

# Annual Report of the CFPB Student Loan Ombudsman

# Table of contents

<b>Table of contents.....</b>	<b>1</b>
<b>Executive Summary .....</b>	<b>3</b>
<b>1 Barriers to Federal Student Loan Repayment.....</b>	<b>8</b>
1.1 Federal student loan population overview.....	8
1.2 Servicing errors.....	10
1.3 Communication errors .....	25
1.4 Doom loop .....	32
<b>2 Federal Student Loan Program Background.....</b>	<b>34</b>
2.1 Systemic reform efforts .....	34
2.2 Systemic disruptions .....	37
<b>3 Private Student Loans .....</b>	<b>50</b>
3.1 Hardship and affordability .....	52
3.2 Loan cancellation based on school misconduct.....	53
3.3 Debts owed to colleges and universities.....	55
3.4 Debt collection.....	57
<b>4. The Toll of Borrower Harms .....</b>	<b>59</b>
<b>5. Recommendations .....</b>	<b>60</b>
5.1 Hold borrowers harmless when they encounter servicing errors and program disruptions.....	61
5.2 Ensure that servicers are held accountable for performance failures .....	62
5.3 Consider a broader program overhaul to reduce the prevalence of student loan debt .....	64

**Appendix A. Student Loan Complaint Analysis .....67**  
A.1 Complaint data ..... 67  
A.2 Methodology .....68  
A.3 Federal student loan trends analysis ..... 70

**Appendix B. Prior CFPB Student Loan Ombudsman Reports .....73**

# Executive Summary

During the 2023-2024 Award Year, the student loan system experienced many transformations and challenges.<sup>1</sup> In October 2023, 28 million federal student loan borrowers returned to repayment after an unprecedented payment pause. Throughout the year, the Department of Education made several attempts to correct servicing errors and enact systemic reforms. In July 2024, legal challenges halted the implementation of certain repayment plans.

Amid these developments, student loan servicers routinely made blunders, oversights, and errors that harmed millions of borrowers and likely cost them millions of dollars.<sup>2</sup> Servicing mistakes like these are nothing new—they have persisted for well over a decade and have been thoroughly documented in prior CFPB Student Loan Ombudsman reports and other publications.<sup>3</sup> In complaints submitted to the CFPB during the Award Year, thousands of borrowers described experiencing consequential harms because of their servicers' mistakes. These include:

- **Payment processing errors:** Borrowers described problems with the debiting and crediting of their accounts. Some reported having unexpected amounts withdrawn or auto-debited from their accounts, while others said that their payments were never applied to their loans. Others reported waiting months or even years after receiving approval notices to receive loan cancellation – and added that they were erroneously billed during those waiting periods.
- **Incorrect repayment information:** Borrowers reported that servicers failed to send accurate or timely billing statements, give accurate guidance related to income-driven

---

<sup>1</sup> See Section 2.2.2 for a discussion of the expiration of the payment pause; Section 2 for programmatic and policy reforms by the Department of Education, and Section 2.2.4 for litigation disruptions.

<sup>2</sup> See Section 4 for more information about the toll of borrower harms.

<sup>3</sup> See Section 2.2.1 for a discussion of commonly reported issues that affected millions of borrowers over the course of 12 years; Table 2 for a list of known servicing errors and estimated number of borrowers affected as of October 2023; and Appendix B for a list of prior annual CFPB Student Loan Ombudsman reports discussing servicing issues. See also CONSUMER FIN. PROT. BUREAU, ISSUE SPOTLIGHT: FEDERAL STUDENT LOAN RETURN TO REPAYMENT (Jan. 2024), [https://files.consumerfinance.gov/f/documents/cfpb\\_federal-student-loan-return-to-repayment-report\\_2024-01.pdf](https://files.consumerfinance.gov/f/documents/cfpb_federal-student-loan-return-to-repayment-report_2024-01.pdf); CONSUMER FIN. PROT. BUREAU, SUPERVISORY HIGHLIGHTS: SERVICING AND COLLECTION OF CONSUMER DEBT, ISSUE 34 (Jul. 2, 2024), <https://www.consumerfinance.gov/data-research/research-reports/supervisory-highlights-issue-34-summer-2024/>; CONSUMER FIN. PROT. BUREAU, CFPB BANS NAVIENT FROM FEDERAL STUDENT LOAN SERVICING (Sep. 12, 2024), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-bans-navient-from-federal-student-loan-servicing-and-orders-the-company-to-pay-120-million-for-wide-ranging-student-lending-failures/>; Proposed Stipulated Final Judgment and Order, in *CFPB v. Navient Corp.*, No. 3:17-cv-00101 (filed Sep. 12, 2024); and Compl. For Permanent Inj. And Other Relief, in *CFPB v. Navient Corp.*, No. 3:17-cv-00101 (filed Jan. 18, 2017).

repayment recertification dates or loan consolidation, or provide accurate or complete payment histories.

- **Customer service doom loops:** Borrowers reported that they were unable to reach their servicer and sometimes could not even access their account information online when they had questions or problems. Borrowers said that they were unable to enroll in income-driven repayment (IDR) plans,<sup>4</sup> which are critical to helping them afford their payments. Many borrowers were caught in doom loops where, after waiting for an extended duration on the phone, a servicer call center agent would refer them to a webpage that would refer them to the same phone number or to a government agency who would refer them back to the servicer, leaving borrowers unable to find basic account information despite trying for many hours.

Borrowers currently bear the costs of servicers' errors. While this report analyzes all student loan complaints submitted over the Award Year, it provides direct quotes and narratives from 73 borrowers. Within just this small subset, 38 people reported experiencing over half a million dollars' worth of unauthorized or unexpected withdrawals, overpayments, incorrect account adjustments, balance reinstatements, additional payments when they should have been in an IDR plan, interest accrued when they should have been in forbearance, and other financial harms caused by servicing blunders.<sup>5</sup> Within the same subset, 48 people reported experiencing servicing and processing delays collectively totaling 401 months or 33 years.

The financial distress caused by servicing errors have significant downstream consequences. Borrowers report that the servicing issues discussed in this report have made them late on rent,<sup>6</sup> miss their car payments,<sup>7</sup> lose eligibility for mortgages and homeownership,<sup>8</sup> forego saving for

---

<sup>4</sup> This report uses "income-driven repayment," or IDR, to refer to all the federal student loan repayment programs that lower monthly payments based on income. These include: the Saving on a Valuable Education (SAVE) Plan, which was formerly the REPAYE Plan, the Pay As You Earn (PAYE) Plan, the Income-Based Repayment (IBR) Plan, and the Income-Contingent Repayment (ICR) Plan. *See generally, Income-Driven Repayment Plans*, U.S. DEPT. OF EDUC., <https://studentaid.gov/manage-loans/repayment/plans/income-driven> (last visited Sep. 2, 2024).

<sup>5</sup> *See* Section 4 for a more detailed discussion of the financial harm, uncertainty, and lost time experienced by this subset of borrowers.

<sup>6</sup> Consumer Complaint Database, CONSUMER FIN. PROT. BUREAU, COMPLAINT ID# 7765536, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7765536> [hereinafter COMPLAINT DATABASE]. The servicer said that auto-pay was authorized by the consumer. The borrower states that the debiting of \$1,000 was not authorized and they were unable to make their rent or car payment as a result.

<sup>7</sup> *Id.*

<sup>8</sup> COMPLAINT DATABASE Complaint ID# 8460110, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8460110>. The servicer increased the borrower's payment from \$320 to \$3,100, which the borrower reported "is affecting me closing on my mortgage!"

retirement,<sup>9</sup> change employment,<sup>10</sup> and even put borrowers at risk of homelessness.<sup>11</sup> Borrowers are also experiencing substantial emotional distress,<sup>12</sup> writing that they are in a “nightmare,”<sup>13</sup> feel “hopeless and taken advantage of,”<sup>14</sup> and are trapped in a “death loop to nowhere.”<sup>15</sup>

Federal student loan servicers have claimed that their contracts with the Department shield them from responsibility for the harm they cause. Servicers claim that because they are purportedly operating within the four corners of their contracts, they are immune from being held responsible for violations of consumer protection laws.<sup>16</sup> They are not.<sup>17</sup> Servicers, regardless of programmatic changes, have an obligation to ensure that they do not violate consumer financial protection law. The CFPB’s review of borrowers’ complaints raises serious doubts about whether servicers are meeting these legal obligations.

To mitigate ongoing borrower harms, the CFPB Student Loan Ombudsman recommends that policymakers should hold borrowers harmless when they are affected by servicing errors and

---

<sup>9</sup> COMPLAINT DATABASE Complaint ID# 7238873, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7238873> (permission to publish narrative obtained from the consumer). In correspondence with the CFPB Student Loan Ombudsman, the borrower wrote: “This [loan] will haunt me into retirement as I don't have enough saved and my house is not close to being paid off. While the balance is now discharged, the loan will echo through my retirement, keeping me right on the edge of financial security while always under threat of financial ruin.”

<sup>10</sup> COMPLAINT DATABASE Complaint ID# 8786335, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8786335>. The borrower received an incorrect notice that they suddenly owed \$26,000 after being approved for Public Service Loan Forgiveness (PSLF) cancellation. Though the servicer later corrected this error, the borrower had to switch jobs to accommodate the sudden balance.

<sup>11</sup> COMPLAINT DATABASE Complaint ID# 7538176, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7538176>; COMPLAINT DATABASE Complaint ID# 7517268, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7517268>. These borrowers’ loans became uninsured, preventing them from enrolling in income-driven repayment plans.

<sup>12</sup> See, e.g., Collier, D. & Fitzpatrick, D., *Jubilee and Jubilation: An Examination of the Relationships between Public Service Loan Forgiveness and Measures of Well-Being* (2024), <https://protectborrowers.org/wp-content/uploads/2022/11/Jubilee-and-Jubilation.pdf>.

<sup>13</sup> COMPLAINT DATABASE Complaint ID# 7533817, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7533817>.

<sup>14</sup> COMPLAINT DATABASE Complaint ID# 7580209, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7580209>.

<sup>15</sup> Consumer Complaint (on file with CFPB Student Loan Ombudsman, permission to publish narrative obtained from the consumer).

<sup>16</sup> See, e.g., Brief for MOHELA at 28-31, *American Federation of Teachers v. MOHELA* No: 2024-CAB-004575 (D.D.C. Sept. 25, 2024)(arguing that AFT’s consumer protection claims are preempted by the Higher Education Act).

<sup>17</sup>*Nelson v. Great Lakes Educational Loan Services, Inc.*, 928 F.3d 639, 642 (7th Cir. June 27, 2019)(explaining that neither conflict nor field preemption under the Higher Education Act apply to plaintiff’s claims when she alleges servicer made false or misleading representations in the counseling process); See, e.g., Consumer Fin. Prot. Bureau, *CFPB Bans Navient from Federal Student Loan Servicing* (Sep. 12, 2024), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-bans-navient-from-federal-student-loan-servicing-and-orders-the-company-to-pay-120-million-for-wide-ranging-student-lending-failures/>; *CFPB Sanctions Edfinancial for Lying about Student Loan Cancellation* (May 30, 2022) <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sanctions-edfinancial-for-lying-about-student-loan-cancellation/>

other program disruptions, strengthen laws protecting borrowers and increase related enforcement, and hold servicers accountable for performance failures.<sup>18</sup> In reforming the federal student loan servicing system, policymakers should heed the warning given by a congressional oversight panel that examined how mortgage servicers failed to properly implement a foreclosure prevention program after the Great Recession, which became notoriously complicated and failed to help many homeowners.<sup>19</sup> The panel warned that the “incentives of ... servicers are different from those of the government, and [programs should be designed] with that reality in mind,” and recommended that “policymakers focus on ensuring good outcomes for [borrowers], rather than becoming bogged down in process-related concerns.”

The persistence of chronic, systemic servicing failures and legal violations<sup>20</sup> over the last 12 years and developments during this Award Year simultaneously suggest that broader approaches are needed.<sup>21</sup> As total student debt has surpassed \$1.745 trillion<sup>22</sup>, policymakers should consider new ideas to bring down the cost of higher education for American families, move away from the reliance on debt financing for the provision of a public good, and stay true

---

<sup>18</sup> See 12 U.S.C. § 5535(c). For specific recommendations by the CFPB Student Loan Ombudsman, see Section 5.

<sup>19</sup> The Home Affordable Modification Program (HAMP) was a notoriously complicated foreclosure prevention program launched in 2009 in the wake of the financial crisis. A 2011 Congressional Oversight Panel Report discussed features and failures of the program that foreshadow current challenges in the federal student loan program and reminded future policy makers of the challenge of administering programs with “a dizzying number of rules,” among other recommendations. See 112th Congress, CONGRESSIONAL OVERSIGHT PANEL, THE FINAL REPORT OF THE CONGRESSIONAL OVERSIGHT PANEL (Mar. 16, 2011), <https://www.govinfo.gov/app/details/CPRT-112JPRT64832> [hereinafter CONGRESSIONAL OVERSIGHT PANEL REPORT].

<sup>20</sup> See Section 2.2.1 for a discussion of commonly reported issues over 12 years; Appendix B for a list of prior annual CFPB Student Loan Ombudsman reports discussing servicing issues. See also CONSUMER FIN. PROT. BUREAU, SUPERVISORY HIGHLIGHTS: SERVICING AND COLLECTION OF CONSUMER DEBT, ISSUE 34 (Jul. 2, 2024), <https://www.consumerfinance.gov/data-research/research-reports/supervisory-highlights-issue-34-summer-2024/>; SUPERVISORY HIGHLIGHTS: STUDENT LOAN SERVICING SPECIAL EDITION, ISSUE 27 (Sep. 2022), [https://files.consumerfinance.gov/f/documents/cfpb\\_student\\_loan\\_servicing\\_supervisory\\_highlights\\_special\\_edition\\_report\\_2022-09.pdf](https://files.consumerfinance.gov/f/documents/cfpb_student_loan_servicing_supervisory_highlights_special_edition_report_2022-09.pdf); Proposed Stipulated Final Judgment and Order, in *CFPB v. Navient Corp.*, No. 3:17-cv-00101 (filed Sep. 12, 2024); and Compl. For Permanent Inj. And Other Relief, in *CFPB v. Navient Corp.*, No. 3:17-cv-00101 (filed Jan. 18, 2017).

<sup>21</sup> Some policymakers argue that the failure of federal student loan servicers is reason to go back to a time of private student loan origination and servicing. But this alternative ignores a well-documented history of borrower harm in the private student loan market. See Section 3 for a more fulsome discussion of the risks associated with private student loans.

<sup>22</sup> This figure includes federal and private student loan balances as of June 2024. However, the total amount does not include education related expenses covered by credit cards, personal loans, and other forms of credit. See *Consumer Credit - G.19*, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (Oct. 7, 2024), <https://www.federalreserve.gov/releases/g19/current/>.

to the promise of the Higher Education Act.<sup>23</sup> Without reforms that target both longstanding servicing failures that undermine critical efforts and systematic changes, and new approaches to higher education financing, these challenges will persist and put current borrowers, students, and future generations of Americans at risk.

Pursuant to the Consumer Financial Protection Act (CFPA) of 2010, this annual report analyzes complaints submitted by consumers between July 1, 2023 and June 30, 2024 (the 2023-2024 “Award Year”).<sup>24</sup> During this period, the Consumer Financial Protection Bureau (CFPB) received a record number of student loan complaints: 13,524 complaints related to federal student loans, 3,399 related to private student loans, and an additional 1,354 complaints related to student loan debt collection.<sup>25</sup> These complaints and borrower narratives are the basis of the analysis in this report.<sup>26</sup>

---

<sup>23</sup> See, e.g., Lyndon B. Johnson, President of the United States, *Remarks at Southwest Texas State College Upon Signing the Higher Education Act of 1965* (Nov. 8, 1965), <https://www.presidency.ucsb.edu/documents/remarks-southwest-texas-state-college-upon-signing-the-higher-education-act-1965>. In this speech, President Lyndon B. Johnson stated that “And it is a truism that education is no longer a luxury. Education in this day and age is a necessity. When a family cannot afford that necessity...we can provide loans, free of interest and free of any payment schedule until after you graduate, to worthy, deserving, capable students.... And in my judgment, this Nation can never make a wiser or a more profitable investment anywhere.” He went on to say that “when you look into the faces of your students and your children and your grandchildren, tell them that you were there when it began. Tell them that a promise has been made to them. Tell them that the leadership of your country believes it is the obligation of your Nation to provide and permit and assist every child born in these borders to receive all the education that he can take.”

<sup>24</sup> The *Dodd-Frank Wall Street Reform and Consumer Protection Act* (“Act”) established a Student Loan Ombudsman within the Consumer Financial Protection Bureau (CFPB) and requires the Ombudsman to prepare an annual report describing the activities and effectiveness of the Ombudsman during the preceding year. See 12 U.S.C. § 5535. This report is drafted pursuant to the Act.

<sup>25</sup> The CFPB received 646 federal student loan debt collection complaints and 708 private student loan debt collection complaints.

<sup>26</sup> This report was drafted by Julia Barnard with support from Jessica Meyers. Additional research, analysis, and editing support was provided by Zachary Harris, Jennifer Zhang, Matias Alvarez, Amelia O'Rourke-Owens, Charlotte Hancock, Ehab Alhosaini, Aniya Akhtar, Abby Boettcher, Avneet Chhabra, Nic Salem, Asa Ferguson, Nicholas Kime, Matthew Allen, and Alex Hao. See Appendix A for more information about the complaint datasets and methodology used in this report.

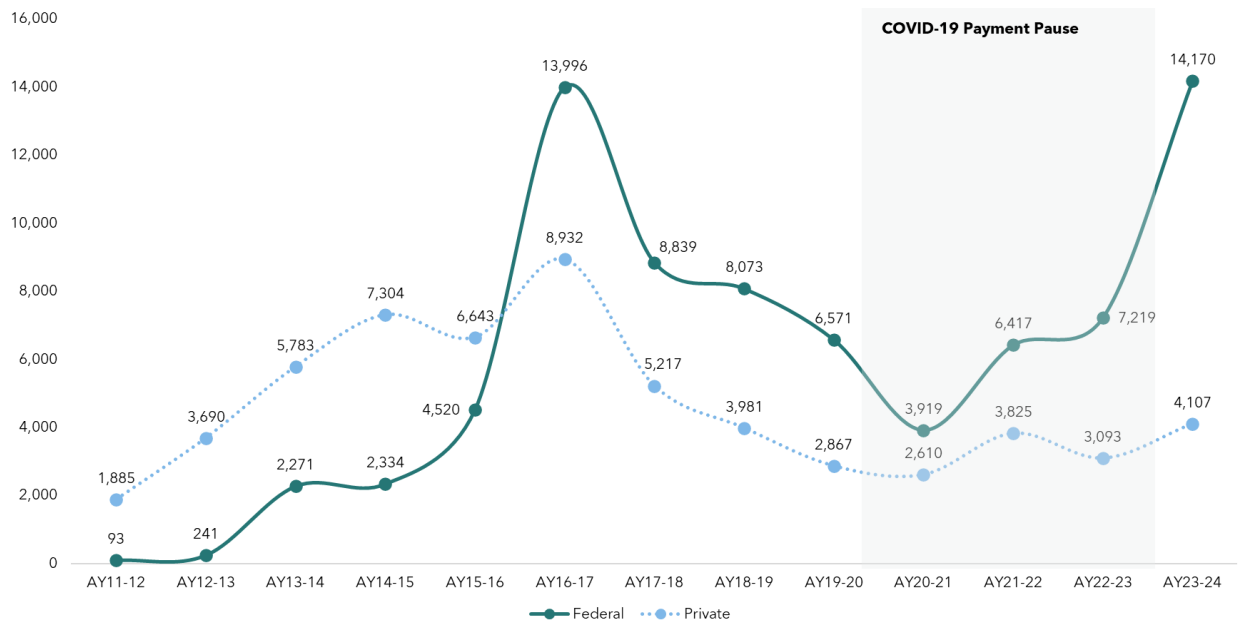


# 1 Barriers to Federal Student Loan Repayment

## 1.1 Federal student loan population overview

Over 40 million people, or one in eight Americans, are federal student loan borrowers.<sup>27</sup> During this past Award Year, this group has faced significant disruption and uncertainty surrounding their loans, resulting in the all-time highest number of federal student loan complaints submitted to the CFPB (Figure 1).<sup>28</sup>

**FIGURE 1. STUDENT LOAN COMPLAINTS SUBMITTED TO THE CFPB BY AWARD YEAR, 2011 - 2024<sup>29</sup>**



<sup>27</sup> *Federal Student Loan Portfolio*, U.S. DEP'T OF EDUC., <https://studentaid.gov/data-center/student/portfolio> (last visited Oct. 9, 2024).

<sup>28</sup> Unless otherwise specified, federal student loan counts encompass both federal student loan debt complaints under the 'Debt collection' product filter and federal student loan complaints under the 'Student loan' product filter. This same grouping applies to private loan counts, as well.

<sup>29</sup> The relatively low volume of student loan complaints received in the earlier years of Figure 1 reflects, in part, the initial stand-up of the CFPB's complaint intake processes.

However, complaint volume is not always related to program changes or disruptions. For example, the spike in complaints in Award Year 2016-2017 could have been related to the CFPB's announcement of a lawsuit against Navient during that year.<sup>30</sup> Additionally, the CFPB receives more complaints overall each year, which corresponds with the increase in student loan complaints.<sup>31</sup>

Of the 14,170 federal student loan complaints submitted to the CFPB during the Award Year, the Student Loan Ombudsman's Office manually reviewed a representative sample of 2,977, or one-fifth of all such complaints, or almost 250 complaints per month. These complaints tell stories of hours spent waiting on the phone, conflicting information, inaccurate billing statements, years-long processing delays, and missing refunds of hundreds to tens of thousands of dollars. Borrowers report that these problems caused them to miss payments, pay more than they owe, lose access to benefits they are legally entitled to, waste time and money, and lose trust in the student loan servicing system.

Many of the challenges raised by borrowers in their complaints echo the consumer financial law violations highlighted in several publications over the past year and routine servicer failures that the CFPB and other federal agencies have documented for over a decade.<sup>32</sup> This section discusses key elements of these system failures, which include: (1) widespread servicing errors; (2) servicer communication errors, or misleading, inaccurate, and deceptive information; and (3) customer service doom loops that leave borrowers unable to resolve loan issues.

---

<sup>30</sup> Press Release, Consumer Fin. Prot. Bureau, *CFPB Sues Nation's Largest Student Loan Company Navient for Failing Borrowers at Every Stage of Repayment* (Jan. 18, 2017), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-nations-largest-student-loan-company-navient-failing-borrowers-every-stage-repayment/>. See also *CFPB Consumer Response: Summary of Navient Customer Submissions Through the CFPB Student Loan Complaint Portal*, NAVIENT (Mar. 2018), <https://news.navient.com/static-files/dac9b91e-b01f-422f-99eb-c760a4129197>.

<sup>31</sup> CONSUMER FIN. PROT. BUREAU, CONSUMER RESPONSE ANNUAL REPORT (Mar. 2024), [https://files.consumerfinance.gov/f/documents/cfpb\\_cr-annual-report\\_2023-03.pdf](https://files.consumerfinance.gov/f/documents/cfpb_cr-annual-report_2023-03.pdf).

<sup>32</sup> See, e.g., CONSUMER FIN. PROT. BUREAU, ISSUE SPOTLIGHT: FEDERAL STUDENT LOAN RETURN TO REPAYMENT (Jan. 2024), [https://files.consumerfinance.gov/f/documents/cfpb\\_federal-student-loan-return-to-repayment-report\\_2024-01.pdf](https://files.consumerfinance.gov/f/documents/cfpb_federal-student-loan-return-to-repayment-report_2024-01.pdf); SUPERVISORY HIGHLIGHTS: SERVICING AND COLLECTION OF CONSUMER DEBT, ISSUE 34 (Jul. 2, 2024), <https://www.consumerfinance.gov/data-research/research-reports/supervisory-highlights-issue-34-summer-2024/>; SUPERVISORY HIGHLIGHTS: STUDENT LOAN SERVICING SPECIAL EDITION, ISSUE 27 (Sep. 2022), [https://files.consumerfinance.gov/f/documents/cfpb\\_student-loan-servicing-supervisory-highlights-special-edition\\_report\\_2022-09.pdf](https://files.consumerfinance.gov/f/documents/cfpb_student-loan-servicing-supervisory-highlights-special-edition_report_2022-09.pdf); SUPERVISORY HIGHLIGHTS, ISSUE 21 (Feb. 2020), [https://files.consumerfinance.gov/f/documents/cfpb\\_supervisory-highlights\\_issue-21\\_2020-02.pdf](https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-21_2020-02.pdf); SUPERVISORY HIGHLIGHTS, ISSUE 13 (Oct. 2016), [https://files.consumerfinance.gov/f/documents/Supervisory\\_Highlights\\_Issue\\_13\\_Final\\_10.31.16.pdf](https://files.consumerfinance.gov/f/documents/Supervisory_Highlights_Issue_13_Final_10.31.16.pdf); SUPERVISORY HIGHLIGHTS, ISSUE 9 (Oct. 2015), [https://files.consumerfinance.gov/f/201510\\_cfpb\\_supervisory-highlights.pdf](https://files.consumerfinance.gov/f/201510_cfpb_supervisory-highlights.pdf); SUPERVISORY HIGHLIGHTS: FALL 2014 (Oct. 2014), [https://files.consumerfinance.gov/f/201410\\_cfpb\\_supervisory-highlights\\_fall-2014.pdf](https://files.consumerfinance.gov/f/201410_cfpb_supervisory-highlights_fall-2014.pdf); See also Section 2.2.1 for a summary of known program failures documented in prior CFPB Student Loan Ombudsman reports and Appendix B for a list of all prior Student Loan Ombudsman reports.

