



Consumer Financial
Protection Bureau

1700 G Street, N.W., Washington, DC 20552

DATE, 2015

Name

Organization

Address Line 1

Address Line 2

Dear [Name]:

In May, the Bureau, in partnership with the Department of Education and the Department of Treasury, launched an initiative on student loan servicing through which we sought feedback from consumers, market participants and other stakeholders. Thank you for providing a response on behalf of your organization.

The Bureau's preliminary analysis of input received as part of this initiative has identified a number of consumer comments reporting issues related to seeking to obtain affordable monthly student loan payments. The purpose of this letter is to request additional clarification around the policies and procedures in place at your organization related to federal student loan modification programs, specifically the recertification process for certain income-driven repayment plans.¹ As you note in your response, public data on these plans is quite limited.

Federal Student Loan Modification Programs

More than \$250 billion in privately-held legacy federally-guaranteed loans (commercial FFEL) remain outstanding, but there is little public data available related to the utilization of modification programs authorized under Title IV of the Higher Education Act for such loans. In addition, more than 3 million student loan borrowers, owing a total of nearly \$175 billion in federal Direct Loans, are currently enrolled in an income-driven repayment plan. If you hold or service a portfolio of commercial FFEL loans or federal Direct Loans, it would be helpful to understand the extent to which these programs have been utilized by your customers and, critically, what share of these borrowers' recertifications of income are submitted and processed on time for these programs. Please provide responses to the following questions.

¹ For the purpose of this request, to the extent applicable, please provide information related to Income Based Repayment (IBR) utilization in your FFEL portfolio and both Income-Based Repayment (IBR) and Pay As You Earn (PAYE) in your Direct Loan portfolio.

- (1) **Information on policies and procedures related to recertification for income-driven repayment plans.** Please describe your organization's practices, policies and procedures for borrowers enrolled in income-driven repayment plans as they relate to notices about recertification, processing of recertification applications and any special assistance provided to borrowers whose monthly payment reverts to the permanent standard payment plan as a result of failure to recertify in a timely manner.
- (2) **Information about enrollment in income-driven repayment plans.** As of December 31, 2014, describe income-driven repayment program utilization by your customers, including the number of borrowers, loans and dollars in an income-driven repayment program. Provide a break down by income-driven plan and loan program, if applicable.
- (3) **Information about recertification for income-driven repayment plans.** For the calendar year ending on December 31, 2014, please describe the extent to which for borrowers identified in question (2), you processed a recertification of income under an income-driven repayment plan such that the borrower did not revert back to a payment calculated under the permanent standard repayment plan, including the number of borrowers, number of loans and total dollars. Provide a break down by income-driven plan and loan program, if applicable.
- (4) **Information about late recertification for income-driven repayment plans.** For the calendar year ending on December 31, 2014, for borrowers a) identified in question (2) but not identified in question (3), and b) who subsequently recertify and resume making partial financial hardship payments, please provide the number of months (billing cycles), on average, for which the payment amount due was calculated under the permanent standard repayment plan. Please count any months (billing cycles) during this period for which no payment was due as a result of forbearance. Provide a break down by income-driven plan and loan program, if applicable.
- (5) **Information about outcomes for borrowers enrolled in automatic payments and who do not complete a timely recertification.** For the calendar year ending on December 31, 2014, for borrowers a) identified in question (2) but not identified in question (3) and b) who were enrolled in automatic payments (auto-debit) in the first month during which payment levels reverted to an amount due under the permanent standard plan, please provide the number of borrowers, number of loans and total dollars in payments for which an automatic payment was rejected due to

insufficient funds (NSF).

- (6) **Information about utilization of forbearance when borrowers fail to recertify.** For the calendar year ending on December 31, 2014, please describe the extent to which borrowers identified in question (2) but not identified in question (3) utilized other alternative repayment arrangements in the twelve months following failure to recertify, including but not limited to voluntary forbearance or delinquency cured by the retroactive application of administrative forbearance. For each alternative repayment arrangement, please include the number of borrowers enrolled and the average number of billing cycles for which these borrowers enrolled in each arrangement. Provide a break down by income-driven plan and loan program, if applicable.

This is not a confidential supervisory information request and your response is voluntary. Information provided in response to this request will support the Bureau's ongoing consumer education and market analysis functions. We may make public certain information we gather in response to this request, but we will not identify any specific market participants. Information provided may be subject to other public disclosure to the extent required by law.

If you choose to respond, the information that you provide must not include any personally identifiable information that directly identifies any consumer, such as a consumer's name, address, telephone number, social security number, or account number. Data and other proprietary submissions should be provided to the CFPB via a secure method appropriate to the sensitivity of the information. (For example, you can use a Secure File Transfer Protocol (SFTP) server).

If you have any questions about this request, please do not hesitate to let us know. Please respond by XXXX 2015. We hope to share results from responses by various market participants.

Thank you in advance for your participation.

Sincerely,

Seth Frotman
Deputy Assistant Director and Acting Student Loan Ombudsman
Consumer Financial Protection Bureau