Consumer Financial Protection Bureau

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.

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[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

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[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.

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[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 Education, Office of Management and Budget

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[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.

# Change your monthly payments with a new repayment plan. There's never a fee to change your plan.

| Your current plan | Option: Less now, more later | Option: Income driven |
|---|---|---|
| Fixed Repayment (10 year) | Graduated Repayment | Pay As You Earn (PAYE) |
| 10 years of monthly payments that stay the same each year | 10 years of monthly payments based on your remaining loan balance; payments start low and increase over time | Monthly payments are based on your family size and income. After 20 years, the remaining loan balance is forgiven. You may have to pay taxes on the forgiven loan balance. |
| PAYMENTS REMAINING<br>**112 payments**<br>(9 years, 4 months) | PAYMENTS REMAINING<br>**112 payments**<br>(9 years, 4 months) | PAYMENTS REMAINING<br>**No more than 232 payments (until paid off or forgiven)**<br>(19 years, 4 months) |
| MONTHLY PAYMENT<br>**$392.44** | MONTHLY PAYMENT<br>**$222.00**<br>Monthly payments start low ($222/mo) and increase every 24 months, reaching the highest amount ($666/mo) at the end of the loan | MONTHLY PAYMENT<br>**$182.21**<br>Based on a current income of $52,000 and family size of 3<br>Payments may be as low as $0 if you make less than $20,090<br>Payments will never be higher than $392.44<br>You can enroll in this plan at any time, even if you're unemployed |

## Keep in mind...

Switching to a plan with a lower monthly payment often means paying more over the life of your loan.

Learn more about your total costs with the "Repayment Estimator" at **studentloans.gov.**

## Have questions or ready to enroll?

Call [your servicer] at 555-555-2200 or visit **studentloans.gov**. Ask about interest rates or if you qualify for more plans than the ones listed above.

Learn more at **studentaid.ed.gov/repay-loans**.

**As of January 1, 2017, your account is 90 days overdue.**

# Lower your monthly payments with a new repayment plan. There’s never a fee to change your plan.

| **Your current plan** | MONTHLY PAYMENT | PAYMENTS REMAINING |
|---|---|---|
| | **$392.44** | **112 payments**<br>(9 years, 4 months) |

**New plan:** Pay As You Earn (PAYE)

| HOW IT WORKS | ESTIMATED MONTHLY PAYMENT | PAYMENTS REMAINING |
|---|---|---|
| Monthly payments are based on your family size and income. After 20 years, the remaining loan balance is forgiven. You may have to pay taxes on the forgiven loan balance. | **$182.21**<br>Based on an income of $52,000 and a family size of 3 you qualify for a monthly payment of $182.21 | **No more than 232 payments (until paid off or forgiven)**<br>(19 years, 4 months)<br>Payments may be as low as $0 if you make less than $20,090<br>Each payment (even if it's $0) will count toward the 20-year period until your loan balance is forgiven<br>Payments will never be higher than $392.44<br>You can enroll in this plan at any time, even if you’re unemployed |

## Keep in mind...

Switching to a plan with a lower monthly payment often means paying more over the life of your loan.

Learn more about your total costs with the “Repayment Estimator” at **studentloans.gov.**

## Have questions or ready to enroll?

Call [your servicer] at 555-555-2200 or visit **studentloans.gov**. Ask about interest rates or if you qualify for more plans than the ones listed above.

Learn more at **studentaid.ed.gov/repay-loans**.

**As of January 1, 2017, your account is 90 days overdue.**

# Lower your payment to $0 with a new repayment plan. There's never a fee to change your plan.

| **Your current plan** | MONTHLY PAYMENT | PAYMENTS REMAINING |
|---|---|---|
| | **$392.44** | **112 payments** (9 years, 4 months) |

**New plan:** Pay As You Earn (PAYE)

| HOW IT WORKS | ESTIMATED MONTHLY PAYMENT | PAYMENTS REMAINING |
|---|---|---|
| Monthly payments are based on your family size and income. After 20 years, the remaining loan balance is forgiven. You may have to pay taxes on the forgiven loan balance. | **$0.00**<br>Based on an income of $20,000 and a family size of 3 you qualify for a monthly payment of $0 | **No more than 232 payments (until paid off or forgiven)** (19 years, 4 months)<br>Payments may be as low as $0 if you make less than $20,090<br>Each payment (even if it's $0) will count toward the 20-year period until your loan balance is forgiven<br>Payments will never be higher than $392.44<br>You can enroll in this plan at any time, even if you're unemployed |

## Keep in mind...

Switching to a plan with a lower monthly payment often means paying more over the life of your loan.

Learn more about your total costs with the "Repayment Estimator" at **studentloans.gov.**

## Have questions or ready to enroll?

Call [your servicer] at 555-555-2200 or visit **studentloans.gov**. Ask about interest rates or if you qualify for more plans than the ones listed above.

Learn more at **studentaid.ed.gov/repay-loans**.

Consumer Financial Protection Bureau
1700 G Street NW, Washington, DC 20552

January 13, 2017

MEMORANDUM

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| **TO** | Members of the public, including participants in our *Initiative on Student Loan Borrower Communications* |
| **FROM** | Seth Frotman, Student Loan Ombudsman and Assistant Director, Office for Students |
| **SUBJECT** | Public feedback on the *Payback Playbook* |

Thank you to those who provided public comments on the CFPB's student loan *Payback Playbook* as part of our *Initiative on Student Loan Borrower Communications*.[1]

## BACKGROUND

In April 2016, the Consumer Financial Protection Bureau (the CFPB), in coordination with the Department of Education ("Education" or "ED") and the Department of the Treasury ("Treasury"), launched a joint project to develop a practical tool for millions of student loan borrowers who may be struggling to keep up with their monthly payments or trying to choose among dozens of alternative repayment plans. The agencies launched this initiative to bring actionable, accurate information to student loan borrowers — a priority articulated by the CFPB, Education and Treasury in our September 2015 Joint Statement of Principles on Student Loan Servicing.[2] Through our collective work, we recognized that elevated levels of student loan borrower distress exist despite the availability of a range of protections for borrowers that are

[1] Consumer Financial Protection Bureau, *Notice and Request for Information on Student Loan Borrower Communications* (April 2016), https://www.regulations.gov/docketBrowser?rpp=25&so=DESC&sb=commentDueDate&po=0&D=CFPB-2016-0018.

[2] 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.

designed to mitigate delinquency and default – including income-driven repayment plans provided by law for the vast majority of borrowers with federal student loans. With this in mind, the CFPB, in coordination with ED and Treasury, designed a series of new personalized prototype communications, the student loan *Payback Playbook*, to provide borrowers with the actionable information they need to secure a monthly payment they can afford.

The CFPB asked the public to provide feedback on the first iteration of the *Payback Playbook*, seeking general information about communication with student loan borrowers in repayment, and specific information about elements of the proposed disclosures.[3] In response, the CFPB heard from nearly 3,500 members of the public, including student loan borrowers, student loan servicers and other market participants, consumer advocates, colleges and universities, higher education policy experts, and many others.[4] Generally, the public's comments supported the approach proposed by the CFPB, Education, and Treasury – calling for plain-language, actionable disclosures in order to inform borrower decision-making, improve outcomes, and mitigate defaults. In contrast, public comments from a few trade associations representing banks or other student loan market participants expressed skepticism about the approach proposed by the CFPB, Education, and Treasury, highlighting the breadth of existing disclosure requirements and lack of user testing on the proposed *Payback Playbooks* as areas of particular concern.

In addition to seeking public comment on the prototype *Payback Playbook*, the CFPB also retained an independent research firm to perform iterative user testing on these disclosures. Through this engagement, the CFPB sought to "explore how student loan borrowers (with federal loans) understand and react to notices about alternative repayment options. Specific focus was given to content comprehension and identifying borrower preferences for customization, branding, and number of options shown."[5]

In July 2016, Education published new policy direction calling for a range of consumer protections for student loan borrowers. This policy direction noted Education's commitment to implementing a final *Payback Playbook*. Education also noted that in the future consumers can expect "borrower communications [to] provide clear, personalized information that allows

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[3] For a complete list of questions and other information about this initiative, See Consumer Financial Protection Bureau, *Request for Information Regarding Student Loan Borrower Communications* (April 2016), https://www.regulations.gov/document?D=CFPB-2016-0018-0001.

[4] See Consumer Financial Protection Bureau, *Request for Information Regarding Student Loan Borrower Communications* (April 2016), https://www.regulations.gov/document?D=CFPB-2016-0018-0001.

[5] For a complete description of the Bureau's engagement with the Fors Marsh Group to perform iterative user testing on the proposed prototype *Payback Playbook*, See 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-disclosures-revised.pdf.

all borrowers to better understand and evaluate available repayment options, including a personalized depiction of monthly payment under a selected range of alternatives."[6]

The following observations were informed by both public comment and iterative user testing.

**METHODOLOGY**

In April 2016, the CFPB presented the public with two prototype *Payback Playbooks* and asked for public comments on questions related to specific aspects of each disclosure and to borrower communications, generally. For each disclosure, the CFPB sought feedback from the public on the content, visual presentation of information, prospective audience, and possible delivery methods.

- **General Playbook.** The first *Payback Playbook* showed a side-by-side comparison of a consumer's current repayment plan alongside two alternatives, including one income-driven option personalized to reflect the consumer's current financial circumstances (*Playbook A/B*). The CFPB offered two different presentations of personalized information related to income and family size, requesting comment on whether to present this information A) as a precise depiction driven by a borrower's characteristics ("based on *your* current income of…"), or B) as an estimate informed by a borrower's characteristics ("based on *an* income of…"). In both cases, the monthly payment presented on this disclosure was personalized to reflect the borrower's actual income and family size.

- **"At-Risk" Playbook.** The CFPB also offered a streamlined disclosure featuring a single income-driven option, potentially targeted to borrowers at increased risk of default. The CFPB sought feedback on potential recipients of this disclosure, including borrowers who are delinquent on one or more student loans and borrowers who demonstrate other characteristics that may suggest an increased likelihood of future economic hardship (e.g. failure to complete a program of study or prior student loan default).

In response to the request for public comment, the CFPB received nearly 3,500 comments from individual student loan borrowers and 41 comments from organizations (organizational comments). These commenters included student loan market participants and trade associations representing the student loan servicing and collections industries, consumer advocates and organizations providing legal services to student loan borrowers, organizations

[6] See 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; See Also 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.

representing colleges and universities, organizations representing the civil rights community, organizations representing workers, and higher education policy experts.

In addition to seeking public comment on these prototype disclosures, an independent research firm engaged by the CFPB conducted four rounds of in-depth interviews (IDIs) with 64 individual federal student loan borrowers. Participants were recruited for a mix of gender, age, race/ethnicity, income, student loan type, and student loan status. Each round contained participants who self-reported as either "in distress" or "not in distress." Participants were shown a customized *Payback Playbook,* featuring alternative repayment plans based on their current loan balance, income (rounded to the nearest thousand dollars), and family size. In between each round of testing, the CFPB revised the *Payback Playbook*s presented to participants. Revisions were informed by both the CFPB's analysis of public comments and insights identified through the preceding rounds of user testing.[7]

On January 13, 2017, the CFPB sent a letter to Undersecretary of Education Ted Mitchell, Treasury Deputy Secretary Sarah Bloom Raskin and Federal Student Aid (FSA) Chief Operating Officer James Runcie, offering a series of recommendations informed by public comments and user testing.[8] Enclosed with this letter, the CFPB provided this memorandum highlighting public comments, a report detailing the results of consumer testing, and a set of revised *Payback Playbooks*.[9]

## GENERAL OBSERVATIONS

Public comments and the insights developed through user testing informed the CFPB's revisions to the prototype disclosures.[10] This memorandum offers the following observations, in part, to provide helpful context as Education works to finalize and implement the *Payback Playbook*. The CFPB identified five general themes in these comments, highlighted by a broad cross-section of commenters including individual consumers, consumer advocates, and industry.

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[7] For further discussion of findings, methodology and limitations, See 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.

[8] Consumer Financial Protection Bureau*, Letter from CFPB Student Loan Ombudsman Seth Frotman to Education Undersecretary Ted Mitchell on the Payback Playbook* (January 2017), http://files.consumerfinance.gov/f/documents/201701_cfpb_payback-playbook-cover-letter-education-undersecretary-mitchell.pdf.

[9] For further information, See 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; and Consumer Financial Protection Bureau, *Revised Prototype Payback Playbooks* (January 2017), http://files.consumerfinance.gov/f/documents/201701_cfpb_payback-playbook-disclosures-revised.pdf.

[10] Consumer Financial Protection Bureau, *Revised Prototype Payback Playbooks* (January 2017), http://files.consumerfinance.gov/f/documents/201701_cfpb_payback-playbook-disclosures-revised.pdf.

