



1700 G Street NW, Washington, DC 20552

January 13, 2017

The Honorable Ted Mitchell
Under Secretary of Education
400 Maryland Avenue, SW
Washington, D.C. 20202

RE: Revised Payback Playbook Transmittal

Dear Under Secretary Mitchell,

Thank you for your continued collaboration with the Consumer Financial Protection Bureau (CFPB) to strengthen student loan servicing for all consumers. We appreciate the opportunity to work with the Department of Education and the Department of the Treasury to explore challenges facing student loan borrowers and advance the joint principles released last year.¹ This collaboration is particularly important as the Office of Federal Student Aid implements the policy guidance you issued last July to create a new student loan servicing ecosystem.² Enclosed, please find a memorandum describing our ongoing work to improve the prototype student loan *Payback Playbook* that the CFPB, in coordination with the Department of Education and the Department of Treasury, released last year.

¹ U.S. Department of Education, U.S. Department of the Treasury, Consumer Financial Protection Bureau, *Joint Statement of Principles on Student Loan Servicing*, 80 Fed. Reg. 67389 (Nov. 2, 2015), http://files.consumerfinance.gov/f/201509_cfpb_treasury_education-joint-statement-of-principles-on-student-loan-servicing.pdf.

² U.S. Department of Education, *Policy Direction on Federal Student Loan Servicing* (July 2016), <http://www2.ed.gov/documents/press-releases/loan-servicing-policy-memo.pdf>.

The attached memorandum provides an overview of public feedback received in response to our April 2016 *Notice and Request for Information Regarding Student Loan Borrower Communications*, including nearly 3,500 comments from individual student loan borrowers, student loan market participants, higher education policy experts and other stakeholders.³

In support of this initiative, the CFPB also retained an independent research firm to perform iterative user testing on the prototype *Payback Playbook*. The attached memorandum offers a brief discussion of feedback received through this testing, which was thematically similar to feedback provided by the public.

The CFPB offers five general observations based on our review of these public comments and based on feedback received through iterative user testing. These observations informed the revised *Payback Playbook* disclosures enclosed.

Actionable information. Public comments from consumers, consumer advocates and the student loan servicing industry emphasized the need for actionable information related to student loan repayment options, particularly for borrowers at risk of financial hardship. Iterative user testing strongly reinforces this theme. Beyond the key information intended to drive borrowers to take a specific action – to contact their servicer or visit studentloans.gov to switch plans or to get more information – feedback from commenters and from user testing supports an approach that limits the inclusion of additional detail. The *Payback Playbook* seeks to inform consumers by employing concept-driven, plain-language advice when providing additional information (e.g. “switching to a plan with a lower monthly payment often means paying more over the life of your loan”), rather than attempting to offer an exhaustive description of costs, alternatives or consequences of future action that may overwhelm student loan borrowers and deter them from engaging with the information. This approach was also generally supported by comments from consumers, consumer advocates and market participants and subsequently validated through testing. Based on this input, borrowers will likely be well served by a final *Payback Playbook* that reflects a narrowed range of options similar to those proposed in the April 2015 prototype, ensuring that borrowers are presented with a limited selection of alternatives most appropriate for their individual financial circumstances.

Personalization. Public comments and iterative user testing support the presentation of personalized information in targeted disclosures. In particular, commenters and the consumers who participated in testing both emphasized that personalized estimates of monthly payments under various income-driven repayment (IDR) plans are critical to support consumer understanding and improve borrower decision-making. Commenters, including student loan

³ Consumer Financial Protection Bureau, *Request for Information on Student Loan Borrower Communications* (April 2016), <https://www.regulations.gov/docket?D=CFPB-2016-0018>.

servicers and consumer advocates, encouraged policymakers to use consumer tax data, as provided by the Department of Treasury and the Internal Revenue Service, to populate these disclosures.⁴ User testing offered additional evidence that personalization is critical. Consumers who participated in user testing also noted that the estimated monthly payment, informed by actual, individualized information about their present financial circumstances, was adequate to improve understanding and encourage action. Based on this input, borrowers will likely be well served by a final *Payback Playbook* that provides personalized estimates of monthly payment amounts, repayment terms and other key information necessary to drive borrowers to take action and make informed choices about repayment options.

User-centered visual design. Thousands of consumers shared support for the prototype *Payback Playbook*'s visual presentation. Comments from individual consumers indicated that they like the disclosures' minimalist approach to presenting key information, bolded text, large font size, and use of white space to draw consumers' attention to relevant information. Comments from market participants and consumer advocates generally echoed this feedback, which was also reinforced by consumers who participated in user testing. Borrowers will likely be well served by a final *Payback Playbook* that employs the user-centered visual design featured in the revised disclosures attached to this letter. For electronic distribution of a final *Payback Playbook*, the Department of Education may also wish to consider incorporating color to further emphasize key information.

Adaptation to specific borrower segments, including at-risk borrowers. Enclosed, the CFPB developed three revised versions of the *Payback Playbook*: one revised disclosure of a general *Payback Playbook* offering a side-by-side comparison of available options, and two alternate revised *Payback Playbooks*, adapted in response to this public feedback and user testing. The two alternative versions offer illustrative examples of how targeted communications for certain "at-risk" consumers can be adjusted to meet consumers' unique needs. In particular, borrowers would likely be well served by a final *Payback Playbook* for "at-risk" borrowers that include language to better articulate the benefits and availability of a zero dollar IDR payment.

