October 2019

Annual Report of the CFPB Private Education Loan Ombudsman

Consumer Financial
Protection Bureau

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Executive summary

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, this report analyzes complaints submitted by consumers from September 1, 2017, through August 31, 2019. (A report was not submitted in 2018.) During this time period the Bureau handled approximately 20,600 complaints related to private or federal student loans – approximately 6,700 private student loan complaints and 13,900 federal student loan complaints. The Bureau handled an additional 4,600 debt collection complaints with a student loan related subproduct.

1. Regarding private student loans, for the year ending August 31, 2018, the Bureau handled approximately 3,800 private student loan complaints, a decrease of approximately 50 percent compared to that of the previous year (2017). For the year ending August 31, 2019, the Bureau handled approximately 2,900 private student loan complaints, a decrease of approximately 25 percent compared to that of the previous year (2018).

2. Regarding federal student loans, for the year ending August 31, 2018, the Bureau handled approximately 7,200 federal student loan complaints, a decrease of approximately 44 percent compared to that of the previous year (2017). For the year ending August 31, 2019, the Bureau handled approximately 6,600 federal student loan complaints, a decrease of approximately 8 percent compared to that of the previous year (2018).

Over the past 24 months the Bureau handled approximately 4,600 debt collection complaints related to private or federal student loans, approximately 18% of student loan complaints and debt collection complaints about student loans. Over the past 24 months federal and state law enforcement agencies, including the Bureau, FTC, Department of Education and state Attorneys General Offices have successfully brought numerous enforcement actions against student loan debt relief companies with judgments totaling hundreds of millions of dollars. A single unscrupulous student loan debt relief company may negatively impact thousands, if not tens of thousands, of borrowers.

Policymakers, federal and state law enforcement agencies, and market participants may wish to consider reinforcing the success of the enforcement actions against student loan debt relief companies by formalizing the collaborative and cooperative enforcement efforts against unscrupulous actors in the market place and expanding beyond civil enforcement actions to criminal enforcement actions at all levels. In assessing and considering formalization of these efforts, actions to consider include the sharing of information, sharing data analytic tools, creating task forces, deciding how to best task organize, and determining how to best synchronize and deconflict resources and expertise to achieve the maximum benefit for the consumer.

1. About this report

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Act") established a Private Education Loan Ombudsman ("Ombudsman") within the Consumer Financial Protection Bureau ("Bureau" or "CFPB") to provide timely assistance to borrowers of private education loans. The statutory functions and requirements of the Ombudsman include the following:

- Receiving, reviewing, and attempting to informally resolve private student loan complaints, to include working with the Department of Education, institutions of higher education, lenders, guaranty agencies, loan servicers, and other participants in the private education loan programs;
- Establishing a memorandum of understanding ("MOU") with the student loan ombudsman of the Department of Education to ensure coordination in providing assistance and serving borrowers seeking to resolve complaints related to their private education loans or federal student loans;
- Compiling and analyzing data on borrower complaints regarding private education loans;
- Making appropriate recommendations to the Secretary of the Treasury, the Secretary of Education, the Director of the CFPB, the Committee on Banking, Housing and Urban Affairs and the Committee on Health, Education, Labor and Pensions of the Senate and the Committee on Financial Services and the Committee on Education and Labor of the House of Representatives; and
- Preparing an annual report that describes the activities and evaluates the effectiveness of the Ombudsman during the preceding year. This report is submitted to the Secretary of the Treasury, the Secretary of Education, the Director of the CFPB, the Committee on Banking, Housing and Urban Affairs and the Committee on Health, Education, Labor and Pensions of the Senate and the Committee on Financial Services and the Committee on Education and Labor of the House of Representatives.

This report is drafted pursuant to the Act and covers CFPB complaint data from September 1, 2017 through August 31, 2019. This is the seventh Ombudsman report. Notably, the last

Ombudsman report was submitted in 2017[1], and an MOU was not in place with the Department of Education from October 1, 2017, through the end date for this report (August 31, 2019). Nonetheless, during the past two years, the CFPB and the Department continued to assist borrowers and to receive, review, and attempt to resolve borrower complaints.

The Ombudsman Report is to include the activities and effectiveness of the position in the preceding year; this report will follow the practice of prior reports. Therefore, Section 2 of this report provides CFPB complaint data. This data includes information on more than 3,800 private education loan complaints submitted between September 1, 2017 and August 31, 2018; approximately 2,900 private loan complaints submitted between September 1, 2018 and August 31, 2019; more than 7,200 federal loan complaints submitted between September 1, 2017 and August 31, 2018; more than 6,600 federal loan complaints submitted between September 1, 2018 and August 31, 2019; and approximately 4,600 debt collection complaints related to private or federal student loans submitted between September 1, 2017 and August 31, 2019. Section 3 of this report provides data on federal and state enforcement actions regarding student loan debt relief companies. Section 4, the Private Education Loan Ombudsman's Discussion, discusses complaint analysis and student loan debt relief companies. Section 5 provides recommendations for Policymakers. Finally, two appendices are attached in order to assist market participants and others in informing, educating and empowering consumers regarding student loan debt relief companies and to provide red flags to help identify such companies.

Robert G. Cameron

Private Education Loan Ombudsman

Consumer Financial Protection Bureau

[1] The Ombudsman report was not submitted in 2018. The prior Ombudsman resigned on September 1, 2018, and did not complete the report prior his resignation. The annual period for which data is reported and analyzed ends August 31 of each year. The Ombudsman position was filled on August 19, 2019.

2. Student loan complaint data

2.1. Sources of information

This report includes student loan data from the CFPB's Consumer Complaint Database,[2] a collection of complaints about consumer financial products and services sent by the CFPB to companies for response. Across all products more than 5,000 financial companies currently provide responses to their customers through the Bureau's complaint process, ensuring the Bureau and the state and federal agencies with which the Bureau shares complaint information, including the Federal Trade Commission ("FTC"), have the companies' perspective on these complaint(s).

To identify and assess issues faced by student loan borrowers, this report relies on student complaints handled by the Bureau[3] as well as other sources of information including internal offices and sections within the Bureau (such as the Section of Students and Young Consumers, the Office of Servicemember Affairs, and the Office of Older Americans), consumers, other regulators, law enforcement agencies, and the Department of Education.

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[2] https://www.consumerfinance.gov/data-research/consumer-complaints/

[3] The Consumer Complaint Database is a collection of complaints, on a range of consumer financial products and services, sent to companies for response. We don't verify all the facts alleged in these complaints, but we take steps to confirm a commercial relationship between the consumer and the company. Complaints that do not meet publication criteria may be removed from the database. The publication criteria are available at *Disclosure of Consumer Complaint Data,* Docket no. CFPB-2012-0023 (Mar. 25, 2013), http://files.consumerfinance.gov/f/201303_cfpb_Final-Policy-Statement-Disclosure-of-Consumer-Complaint-Data.pdf. Therefore, the number of complaints published in the database may be fewer than the total number of complaints received by the Bureau.

2.2. Limitations

The Consumer Complaint Database[4] is not a statistical sample of consumers' experiences in the marketplace. Further, the number of complaints regarding any issue (and for this report, student loan debt relief companies) does not suggest the prevalence of issues as those issues relate to the entire student loan market. However, the Consumer Complaint Database does provide data and tools for significant complaint analysis. It contains anonymized complaint data provided by consumers, including the type of complaint, the date of submission, the consumer's zip code, and the company that the complaint concerns. The database also includes information about the actions taken by a company in response to a complaint: whether the company's response was timely and how the company responded. The database does not include consumers' personally identifying information. The database includes web-based and user-friendly features such as the ability to filter data based on specific search criteria; to aggregate data in various ways, such as by complaint type, company, location, date, or any combination of available variables; and to download data.