## 1.2 Servicing errors

When students or families borrow a federal student loan, they are dependent not only on policies and practices of the holder of their loan (the Department of Education), but also on the third-party servicers that handle billing, borrower communication, and other related services. Consumer complaints over the past year indicate that these servicing companies have made repeated and significant errors in carrying out their contractual duties, oftentimes at the expense of the borrower.

Common problems identified in complaints include problems with repayment, including issues with auto-pay and payment processing; program delays and errors, including with Income-Driven Repayment (IDR) plans, Public Service Loan Forgiveness (PSLF), Borrower Defense to Repayment (BDR) discharges, refunds, and temporary forbearances; credit reporting errors; and errors with loan statuses for uninsured loans in the Federal Family Education Loan Program (FFELP). In many cases, borrowers claim that these errors cost them hundreds or even thousands of dollars in unexpected withdrawals or lost benefits, such as interest reductions for borrowers enrolled in auto-pay or lost credit towards cancellation through programs such as PSLF.

### 1.2.1 Repayment errors

Repayment problems were the most frequently-reported issue in the student loan complaints received by the CFPB this past year.<sup>33</sup> In the Student Loan Ombudsman’s reviewed sample of 2,977 federal student loan complaints, almost one in three (or over 900) complaints referred to repayment issues.<sup>34</sup> Nearly half of the complaints in this category involved payment processing errors, such as problems with debiting and crediting borrower accounts, auto-pay, and miscalculated billing statements.

---

<sup>33</sup> See Section 1.1 for a discussion of known related servicer errors. *See also* CONSUMER FIN. PROT. BUREAU, SUPERVISORY HIGHLIGHTS: ISSUE 24 (Jun. 2021), [https://files.consumerfinance.gov/f/documents/cfpb\\_supervisory-highlights\\_issue-24\\_2021-06.pdf](https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-24_2021-06.pdf) at 34-35 (CFPB examiners identified unfair acts and practices related to “failing to honor consumer payment allocation instructions” and “providing inaccurate monthly payment amounts to consumers after a loan transfer.”) *and* CONSUMER FIN. PROT. BUREAU, ISSUE SPOTLIGHT: FEDERAL STUDENT LOAN RETURN TO REPAYMENT (Jan. 2024), [https://files.consumerfinance.gov/f/documents/cfpb\\_federal-student-loan-return-to-repayment-report\\_2024-01.pdf](https://files.consumerfinance.gov/f/documents/cfpb_federal-student-loan-return-to-repayment-report_2024-01.pdf) (“The CFPB determined that the return to repayment of federally owned student loans presents significant consumer risks and initiated its supervisory response due to [...] the history of compliance issues by student loan servicer.”).

<sup>34</sup> *See* Appendix A for a discussion of the complaint tagging methodology used in this report.

### 1.2.1.1 Payment processing issues

Many federal student loan borrowers reported that they were unable to make payments at all due to payment processing errors that they were unable to resolve with their servicer.

Widespread payment processing challenges and delays also contributed to problems accessing cancellation through programs such as PSLF and IDR because those programs are based on borrowers making a certain number of qualified monthly payments (QMPs).

- **One borrower stated in January 2024 that EdFinancial reversed the borrower’s payments for unclear reasons.** They said that “with each occurrence, the payment has been processed and completed, but immediately afterwards is reversed with no explanation.”<sup>35</sup>
- **Another borrower told the CFPB that they could not figure out how to make payments** during a loan transfer, and when they reached out to EdFinancial after their accounts were marked as past due, EdFinancial refused to process electronic payments and told them to mail a check.<sup>36</sup>
- **Another borrower said that despite paying before their due date, their payment was marked as past due.** They reported calling MOHELA multiple times across three days in October 2023 and staying on hold for more than two hours each time but failing to get through. The borrower noted, “I am in public service loan forgiveness and have been very careful to never miss a payment, and the thought of anything messing up my progress terrifies me. I have two years left before my loan is forgiven.” MOHELA corrected the error and adjusted the borrower’s payment count four months later in February 2024.<sup>37</sup>

### 1.2.1.2 Auto-pay

Many borrowers reported having problems with automatic debits from their accounts. Some borrowers had money pulled from accounts despite never consenting to auto-pay,<sup>38</sup> duplicate payments pulled, and payments pulled in unanticipated amounts or at unanticipated times.

- **One borrower explained that they had money pulled out of their account despite never consenting to auto-pay with Nelnet, had money pulled twice in**

---

<sup>35</sup> COMPLAINT DATABASE Complaint ID# 8218561, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8218561>.

<sup>36</sup> COMPLAINT DATABASE Complaint ID# 9205040, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/9205040>.

<sup>37</sup> COMPLAINT DATABASE Complaint ID# 8092789, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8092789>.

<sup>38</sup> In 2021, the Department of Education directed servicers to obtain auto-pay consent from borrowers to ensure that all borrowers who had previously authorized auto-pay still wanted to pay via auto-debit after the pause.

**one month, and saw their payments increase by roughly \$400 for reasons they did not understand.** Nelnet responded and stated that the borrower had been informed about the payments and added that auto-pay authorization had been transferred from the previous servicer.<sup>39</sup>

- **Another borrower said that after a loan transfer, amounts the borrower didn't understand were being pulled automatically from an old bank account and not being credited to their loan.**<sup>40</sup> Nelnet confirmed that they were not withdrawing the payments from the borrower's account and were investigating the situation with the Department of Education.<sup>41</sup>
- **Another borrower said that Maximus Federal Services pulled \$6,897 from their account via auto-pay when they only owed \$1,048.** Over a month later, Maximus responded to acknowledge their error and offer a refund.<sup>42</sup>
- **Another borrower attempted to pay off their loan balance of approximately \$5,000, but Maximus Federal Services withdrew nearly double that amount.** Different servicer representatives gave the borrower conflicting information and said a refund could take up to 12 weeks, after which the borrower said they felt "hopeless and taken advantage of." In its response to the borrower's complaint to the CFPB, Maximus acknowledged the error and refunded the borrower.<sup>43</sup>

---

<sup>39</sup> COMPLAINT DATABASE Complaint ID# 8763036, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8763036> (permission to publish narrative obtained from the consumer).

<sup>40</sup> In loan transfers, the "sending servicer" is the servicer sending the account data and the "receiving servicer" is the servicer that receives that information.

<sup>41</sup> COMPLAINT DATABASE Complaint ID# 9084544, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/9084544> (permission to publish narrative obtained from the consumer). The borrower states: "I previously had my student loans serviced by Great Lakes. The loans were transferred to ... Nelnet last year. Since January 2024, \$277.45 has been taken out of my account, through May 2024. This bank account was used by Great Lakes before the pandemic to pay my student loans, and they are the only ones with the bank account details. I have been speaking with Nelnet for months trying to figure out where the payments are going, and Great Lakes no longer has serviceable numbers. Since Nelnet owns Great Lakes, they have access to my bank details. This amount is random; before the pandemic, I was paying \$300/month, and my new payment amounts set to begin in June 2024 are \$175/month. The transfer from Great Lakes to Nelnet is a disaster with a lot of lost paperwork and mistakes, and I fear these payments are disappearing into the ether. Please help!"

<sup>42</sup> COMPLAINT DATABASE Complaint ID# 8553689, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8553689>.

<sup>43</sup> COMPLAINT DATABASE Complaint ID# 7580209, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7580209>.

## 1.2.2 Program delays and errors

For borrowers enrolled or looking to enroll in specific federal programs such as Income-Driven Repayment (IDR), Public Service Loan Forgiveness (PSLF), or discharge under Borrower Defense to Repayment (BDR), servicing errors are particularly consequential. For example, failure to accurately process a borrower's IDR application in a timely manner could force the borrower to pay hundreds of dollars more each month. In other cases, when borrowers do not have their cancellation processed in a timely and accurate manner, delays and errors could result in borrowers making unnecessary payments that they do not owe.

### 1.2.2.1 Income-driven repayment plans

In July 2023, the Department of Education implemented a final rule establishing the Saving on a Valuable Education (SAVE) repayment plan, which offered millions of federal Direct Loan borrowers accelerated pathways to loan cancellation and lower monthly payments.<sup>44</sup> All provisions of the final rule were intended to go into full effect on July 1, 2024, and certain provisions, like accelerated forgiveness and the elimination of negative interest amortization, were implemented ahead of that date. By July 2024, almost 8 million borrowers had signed up for the SAVE Plan, and an additional 414,000 borrowers had received \$5.5 billion in cancellation.<sup>45</sup> However, as detailed in more detail below in Section 2.2.4, enrollment in and implementation of SAVE have been on hold since June 2024 because of legal challenges, and all enrolled borrowers have been placed into administrative forbearances.

Over the course of the Award Year, the CFPB heard from borrowers who waited months for their servicer to process their IDR applications. By the end of October 2023, servicers reported a backlog of over 1.25 million pending IDR applications.<sup>46</sup>

- **SAVE application processing delay from August 2023 – present (14 months):**  
One borrower reported errors related to their attempt to enroll in the SAVE Plan in August 2023, and calculated that the delay cost over \$3,000 in additional accrued interest. The borrower said they called several times and were assured that the problem would be dealt

---

<sup>44</sup> U.S. DEP'T OF EDUC., HOW THE NEW SAVE PLAN WILL TRANSFORM LOAN REPAYMENT AND PROTECT BORROWERS, <https://www2.ed.gov/policy/highered/reg/hearulemaking/2021/idrfactsheetfinal.pdf>. See also Improving Income Driven Repayment for the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program, 88 Fed. Reg. 43820 (July 10, 2023) (to be codified 34 CFR Parts 682 and 685).

<sup>45</sup> Press Release, U.S. Dep't of Educ., *Biden-Harris Administration Approves Additional \$1.2 Billion in Student Debt Relief for 35,000 Public Service Workers* (Jul. 18, 2024), <https://www.ed.gov/news/press-releases/biden-harris-administration-approves-additional-12-billion-student-debt-relief-35000-public-service-workers>.

<sup>46</sup> CONSUMER FIN. PROT. BUREAU, ISSUE SPOTLIGHT: FEDERAL STUDENT LOAN RETURN TO REPAYMENT (Jan. 2024), [https://files.consumerfinance.gov/f/documents/cfpb\\_federal-student-loan-return-to-repayment-report\\_2024-01.pdf](https://files.consumerfinance.gov/f/documents/cfpb_federal-student-loan-return-to-repayment-report_2024-01.pdf) at 7.

with, but “after each call, weeks would pass and nothing.... [I] should not be waiting perpetually for them to correct their mistakes all the while I am financially hurt.” MOHELA stated that information was inaccessible because of an ongoing loan system transfer and it would re-evaluate their payments later.<sup>47</sup>

- **SAVE application processing delay from July 2023 – November 2023 (4 months):** Another borrower told the CFPB in late September 2023 (prior to the end of the COVID-19 payment pause) that they tried to enroll in SAVE four times but were not successful. They added that during that time, “my loans have been accruing interest and I am scheduled to make an astronomical student loan payment that I cannot afford.” Eight months later, in May 2024, EdFinancial notified the borrower that they were placed in the SAVE Plan at the end of November 2023 and their monthly payment amount was \$0.<sup>48</sup>
- **SAVE application processing delay from October 2023 – July 2024 (9 months):** Another borrower told the CFPB in late May 2024 that they had been trying for seven months, since October 2023, to enroll in the SAVE plan, which would make their payments \$200 monthly instead of \$1,600. MOHELA responded in late June that the borrower has been enrolled in the SAVE Plan and would owe payments of less than \$25 per month again starting in July 2024.<sup>49</sup>

In October 2024, the Department of Education stated that MOHELA had failed to timely process at least 460,000 IDR applications and requested that the company “submit a plan for how it will correct the problems identified by the agency within 10 business days of notification.”<sup>50</sup>

Another group of borrowers, those who borrowed Federal Family Education Loans Program (FFELP),<sup>51</sup> which are a subcategory of federally guaranteed student loans issued by private lenders which were last originated in 2010, must consolidate their loans to become eligible for

---

<sup>47</sup> COMPLAINT DATABASE Complaint ID# 8763760, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8763760>.

<sup>48</sup> COMPLAINT DATABASE Complaint ID# 7639517, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7639517>.

<sup>49</sup> COMPLAINT DATABASE Complaint ID# 9098897, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/9098897>.

<sup>50</sup> Douglas-Gabriel, D., (Oct. 16, 2024), “Student loan servicer MOHELA faces new punishment from Biden administration,” *Washington Post*, <https://www.washingtonpost.com/education/2024/10/16/mohela-student-loans-punishment/>.

<sup>51</sup> See Section 1.2.4 for a discussion of FFELP loans. See also *What to Know About Federal Family Education Loan (FFEL) Program Loans*, U.S. DEP’T. OF EDUCATION, OFFICE OF FEDERAL STUDENT AID (accessed Oct. 9, 2024), <https://studentaid.gov/articles/what-to-know-about-ffel-loans/>.

certain payment plans and cancellation options.<sup>52</sup> Consolidation processing delays can cause borrowers to miss out on certain benefits, such as the one-time IDR account adjustment that will adjust each borrower’s number of qualifying monthly payments, which could result in progress towards PSLF or IDR cancellation for many borrowers.<sup>53</sup> The CFPB has found that some FFELP servicers engaged in deceptive practices by failing to inform borrowers about their consolidation options.<sup>54</sup>

Unfortunately, FFELP borrowers continue to report that they received inaccurate information and experienced delays when they tried to consolidate their loans. For instance, one borrower submitted a consolidation application in August 2023 and called their servicer repeatedly seeking information about their application without success and submitted a related complaint to the CFPB in October 2023. In its response to the CFPB complaint, the servicer confirmed that their account was consolidated in early December.<sup>55</sup>

### 1.2.2.2 Public Service Loan Forgiveness

The PSLF program allows borrowers employed by qualifying employers, such as a government or certain not-for-profit organizations, to have the remaining balance on their federal Direct Loans canceled after making 120 qualifying monthly payments.<sup>56</sup> PSLF relies on accurate payment history and employment information, but many borrowers reported long processing

---

<sup>52</sup> *Consumer Advisory: Opportunity to Cancel Student Loan Debt Ends Soon*, CONSUMER FIN. PROT. BUREAU (Mar. 11, 2024), <https://www.consumerfinance.gov/about-us/newsroom/consumer-advisory-opportunity-to-cancel-student-loan-debt-ends-soon/> (last visited Sept. 16, 2024).

<sup>53</sup> *Id.*

<sup>54</sup> *See, e.g.*, Press Release, Consumer Financial Protection Bureau, *CFPB Sanctions Edfinancial for Lying about Student Loan Cancellation* (Mar. 30, 2022), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sanctions-edfinancial-for-lying-about-student-loan-cancellation/>; EdFinancial Services, LLC, CFPB No. 2022-CFPB-0001 (Mar. 30, 2022); CONSUMER FIN. PROT. BUREAU, SUPERVISORY HIGHLIGHTS (ISSUE 24) [https://files.consumerfinance.gov/f/documents/cfpb\\_supervisory-highlights\\_issue-24\\_2021-06.pdf](https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-24_2021-06.pdf) at 35 (“Examiners found that servicers regularly provided inaccurate information about eligibility for PSLF or Direct Consolidation Loans, resulting in deceptive acts or practices...”).

<sup>55</sup> COMPLAINT DATABASE Complaint ID# 7621957, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7621957>.

<sup>56</sup> *Public Service Loan Forgiveness (PSLF)*, U.S. DEP’T. OF EDUCATION, OFFICE OF FEDERAL STUDENT AID (accessed Oct. 9, 2024), <https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service>. PSLF was created as part of the *College Cost Reduction and Access Act* and signed into law in 2007. *See generally* National Archives, White House Archives of President George W. Bush, *Fact Sheet: College Cost Reduction and Access Act of 2007* (Sept. 27, 2007), <https://georgewbush-whitehouse.archives.gov/news/releases/2007/09/20070927-1.html>.



delays and account errors.<sup>57</sup> In many cases, borrowers told the CFPB that they reached their final payment but still waited months for their loan to be discharged. During the waiting period, borrowers said that they were wrongly charged interest or had their loans marked as past due:

- **PSLF discharge processing delay from 2022– April 2024 (24 months):** One borrower reported applying for PSLF cancellation in 2022, but their loan had still not been discharged in 2024. The borrower reported frustration with continuously paying interest for MOHELA’s processing errors and notes that their account forbearance was removed in February 2024. In April 2024, the company confirmed that the borrower met the 120 qualifying payments necessary for cancellation in November 2020 and that their loan had been discharged.<sup>58</sup>
- **PSLF discharge processing delay from October 2023 – February 2024 (4 months):** Another borrower submitted their PSLF application in early October 2023 and had not heard anything by the end of December. The borrower’s account then listed a payment due for December 2023. While the borrower received notification that MOHELA was in the process of updating their account, the borrower was concerned about becoming delinquent. The servicer responded in February 2024 to let the borrower know that they had processed the discharge, and that the borrower’s balance was at \$0.<sup>59</sup>
- **PSLF discharge processing delay from January 2023 – October 2023 (10 months):** Another borrower reached 120 payments in May 2022 and submitted their PSLF application in January 2023. One month after the borrower submitted their complaint to the CFPB, the cancellation was processed and posted to the borrower’s account.<sup>60</sup>

Some borrowers reported experiencing distress as a result of getting incorrect information about whether or not their loans had been cancelled.

---

<sup>57</sup> The Department of Education paused all PSLF processing for a two-month period, including May and June 2024, as a part of the implementation of the new servicing platform called USDS. The CFPB has acknowledged that delays in acting upon PSLF forms can harm borrowers and has stated that student loan servicers engaged in unfair acts or practices when they excessively delayed processing PSLF program forms because “excessive delays can alter consumers’ major financial decisions and cause substantial injury that is not reasonably avoidable and not outweighed by countervailing benefits to consumers or competition.” See CONSUMER FIN. PROT. BUREAU, SUPERVISORY HIGHLIGHTS: STUDENT LOAN SERVICING SPECIAL EDITION (Sep. 2022), [https://files.consumerfinance.gov/f/documents/cfpb\\_student-loan-servicing-supervisory-highlights-special-edition\\_report\\_2022-09.pdf](https://files.consumerfinance.gov/f/documents/cfpb_student-loan-servicing-supervisory-highlights-special-edition_report_2022-09.pdf) at 19.

<sup>58</sup> COMPLAINT DATABASE Complaint ID# 8512051, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8512051>.

<sup>59</sup> COMPLAINT DATABASE Complaint ID# 8056799, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8056799>.

<sup>60</sup> COMPLAINT DATABASE Complaint ID# 7519842, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7519842>.

- **One borrower received an approval letter for PSLF loan cancellation in December 2023 from their servicer; however, in March 2024, they found a balance of \$26,000 back on their account.** In its response, MOHELA said that the letter was sent in error and the borrower is responsible for the remaining balance. The borrower had to change jobs to accommodate this financial burden.<sup>61</sup>
- **Another borrower reported that their balance increased by \$69,000 without explanation after their loan was transferred.** The servicer’s response clarified that almost \$69,000 had been erroneously written off by a former servicer, FedLoan, and that the balance increased when the new servicer, MOHELA, identified the prior error. Later, the borrower told the CFPB that, while the issue was resolved and they had received PSLF, “I will live with this for the rest of my life now, obsessively checking FSA or MOHELA at least weekly to make sure the balance has not been added back.”<sup>62</sup>

Other borrowers who would have 120 months of qualifying employment, if not for prior periods of forbearance or involuntary deferment, can “buy back” missed payments by retroactively pay what they would have owed through the “PSLF buyback” program. However, borrowers have told the CFPB that pursuing these options can be quite difficult because servicing transfers and other documentation problems have prevented them from accessing their payment histories; because the IDR account adjustment is not yet completed but is likely to adjust borrowers’ PSLF qualifying monthly payment counts; and because borrowers may be confused about the relatively complex buyback program requirements.

- **One eligible borrower ended up paying roughly \$28,000 to pay off their loan balance after being wrongly told by their servicer that they were ineligible for the buyback program.** In the summer of 2023, the borrower was told by their servicer that they were unable to buy back the five payments they had remaining to qualify for PSLF. As a result, they decided to pay off the remaining \$28,000 of their loan. When the borrower later learned they were, in fact, eligible for the program, they requested a refund from MOHELA with the assistance from a lawyer. The borrower explained that, in April, a MOHELA supervisor told them all refund payments were approved, but the borrower was still waiting for the refund as of October 2024. In its response to the borrower in October

---

<sup>61</sup> COMPLAINT DATABASE Complaint ID# 8786335, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8786335>.

<sup>62</sup> COMPLAINT DATABASE Complaint ID# 7238873, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7238873> (permission to publish narrative and additional informational interview obtained from the consumer).

2024, MOHELA stated that it was in the process of reviewing the borrower’s account to ensure the accuracy of their loan balance.”<sup>63</sup>

- **Another borrower tried to buy back 10 months of payments but experienced a long processing delay and continued making monthly payments on their loans during the waiting period.**<sup>64</sup> This borrower initially submitted their buyback request in January and was still waiting to hear from their servicer as of September 30, 2024. They said that “I received no offer, no updates, and no feedback.... Meanwhile, I have been forced to continue paying on my loans since January. This wait period is unacceptable. It creates tangible harm to the borrower.”<sup>65</sup>

### 1.2.2.3 Borrower defense to repayment

Federal student loan borrowers who enrolled in a school or continued to attend a school based on misleading information from the school or other misconduct may be eligible to have their loans discharged under the Department of Education’s Borrower Defense to Repayment (BDR) program.<sup>66</sup> When these BDR claims are approved, borrowers may also be eligible for refunds of all prior payments. However, this program has long been characterized by a complex set of requirements that can result in similarly situated borrowers facing different outcomes, years-long delays in discharge processing, and program administration problems that have prevented many eligible borrowers from receiving cancellation.<sup>67</sup>

- **Borrower defense discharge processing delay from 2021 – present (3 years):** One borrower told the CFPB that their loans should have been discharged in 2021 “under the Corinthian College dispute” and that they were told by various representatives that their discharge was processing, that it had been escalated, and that there was nothing to be done

---

<sup>63</sup> COMPLAINT DATABASE Complaint ID# 9045325, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/9045325> (permission to publish narrative obtained from the consumer).

<sup>64</sup> *Public Service Loan Forgiveness (PSLF) Buyback*, U.S. Dep’t of Educ., <https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service/public-service-loan-forgiveness-buyback> (last visited Oct. 29, 2024). This webpage states that borrowers “must continue to make student loan payments until review is complete and buyback is approved.”

<sup>65</sup> COMPLAINT DATABASE Complaint ID# 9984775, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/9984775>. Complaint was submitted August 29, 2024, following the 2023-2024 Award Year.

<sup>66</sup> See 34 C.F.R. §§ 685.206, 685.222. See also *Apply for Borrower Defense Loan Discharge*, U.S. DEP’T. OF EDUCATION, OFFICE OF FEDERAL STUDENT AID (accessed Sep. 24, 2024), <https://studentaid.gov/borrower-defense/>.

<sup>67</sup> See, e.g., *Sweet v. Cardona Settlement Webpage*, U.S. DEP’T. OF EDUCATION, OFFICE OF FEDERAL STUDENT AID (accessed Sep. 24, 2024), <https://studentaid.gov/announcements-events/sweet-settlement>.

but wait. Nelnet responded in January 2024 by telling the borrower to contact the Department of Education to process their claim.<sup>68</sup>

- **Borrower defense discharge processing delay from 2016 – present (8 years):** Another borrower told the CFPB that they initially filed for borrower defense in 2016 and received automatic group discharge many years later. After paying at least \$46,125 on the principal of their loans and an additional \$35,682 in interest, they received a refund of \$689.30. The borrower stated that they “highly doubt the [refund amount] is even remotely correct.... [It is] almost insulting at this juncture, if it wasn’t just sad. I have been trying to fight these loans since 2016 when I initially filed for borrower defense to repayment....” In its response, EdFinancial stated that the borrower would need to contact their original servicer to discuss a refund.<sup>69</sup>

These complaints illustrate the years-long delays and program administration problems that can prevent borrowers from accessing cancellation to which they are legally entitled. At the end of April 2024, almost 450,000 BDR applications were pending with the Department of Education,<sup>70</sup> including almost 40,000 borrowers associated with the BDR class action lawsuit, *Sweet v. Cardona*.<sup>71</sup> Some of those initial applications were likely submitted prior to the COVID-19 pandemic in 2020.<sup>72</sup>

#### 1.2.2.4 Refunds

Several programs establish a borrower’s right to a refund in certain circumstances. For example, certain borrowers who are approved for cancellation under BDR as a result of school misconduct are eligible to have any amounts paid refunded to them. Additionally, borrowers are entitled to refunds for any payments they made after reaching 120 payments and receiving PSLF cancellation and any funds incorrectly pulled from their accounts. For a time, borrowers were

---

<sup>68</sup> COMPLAINT DATABASE Complaint ID# 8047818, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8047818>. For information about eligibility for BDR by attendees of Corinthian Colleges, see *Borrower Defense Updates, Corinthian Group Discharge*, U.S. DEP’T. OF EDUCATION, OFFICE OF FEDERAL STUDENT AID (Jun. 2, 2022), <https://studentaid.gov/announcements-events/borrower-defense-update#cci-group-discharge>.

