer processes initial income-driven repayment plan applications in time to prevent adverse consequences (including processing timely applications before periods of repayment begin), and whether the servicer processes timely recertification applications in time to prevent adverse consequences (including capitalization of interest at the end of the 12-month repayment period).

[Click&type]

18. Determine whether and when the servicer uses non-interest-capitalizing administrative forbearances or interest-capitalizing voluntary forbearances to forbear payments while the servicer processes income-driven repayment plan applications and recertification applications.

[Click&type]

19. Determine how the servicer handles incomplete applications for income-driven repayment plans (including recertification applications), including, for example:

    a. Determine whether the servicer accurately informs borrowers that an application is incomplete and whether this notification is provided within a reasonable period of time.

    b. Determine whether the servicer informs the borrower about the information or documentation the borrower must submit to address the specific application deficiency.

    c. Assess written or oral communications that inform borrowers who submit incomplete applications about how to address application deficiencies in a timely manner.

[Click&type]

20. Determine whether the servicer incorrectly denied applications for income-driven repayment, incorrectly concluded that such applications were incomplete, or incorrectly calculated Income-Driven Repayment plan payment amounts.

[Click&type]

21. Determine whether the servicer follows established procedures for determining which income-driven repayment plan to enroll a borrower in when borrowers check the “choose for me” option on the Income-Driven Repayment plan application.

[Click&type]

22. Determine whether, when, and how the servicer contacts borrowers to inform them that their payments will increase due to a failure to timely recertify.

[Click&type]

Borrower Communications for Private Education Loans

1. If the servicer offers alternative repayment plans or loan modifications for private education loans, determine whether the servicer discloses (e.g., on its website) the repayment plans, key eligibility criteria, qualification processes, terms, and the required documentation and information necessary to be considered for each of the plans.

[Click&type]

2. If the servicer offers alternative repayment plans or loan modifications for private education loans, determine how the servicer decides to whom to offer the plans or loan modifications, and whether there are policies and procedures aimed at ensuring consistency with regard to when plans are offered.

[Click&type]

3. Assess the training provided to servicer personnel who handle or communicate with borrowers about alternative repayment plans, forbearance, deferment, or loan modifications.

[Click&type]

4. Assess the servicer's monitoring of personnel who communicate with borrowers about alternative repayment plans, forbearance, deferment, or loan modifications.

[Click&type]

5. Assess how the servicer prioritizes among forbearance, deferment, proprietary alternative repayment plans, and loan modifications in phone discussions and written materials.

[Click&type]

6. Determine whether written or verbal communications about alternative repayment plans, deferment, forbearance, or loan modifications accurately and sufficiently describe the attributes and consequences, including any capitalization of interest.

[Click&type]

Cosigned Private Education Loans

1. Assess communications to borrowers about the availability of cosigner release, the criteria for qualifying for cosigner release, and the process to apply for cosigner release, if applicable.

[Click&type]

2. If certain actions by the borrower can delay or permanently prevent the borrower from obtaining cosigner release (such as obtaining a forbearance), determine whether the servicer discloses this fact before the borrower takes such actions.

[Click&type]

3. If the servicer requires borrowers to make a certain number of consecutive and/or on-time payments to qualify for cosigner release, determine how zero dollar payments during periods when loans are paid ahead impact a borrower's progress towards that requirement and determine whether the servicer informs the borrower of these consequences.

[Click&type]

4. If the servicer requires a written application to apply for cosigner release, and a borrower submits an incomplete written application, determine whether the servicer asks the borrower for supplemental information to complete the application.

[Click&type]

5. Determine whether the servicer accurately applies any criteria for cosigner release appearing in the borrower's loan notes, company's marketing materials, and/or website.

[Click&type]

6. Assess communications to borrowers about denial of cosigner release.

[Click&type]

7. Assess the appeal process, if any, after the denial of a cosigner release application.

[Click&type]

8. Determine whether the servicer retains documents pertinent to a decision to deny a cosigner release application.

[Click&type]

9. Determine whether the servicer deems a borrower to have defaulted on a loan because a cosigner dies or enters bankruptcy, and if so, assess the circumstances, policies, and procedures, related to that practice.