The Bureau does not verify all the allegations in consumers' complaints.[5] Unproven allegations in consumer narratives should be regarded as opinion, not fact. Readers should consider what conclusions may be fairly drawn from complaints alone. The data is adjusted for market share where sufficient data exists to adjust it for market share. However, there is not currently sufficient data to accurately adjust aspects of this report for market share. For example, regarding private student loans, it is difficult to accurately determine the number of complaints per 10,000 borrowers for meaningful company or organization comparisons or for meaningful comparisons between and among states.[6] However, the market share analysis that is done, and the method used to do the analysis, is solely for use in, and limited to, this year's report and

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[4] The landing page for the Consume Complaint Data Base https://www.consumerfinance.gov/data-research/consumer-complaints/

[5] The Bureau does take steps to confirm a commercial relationship between the consumer and the company or organization. The Bureau expects that such companies and organizations will find the issues raised in the complaints useful as they apply their complaint analysis process (which should be feasible, suitable and acceptable for the size and sophistication of the company or organization) to perform appropriate root cause analysis as part of their compliance management systems, which are subject to supervisory examinations.

[6] This presents an opportunity to assess and consider options to obtain such data in order to provide more thorough analysis and better supported recommendations in the future.

should not be interpreted as either a final Bureau decision or Bureau guidance on how to best determine market share and normalize complaint data. There are various approaches to doing market share analysis, or normalizing complaint data, including the number of borrowers, the number of borrower accounts, total customer interactions, and account values, among others. All of them have merit individually and/or in combination with each other. The Bureau is committed to achieving a workable and enduring solution regarding market share analysis and normalization of complaint data.

This report covers two years of data. During this time period an MOU was not in place with the Department of Education. Going forward, when an MOU is in place, deeper analysis of federal data is anticipated.

Despite the statistical limitations, the Consumer Complaint Database is an important tool for the Bureau, consumers, advocates, other regulators, and market participants. Complaints help the Bureau in its work to regulate consumer financial products and services under existing federal consumer financial laws, enforce those laws judiciously, and educate and empower consumers to make better-informed financial decisions to reach their own life goals. For consumers, the Bureau's complaint process is efficient and effective. It documents their experiences and challenges in the market place and is an important tool in resolving those challenges. Our data shows that 97% of complaints sent to companies receive a timely response. For borrower assistance and advocacy organizations, published complaint data provides insights and situational awareness regarding the issues experienced by consumers and informs their advocacy. Similarly, for state ombudsman offices and other state regulators, it provides key insights and situational awareness regarding the issues faced by consumers in their states as well as a comparison to other states. For market participants, consumer complaint information is an important tool to inform and support compliance activities and internal monitoring activities.

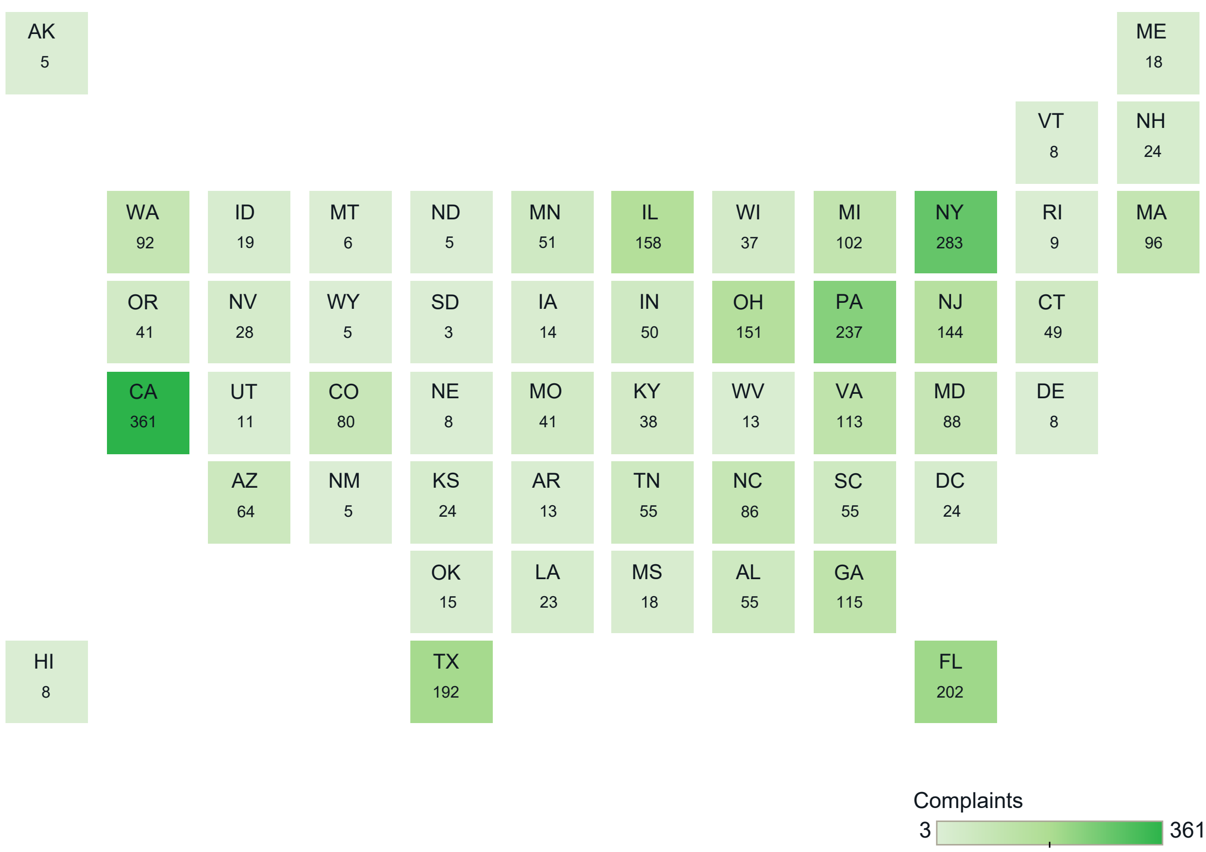
2.3. Private student loan complaints

For the two year period covering September 1, 2017 through August 31, 2019, the Bureau handled approximately 6,700 private student loan complaints – approximately 3,800 for the year ending August 31, 2018 and approximately 2,900 for the year ending August 31, 2019.

2.3.1. September 1, 2017 to August 31, 2018

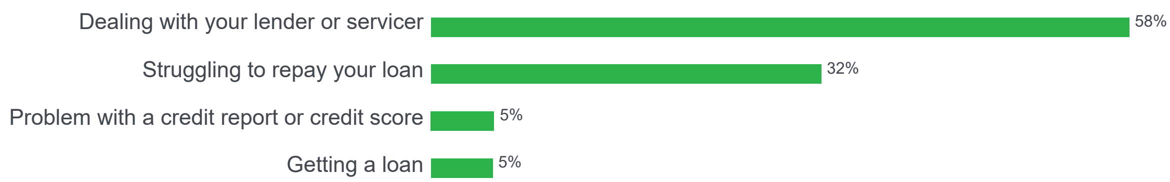
From September 1, 2017 through August 31, 2018, the Bureau handled approximately 3,800 private student loan complaints. The following charts and tables are based on complaints sent to companies or organizations and data exported from the public Consumer Complaint Database as of October 1, 2019.

FIGURE 1: PRIVATE STUDENT LOAN COMPLAINTS BY STATE (SENT TO COMPANY)



Note: This chart provides raw data regarding the number of complaints sent to companies per state. It is not normalized to provide the number of complaints per 10,000 borrowers per state.