<sup>69</sup> COMPLAINT DATABASE Complaint ID# 8697616, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8697616> (permission to publish narrative obtained from the consumer).

<sup>70</sup> U.S. Gov’t Accountability Off., GAO-24-106530, Department of Education: Student Loan Relief in Cases of College Misconduct, at 8 (2024), <https://www.gao.gov/products/gao-24-106530>.

<sup>71</sup> See e.g., Sixth Quarterly Report under Settlement Agreement in *Sweet, et al. v. Cardona, et al.*, at 1 (Aug. 26, 2024), <https://studentaid.gov/sites/default/files/sweet-quarterly-report-6.pdf>. (the Settlement Agreement (ECF No. 345) for *Sweet v. Cardona*, 641 F. Supp. 3d 814 (N.D. Cal. 2022) required progress reports from the Department of Education, through the Federal Student Aid office quarterly, where the Department is required to pull, confirm, and validate the data provided in each report).

<sup>72</sup> See *Sweet v. Cardona Settlement Webpage*, U.S. DEP’T. OF EDUCATION, OFFICE OF FEDERAL STUDENT AID (accessed Sep. 24, 2024), <https://studentaid.gov/announcements-events/sweet-settlement>.

also entitled to refunds for payments they made during the COVID-19 payment pause.<sup>73</sup> During the past Award Year, the CFPB heard from borrowers about delays in receiving refunds due ranging from \$200 to \$60,000.

- **Refund delay from June 2023 – March 2024 (9 months, \$63,000):** One borrower submitted a \$60,000 refund request in June 2023. The refund check was issued March 2024.<sup>74</sup>
- **Refund delay from December 2022 – March 2024 (15 months, \$20,000):** Another borrower had their loans canceled through an income-driven repayment account adjustment,<sup>75</sup> and wrote to the CFPB about waiting nearly two years to receive a refund of their overpayment, which totaled \$20,000. In its response three months later, EdFinancial confirmed the amount of the overpayment and stated that a full reimbursement had been sent to the address on file shortly after the complaint was submitted.<sup>76</sup>
- **Refund delay from August 2023 – present (14 months, \$3,700):** Another borrower who requested a refund for payments they made during the COVID-19 payment pause told the CFPB that, after waiting nearly half a year for a refund of nearly \$7,500, MOHELA processed a refund of \$3,800—about half of what the borrower expected. As of this writing, MOHELA provided a response to the borrower, but the consumer indicated that the response was insufficient and their issue remained unresolved.<sup>77</sup>
- **Refund delay from March 2024 – July 2024 (4 months, \$6,200):** Another borrower was told that “there was no way to ‘track’ or provide any confirmation of the refund,” and when they called back in April and May 2024, they were told that the original request was never processed but a second request had been successful. By June, the borrower’s loans had been transferred to MOHELA and the borrower said that they were not

---

<sup>73</sup> For a time, borrowers were eligible for refunds of any payments made during the COVID-19 payment pause. This refund benefit ended on August 28, 2023. See *COVID-19 Emergency Relief and Federal Student Aid*, U.S. DEP’T. OF EDUCATION, OFFICE OF FEDERAL STUDENT AID (accessed Sep. 24, 2024), <https://studentaid.gov/announcements-events/covid-19?ref=blog.getdolr.com>.

<sup>74</sup> COMPLAINT DATABASE Complaint ID# 8530731, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8530731>.

<sup>75</sup> See *Payment Count Adjustments Toward Income-Driven Repayment and Public Service Loan Forgiveness Programs*, U.S. DEP’T. OF EDUCATION, OFFICE OF FEDERAL STUDENT AID (accessed Oct. 9, 2024), <https://studentaid.gov/announcements-events/idr-account-adjustment>.

<sup>76</sup> COMPLAINT DATABASE Complaint ID# 8476877, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8476877>.

<sup>77</sup> COMPLAINT DATABASE Complaint ID# 8480961, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8480961>.

informed of the status of their refund. MOHELA later stated that the payment was not eligible to be refunded.<sup>78</sup>

### 1.2.2.5 Temporary forbearances

Forbearances on student loans allow borrowers to not make a payment or make a smaller payment for a certain period of time.<sup>79</sup> Millions of borrowers were placed into temporary forbearances during the past year, including retroactively, due to processing delays, the return to repayment “on-ramp” program,<sup>80</sup> or servicer errors identified by the Office of Federal Student Aid.<sup>81</sup> Other borrowers have been placed into administrative forbearances while the legal challenges to the SAVE Plan prevent them from making payments or because their IDR enrollment and/or PSLF approval applications were processing.<sup>82</sup> These loan statuses were used by the Department of Education to remediate borrower harms and ensure that certain groups of borrowers were not driven into delinquency because of processing delays or forced to pay an incorrect monthly payment amount.

However, in some cases, these forbearances expired prematurely, resulting in higher monthly payments and accounts being wrongly marked as past due.<sup>83</sup> For instance:

- **One borrower experienced a seven-month SAVE enrollment delay and received past due notices despite being told their account would be in forbearance status.** The borrower applied in October 2023 and was told that their account would be in forbearance until their enrollment was processed. In April 2024, they received a past due

---

<sup>78</sup> COMPLAINT DATABASE Complaint ID# 9175368, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/9175368>.

<sup>79</sup> *Student Loan Forbearance*, U.S. DEP’T. OF EDUCATION, OFFICE OF FEDERAL STUDENT AID (accessed Oct. 9, 2024), <https://studentaid.gov/manage-loans/lower-payments/get-temporary-relief/forbearance>.

<sup>80</sup> The “on-ramp” program placed borrowers into temporary 90-day forbearances if they reached 90 days past due. This program expired on October 2, 2024. See *Restarting Student Loan Payments*, U.S. DEP’T. OF EDUCATION, OFFICE OF FEDERAL STUDENT AID (accessed Oct. 9, 2024), <https://studentaid.gov/manage-loans/repayment/prepare-payments-restart>.

<sup>81</sup> See Section 2.2.1 for a list of such servicing errors during the Award Year. See also *Signed Decision Memo to Request Approval: Use of Secretary’s Compromise Authority for Remediating Potential Harm to Borrowers Caused by Return to Repayment Servicing Errors*, U.S. DEP’T. OF EDUCATION, OFFICE OF FEDERAL STUDENT AID (OCT. 29, 2023), <https://www.ed.gov/sites/ed/files/policy/gen/leg/foia/decision-memorandum-return-to-repayment-servicing-errors-10-29-23-signed-redacted.pdf>.

<sup>82</sup> Press Release, *U.S. Dep’t of Educ., Biden-Harris Administration Takes Additional Action to Hold Student Loan Servicers Accountable for Failing to Meet Contractual Obligations* (Jan. 5, 2024), <https://www.ed.gov/news/press-releases/biden-harris-administration-takes-additional-action-hold-student-loan-servicers-accountable-failing-meet-contractual-obligations>.

<sup>83</sup> See, e.g., COMPLAINT DATABASE Complaint ID# 7989444, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7989444>; COMPLAINT DATABASE Complaint ID# 7937347, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7937347>.

notice. Nelnet’s response to the complaint confirmed that the enrollment had been processed in May and that the borrower would not owe payments until July 2024.<sup>84</sup>

- **Another borrower reported that they received multiple past due notices while they were waiting to be enrolled in the SAVE Plan.** The borrower applied for SAVE in August 2023, complained to the CFPB in October 2023, and was approved for SAVE in late November. However, the borrower received past due notifications in October and November. The borrower was enrolled in the SAVE Plan in January 2024 and received a response to their complaint in July 2024.<sup>85</sup>
- **Another borrower, a teacher who has years of qualifying payments towards PSLF, told the CFPB in February 2024 that they were being reported as past due despite requesting multiple times to be placed in forbearance status.** The borrower said that despite “customer service ... escalat[ing] my case multiple times over the past year without any response,” MOHELA insisted they had “missed payments when I have proof of being in [forbearance] ... MOHELA has continued to drop the ball and I may need to seek legal support after dealing with this for a year.” MOHELA responded that the forbearances had not been applied, the loans were indeed wrongly past due, and they would apply the forbearances within 3-5 business days.<sup>86</sup>
- **Another borrower only found out about forbearances that had been applied to their account after they had made payments.**<sup>87</sup> The borrower made payments they thought were due in October and November 2023, but was informed in December that they did not owe payments during those months after being placed in administrative forbearance due to servicer error. The borrower said: “I am out \$202 at this time that could have gone to other expenses. I am sick of how long it takes to get information that should have been sent [months ago].” MOHELA’s response in January confirmed the forbearance status and stated that the October and November payments were refunded.<sup>88</sup>

---

<sup>84</sup> COMPLAINT DATABASE Complaint ID# 8965511, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8965511>.

<sup>85</sup> COMPLAINT DATABASE Complaint ID# 7690697, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7690697>.

<sup>86</sup> COMPLAINT DATABASE Complaint ID# 8439539, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8439539>.

<sup>87</sup> See Section 1.3.2 for a discussion about retroactive forbearances applied due to widespread servicer errors.

<sup>88</sup> COMPLAINT DATABASE Complaint ID# 8081723, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8081723> (permission to publish narrative obtained from the consumer).

### 1.2.3 Credit reporting errors

Servicer processing delays and other errors also affected some borrowers' credit reports. Many borrowers said that despite having their loans cancelled months ago, their credit reporting tradelines were never correctly closed and continued to appear on their credit reports. *The Washington Post* reported in May 2024 that at least 1.4 million duplicate student loan records had appeared on credit reports.<sup>89</sup> In August 2024, a group of senators launched a related congressional inquiry and requested information from the servicers Nelnet and MOHELA and the consumer reporting agencies Experian, TransUnion, and Equifax.<sup>90</sup>

- **One borrower's loan was cancelled in September 2023, but MOHELA noted eight months later that it was still updating credit reporting information on the cancellation.**<sup>91</sup>
- **Another borrower reported that Nelnet was not reporting on-time payments to consumer reporting agencies.** The borrower said in July 2023 that their credit report still showed their April balance of \$6,900 and excluded four payments they made in May and July that paid the loan in full. Nelnet's response in August included an up-to-date and accurate payment history and stated that all reporting had been accurate, but the borrower later reported that the credit bureaus were still reporting a balance.<sup>92</sup>
- **Another borrower whose loans were transferred between servicers had their loans reported twice.** When they called Maximus Federal Services for help, they were told to dispute the issue directly with the consumer reporting agencies. The borrower noted that "disputes take months awaiting reply and this negatively impacts my credit score while

---

<sup>89</sup> Danielle Douglas-Gabriel, *How a paperwork glitch is hurting student loan borrowers' credit scores*, THE WASH. POST (May 29, 2024), <https://www.washingtonpost.com/education/2024/05/29/student-loan-balance-duplicates-credit-reports/>. ("The Education Department wants the servicing receiving the student loan [due to a transfer] to submit a file – known as an L1 segment – to the credit agencies signaling the debt transferred from another servicer and the prior history should be retained. The problem is that sometimes that file does not get processed correctly by the credit agencies, according to the Education Department.")

<sup>90</sup> Danielle Douglas-Gabriel, *How a paperwork glitch is hurting student loan borrowers' credit scores*, THE WASH. POST (May 29, 2024), <https://www.washingtonpost.com/education/2024/05/29/student-loan-balance-duplicates-credit-reports/>. See also, Letter from Sens. Warren, Merkley, Blumenthal, Wyden, Letters to Nelnet, MOHELA, Experian, TranUnion and Equifax Re: Duplicate Credit Reporting (Aug. 9, 2024), <https://www.warren.senate.gov/imo/media/doc/20240808lettertomohelanelnetandcreditagenciesreloanbalanceduplicationerrorcombinedpdf.pdf>.

<sup>91</sup> COMPLAINT DATABASE Complaint ID# 8578767, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8578767>.

<sup>92</sup> COMPLAINT DATABASE Complaint ID# 7329661, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7329661>.



I wait (larger debt owed than I actually owe).” In its response, Maximus confirmed that they corrected their updates to the consumer reporting agencies.<sup>93</sup>

## 1.2.4 Uninsured FFELP loan status errors

Loans in the Federal Family Education Loan Program (FFELP) were issued to borrowers between 1965 and 2010 under a public-private partnership that allowed private student lenders to originate loans subsidized and guaranteed by the federal government. FFELP loans are generally eligible for income-based repayment programs, consolidation, interest subsidies, forbearances, deferment options, and other cancellation programs. In some cases, FFELP borrowers must consolidate their loans into the Direct Loan program to receive these benefits.

This year, the CFPB heard from many borrowers about their FFELP loans becoming “uninsured” through no fault of the borrower. Instead, due to lender or servicer misconduct, tens of thousands of borrowers have had their loans unilaterally “uninsured,” and thereby been deprived of access to the cancellation and lower monthly payment options offered by the federal loan program.<sup>94</sup> Many impacted borrowers were never told that their loans were removed from the federal program and only became aware of the loan’s status when they were denied for a benefit like consolidation,<sup>95</sup> IDR, or PSLF.

- **One borrower reported that because their loan had become uninsured, they were unable to enroll in an income-driven repayment plan and were left facing payments “so high [that paying] would put me back into a homeless status again.”** Their servicer, Oklahoma Student Loan Authority, stated that the case was closed, the loan was indeed uninsured, and that the borrower was completing a request for Economic Hardship Deferment.<sup>96</sup>
- **A borrower found out that their loan had become uninsured when they tried to enroll in an income-driven repayment plan so they could afford their monthly**

---

<sup>93</sup> COMPLAINT DATABASE Complaint ID# 8735422, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8735422>.

<sup>94</sup> FFELP loans could become uninsured for reasons including servicer failure to put borrowers into a repayment status; make required telephone contact or a diligent effort to contact borrower; send required collection letters; conduct skip tracing; or provide payment histories. See 34 CFR § 674.41 Due Diligence – General Requirements. See also Danielle Douglas-Gabriel, *How a paperwork glitch is hurting student loan borrowers’ credit scores*, THE WASH. POST (May 29, 2024), <https://www.washingtonpost.com/education/2024/05/29/student-loan-balance-duplicates-credit-reports/>.

<sup>95</sup> Uninsured FFELP loans are not eligible for consolidation into the Direct Loan program. See U.S. Department of Education, Office of Federal Student Aid, *Loan Consolidation Webpage* (last accessed Oct. 9, 2024), <https://studentaid.gov/manage-loans/consolidation>.

<sup>96</sup> COMPLAINT DATABASE Complaint ID# 7538176, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7538176>.

**payment.** This borrower told the CFPB: “I really need this IDR plan to stand as I have a family of 4 and cannot pay a [\$]310 payment.... I pay all my obligations on time just for the basic rent, utilities, food, internet, phone. I make just enough to pay these obligations.... I should have all my loans set up on IDR plan and adjusted to my income so I don’t become homeless paying down my student loans.” Oklahoma Student Loan Authority responded that the loan became uninsured in March 2021 and was not eligible for consolidation and that the borrower was sent Economic Hardship Deferment paperwork.<sup>97</sup>

- **Another borrower found out that their loan had become uninsured when they tried to consolidate their loans and finalize their PSLF loan cancellation.** This borrower said: “This is no fault of the student who signed for the loan (i.e., myself). It is entirely the fault of Navient” In its response, Navient confirmed that the loan had been uninsured and declined to cancel the loan.<sup>98</sup>

## 1.3 Communication errors

It is critical that borrowers receive accurate and clear information from their servicers. However, the CFPB has observed student loan servicers providing misleading, incorrect, deceptive, and untimely information to borrowers for more than a decade and continues to hear from borrowers about times they were unable to get the information they needed or received misleading information.<sup>99</sup> These actions create unnecessary difficulties for borrowers trying to access basic information related to their student loan account, such as due dates, monthly payment amounts, and potential outstanding balances. Depending on the specific circumstances, they also may be unlawful under the Dodd-Frank Act’s prohibition against unfair, deceptive, and abusive acts and practices (UDAAP).<sup>100</sup>

In 2017, the CFPB sued the servicer Navient for communication errors that “failed borrowers at every stage of repayment,”<sup>101</sup> and on September 12, 2024, the Court entered a stipulated final

---

<sup>97</sup> COMPLAINT DATABASE Complaint ID# 7517268, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7517268>.

<sup>98</sup> COMPLAINT DATABASE Complaint ID# 9172973, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/9172973>.

<sup>99</sup> See Section 2.2.1 for more information on the CFPB Student Loan Ombudsman prior reports.

<sup>100</sup> See generally, 12 U.S.C. § 5531; CONSUMER FIN. PROT. BUREAU, SUPERVISORY HIGHLIGHTS: STUDENT LOAN SERVICING SPECIAL EDITION (Sep. 2022), [https://files.consumerfinance.gov/f/documents/cfpb\\_student\\_loan\\_servicing-supervisory-highlights-special-edition\\_report\\_2022-09.pdf](https://files.consumerfinance.gov/f/documents/cfpb_student_loan_servicing-supervisory-highlights-special-edition_report_2022-09.pdf); See also, e.g., EdFinancial Services, LLC, CFPB No. 2022-CFPB-0001 (Mar. 30, 2022).

<sup>101</sup> *CFPB Sues Nation’s Largest Student Loan Company Navient for Failing Borrowers at Every Stage of Repayment*, CONSUMER FIN. PROT. BUREAU (Jan. 2017), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-nations-largest-student-loan-company-navient-failing-borrowers-every-stage-repayment/>.

judgement banning Navient from federal loan servicing and requiring it to pay \$120 million for longstanding and widespread servicing failures.<sup>102</sup> The lawsuit addresses years of unlawful practices by Navient, including steering borrowers who may have qualified for income-driven repayment plans into forbearance.

### 1.3.1 Website access issues

Over the past year, many borrowers reported that they were unable to access information about their loans. Borrowers reported that call hold times were many hours long and that servicer websites produced error messages or prevented them from logging in to their own account. For example:

- **One borrower said that they could not log into their account for over two months or reach customer service due to long call hold times.** When they did log in, their information was not up-to-date, and they were shortly locked out of their account again. The borrower said: “I AM FURIOUS! Interest began accruing at the beginning of this month and I cannot pay down my principal! I don’t even know what it is!!! I cannot blindly send a check for thousands of dollars not knowing what my balance is and what my payments will be in October.” EdFinancial responded two months later noting the customer could log into their account in October, four months after being notified it was ready for use.<sup>103</sup>
- **Persistent website problems prevented another borrower from finding their due date, confirming their payment amount, enrolling in an income-driven repayment plan, and updating their auto-debit information.** MOHELA shared the borrower’s loan information two months later in a response to their complaint but did not fully address web outages or error messages on their website.<sup>104</sup>

---

<sup>102</sup> Navient Corporation, et al., CFPB No. 3:17-CV-00101-RDM (Sept. 12, 2024). *See also CFPB Bans Navient from Federal Student Loan Servicing and Orders the Company to Pay \$120 Million for Wide-Ranging Student Lending Failures*, CONSUMER FIN. PROT. BUREAU (Sept. 12, 2024), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-bans-navient-from-federal-student-loan-servicing-and-orders-the-company-to-pay-120-million-for-wide-ranging-student-lending-failures/>.

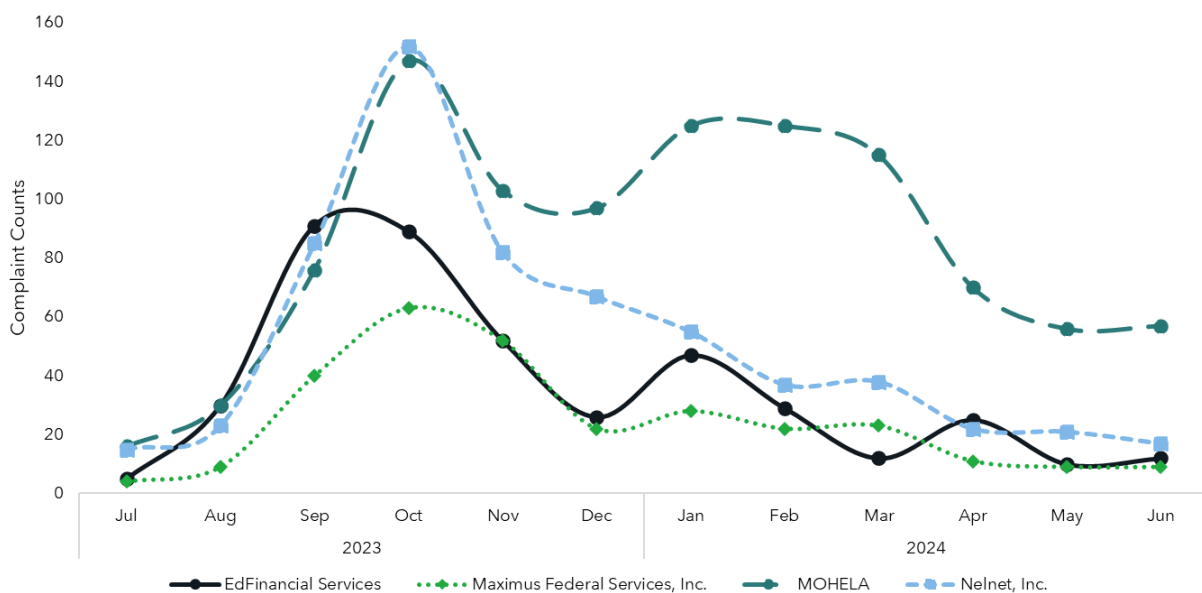
<sup>103</sup> COMPLAINT DATABASE Complaint ID# 7514007, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7514007>.

<sup>104</sup> COMPLAINT DATABASE Complaint ID# 7523296, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7523296>.

- **Another borrower said that uploading documentation for a deferment request took so long their computer timed out.** EdFinancial did not address the website issues in their response.<sup>105</sup>

The CFPB received hundreds of similar complaints regarding website issues across multiple servicers (Figure 2); 2,670 student loan complaints submitted to the CFPB during the Award Year contained the word “website.” Most website complaints were submitted in the fall of 2023 when payments were restarting. However, although complaint volume declined after an initial peak in the fall, complaints persisted and remained elevated for some servicers into 2024.

**FIGURE 2. COMPLAINTS SUBMITTED TO THE CFPB ABOUT WEBSITE ISSUES BY SERVICER, AY23-24<sup>106</sup>**



In supervisory work conducted before the return to repayment, CFPB’s Office of Supervision observed instances where servicers disabled borrowers’ access to online account management portals after short periods of borrower inactivity and borrowers also experienced problems with servicers’ interactive voice response (IVR) systems, thereby limiting consumers’ ability to pay or obtain assistance accessing benefits without speaking to an agent.<sup>107</sup> The examiners determined that servicers had failed to provide, for an extended time, an adequate avenue for consumers to

<sup>105</sup> COMPLAINT DATABASE Complaint ID# 7639327, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7639327>.

<sup>106</sup> This analysis includes complaints containing the keyword “website” for the four major federal student loan servicers.

<sup>107</sup> CONSUMER FIN. PROT. BUREAU, SUPERVISORY HIGHLIGHTS: SERVICING AND COLLECTION OF CONSUMER DEBT (ISSUE 34) (Jul. 2024), [https://files.consumerfinance.gov/f/documents/cfpb\\_supervisory-highlights\\_issue-34\\_2024-07.pdf](https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-34_2024-07.pdf).

timely resolve disputes or inquiries by phone or submit phone payments, when servicers had offered the by-phone options. The Office of Supervision concluded that this conduct violated the Dodd-Frank Act’s prohibition against unfair and abusive acts and practices.

### 1.3.2 Miscalculated payment amounts and inaccurate due dates

At least 3.9 million borrowers received misleading or inaccurate billing statements or never received a billing statement in the last year.<sup>108</sup> The CFPB heard many reports from borrowers who received inaccurate or confusing information about their monthly payment amounts.

- **Bills with monthly payment amounts ranging from \$29 to \$700:** One borrower reported in December 2023 that they received conflicting information about their payment amount and due date. Nelnet did not clarify the borrower’s monthly payment amount, but instead reported that the borrower’s SAVE application had not been processed and that the borrower needed to submit proof of income.<sup>109</sup>
- **Bill for a monthly payment that was \$1,000 higher than expected:** Another borrower found that their amount due was roughly \$1,000 higher than they expected after IDR enrollment due to a servicer error. MOHELA told the borrower that they are unable to correct the amount without income recertification, five months prior to the deadline. In its response, MOHELA wrote that it was reviewing the borrower’s account to determine their monthly payment amount.<sup>110</sup>
- **Bill for a monthly payment that was six times the expected amount:** Another borrower told the CFPB: “The amount due on this bill was approximately six times the amount I calculated based on the 10% discretionary income cap...” MOHELA then placed the borrower in an additional forbearance processing period, after their initial forbearance

---

<sup>108</sup> See Section 2.2.1 for more information on Award Year 2023-2024 billing statement problems. A memo signed by Under Secretary Kvaal states “Federal and state regulators who are currently conducting supervisory examinations of FSA’s loan servicers to monitor return to repayment have already indicated that if FSA does not fully remediate these borrowers, they will likely find violations of their consumer protection laws and require servicers to remediate the problems experienced by borrowers themselves and impose monetary fines against the servicers, while not fully fixing the problems caused for borrowers.” See U.S. Dep’t of Educ., *Signed Decision Memo to Request Approval: Use of Secretary’s Compromise Authority for Remediating Potential Harm to Borrowers Caused by Return to Repayment Servicing Errors*, at 9 (Oct. 29, 2023), <https://www2.ed.gov/policy/gen/leg/foia/decision-memorandum-return-to-repayment-servicing-errors-10-29-23-signed-redacted.pdf> [hereinafter Educ. Decision Memo].