Here is some of what the public told the CFPB:

1. Actionable, plain-language information related to available student loan repayment options can improve borrower comprehension.
2. Personalization, particularly as it relates to the monthly payment amount and other key information, may improve consumer decision-making and drive greater borrower engagement.
3. User-centered visual design may improve general borrower awareness of alternatives and prompt borrowers to take action.
4. Adaptation to specific borrower segments, particularly at-risk borrowers, can increase the likelihood that borrowers will receive information best suited to their financial circumstances and act upon that information.
5. Targeted distribution at key decision points in the repayment process may mitigate defaults and improve borrower outcomes.

## DETAILED OBSERVATIONS

### 1. Actionable, plain-language information related to available student loan repayment options may improve borrower comprehension.

The CFPB asked for the public's feedback about whether borrowers would benefit from learning about the different alternative repayment options available to them, including income-driven repayment (IDR) plans, and whether a simplified, plain-language approach to the presentation of these options could improve borrower comprehension.[11] Here is some of what the CFPB learned:

**Borrowers would benefit from alternative approaches to presenting this information.** Many commenters, including individual consumers, consumer advocates, servicers, and trade associations representing student loan market participants, expressed concerns about the way information about available repayment options is generally presented to consumers.[12] Commenters said that the current approach to presenting this information may lead to unnecessary consumer confusion and encourage inaction by consumers who could

[11] See Consumer Financial Protection Bureau, *Request for Information Regarding Student Loan Borrower Communications* (April 2016), https://www.regulations.gov/document?D=CFPB-2016-0018-0001.

[12] See, e.g., Americans for Financial Reform et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0675; Student Loan Servicing Alliance, https://www.regulations.gov/document?D=CFPB-2016-0018-0670; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665

benefit from a different payment arrangement.[13] Individual borrowers and consumer advocates also raised questions about whether servicers' presentation of this information contributes to high rates of student loan delinquency and default.[14]

Borrowers, servicers, and consumer advocates emphasized that many borrowers do not know their options when looking for a more affordable monthly student loan payment.[15] Several student loan servicers identified the breadth of repayment options as a contributor to borrower confusion and borrower distress.[16] One servicer emphasized that "borrowers should receive actionable, personalized communications from a single source, rather than being overwhelmed by generalized information from multiple sources."[17] A comment signed by 62 consumer advocates and borrower assistance organizations described a "failure of federal student loan servicers to properly inform borrowers of their options to lower their payments using IDR plans."[18]

In contrast, one trade association representing banks that make private student loans and hold legacy federally-guaranteed student loans chose to highlight the breadth of available information in support of their recommendation that the Department and the CFPB enhance "existing federal resources," rather than implementing the *Payback Playbook* as recommended.[19] Another trade association representing student loan debt collectors noted that they "are especially concerned about providing more information to struggling student loan borrowers who already receive numerous required disclosures with information about repayment options, and still fail to take action."[20]

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[13] See, e.g., Americans for Financial Reform et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0675; Student Loan Servicing Alliance, https://www.regulations.gov/document?D=CFPB-2016-0018-0670; Ideas42, https://www.regulations.gov/document?D=CFPB-2016-0018-0681.

[14] See, e.g., Americans for Financial Reform,U.S. PIRG and other consumer advocacy organizations, https://www.regulations.gov/document?D=CFPB-2016-0018-0675

[15] See, e.g., Consumer Action, https://www.regulations.gov/document?D=CFPB-2016-0018-0649; Americans for Financial Reform,U.S. PIRG and other consumer advocacy organizations, https://www.regulations.gov/document?D=CFPB-2016-0018-0675; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665; Pennsylvania Higher Education Assistance Agency (PHEAA), https://www.regulations.gov/document?D=CFPB-2016-0018-0663; Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680.

[16] See, Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665; Pennsylvania Higher Education Assistance Agency (PHEAA), https://www.regulations.gov/document?D=CFPB-2016-0018-0663; Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680.

[17] Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680.

[18] See, e.g., Americans for Financial Reform,U.S. PIRG and other consumer advocacy organizations, https://www.regulations.gov/document?D=CFPB-2016-0018-0675

[19] See Consumer Bankers Association, https://www.regulations.gov/document?D=CFPB-2016-0018-0643.

[20] See National Council of Higher Education Resources, https://www.regulations.gov/document?D=CFPB-2016-0018-0674.

**Actionable information may improve borrower comprehension.** 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.[21] One comment from an organization with expertise in behavioral science noted that they "support presenting concise information that facilitates comparing plans, as it helps avoid *choice overload* — the phenomenon that occurs when too many options are made available — and its possible consequences of going with the default option, procrastinating on making a decision, or not making a decision altogether."[22] Relatedly, a joint comment from two of the largest student loan servicers emphasized that "actionable, personalized communications include options tailored to a borrower's specific circumstances, the information needed to make informed decisions for a simple path to repayment, and clear instructions for acting on their decisions."[23] Iterative user testing strongly reinforced this theme.[24]

**Commenters believe it is critical for borrowers to understand the potential costs and benefits of payment plan selection.** Commenters, including individual consumers, trade associations representing student loan servicers, consumer advocates, and financial aid professionals, encouraged the CFPB to include key information necessary for borrowers to understand the benefits and costs associated with a given repayment option, including costs over the life of a loan.[25] One trade association representing banks noted that descriptions of payment levels for income-driven repayment plans should indicate that "payments will rise or fall each year based on income," and that any potential loan forgiveness could be subject to taxation as income."[26] Another trade association noted that the *Payback Playbook*, as proposed, did not offer "information about the drawbacks of IDR, such as the need to reapply each year and the fact that interest will capitalize if the borrower does not reapply timely, that negative amortization will cause most borrowers to pay more over the life of the loan, and that

[21] See, e.g., Americans for Financial Reform et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0675; Student Loan Servicing Alliance, https://www.regulations.gov/document?D=CFPB-2016-0018-0670; Ideas42, https://www.regulations.gov/document?D=CFPB-2016-0018-0681; Borrower comment, https://www.regulations.gov/document?D=CFPB-2016-0018-1367.

[22] See, e.g. Ideas42, https://www.regulations.gov/document?D=CFPB-2016-0018-0681.

[23] See, e.g. Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680.

[24] See 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-disclosures-revised.pdf.

[25] See, e.g., Consumer Action, https://www.regulations.gov/document?D=CFPB-2016-0018-0649; Americans for Financial Reform,U.S. PIRG and other consumer advocacy organizations, https://www.regulations.gov/document?D=CFPB-2016-0018-0675; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665; Pennsylvania Higher Education Assistance Agency (PHEAA), https://www.regulations.gov/document?D=CFPB-2016-0018-0663; Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680. Student Loan Servicing Alliance, https://www.regulations.gov/document?D=CFPB-2016-0018-0670; National Council of Higher Education Resources, https://www.regulations.gov/document?D=CFPB-2016-0018-0674; The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672.

[26] See Consumer Bankers Association, https://www.regulations.gov/document?D=CFPB-2016-0018-0643.

any forgiveness may be taxable."[27] One joint comment from two large servicers emphasized that it is necessary to address the total costs of payment plan selection by "clearly communicating them so borrowers can make informed decisions."[28] Another comment from a large servicer agreed "with the approach to connect borrowers to www.studentaid.gov to obtain more detail about the communicated plans, information about other plans, total loan cost for each plan, and the effect potential loan forgiveness may have on federal income taxes."[29] Commenters, including this servicer and several organizations representing workers, consumers, higher education policy experts, and market participants, offered a similar perspective, emphasizing that the *Payback Playbook* should be revised to include a direct link to Education's Repayment Estimator web tool.[30]

The CFPB made several changes to the prototype *Payback Playbook* in response to public comments and insights revealed through user testing.[31] In response to commenters' concerns about the disclosure of the tax consequences of IDR loan forgiveness, the CFPB included plain language direction to prompt consumers to learn more ("You may have to pay taxes on the forgiven loan balance."). In order to provide additional context related to the total cost of a payment plan, we added language offering general advice in plain language, stating "switching to a plan with a lower monthly payment often means paying more over the life of your loan," rather than providing a lengthy, complete, and comprehensive description of costs, alternatives or consequences of future action. The CFPB also incorporated a prominent link to Education's Repayment Estimator to provide consumers with more precise information about the total lifetime cost of any particular option ("Learn more about your total costs with the Repayment Estimator at studentloans.gov."). Since any precise estimate of total costs would require informed assumptions about a borrower's future income and family size, an interactive tool may be more effective than a static disclosure when seeking to inform borrowers about a range of potential total costs.

**Specific feedback on the *Payback Playbook* for General Audiences.** Many commenters supported the side-by-side view of a limited, customized set of repayment options for general audiences (borrowers who are not identified as "at-risk").[32] Commenters generally

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[27] See Student Loan Servicing Alliance, https://www.regulations.gov/document?D=CFPB-2016-0018-0670.

[28] See Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680.

[29] Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665.

[30] See, e.g. National Council of Higher Education Resources, https://www.regulations.gov/document?D=CFPB-2016-0018-0674. The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676.

[31] Consumer Financial Protection Bureau, *Revised Prototype Payback Playbooks* (January 2017), http://files.consumerfinance.gov/f/documents/201701_cfpb_payback-playbook-user-testing-summary.pdf.

[32] See, e.g. The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676; Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680; Navient,

supported including one income-driven option and one alternative not based on income, as well as identifying a borrower's current plan.[33]

Many commenters, including industry commenters and organizations representing consumers, emphasized that any featured income-driven option should be one that is available to the consumer receiving the disclosure, noting that to the extent possible the selection of presented options should be customized.[34] For example, one trade association representing debt collectors and servicers voiced concern "that the income-driven payment estimates could create false expectations from borrowers about securing a lower payment, because not all borrowers will qualify for PAYE." These comments reinforced the approach proposed by the CFPB, in coordination with Education and Treasury, in April 2016.[35]

As part of the implementation of a final *Payback Playbook*, Education may wish to consider an approach that requires servicers to tailor repayment plan presentation to provide a set of options customized to fit a borrower's financial circumstances.[36] Relatedly, Education may wish to consider the inclusion of requirements to ensure that all repayment plans presented are plans for which a consumer can likely qualify and, conversely, to exclude options for which a consumer is clearly ineligible based on a program's criteria.

Commenters also emphasized the importance of introductory language that gives a clear indication of a desired outcome and prompts the consumer to take a specific action.[37] For example, a joint comment from two large student loan servicers suggested that the proposed

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https://www.regulations.gov/document?D=CFPB-2016-0018-0665; Pennsylvania Higher Education Assistance Agency (PHEAA), https://www.regulations.gov/document?D=CFPB-2016-0018-0663.

33 See, e.g. The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676; Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665; Pennsylvania Higher Education Assistance Agency (PHEAA), https://www.regulations.gov/document?D=CFPB-2016-0018-0663.

34 Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665; Pennsylvania Higher Education Assistance Agency (PHEAA), https://www.regulations.gov/document?D=CFPB-2016-0018-0663.

35 See Consumer Financial Protection Bureau, *Notice and Request for Information on Student Loan Borrower Communications* (April 2016), https://www.regulations.gov/docketBrowser?rpp=25&so=DESC&sb=commentDueDate&po=0&D=CFPB-2016-0018.

36 Education's Office of Federal Student Aid, in a Question and Answer document published as part of an ongoing servicing contract competition, informed potential vendors that it expects a servicer receiving an award under this contract that *Payback Playbook* "data elements in the communication will be required to be borrower specific where possible…" 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.

37 See, e.g. The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676; Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665; Pennsylvania Higher Education Assistance Agency (PHEAA), https://www.regulations.gov/document?D=CFPB-2016-0018-0663.

introductory language ("You have a right to choose a different repayment plan") is not sufficiently tied to the purpose of the form. The CFPB also received comments from organizations that expressed support for the *Payback Playbook,* generally, as a potential tool to empower consumers to avoid student loan debt relief scams, particularly when a company may be charging a consumer to enroll in an alternative repayment plan that is available for free under federal law.[38] In response to these comments and feedback from individual consumers engaged through user testing, the CFPB adjusted the introductory text in the revised general *Payback Playbook* to feature two prominent introductory prompts ("Change your monthly payments with a new repayment plan." and "There's never a fee to change your plan.").[39]

**Specific feedback on the *Payback Playbook* for "At-Risk" Borrowers.** Many commenters supported a streamlined approach to payment plan disclosure for "at-risk" borrowers.[40] Commenters, including market participants, consumer advocates, and policy experts, supported the selection of an income-driven repayment plan as the default option presented by this *Payback Playbook.*[41] A joint comment from two large student loan servicers noted that "this is a good strategy for delinquent borrowers because, with too many choices, we have seen (and research supports) that they are more likely to do nothing. With one choice, they can more easily move forward and resolve their situation."[42] A comment from an organization with expertise in behavioral science explained that "communicating emotionally painful information in a strategic manner can help borrowers address, rather than avoid, their financial problems…to ensure that urgent action steps are taken even during an emotionally and mentally taxing time, one should present short, clear, and discrete pieces of information rather than long documents containing educational materials."[43]

Some industry commenters expressed skepticism about the potential effectiveness of such a streamlined disclosure, noting that consumers would necessarily receive incomplete information about available options. In addition, these comments noted that more comprehensive information was currently available through various channels to interested consumers.[44] Relatedly, one comment from a trade association representing student loan

[38] See, e.g. The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672.