FIGURE 2: PRIVATE STUDENT LOAN COMPLAINT BY ISSUES (SENT TO COMPANY)



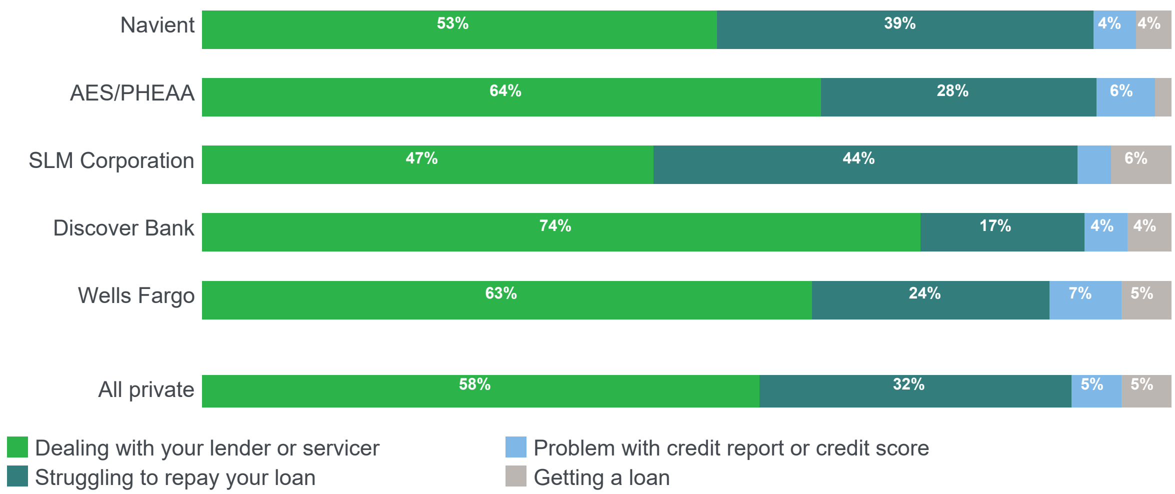
Note: Consumers submitting student loan complaints may select from the following four types of complaint categories: "Getting a loan," "Can't pay my loan," and "Dealing with my lender or servicer" and "Problem with credit report or score." The Bureau made it possible for consumers to submit complaints about credit reporting issues when submitting a complaint about another financial product in April 2017. This figure reflects the categories consumers selected when submitting a complaint.

FIGURE 3: ORGANIZATIONS WITH THE MOST PRIVATE STUDENT LOAN COMPLAINTS

	Private student loan complaints	% share of private student loan complaints sent to companies
Navient	1,760	51%
AES/PHEAA	310	9%
SLM Corporation	208	6%
Discover Bank	178	5%
Wells Fargo	135	4%

Note: This table reflects complaints where (1) the consumer identified the sub-product as a private student loan and (2) the identified company or organization that responded to the complaint, confirming the relationship with the consumer.

FIGURE 4: IDENTIFIED ISSUES IN PRIVATE STUDENT LOAN COMPLAINTS BY ORGANIZATION

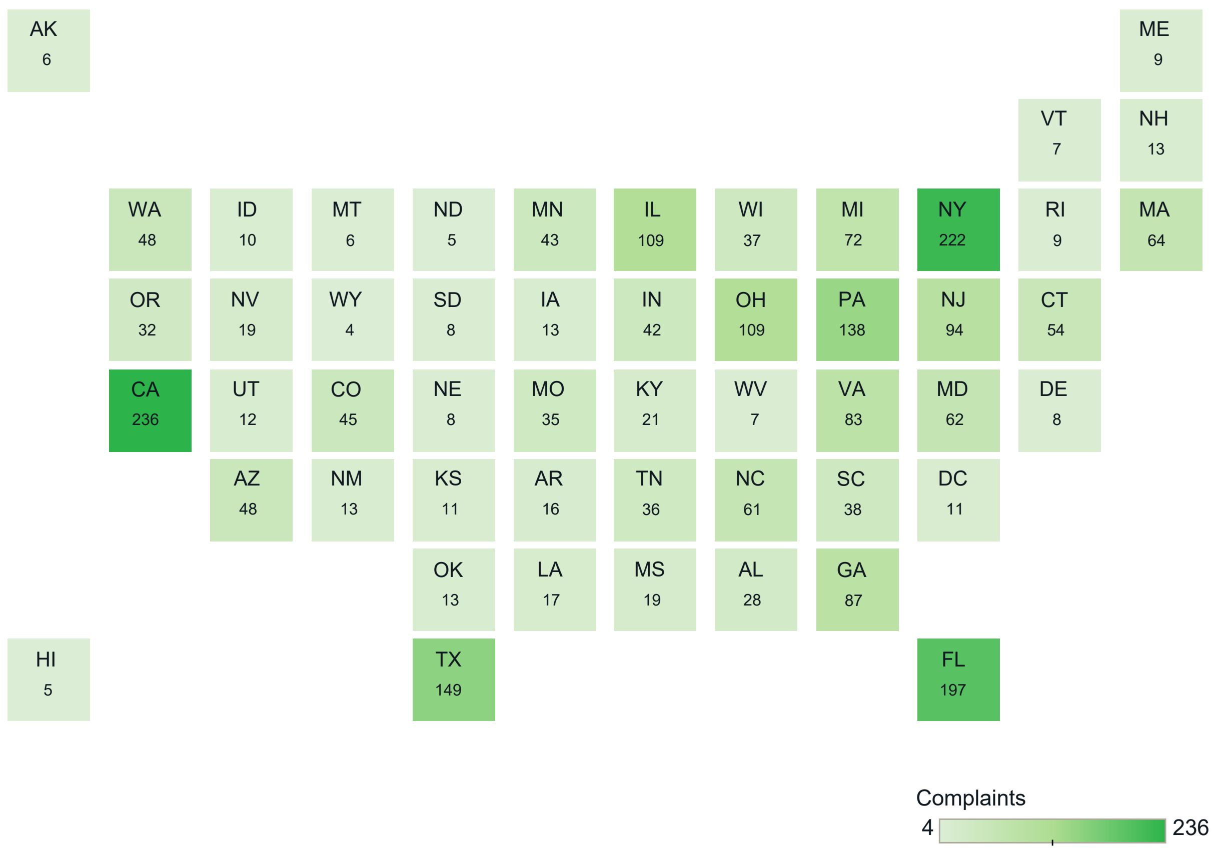


Note: This table reflects complaints where (1) the consumer identified the sub-product as a private student loan and (2) the identified company or organization that responded to the complaint, confirming the relationship with the consumer. This table reflects the organizations with the greatest number of complaints.

2.3.2. September 1, 2018 to August 31, 2019

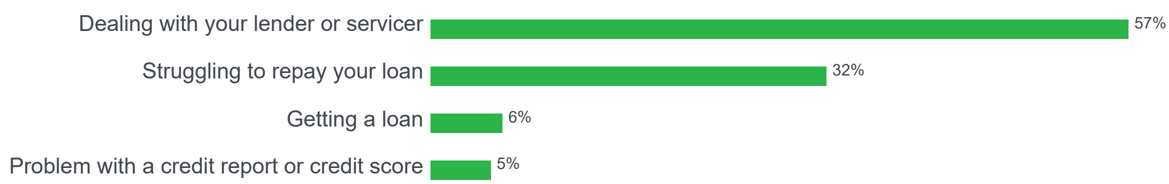
From September 1, 2018 through August 31, 2019, the Bureau handled approximately 2,900 private student loan complaints. The following charts and tables are based on complaints sent to companies or organizations and data exported from the public Consumer Complaint Database as of October 1, 2019.

FIGURE 5: PRIVATE STUDENT LOAN COMPLAINTS BY STATE (SENT TO COMPANY)



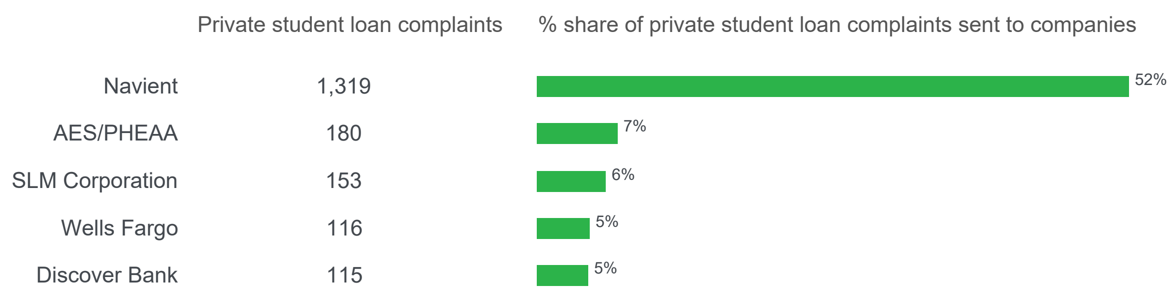
Note: This chart provides raw data regarding the number of complaints sent to companies per state. It is not normalized to provide the number of complaints per 10,000 borrowers per state.