<sup>109</sup> COMPLAINT DATABASE Complaint ID# 8068346, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8068346>.

<sup>110</sup> COMPLAINT DATABASE Complaint ID# 7542923, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7542923>.

expired, to allow for a further review of the borrower's income-driven repayment application.<sup>111</sup>

Other borrowers reported that they received inaccurate or conflicting information about their payment due dates.

- **One borrower told the CFPB that they received conflicting information on MOHELA's website about upcoming due dates.** When the borrower's temporary forbearance expired prior to completion of their IDR enrollment, the borrower said they were unable to get clear information about their next due date and payment amount. The borrower said: "I got an email on January 28th stating my repayment schedule was changed, and now on some pages of their website, it says my payment is due, while on others it says it's due March 13th, 2024. Which is it? And it still has not been lowered to the amount I applied for. This is getting ridiculous." In its response in March 2024, MOHELA did not provide information about the borrower's payment amount or due date and merely informed the consumer that they were transitioning to a new loan servicing platform and would remain in contact.<sup>112</sup>

### 1.3.3 Failure to inform consumers of recertification requirements

CFPB examiners have previously found that certain servicers engaged in unfair acts and practices by failing to inform borrowers about benefit form requirements, including criteria for income-driven repayment enrollment and recertification, where borrowers must demonstrate continued eligibility based on income documentation.<sup>113</sup> Recertification problems can be especially harmful to borrowers because they can prevent them from paying lower monthly payments based on their income. The CFPB found that the failure to provide complete and accurate recertification information resulted in a two-year period where only 12 percent of applicants could submit the required income documentation to successfully reenroll in the

---

<sup>111</sup> COMPLAINT DATABASE Complaint ID# 8077891, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8077891> (permission to publish narrative obtained from the consumer).

<sup>112</sup> COMPLAINT DATABASE Complaint ID# 8246174, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8246174>.

<sup>113</sup> CONSUMER FIN. PROT. BUREAU, SUPERVISORY HIGHLIGHTS: STUDENT LOAN SERVICING SPECIAL EDITION (ISSUE 27) (Fall 2022), [https://files.consumerfinance.gov/f/documents/cfpb\\_student-loan-servicing-supervisory-highlights-special-edition\\_report\\_2022-09.pdf](https://files.consumerfinance.gov/f/documents/cfpb_student-loan-servicing-supervisory-highlights-special-edition_report_2022-09.pdf), at 22-23.

Revised Pay as You Earn (REPAYE) payment plan on their first application.<sup>114</sup> Over the last year, many borrowers were confused about the income recertification deadline, partially due to several deadline extensions, delayed updates to websites and other written borrower communications, and inaccurate information given by customer service representatives.<sup>115</sup>

- **One borrower knew that the deadline had been extended and was concerned when MOHELA gave them out-of-date information.** The borrower stated: “MOHELA is spreading and using inaccurate information as it relates to recertification. The DOE guidelines are clear and not left up for interpretation ... They have increased my payment ... which is affecting me closing on my mortgage!” MOHELA’s response confirms the borrower is enrolled in IDR with a monthly amount set to expire in 2025.<sup>116</sup>
- **Another borrower reported that MOHELA required recertification before an extension was announced.** The borrower complained to the CFPB when they realized they were wrongly stuck with higher monthly payment amounts and attempted to undo their recertification. The borrower also reported that when they tried try to revert to their prior payment amounts, they did not receive timely assistance and administrative forbearance was not made available. They said: “I will now be forced to pay the higher payment amount starting with the month of April until they fix this mistake and revert my payment amount [...]” One month later, MOHELA’s response indicated that they had not yet corrected the borrower’s account to reflect the accurate, lower monthly payment amount, but planned to do so.<sup>117</sup>

---

<sup>114</sup> Many consumers who fall out of an IDR plan seek to reenroll at some point in the future. This creates a gap period between IDR enrollments. Unlike other IDR plans, REPAYE requires consumers to submit documentation to demonstrate their income during the gap period before they can be approved to return. Servicers use this documentation to determine whether consumers paid less during the gap period than they would have under REPAYE. The CFPB cited servicers for the unfair practice of failing to sufficiently inform consumers about the need to provide certain income documentation when reentering the REPAYE payment plan. See Consumer Financial Protection Bureau, (Nov. 2019), *Data Point: Borrower Experiences on Income-Driven Repayment*, [https://files.consumerfinance.gov/f/documents/cfpb\\_data-point\\_borrower-experiences-on-IDR.pdf](https://files.consumerfinance.gov/f/documents/cfpb_data-point_borrower-experiences-on-IDR.pdf) at 23. The REPAYE Plan has been replaced by the SAVE Plan, but SAVE Plan implementation has been paused due to litigation. See U.S. Department of Education, (Aug. 14, 2024), *Department of Education Updates on Saving on a Valuable Education (SAVE Plan)*, <https://www.ed.gov/higher-education/manage-your-loans/save-plan>.

<sup>115</sup> For instance, in March 2024, the Department of Education announced that recertification would be extended to September 2024, at the earliest. *Income-Driven Repayment (IDR) Recertification Deadline Extended*, U.S. DEP’T OF EDUC., <https://studentaid.gov/announcements-events/idr-recertification-extended> (last visited Sep. 24, 2024). This website states that “Before we announced [the extension], some people received messages from their loan servicers starting in December 2023 about recertifying for IDR in March 2024.... If your payment went up, we will revert your payment to its previous monthly amount until your new recertification deadline.” See also, e.g., COMPLAINT DATABASE Complaint ID# 7559061.

<sup>116</sup> COMPLAINT DATABASE Complaint ID# 8460110, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8460110>.

<sup>117</sup> COMPLAINT DATABASE Complaint ID# 8640823, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8640823>.

## 1.3.4 Incomplete payment histories

Over four in five borrowers who owed payments in October 2023, or roughly 24 million of the 28 million borrowers who had payments due in that month, had their loans transferred to a different servicer during the COVID-19 payment pause.<sup>118</sup> Prior Student Loan Ombudsman Reports<sup>119</sup> and supervisory findings<sup>120</sup> have discussed pervasive problems that surround loan transfers in the federal student loan program. These problems include incomplete and inaccurate payment histories, incorrect billing statements, lost progress toward cancellation, and difficulty correcting past errors. One servicer told the CFPB in 2015 that “out of the more than 2.5 million accounts transferred, the company encountered problems with more than one out of five borrower accounts. These problems largely related to the transfer of records and other basic account information.”<sup>121</sup>

Borrowers seeking cancellation through PSLF and IDR are particularly reliant on accurate payment information because they become eligible for cancellation only after making a certain number of qualifying monthly payments (QMPs). Over a third of all PSLF-related complaints in the CFPB’s tagged sample were submitted about QMP counts.

- **When applying for a one-time income-driven repayment adjustment benefit that requires an accurate payment count, one borrower expressed confusion and frustration because, contrary to the borrower's expectation, MOHELA of their consolidated loan could not produce a complete payment history dating back to January 1991 when the borrower's first loan went into repayment.** This borrower explained that tracking decades-old payment history should be the responsibility of the lender, not borrowers, especially as all their loans are federal. MOHELA responded that they had records starting in 2002 when the loan was consolidated and told the borrower to contact their prior servicers for additional payment history.<sup>122</sup>

---

<sup>118</sup> See [Educ. Decision Memo](#) at 4.

<sup>119</sup> See, e.g., CONSUMER FIN. PROT. BUREAU, REPORT OF THE CFPB EDUCATION LOAN OMBUDSMAN (Oct. 2023), [https://files.consumerfinance.gov/f/documents/cfpb\\_annual-education-loan-ombudsman-report\\_2023.pdf](https://files.consumerfinance.gov/f/documents/cfpb_annual-education-loan-ombudsman-report_2023.pdf), at 11-13. See also, Section 1.3.1 and Appendix E for a discussion and list of prior CFPB Student Loan Ombudsman Reports.

<sup>120</sup> Consumer Fin. Prot. Bureau, *Supervisory Highlights (Issue 21)* (Feb. 2020) at 38 [permalink: <https://perma.cc/D6L3-H7HQ>]; see also Consumer Fin. Prot. Bureau, *Supervisory Highlights: Student Loan Servicing Special Edition (Issue 27)* (Sep. 2022), [https://files.consumerfinance.gov/f/documents/cfpb\\_student-loan-servicing-supervisory-highlights-special-edition\\_report\\_2022-09.pdf](https://files.consumerfinance.gov/f/documents/cfpb_student-loan-servicing-supervisory-highlights-special-edition_report_2022-09.pdf) at 10-13. See also Resp. Opp’n to the Appl. to Vacate the Stay Pending Appeal Issued by the U.S. Ct. of App. for the 10th Cir at 57a, 59-76, in *Alaska v. Dep’t of Educ.*, No. 24A11 (U.S. Aug. 28, 2024).

<sup>121</sup> CONSUMER FIN. PROT. BUREAU, STUDENT LOAN SERVICING: ANALYSIS OF PUBLIC INPUT AND RECOMMENDATIONS FOR REFORM 50 (2015), [https://files.consumerfinance.gov/f/201509\\_cfpb\\_student-loan-servicing-report.pdf](https://files.consumerfinance.gov/f/201509_cfpb_student-loan-servicing-report.pdf).

<sup>122</sup> COMPLAINT DATABASE Complaint ID# 7954304, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7954304>.



- **Another borrower said they were unable to track down all payments they made prior to a loan transfer.** The borrower added: “It is important my payments are recoded because they count towards forgiveness.” In its response, MOHELA stated that they would send the borrower their payment history and provided documentation showing that the borrower had been notified of the loan transfer in February 2022.<sup>123</sup>
- **Another borrower reported nearly 11 years of missing payments.** The borrower said: “I have worked for the same school district for 20 years, and have never missed a student loan payment ... I have documentation of every single payment since 2005, but somehow there are 11 years of MISSING PAYMENTS on MOHELA’s end (also was the same with FedLoan).” Roughly two months later, the servicer said that the borrower’s history was being reevaluated with FSA and that they were unable to expedite the process.<sup>124</sup>
- **Another borrower found that payments were missing because MOHELA had placed them into an erroneous “in-school deferment” status.** This borrower said that during the deferment period, they had been making monthly payments and working full-time for a qualified non-profit employer. In this case, the servicer responded to confirm that these periods were not included in the borrower’s count, that FSA review was necessary, and that they could not provide more information on their forgiveness eligibility and potential reconsideration timelines.<sup>125</sup>

## 1.4 Doom loop

Borrowers told the CFPB that their experiences with servicers made them feel deeply frustrated and one borrower said they felt trapped in a “death loop to nowhere.”<sup>126</sup> The CFPB has used a similar term, “doom loop,” to describe the common experience where automated or otherwise insufficient servicer responses “fail to resolve a customer’s issue and instead lead them in

---

<sup>123</sup> COMPLAINT DATABASE Complaint ID# 8762617, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8762617>.

<sup>124</sup> COMPLAINT DATABASE Complaint ID# 7305413, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7305413>.

<sup>125</sup> COMPLAINT DATABASE Complaint ID# 7335406, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7335406>.

<sup>126</sup> Consumer Complaint (on file with CFPB Student Loan Ombudsman, permission to publish narrative obtained from the consumer).

continuous loops of repetitive, unhelpful jargon or legalese,” which can “leave the customer unable to access their basic financial information and increase their frustration.”<sup>127</sup> For instance:

- **One borrower attempted to consolidate their loans to take advantage of the IDR account adjustment deadline of April 30 (which was later extended) but could not find a servicer that was willing to help them.** In their complaint, submitted in March 2024, the borrower said: “When I call [my servicer], they claim they can't help me. They try to send me to [Aidvantage]. [Aidvantage] sends me back to MOHELA. MOHELA totally refuses to consolidate my student loans or help me. This is an urgent matter!” On April 29, the servicer explained that the borrower’s consolidation request was forwarded to another servicer for review.<sup>128</sup>
- **Another borrower reported that they were unable to remove their account from forbearance after speaking to multiple customer service agents, receiving incorrect information, and waiting hours for assistance.** They said: “I asked for removal of the forbearance and was told by the agent it was not possible ... I called twice. First agent was in training and transferred me where I waited over an hour. I tried calling back and spoke to a specialist agent who informed me I could not take any action. She transferred me to a supervisor [and then] I was disconnected.”<sup>129</sup>

Borrowers are rightly frustrated with a system that often fails to provide them with timely and accurate information about their loans. Even more, under certain circumstances, delays, inaccurate or incomplete information, and extended inaccessibility may amount to violations of federal consumer protection law.<sup>130</sup>

---

<sup>127</sup> CONSUMER FIN. PROT. BUREAU, CHATBOTS IN CONSUMER FINANCE (Jun. 6, 2023), <https://www.consumerfinance.gov/data-research/research-reports/chatbots-in-consumer-finance/chatbots-in-consumer-finance/>.

<sup>128</sup> COMPLAINT DATABASE Complaint ID# 8619946, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8619946> (permission to publish narrative obtained from the consumer).

<sup>129</sup> COMPLAINT DATABASE Complaint ID# 8695021, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8695021>.

<sup>130</sup> See CONSUMER FIN. PROT. BUREAU, SUPERVISORY HIGHLIGHTS: SERVICING AND COLLECTION OF CONSUMER DEBT, ISSUE 34 (Jul. 2, 2024), <https://www.consumerfinance.gov/data-research/research-reports/supervisory-highlights-issue-34-summer-2024/> at 4-6; SUPERVISORY HIGHLIGHTS: STUDENT LOAN SERVICING SPECIAL EDITION, ISSUE 27 (Sep. 2022), [https://files.consumerfinance.gov/f/documents/cfpb\\_student\\_loan\\_servicing\\_supervisory\\_highlights\\_special\\_edition\\_report\\_2022-09.pdf](https://files.consumerfinance.gov/f/documents/cfpb_student_loan_servicing_supervisory_highlights_special_edition_report_2022-09.pdf) at 14-19.

# 2 Federal Student Loan Program Background

The 2023-2024 Award Year was characterized by several developments in the Department of Education's administration of the federal student loan program, including ongoing attempts at systemic reforms and the return of 28 million borrowers to repayment following an unprecedented payment pause.

## 2.1 Systemic reform efforts

Over the past several years, the Department of Education has made efforts to remediate a long history of servicing failures. Specifically, these changes include:

- **Creation and implementation of the Saving on a Valuable Education (SAVE) Plan,**<sup>131</sup> which lowers payments to \$0 for all borrowers making less than 225 percent of the federal poverty level (or \$33,885 for most single borrowers in 2024), waives accrued interest at the end of each month to ensure that loan balances do not grow for borrowers who make their monthly payments, and provides clear pathways to cancellation for borrowers who have made years of payments.<sup>132</sup> By July 2024, almost 8 million borrowers were enrolled in IDR plans, with over 4.5 million scheduled to pay \$0 per month due to their income.<sup>133</sup> However, as is discussed in greater detail in section 2.2.4, this plan has been on hold since June 2024 because of ongoing legal challenges.

---

<sup>131</sup> U.S. DEP'T OF EDUC., HOW THE NEW SAVE PLAN WILL TRANSFORM LOAN REPAYMENT AND PROTECT BORROWERS (2024), <https://www2.ed.gov/policy/highered/reg/hearulemaking/2021/idrfactsheetfinal.pdf>. See also Improving Income Driven Repayment for the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program, 88 Fed. Reg. 43820 (July 10, 2023) (to be codified 34 CFR Parts 682 and 685). See also section 2.2.4 for a discussion of ongoing legal disruptions related to the SAVE Plan.

<sup>132</sup> See U.S. Department of Education, *The Saving on a Valuable Education (SAVE) Plan Offers Lower Monthly Loan Payments* (accessed Sep. 24, 2024), <https://studentaid.gov/announcements-events/save-plan>.

<sup>133</sup> U.S. Department of Education, *Press Release: Biden-Harris Administration Announces Additional \$7.7 Billion in Approved Student Debt Relief for 160,000 Borrowers*, (last accessed Oct. 9, 2024), <https://www.ed.gov/about/news/press-release/biden-harris-administration-announces-additional-77-billion-approved>; See also, e.g., U.S. GOV'T ACCOUNTABILITY OFF., GAO-24-107150, FEDERAL STUDENT LOANS: PRELIMINARY OBSERVATIONS ON BORROWER REPAYMENT PRACTICES AFTER THE PAYMENT PAUSE, at 4 (2024), <https://www.gao.gov/assets/gao-24-107150.pdf>.

- **Efforts to systematically remediate borrower accounts through an income-driven repayment account adjustment.**<sup>134</sup> By mid-July 2024, this program dramatically accelerated PSLF approvals: over one million Americans have had \$74 billion cancelled through this program since January 2021, compared to only 7,000 Americans in all prior years since the first cohort of borrowers became eligible in 2017.<sup>135</sup> It also offered loan discharges based on years of repayment, cancelling \$51 billion in loans for 1 million Americans.<sup>136</sup>
- **Efforts to automate certain cancellation processes and implement group discharges.**<sup>137</sup> For instance, the Department of Education announced in 2021 that certain borrowers would be automatically granted Total and Permanent Disability (TPD) discharges based on information obtained through a data sharing agreement with the Social Security Administration, which immediately qualified approximately 323,000 borrowers owing more than \$5.8 billion.<sup>138</sup> By July 2024, more than 548,000 borrowers had received \$14.1 billion of cancellation through this discharge program.<sup>139</sup>
- **Group loan discharges for millions of borrowers related to school misconduct through the Borrower Defense to Repayment (BDR) program.** By July 2024, more

---

<sup>134</sup> Press Release, U.S. Dep’t of Educ., *Department of Education Announces Actions to Fix Longstanding Failures in the Student Loan Programs* (Apr. 19, 2022), <https://www.ed.gov/news/press-releases/department-education-announces-actions-fix-longstanding-failures-student-loan-programs>; See also U.S. DEP’T OF EDUC., PAYMENT COUNT ADJUSTMENT TOWARD INCOME-DRIVEN REPAYMENT AND PUBLIC SERVICE LOAN FORGIVENESS PROGRAMS (2024), <https://studentaid.gov/announcements-events/idr-account-adjustment> (last visited Aug. 29, 2024).

<sup>135</sup> The first group of borrowers eligible for PSLF could have reached 120 payments in October 2017, because payments began counting towards “qualifying monthly payments” in October 2007. See *Public Service Loan Forgiveness Webpage*, U.S. DEP’T OF EDUC., <https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service?ftag=YHF4eb9d17> (last visited October 16, 2024).

<sup>136</sup> Press Release, The White House, (Oct. 17, 2024), *FACT SHEET: President Biden Announces Over 1 Million Public Service Workers Have Received Student Debt Cancellation Under the Biden-Harris Administration*, <https://www.whitehouse.gov/briefing-room/statements-releases/2024/10/17/fact-sheet-president-biden-announces-over-1-million-public-service-workers-have-received-student-debt-cancellation-under-the-biden-harris-administration/>.

<sup>137</sup> U.S. DEP’T OF EDUC., FY 2022 ANNUAL REPORT (Jan. 23, 2023), <https://www2.ed.gov/about/reports/annual/2022report/agency-financial-report.pdf> at 12 (ED states that “cancellations of loan principal and interest increased 181 percent during FY 2022,” with more than \$29 billion forgiven, up from \$10.4 billion in FY 2021 and \$9.7 million in FY 2020).

<sup>138</sup> *Automatic Total & Permanent Disability Discharge through Social Security Administration Data Match*, GEN-21-49, U.S. Dep’t of Educ., <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2021-08-19/automatic-total-and-permanent-disability-discharge-through-social-security-administration-data-match-ea-id-general-21-49> (last visited Sept. 4, 2024).

<sup>139</sup> Press Release, U.S. Dep’t of Educ., *Biden-Harris Administration Approves Additional \$1.2 Billion in Student Debt Relief for 35,000 Public Service Workers* (Jul. 18, 2024), <https://www.ed.gov/news/press-releases/biden-harris-administration-approves-additional-12-billion-student-debt-relief-35000-public-service-workers>.

than 1.6 million borrowers had received \$28.7 billion in cancellation through this program.<sup>140</sup>

- **Implementation of the Fresh Start program, which protected more than 8 million people from forced collections for several years and provided a no-cost pathway to get loans out of default.** By 2024, 3 million borrowers who had loans in default in 2020 had removed their loans from default through Fresh Start and loan cancellation. They will not face forced collections when the garnishment of wages, tax refunds, and other benefits resume against borrowers with loans in default. They have also regained eligibility for lower monthly payments and cancellation programs such as PSLF.
- **Actions to hold borrowers harmless for servicing errors and redirect the costs of these failures onto the servicers themselves.** The Department of Education withheld over \$7 million from one servicer, MOHELA, in October 2023 as a result of “the failure of MOHELA to meet their basic obligation of delivering on-time statements to borrowers.”<sup>141</sup> In November, the Department also stated that it would place borrowers into temporary forbearances (which would count toward PSLF and IDR loan cancellation and adjust accrued interest to zero) when certain servicing errors are detected.<sup>142</sup>

Over time, these efforts have resulted in billions of dollars of loan cancellation for almost 5 million borrowers, restored eligibility for lower monthly payments and loan cancellation to an additional 3 million borrowers whose loans were formerly in default, and remediated millions of borrowers affected by servicing errors. These accomplishments will reduce borrower harm in both the short- and long-term.

---

<sup>140</sup> Press Release, U.S. Dep’t of Educ., *Biden-Harris Administration Approves Additional \$1.2 Billion in Student Debt Relief for 35,000 Public Service Workers* (Jul. 18, 2024), <https://www.ed.gov/news/press-releases/biden-harris-administration-approves-additional-12-billion-student-debt-relief-35000-public-service-workers>.

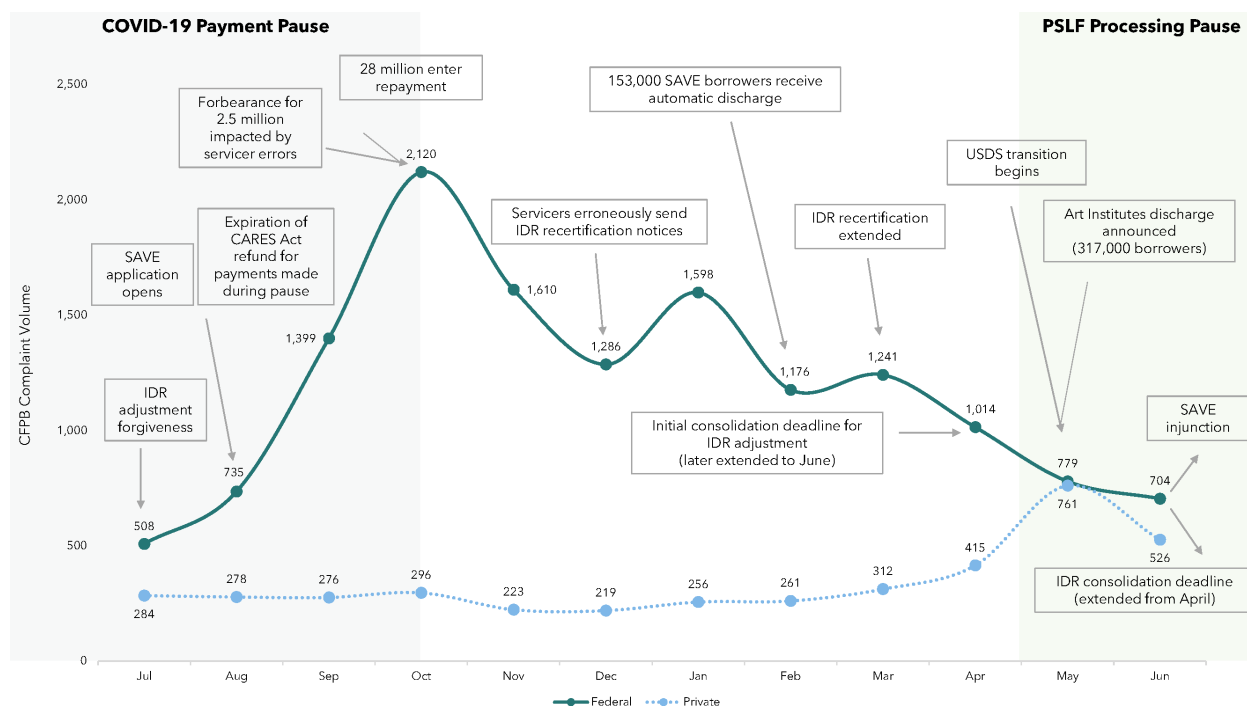
<sup>141</sup> Press Release, U.S. Department of Education, *U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers* (Oct. 30, 2023), [U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers](https://www.ed.gov/news/press-releases/u-s-department-of-education-announces-withholding-of-payment-to-student-loan-servicer-as-part-of-accountability-measures-for-harmed-borrowers) | U.S. Department of Education.

<sup>142</sup> Press Release, U.S. Department of Education, *Biden-Harris Administration Announces Framework for Student Loan Servicer Accountability To Protect Borrowers Nationwide* (Nov. 9, 2023), [Biden-Harris Administration Announces Framework for Student Loan Servicer Accountability To Protect Borrowers Nationwide](https://www.ed.gov/news/press-releases/biden-harris-administration-announces-framework-for-student-loan-servicer-accountability-to-protect-borrowers-nationwide) | U.S. Department of Education.