[Click&type]

Payoff

1. Determine whether and how the servicer discloses methods to obtain a payoff statement and basic information about how to pay off a loan, including how a borrower can pay off an individual loan or loans when the servicer services multiple loans for the borrower.

[Click&type]

2. Determine whether the servicer provides written payoff statements listing payoff amounts for individual loans, including whether these notices are provided in a timely manner in response to borrower requests and whether the servicer honors those payoff statements.

[Click&type]

3. Determine whether the servicer provides timely paid in full notices.

[Click&type]

4. Determine whether the servicer provides a refund or reimbursement of any payoff overpayment in a timely manner.

[Click&type]

5. If a large lump sum payment satisfies much of, but not all of, the remaining balance and the remaining amount exceeds the lender/servicer's tolerance levels, determine whether the servicer attempts to contact the borrower or payer to inform the borrower or payer that he or she did not pay off the loan, and determine whether the borrower continues to receive billing notices.

[Click&type]

Transfer of Servicing

Examiners should engage in several steps to assess potential violations of Federal consumer financial protection law in connection with servicing and loan ownership transfers. First, examiners should review policies and procedures and obtain a sample of servicing records, for loans transferred within the review period. Examiners also may need to review copies of the electronic and paper documents transferred from the prior servicer. Additionally, examiners should review relevant records such as copies of monthly statements, and other letters or communications sent to consumers. Examiners should look at servicing transfers when the servicer is the transferor (sender), when the servicer is the transferee (recipient), and when the servicer is transferring accounts internally (e.g., a transfer between two of the servicer's systems).[16]

When the servicer is a transferor

1. Determine whether the servicer has a mechanism for accurately capturing and conveying information on a borrower's payment plan, benefits, terms, conditions, disputes or complaints from the consumer, and/or payment history for loans being transferred to another servicer.

[Click&type]

2. Determine whether progress towards loan forgiveness options available to borrowers with Federal loans (e.g., at the end of Income-Driven Repayment and PSLF), or progress toward other benefits that require consecutive payments like co-signer release for borrowers with applicable private loans, is accurately captured and conveyed to the new servicer.

[Click&type]

3. Determine whether the servicer maintains documents and data on each account in a manner that facilitates compiling such documents and data into a servicing file for purposes of transferring the account.

[Click&type]

4. Determine whether and how the servicer transfers borrower accounts that involve a pending application for deferment, forbearance, alternative repayment plans, or benefits.

[Click&type]

5. Determine whether the servicer sends notices to borrowers informing them of an impending transfer and whether notices informing borrowers of an impending transfer sufficiently and timely inform borrowers of key information, including the date of transfer and contact information.

[Click&type]

6. Assess the servicer's process for forwarding any payments received from borrowers after an account has been transferred to a new loan servicer, including the timeliness of such forwards.

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[16] Examiners should be aware that student loan servicing transfers may occur for a number of reasons, including the sale of a loan, the reassignment of servicing rights by the loan holder, or action by a borrower that automatically triggers the transfer of servicing (e.g., the completion of an Employer Certification Form (ECF) indicating interest in the Public Service Loan Forgiveness program).

[Click&type]

When the servicer is a transferee

7. Determine whether the servicer conducts due diligence to ensure that it has accurate and complete information on a borrower's payment plan, benefits, terms, conditions, and payment history for loans received from another servicer, which may entail reviewing the servicer's pre-onboarding testing protocols, contract provisions ensuring the transfer of data or documentation, quality control efforts, and organization and labeling of information.

[Click&type]

8. Determine whether borrowers were financially impacted by the servicing transfer, including whether the borrower was charged late fees or if servicer furnished negative credit information because of the transfer and whether additional interest accrued or interest capitalized as a result of a mandatory forbearance or deferment used to facilitate the transfer.

[Click&type]

9. Determine whether the servicer has a process for monitoring and verifying the accuracy and completeness of data or documentation received from a transferor servicer, and whether the servicer has processes to address any related issues.