FIGURE 6: PRIVATE STUDENT LOAN COMPLAINT BY ISSUES (SENT TO COMPANY)



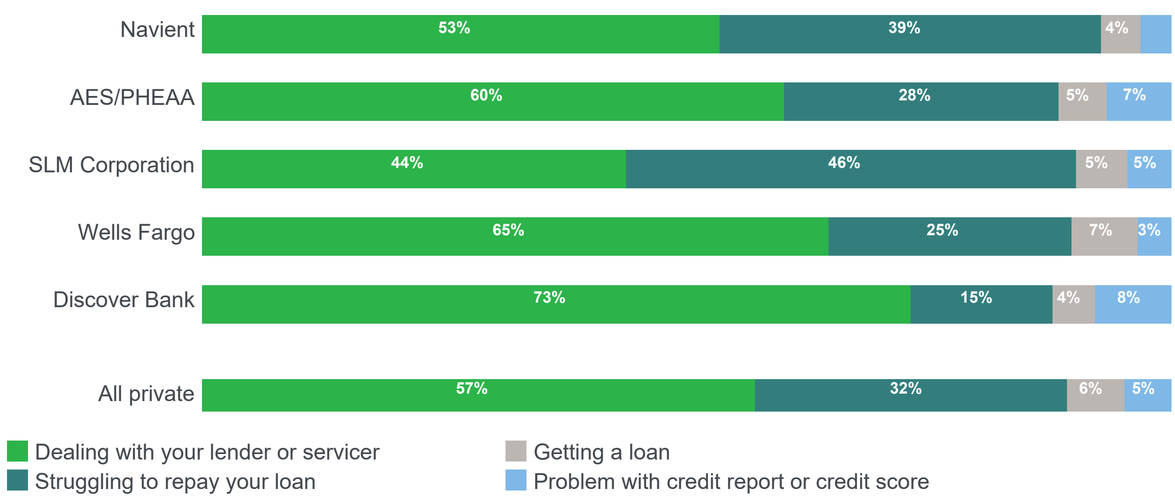
Note: Consumers submitting student loan com plaints may select from the following four types of complaint categories: “Getting a loan,” “Can’t pay my loan,” and “Dealing with my lender or servicer” and “Problem with credit report or score.” The Bureau made it possible for consumers to submit complaints about credit reporting issues when submitting a complaint about another financial product in April 2017. This figure reflects the categories consumers selected when submitting a complaint.

FIGURE 7: ORGANIZATIONS WITH THE MOST PRIVATE STUDENT LOAN COMPLAINTS



Note: This table reflects complaints where (1) the consumer identified the sub-product as a private student loan and (2) the identified company or organization that responded to the complaint, confirming the relationship with the consumer.

FIGURE 8: IDENTIFIED ISSUES IN PRIVATE STUDENT LOAN COMPLAINTS BY ORGANIZATION



Note: This table reflects complaints where (1) the consumer identified the sub-product as a private student loan and (2) the identified company or organization that responded to the complaint, confirming the relationship with the consumer. This table reflects the organizations with the greatest number of complaints.

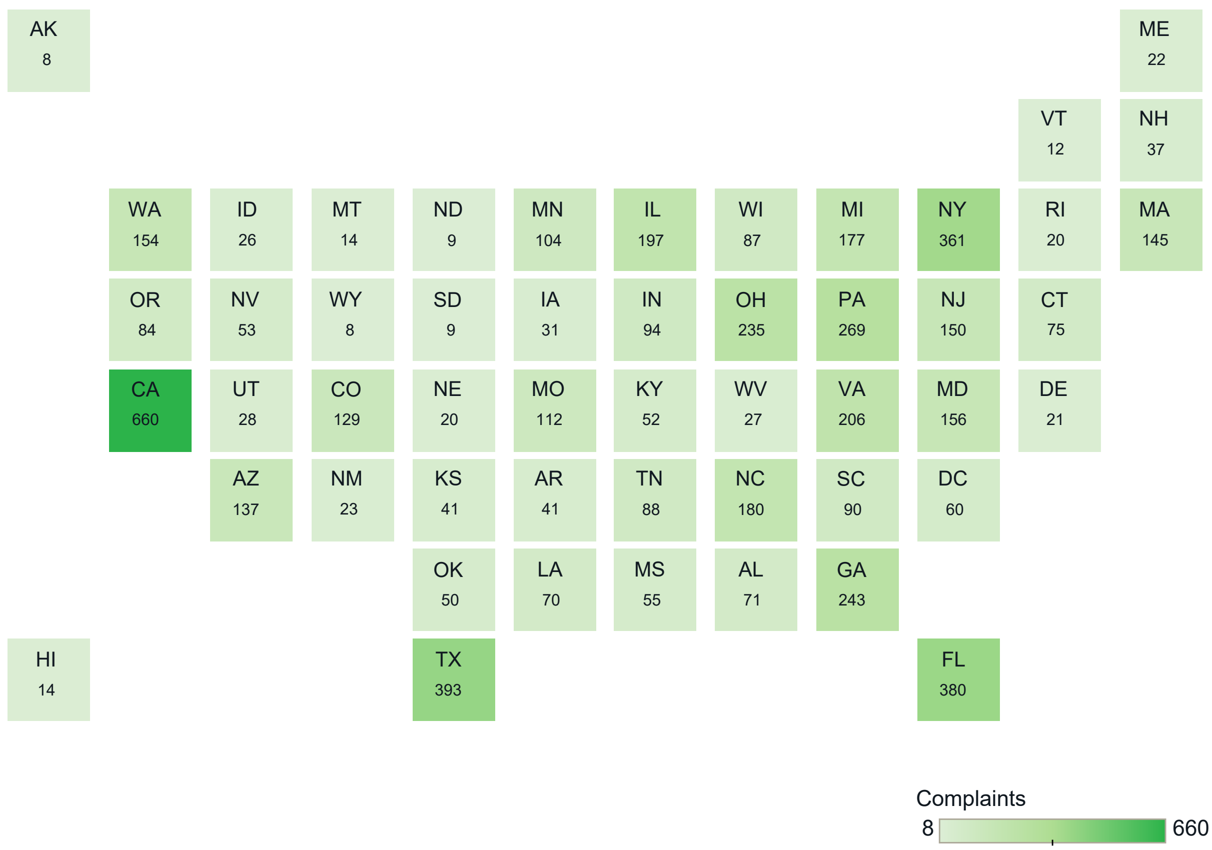
2.4. Federal student loan complaints

For the two year period covering September 1, 2017 through August 31, 2019, the Bureau handled approximately 13,900 federal student loan complaints– approximately 7,200 for the year ending August 31, 2018 and approximately 6,600 for the year ending August 31, 2019.

2.4.1. September 1, 2017 to August 31, 2018

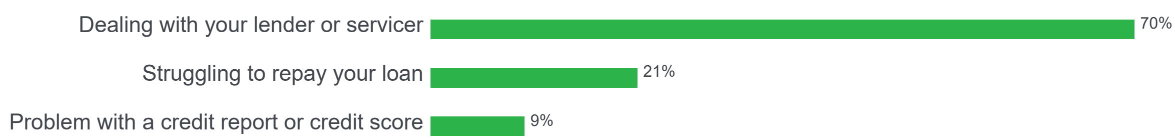
From September 1, 2017 through August 31, 2018, the Bureau handled approximately 7,200 federal student loan complaints. The following tables are based on complaints sent to companies or organizations and data exported from the public Consumer Complaint Database as of October 1, 2019.