## 2.2 Systemic disruptions

Unfortunately, many recent efforts at systemic reform by the Department of Education have been poorly managed by servicers<sup>143</sup> and disrupted by ongoing litigation.<sup>144</sup> Over the past year, these disruptions likely contributed to an overall increase in complaint volume, including in the months leading up to October 2023, when many borrowers had payments due for the first time in over three years (Figure 3).<sup>145</sup>

**FIGURE 3. STUDENT LOAN SYSTEM CHANGES, ANNOUNCEMENTS, AND CFPB COMPLAINT VOLUME, AY23-24**



### 2.2.1 History of known servicing failures

Recent efforts at systemic reform were implemented in response to a long history of documented servicing failures. For over a decade, the CFPB, Department of Education, and other state and federal agencies have repeatedly identified servicer errors that cause significant financial harm to millions of borrowers. In eight of the last 12 years, the CFPB Student Loan

<sup>143</sup> *Supra* note 3. See generally, Resp. Opp'n to the Appl. to Vacate the Stay Pending Appeal Issued by the U.S. Ct. of App. for the 10th Cir at 57a, ¶¶15-19, in *Alaska v. Dep't of Educ.*, No. 24A11 (U.S. Aug. 28, 2024).

<sup>144</sup> See *infra* note 189189. See also, *Save Plan Court Actions: Impact on Borrowers*, U.S. DEP'T OF EDUC., <https://studentaid.gov/announcements-events/save-court-actions> (last visited Aug. 30, 2024).

<sup>145</sup> See Section 1.1 for a discussion of complaint volume over time.

Ombudsman has reported to Congress that loan servicers routinely made basic payment processing errors, including misallocating payments, improperly charging late fees, misreporting balances or payment amounts, and more (Table 1).<sup>146</sup>

**TABLE 1. SERVICER ERRORS DISCUSSED ACROSS 12 YEARS OF OMBUDSMANS' REPORTS**<sup>147</sup>

Finding	2012	2013	2014	2015	2016	2017	2019	2020	2021	2022	2023	2024
Payment processing errors	X	X	X	X	X	X			X	X	X	X
Mishandling of Income-Driven Repayment (IDR) plans & enrollment				X	X	X	X			X	X	X
Loan transfer errors		X		X	X	X			X	X	X	X
Mishandling of PSLF & Teacher Loan Forgiveness Program plans & enrollment					X	X			X	X	X	X
Mishandling of other discharge programs (e.g. Borrower Defense to Repayment)					X	X					X	X

\* No report was published in 2018.

Similarly, CFPB examiners have found that certain servicers have routinely violated federal consumer protection laws with deceptive and misleading communications<sup>148</sup> and wrongful denials related to IDR enrollment and loan cancellation.<sup>149</sup> The CFPB has also taken action

<sup>146</sup> See Appendix B for a list of the prior annual reports to Congress and mid-year updates by the CFPB Student Loan Ombudsman. Servicing errors in the chart are derived from these reports, and the omission of an error in a particular year's report does not mean that the servicers avoided making these errors during that year.

<sup>147</sup> This table includes findings that were discussed in annual and mid-year CFPB Student Loan Ombudsman reports and does not include findings by the CFPB's Offices of Supervision or Enforcement. This table does not include a column for 2018 as there was no report published that year.

<sup>148</sup> See, e.g., CONSUMER FIN. PROT. BUREAU, SUPERVISORY HIGHLIGHTS (ISSUE 27) (Sept. 2022), [https://files.consumerfinance.gov/f/documents/cfpb\\_student-loan-servicing-supervisory-highlights-special-edition\\_report\\_2022-09.pdf](https://files.consumerfinance.gov/f/documents/cfpb_student-loan-servicing-supervisory-highlights-special-edition_report_2022-09.pdf) at 14-25 (servicers told borrowers of Parent PLUS loans that they were ineligible for IDR or Public Service Loan Forgiveness (PSLF) and informed FFELP borrowers that they were ineligible for PSLF).

<sup>149</sup> *Id.* at 22 (CFPB examiners found that servicers had significant error rates of miscalculating IDR payments and wrongfully denying applications for IDR, Teacher Loan Forgiveness, and PSLF). See also CONSUMER FIN. PROT. BUREAU, SUPERVISORY HIGHLIGHTS (ISSUE 24) (June 2021), [https://files.consumerfinance.gov/f/documents/cfpb\\_supervisory-highlights\\_issue-24\\_2021-06.pdf](https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-24_2021-06.pdf) at 38; CONSUMER FIN. PROT. BUREAU, SUPERVISORY HIGHLIGHTS (ISSUE 21) (Feb. 2020) at 10 [permalink: <https://perma.cc/D6L3-H7HQ>].

against servicers, including in a recent case against Navient.<sup>150</sup> During the payment pause, the Department of Education made several public statements about compliance weaknesses<sup>151</sup> and servicing failures.<sup>152</sup> Unfortunately, the CFPB continues to identify significant violations and consumer risks related to loan transfers, IDR and PSLF processing, and basic customer service functions.<sup>153</sup>

## 2.2.2 Expiration of the COVID payment pause

Regular monthly payments of federal student loans resumed for over 28 million borrowers in October 2023 as was mandated by the Fiscal Responsibility Act of 2023.<sup>154</sup> This resumption of payments took place after more than 3.5 years of an unprecedented payment pause, after tens of millions of loan servicing transfers, and in the context of enormous loan program administration challenges. The Department of Education and loan servicers indicated that funding for the Office of Federal Student Aid “may [have been] inadequate to support borrowers’ smooth transition into repayment” and that reduced staffing and other factors could “leave borrowers...with insufficient support in navigating the terms and conditions of their student loans.”<sup>155</sup>

---

<sup>150</sup> Press Release, Consumer Fin. Prot. Bureau, *CFPB Bans Navient from Federal Student Loan Servicing and Orders the Company to Pay \$120 Million for Wide-Ranging Student Lending Failures* (Sep. 2024), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-bans-navient-from-federal-student-loan-servicing-and-orders-the-company-to-pay-120-million-for-wide-ranging-student-lending-failures/>.

<sup>151</sup> See, e.g., Defendant’s Status Report, *Barber v. DeVos*, 1:20-cv-01137 (D.D.C. Jan. 11, 2021), ECF No. 50 and U.S. DEP’T OF EDUC., FEDERAL STUDENT AID’S SUSPENSION OF INVOLUNTARY COLLECTION IN RESPONSE TO THE CORONAVIRUS PANDEMIC (Jun. 15, 2020), <https://www.oversight.gov/report/ED/Federal-Student-Aid%E2%80%99s-Suspension-Invuntary-Collection-Response-Coronavirus-Pandemic>.

<sup>152</sup> Press Release, Dep’t of Educ., Department of Education Announces Actions to Fix Longstanding Failures in the Student Loan Programs (April 19, 2022), <https://www.ed.gov/news/press-releases/department-education-announces-actions-fix-longstanding-failures-student-loan-programs> (last visited Feb. 13, 2024)

<sup>153</sup> See Resp. Opp’n to the Appl. to Vacate the Stay Pending Appeal Issued by the U.S. Ct. of App. for the 10th Cir at 57a in *Alaska v. Dep’t of Educ.*, No. 24A11 (U.S. Aug. 28, 2024).

<sup>154</sup> Fiscal Responsibility Act of 2023, H.R.3746, 118th Cong. (2023), <https://www.congress.gov/bill/118th-congress/house-bill/3746>. See also CONG. RES. SERV., IF12136, STUDENT LOANS: A TIMELINE OF ACTIONS TAKEN IN LIGHT OF THE COVID-19 PANDEMIC (Updated Jun. 23, 2023). See also *COVID-19 Emergency Relief and Federal Student Aid: History of the COVID-19 Emergency Relief Flexibilities*, U.S. DEP’T OF EDUC., <https://studentaid.gov/announcements-events/covid-19#resources> (last visited Mar. 17, 2023).

<sup>155</sup> See U.S. CONGRESSIONAL RESEARCH SERVICE, FEDERAL STUDENT LOANS: RETURN TO REPAYMENT (Sep. 1, 2023), <https://crsreports.congress.gov/product/pdf/IF/IF12472#:~:text=The%20Fiscal%20Responsibility%20Act%20of,%2C%20August%2029%2C%202023>.



By October 2023, the Department of Education estimated that at least 420,000 borrowers had received incorrect payment amounts as a result of widespread miscalculations<sup>156</sup> and stated that millions of borrowers were affected by servicing errors it believed “potentially violate[d] several federal and state consumer protection laws” (Table 2).<sup>157</sup>

**TABLE 2. KNOWN SERVICING ERRORS AFTER PAYMENT PAUSE (OCTOBER 2023)<sup>158</sup>**

<b>Error</b>	<b>Group</b>	<b>Borrowers</b>
<b>Incorrect monthly bills<sup>159</sup></b>	Borrowers whose loans had been transferred who were enrolling in the SAVE Plan	78,000
<b>Incorrect monthly bills<sup>160</sup></b>	Borrowers whose loans had been transferred and those enrolled in the “Fresh Start” program	21,000
<b>Late or no billing statements sent<sup>161</sup></b>	Borrowers with loans serviced by MOHELA	~2.5 million
<b>Late or no billing statements sent<sup>162</sup></b>	Borrowers with loans serviced by Maximus, EdFinancial, and Nelnet	758,000
<b>Incorrect repayment status changes<sup>163</sup></b>	Borrowers with pending BDR applications or discharges	~16,000
<b>No payment amount sent<sup>164</sup></b>	Borrowers converting from REPAYE to SAVE plan	~153,000

<sup>156</sup> Danielle Douglas-Gabriel, *How a paperwork glitch is hurting student loan borrowers’ credit scores*, THE WASH. POST (May 29, 2024), <https://www.washingtonpost.com/education/2024/05/29/student-loan-balance-duplicates-credit-reports/> (“the Education Department said MOHELA inadvertently used the 2022, instead of 2023, poverty guidelines” leading to incorrectly inflated monthly payment amounts for borrowers who were transitioning from the REPAYE to the SAVE plan. In other cases, the article reported that loan transfers had resulted in “incorrect or missing information about borrowers’ family size, income or marital tax status.”)

<sup>157</sup> [Educ. Decision Memo](#) at 9.

<sup>158</sup> [Educ. Decision Memo](#).

<sup>159</sup> [Educ. Decision Memo](#) at 2 (“monthly payments were incorrectly calculated based on incorrect family sizes, family income and spousal loan balances” for this group).

<sup>160</sup> [Educ. Decision Memo](#) at 3 (this group of borrowers “received monthly billing statements with very high and potentially incorrect amounts due. Hundreds of borrowers received bills stating they owed over \$10,000 per month and a few borrowers over \$100,000 per month.”).

<sup>161</sup> [Educ. Decision Memo](#) at 3 (Mohela “did not send timely billing statements to approximately 2.5 million borrowers.... The servicer has reported that as of October 19, 2023, over 830,000 of these borrowers missed making a full payment by their due date and are now considered delinquent.”). *See also* Press Release, U.S. Dep’t of Educ., *U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers* (Oct. 30, 2023), <https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers>.

<sup>162</sup> Press Release, U.S. Dep’t of Educ., *Biden-Harris Administration Takes Additional Action to Hold Student Loan Servicers Accountable for Failing to Meet Contractual Obligations* (Jan. 5, 2023), <https://www.ed.gov/news/press-releases/biden-harris-administration-takes-additional-action-hold-student-loan-servicers-accountable-failing-meet-contractual-obligations>.

<sup>163</sup> [Educ. Decision Memo](#) at 3 (“Servicers placed approximately 16,000 borrowers with pending BD applications or discharges in repayment status when those borrowers should have been kept in BD forbearance.”).

<sup>164</sup> [Educ. Decision Memo](#) at 3 (“When converting borrowers from the older REPAYE IDR plan to the new SAVE plan one servicer failed to send revised disclosures stating the borrower’s new monthly payment until after or contemporaneously to the due date.... Additionally, these monthly bills did not state which repayment plan the borrower was on nor did they state the time period during which the scheduled monthly payments would apply.”).

The Department then placed affected borrowers into administrative forbearances for several months, adjusting their interest rates, making them eligible for refunds of any related overdraft or insufficient funds fees, and giving credit toward IDR and PSLF loan cancellation for these periods.<sup>165</sup>

Recent research and other inquiries have also established that millions of borrowers may have missed payments, overpaid, or been unable to lower their monthly payments due to servicing errors during this period. The Federal Reserve Bank of Philadelphia found that one in four borrowers who made less than their full payment in October 2023 did so because of servicing “frictions” such as billing errors and problems contacting their servicer.<sup>166</sup> CFPB examiners observed that at the end of October 2023: (1) over 1.25 million income-driven repayment applications were pending, with over 450,000 pending for at least 30 days;<sup>167</sup> (2) during the last two weeks of October, borrowers were waiting over an hour (73 minutes) to speak to a live agent, with one borrower reportedly waiting nearly two days (47 hours or 565 minutes) to speak with a representative;<sup>168</sup> and (3) servicers had failed to provide written notification before withdrawing amounts greater than what the consumer had previously authorized.<sup>169</sup>

---

<sup>165</sup> See Press Release, U.S. Dep’t of Educ., *U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers* (Oct. 30, 2023), <https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers>; Press Release, U.S. Dep’t of Educ., *Biden-Harris Administration Takes Additional Action to Hold Student Loan Servicers Accountable for Failing to Meet Contractual Obligations* (Jan. 5, 2024), <https://www.ed.gov/news/press-releases/biden-harris-administration-takes-additional-action-hold-student-loan-servicers-accountable-failing-meet-contractual-obligations>.

<sup>166</sup> Tomás Monarrez & Dubravka Ritter, Federal Reserve Bank of Philadelphia, *Borrower Transitions into Student Loan Repayment: Evidence from Fall 2023 Consumer Survey Data* 10-11 (2024) <https://www.philadelphiafed.org/-/media/frbp/assets/consumer-finance/reports/cfi-sl-1-payments-resumption.pdf>.

<sup>167</sup> CONSUMER FIN. PROT. BUREAU, *ISSUE SPOTLIGHT: FEDERAL STUDENT LOAN RETURN TO REPAYMENT* (Jan. 2024), [https://files.consumerfinance.gov/f/documents/cfpb\\_federal-student-loan-return-to-repayment-report\\_2024-01.pdf](https://files.consumerfinance.gov/f/documents/cfpb_federal-student-loan-return-to-repayment-report_2024-01.pdf) at 7. See also, CONSUMER FIN. PROT. BUREAU, *SUPERVISORY HIGHLIGHTS: SERVICING AND COLLECTION OF CONSUMER DEBT* (Jul. 2024), [https://files.consumerfinance.gov/f/documents/cfpb\\_supervisory-highlights\\_issue-34\\_2024-07.pdf](https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-34_2024-07.pdf) at 4.

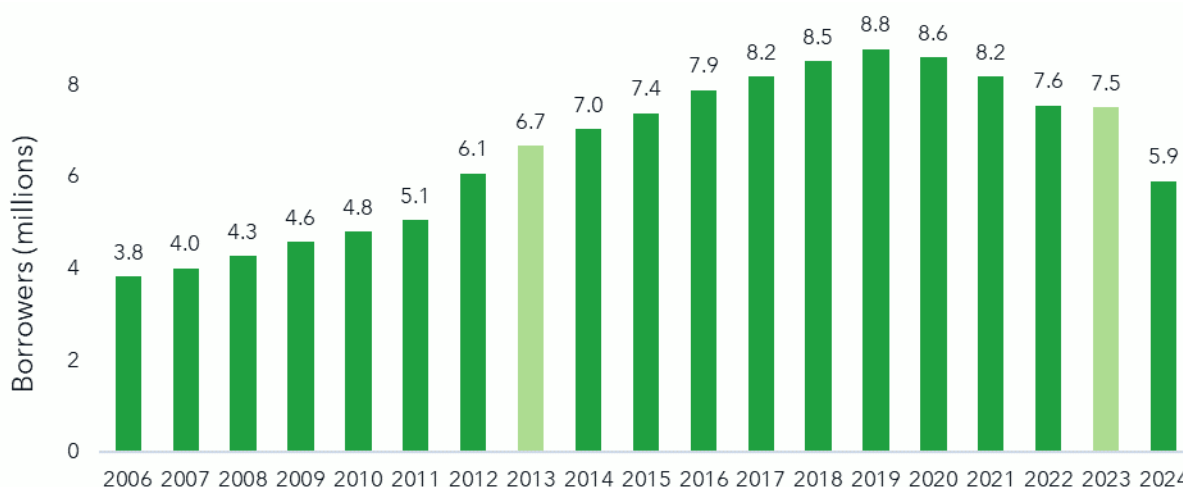
<sup>168</sup> *Id.* at 5. See also, CONSUMER FIN. PROT. BUREAU, *SUPERVISORY HIGHLIGHTS: SERVICING AND COLLECTION OF CONSUMER DEBT* (Jul. 2024), [https://files.consumerfinance.gov/f/documents/cfpb\\_supervisory-highlights\\_issue-34\\_2024-07.pdf](https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-34_2024-07.pdf) at 4.

<sup>169</sup> CONSUMER FIN. PROT. BUREAU, *SUPERVISORY HIGHLIGHTS: SERVICING AND COLLECTION OF CONSUMER DEBT* (Jul. 2024), [https://files.consumerfinance.gov/f/documents/cfpb\\_supervisory-highlights\\_issue-34\\_2024-07.pdf](https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-34_2024-07.pdf) at 8.

## 2.2.3 Resumption of debt collection and the default program

In March 2020, nearly 9 million borrowers had federal student loans in default,<sup>170</sup> with a total outstanding balance of almost \$190 billion (Figure 4).<sup>171</sup>

**FIGURE 4. NUMBER OF BORROWERS WITH FEDERAL STUDENT LOANS IN DEFAULT, 2006 – 2024<sup>172</sup>**



The number of borrowers with loans in default began shrinking for the first time in over a decade after the COVID-19 payment pause began in 2020, which prevented any new defaults of federally managed loans.<sup>173</sup> Additionally, the time-limited Fresh Start program provided a no-

<sup>170</sup> U.S. Department of Education, Office of Federal Student Aid, *Borrowers in Default Over Time, By Loan Program*, (CFPB analysis of confidential data obtained through an administrative information transfer). This number is unduplicated and includes borrowers with both Direct and Federal Family Education Loan Program (FFEL) loans in default. See also *Federal Student Loan Portfolio*, U.S. DEP'T OF EDUC., <https://studentaid.gov/data-center/student/portfolio> (last visited Oct. 9, 2024). This report reflects defaulted loans that are more than 360 days delinquent and have become subject to forced collection activity. Although over 90 percent of all student loans are federal, there are also privately-owned student loans in default. These loans are outside the scope of this report.

<sup>171</sup> *Federal Student Loan Portfolio*, U.S. DEP'T OF EDUC., <https://studentaid.gov/data-center/student/portfolio> (last visited Oct. 9, 2024) (for this report, “federally managed student loans” are defined as Direct Loans and ED-held loans made through the FFEL program. This number is approximate and is a point-in-time estimate for March 2020.).

<sup>172</sup> U.S. Department of Education, Office of Federal Student Aid, *Borrowers in Default Over Time, By Loan Program*, (last visited Mar. 21, 2023); *Federal Student Loan Portfolio*, U.S. DEP'T OF EDUC., <https://studentaid.gov/data-center/student/portfolio> (last visited Oct. 9, 2024). This number is unduplicated and includes borrowers with both Direct and FFEL loans in default as of September of each year, except in 2024 when the data is a point-in-time estimate in June. Only the counts for 2012 and 2014-2022 include borrowers with defaulted Perkins loans. Data for 2013 and 2023 is estimated (the totals reflects the sums of the borrowers with defaulted Direct loans and the borrowers with defaulted FFEL loans in that year in Q4 according to FSA portfolio data) due to the lack of an unduplicated count for that year.

<sup>173</sup> However, the protections did not change the status of loans already in default. See *Coronavirus Aid, Relief, and Economic Security Act (CARES Act)*, Pub. L. No. 116-136 (Mar. 27, 2020).

cost pathway out of default,<sup>174</sup> and loan cancellation through programs such as Borrower Defense to Repayment allowed millions of borrowers to get their loans out of default. By 2024, 5.9 million borrowers had loans in default, meaning that almost 3 million borrowers were able to get their loans out of default status since 2019.<sup>175</sup>

However, even despite these successes and the creation of the more affordable SAVE repayment option, nearly 30 percent of borrowers in repayment were past due on their student loan payments in January 2024.<sup>176</sup> In the year following the expiration of the on-ramp and Fresh Start protections, some portion of past due borrowers are likely to see their loans move into default if they continue to miss payments.<sup>177</sup> That group, which could include millions of borrowers, will join the roughly 6 million borrowers who already have loans in default.<sup>178</sup>

When a federal student loan is in default, borrowers often experience consequences such as negative credit reporting, debt collection calls and notices, lawsuits, and forced collections against their wages, tax refunds and credits, and Social Security benefits.<sup>179</sup> In Fiscal Year 2019, the most recent full year in which forced collections occurred, the Department of Education forcibly collected almost \$5.8 billion<sup>180</sup> from roughly 2.8 million borrowers (Table 3).<sup>181</sup>

---

<sup>174</sup> Fresh Start allows borrowers with loans in default to exit by contacting their loan holder and requesting to have their loans removed from default status without a loan consolidation or a rehabilitation. See *Default and Fresh Start*, U.S. DEP'T OF EDUC., <https://studentaid.gov/announcements-events/default-fresh-start>, (last visited Feb. 13, 2024),

<sup>175</sup> U.S. Department of Education, (June 2024), *Enterprise Data Warehouse* (email on file with author).

<sup>176</sup> U.S. Gov't Accountability Off., GAO-24-107150, *Federal Student Loans: Preliminary Observations on Borrower Repayment Practices* 5 (2024).

<sup>177</sup> U.S. Gov't Accountability Off., GAO-24-107150, *Federal Student Loans: Preliminary Observations on Borrower Repayment Practices* 5 (2024).

<sup>178</sup> U.S. Department of Education, (June 2024), *Enterprise Data Warehouse* (email on file with author).

<sup>179</sup> 31 U.S.C. §§ 285.2(b) & 285.11(d). These collections are conducted under the Administrative Wage Garnishment (AWG) program partially administered by the Departments of Education and Justice, and the Treasury Offset Program (TOP) administered by the Department of the Treasury.

<sup>180</sup> U.S. Department of Education, Office of Federal Student Aid, *FY2019 DMCS Collections by Type* (CFPB analysis of confidential data obtained through an administrative information transfer). FY totals reported here may differ slightly from official reporting because payment dates are based on receipt/effective date rather than posting date.

<sup>181</sup> U.S. Department of Education, Office of Federal Student Aid, *DMCS Borrowers Subject to TOP, AWG, or DOJ in FY2019 by Borrower Type* (CFPB analysis of confidential data obtained through an administrative information transfer). This dataset indicates that 2,587,700 borrowers in the Default Management Collection System (DMCS) were subject to AWG, TOP, or judicial collections in fiscal year 2019. These debts may be federally managed or non-ED-held loans, as well as amounts recovered for administrative, or non-loan, debts owed to ED (e.g., fines).

**TABLE 3. COLLECTIONS BY TYPE, FISCAL YEAR 2019<sup>182</sup>**

	<b>Borrowers</b>	<b>Dollars</b>	<b>Share of Dollars</b>	<b>Average Annual Amount Collected</b>
Treasury Offset Program	2,249,000	\$4,440,000,000	68.0%	\$1,974
Administrative Wage Garnishment	571,000	\$1,332,000,000	20.4%	\$2,335
Judicial collection activity	6,000	\$10,000,000	0.2%	\$1,700
<b>Total Forced Payments<sup>183</sup></b>	<b>2,826,000</b>	<b>\$5,782,000,000</b>	<b>88.6%</b>	<b>\$2,046</b>
Voluntary payments	1,208,000	\$749,000,000	11.5%	\$620

Due to outdated income protection thresholds set by federal collections statutes and the Higher Education Act (HEA), which have not been adjusted for inflation, forced collections can push borrowers below the federal poverty level (Figure 5).<sup>184</sup> Additionally, offsets against borrowers' tax refunds can deprive them of access to key anti-poverty benefits such as the Earned Income Tax Credit and the Child Tax Credit.<sup>185</sup> The inadequacy of existing protections, combined with

<sup>182</sup> U.S. Department of Education, Office of Federal Student Aid, *FY2019 DMCS Collections by Type* (CFPB analysis of confidential data obtained through an administrative information transfer). Borrowers who made payments through multiple channels in fiscal year 2019 (e.g., through the Treasury Offset Program and voluntary payments) are counted in both totals and thus totals may overestimate. Additionally, fiscal year (FY) totals reported here may differ slightly from official reporting because numbers in this report are based on a sample population and payment dates are based on receipt/effective date rather than posting date.