[39] Consumer Financial Protection Bureau, *Revised Prototype Payback Playbooks* (January 2017), http://files.consumerfinance.gov/f/documents/201701_cfpb_payback-playbook-disclosures-revised.pdf.

[40] See, e.g. The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676; Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680.

[41] See, e.g. The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676; Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680.

[42] Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680.

[43] See, e.g. Ideas42, https://www.regulations.gov/document?D=CFPB-2016-0018-0681.

[44] See, e.g., Student Loan Servicing Alliance, https://www.regulations.gov/document?D=CFPB-2016-0018-0670; National Council of Higher Education Resources, https://www.regulations.gov/document?D=CFPB-2016-0018-0674.

servicers noted that, where a borrower has not responded to initial outreach from a servicer, "the Playbooks may not be as effective. Some commenters also noted that establishing contact with "at-risk" consumers presents additional obstacles for servicers, particularly when a consumer has not engaged with their debt in the past.[45] When borrowers have reached late stage delinquency or are at imminent risk of default, they are often not reading any communications from the servicer."[46]

Some consumers who participated in user testing said that they frequently receive solicitations similar to the *Payback Playbook* for "at-risk" borrowers from third-party providers of student loan "debt relief" services, where companies may charge high fees to facilitate enrollment in the same payment options to which a consumer is entitled to enroll directly, for free. One consumer told the CFPB *"I have heard about people thinking they were paying down their student loans or something and it turned out to be a scam."*[47]

Some testing participants were initially skeptical of the disclosure for this reason. These consumers noted that a Payback Playbook for "at-risk" borrowers offering a $0 IDR payment may appear "too good to be true" and some consumers may disregard the communication as a potential scam. In response to these concerns, when a consumer is eligible to make a zero dollar "payment" under an income-driven repayment plan, the revised *Payback Playbook* for "at-risk" consumers advertises this opportunity explicitly in the introductory text, stating "Lower your payment to $0 with a new repayment plan. There's never a fee to change your plan."[48] When asked what would make the information in the disclosure more trustworthy, several testing participants said they would be more likely to believe or trust the information if it were sent (or branded) by the Department of Education.[49]

### 2. Personalization, particularly as it relates to the monthly payment amount and other key information, may improve consumer decision-making and drive greater borrower engagement.

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[45] See, e.g., Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665; and Association of Credit and Collection Professionals, https://www.regulations.gov/document?D=CFPB-2016-0018-0667.

[46] Student Loan Servicing Alliance, https://www.regulations.gov/document?D=CFPB-2016-0018-0670.

[47] See 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.

[48] Consumer Financial Protection Bureau, *Revised Prototype Payback Playbooks* (January 2017), http://files.consumerfinance.gov/f/documents/201701_cfpb_payback-playbook-disclosures-revised.pdf.

[49] See 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.

The CFPB asked for feedback from the public about the relative benefits of personalization when designing effective borrower communications.[50] The CFPB also asked for specific feedback about the proposed approaches to personalization in the prototype *Payback Playbooks*, for input on potential sources of data to populate these disclosures, and for additional information related to potential privacy issues.[51] Here is some of what the CFPB learned:

**Personalized information about income-driven repayment plans may be an effective "call to action" for consumers who may not otherwise respond to written communications.** Commenters, including student loan servicers, consumer advocates and individual borrowers, urged the CFPB and the Department to implement a *Payback Playbook* that is personalized.[52] Several of these commenters noted that personalization improves the effectiveness of borrower communications.[53] Commenters also stressed that personalized information about income-driven payment amounts, loan terms, and associated costs may be particularly beneficial.[54]

In testing, consumers emphasized that customized payment levels were critical to understand the differences between options in the *Payback Playbook* for general audiences and to spur consumer action in the *Payback Playbook* for "at-risk" borrowers. One consumer stated, *"I think tailoring it to an individual's circumstances is probably for the best because that way, you know neither of these situations is applicable across the board to everybody."*[55]

As one joint comment from two large student loan servicers noted:

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50 *See* Consumer Financial Protection Bureau, *Request for Information Regarding Student Loan Borrower Communications* (April 2016), https://www.regulations.gov/document?D=CFPB-2016-0018-0001.

51 *See* Consumer Financial Protection Bureau, *Request for Information Regarding Student Loan Borrower Communications* (April 2016), https://www.regulations.gov/document?D=CFPB-2016-0018-0001.

52 See, e.g. The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676; Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665; Pennsylvania Higher Education Assistance Agency (PHEAA), https://www.regulations.gov/document?D=CFPB-2016-0018-0663.

53 See, e.g. The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676; Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665; Pennsylvania Higher Education Assistance Agency (PHEAA), https://www.regulations.gov/document?D=CFPB-2016-0018-0663.

54 See, e.g., Ideas42, https://www.regulations.gov/document?D=CFPB-2016-0018-0681

55 *See* 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-disclosures-revised.pdf*

> Personalizing student loan communications has a positive impact on borrowers' understanding of their options. Focusing on plans that are likely a good fit for borrowers based on personal information are more likely to drive action than those that simply suggest there are many options to consider. Our research into borrower communication needs indicates that, even while still in school, borrowers strongly prefer to receive detailed information about their loans, how much they owe, and the size of their future payments, rather than general information on topics such as budgeting.[56]

Further, a comment from organizations representing workers emphasized that "borrower feedback to the CFPB and from our members reveals a need for personalized information that accurately reflects the borrowers' actual incomes and family sizes and explains the repayment options for which the borrowers are actually eligible."[57] Another organization representing consumers told the CFPB that "if data are available, the Playbooks should present estimated IDR payments for a borrower that is as similar as possible to the actual borrower."[58]

**Estimates of monthly payments, informed by data about individual borrowers' financial circumstances, offers the best foundation for a personalized *Payback Playbook*.** Few commenters offered feedback about whether to implement a *Payback Playbook* that represents personalized information as 1) a precise depiction of the borrower's individual financial circumstances or 2) an estimate of a similarly situated borrower's payment amount — the sole difference between prototype *Payback Playbook A* and *Payback Playbook B*.[59] Those who did comment generally supported the presentation of an estimate of a similarly situated borrower's payment amount. For example, one consumer advocate told the CFPB that "if data are available, the Playbooks should present estimated IDR payments for a borrower that is as similar as possible to the actual borrower," noting:

> We recommend that the Playbooks not suggest that loan servicers know the borrower's exact income and family size, as in Playbook A. That approach may generate alarm among some consumers who are unaware of the source of that information. Also, if the data on income and family size are not accurate, the IDR payment amounts may end up being misleading and borrowers may not actually qualify for the IDR plan displayed.[60]

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[56] Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680.

[57] AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676.

[58] The Institute for College Access and Success (TICAS), available at: https://www.regulations.gov/document?D=CFPB-2016-0018-0672

[59] See, e.g., The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680.

[60] The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672

Consumers in testing also supported the estimated approach to depicting income and family size used to populate these disclosures. The revised *Payback Playbooks* are responsive to this input, presenting an estimate of a similarly situated borrower's payment amount.[61]

**Access to federal tax data through the IRS is likely the best source of accurate information to implement the *Payback Playbook*.** Several commenters, including consumer advocates and student loan servicers, strongly urged the CFPB, Education and Treasury to prioritize the implementation of using data from the Internal Revenue Service, rather than data obtained from a third-party data provider.[62] For example, one consumer advocacy organization told the CFPB, "the best source of data would [be] the individual's tax information. Although IRS data still has the potential for inaccuracy, the harm of the inaccuracy may be mitigated by the fact that it was generated using the borrower's actual information. In contrast, estimates generated by data brokers are not transparent as to how current or how accurate they may be, and thus are more likely to be misleading."[63]

Servicers also emphasized that populating a personalized *Payback Playbook* would require a mix of existing and external data, noting that additional work would need to be done to harmonize these sources of information in a way that creates a uniform approach to personalization across servicers.[64] For example, one large student loan servicer commented:

> There are five to 11 variables required to accurately determine a borrower's monthly payment amounts under an income driven plan. These variables then drive a number of possibilities and payment calculations. Some of these variables require no further information from borrowers, while others often require borrower engagement to determine if and how the information is to be considered in calculating the monthly payment. To provide borrowers with accurate customized Playbooks, servicers must be provided with easy, reliable and systemic access to the required data.[65]

In contrast to those consumers who urged implementation to prioritize IRS data, a comment from a third-party data provider emphasized that options to implement personalized disclosures may exist outside of government data sources.[66] A comment from a coalition of organizations representing workers also emphasized that personalization should be a priority,

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[61] Consumer Financial Protection Bureau, *Revised Prototype Payback Playbooks* (January 2017), *http://files.consumerfinance.gov/f/documents/201701_cfpb_payback-playbook-disclosures-revised.pdf*.

[62] Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665; Pennsylvania Higher Education Assistance Agency (PHEAA), https://www.regulations.gov/document?D=CFPB-2016-0018-0663.

[63] See, e.g., National Consumer Law Center, https://www.regulations.gov/document?D=CFPB-2016-0018-0652

[64] See, e.g., See, e.g., Student Loan Servicing Alliance, https://www.regulations.gov/document?D=CFPB-2016-0018-0670; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665.

[65] Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665.

[66] Equifax, https://www.regulations.gov/document?D=CFPB-2016-0018-0669.

noting that the lack of access to government data should not deter efforts to implement the *Payback Playbook* in a way that provides consumers with a personalized depiction of payment amount and other key information.[67]

**Privacy and data security concerns are crucial considerations when implementing personalized estimates for the *Payback Playbook*.** Commenters, including industry and consumer advocates, strongly urged the CFPB and the Department to consider privacy and information security when evaluating potential sources of data to personalize the *Payback Playbook*.[68] One comment from a coalition of organizations representing consumers, workers and civil rights organizations also recommended a subsequent public comment process, should third-party sources of data be considered.[69] This comment recommended that consumers be provided with the ability to opt-out of any system that relies on third-party data, noting that "should a final Payback Playbook include the use of third-parties such as consumer credit reporting agencies (following a public comment process, as suggested below), any consumer should be provided with the ability to opt-out of having their income information supplied by third-party, non-governmental data brokers."[70]

### 3. User-centered visual design can improve general borrower awareness of alternatives and prompt borrowers to take action.

The CFPB asked for feedback on approaches to visual design used in borrower communications, calling for both general input on how to approach the design of actionable disclosures and for specific input on the visual design used in the prototype *Payback Playbooks*.[71] The public told the CFPB:

**Simplified visual designs may improve borrower comprehension and engagement.** Some commenters, including individual borrowers, strongly supported a simplified visual approach to conveying repayment information.[72] These commenters noted

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[67] AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676

[68] See, e.g. The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676; Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665; Pennsylvania Higher Education Assistance Agency (PHEAA), https://www.regulations.gov/document?D=CFPB-2016-0018-0663.

[69] Americans for Financial Reform et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0675.

[70] Americans for Financial Reform et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0675.

[71] *See* 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-disclosures-revised.pdf*.

[72] See, e.g. The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676; Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680; Navient,

that this contrasts favorably with the current information-heavy approach employed by student loan servicers, generally.[73] For example, a comment from a coalition of organizations representing workers suggested using "graphics, where possible, to simplify information and increase the likelihood borrowers will receive the relevant information."[74] As the commentator explained, "graphic representations are often more easily understood than written descriptions. This may be especially true for complicated financial information, which may intimidate some borrowers."[75]

In contrast, trade associations representing the student loan industry expressed skepticism that simplified presentation of complex subject matter was necessarily in consumers' best interest.[76] These organizations and several others strongly supported user testing prior to implementation in part, for these reasons.[77] These comments, in part, informed the CFPB's decision to retain an independent research firm to conduct iterative user testing as part of our ongoing work with Education and Treasury to implement the Payback Playbook.

**The visual approach proposed in the prototype *Payback Playbooks* supports consumer engagement and action.** Beyond general support for user-centered visional design as a principle for developing actionable consumer disclosures, commenters, generally, also supported the specific visual approach adopted in the prototype *Payback Playbooks*.[78] For example, one participant told the CFPB: *"I like [this form] a lot, with the different [repayment plans]…The way it's presented, it's very easy to follow. I appreciate the options."*

Consumers who participated in user testing were particularly supportive of varied formatting, font size and white space because they believed that these features may draw consumers to the actionable information presented in the proposed disclosure. One borrower told the CFPB:

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https://www.regulations.gov/document?D=CFPB-2016-0018-0665; Pennsylvania Higher Education Assistance Agency (PHEAA), https://www.regulations.gov/document?D=CFPB-2016-0018-0663.

[73] See, e.g. The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; AFL-CIO et. al.,: https://www.regulations.gov/document?D=CFPB-2016-0018-0676; Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665; Pennsylvania Higher Education Assistance Agency (PHEAA), https://www.regulations.gov/document?D=CFPB-2016-0018-0663.