FIGURE 9: FEDERAL STUDENT LOAN COMPLAINTS BY STATE



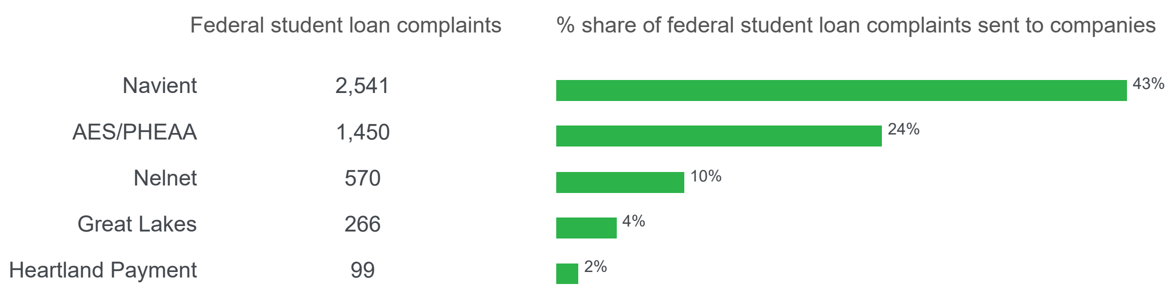
Note: This chart provides raw data regarding the number of complaints sent to companies per state. It is not normalized to provide the number of complaints per 10,000 borrowers per state.

FIGURE 10: FEDERAL STUDENT LOAN COMPLAINT BY ISSUES (SENT TO COMPANY)



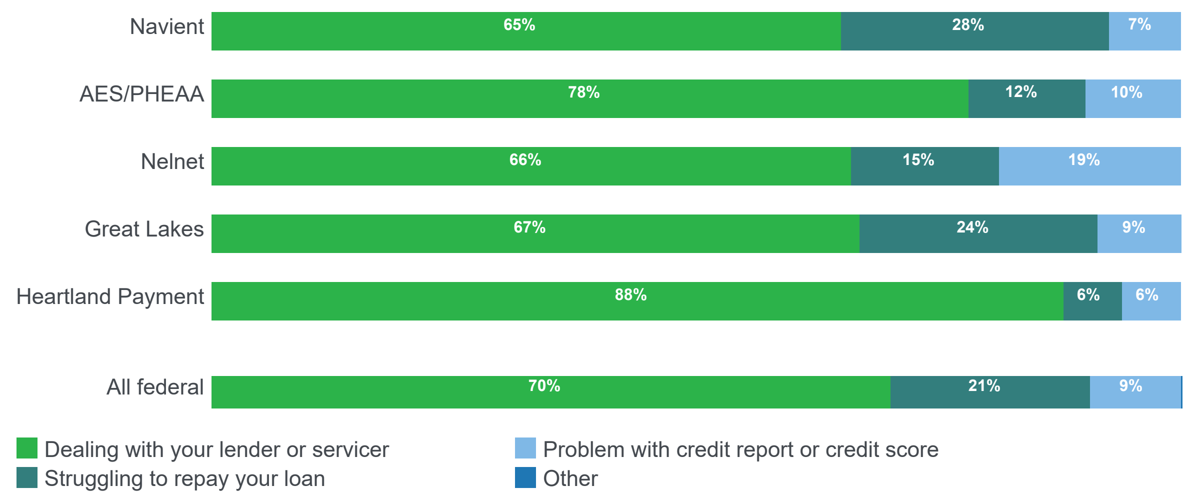
Note: Consumers submitting federal student loan complaints may select from the following four types of complaint categories: “Getting a loan,” “Can’t pay my loan,” “Dealing with my lender or servicer” and “Problem with credit report or score.” For consumers who indicate that their issue involves getting a federal student loan, our webform directs them to contact the Department of Education. The Bureau made it possible for consumers to submit complaints about credit reporting issues when submitting a complaint about another financial product in April 2017. This figure reflects the categories consumers selected when submitting a complaint.

FIGURE 11: ORGRANIZATIONS WITH THE MOST FEDERAL STUDENT LOAN COMPLAINTS



Note: This table reflects complaints where (1) the consumer identified the sub-product as a federal student loan and (2) the identified company or organization that responded to the complaint, confirming the relationship with the consumer.

FIGURE 12: IDENTIFIED ISSUES IN FEDERAL STUDENT LOAN COMPLAINTS BY ORGANIZATION



Note: This table reflects complaints where (1) the consumer identified the sub-product as a federal student loan and (2) the identified company or organization that responded to the complaint, confirming the relationship with the consumer. This table reflects the organizations with the greatest number of complaints.

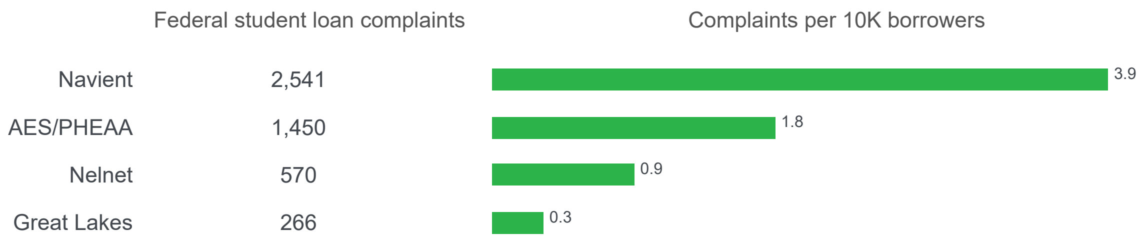
TABLE 1: NORMALIZATION TABLE BASED ON COMPLAINTS PER 10,000 BORROWERS PER YEAR

Company	Number of complaints	Number of borrowers in millions[7]	Complaints per 10K borrowers
Navient	2,541	6.6	3.9
AES/PHEAA	1,450	8.2	1.8
Nelnet	570	6.4	0.9
Great Lakes	266	8.2	0.3

Note: The number of borrowers is a snap shot of a single point in time which does not take into account fluctuations throughout the year, while the number of complaints is cumulative for the year. Also, there are nine federal student loan servicers. This table reflects the four Title IV Additional Servicers, which are the largest federal student loan servicers, and they had the greatest number of complaints.

[7] The approximate number of borrowers is from the National Student Loan Data System (NSLDS) as of March 31, 2018. These borrowers had Direct loans and/or Department of Education owned FFEL.