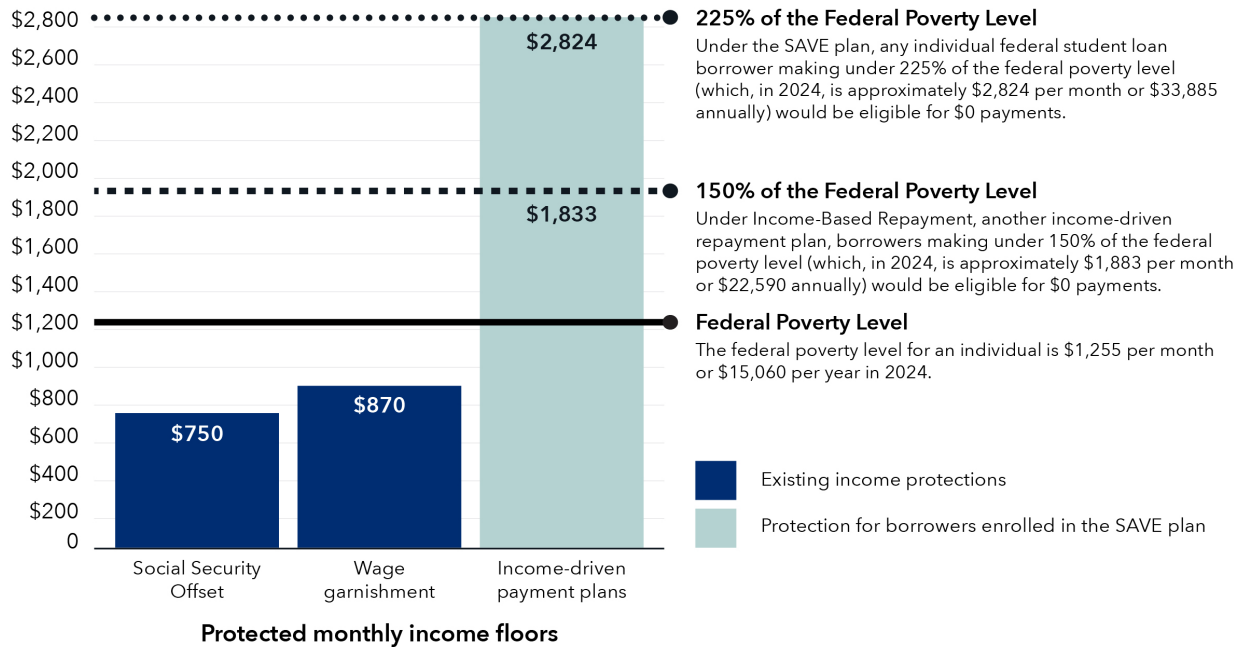
<sup>183</sup> Administrative Wage Garnishment (AWG) is a debt collection process where a federal agency orders a non-federal employer to withhold an employee's income. The Treasury Offset Program (TOP) is a debt collection program that withholds payments to debtors from federal agencies, including tax refunds. Judicial collection activity refers to collections pursued through litigation, typically by the Department of Justice or its subcontractors. See U.S. DEP'T. OF THE TREASURY, FISCAL YEAR 2019 REPORT TO THE CONGRESS: U.S. GOVERNMENT NON-TAX RECEIVABLES AND DEBT COLLECTION ACTIVITIES OF THE FEDERAL GOVERNMENT, (Jul. 2020), <https://fiscal.treasury.gov/files/dms/debt19.pdf>.

<sup>184</sup> 31 C.F.R. § 285.4(e); 31 U.S.C. § 3720D(b)(1); 34 C.F.R. § 34.19(b).

<sup>185</sup> *Treasury Offset Program*, U.S. DEP'T OF TREAS., BUREAU OF FISCAL SERVICES, <https://www.fiscal.treasury.gov/top/> (last visited Oct. 9, 2024).

the federal student loan default program’s long history of legal compliance weaknesses,<sup>186</sup> poses a serious risk of harm to borrowers and their families.<sup>187</sup>

**FIGURE 5. MONTHLY WAGE PROTECTIONS, SOCIAL SECURITY OFFSET AND WAGE GARNISHMENT**



<sup>186</sup> U.S. GOV'T ACCOUNTABILITY OFF., GAO-14-256, FEDERAL STUDENT LOANS: BETTER OVERSIGHT COULD IMPROVE DEFAULTED LOAN REHABILITATION (Mar. 2014), <https://www.gao.gov/assets/gao-14-256.pdf>; U.S. DEP'T OF EDUC., ED-OIG/AO6MOO12, HANDLING OF BORROWER COMPLAINTS AGAINST PRIVATE COLLECTION AGENCIES (Jul. 2014), <https://www2.ed.gov/about/offices/list/oig/auditreports/fy2014/ao6moo12.pdf>.

<sup>187</sup> During the payment pause, ED announced significant changes to the forced collections program. Prior to the collections pause, administrative wage garnishments imposed on federally owned student loans were administered by third-party private collection agencies (PCAs). However, in November 2021, the Department of Education announced that PCAs would no longer manage ED-held defaulted loans and stated that management would be transferred to ED's Default Resolution Group (DRG). Maximus is the debt collection contractor that operates as ED's Default Resolution Group (DRG). *Who is MAXIMUS Federal Services, Inc.?*, U.S. DEP'T OF EDUC., <https://studentaid.gov/help-center/answers/article/who-is-maximus-federal-services-inc> (last visited Sept. 16, 2024).

## 2.2.4 Litigation disruptions

Starting in June 2024, litigation challenging the SAVE Plan<sup>188</sup> has effectively halted the Department of Education from operating or implementing the SAVE plan.<sup>189</sup> In response, the Department moved all borrowers enrolled in SAVE into an interest-free general administrative forbearance.<sup>190</sup> The nearly 8 million borrowers enrolled in the SAVE Plan are, as of this writing,<sup>191</sup> no longer able to make payments, enroll in most other income-driven repayment plans,<sup>192</sup> or gain credit towards cancellation due to ongoing litigation.<sup>193</sup> Hundreds of thousands of other borrowers who have been unable to enroll in SAVE because of long delays may not have been placed into such a forbearance during this period and, due to related pauses in IDR enrollment processing, unable to access lower monthly payments in other IDR plans.<sup>194</sup>

Because of the rapidly shifting legal landscape, many consumers have reached out to the CFPB to express confusion and to ask for help understanding the terms of their loans and their repayment options. Some borrowers still want to make payments, others want to be taken out of

---

<sup>188</sup> U.S. DEP'T OF EDUC., HOW THE NEW SAVE PLAN WILL TRANSFORM LOAN REPAYMENT AND PROTECT BORROWERS (2024), <https://www2.ed.gov/policy/highered/reg/hearulemaking/2021/idrfactsheetfinal.pdf>. See also Improving Income Driven Repayment for the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program, 88 Fed. Reg. 43820 (July 10, 2023) (to be codified 34 CFR Parts 682 and 685).

<sup>189</sup> On June 24, 2024, the District Courts of Missouri and Kansas issued preliminary injunctions halting certain provisions of SAVE. ; See *Missouri v. Biden*, No. 4:24-CV-00520-JAR (E.D. Mo. June 24, 2024), *injunction denied*, No. 24A173 (U.S. Aug. 28, 2024) (the Missouri District Court enjoined all provisions of SAVE relating to loan cancellation, including accelerated forgiveness for borrowers with certain loans totaling less than \$12,000 who had been in repayment for 10 years, as well as forgiveness after 20 or 25 years of repayment for borrowers with undergraduate or graduate loans. Notably, the court held that those loans that had already been forgiven through the SAVE plan would remain forgiven) and *Alaska v. United States Dep't of Educ.*, No. 24-1057-DDC-ADM (D. Kan. June 24, 2024) (the Kansas District Court similarly enjoined the planned rollout of SAVE provisions that the Department had not yet implemented but would have gone into effect on July 1, 2024, including reducing loan payments from 10 percent to 5 percent of borrowers' discretionary income, auto re-certification and enrollment in income-driven repayment, and other provisions). One week later, on June 30, 2024, the Tenth Circuit stayed the injunction filed by the Kansas District Court, allowing the Department of Education to continue implementing components of SAVE that were originally planned to go into effect on July 1. Two weeks after that, on July 18, 2024, the Eighth Circuit approved the State of Missouri's request for an administrative stay of the SAVE final rule. See, *Save Plan Court Actions: Impact on Borrowers*, U.S. DEP'T OF EDUC., <https://studentaid.gov/announcements-events/save-court-actions> (last visited Aug. 30, 2024) (website explains that borrowers seeking to receive credit towards PSLF can buy back credit if they have 120 months of eligible employment or enroll in a different IDR plan but also notes that "servicers have temporarily paused processing of applications to enroll in a new or different IDR plan until we can ensure applications are processed correctly," indicating that borrowers without 120 months of eligible employment who are enrolled in SAVE are effectively unable to receive PSLF credit during this disruption).

<sup>190</sup> *Save Plan Court Actions: Impact on Borrowers*, U.S. DEP'T OF EDUC., <https://studentaid.gov/announcements-events/save-court-actions> (last visited Oct. 15, 2024). The injunction also prevented ED from implementing loan forgiveness under other IDR plans, including the PAYE and ICR plans.

<sup>191</sup> October 10, 2024.

<sup>192</sup> *Save Plan Court Actions: Impact on Borrowers*, U.S. DEP'T OF EDUC., <https://studentaid.gov/announcements-events/save-court-actions> (last visited Oct. 15, 2024).

<sup>193</sup> *Id.*

<sup>194</sup> *Id.*

forbearance status so that they can continue earning credit towards Public Service Loan Forgiveness or other cancellation programs, and others express frustration about the changing terms. Borrowers have also reported not receiving sufficient information, and sometimes receiving incorrect information, from their student loan servicers regarding the SAVE litigation and its impacts on their repayment. The CFPB has also received complaints from consumers who experienced delays in consolidation and SAVE applications submitted prior to the federal court's stay, locking borrowers out of the interest-free forbearance period.

- **One borrower stated that they received no communication from MOHELA regarding the forbearance that was applied to their account due to the ongoing SAVE litigation.** This forbearance period is supposed to be interest-free, but the borrower reported continued interest accrual. The borrower explained that they were not notified of the forbearance, interest continued to accrue, and they are unable to contact customer support. They said: “MOHELA’s neglectful behavior and mismanagement of loans are having serious effects on [people’s] financials and livelihoods.” MOHELA’s response does not wholly address the borrower’s interest accrual.<sup>195</sup>
- **Another borrower reported a bill for a balance due in September 2024, despite SAVE borrowers not currently having to pay.** When the borrower contacted MOHELA, a customer service representative confirmed that nothing will be due before November 2024. The borrower expressed frustration with MOHELA’s misleading information, incorrect billing, and the solution offered by the representative to continuously monitor their “online account on a regular basis.” The borrower states: “MOHELA has a duty to proactively provide accurate information and to not provide inaccurate information.”<sup>196</sup>
- **A borrower submitted a loan consolidation and SAVE application in April, but due to servicer processing delays, they are unable to access SAVE’s administrative forbearance and are actively accruing interest.** As of August 2024, the borrower has accrued over \$950 in interest. The borrower was told their SAVE application would not be backdated and they will be responsible for interest charged during their forbearance. The borrower stated that if MOHELA had processed their application in a timely manner, they would have qualified for the SAVE forbearance and not faced interest accrual. Some MOHELA agents told the borrower they didn’t receive a SAVE application at

---

<sup>195</sup> COMPLAINT DATABASE Complaint ID# 9669309, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/9669309>. Complaint was submitted August 1, 2024, following the 2023-2024 Award Year. This complaint is demonstrative of ongoing borrower challenges due to the SAVE litigation.

<sup>196</sup> COMPLAINT DATABASE Complaint ID# 9798870, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/9798870>. Complaint was submitted August 14, 2024, following the 2023-2024 Award Year.



all. MOHELA’s response does not address the borrower’s concern about interest accrual and application backdating.<sup>197</sup>

Currently, borrowers enrolled in temporary forbearances due to the ongoing litigation are not making progress toward PSLF. Borrowers who want to make progress toward forgiveness have limited options: they can pay higher payments each month under the 10-year standard repayment plan or “buy back” prior payments if they meet certain criteria.<sup>198</sup>

## 2.2.5 New servicing contracts

Over the past year, the Department of Education began its transition to a new servicing environment called the Unified Servicing and Data Solution (USDS). If fully implemented over the next five years, the new environment will establish StudentAid.gov as the online host of the entire student loan servicing process and borrowers will no longer need to visit third-party servicing platforms to make payments or get information.<sup>199</sup>

However, student loan servicing will not become simpler based on these updates. Several current servicers, such as MOHELA, will continue to manage servicing for millions of borrowers, but under two separate contracts—one as a federal student loan servicer and the other as a Business Process Operations (BPO) servicer.<sup>200</sup> Under the new USDS system, servicers will be white-labeled on the StudentAid.gov website, which could make it difficult to hold servicers accountable if third-party servicers cannot be accurately and readily identified by borrowers or other law enforcement entities. To minimize this risk, borrowers can now submit

---

<sup>197</sup> COMPLAINT DATABASE Complaint ID# 9899551, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/9899551>. Complaint was submitted August 23, 2024, following the 2023-2024 Award Year. This complaint is demonstrative of ongoing borrower challenges due to the SAVE litigation.

<sup>198</sup> *Public Service Loan Forgiveness (PSLF) Buyback*, U.S. DEP’T OF EDUC., <https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service/public-service-loan-forgiveness-buyback> (last visited Oct. 29, 2024). The PSLF “buy back” allows borrowers who are nearly at 120 months of PSLF payments to “buy back” periods of forbearance or involuntary deferment and is only available to borrowers who will achieve forgiveness after buying back eligible forbearance or deferment periods. *See also* section 1.2.2.2 for more information about borrower experiences with the PSLF buyback program.

<sup>199</sup> *The Next Generation of Loan Servicing*, U.S. DEP’T OF EDUC., <https://studentaid.gov/sites/default/files/usds-fact-sheet.pdf> (last visited Sept. 4, 2024). *See also* U.S. Department of Education, (Nov. 9, 2023), [Biden-Harris Administration Announces Framework for Student Loan Servicer Accountability To Protect Borrowers Nationwide, Biden-Harris Administration Announces Framework for Student Loan Servicer Accountability To Protect Borrowers Nationwide | U.S. Department of Education](#).

<sup>200</sup> PSLF and Teacher Education Assistance for College and Higher Education (TEACH) application processing functions were formerly performed by MOHELA but, after July 1, 2024, are performed by BPO vendors including, but not limited to, MOHELA.

complaints to the CFPB where they identify their servicer as either the Department of Education or a “servicer under contract with FSA,” and complaints will be routed to the correct servicer.<sup>201</sup>

The first step of this transition occurred from May 1, 2023, to July 1, 2024, when PSLF and other accounts were transferred. During this two-month transition period, PSLF application processing was paused for all borrowers.<sup>202</sup> This process mirrors past loan transfers because it involves mass transfers of data and servicing functions like communications and caused delays for millions of borrowers. The CFPB has already begun receiving complaints from borrowers regarding the mishandling of their loans by their servicers as they transition platforms to accommodate this change.

---

<sup>201</sup> This solution has been operationalized under the CFPB and Department of Education memorandum of understanding (MOU) on complaint handling. Memorandum of Understanding Concerning Coordination in Resolving Borrower Complaints, Feb. 2020, CONSUMER FIN. PROT. BUREAU, [https://files.consumerfinance.gov/f/documents/cfpb\\_ed-memorandum-of-understanding\\_student-loan-borrowers\\_2020-02.pdf](https://files.consumerfinance.gov/f/documents/cfpb_ed-memorandum-of-understanding_student-loan-borrowers_2020-02.pdf).

<sup>202</sup> The CFPB has acknowledged that delays in acting upon PSLF forms can harm borrowers and has stated that student loan servicers engaged in unfair acts or practices when they excessively delayed processing PSLF program forms, because “excessive delays can alter consumers’ major financial decisions and cause substantial injury that is not reasonably avoidable and not outweighed by countervailing benefits to consumers or competition.” CONSUMER FIN. PROT. BUREAU, SUPERVISORY HIGHLIGHTS: STUDENT LOAN SERVICING SPECIAL EDITION (Sep. 2022), [https://files.consumerfinance.gov/f/documents/cfpb\\_student-loan-servicing-supervisory-highlights-special-edition\\_report\\_2022-09.pdf](https://files.consumerfinance.gov/f/documents/cfpb_student-loan-servicing-supervisory-highlights-special-edition_report_2022-09.pdf) at 19.

# 3 Private Student Loans

Although the federal student loan system faces many serious challenges, the private loan system can often be a riskier alternative for borrowers. Private student loans are typically more expensive and offer worse terms than federal loans.<sup>203</sup> In recent years, the CFPB has taken actions against private student lenders and servicers that it alleges have collected on loans discharged in bankruptcy and failing to consider and grant requests for payment relief.<sup>204</sup>

Private student loans comprise at least \$134 billion in outstanding volume, or roughly 8 percent of outstanding student debt.<sup>205</sup> However, this figure likely underestimates the total amount of student debt held by other private market participants including Buy Now, Pay Later lenders,<sup>206</sup> colleges and universities,<sup>207</sup> and credit card issuers.<sup>208</sup>

During the Award Year, the CFPB received 4,107 complaints related to private student loans, of which the Student Loan Ombudsman’s Office manually reviewed and tagged a random sample of 1,301. Almost one in three tagged private student loan complaints (30 percent) were submitted by borrowers seeking loan cancellation. Often, these borrowers said that their school misled or defrauded them, or stated that their loan was unaffordable and they were no longer

---

<sup>203</sup> See, e.g., Consumer Fin. Prot. Bureau, *High Interest Rates Set to Increase the Cost of Student Loans in 2024*, CFPB BLOG (Sep. 13, 2024), <https://www.consumerfinance.gov/about-us/blog/high-interest-rates-set-to-increase-the-cost-of-student-loans-in-2024/>.

<sup>204</sup> See, e.g., Press Release, Consumer Financial Protection Bureau, *CFPB Sues Student Loan Servicer PHEAA for Pursuing Borrowers for Loans Discharged in Bankruptcy* (May 31, 2024), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-student-loan-servicer-pheaa-for-pursuing-borrowers-for-loans-discharged-in-bankruptcy/>; Press Release, Consumer Financial Protection Bureau, *CFPB Takes Action to Require National Collegiate Student Loan Trusts and Pennsylvania Higher Education Agency to Pay More than \$5 Million for Student Loan Servicing Failures* (May 6, 2024), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-to-require-national-collegiate-student-loan-trusts-and-pennsylvania-higher-education-assistance-agency-to-pay-more-than-5-million-for-student-loan-servicing-failures/>.

<sup>205</sup> This estimate was calculated by subtracting the total amount of outstanding federal student loans (\$1.611 trillion) reported by the Department of Education from the Federal Reserve Board’s estimate of the total outstanding student loan amount (\$1.745 trillion). See also Fed. Rsv. Board, *Consumer Credit - G.19*, HISTORICAL DATA (Sept. 2024), <https://www.federalreserve.gov/releases/g19/20240909/>; *Federal Student Aid Portfolio Summary*, U.S. DEPT. OF EDUC., FEDERAL STUDENT LOAN PORTFOLIO, <https://studentaid.gov/data-center/student/portfolio> (FFY 2024 Q3).

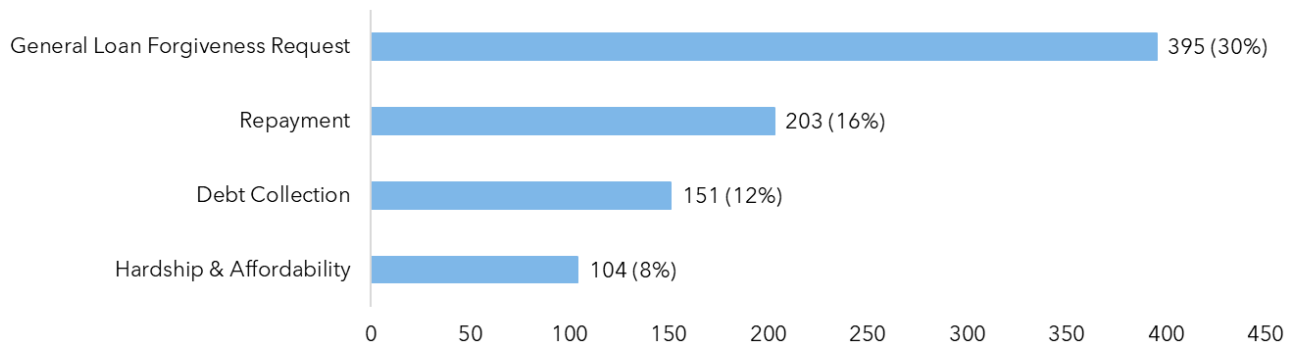
<sup>206</sup> Press Release, Consumer Fin. Prot. Bureau, *CFPB Study Details the Rapid Growth of “Buy Now, Pay Later” Lending* (Sep. 15, 2022), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-study-details-the-rapid-growth-of-buy-now-pay-later-lending/>.

<sup>207</sup> CONSUMER FIN. PROT. BUREAU, TUITION PAYMENT PLANS IN HIGHER EDUCATION (2023), <https://www.consumerfinance.gov/data-research/research-reports/tuition-payment-plans-in-higher-education/>.

<sup>208</sup> CONSUMER FIN. PROT. BUREAU, 2023 COLLEGE BANKING AND CREDIT CARD AGREEMENTS (2023), <https://www.consumerfinance.gov/data-research/research-reports/2023-college-banking-and-credit-card-agreements/>.

able to handle the financial burden.<sup>209</sup> The next most common issues were with repayment (including issues with payment processing, terms of repayment, auto-pay, and more),<sup>210</sup> debt collection,<sup>211</sup> and hardship and affordability<sup>212</sup> (when borrowers expressed frustration about the cost of their loans, expressed an inability to repay, and/or requested lower monthly payments) (Figure 6).

**FIGURE 6. TOP PRIVATE STUDENT LOAN ISSUE TAGS IN CFPB COMPLAINT SAMPLE, AY23-24**



Among all private loan complaints submitted to the CFPB, over one in three complaints were sent to Navient (Figure 7). The next most common recipient of these complaints were other regulators. Most complaints sent to other regulators concerned issues about colleges and schools. Hundreds of additional complaints were sent to Sallie Mae, Nelnet, and PHEAA.

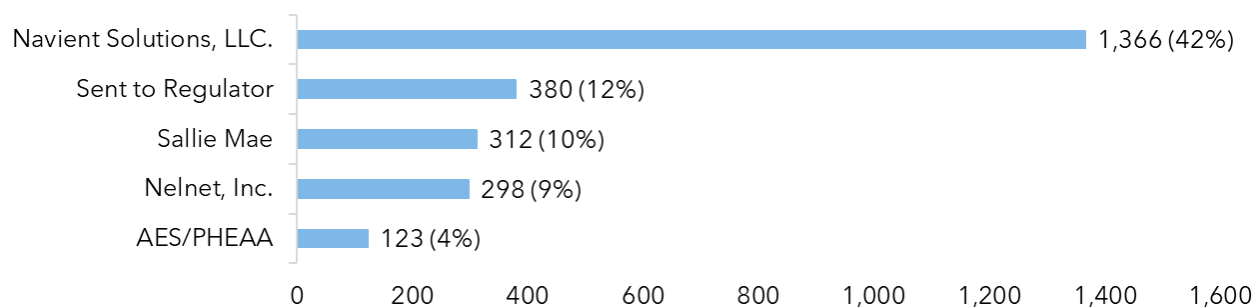
<sup>209</sup> See, e.g., COMPLAINT DATABASE Complaint ID# 9449562, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/9449562> (permission to publish narrative obtained from the consumer).

<sup>210</sup> See, e.g., COMPLAINT DATABASE Complaint ID# 7332048, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7332048>.

<sup>211</sup> COMPLAINT DATABASE Complaint ID# 7406216, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7406216>. In its response, the company stated that the FDCPA was not applicable because of an exclusion at 15 U.S.C. § 1692a(6)(F)(iii) related to the collection of debts that “were not in default at the time it was obtained [and] your student loan was not in default when obtained by Navient.”

<sup>212</sup> See, e.g., COMPLAINT DATABASE Complaint ID# 8625883, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8625883>.

**FIGURE 7. TOP PRIVATE STUDENT LOAN ENTITIES MENTIONED BY VOLUME, AY23-24<sup>213</sup>**



This section discusses key challenges faced by borrowers over the past year, including: (1) financial hardship due to private student loan burdens, (2) private student loan cancellation based on school misconduct, (3) debts owed to colleges and universities, and (4) private student loan debt collection.

### 3.1 Hardship and affordability

Over the past year, borrowers told the CFPB that their payments required over 40 percent of their total monthly income,<sup>214</sup> they were frustrated by double-digit interest rates,<sup>215</sup> and they had faithfully made payments for years without ever reducing the principal of their loan.<sup>216</sup>

- **One borrower described exhausting their flexible repayment options and being unable to afford payments on their private loan, which cost \$2,000 a month.** The borrower stated: “I truly feel as though I am out of options with this loan provider.” Nelnet’s response confirms that the borrower had exhausted the payment relief options.<sup>217</sup>
- **Another borrower said they were unable to afford their payments.** They wrote: “How is this legal? [...] My only option is to default. Deferment or forbearance options are depleted. I’m tired and just want to raise my 10-year old son.” In its response, the Vermont

<sup>213</sup> These counts capture the private student loan sub-product category; complaints under the private student loan debt sub-product category are not captured here. The listed proportion describes the share of complaints sent to companies and referred to other agencies.

<sup>214</sup> COMPLAINT DATABASE Complaint ID# 7430729, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7430729>.

<sup>215</sup> COMPLAINT DATABASE Complaint ID# 8582361, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8582361> (“Sallie Mae has increased my interest rate to 16.5 %!”). See also, e.g., COMPLAINT DATABASE Complaint ID# 7556997, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7556997> (“Interest Rate: 18.500%”).