[Click&type]

10. Determine whether the servicer has a process for monitoring and verifying the receipt of payments prior to, during and following transfer, including payments submitted to the transferor servicer following transfer, and whether the servicer has a process to address any related issues.

[Click&type]

11. Determine whether the servicer has a process for monitoring and verifying changes in monthly payment amount following any redisclosure or reamortization resulting from transfer, whether servicer provides notice to borrower of anticipated changes in monthly payment amount, and whether the servicer has a process to address any related issues.

[Click&type]

12. Determine whether the servicer has a specific policy or procedure for handling the transfer of borrower accounts that involve a pending application for deferment, forbearance, alternative repayment plans, or benefits, including whether the servicer flags those accounts, ensures that it retains all documentation relating to the pending application, and processes those applications in a timely manner.

[Click&type]

13. Determine whether and when the servicer sends notices to borrowers informing them of an impending transfer, and whether notices informing borrowers of an impending transfer clearly disclosed material information, including the date of transfer and contact information.

[Click&type]

14. Determine whether and in what circumstances the servicer ceased providing benefits or other offerings provided to the borrower by the prior servicer.

[Click&type]

15. Determine whether recurring payments transfer to the servicer, and whether borrowers are notified about what impact the loan servicing transfer has on the existing recurring payment program with sufficient time to complete any necessary action requested by the servicer in order to prevent a missed payment.

[Click&type]

Internal Transfers

16. Determine whether the servicer has a mechanism for accurately capturing, conveying, and maintaining information on a borrower's payment plan, benefits, terms, conditions, and full payment history for loans being transferred to another loan owner when the servicer does not change.

[Click&type]

17. Determine whether the servicer has a process for monitoring and verifying the accuracy and completeness of information that is transferred automatically or manually from one loan owner to another, or one servicing system to another, and whether the servicer has processes to address any related issues.

[Click&type]

In-School Deferment and Repayment Status Processing

1. For borrowers entering repayment status, assess the timeliness and adequacy of the initial communications from the servicer to the borrower, and determine whether the servicer provides the borrower with an overview of all available repayment options.

[Click&type]

2. Determine how the servicer makes decisions on whether a borrower's account should be placed in an in-school status, a grace period, deferment, or repayment, and whether the servicer has a process for reversing adverse consequences (including late fees and interest capitalization and adverse credit reporting) when that process results in errors.

[Click&type]

3. Determine whether borrowers can access loan information online or on written account statements before their loans enter repayment, and determine the sufficiency and accuracy of those statements.

[Click&type]

4. Determine how the servicer accounts for medical leave and other absences from school in its decisions regarding when a borrower should enter repayment status.

[Click&type]

Borrower Benefits

Some private and federal student loans offer various borrower benefits, such as rate reduction for Automated Clearing House (ACH) payments or timely payments, graduation "bonus," payment deferment for borrowers serving on active duty, or other rewards to encourage the borrower to either take out the loan initially or to ensure payments are made in a timely manner once the loan is in repayment. On many occasions, these benefits may be offered to a borrower years before repayment is required. Examiners should verify that loan servicers are aware of what benefits were offered to borrowers and ensure that those benefits are provided to borrowers who meet the necessary qualifications.

1. Determine whether the servicer has retained appropriate documentation of all benefits offered to borrowers, including whether this documentation is recorded at the loan level.

[Click&type]

2. Determine whether the servicer has sufficient systems capabilities and controls to ensure that earned benefits are honored, including whether the servicer has sufficient policies and procedures in place to keep track of borrower progress towards receiving benefits.

[Click&type]

3. Assess the extent to which servicer communications, including communications on the servicer's website, written communications, or oral communications, inform borrowers of the benefits available to them, the criteria for earning those benefits, and the process for obtaining those benefits.

[Click&type]

4. Determine whether the servicer clearly discloses why benefits are denied, the conditions and requirements that were not met, and whether and how the borrower can regain benefit.