FIGURE 13: NORMALIZATION FIGURE BASED ON COMPLAINTS PER 10,000 BORROWERS PER YEAR

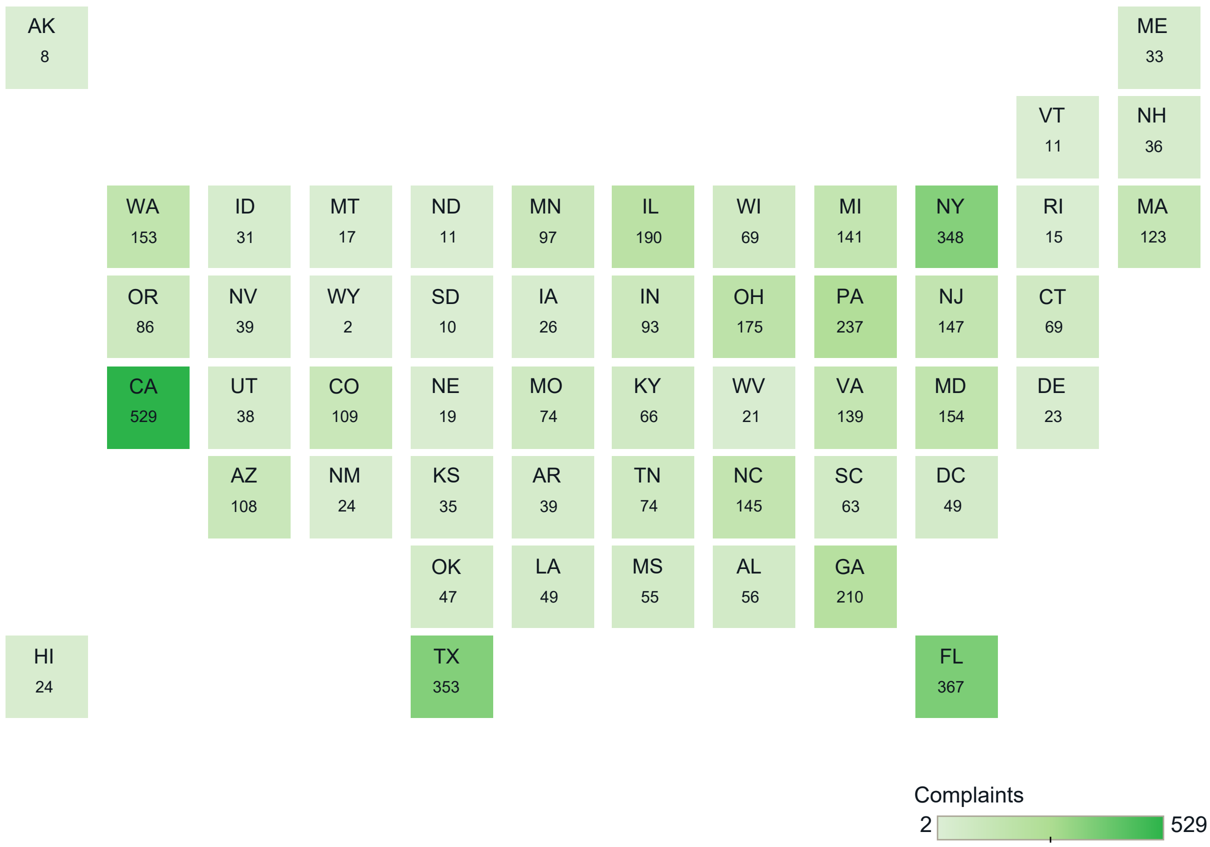


Note: The number of borrowers is a snap shot of a single point in time which does not take into account fluctuations throughout the year, while the number of complaints is cumulative for the year. Also, there are nine federal student loan servicers. This table reflects the four Title IV Additional Servicers, which are the largest federal student loan servicers, and they had the greatest number of complaints.

2.4.2. September 1, 2018 to August 31, 2019

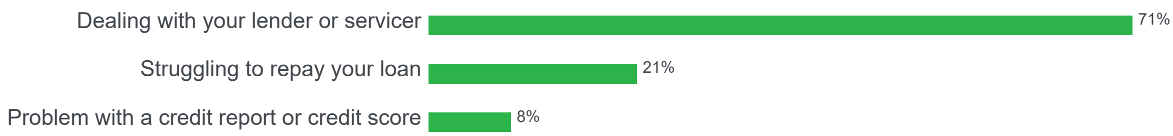
From September 1, 2018 through August 31, 2019, the Bureau handled approximately 6,600 federal student loan complaints. The following charts and tables are based on complaints sent to companies or organizations and data exported from the public Consumer Complaint Database as of October 1, 2019.

FIGURE 14: FEDERAL STUDENT LOAN COMPLAINTS BY STATE (SENT TO COMPANY)



Note: This chart provides raw data regarding the number of complaints sent to companies per state. It is not normalized to provide the number of complaints per 10,000 borrowers per state.

FIGURE 15: FEDERAL STUDENT LOAN COMPLAINT BY ISSUES (SENT TO COMPANY)



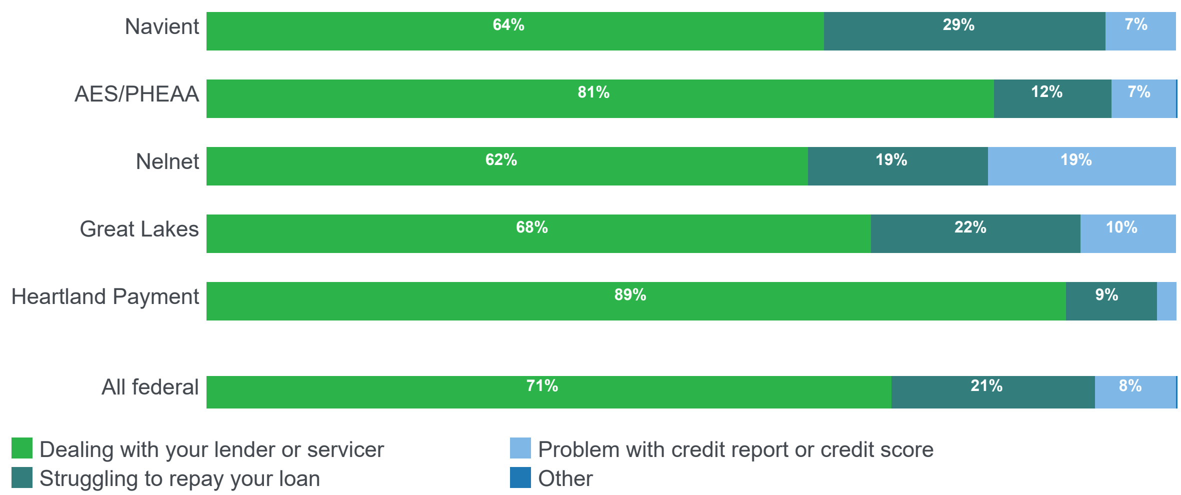
Note: Consumers submitting student loan complaints may select from the following four types of complaint categories: "Getting a loan," "Can't pay my loan," and "Dealing with my lender or servicer" and "Problem with credit report or score." For consumers who indicate that their issue involves getting a federal student loan, our webform directs them to contact the Department of Education. The Bureau made it possible for consumers to submit complaints about credit reporting issues when submitting a complaint about another financial product in April 2017. This figure reflects the categories consumers selected when submitting a complaint.

FIGURE 16: ORGANIZATIONS WITH THE MOST FEDERAL STUDENT LOAN COMPLAINTS

	Federal student loan complaints	% share of federal student loan complaints sent to companies
Navient	2,050	39%
AES/PHEAA	1,658	32%
Nelnet	480	9%
Great Lakes	184	4%
Heartland Payment	53	1%

Note: This table reflects complaints where (1) the consumer identified the sub-product as a federal student loan and (2) the identified company or organization that responded to the complaint, confirming the relationship with the consumer.

FIGURE 17: IDENTIFIED ISSUES IN FEDERAL STUDENT LOAN COMPLAINTS BY ORGANIZATION



Note: This table reflects complaints where (1) the consumer identified the sub-product as a federal student loan and (2) the identified company or organization that responded to the complaint, confirming the relationship with the consumer. This table reflects the organizations with the greatest number of complaints.

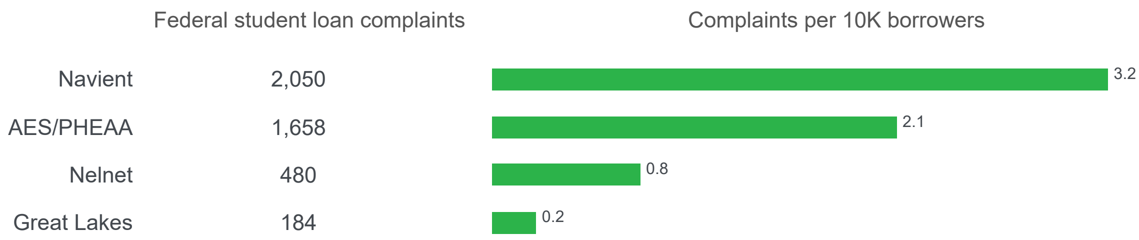
FIGURE 18: NORMALIZATION TABLE BASED ON COMPLAINTS PER 10,000 BORROWERS PER YEAR

Company	Number of complaints	Number of borrowers in millions[8]	Complaints per 10K borrowers
Navient	2,050	6.5	3.2
AES/PHEAA	1,658	8.0	2.1
Nelnet	480	6.3	0.8
Great Lakes	184	8.1	0.2

Note: The number of borrowers is a snap shot of a single point in time which does not take into account fluctuations throughout the year, while the number of complaints is cumulative for the year. Also, there are nine federal student loan servicers. This table reflects the four Title IV Additional Servicers, which are the largest federal student loan servicers, and they had the greatest number of complaints.