[74] See AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676.

[75] See AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676.

[76] See, e.g., Student Loan Servicing Alliance, https://www.regulations.gov/document?D=CFPB-2016-0018-0670; Consumer Bankers Association, https://www.regulations.gov/document?D=CFPB-2016-0018-0643.

[77] See, e.g., Student Loan Servicing Alliance, https://www.regulations.gov/document?D=CFPB-2016-0018-0670; Consumer Bankers Association, https://www.regulations.gov/document?D=CFPB-2016-0018-0643.

[78] See, e.g. The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676; Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665; Pennsylvania Higher Education Assistance Agency (PHEAA), https://www.regulations.gov/document?D=CFPB-2016-0018-0663.

*"The columns immediately...focused me on the fact...that they're providing me options here...the formatting is more presentable and appealing. The bold fonts on the 'payments' and 'payments remaining' takes me to the most important parts pretty quickly."*

In response to testing and public comment, the CFPB generally retained the proposed visual approach included in the prototype *Payback Playbooks*.[79]

### 4. Adaptation to specific borrower segments, particularly at-risk borrowers, can increase the likelihood that borrowers receive information best-suited to their financial circumstances.

The CFPB asked for feedback on specific borrower segments that should receive a *Payback Playbook*, requesting input on potential recipients of both the prototype *Payback Playbook* for general audiences and the prototype *Payback Playbook* for "at-risk" borrowers.[80] Here is some of what the public told the CFPB:

**Commenters noted that the *Payback Playbook* should be available for borrowers with federal loans made under the Federal Family Education Loan program (FFELP) and loans made through the Direct Loan program.** Many commenters, including individual borrowers and organizations representing consumers, strongly urged that these disclosures be made available for all borrowers with federal student loans.[81] One organization representing consumers told the CFPB:

> Playbooks should be made available to borrowers with FFEL loans, in addition to borrowers with Direct Loans. More than four in 10 existing borrowers have FFEL loans, and the CFPB has found that at least 30 percent of borrowers with FFEL loans have missed payments for more than 30 days. Those borrowers could benefit significantly from clearer information about their repayment options.[82]

Industry commenters advised the CFPB to consider various constraints when implementing the *Payback Playbook*, but were largely silent about whether to apply these disclosures to FFEL loans.[83] Commenters, including consumer advocates and industry commenters, differed over the

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[79] Consumer Financial Protection Bureau, *Revised Prototype Payback Playbooks* (January 2017), *http://files.consumerfinance.gov/f/documents/201701_cfpb_payback-playbook-disclosures-revised.pdf*.

[80] *See* 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*.

[81] See, e.g. The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676.

[82] The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672

[83] See, e.g. Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665.

applicability of a similar disclosure for private student loan borrowers.[84] Industry comments also encouraged the CFPB to consider the existing disclosure regime required at origination for private student loans, when evaluating the applicability of the Payback Playbook to private student loans.[85] These commenters generally agreed that any implementation for private student loan borrowers would require further adaptation and user-testing.[86] Some industry commenters expressed strong skepticism about whether adaptation to private student loans was appropriate, citing the existing required disclosure regime for the origination of these loans.[87]

Borrowers who participated in user testing were not shown a potential *Payback Playbook* for private student loans and further study is needed to evaluate specific approaches.[88] Consumers who participated in user testing did provide general support for clear, plain-language communications about student loan repayment options for private student loan borrowers.[89]

**Commenters suggested the general *Payback Playbook* should be distributed at times when consumers are best-positioned to act on this information.** Commenters, including borrowers, consumer advocates, policy experts and market participants, emphasized that the general *Payback Playbook* be distributed to ensure that consumers have access to this information when they need it most.[90] For example, one civil rights organization argued that, "the Playbook should be provided to students upon completion of exit counseling and at least one other time during the six-month grace period.[91] Generally, commenters recommended further testing to assess the most effective moment to reach consumers and the appropriate audiences for each *Payback Playbook.*[92]

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84 See, e.g. AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676 (supporting a *Payback Playbook* for private student loans), and see, *contra*., Consumer Bankers Association, https://www.regulations.gov/document?D=CFPB-2016-0018-0643 (stating that the *Payback Playbooks* should not be applied to private student loans).

85 See, e.g., Consumer Bankers Association, https://www.regulations.gov/document?D=CFPB-2016-0018-0643.

86 See, e.g., AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676 and Consumer Bankers Association, https://www.regulations.gov/document?D=CFPB-2016-0018-0643.

87 See, e.g., Consumer Bankers Association, https://www.regulations.gov/document?D=CFPB-2016-0018-0643.

88 *See* 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*.

89 *See* 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*.

90 See, e.g. The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676; Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665; Pennsylvania Higher Education Assistance Agency (PHEAA), https://www.regulations.gov/document?D=CFPB-2016-0018-0663.

91 See, e.g., National Council of La Raza Consumer Law Center, https://www.regulations.gov/document?D=CFPB-2016-0018-0650

92 See, e.g. The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676; Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680; Navient,

When user testing the *Payback Playbook*, participants were asked how often they would like to receive a disclosure like this. Most participants indicated that they would like to receive the Payback Playbook either quarterly or twice a year. A couple of participants mentioned that they would like to see the Payback Playbook around tax season. For example, one borrower told the CFPB: *"[I would like to see a disclosure] every six months… I might lose my job or I might get a raise or anything so I would like, probably twice a year, to see different options."*[93]

**Commenters believe the population receiving the *Payback Playbook* for "at-risk" borrowers should include borrowers who are significantly behind on their loans as well as borrowers who exhibit other characteristics that suggest a high likelihood of distress in the future.** Commenters, including borrowers, consumer advocates and industry, broadly agreed that the presentation of a single payment plan for "at-risk" borrowers was appropriate for consumers who had missed some number of monthly payments.[94] For example, one student loan servicer commented:

> We support an approach to present the Playbook to severely delinquent borrowers (i.e. Playbook C) to help resolve delinquency. This approach is consistent with the federal loan collection letter content which includes information for borrowers about IDR and other options to avoid default such as consolidation, deferment and forbearance. We recommend using a simplified version of the Playbook or other communication to non-IDR plan borrowers who over the course of the past year may have been severely delinquent, or otherwise deemed to be at risk of making payment.[95]

One consumer advocacy group recommended making the Payback Playbook available to all borrowers who may be struggling to make their scheduled monthly payments, saying "the Playbooks will be most helpful for borrowers who are seeking to lower their monthly payment and are not already enrolled in an IDR plan."[96]

In July 2016, Education Undersecretary Ted Mitchell identified certain types of "at-risk" borrowers as potentially eligible for high touch student loan servicing, irrespective of whether

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https://www.regulations.gov/document?D=CFPB-2016-0018-0665; Pennsylvania Higher Education Assistance Agency (PHEAA), https://www.regulations.gov/document?D=CFPB-2016-0018-0663.

93 See 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.

94 See, e.g. The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676; Great Lakes and Nelnet, https://www.regulations.gov/document?D=CFPB-2016-0018-0680; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665; Pennsylvania Higher Education Assistance Agency (PHEAA), https://www.regulations.gov/document?D=CFPB-2016-0018-0663.

95 Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665;

96 See, e.g., The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672

these borrowers had fallen behind on their payments.[97] These include consumers who may not have completed their program of study and those who have previously defaulted on a student loan and are transitioning out of default. Several commenters identified similar types of "at-risk" borrowers and generally supported the inclusion of "at-risk" consumers who have not yet missed a payment as potential recipients of this disclosure.[98]

Consumers engaged through user testing who self-identify as "in-distress" generally found the presentation for "at-risk" borrowers to be actionable and appropriately targeted. For example, one borrower explained that *"the purpose of the notice is to let me know that before I end up in default there is a way to work this out."*[99]

**Further adaptation of the *Payback Playbook* for specific audiences can allow for the distribution of targeted, actionable supplementary program or repayment information.** Commenters identified several other potential audiences for an adapted version of the *Payback Playbook* focused on specific programs or repayment options that may be beneficial to a given borrower population. For example, a coalition of organizations representing workers provided a proposal for a broader set of recipients for an adapted version of the *Payback Playbook,* particularly as it relates to public service workers, consumers who are potentially eligible for loan discharge, and consumers who may be approaching their annual deadline to recertify income and family size under an income-driven repayment plan, but have not yet completed required paperwork.[100] Additionally, one large student loan servicer proposed the creation of a payback playbook with an "accelerated" option, providing consumers seeking to quickly repay their loan with additional information about how to lower interest costs and get out of debt.[101]

Generally, the CFPB did not engage consumers through user testing to evaluate these alternative proposals, but commenters' feedback suggests that consumers could benefit from a future expansion of the scope of this project.[102]

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

98 See, e.g., The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665.

99 See 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.

100 AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676

101 Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665

102 The independent research firm retained by the Bureau did conduct limited testing on a variation of the Payback Playbook that featured an "accelerated" option for borrowers who did not self-identify as "in distress," modeled on the proposed addition suggested in one industry comment. Consumers who participated in this testing found this option to be generally helpful, if they were in a financial position to prepay a student loan. Readers should note that, because of the limited nature of this testing, the Bureau did not release a public version of this disclosure.

### 5. Targeted distribution at key decision points in the repayment process may mitigate defaults and improve borrower outcomes.

The CFPB also asked for feedback on the key decision points and times when certain consumer segments should receive a *Payback Playbook*. Specifically, we requested input on potential timing and distribution methods of both the prototype *Payback Playbook* for general audiences and the prototype *Payback Playbook* for "at-risk" borrowers.[103] Here is some of what the public told the CFPB:

**Commenters noted the *Payback Playbook* should be distributed in the desired format selected by the consumer, and a widely available electronic, interactive *Payback Playbook* may also be beneficial.** Consumers generally have the opportunity to select between paper communications and electronic communications sent by their student loan servicer. Commenters, including market participants and consumer advocates, suggested that the distribution channel mirror consumer preference.[104] In testing, consumers supported this approach.[105] Commenters, including a civil rights organization and consumer advocates, also noted that forms should be available in the preferred language of the borrower.[106]

Many commenters also noted that additional, supplemental information available online is a critical companion to the Payback Playbook.[107] Some commenters pointed to Education's Repayment Estimator as a potential tool to fulfill this need.[108] Others, including servicers and consumer advocates, proposed an electronic, interactive *Payback Playbook* that is prepopulated with consumers' information and provides a personalized depiction of available options.[109]

**The general *Payback Playbook* should be distributed early enough for consumers to take action before entering repayment, and, in addition, should be distributed during repayment.** Commenters differed on the appropriate cadence for the *Payback Playbook,* but, generally suggested that the general *Payback Playbook* be distributed early enough

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[103] *See* 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*.

[104] Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665

[105] *See* 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*.

[106] See, e.g., National Council of La Raza Consumer Law Center, available at: https://www.regulations.gov/document?D=CFPB-2016-0018-0650; Americans for Financial Reform et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0675

[107] See, e.g., The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665.

[108] See, e.g., The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665.

[109] See, e.g. Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665

for new borrowers to take action and, again, at regular intervals.[110] For example, one organization with expertise in behavioral science recommended that the *Payback Playbook* for general audiences be distributed to all borrowers, as borrowers prepare to exit school, recognizing that, during school:

> It is easier to establish contact with them… and the topic of their loans is more top-of-mind during exit counseling and the end of their studies. Though legal hurdles may make it difficult to reach students while in school, waiting until the end of their grace period (6-9 months after they leave school) to prompt them to switch plans has less of a chance of success due to difficulty in reaching them and the topic of loans being less salient among other concerns.[111]

**Commenters noted the *Payback Playbook* for "at-risk" borrowers should be distributed as soon as a servicer has an indication that the borrower is at risk.** Commenters generally agreed that the best prospect for success of a targeted communication to "at-risk" consumers depends on servicers' ability to target these communications at the right moment in time to encourage these borrowers to take action.[112] For example, one student loan servicer told the CFPB:

> [The *Payback Playbook for "at-risk" borrowers*] may be most effective for borrower segments that have a higher risk of delinquency and default. Presented with only one option, these types of borrowers may find the Payback Playbook to have helpful repayment solutions that should be implemented immediately. Examples of these types of borrowers include, but are not limited to, borrowers in early stages of delinquency, borrowers who have previously been in default and have rehabilitated their loans, and borrowers who've missed their first payment. These borrowers can be from any kind of institution and have all types of student loans.[113]

## CONCLUSION

The comments received in response to this initiative, along with insights developed through user testing, informed the revised prototype *Payback Playbooks* released in conjunction with this memorandum.[114] The CFPB looks forward to working closely with Education and Treasury to

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[110] See, e.g. The Institute for College Access and Success (TICAS), https://www.regulations.gov/document?D=CFPB-2016-0018-0672; AFL-CIO et. al., https://www.regulations.gov/document?D=CFPB-2016-0018-0676; Great Lakes and Nelnet, available at: https://www.regulations.gov/document?D=CFPB-2016-0018-0680; Navient, https://www.regulations.gov/document?D=CFPB-2016-0018-0665; Pennsylvania Higher Education Assistance Agency (PHEAA), https://www.regulations.gov/document?D=CFPB-2016-0018-0663.