[Click&type]

5. Determine whether the servicer has procedures, and whether the servicer follows its procedures, for circumstances where a servicer is informed that a borrower attended a school for which the Department of Education has made a finding supporting a potential discharge (e.g., a defense to repayment (DTR) claim or a closed school discharge), including whether phone representatives assess the borrower's current circumstances and disclose the discharge option reasonably believed to be the most appropriate to the borrower.

[Click&type]

6. Determine whether the servicer has procedures, and whether the servicer follows its procedures, for circumstances where a servicer is informed of a borrower's disability, including whether phone representatives assess the borrower's current circumstances and disclose the availability of any discharge or modification option reasonably believed to be the most appropriate to the borrower (e.g., the Total and Permanent Disability Discharge (TPD) program for federal loans).

[Click&type]

7. Determine whether the servicer has procedures, and whether the servicer follows its procedures, for circumstances where the borrower informs the servicer that a borrower is working in public service, including whether phone representatives assess the borrower's current circumstances and disclose the availability of any cancellation or loan forgiveness options reasonably believed to be the most appropriate to the borrower (e.g., PSLF, Teacher Loan Forgiveness, Perkins Loan Cancellation).

[Click&type]

8. Determine whether the servicer processes requests for borrower benefits, including benefits or protections available under Title IV of the Higher Education Act (e.g., PSLF, TPD discharge, DTR), in a timely and accurate manner.

[Click&type]

9. Determine whether the servicer has procedures, and whether the servicer follows its procedures, for circumstances where a servicer is informed that a borrower is serving in the military, including whether phone representatives assess a military borrower's current circumstances and disclose the availablilty of any borrower benefits or consumer protections appropriate to the military borrower (e.g., IDR and PSLF, military deferment,[17] Perkins Loan Cancellation).

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[17] For federal student loans, criteria for military deferment is defined under Title IV of the Higher Education Act. 20 USC Section 1088(d). National Guard and Reservists can request deferment when called to active duty during a time of war, other military operation, or during national emergency. Active duty servicemembers can request deferment if serving (1) during an a time of war, other military operation, or during a national emergency, and (2) at a duty station at which they are not normally assigned.

[Click&type]

10. For private loans, determine whether the servicer offers military deferment, what the criteria are, whether the criteria are appropriately applied, and whether the servicer communicates its reasoning for denying deferments.

[Click&type]

11. Determine whether the servicer has procedures, and whether the servicer follows its procedures, for circumstances where a servicer is informed that a borrower is serving in an area of hostilities and received special pay, including whether phone representatives assess a military borrower’s current circumstances and disclose the availablilty of a interest rate reduction to zero percent for eligible military borrowers (e.g., certain Direct Loans, Perkins Loans).

[Click&type]

12. Determine whether the servicer has procedures, and whether the servicer follows its procedures, for circumstances where a servicer is informed that a borrower is serving in the military, including whether phone representatives assess a military borrower’s current circumstances and disclose, where applicable, the availablilty of a waiver of the requirement to annually recertify under an income driven repayment plan when a servicemember is on active duty under certain circumstances.

[Click&type]

NOTE: In assessing risks to consumers, examiners may find evidence of violations of – or an absence of compliance policies and procedures with respect to – other laws. In these circumstances, examiners should identify such matters for appropriate action, such as, where authorized, possible referral to federal or state regulators.

For example, the Servicemembers Civil Relief Act (SCRA) requires a servicer to reduce the interest rate that a servicemember must pay on private and federal student loans to six percent in specific circumstances.

Variable Interest Rates

1. Determine whether the servicer informs the borrower of any interest rate changes, and when and how this information is provided.

[Click&type]

2. Determine whether the servicer has a process to verify that interest rate and payment changes to borrowers’ accounts based on a change to a variable interest rate are accurate.