<sup>216</sup> COMPLAINT DATABASE Complaint ID# 8931325, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8931325>.

<sup>217</sup> COMPLAINT DATABASE Complaint ID# 8625883, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8625883>.

Student Assistance Corporation confirmed that the borrower has no further forbearance eligibility and no option to adjust payments based on income.<sup>218</sup>

- **Another borrower refinanced their federal loans into private loans but did not understand that it would cause them to lose eligibility for cancellation under PSLF.** They said: “MOHELA is a federal loan servicer so I was under the impression that getting the better interest rate would help with cost and still allow me to qualify for the PSLF. I have been working at a non-profit for 9 years and have made every payment without any forbearance during covid.... [They] did not make it clear that I would lose my PSLF eligibility by switching.”<sup>219</sup>

## 3.2 Loan cancellation based on school misconduct

Pursuant to the Federal Trade Commission’s Holder-in-Due-Course Rule (Holder Rule), certain credit transactions (including educational financing transactions) must include language acknowledging that the borrower has the same legal rights against the holder of the credit contract as they do against the original merchant.<sup>220</sup> As an example, if a store sells a customer a television that breaks the first time they turn it on, the customer has various legal rights against the store. If the store sold the television on credit and then sells the credit account to a third-party company, federal law requires the store to stipulate in the credit contract that the customer has the same legal rights against the third-party as they have against the store. This same principle applies if the situation is a college selling an education or degree to a student. If a student takes out an institutional loan to attend a school that misleads or defrauds them, including by misleading students about the job prospects of its graduates, and the school sells the loan to a new owner, the borrower could have a basis for a claim, including potentially for cancellation, against the new owner.

While federal student loan borrowers who were misled by their school have opportunities for loan discharge through Borrower Defense to Repayment (BDR), private borrowers have not

---

<sup>218</sup> COMPLAINT DATABASE Complaint ID# 8549906, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8549906>.

<sup>219</sup> Consumer Complaint (on file with CFPB Student Loan Ombudsman, permission to publish narrative obtained from the consumer).

<sup>220</sup> 16 C.F.R. § 433. A borrower’s successful challenge to the validity of a loan under the Holder Rule would result in the discharge or cancellation of the debt by the current loan holder and appropriate corrections to credit reporting. The FTC has explicitly stated that the Holder Rule applies to higher education financing. *See* FED. TRADE COMM’N, STAFF GUIDELINES ON TRADE REGULATION RULE CONCERNING PRESERVATION OF CONSUMERS’ CLAIMS AND DEFENSES 9 (1976), <https://www.ftc.gov/system/files/documents/rules/holder-due-courserule/760504holderrule.pdf> (noting the rule applies to transactions for “vocational training”).

typically been afforded the same benefit.<sup>221</sup> In the past, the CFPB has observed that lenders and servicers have denied borrowers' requests for cancellation based on school misconduct even when federal loans taken out for the same program were discharged under BDR.<sup>222</sup> The 2023 *CFPB Student Loan Ombudsman Report* noted that "various private loan servicers provide misleading information about borrowers' rights, either dissuading the borrower from pursuing these claims or functionally limiting their ability to do so."<sup>223</sup>

Even so, nearly 80 percent of CFPB complaints related to private student loan cancellation in the tagged sample concerned school misconduct, and more than 81 percent of these complaints concerned loans held by Navient.<sup>224</sup> Over the same period, the Department of Education announced loan discharges for several groups of borrowers, including approximately 317,000 borrowers who took out federal loans to attend the Art Institute.<sup>225</sup> Separately, news coverage brought increased attention to developments in Navient's school misconduct discharge process.<sup>226</sup>

Over the past year, some borrowers have been provided with school misconduct discharge applications in response to their inquiries and complaints.<sup>227</sup> These processes are not widely publicized or understood by many borrowers, and even borrowers who proactively reach out to their servicers have trouble finding information about it. The CFPB has heard from some

---

<sup>221</sup> 34 C.F.R. §§ 685.206, 685.222. See also U.S. Department of Education, *Apply for Borrower Defense Loan Discharge*, (accessed Sep. 24, 2024), <https://studentaid.gov/borrower-defense/>.

<sup>222</sup> In the CFPB's tagged complaint sample, the top schools mentioned were the Art Institutes (45 percent), ITT Technical Institute (10 percent), Brooks Institute (6 percent), Sanford Brown (4 percent), and DeVry (3 percent).

<sup>223</sup> CONSUMER FIN. PROT. BUREAU, REPORT OF THE CFPB EDUCATION LOAN OMBUDSMAN (Oct. 2023), [https://files.consumerfinance.gov/f/documents/cfpb\\_annual-education-loan-ombudsman-report\\_2023.pdf](https://files.consumerfinance.gov/f/documents/cfpb_annual-education-loan-ombudsman-report_2023.pdf) at 19.

<sup>224</sup> CFPB analysis of private student loan complaint sample. Of the 395 complaints that were tagged as being related to general loan forgiveness requests, 295 were also tagged with the "Holder Rule" subtag. Of these, 238 were related to loans held by Navient.

<sup>225</sup> See Press Release, U.S. Dep't of Educ., *Biden-Harris Administration Approves \$6.1 Billion Group Student Loan Discharge for 317,000 Borrowers Who Attended The Art Institutes* (May 1, 2024), <https://www.ed.gov/news/press-releases/biden-harris-administration-approves-61-billion-group-student-loan-discharge-317000-borrowers-who-attended-art-institutes>.

<sup>226</sup> See, e.g., Stacy Cowley, *There's a Program to Cancel Private Student Debt. Most Don't Know About It*, N.Y. TIMES, May 30, 2024, at B5.

<sup>227</sup> See generally Application for School Misconduct Discharge, Navient (2024), <https://static1.squarespace.com/static/62d6e418e8d8517940207135/t/667b3382df0ea67a3d47aa5/1719350147268/NEW+June+2024+School+Misconduct+Discharge+SAMPLE.pdf> and AES application (2024), <https://static1.squarespace.com/static/62d6e418e8d8517940207135/t/66a84ddf494fe16ee8542b77/1722306018070/AES+Application+Redacted+for+Website.pdf>.

borrowers who were successful in cancelling their loans through these discharge programs over the last year, but also many others who were not.<sup>228</sup>

- **One borrower who received approval for federal loan cancellation through BDR as a *Sweet v. Cardona*<sup>229</sup> class member reported that Navient never provided information regarding their private discharge opportunities.** Navient failed to respond to requests by the borrower for a discharge application until the borrower submitted their complaint to the CFPB, when Navient agreed to send the borrower an application under separate cover.<sup>230</sup>
- **Another borrower was denied private loan cancellation, despite having their federal loans discharged for school misconduct through BDR.** Navient did not provide a denial reason to the borrower, stating: “Because we review each application holistically, it is not possible to identify specific criteria that caused your application to be denied.”<sup>231</sup>
- **Another borrower was denied loan cancellation by Navient because their loan was direct-to-consumer.** The borrower stated: “I continued to pay [interest] on a product that was [a] scam. It doesn’t matter what type of loan they’re referring to, [Holder Rule] applies, all loans offered by the institution are fraudulent and should be cancelled.”<sup>232</sup>

### 3.3 Debts owed to colleges and universities

During the past year, complaints about student loan debt collection were often submitted in relation to colleges and universities. Colleges have a unique ability to leverage their roles as educators, landlords, meal providers, and sometimes student employers, to collect on debts. Colleges sometimes withhold students’ transcripts, diplomas, graduation ceremonies, and

---

<sup>228</sup> Navient’s company responses indicate the following loans are ineligible for discharge: loans that are paid off, refinanced, consolidated, or direct-to-consumer. Paid off loans and loans for non-profit schools are ineligible, as well.

<sup>229</sup> 657 F. Supp. 3d 1260 (2023). See also *Sweet v. Cardona Settlement*, U.S. DEP’T OF EDUC., <https://studentaid.gov/announcements-events/sweet-settlement> (last visited Sept. 5, 2024).

<sup>230</sup> COMPLAINT DATABASE Complaint ID# 8968563, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8968563>.

<sup>231</sup> COMPLAINT DATABASE Complaint ID# 9449562, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/9449562> (permission to publish narrative obtained from the consumer). This complaint was submitted on July 8, 2024, which is one week after the end of the 2023-2024 Award Year. This complaint demonstrates risks in the private student loan market.

<sup>232</sup> COMPLAINT DATABASE Complaint ID# 9123029, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/9123029>.



remove students from campus meal plans and housing to attempt to force repayment of institutional loans.<sup>233</sup>

The CFPB has repeatedly stated that certain institutional debt collection practices, like withholding transcripts as a blanket policy in conjunction with the extension of credit, can be abusive and violate the Consumer Financial Protection Act under certain circumstances.<sup>234</sup> On July 1, 2024, the Department of Education banned transcript withholding on all credits funded by Title IV of the Higher Education Act.<sup>235</sup>

The CFPB received hundreds of complaints related to this practice over the last year. The Student Loan Ombudsman’s Office talked to multiple borrowers impacted by transcript withholding, including NCAA athletes who were unable to participate in their sport because of this practice. One student-athlete had a transcript withheld in late July, following the Department of Education’s ban, despite paying for most of their tuition and fees with federal funding. The Ombudsman’s Office also heard that transcript withholding prevented borrowers from securing employment. Borrowers feel transcript withholding is counterintuitive: they are seeking jobs to pay off their institutional debts but cannot get a job without paying off their debts to obtain their transcript. One borrower received a transcript with redactions, despite the borrower believing those semesters were paid for with federal funding (Figure 8).<sup>236</sup>

---

<sup>233</sup> See, e.g., *Expenses and Financial Policy – Resident Program*, LIBERTY UNIV., <https://catalog.liberty.edu/undergraduate/admission/expenses-financial-policy-resident-program/> (last visited Jan. 29, 2024) (“Students who do not make payment on their account within a reasonable amount of time may be denied access to some University services until such agreements are made.... Failure to make financial arrangements could ultimately result in removal from university housing and an administrative withdrawal.”).

<sup>234</sup> The CFPB has found that: “Transcript withholding is designed to gain leverage over borrowers and coerce them into making payments, as it is difficult to seek employment or transfer education credits to another school without an official transcript. Even when borrowers enter into payment agreements with a school, the transcript might not be released until the debt is paid in full. The CFPB’s examinations found that the blanket withholding of transcripts to pressure borrowers is an abusive practice under the Consumer Financial Protection Act.” See, e.g., CONSUMER FIN. PROT. BUREAU, SUPERVISORY HIGHLIGHTS: STUDENT LOAN SERVICING SPECIAL EDITION (Sep. 2022), [https://files.consumerfinance.gov/f/documents/cfpb\\_student-loan-servicing-supervisory-highlights-special-edition\\_report\\_2022-09.pdf](https://files.consumerfinance.gov/f/documents/cfpb_student-loan-servicing-supervisory-highlights-special-edition_report_2022-09.pdf) and 12 U.S.C. § 5531.

<sup>235</sup> 34 C.F.R. § 668 (2024).

<sup>236</sup> Consumer Complaint (on file with CFPB Student Loan Ombudsman, permission to publish narrative obtained from the consumer).

FIGURE 8. TRANSCRIPT REDACTION RECEIVED BY THE CFPB



The Student Loan Ombudsman’s Office worked directly with colleges and schools to resolve transcript withholding complaints.<sup>237</sup> Several colleges released transcripts after being contacted directly by the Student Loan Ombudsman, enabling borrowers to apply to jobs or other programs. One borrower who received their transcript with help from the Ombudsman’s Office said: “[I] cried [when the transcript was released], it was as if it was a hold on my life, over the years I became desperate for an education.... I am still in disbelief.”<sup>238</sup>

Practices like transcript redactions, diploma holds, graduation holds, and removal from campus meal plans and housing may have similar consequences as transcript withholding for borrowers. Colleges should ensure their policies comply with all relevant federal laws and regulations.

### 3.4 Debt collection

In the CFPB’s tagged sample, more than one in three private student loan debt collection complaints over the past Award Year mentioned concerning communication tactics. These included repetitive calls, calls to third parties that disclosed the debt, and calls to the borrower’s place of employment after requests to stop, which may be prohibited by the Fair Debt Collection Practices Act (FDCPA) and its implementing regulations.<sup>239</sup> However, the FDCPA generally applies to third-party debt collectors, not first-party creditors.

---

<sup>237</sup> On July 1, 2024, a new ED regulation banning transcript withholding under most circumstances went into effect. As a result, some colleges may also have ceased or revised their practices around transcript withholding but, in the process, may have replaced those practices with similar tactics such as diploma or graduation holds. 34 C.F.R. § 668.14 (2024).

<sup>238</sup> Email from borrower to the CFPB on July 24, 2024 (published with permission).

<sup>239</sup> See 15 U.S.C. §§ 1692c, 1692d and Reg. F §§ 1006.6, 1006.14.

- **One borrower received 15 calls between a Thursday and the following Monday that Discover Bank did not dispute.** In its response, Discover stated that they did not have a prior request from the borrower to not be contacted before notating the account for no further telephone contact.<sup>240</sup>
- **Another borrower said that Sallie Mae was contacting third parties, including people they did not know but with whom they shared a last name, about the debt they owed.** Sallie Mae’s response did not dispute this claim.<sup>241</sup>
- **Another borrower requested that Navient stop contacting them at specific times, such as during work hours, but said that the company ignored these requests.**<sup>242</sup> One borrower’s supervisor instructed them to request no calls at their place of work. After making this request, the company continued to call. The borrower said: “I may soon lose my job due to this. Am I able to take legal action as I have notified them not once but twice about the FDCPA and they continue to harass me?” The company response did not dispute these claims but asserted that the FDCPA does not apply.<sup>243</sup>

---

<sup>240</sup> COMPLAINT DATABASE Complaint ID# 7267496, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7267496> (permission to publish narrative obtained from the consumer).

<sup>241</sup> COMPLAINT DATABASE Complaint ID# 8582361, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8582361>.

<sup>242</sup> Consumer Financial Protection Bureau, (Apr. 14, 2023), *When and how often can a debt collector call me on the phone?*, <https://www.consumerfinance.gov/ask-cfpb/how-often-can-a-debt-collector-call-me-en-2110/>.

<sup>243</sup> COMPLAINT DATABASE Complaint ID# 7406216, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7406216>.

## 4. The Toll of Borrower Harms

Taken together, the harms outlined in this report suggest that millions of borrowers face an uphill battle to simply make payments on their student loans. Detailed analysis of consumer complaints demonstrates that these harms are likely to cost borrowers thousands of dollars and months spent waiting for redress.

While this report analyzes all student loan complaints submitted over the Award Year, it provides direct quotes and narratives from 73 borrowers. For this group of complaints, the Student Loan Ombudsman’s Office estimated the amount of money and time at stake in borrowers’ disputes.<sup>244</sup> Of this subset, 38 complaints included identifiable financial costs and 48 complaints included identifiable delays.

In all, over half a million dollars were at stake, or nearly \$14,000 per borrower (Table 4). This amount includes unauthorized or unexpected withdrawals, overpayments, incorrect account adjustments, balance reinstatements, improper interest accrual, and other financial harms.

**TABLE 4. MONEY AT STAKE FOR BORROWERS HIGHLIGHTED IN REPORT, AY23-24**

	<b>Number of Borrowers</b>	<b>Total</b>	<b>Average per Borrower</b>
Federal Student Loan Borrowers	32	\$375,102	\$11,722
Private Student Loan Borrowers	6	\$150,006	\$25,001
<b>Total</b>	<b>38</b>	<b>\$525,108</b>	<b>\$13,819</b>

Borrowers waited for 8 months on average, and collectively for a total of 33 years, to resolve the issues discussed in this report (Table 5).

**TABLE 5. TIME AT STAKE FOR BORROWERS HIGHLIGHTED IN REPORT, AY23-24**

<b>Number of Borrowers</b>	<b>Time at Stake</b>	<b>Time at Stake per Borrower (Average)</b>
48	401 months (33 years)	8 months

<sup>244</sup> See Appendix A.2 for further discussion on profile analysis methodology.

# 5. Recommendations

The CFPB, Congress, and other agencies that administer the federal student loan program have an obligation to protect borrowers from misinformation, inaccurate credit reporting, and abusive, deceptive, or unfair practices. Recent administrative efforts at reform have demonstrated it is possible to relieve some of the burden of student debt for millions of borrowers using existing tools, but also underscore the need for clear legislative action to stabilize the student loan program and address the root causes of borrower harm.

Federal policymakers faced a similar problem in the wake of the Great Recession, when mortgage servicers failed to properly implement a national foreclosure prevention program and a congressional oversight panel subsequently found that the government had become “bogged down in process-related concerns” rather than ensuring good outcomes for borrowers.<sup>245</sup> Rather than repeating a similar approach that the panel warned against, policymakers should acknowledge the mistakes of the past and take a systemic approach that prioritizes helping student loan borrowers instead of focusing on more narrow or piecemeal approaches that may solve technical problems without meaningfully improving outcomes for borrowers.

The following recommendations fall into three categories.<sup>246</sup> First, I recommend that borrowers are held harmless for challenges that result from servicer error or program disruptions that are outside of their control. Next, I recommend that servicer accountability be prioritized as a way of ensuring that reforms are not undermined by implementation failures. And finally, I recommend that policymakers attempt to step back and consider a broader program overhaul to reduce the outstanding amount of student debt and move away from debt financing for higher education altogether.

---

<sup>245</sup> The Home Affordable Modification Program (HAMP) was a notoriously complicated foreclosure prevention program launched in 2009 in the wake of the financial crisis. A 2011 Congressional Oversight Panel Report discussed features and failures of the program that foreshadow current challenges in the federal student loan program. *See* CONGRESSIONAL OVERSIGHT PANEL REPORT at 353.

<sup>246</sup> Specific policy proposals are mentioned to illustrate whether and how certain recommendations have been contemplated in the past. The fact that a specific proposal is referenced here does not mean that the legislation has the endorsement of the Student Loan Ombudsman or the Consumer Financial Protection Bureau.

## 5.1 Hold borrowers harmless when they encounter servicing errors and program disruptions

Borrowers should never be penalized or forced to pay for errors or disruptions that they did not cause. The Department of Education made significant strides in administering borrower remediation over the past year. However, appropriate redress has not been extended to all borrowers who have been harmed. Legislators and other policymakers should:

- **Require financial remediation for borrowers who have been affected by servicing errors or other program disruptions that prevent them from repaying their loans.** These ideas have been contemplated by policymakers at the Department of Education and in congressional proposals but have not been extended to all borrowers who experienced servicing or system failures. Where borrower harms are especially widespread or difficult to accurately identify on an individual basis, policymakers could consider instituting temporary forbearances for all borrowers.
- **Ensure that periods of administrative forbearance related to program disruption or servicer errors do not accrue interest and count as progress toward cancellation under income-driven repayment, Public Service Loan Forgiveness, and other similar programs.**<sup>247</sup> Although the Department of Education has expressed an intention to do this in certain circumstances, many borrowers are placed into forbearances but cannot progress toward cancellation. For instance, the group of nearly 8 million borrowers (and hundreds of thousands of others waiting in line to enroll in IDR plans) impacted by ongoing litigation surrounding the SAVE Plan have been placed into temporary forbearances where payments are set to \$0 and their loans are not accruing interest, but they cannot progress toward IDR or PSLF loan cancellation. These borrowers are experiencing financial harm in the form of lost time towards cancellation.
- **Prioritize timely, accurate, and complete borrower communications when loan terms, repayment statuses, payment amounts, servicer assignments, or due**

---

<sup>247</sup> The *Student Loan Borrower Bill of Rights* (S.3404, 118<sup>th</sup> Congress) would implement a 90-day “borrower protection window” when delays in crediting the account occur, during which the borrower is held harmless and the lender or servicer “may not impose on the borrower any negative consequences, including negative credit reporting, lost eligibility in borrower benefits, late fees, interest capitalization, or other financial injury.” See also, [Educ. Decision Memo](#).

**dates change, regardless of the cause.**<sup>248</sup> While this information may be subject to change because of IDR enrollments, system-wide payment pauses, and court opinions, borrowers should always receive timely and clear information about their loan obligations.

## 5.2 Ensure that servicers are held accountable for performance failures

The CFPB has repeatedly taken action against student loan servicers engaging in illegal conduct over the last decade.<sup>249</sup> The Government Accountability Office has recommended that the Department of Education set and enforce minimum requirements for effective customer service and that FSA provide more information to borrowers who are making progress toward cancellation under IDR.<sup>250</sup> The Department of Education has withheld payments, defined certain standards, and taken other actions to hold servicers accountable for failures.

However, borrowers continue to report similar errors in complaints to the CFPB and harms are arguably as bad as they have ever been in this market. Third-party servicers face incentive structures that may conflict with the goals of the government.<sup>251</sup> Servicers have highlighted these conflicts in legal documents when they argue that they do not have an obligation to

---

<sup>248</sup> Similar ideas have been contemplated in proposals such as the *Student Loan Borrower Bill of Rights* (S.3404, 118<sup>th</sup> Congress) and the *Streamlining More Accessible, Reliable, and Transparent Education Resources for Debt Act* (S.3524, 118<sup>th</sup> Congress).

<sup>249</sup> See Section 1.3.1 for a discussion of known servicing failures. *See also, e.g.*, Navient Corporation, et al., CFPB No. 3:17-CV-00101-RDM (Sept. 12, 2024); EdFinancial Services, LLC, CFPB No. 2022-CFPB-0001 (Mar. 30, 2022).

<sup>250</sup> *See, e.g.*, U.S. Gov't Accountability Off., GAO-16-523, Federal Student Loans: Education Could Improve Direct Loan Program Customer Service and Oversight 17 (2016); U.S. Gov't Accountability Off., GAO-22-103720, Federal Student Aid: Education Needs to Take Steps to Ensure Eligible Loans Receive Income-Driven Repayment Forgiveness 24 (2022).

<sup>251</sup> The 2011 Congressional Oversight Panel report on the Home Affordable Modification Program (HAMP) reminds future policy makers that the “incentives of ... servicers are different from those of the government, and [programs should be designed] with that reality in mind.” *See* CONGRESSIONAL OVERSIGHT PANEL REPORT at 353. *See also*, RAJEEV DAROLIA AND ANDREW SULLIVAN, FEDERAL RESERVE BANK OF PHILADELPHIA, FEDERAL STUDENT LOAN SERVICING ACCOUNTABILITY AND INCENTIVES IN CONTRACTS (Oct. 2020), <https://www.philadelphiafed.org/consumer-finance/education-finance/federal-student-loan-servicing-accountability-and-incentives-in-contracts>.

“act in the interest of the consumer”<sup>252</sup> nor to comply with consumer protection laws,<sup>253</sup> even though the CFPB has repeatedly held them accountable for such violations.<sup>254</sup>

It is time for policymakers to consider new solutions to these decades-old challenges.

Policymakers should:

- **Fully fund the Office of Federal Student Aid.** This will allow FSA to adequately perform its responsibilities, administer the student loan program, and conduct oversight investigations and audits.
- **Consider whether student loan servicing would be better performed by the federal workforce rather than private, for-profit companies, including by commissioning a study on the question.**
- **If policymakers prefer to continue outsourcing this function, they should consider strengthening and clarifying transparency and accountability measures.** This could include the following measures:
  - **Establish objective, transparent, and automatic penalties** for servicer errors or legal violations identified by federal and state regulators or FSA vendor oversight.
  - **Permanently suspend servicers** who commit ongoing and well-documented violations of the performance standards in their contracts or federal law.<sup>255</sup>
  - **Publish the complete and updated text of servicer contracts and performance reviews.** The Department of Education has published servicer contracts, but could also include documentation of servicing change requests and other work

---

<sup>252</sup> Mem. of Law in Supp. of Defs.’ Mot. to Dismiss at 20, *CFPB v. Navient Corp.*, No. 3:17-cv-00101-RDM (M.D. Pa. 2017) (stating that “the servicer acts in the lender’s interest... and there is no expectation that the servicer will ‘act in the interest of the consumer.’”).

<sup>253</sup> See, e.g., Brief for MOHELA at 28-31, *American Federation of Teachers v. MOHELA* No: 2024-CAB-004575 (D.D.C. Sept. 25, 2024).

<sup>254</sup> See, e.g., Consumer Fin. Prot. Bureau, *CFPB Bans Navient from Federal Student Loan Servicing* (Sep. 12, 2024), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-bans-navient-from-federal-student-loan-servicing-and-orders-the-company-to-pay-120-million-for-wide-ranging-student-lending-failures/>; *CFPB Sanctions Edfinancial for Lying about Student Loan Cancellation*, (May 30, 2022) <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sanctions-edfinancial-for-lying-about-student-loan-cancellation/>

<sup>255</sup> Accountability legislation related to federal student loan servicers has been proposed. See, e.g., the *Student Loan Servicer Accountability Act* (S.4481, 118<sup>th</sup> Congress), which would require servicers to be evaluated to meet certain quality thresholds before entering or re-entering contracts with the federal government.



orders, award dates, payments, and other material information, as well as performance reviews and audits.<sup>256</sup>

- **Increase law enforcement actions** where significant errors are ongoing and/or when companies are not proactively addressing problems following supervisory actions.
- **At a minimum, ensure that borrowers are always told which servicer they are interacting with.** In its transition to the new servicing system under USDS, the Office of Federal Student Aid should require servicers to identify themselves and provide contact information in all borrower communications.