[111] Ideas42, https://www.regulations.gov/document?D=CFPB-2016-0018-0681.

[112] See, e.g., Ideas42, https://www.regulations.gov/document?D=CFPB-2016-0018-0681.

[113] Great Lakes and Nelnet, available at: https://www.regulations.gov/document?D=CFPB-2016-0018-0680

[114] 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

ensure that student loan borrowers can benefit from customized, plain language disclosures that provide actionable information to borrowers about their student loan repayment options. As the CFPB continues to work with the Department of Education to implement the *Payback Playbook*, we encourage participants in our initiative to strengthen borrower communications to visit www.consumerfinance.gov/payback-playbook/ to learn more about our progress. The CFPB looks forward to consumers beginning to receive the *Payback Playbook* as part of the Department of Education's new vision for servicing student loan borrowers, beginning in the coming months.[115]

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.

[115] See, U.S. Department of Education, *A New Vision for Serving Student Loan Borrowers* (April 2016), available at http://blog.ed.gov/2016/04/a-new-vision-for-serving-student-loan-borrowers/.

# Qualitative Testing of Prototype Student Loan Disclosures

## Prepared for the Consumer Financial Protection Bureau (CFPB)

November 30, 2016

FORS MARSH GROUP

# Presentation Overview



Consumer Financial Protection Bureau

FORS|MARSH GROUP

# Background and Methodology

**Study Objectives**

To explore how student loan borrowers (with federal loans) understand and react to disclosures about alternate repayment plans. Specific focus was given to content comprehension and identifying borrower preferences for customization, branding, and number of plans shown.

- Sixty-four individual in-depth interviews (IDI) were conducted with student loan borrowers, ages 20 and older. Four rounds of iterative testing were conducted, with 16 IDIs per round ($n$ = 64).
  - Sessions lasted approximately 30 minutes and were conducted in **Arlington, VA,** from September to October 2016.
- Participants were recruited for a mix of gender, age, race/ethnicity, income, student loan type, and student loan status.
  - Inclusion criteria: Participants who reported that they had federal student loans in repayment, were the primary person responsible for managing payments, and were outside of the initial repayment grace period.

Each round of testing was roughly split between participants who self-reported as either "in distress" or "not in distress."

- In distress = Yes, I am currently experiencing difficulty making my monthly loan payment.
- Not in distress = No, I am not currently experiencing difficulty making my monthly loan payment.



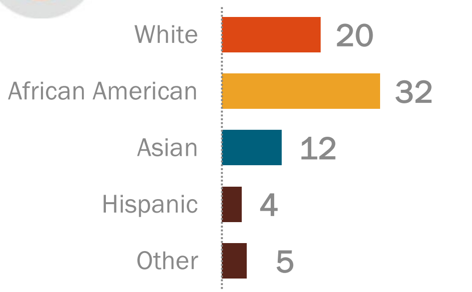
FORS|MARSH GROUP

# Background and Methodology

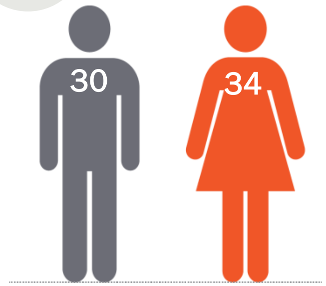
- Participants were shown a customized disclosure featuring alternate repayment plans based on their current loan balance, income, and family size, which they provided to the research team upon arrival.
- All participants were shown one disclosure and asked in-depth content comprehension and usability questions. Some participants were then shown a second disclosure and were asked for only initial reactions.
  - Disclosure 1 — Participants were asked to imagine that they were approximately eight months into repayment on a federal student loan in good standing, and had received a disclosure that showed three repayment plans side by side. Participants saw their current plan in the first column and two alternate repayment plans in the subsequent columns.
  - Disclosure 2 — Participants were asked to imagine that their federal student loans were 90 days past due and that they were now receiving this disclosure. This disclosure showed one alternate repayment plan that could lower their monthly payment, as compared to their current plan.
  - In each round, approximately half of the participants were shown Disclosure 1 first and half saw Disclosure 2 first. Generally, if a participant qualified for a lower payment under the Pay As You Earn (PAYE) Repayment Plan or the Revised Pay As You Earn (REPAYE) Repayment Plan, they were shown Disclosure 2 first.
- At the completion of each round, revisions were made to the content and design of each disclosure.

# Participant Profile: Demographics

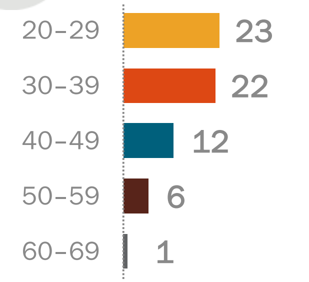
## RACE/ETHNICITY *



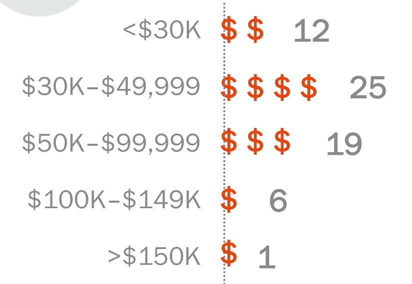

## GENDER



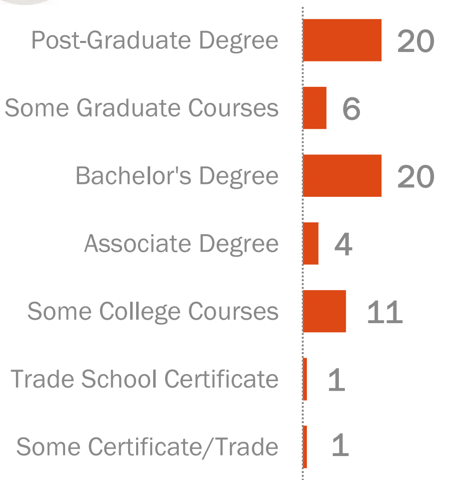

## AGE



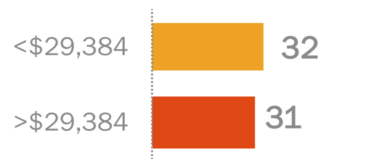

## INCOME *



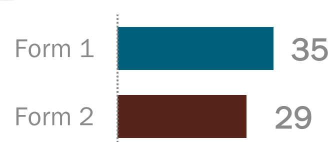

## EDUCATION *



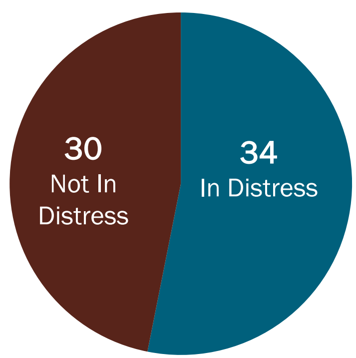

## LOAN BALANCE *



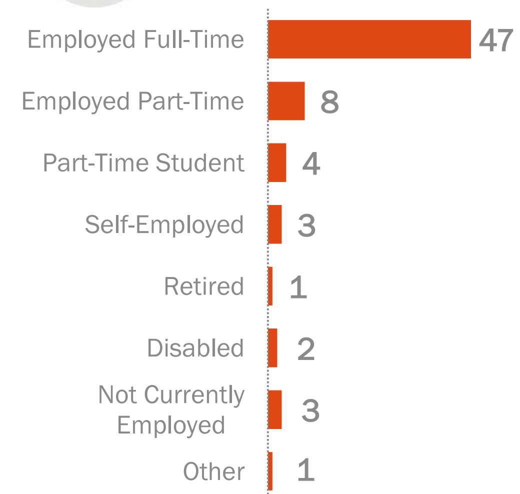

## DISCLOSURE SHOWN FIRST




## DISTRESS STATUS




## EMPLOYMENT *




* Note: Counts may not add up to sample size (*n* = 64) due to rounding, missing data, and/or multiple responses. Participant profile is based on participant sample and should not be considered representative.

# Round One

# Disclosures Tested in Round One

## Disclosure 1

### You have the right to choose a different repayment plan

| Your current plan | Option 1: Less now, more later | Option 2: Income driven |
|---|---|---|
| **Fixed Repayment (10 year)**<br>10 years of monthly payments that stay the same each year | **Graduated Repayment**<br>Up to 10 years of monthly payments based on your remaining loan balance; payments start low and increase over time | **Pay As You Earn (PAYE)**<br>Up to 20 years of monthly payments based on your family size and income, then any remainder is forgiven |
| MONTHLY PAYMENT<br>**$271.54** | MONTHLY PAYMENT<br>**$152.00** | ESTIMATED MONTHLY PAYMENT<br>**$45.00** |
| PAYMENTS REMAINING<br>**112 payments**<br>(9 years, 4 months) | PAYMENTS REMAINING<br>**112 payments**<br>(9 years, 4 months) | PAYMENTS REMAINING<br>**Up to 232 payments**<br>(19 years, 4 months), then the loan balance is forgiven |
| | Monthly payment starts low ($152/mo) and increases gradually over time ($455/mo); the highest payment is your last one at payoff | Based on a current income of $29,457 and family size of two; payments will never be higher than $271.54; if you recently lost your job or make less than $23,895, payments may be as low as $0 |

**Keep in mind:** Switching to a plan with a lower monthly payment often means paying more over the life of your loan.

### There's never a fee to change your repayment plan

**Explore repayment plans**
To learn more about your repayment options, including details about other plans, total loan costs, and how changing plans or loan forgiveness could affect your taxes, visit studentaid.ed.gov/repay-loans.

**Enroll in a new plan at any time**
You may qualify for additional plans. To sign up for a different repayment plan for free, call [your servicer] at 555-555-2200 or visit studentloans.gov.

## Disclosure 2

**As of March 15, 2016, your account is 90 days overdue.**

### You can lower your payments with a new repayment plan

You have the right to switch to the Pay As You Earn (PAYE) repayment plan, which has a lower monthly payment based on your income and family size.

**Pay As You Earn (PAYE)**

| HOW IT WORKS | ESTIMATED MONTHLY PAYMENT | PAYMENTS REMAINING |
|---|---|---|
| Up to 20 years of monthly payments based on your family size and income, then any remainder is forgiven | **$45.00**<br>Based on a current income of $29,457 and family size of two; payments will never be higher than $271.54; if you recently lost your job or make less than $23,895, payments may be as low as $0 | **Up to 232 payments**<br>(19 years, 4 months), then the loan balance is forgiven |

**Keep in mind:** Switching to a plan with a lower monthly payment often means paying more over the life of your loan.

### There's never a fee to change your repayment plan

**Explore repayment plans**
To learn more about your repayment options, including details about other plans, total loan costs, and how changing plans or loan forgiveness could affect your taxes, visit studentaid.ed.gov/repay-loans.

**Enroll in a new plan at any time**
You may qualify for additional plans. To sign up for a different repayment plan for free, call [your servicer] at 555-555-2200 or visit studentloans.gov.

# Round 1: General Findings

- Action: Most participants indicated that they would call their loan servicer or go online to research the plans being offered to them.
- Sender: Participants generally expected to receive this type of disclosure from their loan servicer or the Department of Education (ED).
  - A few participants did not believe it was in their servicers' best interests to offer this plan and, therefore, would not expect to receive the disclosure from them.
  - Several participants said they would be more likely to believe or trust the information if it were sent (or branded) by ED because, as a government agency, it would not be trying to make money from the consumer.
- Mail or Email: Participants' preferences for whether they would like to receive this type of disclosure by email or mail were generally consistent with how they currently receive their statements.
  - Participants were fairly evenly split on whether they wanted to receive the disclosure with their statement or separately, but did indicate that the disclosure needed to stand out from other materials.

"I'm always wary of what my loan provider, the information it gives me, 'cause I always know in the back of my head they're sort of like credit cards in that they want you to have more interest and then pay more in the end." – In Distress

"It doesn't seem like [the loan servicer] would broadcast or advertise stuff like that, 'Pay us less money.'" – Not In Distress

"The Department of Education, they're not as involved, it's not in their best interest to steer me one way or the other, so I think that would seem a little more impartial… if it came from the loan office, I'd have to wonder if they're trying to fool me into paying loans for 20 years." – In Distress

# Round 1: General Findings

- → Comprehension: Essentially all participants could articulate the purpose of the disclosure and that there was no cost to switch repayment plans.
  - Most indicated that the purpose was to provide them with options if they couldn't afford their current monthly payment.
  - Essentially all participants could express that, on income-driven repayment plans, their payments would adjust with their income.
  - Approximately half of participants understood the meaning or could accurately describe the intent behind the statement "you have the right;" however, one participant thought the phrase sounded like a commercial and a few others felt it could be replaced with "you can switch."
- → Eye-Catching Content: Nearly all participants indicated that the bold text (monthly payment amount and payments remaining) were the items they looked at first.
  - A couple of participants indicated liking the brief descriptions of the repayment plans (e.g., "less now, more later") but said that they did not stick out or catch their eye.
  - Participants often did not read the bottom section with the "Explore repayment plans" and "Enroll in a new plan at any time" paragraphs closely. Some missed the links until probed on what they would do to get more information.