[Click&type]

Module 4: Borrower Inquiries and Complaints

Examiners should review borrower inquiries and complaints and call specific complaining borrowers to interview them regarding their experiences. Examiners should listen to live calls and taped calls to assess the quality and training of the servicer's call center personnel. Examiners should determine the root cause of borrower inquiries and complaints, whether they were resolved adequately (including appropriate remediation for all borrowers affected by the root cause), and whether they were resolved in a timely manner. In addition to reviewing individual inquiries and complaints, examiners should review the related policies and procedures. As part of this review, examiners should assess whether complaints drive adjustments to business practices, where appropriate. Examiners should also review the escalation paths available to borrowers, including those available for borrowers facing financial hardship.

Other Risks to Consumers

1. Identify all channels and physical locations provided for receipt of borrower complaints and inquiries.

[Click&type]

2. Evaluate the comprehensiveness of systems policies, and procedures for capturing, logging, tracking, handling, and reporting complaints and their resolutions, including for repeat consumer complaints.

[Click&type]

3. Assess the effectiveness of any telephone line available for submitting inquiries or complaints, including (a) whether it is toll-free, (b) the ease of accessing a live person, (c) the hold times, and (d) the call abandonment rates.

[Click&type]

4. Assess the effectiveness of other means available for submitting inquiries or complaints, including written submissions and any online portal.

[Click&type]

5. Evaluate the processes for and speed of responses to borrower complaints. Review reports to management and the board of directors (or principals). Review the consumer complaint log(s), performance metrics, and exception/trend reports to determine whether borrower complaints are captured, correctly categorized, and handled appropriately.

[Click&type]

6. Determine whether staffing levels are sufficient for call volume, and determine whether assumptions used for staffing determinations are validated or supported by analysis.

[Click&type]

7. Listen to live calls and taped calls to assess the quality and training of call center personnel.

[Click&type]

8. Determine whether the servicer provides borrowers with an adequate process to escalate, appeal, or ask for reconsideration of the resolution of complaints and inquiries.

[Click&type]

9. Assess whether the servicer responds to borrower inquiries within a reasonable time period. For federal student loan borrowers, servicers must respond within 30 days after receiving any borrower inquiry.

[Click&type]

10. Determine whether, when the servicer takes action or makes adjustments to a borrower's account in light of a complaint, the servicer determines whether other borrowers were affected by the same issue and seeks to resolve the issue systemically.

[Click&type]

Module 5: Collections, Accounts in Default, and Credit Reporting

Examiners should obtain a sample of servicing records for customers in default. Examiners should obtain collection call records and listen to a sample of collection calls. If consumer complaints or document review indicate potential violations in these areas, examiners also may conduct interviews of consumers from the sample and ask questions relevant to each topic area below. In connection with these steps, examiners should evaluate the following.

Collections and Accounts in Default

Under the FDCPA, a *debt collector* is generally defined as any person who regularly collects, or attempts to collect, consumer debts due another person or institution or uses some name other than its own when collecting its own consumer debts, with certain exceptions. The definition includes, for example, an institution that regularly collects debts for an unrelated institution.

The debt collector definition has an exception that frequently applies to loan servicing: an institution is not a debt collector under the FDCPA when it collects debts that were ***not*** in default when they were obtained by the servicer.[18] Thus, a servicer that purchases the servicing rights for a portfolio of loans will be a debt collector only for loans that were in "default" at the time of the purchase.[19]

Examiners should obtain a sample of collection call records and assess whether collectors complied with the requirements listed in the FDCPA procedures. Examiners should also listen to a sample of collection calls.

Fair Debt Collection Practices Act (FDCPA)

1. Assess compliance with FDCPA. Refer to the FDCPA examination procedures for more information.

[Click&type]

Other Risks to Consumers

1. Determine whether the servicer contacts borrowers in an appropriate manner:

    a. Employees and third-party contractors clearly indicate to consumers whom they are calling about the collection of a debt.

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[18] 15 USC 1692a (6)(F)(iii).

[19] The Fair Debt Collection Practices Act (FDCPA) itself does not contain a definition of the term *default*. The standard private student loan note often states that the debt is in default if the payment is 15 or 30 days late. federal loans go into default at 270 days past due.

b. Employees and third-party contractors do not disclose the existence of a consumer's debt to the public without the consent of the consumer, except as permitted by law.

c. The entity avoids repeated telephone calls to consumers that annoy, abuse, or harass any person at the number called.