[8] The approximate number of borrowers is from the National Student Loan Data System (NSLDS) as of March 31, 2019. These borrowers had Direct loans and/or Department of Education owned FFEL. The four Title IV Additional Services have a decline in numbers which is likely attributable, at least in part, to the allocation metrics used to assign new borrower accounts to nine different servicers.

FIGURE 19: NORMALIZATION FIGURE BASED ON COMPLAINTS PER 10,000 BORROWERS PER YEAR



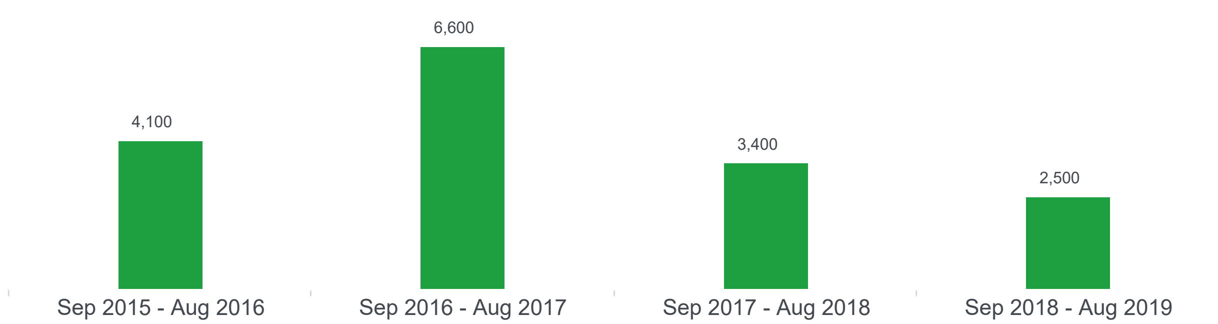
Note: The number of borrowers is a snap shot of a single point in time which does not take into account fluctuations throughout the year, while the number of complaints is cumulative for the year. Also, there are nine federal student loan servicers. This table reflects the four Title IV Additional Servicers, which are the largest federal student loan servicers, and they had the greatest number of complaints.

2.5. Year over year complaint data

The following figures reflect year over year aggregate complaint data for private student loans and federal student loans.[9]

2.5.1 Private student loan complaints September 1, 2015 to August 31, 2019

FIGURE 20: COMPARISON OF THE AGGREGATE NUMBER OF PRIVATE STUDENT LOAN COMPLAINTS BY YEAR



Note: This table reflects yearly aggregate complaints where (1) the consumer identified the sub-product as a private student loan and (2) the identified company or organization that responded to the complaint, confirming the relationship with the consumer.

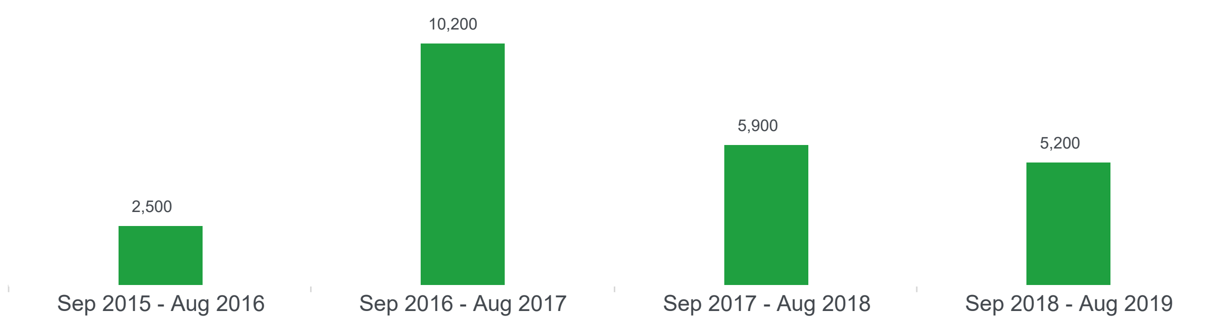
The Bureau initiated an enforcement action against a large student loan servicer in 2017. See e.g., Monthly Complaint Report Vol. 21 (Mar. 2017); Monthly Complaint Report Vol. 22 (Apr. 2017) and accompanying Press Release (Apr. 2017); PSLF Mid-Year Report (Jun. 2017); SL Ombuds Annual Report Press Release (Oct. 2017). It appears that this enforcement action is strongly correlated to an increase in complaints in 2017; it is possible that the enforcement action and ensuing press coverage increased both consumer awareness of issues that may affect

[9] Further analysis will be done in future reports to determine, to the extent possible, appropriate attribution for the aggregate trends as such attribution will likely point to both areas of success that should be reinforced and opportunities for improvement that should be addressed.

them and the likelihood that they followed-up accordingly. However, it is not currently known with certainty why there was a decrease in complaints for the 2018/2019 reporting period, particularly since the decrease in complaints is occurring while the number of borrowers and the total student loan amount is increasing year over year. For example, it is unknown whether the decrease is attributable to better practices in the market, improved consumer outreach regarding various requirements, insufficient consumer outreach regarding where to file complaints, or some other factor or combination of factors. This presents an opportunity for more in-depth analysis regarding the decrease in complaints and the factors to which the decrease is attributable, including whether the decrease is attributable to practices, consumer outreach, or the actions of companies, organizations, or others.

2.5.2 Federal student loan complaints September 1, 2015 to August 31, 2019

FIGURE 21: COMPARISON OF THE AGGREGATE NUMBER OF FEDERAL STUDENT LOAN COMPLAINTS BY YEAR



Note: This table reflects yearly aggregate complaints where (1) the consumer identified the sub-product as a federal student loan and (2) the identified company or organization that responded to the complaint, confirming the relationship with the consumer.

The Bureau initiated an enforcement action against a large student loan servicer in 2017. See e.g., Monthly Complaint Report Vol. 21 (Mar. 2017); Monthly Complaint Report Vol. 22 (Apr. 2017) and accompanying Press Release (Apr. 2017); PSLF Mid-Year Report (Jun. 2017); SL Ombuds Annual Report Press Release (Oct. 2017). It appears that this enforcement action is strongly correlated to an increase in complaints in 2017; it is possible that the enforcement action and ensuing press coverage increased both consumer awareness of issues that may affect them and the likelihood that they followed-up accordingly. However, it is not currently known with certainty why there was a decrease in complaints for the 2018/2019 reporting period, particularly since the decrease in complaints is occurring while the number of borrowers and the total student loan amount is increasing year over year. For example, it is unknown whether the decrease is attributable to better practices in the market, improved consumer outreach regarding various requirements, insufficient consumer outreach regarding where to file complaints, or some other factor or combination of factors. This presents an opportunity for more in-depth analysis regarding the decrease in complaints and the factors to which the decrease is attributable, including whether the decrease is attributable to practices, consumer outreach, or the actions of companies, organizations, or others.

2.6. Debt collection complaint data

For the two year period covering September 1, 2017 through August 31, 2019, the Bureau handled approximately 4,600 debt collection complaints with a student loan related subproduct[10] - approximately 2,400 for the year ending August 31, 2018 and approximately 2,200 for the year ending August 31, 2019.

The below tables are based on complaints sent to companies or organizations and data exported from the public Consumer Complaint Database as of October 1, 2019.

This report includes data from the CFPB's Consumer Complaint Database, a collection of complaints about consumer financial products and services sent by the CFPB to companies for response. Across all products more than 5,000 financial companies currently provide responses to their customers through the Bureau's complaint process, ensuring the Bureau and the state and federal agencies with which the Bureau shares complaint information, including the Federal Trade Commission, have the companies' perspective on these complaint(s).

Complaints that cannot be sent to companies for response such as those regarding issues with some third party debt relief companies that do not yet participate in the complaint process, or complaints that result from debt relief scams, are not published in the Consumer Complaint

[10] This number includes private and federal student loans.