"The purpose of the notice is to let me know that before I end up in default there is a way to work this out." – In Distress

"['You have the right' is] straightforward, as a customer these are your options, I don't think it's trying to trick you in any way." – Not In Distress

"The 'how many payments,' 'how long it's going to be,' and the monthly payment are the first things to look at." – Not In Distress

"I think for these two [plans], the payment and the amount of payments remaining [are most important]." – Not In Distress

# Round 1: General Findings

- Customization: Overall, participants said that they preferred seeing information that was tailored to their specific situation, rather than example numbers.
  - However, some participants reported that if the customized numbers were off by too large a margin, they would be less likely to trust the information and more inclined to assume it is spam or that the offer may not apply to them.
  - Most participants seemed to believe that the servicer or a government agency would already have their income and family size information (e.g., from taxes or loan applications), although a few participants said seeing this personal information might raise privacy concerns.
  - A small number of participants were asked if they would like to see plans listed that were not available to them—most of these participants indicated that they only wanted to see those plans that applied to them.

"I think [the disclosure] would get my attention more if it had my information so I could really see how it would affect me without having to take an extra step." – Not In Distress

"[If it had incorrect information] I would definitely think it would be more spammy and be more likely to toss it out." – In Distress

"[With customized information] I would say to myself, 'How did they get that information?' But I would assume they got it from, like, the whoever keeps track of where someone works, or the IRS." – Not In Distress

"I wouldn't be too concerned [about seeing personal information]. I would just assume they already have that information." – Not In Distress

# Round 1: General Findings

- Income-driven Repayment Plans: Virtually all participants understood the concept of "forgiveness," but many participants stated they would like to see more information on precisely what "forgiven" means in this context and if there is "a catch" associated with it.
  - Only two participants mentioned the potential tax implications associated with loan forgiveness.
  - When asked about whether or not they could enroll in PAYE if they were currently unemployed, most participants were unsure, although some were able to confirm after re-reading the disclosure.
- Most participants indicated that they were aware, before seeing this disclosure, that a plan with lower monthly payments often means paying more over the life of the loan.

"['Forgiven' means] it's completely gone but… I don't know what that process is, after 19 years, 4 months, do I have to do something or file some paperwork or is it just gone?" – Not In Distress

"['Forgiveness'] means it's forgotten about but I'd want to know more about what that means 'cause later on it says it affects your taxes so it's not clear what that means, if your tax repercussions are astronomical at the end of this and you don't have the money to pay for it, that's equally bad." – Not In Distress

"I don't know if you can enroll in [PAYE] if you didn't have a job now but it does say that if you lost your job, payments would be as low as $0 [if you were already in the plan]." – Not In Distress

"No, I didn't know that [it could affect taxes], I would probably want to know how it would affect it, that's definitely a cause for concern but if it wasn't a big difference I wouldn't care." – Not In Distress

# Round 1: Disclosure-Specific Findings

- Disclosure 1:
  - The content that read "how changing plans… could affect your taxes" (in the lower left text block) was not easily associated with forgiveness in the PAYE Repayment plan.
  - When viewing the Graduated Repayment plan, many participants stated they would like to see a timeline or image showing how the payment increases over time.
    - Most participants understood the concept behind the Graduated Repayment plan (e.g., that the student loan payment would increase over time); however, participants expressed that the uncertainty around how and when the payments would increase made this plan the least appealing.
  - Some participants mentioned that they would want to see interest rates shown for each plan.
- Disclosure 2:
  - Of the participants shown both disclosures, most preferred Disclosure 1, saying that they liked seeing their current plan and having the ability to compare several plans side by side.

"[For the graduated plan], give me a timeline. If it's up to 10 years, is it every year I'm gonna see an increase? Is it every 6 months I'm gonna see an increase? I'd like to know how this affects my bottom line, my budget. Just this information, it doesn't tell me anything." – In Distress

"I don't see where the interest rate is for any of these, that would be the second thing I always look for… I would like to know what the interest rate is." – Not In Distress

"[Disclosure1] to me is more informative because it really lays everything out in a manner that is easily understood; you see what your current plan is and then you see your options." – In Distress



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# Round Two

# Forms Tested in Round Two

## Disclosure 1

### Change your repayment plan at any time without a fee

| Your current plan | Option: Less now, more later | Option: Income driven |
|---|---|---|
| Fixed Repayment (10 year) | Graduated Repayment | Revised Pay As You Earn (REPAYE) |
| 10 years of monthly payments that stay the same each year | Up to 10 years of monthly payments based on your remaining loan balance; payments start low and increase over time | Up to 20 years of monthly payments based on your family size and income annually, then the remainder is forgiven |
| MONTHLY PAYMENT<br>**$271.54** | MONTHLY PAYMENT<br>**$152.00** | ESTIMATED MONTHLY PAYMENT<br>**$45.00** |
| PAYMENTS REMAINING<br>**112 payments**<br>(9 years, 4 months) | PAYMENTS REMAINING<br>**112 payments**<br>(9 years, 4 months) | PAYMENTS REMAINING<br>**Up to 232 payments**<br>(19 years, 4 months), then the loan balance is forgiven, which could affect your taxes |
| | Monthly payments start low ($152/mo) and increase every 24 months, reaching the highest amount ($455/mo) at the end of the loan | Based on a current income of $29,457 and family size of 2: if you lose your job or make less than $23,895, payments may be as low as $0 when you enroll in this plan |

Keep in mind...

Switching to a plan with a lower monthly payment often means paying more over the life of your loan.

Learn more about your total costs with the "Repayment Estimator" at **studentloans.gov**.

Ready to enroll?

Call [your servicer] at 855-555-2200 or visit **studentloans.gov**. Ask if you qualify for more plans than the ones listed above.

Learn more at **studentaid.ed.gov/repay-loans**.

The disclosure title was changed and the "you have the right" language was removed. The line stating, "There is never a fee to change your repayment plan" was cut from the bottom of the disclosure and this information was put in the title.

Information about taxes was removed from the bottom section and "...which could affect your taxes" was added to the income-driven section to connect it more clearly to loan forgiveness.

Text was added explaining that the monthly payment amount increases on the Graduated Repayment plan every 24 months.

The line of text, "Switching to a plan with a lower monthly payment..." was moved to this section.

The links were bolded to stand out more.

# Forms Tested in Round Two

## Disclosure 2

As of October 03, 2016, your account is 90 days overdue.

Lower your monthly payments with a new repayment plan.
There is never a fee to change your plan.

Under your current plan, your scheduled monthly payment is **$ 271.54**

**Pay As You Earn (PAYE)**

| HOW IT WORKS | ESTIMATED MONTHLY PAYMENT | PAYMENTS REMAINING |
|---|---|---|
| Up to 20 years of monthly payments based on your family size and income annually, then any remainder is forgiven | **$45.00** Based on a current income of $29,457 and family size of 2; if you lose your job or make less than $23,895, payments may be as low as $0 when you enroll in this plan | **Up to 232 payments** (19 years, 4 months), then the loan balance is forgiven, which could affect your taxes |

Keep in mind…

Switching to a plan with a lower monthly payment often means paying more over the life of your loan.

Learn more about your total costs with the "Repayment Estimator" at studentloans.gov.

Ready to enroll?

Call [your servicer] at 555-555-2200 or visit studentloans.gov. Ask if you qualify for more plans than the ones listed above.

Learn more at studentaid.ed.gov/repay-loans.

The "you have the right" language was removed from the title section. The line stating, "There is never a fee to change your repayment plan" was cut from the bottom of the disclosure and this information was put in the title.

A line was added to inform consumers about their current monthly payment.

The language about enrolling if you "…recently lost your job or make less than [X]…" was changed to "…if you lose your job or make less than [X]…"

Headings for this section were changed to be action-oriented.

Information about the "Repayment Estimator" was added to this section.

# Round 2: General Findings

→ Several themes were consistent with Round 1:

- Action: Most participants indicated they would call their loan servicer or go online to research the plans being offered.
- Sender: Most participants expected to receive the disclosures from their loan servicer or the Department of Education.
- Mail or Email: Preferences for how to receive these disclosures were generally consistent with how participants currently receive their statements, and participants still varied on whether they would prefer the disclosure with their statement.
- Comprehension: Essentially all participants could articulate the purpose of the disclosure, that income-driven payments would adjust with their income, and that there was no cost to switch repayment plans.
- Eye-Catching: Nearly all participants first noticed items in bold (monthly payment amount and the number of payments or months remaining).
- Customization: Most participants said they would prefer customized numbers, and would assume that the servicer or a government agency would already have their personal information. A few participants, however, said that seeing this personal information might raise privacy concerns.

"I'd probably be more inclined to pay attention to the one from the Department of Education because you would perceive it as being impartial." – In Distress

"With the options, the first thing I looked at was amounts that were due and total payments, how long it would take, going from nine years to 19 years… that was a bit shocking." – In Distress

"[If it had standard numbers] I probably would just delete the email, I probably wouldn't take the time to read through it… it wouldn't really catch my attention, I think, if it didn't have my information on it." – Not In Distress



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# Round 2: General Findings

- A few themes were unique to Round 2 as a result of changes to the disclosures or line of questioning:
  - Although many participants still did not closely read the bottom sections (under "Keep in mind…" and "Ready to enroll?"), most indicated that the links drew their attention.
    - A few participants did specifically note the Repayment Estimator.
  - When reviewing the PAYE Repayment plan, nearly all participants could accurately describe the meaning of loan forgiveness. In this round, however, participants noted the association between loan forgiveness and tax implications.
    - However, when participants guessed what the tax issues might be, most assumed that money might be taken from their income tax refund.
  - When asked about whether or not they could enroll in PAYE if they were currently unemployed, roughly half of the participants in this round were unsure.
    - Several participants indicated they were unsure if they would have to enroll before losing their job.
  - A few participants saw disclosures with a $0 monthly payment plan option or took notice of the language about payments being as low as $0.
    - Most participants who saw it, however, were confused by the concept that $0 could be considered a "payment."

"I definitely would check out the Repayment Estimator just to play with it and see if I can get some trends and all of that before I would speak to them." – In Distress

"There you go, the catch, it could affect your taxes. So why if it's forgiven and the loan's gone, why is it gonna affect my taxes again? When I file taxes, they'll take my money."
– In Distress

"I think [you could enroll if unemployed], I don't know, I can't tell from this if I could or couldn't after I've lost [a job]."
– Not In Distress



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# Round 2: General Findings

→ Most participants said they thought that under PAYE and REPAYE, they would be paying on their loans for the full 232 payments.
  – Even when probed on the “Up to” language, few participants could articulate that they could pay off the loan early.
  – Even when the PAYE plan had a substantially lower payment amount than the current plan, many participants expressed concerns about the number of payments or years for this plan.

→ Most participants indicated that they were aware, before seeing this disclosure, that a plan with lower monthly payments often means paying more over the life of the loan. Only some of the participants noticed this line of text without being prompted.

“Are they saying they're capping it at 232 payments? Let's say I'm homeless for five years, is it still 232 payments or how does that work?”
– Not In Distress

“Once I saw that I may ignore this whole [plan], because the idea of having to pay 232 more payments makes me want to hyperventilate.... I'm kind of a one-track mind so once I saw that, I may just say that's not an option, I am not interested.” – Not In Distress

“All I could see was, oh my gosh, 232 payments, how much extra is that on the loan with interest? Nineteen years, oh my gosh, I'll be 80, like that's what I'm thinking and I'm not seeing anything else.” – Not In Distress

“Yeah, that's common with any payments or any credit cards... common to pay more interest. That's a standard practice.”
– In Distress



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# Round 2: Disclosure 1 Findings

- Fewer participants had questions about the Graduated Repayment plan than in Round 1.
  - In this round, participants could more consistently explain how the payments would increase steadily (every two years) over the life of the loan. As a result, there were no requests for timelines or visuals.
  - However, participants still often indicated that this repayment plan was not appealing given concerns about their future earning potential and ability to repay at the higher amounts.
- Some participants mentioned that they would want to see interest rates for each repayment plan.