[Click&type]

2. Determine whether the servicer's representatives make omissions or misrepresentations, or use inappropriate methods to collect debts.

[Click&type]

3. Determine whether collections staff transfer borrowers to loss mitigation staff, in accordance with the institution's policies and procedures, to discuss loss mitigation alternatives.

[Click&type]

The Use of Service Providers for Collections

1. For regulated entities utilizing service providers for collection activity, determine whether the lender has policies and procedures in place to monitor the service provider for compliance with Federal consumer financial laws.

[Click&type]

Workouts for Accounts in Default

1. Determine when and how a borrower is notified that their account is past due, and when a past due account is sent to collections.

[Click&type]

2. Determine whether the servicer reviews defaulted borrowers for all repayment status options before sending the account to collections.

[Click&type]

3. Determine whether the lender, or servicer, offers formal or informal workout programs for borrowers in default. If so:

    a. Determine whether the lender, or servicer, discloses the requirements and any associated fees when providing workout options to borrowers in default.

    b. Determine whether the lender, or servicer, that offers workout programs provides each option available to borrowers.

c. Determine whether the lender or servicer provides payment options for borrowers in default, and if so, whether the lender or servicer is providing the options consistently to all borrowers in similar situations.

d. Determine whether the lender or servicer prioritizes workout options based on loan type (federal loans versus private loans), and if so, whether the lender or servicer has policies and procedures that document the prioritization rationale.

e. Examiners should obtain a sample of collection call records for accounts that are in default and assess whether collectors follow policies and procedures for handling such accounts.

[Click&type]

Collecting Delinquent Accounts through Legal Action

Determine whether the lender or servicer has policies and controls in place to ensure the accuracy of information used to collect delinquent accounts through legal action.

[Click&type]

FCRA and Implementing Regulation V – Furnisher Requirements

Examiners should obtain a sample of loan servicing records. For the loans in the sample, compare the information in the servicer's system of record with the information reported to the credit reporting agencies. Examiners should also review consumer complaints or review documents for potential violations of the Fair Credit Reporting Act and implementing Regulation V.

1. Assess compliance with the FCRA Furnisher Requirements. Refer to the FCRA examination procedures, 12 CFR 1022.40-43, for more information.

[Click&type]

Module 6: Information Sharing and Privacy

Gramm-Leach-Bliley Act (GLBA) and Implementing Regulation P – Privacy Notices

1. Assess compliance with Privacy of Consumer Financial Information Regulations that implement GLBA. Refer to the GLBA examination procedures, 12 CFR 1016.4 and 1016.5, for more information.

[Click&type]

FCRA and Regulation Implementing V – Information Sharing with Affiliates

1. Assess compliance with the FCRA Affiliate Marketing Rule. Refer to the FCRA examination procedures, 12 CFR 1022.21, for more information.

[Click&type]

Module 7 – Examination Conclusions and Wrap-Up

To conclude this supervisory activity, examiners must complete all steps under this section, regardless of the entity's risk profile.

1. Summarize the findings, supervisory concerns, and regulatory violations.

[Click&type]

2. For the violations noted, determine the root cause by identifying weaknesses in internal controls, audit and compliance reviews, training, management oversight, or other factors. Determine whether the violation(s) are pattern or practice, or isolated.

[Click&type]

3. Identify action needed to correct violations and weaknesses in the institution's compliance management system, as appropriate.

[Click&type]

4. Discuss findings with the institution's management and, if necessary, obtain a commitment for corrective action.

[Click&type]

5. Record violations according to agency policy in the Report of Examination/Supervisory Letter and the CFPB's electronic database system to facilitate analysis and reporting.

[Click&type]

6. Determine if enforcement action is appropriate. If so, contact appropriate agency personnel for guidance.

[Click&type]

7. Prepare a memorandum for inclusion in the workpapers and CFPB's official system of record that outlines planning and strategy considerations for the next examination and, if appropriate, interim follow-up.

[Click&type]