## 5.3 Consider a broader program overhaul to reduce the prevalence of student loan debt

After more than a decade of challenges and significant consumer harm in the student loan market, policymakers should consider taking a step back to refocus on the original goals of the Higher Education Act. For instance, policymakers should:

- **Reduce the number of Americans with student loan debt and reduce costs for federal student loan borrowers.** This could include cancellation through broad-based programs,<sup>257</sup> targeted programs,<sup>258</sup> and/or cost reductions.<sup>259</sup> Policymakers could codify the SAVE Plan or other income-driven repayment plans that could simplify the repayment

---

<sup>256</sup> See, e.g., CONGRESSIONAL OVERSIGHT PANEL OCTOBER OVERSIGHT REPORT, EXAMINING TREASURY'S USE OF FINANCIAL CRISIS CONTRACTING AUTHORITY, 111th Cong. at 2 (Oct. 14, 2010), <https://www.congress.gov/committee-print/111th-congress/joint-committee-print/61540> (highlighting a need for increased transparency related to the use of contractor because, "for example, contractors may hire subcontractors, and those subcontracts are not disclosed to the public. Important aspects of a contractor's work may be buried in work orders that are never published in any form. As work moves farther and farther from Treasury's direct control, it becomes less and less transparent and thus impedes accountability.").

<sup>257</sup> Broad-based student debt cancellation has been enacted through legislation such as the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, Pub. L. No: 116-136 (2020), which temporarily paused payments for all borrowers, reduced interest rates to zero, and allowed these \$0 payments to be counted as progress towards IDR and PSLF cancellation programs.

<sup>258</sup> Targeted student debt cancellation and cost reduction programs have been proposed in bills such as the *Servicemember Student Loan Affordability Act*, S. 4645, H.R. 9284, 118<sup>th</sup> Congress (2024); the *Student Loan Forgiveness for Frontline Health Workers Act*, S. 3828, H.R. 2418, 117<sup>th</sup> Congress (2023), and the *Teacher Debt Relief Act*, S. 3695, H.R. 7139, 118<sup>th</sup> Congress (2024).

<sup>259</sup> Interest rate reductions have been proposed in the *Zero-Percent Student Loan Refinancing Act*, H.R. 3024, 117<sup>th</sup> Congress (2023) and the *Student Loan Interest Elimination Act*, S.2557, 118<sup>th</sup> Congress (2024).

process and provide lower monthly payments for millions of borrowers.<sup>260</sup> Additionally, policymakers should prohibit the forced collection of Social Security benefits and tax refunds such as the Earned Income Tax Credit and the Child Tax Credit to repay federal student loans.<sup>261</sup>

- **Reduce the need for student loans by lowering the cost of college and providing increased grant aid to students.**<sup>262</sup> This broad goal has been contemplated in many legislative proposals, and the shift toward individual debt financing has allowed the cost of college to balloon and shifted the burden of payment from federal and state governments to individual students and families. Federal and state legislators should increase grant-based funding for higher education (particularly at community colleges), including by increasing the size of the Pell Grant.
- **Extend the critical protections available in the federal student loan program to all student loan borrowers by creating a consolidation pathway into the federal Direct Loan program for borrowers with private loans.**<sup>263</sup> Policymakers should ensure that technical differences between loan types do not prevent borrowers from

---

<sup>260</sup> The SAVE Plan offers an average borrower savings of \$122 per month, or \$32,524 over the life of their loan compared to repayment under the Income-Based Repayment (or IBR) plan. This estimate reflects the repayment burden for a student graduating from a four-year program in 2025 with the maximum amount of federal Direct loans (\$27,000) who will earn the national median salary after graduation (\$40,480) with increases at a rate of 3 percent annually. Under the IBR Plan, the student would pay \$149 monthly and \$44,159 in total over the life of the loan, compared to a monthly and lifetime SAVE payment for the same exact borrower of \$27 monthly and \$11,635 total. This analysis assumes that the borrower took out \$3,500 subsidized and \$2,000 unsubsidized loans freshman year with a 3.73 percent interest rate; \$4,500 subsidized and \$2,000 unsubsidized loans sophomore year with a 4.99 percent interest rate; and \$5,500 subsidized and \$2,000 unsubsidized loans both junior and senior year, with a 5.5 percent interest rate junior year and a 6.53 percent interest rate senior year. These values were populated in May 2024 into the Office of Federal Student Aid's Repayment Simulator Calculator at <https://studentaid.gov/loan-simulator/repayment/wizard/personal-info/select-what-applies> and poverty levels are also adjusted based on these inflation estimates. Salary assumptions were taken from [Real Median Personal Income in the United States \(MEPAINUSA672N\) | FRED | St. Louis Fed \(stlouisfed.org\)](#).

<sup>261</sup> Prior bills have suggested similar changes, such as the *Social Security Fairness Act of 2023*, H.R. 82, 118<sup>th</sup> Congress (2023), the *Stop EITC and CTC Seizures Act*, H.R. 5114, 117<sup>th</sup> Congress (2021).

<sup>262</sup> The *College for All Act*, S. 1963 & H.R. 4117, 118<sup>th</sup> Congress (2024) would eliminate tuition and fees at some institutions and for certain groups of students, increase grant aid, and expand eligibility for the Pell Grant, the largest source of grant aid for students from low-income families. Another bill, the *Pell Grant Preservation and Expansion Act*, S. 4595, H.R. 8807, 118<sup>th</sup> Congress (2024) would double the amount of the Pell Grant.

<sup>263</sup> Prior bills have provided pathways for private student loan borrowers to refinance into the federal loan program, and to allow borrowers to refinance their loans without forfeiting the benefits they are entitled to in the federal loan program. These include the *Student Debt Relief Act*, the *Lowering Access to Achievement Now Act*, H.R. 1731, 118<sup>th</sup> Congress (2023), the *Zero-Percent Student Loan Refinancing Act*, H.R. 3024, 117<sup>th</sup> Congress (2022), the *Student Loan Interest Elimination Act*, S.2557, 118<sup>th</sup> Congress (2023), and the *Student Right to Know Before You Go Act*, S. 3952, 117<sup>th</sup> Congress (2022). Additionally, the *Servicemember Student Loan Affordability Act*, S. 4645 and H.R. 9284, 118<sup>th</sup> Congress (2024) would amend the Servicemembers Civil Relief Act (50 U.S.C. § 3937) to expand the 6 percent student loan rate cap benefit for servicemembers who consolidate or refinance their student loans.

accessing certain key protections such as lower monthly payments and loan cancellation.<sup>264</sup> Policymakers should also prohibit administrative changes that cause certain loans to be removed from the federal loan program or become uninsured. Such policies would protect individual borrowers and could also improve private student loan pricing and terms through competition.

- **Simplify and automate the repayment system.** Policymakers and administrators at the Department of Education could build on recent successes by continuing to automate IDR enrollments and cancellation approvals.<sup>265</sup> Data matches with federal agencies such as the Department of Defense, Office of Management and Budget, and others could automate the employment qualification process for borrowers who may be eligible for Public Service Loan Forgiveness. Additionally, reducing the number of repayment plans could help minimize confusion during repayment.
- **Strengthen consumer protection laws in the private student loan market.** Policymakers could update and improve existing policies related to co-signer releases,<sup>266</sup> disclosures and advertisements of refinance loans, debt collection,<sup>267</sup> and bankruptcy.<sup>268</sup>

---

<sup>264</sup> This could include the extension of IDR and cancellation programs to FFELP and Parent PLUS borrowers. This could also include a prohibition against administrative changes that cause certain loans to be removed from the federal loan program or uninsured. The *Parent Plus Parity Act*, S. 5108 and H.R. 9753, 118<sup>th</sup> Congress (2024), provides such an expansion for Parent PLUS borrowers.

<sup>265</sup> For example, the *Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act*, Pub. L. No. 116-91, 133 Stat 1189 (2019) increased the ability of the Department of Education to automate certain repayment processes in partnership with the Internal Revenue Service.

<sup>266</sup> See also, Annual Report of the Student Loan Ombudsman (2014).

<sup>267</sup> For instance, the FDCPA does not apply to debt collection tactics used by original creditors, so many private student loan borrowers may be experiencing aggressive tactics that could more clearly be prohibited in legislation or related rulemakings.

<sup>268</sup> See also, Annual Report of the Student Loan Ombudsman (2014).

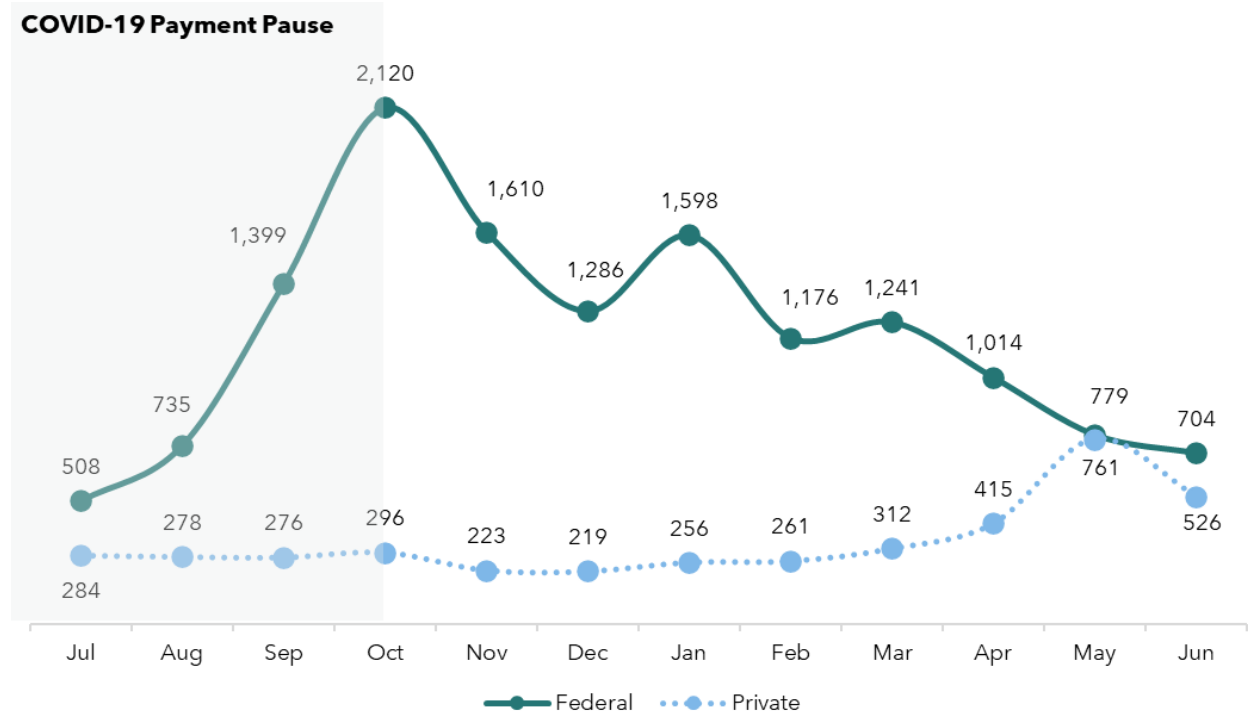
# APPENDIX A. STUDENT LOAN COMPLAINT ANALYSIS

This appendix presents information about the data used in this report and analysis about top issues raised by consumers during the 2023-2024 Award Year.

## A.1 Complaint data

The original analysis presented in this report is based on the thousands of consumer complaints submitted to the CFPB during the period starting July 1, 2023, and ending June 30, 2024 (Figure 9).

**FIGURE 9. TOTAL VOLUME OF STUDENT LOAN COMPLAINTS BY MONTH, AY23-24**



Three complaint datasets are used and referenced throughout: (1) the entire population of 18,277 complaints; (2) a random sample of 4,278 complaints, drawn from the total population of student loan complaints, that were manually reviewed by the Student Loan Ombudsman Team; and (3) a subset of 73 complaints that are individually referenced in this report and were examined and used to determine costs to borrowers and servicer responses (Table 6).

TABLE 6. OVERVIEW OF CFPB STUDENT LOAN COMPLAINT DATASETS, AY23- 24

Dataset	Federal (#)	Federal (%)	Private (#)	Private (%)	Total
Complaint Population <sup>269</sup>	14,170	78%	4,107	22%	<b>18,277</b>
CFPB Complaint Sample <sup>270</sup>	2,977	70%	1,301	30%	<b>4,278</b>
Borrower Narratives <sup>271</sup>	60	82%	13	18%	<b>73</b>

## A.2 Methodology

Each of the three datasets was analyzed differently and used to examine different types of problems:

**Table 1. Complaint Population:** The largest dataset, including all 18,277 complaints submitted by student loan borrowers during the Award Year, was used primarily for descriptive statistics. In the paper, we also refer to this dataset as “total complaints” or “all complaints submitted to the CFPB.”

**Table 2. CFPB Complaint Sample:** The sample dataset, including a subset of 4,278 complaints submitted by student loan borrowers during the Award Year, was used to identify complaint trends with more specificity than is possible using the categories provided by the CFPB’s public Consumer Complaint Database (CCDB). In total, over 1 in 5 federal complaints and nearly 1 in 3 private complaints were manually tagged and are part of this sample. All analyses based on this sample are labeled as such in the report.

For each applicable month, a sample of complaints was randomly selected and each complaint was reviewed by a member of the Student Loan Ombudsman Team. The reviewer would assess each complaint to determine the primary challenge identified by the borrower and tag the complaint to the issue that best aligns with the narrative. For example, a complaint about a long delay faced by a borrower waiting on a CARES Act

<sup>269</sup> The complaint statistics in this report may differ from those presented in the public Consumer Complaint Database because it includes complaints routed to other regulatory agencies, such as the Federal Trade Commission and the Department of Education, as well as complaints routed to colleges and schools. These complaints are excluded from the CCDB but included in this report given their relevance to many student loan issues. Our report excludes some complaints that the CFPB received, including multiple complaints submitted by a given consumer on the same issue (i.e., duplicates) and whistleblower tips.

<sup>270</sup> Random sample drawn from the entire population of student loan complaints submitted in Award Year 2023-2024.

<sup>271</sup> Particularly demonstrative complaints drawn from the population of student loan complaints submitted in Award Year 2023-2024.

Refund would be tagged as being related to “Refunds.”<sup>272</sup> After identifying the tag, reviewers also selected more specific sub-tags to isolate the issue further. The prior example might have a sub-tag of “CARES Act Refund.” The team audited complaint tags and sub-tags on a regular basis and collaborated internally to reach consensus about which tags to use in more complex cases. This analysis ultimately identified the most common substantive issues faced by consumers.

**Table 3. Borrower Narratives:** The 73 complaint narratives highlighted in this report were selected from the full complaint population based on their relevance to the most prominent issues, the specificity provided by the borrower, and whether the borrower consented to their complaint narrative being published. These complaints were reviewed in detail, and members of the Student Loan Ombudsman Team recorded identifiable financial costs and servicing and processing delays. Each complaint review was checked by at least three members of the team.

To identify the amount of money and time at stake and causes of borrower harm, reviewers identified the total amount of money that was at issue in the narrative and the extent of any observable delay in months. Reviewers evaluated borrower narratives, borrower-submitted documentation, company responses, and company-provided documentation to calculate these figures. Thus, the estimates are reflective only of amounts specified in complaints and not the totality of borrower harm.

For example, in March 2024, a borrower noted that two payments, totaling \$6,896.68, were removed from their account despite only authorizing a withdrawal of \$1,048.37. The servicer response indicates that a standard payment was erroneously withdrawn because an agent failed to place the borrower’s IDR application under pending status. The difference between the unauthorized withdrawal amount and the authorized amount,  $\$6,896.68 - \$1,048.37 = \$5,848.31$ , is the money at stake in this complaint. Additionally, the six-month delay in this case began when the borrower had a forbearance applied in October 2023 for IDR application processing and ended when the borrower’s SAVE enrollment became effective in April 2024.<sup>273</sup>

To calculate the money at stake, or total financial harms experienced by borrowers, the team aggregated both money paid by borrowers (including surcharges, amounts unexpectedly pulled from their accounts due to servicer error or miscalculation, and

---

<sup>272</sup> If a complaint covers more than one issue (as is common), reviewers aligned tags to the most pressing issue or, failing that, the issue that the complainant asks to remedy.

<sup>273</sup> COMPLAINT DATABASE Complaint ID# 8553689, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8553689>.

more) and money that servicers reported was returned to borrowers because of their complaints. Most student loan complaints concerned relatively large sums of money, with a median amount of \$2,895 per borrower. In total, the team identified over \$375,000 at stake in complaints related to federal loans, with the costliest cause being problems with discharge processing (Table 7).

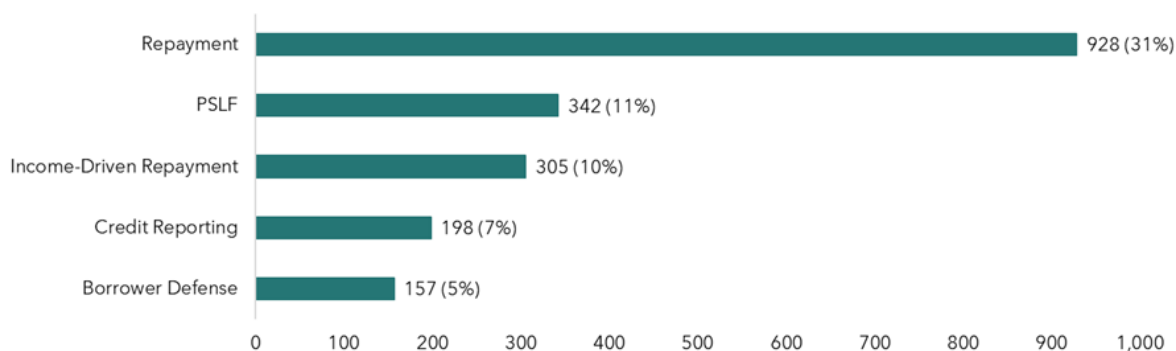
**TABLE 7. MONEY AT STAKE FOR FEDERAL BORROWERS HIGHLIGHTED IN THE REPORT BY ISSUE TYPE, AY23-24**

Issue Type	Number of Borrowers	Total	Total per Borrower (Average)
IDR payment amount	9	\$10,541	\$1,171
Refund	6	\$121,611	\$20,268
Unauthorized payment	5	\$13,966	\$2,793
Discharge processing	5	\$123,208	\$24,642
All other issues <sup>274</sup>	7	\$105,776	\$15,111
<b>Total</b>	<b>32</b>	<b>\$375,102</b>	<b>\$11,722</b>

## A.3 Federal student loan trends analysis

Federal student loan borrowers complained most often about issues with repayment, credit reporting, and accessing lower monthly payments and loan cancellation through programs such as Public Service Loan Forgiveness, Income-Driven Repayment, and Borrower Defense to Repayment (Figure 10).

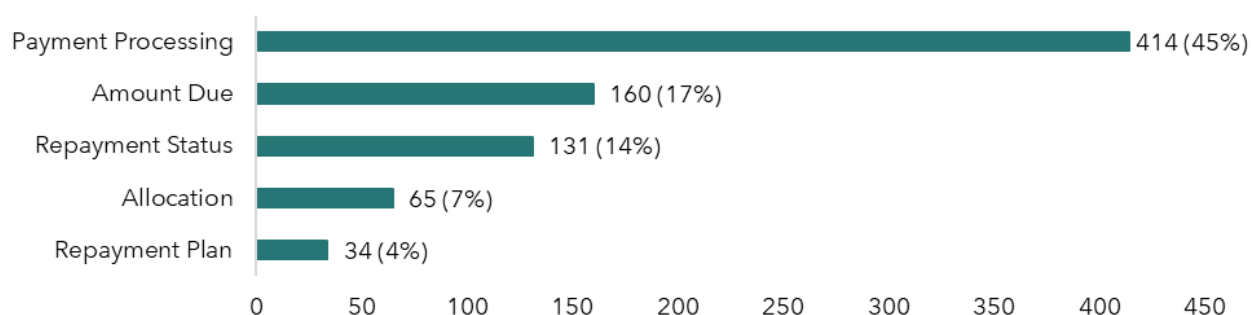
**FIGURE 10. TOP FEDERAL STUDENT LOAN ISSUE TAGS IN CFPB COMPLAINT SAMPLE, AY23-24**



<sup>274</sup> Other includes reinstated balance, payment reversal, wrongful interest accrual, incorrect payment calculations, and unposted payments.

In the tagged federal sample, over 40 percent of complaints related to repayment were about payment processing issues (Figure 11). Borrowers reported being unable to make payments through their servicers’ online portal, having payments debited but not posted to their student loan accounts, or having unexpected amounts debited. Other common repayment issues included problems with amounts due (e.g., conflicting amounts on different bills), repayment status (e.g., incorrectly applied forbearances), allocation (e.g., having payments improperly allocated across the student loan account), and repayment plans (e.g., Income-Driven Repayment enrollment delays and errors).

**FIGURE 11. TOP SUB-TAGS RELATED TO REPAYMENT FOR FEDERAL LOANS IN CFPB COMPLAINT SAMPLE, AY23-24**



During the Award Year, MOHELA was the most complained-about servicer and was mentioned in 41 percent of all federal loan complaints, despite servicing only 20 percent of accounts as of June 2024 (Table 8).<sup>275</sup> In contrast, Nelnet was the subject of 22 percent of borrower complaints but serviced 38 percent of borrower accounts in June 2024.<sup>276</sup>

**TABLE 8. FEDERAL STUDENT LOAN SERVICERS BY COMPLAINT AND ACCOUNT VOLUME, AY23-24**

Servicer	Share of Accounts <sup>277</sup>	Share of Complaints <sup>278</sup>
MOHELA	20%	41%
Nelnet	38%	22%

<sup>275</sup> See Section 1.2.1.5 for information about servicer account volume. MOHELA’s servicing volume estimate is drawn from data provided by the Office of Federal Student Aid.

<sup>276</sup> These counts capture the federal student loan sub-product category; complaints under the federal student loan debt sub-product category are not captured here. The listed proportion describes the share of complaints sent to companies and referred to other agencies.

<sup>277</sup> U.S. Department of Education, Office of Federal Student Aid, (June 2024), *Q2 2024 Borrower Accounts by Servicer*, <https://studentaid.gov/data-center/student/portfolio>.

<sup>278</sup> CFPB analysis of complaints submitted about federal student loans during the Award Year. This analysis excludes the federal student loan debt sub-product category.



<b>Servicer</b>	<b>Share of Accounts<sup>277</sup></b>	<b>Share of Complaints<sup>278</sup></b>
EdFinancial	18%	13%
Maximus/Aidvantage	25%	12%
Other <sup>279</sup>	0%	12%
<b>Total</b>	<b>100%</b>	<b>100%</b>

---

<sup>279</sup> Central Research, Inc. also services federal student loans but accounts for 0% of the overall portfolio. Borrowers may reference entities that do not service or are no longer servicing federal student loans in their complaints. For example, entities in this category include Navient, PHEAA, Heartland Payment Systems, Inc., Sallie Mae, credit reporting agencies, and other complaints about federal student loans with a pending company match.

## APPENDIX B. PRIOR CFPB STUDENT LOAN OMBUDSMAN REPORTS

The following is a list of all annual reports submitted to Congress pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act and significant mid-year updates by the CFPB Student Loan Ombudsman.<sup>280</sup>

- Rohit Chopra, [\*Annual Report of the CFPB Student Loan Ombudsman\*](#), (Oct. 16, 2012).
- Rohit Chopra, [\*Mid-year Snapshot of Private Student Loan Complaints\*](#), (Jul. 2013).
- Rohit Chopra, [\*Annual Report of the CFPB Student Loan Ombudsman\*](#), (Oct. 16, 2013).
- Rohit Chopra, [\*Mid-year Update on Student Loan Complaints\*](#), (Apr. 21, 2014).
- Rohit Chopra, [\*Annual Report of the Student Loan Ombudsman\*](#), (Oct. 16, 2014).
- Rohit Chopra, [\*Mid-year Update on Student Loan Complaints\*](#), (Jun. 18, 2015).
- Seth Frotman, [\*Annual Report of the CFPB Student Loan Ombudsman\*](#), (Oct. 14, 2015).
- Seth Frotman, [\*Midyear Update on Student Loan Complaints: Income-Driven Repayment Plan Application Issues\*](#), (Aug. 18, 2016).
- Seth Frotman, [\*Annual Report of the CFPB Student Loan Ombudsman\*](#), (Oct. 17, 2016).
- Seth Frotman, [\*Staying on Track While Giving Back: The Cost of Student Loan Servicing Breakdowns for People Serving Their Communities\*](#), (Jun. 21, 2017).
- Seth Frotman, [\*Annual Report of the CFPB Student Loan Ombudsman\*](#), (Oct. 18, 2017).
- Robert Cameron, [\*Annual Report of the CFPB Private Education Loan Ombudsman\*](#), (Oct. 15, 2019).
- Robert Cameron, [\*Annual Report of the CFPB Private Education Loan Ombudsman\*](#), (Oct. 28, 2020).
- Robert Cameron, [\*Annual Report of the CFPB Education Loan Ombudsman\*](#), (Oct. 26, 2021).
- Robert Cameron, [\*Report of the CFPB Education Loan Ombudsman\*](#), (Oct. 20, 2022).
- Robert Cameron, [\*Report of the CFPB Education Loan Ombudsman\*](#), (Oct. 20, 2023).

---

<sup>280</sup> 12 U.S.C. § 5535.