"[The graduated plan says] reaching highest amount at the end of the loan. I would not touch that... I don't know what's going to happen down the road, then I could be stuck paying $725 a month with barely enough money to pay my mortgage." – In Distress

"'Less now, more later,' I don't want to pay more later, I don't know where I'm going to be later." – In Distress

"[Payments may be as low as $0] makes me wonder what's the kickback on that; like, what's the consequence to that? Will your interest rate go up, does it stay the same but you continue to accrue interest?" – Not In Distress

"It would make more sense if they did the total math. This is how much you owe [at the end of the loan] with a 10-year plan, this is how much you'll pay with a 20-year plan." – Not In Distress

# Round 2: Disclosure 2 Findings

- Of the participants shown both disclosures with Disclosure 2 first, most preferred Disclosure 1. Consistently, borrowers preferred seeing more rather than fewer repayment plans.
  - A few participants who were only shown Disclosure 2 mentioned without prompting that they'd like to see other plans they might qualify for—not just PAYE.
- Of those participants who saw Disclosure 2 with their current repayment plan, all who were asked understood the meaning of the number indicating their current monthly payment.
  - When asked if they could locate the total past due balance, these participants correctly said it was not on the disclosure.
- At least two participants in this round mentioned that the tone of Disclosure 2 was direct and informational (about being 90 days past due) but was also comforting or reassuring by providing clear alternatives to the current monthly payment.

"[On Disclosure 2] I'd also like to see my current [plan] and how long that would take and also if I pay more how long that would take… so I could see the numbers right there and compare it." – In Distress

"I have a much stronger preference for [Disclosure 1] over [Disclosure 2]… I think because they're presenting more than one option… it feels much more solution-oriented." – In Distress

"[Disclosure 2] seems pretty positive and it doesn't seem like it's confrontational… it just gives you the options of what you can do next; it would relax me even though it's a notice." – Not In Distress

# Round Three

# Disclosures Tested in Round Three

## Disclosure 1

Lower your monthly payments with a new repayment plan. There's never a fee to change your plan.

| Your current plan | Option: Pay less for longer | Option: Income driven |
|---|---|---|
| Fixed Repayment (10 year) | Extended Repayment | Pay As You Earn (PAYE) |
| 10 years of monthly payments that stay the same each year | Up to 25 years of monthly payments that stay the same each year | Up to 20 years of monthly payments based on your family size and income, then the loan balance is forgiven, which could affect your taxes |
| MONTHLY PAYMENT<br>$271.54 | MONTHLY PAYMENT<br>$XX.XX | ESTIMATED MONTHLY PAYMENT<br>$45.00 |
| PAYMENTS REMAINING<br>**112 payments**<br>(9 years, 4 months) | PAYMENTS REMAINING<br>**Up to 292 payments or until the loan is paid off**<br>(24 years, 4 months) | PAYMENTS REMAINING<br>**Up to 232 payments or until the loan is paid off**<br>(19 years, 4 months) |
| | Monthly payment will always be lower than your current plan ($271.54) until your balance is paid off | Based on a current income of $29,457 and family size of 2; payments will never be higher than $271.54 Payments may be as low as $0 if you make less than $23,895 or if you lose your job (you can enroll even if you're unemployed) |

### Keep in mind...

Switching to a plan with a lower monthly payment often means paying more over the life of your loan.

Learn more about your total costs with the "Repayment Estimator" at **studentloans.gov**.

### Have questions or ready to enroll?

Call [your servicer] at 555-555-2200 or visit **studentloans.gov**. Ask about interest rates or if you qualify for more plans than the ones listed above.

Learn more at **studentaid.ed.gov/repay-loans**.

The disclosure title was changed to the one used in Disclosure 2 from Round 2, with the fee information in a separate sentence.

Text about loan forgiveness and taxes was moved from the "payments remaining" section of this plan to the initial section.

The Extended Repayment plan and an accelerated repayment option were shown to participants based on which one they qualified for. The Graduated Repayment plan was not shown this round.

Wording about the number of payments was changed to read, "Up to 232 payments or until the loan is paid off."

Language was added at the end of the income-driven section specifying that "you can enroll even if you're unemployed."



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# Disclosure Tested in Round Three

## Disclosure 2

As of September 30, 2016, your account is 90 days overdue.

Lower your monthly payments with a new repayment plan.
There's never a fee to change your plan.

| | MONTHLY PAYMENT | PAYMENTS REMAINING |
|---|---|---|
| Your current plan | $271.54 | **112 payments** (9 years, 4 months) |
| New plan: **Pay As You Earn (PAYE)** | NEW ESTIMATED MONTHLY PAYMENT **$45.00** | **Up to 232 payments or until the loan is paid off** (19 years, 4 months) |

HOW IT WORKS
Up to 20 years of monthly payments based on your family size and income, then the loan balance is forgiven, which could affect your taxes

Based on a current income of $29,457 and family size of 2; payments will never be higher than $271.54; Payments may be as low as $0 if you make less than $23,895 or if you lose your job (you can enroll even if you're unemployed)

Keep in mind...

Switching to a plan with a lower monthly payment often means paying more over the life of your loan.

Learn more about your total costs with the "Repayment Estimator" at **studentloans.gov**.

Have questions or ready to enroll?

Call [your servicer] at 555-555-2200 or visit **studentloans.gov**. Ask about interest rates or if you qualify for more plans than the ones listed above.

Learn more at **studentald.ed.gov/repay-loans**.

Previously, only the borrower's current monthly payment amount was shown. In this round, the formatting was changed and the payments remaining for the current plan were also shown.

The plan shown on this disclosure was either PAYE or Extended Repayment, based on what the participant qualified for.

The title of this section was changed from "Ready to enroll?" to "Have questions or ready to enroll?"

Text was added here to encourage borrowers to "Ask about interest rates…"

# Round 3: General Findings

→ Several themes were consistent with previous rounds:

- Action: Most participants indicated that they would call their loan servicer or go online to research the plans being offered.
- Sender: Most participants expected to receive the disclosures from their loan servicer or the Department of Education.
- Mail or Email: Preferences for receiving the disclosures were consistent with how they currently receive statements and participants still varied on whether they would prefer the disclosure with their statement or separately.
- Comprehension: Essentially all participants could articulate the purpose of the disclosure, that income-driven payments would adjust with their income, and that there was no cost to switch repayment plans.
- Eye-Catching: Nearly all participants first noticed items in bold (e.g., monthly payment amount and the number of payments or months remaining).
  - As most participants looked first at the bolded sections, they often compared plans without reading the lines of text below the number of payments remaining. This often resulted in participants sharing how they would not consider an income-driven repayment plan simply based on the length of the repayment term.

> "It would be a little more trustworthy [from Department of Education], there might be some… marginally disclosed fees coming from [my servicer]." – In Distress

> "I don't receive a lot of postal mail anymore, and email gets lost so fast now, so if I got a letter and especially if it was just a single page or two by itself I would definitely be inclined to look at it." – Not in Distress

> "To me, the whole point of this [disclosure]… Is to get you to take the next step to explore it, to either call or apply, and it would certainly make me do that." – Not in Distress



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# Round 3: General Findings

→ Additional findings consistent with previous rounds included:

- Customization: Essentially all participants said they would prefer customized numbers, and would assume that the servicer or a government agency would already have their information, although a few participants said seeing this personal information might raise privacy concerns.
- Participants often did not read the bottom section with the "Keep in mind…" and "Ready to enroll?" paragraphs closely. However, most noticed the links at the bottom.
- When looking at the PAYE plan, most participants expressed an understanding of what "forgiven" means.
  - Participants generally associated the tax implications with loan forgiveness but often referenced their own experiences when explaining what might happen. A couple of participants correctly identified the potential for taxable income whereas most indicated they were unsure and/or they thought it meant that money would be taken from their income tax refunds.

"I like that it's customized to you because it saves you the time… and they have all your information anyway so I don't really feel as though it's an invasion of privacy." – Not In Distress

"Based on here, it seems like it means that up to 20 years, after that period, I'm assuming if it's not paid off then the loan balance is forgiven, which really doesn't make sense… it seems kind of generous for the federal government to do that." – In Distress

"It's not forgiven, it's forwarded to affect your taxes… that doesn't even make sense…. They say 'affect'; they could just put 'garnish.'" – In Distress

# Round 3: General Findings

→ A few themes were unique to Round 3 as a result of changes to the disclosures or line of questioning:

- A few participants noted the value of receiving this information with their statement (on a monthly basis) so that they were regularly reminded that switching plans was an option.
- When asked about whether or not they could enroll in PAYE if they were currently unemployed, most participants were able to correctly indicate that they could.
- Most participants thought that on the PAYE and REPAYE plans, they would be paying on their loans for the full 232 payments.
  - Despite the additional language specifying "until the loan is paid off," only a few participants were able to articulate that they could pay the loan off earlier.
- In this round, many participants noticed the Repayment Estimator text in the bottom. Several of these participants said that it would be a useful tool; some said they would consider using it after receiving the disclosure to compare plans.

"If you get [the disclosure] once and you recycle it, like, oh, what was that, a couple months ago? It'd be nice to be able to receive it more than once." – Not In Distress

"See, if it said '232 payments or until the loan is paid off' but it says 'up to'... I'm unsure whether they're saying that the assumption is that 20 years of paying that ought to pay off your loan or wouldn't necessarily pay off your loan. I'm unclear on that." – In Distress

"I like that you guys have the Repayment Estimator on here... if you wanna test out other options, you can do so." – Not In Distress

# Round 3: Disclosure 1 Findings

- Participants who identified as "not in distress," and/or were focused on repaying their loans as quickly as possible, responded positively to seeing an option to pay off their loans on an accelerated repayment schedule.
  - Participants who qualified for an accelerated repayment schedule generally saw a disclosure that had a high income-driven payment amount. Most participants were unsure why that payment amount was so high in comparison to their current plan and accelerated repayment schedule.
- Some participants mentioned that they would want to see interest rates for each plan.
  - More specifically, some thought it would be helpful to know how much (in total) they would pay over the life of the loan, for each repayment plan being offered.
    - Some participants also asked whether the extra $50 payment in the accelerated repayment schedule was applied directly toward their principal.

"I feel like the income-driven is more appealing to people that are in financial hardship than it is for people like me who could afford more." – Not In Distress

"I think the only thing that anyone else would think about would be, like, the breakdown of the monthly payment in terms of how much of that is actually principal and how much of that is actually interest." – Not In Distress

"It would be more helpful if it just said what the monthly payment is and what the total you're going to have paid in the end is based on the interest." – Not In Distress

# Round 3: Disclosure 2 Findings

- Multiple people identified Disclosure 2 as being non-threatening or supportive.
- Some participants had difficulty distinguishing between the current plan and the new plan, which were presented in a single shaded box.
  - One participant could not identify the new plan's monthly payment amount.
  - Another did not view the payment information as two rows showing two separate plans, but instead saw it as six separate blocks of text until the moderator talked the participant through the information.
- All participants shown Disclosure 2 understood the meaning of the number indicating their current monthly payment.
  - When asked if they could locate the total past due balance, participants correctly said it was not on the form.

"I used to get threatening letters you know, with this [disclosure] at least they seem like they're trying to work with you."
– In Distress

[Disclosure 2 plan layout] "We don't read like that, we read in formation [from left to right]."
– In Distress

"I like the format a little better [on Disclosure 1]… right there it's shaded, makes it more easy to understand [than Disclosure 2]." – In Distress



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# Round Four

# Disclosures Tested in Round Four

## Disclosure 1

**Change your monthly payments with a new repayment plan. There's never a fee to change your plan.**

| Your current plan | Option: Pay less for longer | Option: Income driven |
|---|---|---|
| Fixed Repayment (10 year) | Extended Repayment | Pay As You Earn (PAYE) |
| 10 years of monthly payments that stay the same each year | Up to 25 years of monthly payments that stay the same each year | Monthly payments are based on your family size and income. After 20 years, the remaining loan balance is forgiven. You may have to pay taxes on the forgiven loan balance. |
| PAYMENTS REMAINING<br>**112 payments**<br>(9 years, 4 months) | PAYMENTS REMAINING<br>**292 payments (or fewer if you pay off the loan early)**<br>(24 years, 4 months) | PAYMENTS REMAINING<br>**232 payments (or fewer if you pay off the loan early)**<br>(19 years, 4 months) |
| MONTHLY PAYMENT<br>**$271.54** | MONTHLY PAYMENT<br>**$XX.XX**<br>Monthly payment will always be lower than your current plan ($271.54) until your balance is paid off | MONTHLY PAYMENT<br>**$45.00**<br>Based on a current income of $29,457 and family size of 2<br>Payments may be as low as $0 if you make less than $23,895<br>Payments will never be higher than $271.54<br>You can enroll in this plan at any time, even if you're unemployed |

Keep in mind...

Switching to a plan with a lower monthly payment often means paying more over the life of your loan.

Learn more about your total costs with the "Repayment Estimator" at **studentloans.gov**.

Have questions or ready to enroll?

Call [your servicer] at 555-555-2200 or visit **studentloans.gov**. Ask about interest rates or if you qualify for more plans than the ones listed above.

Learn more at **studentaid.ed.gov/repay-loans**.

The title was changed from "Lower your monthly payments" to "Change your monthly payments."

The plans shown on Disclosure 1 could be any combination of the Extended Repayment, Graduated Repayment, or PAYE depending on what the participant qualified for. The accelerated repayment schedule option was not shown this round.

Language about the number of payments remaining was changed from "up to 232" to "232 payments (or fewer if you pay off the loan early)."

The monthly payment amount was moved below the "payments remaining" section for all plans.



