



1700 G Street NW, Washington, DC 20552

DATE, 2016

Name

Company

Address Line 1

Address Line 2

Dear [Name]:

We have heard from consumers who have encountered problems related to the transition out of default and into repayment under an income-driven repayment (IDR) plan, following the rehabilitation or consolidation of their defaulted federal student loans. The Bureau estimates that more than 220,000 previously defaulted student loan borrowers who are potentially eligible to make zero dollar payments under an IDR plan will end up back in default over the next 24 months. Over this period, these borrowers will incur more than \$125 million in unnecessary interest charges - a direct consequence of these borrowers' inability to secure an income-driven payment. The purpose of this letter is to request additional information about the policies and procedures in place at your company related to the service you provide to your previously defaulted customers.

*Performance of rehabilitated loans and loans consolidated from default*

If you hold or service commercial FFELP loans, ED-held FFELP loans, or federal Direct Loans that have been rehabilitated or consolidated from default, it would be helpful to understand the extent to which borrowers of these loans select specific repayment plans, continue to maintain a current payment status, and ultimately remain in good standing.

**Information on policies and procedures related to the servicing of rehabilitated student loans and loans consolidated from default.** Please describe your company's practices, policies, and procedures when servicing newly rehabilitated loans and loans

consolidated from default. Please include any relevant information related to initial communication, payment plan selection, and any special assistance provided to borrowers.

Please note any specific efforts related to assisting these borrowers in enrolling in an IDR plan and the extent to which your company has specially trained staff who proactively work with these “at risk” borrowers. Additionally, please include the point, if at all, in the rehabilitation or consolidation process in which your company first initiates contact with a borrower before their loan is placed with your company.

**Information about repayment plans for newly rehabilitated loans.** For rehabilitated loans from accounts with only undergraduate loans (Subsidized and Unsubsidized Stafford) received by your company in calendar year 2015, accounts that include rehabilitated graduate and professional loans (*e.g.*, Subsidized Stafford, Unsubsidized Stafford, and PLUS loans borrowed by graduate and professional students) that you received in 2015, and accounts with rehabilitated Parent PLUS<sup>1</sup> loans that you received in 2015, separated by federal loan program (Commercial FFEL, ED-held FFEL, and Direct Loans), please describe:

- a. The breakdown between number of accounts that were in an IDR plan and those not in an IDR plan on borrowers’ first, second, third, fourth, sixth, and ninth billing due dates.<sup>2</sup>
- b. The number of accounts, number of rehabilitated loans, and dollar amount of rehabilitated loans for those accounts in each repayment category for each billing cycle described in (a).

To determine what portion of accounts received by your company were rehabilitated, please also indicate the total number of accounts, number of loans, and dollar amount of loans received by your company during the same timeframe.

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<sup>1</sup> All loans for accounts with both undergraduate and graduate loans should only be counted in the graduate and professional account type. Similarly, all loans for accounts with any Parent PLUS loans should only be counted in the Parent PLUS account type.

<sup>2</sup> IDR plans include Income-Based Repayment, Income-Contingent Repayment, Pay as You Earn, and Revised Pay as You Earn. For the purposes of this data request, all loans from accounts with both Direct Loans and FFELP loans should be categorized in the analysis based on the highest outstanding balance between programs.

**Information about repayment plans for newly consolidated loans comprised of previously defaulted loans.** For loans consolidated from default within accounts containing consolidated undergraduate loans (Subsidized and Unsubsidized Stafford) received by your company in calendar year 2015, accounts that include consolidated graduate and professional loans (*e.g.*, Subsidized Stafford, Unsubsidized Stafford, and PLUS loans borrowed by graduate and professional students) that you received in 2015, and accounts with consolidated Parent PLUS<sup>3</sup> loans that you received in 2015, separated by federal loan program (Commercial FFEL, ED-held FFEL, and Direct Loans), please describe:

- a. The breakdown between number of accounts that were in an IDR plan and those not in an IDR plan on a borrowers' first, second, third, fourth, sixth, and ninth billing due dates.<sup>4</sup>
- b. The number of accounts, number of consolidation loans, and dollar amount of consolidation loans for those accounts in each repayment category for each billing cycle described in (a).

**Information on successful repayment for rehabilitated loans.** For rehabilitated loans serviced by your company, please describe the following, separated by federal loan program (Commercial FFEL, ED-held FFEL, and Direct Loans), account type (accounts with undergraduate loans, accounts with graduate and professional loans, and accounts with Parent PLUS) and by repayment plan (an IDR plan or non-IDR plan):

- a. The total number of accounts with rehabilitated loans, number of rehabilitated loans, and dollar amount of rehabilitated loans for those accounts;
- b. Number of accounts, average number of loans, and average dollar amount placed with ED or purchased by a Guarantee Agency on or before December 31<sup>st</sup>, 2015;
- c. The average number of billing cycles an account identified in subsection (a) is in repayment before placement with ED or purchased by a Guarantee Agency; and

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<sup>3</sup> See note 1.

<sup>4</sup> See note 2.

- d. The percentage of accounts identified in subsection (a) that are placed with ED or purchased by a Guarantee Agency without making a single successful payment.<sup>5</sup>

Please provide this information separately for account cohorts that were received by your company in each of the calendar years 2012, 2013, and 2014.

**Information on repayment success for consolidated loans.** For loans consolidated from default and received by your company, please describe the following, separated by federal loan program (Commercial FFEL, ED-held FFEL, and Direct Loans), account type (accounts with undergraduate loans, accounts with graduate and professional loans, and accounts with Parent PLUS) and by repayment plan (an IDR plan or non-IDR plan):

- a. The total number of accounts with consolidation loans, number of consolidation loans, and dollar amount of consolidation loans for those accounts;
- b. Number of accounts, average number of loans, and average dollar amount placed with ED or purchased by a Guarantee Agency on or before December 31<sup>st</sup>, 2015;
- c. The average number of billing cycles an account identified in subsection (a) is in repayment before placement with ED or purchased by a Guarantee Agency; and
- d. The percentage of accounts identified in subsection (a) that are placed with ED or purchased by a Guarantee Agency without making a single successful payment.<sup>6</sup>

Please provide this information separately for account cohorts that were received by your company in each of the calendar years 2012, 2013, and 2014. To determine what portion of loans consolidated from default and serviced by your company are placed with ED or purchased by a

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<sup>5</sup> For the purposes of this data request, a successful payment is one that meets or exceeds the amount due in a monthly billing statement made under a standard payment plan or a repayment plan selected by the borrower. A loan with a zero dollar payment in a borrower selected IDR plan should be considered as paid in full for that month. Payments made during rehabilitation, or before you start billing, do not count as successful payments. Months under a deferment, forbearance, or similar status does not count as a successful payment.

<sup>6</sup> See previous note.

Guarantee Agency; please also indicate the total number of consolidated loan accounts you received for servicing during each of these calendar years.

**Information about payment history for rehabilitated loans.** Please describe how your company processes payments from a borrower made after making his or her ninth successful rehabilitation payment with his or her collector. After a borrower has made nine successful payments, please describe how your company applies any additional borrower payments made to his or her collector before his or her loan is received by your company for regular servicing.

This is not a request for confidential supervisory information and your response is voluntary. Information provided in response to this request will support the Bureau's ongoing consumer education and market analysis functions and will be treated in accordance with the Bureau's confidentiality regulations, 12 C.F.R. Part 1070. We may make public certain information we gather in response to this request, but we will not identify any specific market participants when doing so. Information provided may be subject to 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 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, 2016. We hope to share aggregate results from responses by various market participants. Thank you in advance for your participation.

Sincerely,

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