⁴ This input may offer further support for the proposed partnership between the Department of Education, the Department of the Treasury and the Internal Revenue Service to further automate the transfer of data in support of the IDR enrollment and recertification process. See U.S. Department of Education, *Strengthening the Student Loan Servicing System to Better Protect All Borrowers* (October 2015), <https://www2.ed.gov/documents/press-releases/strengthening-student-loan-system.pdf>. ("During the past year, the Department of the Treasury and the Department of Education have been working with the Internal Revenue Service to assess the feasibility of developing a process for multi-year recertification for IDR. As with any policy that provides access to taxpayer data, there are costs to developing and operating a secure system with appropriate authentication and controls, and mechanisms for secure communication with third parties. Both Treasury and Education believe that, with sufficient funding, an electronic multi-year certification system can and should be developed to simplify the repayment process for many borrowers in IDR plans").

Commenters also identified a range of other specific consumer segments that could benefit from customized disclosures related to different types of repayment information, including information not included in the prototype *Payback Playbook*. For example, organizations representing teachers and other public sector workers liked the *Payback Playbook* for its personalized depiction of borrowers' options and current payment plan selection. They also noted that additional information about the availability of and progress toward Public Service Loan Forgiveness would be particularly beneficial for their members. The Department of Education may wish to consider other alternate *Payback Playbooks* where necessary to meet the discrete needs of specific consumer segments, potentially including public service workers and members of the military.

Targeted distribution. Public comments from consumers, consumer advocates and market participants supported future efforts by the Department of Education to ensure that these disclosures reach consumers at the moment-in-time when this information is most acutely needed. For example, some consumer advocates proposed including these disclosures be updated in real time on the secure borrower-facing portal on a servicer's website. Other commenters suggested they be distributed adjacent to existing information about the borrower's outstanding balance and the monthly payment. Further, some commenters suggested these disclosures reach consumers as part of regular periodic statements. Commenters also noted that the disclosure should be available in the preferred language of the borrower. In testing, some consumers told the CFPB they would like to receive the *Payback Playbook* with their billing statement, while others would like to receive it in a separate notice.⁵ Consumers who participated in user testing generally preferred to receive this information in the same manner through which they currently receive servicer communications. This is by email, if they have opted in to email, or by U.S. mail, if they have not. The CFPB strongly supports the initial commitment by the Department of Education's Office of Federal Student Aid to incorporate the *Payback Playbook* as a standard component of its servicers' existing written or electronic borrower communications, and its intention to provide further guidance regarding appropriate borrower populations.⁶ The Department of Education may also wish to consider further evaluation (e.g. A/B testing and piloting) to assess the effectiveness of supplemental electronic distribution for consumers who present changes in repayment patterns or other characteristics that suggest potential financial hardship.

To better illustrate these observations, we provided the three revised *Payback Playbook* disclosures referenced above. The revised disclosures were developed in response to both public

⁵ Fors Marsh Group, *Qualitative Testing of Prototype Student Loan Disclosure: Prepared for the Consumer Financial Protection Bureau* (November 30, 2016), http://files.consumerfinance.gov/f/documents/201701_cfpb_payback-playbook-user-testing-summary.pdf.

⁶ See U.S. Department of Education Office of Federal Student Aid, *Question and Answer Document on Solicitation ED-FSA-17-R-0001* (January 2017), <https://www.fbo.gov>.

comment and iterative user testing. These revised disclosures provide a clear, personalized and actionable framework for strengthened borrower communications.⁷

As you seek to implement the *Payback Playbook* as a component of the new federal student loan servicing ecosystem, the enclosed memorandum and revised disclosures offer a path forward to advance our shared goals—strengthening student loan borrower communications, improving borrower outcomes, and mitigating student loan defaults.⁸ We look forward to continuing our partnership to improve student loan servicing and enhance consumer protections for the more than 44 million consumers with student debt.

Sincerely,



Seth Frotman
CFPB Student Loan Ombudsman and Assistant Director, Office for Students

Enclosures:

Memorandum regarding an *Initiative on Student Loan Borrower Communications*
Revised general *Payback Playbook*
Revised *Payback Playbook* for “at risk” borrowers
New *Payback Playbook* for “at risk” borrowers eligible for a \$0 IDR payment

CC:

Sarah Bloom Raskin, Deputy Secretary, U.S. Department of the Treasury
Melissa Koide, Deputy Assistant Secretary, U.S. Department of the Treasury
James Runcie, Chief Operating Officer, Federal Student Aid, U.S. Department of Education
Jack Smalligan, Deputy Associate Director for the Education, Office of Management and Budget

⁷ As the Department of Education works to implement the *Payback Playbook*, please keep in mind our analysis is based on a targeted sample of federal student loan borrowers with loans in good standing, forbearance/deferment, and default and, therefore, this feedback should not be considered representative of the entire student loan borrower population.

⁸ The purpose of this document is solely to provide the Department of Education with technical assistance regarding student loan borrower communications. This document is not legal guidance from the Bureau related to compliance with any federal consumer financial law or regulation, or any other law. This document does not represent a final decision of the Bureau and does not attempt to evaluate whether any specific market participants are in compliance with any statutes or rules. We look forward to receiving the Department of Education’s feedback, and to continuing to work together with the Departments of Education and Treasury.