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# Disclosures Tested in Round Four

## Disclosure 2

**As of September 30, 2016, your account is 90 days overdue.**

Lower your monthly payments with a new repayment plan.
There's never a fee to change your plan.

| Your current plan | MONTHLY PAYMENT | PAYMENTS REMAINING |
|---|---|---|
| | **$271.54** | **112 payments** (9 years, 4 months) |

**New plan:** Pay As You Earn (PAYE)

| HOW IT WORKS | ESTIMATED MONTHLY PAYMENT | PAYMENTS REMAINING |
|---|---|---|
| Monthly payments are based on your family size and income. After 20 years, the remaining loan balance is forgiven. You may have to pay taxes on the forgiven loan balance. | **$0.00**<br>Based on an income of $XX and a family size of XX you qualify for a $0 monthly payment | **232 payments (or fewer if you pay off the loan early)** (19 years, 4 months)<br>Payments may be as low as $0 if you make less than $XX<br>Each payment (even if it's $0) will count toward the 20-year period until your loan balance is forgiven<br>Payments will never be higher than $271.54<br>You can enroll in this plan at any time, even if you're unemployed |

Keep in mind...

Switching to a plan with a lower monthly payment often means paying more over the life of your loan.

Learn more about your total costs with the "Repayment Estimator" at **studentloans.gov**.

Have questions or ready to enroll?

Call [your servicer] at 555-555-2200 or visit **studentloans.gov**. Ask about interest rates or if you qualify for more plans than the ones listed above.

Learn more at **studentaid.ed.gov/repay-loans**.

The formatting of the current plan was changed to make it stand out from the new plan.

The plan shown on this disclosure could either be PAYE or Extended Repayment based on what the participant qualified for.

Language about taxes was changed from "...which could affect your taxes" to "You may have to pay taxes on the forgiven loan balance."

The formatting for this section on both disclosures was changed from a block paragraph to separate lines for each sentence.



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# Disclosures Tested in Round Four

## Disclosure 2 – Zero Dollar Payment

As of September 30, 2016, your account is 90 days overdue.

Lower your payment to $0 with a new repayment plan.
There's never a fee to change your plan.

| Your current plan | MONTHLY PAYMENT | PAYMENTS REMAINING |
|---|---|---|
| | $271.54 | 112 payments<br>(9 years, 4 months) |

**New plan:** Pay As You Earn (PAYE)

| HOW IT WORKS | ESTIMATED MONTHLY PAYMENT | PAYMENTS REMAINING |
|---|---|---|
| Monthly payments are based on your family size and income. After 20 years, the remaining loan balance is forgiven. You may have to pay taxes on the forgiven loan balance. | $0.00<br>Based on an income of $00,000 and a family size of 2 you qualify for a $0 monthly payment | **No more than 232 payments (until paid off or forgiven)**<br>(19 years, 4 months)<br>Payments may be as low as $0 if you make less than $00,000<br>Each payment (even if it's $0) will count toward the 20-year period until your loan balance is forgiven<br>Payments will never be higher than $271.54<br>You can enroll in this plan at any time, even if you're unemployed |

Keep in mind...

Switching to a plan with a lower monthly payment often means paying more over the life of your loan.

Learn more about your total costs with the "Repayment Estimator" at studentloans.gov.

Have questions or ready to enroll?

Call [your servicer] at 555-555-2200 or visit studentloans.gov. Ask about interest rates or if you qualify for more plans than the ones listed above.

Learn more at studentaid.ed.gov/repay-loans.

During this round, if a participant qualified for the $0 dollar payment under PAYE, they were shown a slightly altered version of Disclosure 2. The only modification to the disclosure was the headline that highlighted the fact that they qualified for a $0 monthly payment under a new plan.

# Round 4: General Findings

→ Several themes were consistent with previous rounds:

- Action: Most participants indicated that they would call their loan servicer or go online to research the plans being offered.
- Sender: Most participants expected to receive the disclosures from their loan servicer or the Department of Education.
- Mail or Email: Preferences for receiving the disclosures were consistent with how they currently receive statements and participants still varied on whether they would prefer the disclosure with their statement or separately
- Comprehension: Essentially all participants could articulate the purpose of the disclosure, that income-driven payments would adjust with their income, and that there was no cost to switch repayment plans.

"I think it's trying to give you an opportunity to lower your payment and catch up." – In Distress

"I've read some really harrowing stories [about loan servicers]... I would feel a lot better if it came from the Ed. department as opposed to the loan servicers." – Not In Distress

"I would prefer this in the mail because most likely I'd sit down and read it versus emails I tend to skim them." – Not In Distress

"If I know for sure that this has the stamp of Department of Education, I know it's serious, I know it's important, I know it reflects me." – In Distress

# Round 4: General Findings

→ Several themes were consistent with previous rounds:
  - Eye-Catching: Nearly all participants first noticed items in bold (e.g., monthly payment amount and the number of payments or months remaining).
  - Customization: Essentially all participants said they would prefer customized numbers, and would assume that the servicer or a government agency would already have their information, although a few participants said seeing this personal information might raise privacy concerns.

"The purpose of this is to let existing or former students know that we have the power and we have options to choose which payment plan that suits us."
– Not In Distress

"I think tailoring it to an individual's circumstances is probably for the best because that way, you know neither of these situations is applicable across the board to everybody." – Not In Distress

"I might have for a second been like, 'How do they know that?' But like it wouldn't have bothered me, they have access to my social security number and they're the government." – In Distress

"[With standard numbers] I would say this is a waste of my time and I'm not looking at it." – Not In Distress

# Round 4: General Findings

→ Additional findings consistent with previous rounds included:
- As most participants looked first at the bolded sections, they often compared plans without reading the lines of text below the number of payments remaining. This often resulted in participants sharing how they would not consider an income-driven repayment plan simply based on the length of the repayment term.
- Participants often did not read the bottom section with the "Keep in mind…" and "Ready to enroll?" paragraphs closely. However, most noticed the links at the bottom.
  - Many participants noticed the Repayment Estimator text in the bottom, and indicated that it could be a useful tool.
- When asked about whether or not they could enroll in PAYE if they were currently unemployed, most participants said yes.
- When looking at the PAYE plan, most participants expressed an understanding of what "forgiven" meant.
  - Participants generally associated the tax implications with loan forgiveness but often referenced their own experiences when explaining what might happen. A couple of participants correctly identified the potential for taxable income whereas most indicated they were unsure and/or they thought it meant that money would be taken from their income tax refunds.

"The payments [are what I looked at first], they're in bold." – In Distress

"Forgiven, washed away like your sins." – In Distress

"That's the little hidden message in there, so I don't know how much I will pay on taxes on the forgiven part of it though… That kind of makes me nervous." – Not In Distress

"I'm not sure [when forgiveness would affect my taxes], I would have to talk to my tax man about it." – In Distress

# Round 4: General Findings

- A few themes were unique to Round 4 as a result of changes to the disclosures or line of questioning:
  - When participants were asked how often they would like to receive a disclosure like this, most indicated either quarterly or twice a year. A couple of participants mentioned that they would like to see this around tax season.
  - Multiple participants said that although they knew other repayment plans existed, they did not know these plans were available to them.
  - Some participants in this round were shown estimated monthly payments based on their income being rounded to the nearest $5,000 increment. These respondents said they would prefer to see payment estimates based on their exact income, but they would still pay attention to the disclosure if the income was approximate.
  - Some participants were unsure if, with the PAYE plan, they would only be paying interest or towards the principal of the loan.

"[I would like to see a disclosure] every six months… I might lose my job or I might get a raise or anything so I would like, probably twice a year, to see different options."
– In Distress

"[I'd like my actual income] because if it's rounded it's not really my information… it's not exact."
– In Distress

"Now does this say if [the payment] counts towards the principal or the interest? It doesn't mention the interest." – In Distress

# Round 4: General Findings

→ A few themes were unique to Round 4 as a result of changes to the disclosures or line of questioning:
  - On the PAYE plan, when the estimated monthly payment amount was $0, a few participants expressed concern. One person said she would call to make sure that number was right because it "seems too good to be true."
  - Most participants thought that for PAYE and REPAYE, they would be paying on their loans for the full 232 payments.
    - When probed on the "232 payments (or fewer if you pay off the loan early)" text, many participants still believed they would be paying for the full 232 payments.
    - More people in this round compared to previous rounds were able to express that they could pay off the loan sooner if they put more money toward it.

"I would definitely call to make sure before I trust [a $0 payment]… I would be skeptical." – In Distress

"I mean, this [PAYE plan] would be comfortable for a moment for, like, if you're having trouble making a payment, but I would want to know if I do accept this, can I change it later on because 24 years, that's a lot." – In Distress

"Hopefully, I would be able to double up or pay more on the… principal so I wouldn't have to go to 232 payments." – In Distress

"Yeah, I mean, I think there could be an option [on this plan] to pay [the loan] off quicker or to leave it as is." – In Distress

# Round 4: Disclosure-Specific Findings

- **Disclosure 1:**
  - Although participants could express why these plans might be beneficial or attractive to others, when they considered their own financial situation, uncertainty about their future finances made these plans less attractive.
    - Participants generally expressed a desire for consistent payments that did not change over time, and a plan that did not further extend the life of the loan.
  - Some participants mentioned that they would want to see interest rates for each plan.
- **Disclosure 2:**
  - Unlike Round 3, no participants expressed difficulty distinguishing between the current plan and the new plan.
  - All participants shown Disclosure 2 understood the meaning of the number indicating their current monthly payment.
    - When asked if they could locate the total past due balance, these participants correctly said it was not on the disclosure.

"I guess just not knowing what the future's going to hold and then having to pay more when you don't know what your situation would be, that's what I wouldn't like about [the graduated repayment plan]."
– Not In Distress

"I'm probably going to want to stick with something that is consistent and I know that I can pay." – In Distress

"I feel like [PAYE] is more realistic to people day to day, honestly, than these two because everyone's life changes and their family size changes. Yes, I understand I'm paying more but after 20 years, I'm done."
– Not In Distress

# Summary and Conclusions

# Summary and Conclusions

- → Participants consistently reported that the disclosures would spur them to take action.
  - Most indicated that receiving this type of disclosure would prompt them to contact their servicer or to visit the listed websites to learn more about the alternative repayment options.
- → Participants overwhelmingly preferred to see repayment plans and payment amounts that were customized, and based on their actual income.
  - They indicated they were more likely to read the disclosure and to trust the information if it was tailored to their financial situation. Additionally, they were more likely to contact their servicer if they thought the plans presented were something they would qualify for—and not just a marketing gimmick.
  - Although a few participants expressed concerns about how the information was obtained, or if information was incorrect, most indicated they would still be likely to contact their servicer to learn more.
- → Borrowers appreciated the idea of being proactively notified about alternative repayment plans.
  - Participants frequently described the disclosures as having a positive or supportive tone and said that the purpose was to help borrowers become better informed about what was available to them.
- → Virtually all participants indicated that the disclosures were clear and easy to understand.
  - Many indicated that the simplicity of the layout and content was different, and simpler, than any documentation they'd received before from their student loan servicer.
    - Although a few borrowers indicated that they had seen some similar information presented on their servicer's website.

# Summary and Conclusions

- Borrowers differed in their preferences for when and how to receive the disclosures but said they generally felt that it would be good information to be occasionally reminded about.
  - Some participants said they would be more likely to read the disclosure if it were delivered separately from the billing statement, whereas others said they would prefer it with their statement. If it is included in their billing statement, participants said the information should stand out from the statement in some way.
- Participants consistently expressed the desire for a stable, predictable repayment amount.
  - Participants often dismissed the Graduated Repayment plan as a viable option, even when clarifying language was added about the rate of graduation, because participants said they could not predict whether they would be in a position to afford higher monthly payments in the future.
- Consistently, borrowers indicated that their eye was drawn to the text in bold on the disclosure (monthly payments and number of payments remaining).
  - In some cases, participants felt this was helpful because it was the most important information. Whereas other individuals noted that seeing such a long repayment period would “turn them off” from fully considering the plan.

# Summary and Conclusions

→ Almost all participants could accurately explain the purpose and main concepts of the Income-Driven Repayment (IDR) plans.

- Participants were able to easily grasp the idea that their monthly payment could increase or decrease based on changes in their income or family size, although they were not typically aware of when or how that might happen.
- Even borrowers who would not qualify for a lower monthly payment through an IDR plan recognized that it could be a “safety net” if they lost their job or if they were experiencing financial hardship.
- However, despite some simplification of language, borrowers tended to have difficulty understanding some of the nuances of the income-driven repayment plans.
    - In particular, participants were generally unable to determine the potential tax implications of loan forgiveness, and that the number of payments listed reflected the maximum number of payments possible under that repayment plan.

→ Servicers will need to be prepared to fill in the information gaps when borrowers reach out.

- The complexities of various repayment plans—the income-driven repayment plans in particular—are such that a single disclosure cannot provide borrowers with all the necessary details.
- The Department of Education should consider additional testing to determine how participants respond to different levels of customized data generated about their loans.