Database or reflected in the company-level analysis in this report. These complaints are also shared with state and federal agencies and included in the Federal Trade Commission's Sentinel Network for law enforcement agencies, enabling these agencies to differentiate between responsive and non-responsive companies and to evaluate a company's handling of consumer complaints.

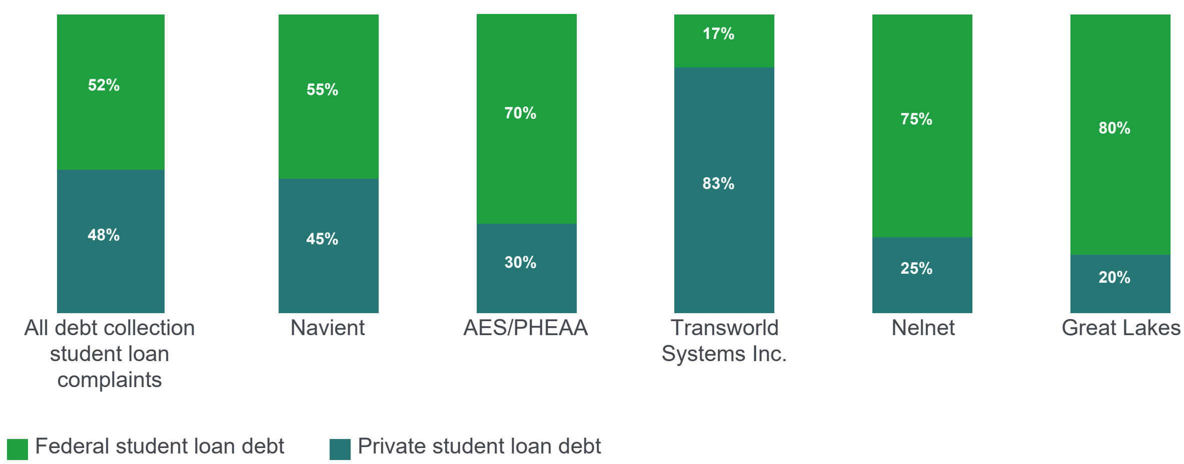
2.6.1. Debt collection complaint data

FIGURE 22: TOP RECIPIENTS OF STUDENT LOAN DEBT COLLECTION COMPLAINTS FROM SEPTEMBER 1, 2017 THROUGH AUGUST 31, 2019

Federal Student Loans	Number of Complaints	Private Student Loans	Number of Complaints
Navient	368	Navient	301
AES/PHEAA	140	Transworld Systems Inc.	147
Nelnet	91	AES/PHEAA	60
Great Lakes	61	Ability Recovery Services, LLC	40
ECMC Group, Inc.	55	Williams & Fudge, Inc.	36

Note: This table reflects debt collection complaints where (1) the consumer identified the sub-product as a private or federal student loan and (2) the identified company or organization that responded to the complaint, confirming the relationship with the consumer. This table also reflects aggregated complaints of subsidiary debt collection companies under the parent company

FIGURE 23: DISTRIBUTION OF LOAN TYPE FOR STUDENT DEBT COLLECTION COMPLAINTS BY COMPANY FROM SEPTEMBER 1, 2017 THROUGH AUGUST 31, 2019



Note: This table reflects debt collection complaints where (1) the consumer identified the sub-product as a private or federal student loan and (2) the identified company or organization that responded to the complaint, confirming the relationship with the consumer. This table was not normalized to reflect each company's relative market share. This table reflects the top companies and organizations by complaint volume and includes aggregate complaints of subsidiary debt collection companies under the parent company.

3. Other debt collection data – Student loan debt relief scams: Cooperation between the Bureau, Federal Trade Commission ("FTC"), and states.

Federal and state law enforcement agencies, including the Bureau, FTC, Department of Education and state attorneys general offices, have been working together to address student loan debt relief scams.

As noted in section 2.6, the Bureau handled approximately 4,600 debt collection complaints related to either private or federal student loans between September 1, 2017 and August 31, 2019. Within this reporting category, complaints regarding student loan debt relief companies may be reported, and these complaints are particualarly concerning.[11]

In October 2017, the FTC announced Operation Game of Loans[12] which was a partnership with the FTC, 11 states and the District of Colombia to address legal violations by student debt relief companies.[13] In total, the operation involved 36 FTC and state enforcement actions where scammers collected over $95 million in illegal upfront fees.[14] In 2018, the FTC brought or filed

[11] See, Ombudsman Discussion, infra.

[12] https://www.ftc.gov/news-events/press-releases/2017/10/ftc-state-law-enforcement-partners-announce-nationwide-crackdown

[13] Law enforcement actions were taken by Colorado, Florida, Illinois, Kansas, Maryland, North Carolina, North Dakota, Oregon, Pennsylvania, Texas, Washington, and the District of Columbia.

[14] https://www.ftc.gov/news-events/press-releases/2017/10/ftc-state-law-enforcement-partners-announce-nationwide-crackdown

settlements in 8 actions and obtained judgements totaling over $88 million.[15] In 2019, the FTC brought or filed settlements in 5 actions and obtained judgements totaling over $43 million. [16]

In addition, several state law enforcement agencies successfully brought their own enforcement actions against student loan debt relief companies[17] and the Bureau has successfully brought enforcement actions[18] both individually and in collaboration with states. In total, judgements in the Bureau's actions, taken on its own and with states, exceed $17 million.[19]

Considering the number of complaints in the Bureau's Consumer Complaint Database regarding debt collection (which may include complaints reported regarding student loan debt relief companies), the numerous enforcement actions by federal and state law enforcement organizations involving student loan debt relief companies, and the amount of the judgements, the foregoing information indicates that student loan debt relief companies have a disproportionate impact on the consumers who fall prey to them. Further, a single unscrupulous student loan debt relief company may negatively impact thousands of borrowers. Student loan debt relief companies will be addressed in the Private Education Loan Ombudsman's discussion.

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[15] https://www.ftc.gov/news-events/press-releases/2018/11/ftc-halts-deceptive-student-debt-relief-scheme-bilked-consumers; https://www.ftc.gov/news-events/press-releases/2018/02/ftc-charges-student-loan-debt-relief-scheme-deceiving-consumers; https://www.ftc.gov/news-events/press-releases/2018/12/ftc-settlements-will-ban-student-loan-debt-relief-operators; https://www.ftc.gov/news-events/press-releases/2018/06/student-loan-debt-relief-scam-operators-agree-settle-ftc-charges; https://www.ftc.gov/news-events/press-releases/2018/09/student-debt-relief-operators-agree-settle-ftc-charges; https://www.ftc.gov/news-events/press-releases/2018/05/operators-student-loan-debt-relief-schemes-settle-ftc-charges

[16] https://www.ftc.gov/news-events/press-releases/2019/07/ftc-stops-student-loan-debt-relief-scheme-charges-operators; https://www.ftc.gov/news-events/press-releases/2019/09/ftc-takes-action-against-operators-student-loan-debt-relief; https://www.ftc.gov/news-events/press-releases/2019/07/additional-defendants-student-debt-relief-schemes-agree-settle; https://www.ftc.gov/scams/debt-relief

[17] The following cases are examples and not an exhaustive list: https://www.mass.gov/news/finance-company-to-pay-340000-in-loan-relief-to-students-banned-from-providing-services-in; https://ag.ny.gov/press-release/2019/attorney-general-james-holds-lender-responsible-ripping-student-borrowers; https://oag.dc.gov/release/attorney-general-wins-judgment-against-company

[18] Student Aid Institute, ENF- 2013-0886-02; Irvine Web Works, Inc. d/b/a Student Loan Processing, ENF- 2013-0585-02; and College Education Services, LLC, ENF- 2013-0623-02.

[19] This total respresents the aggregate of the original judgment amounts. However, the total was not realized as portions of varous judgments were suspended in varying amounts due to insufficient funds.

4. Private Education Loan Ombudsman's discussion

Due to the shortened time period to draft this report, as well as the time period covered (two years), I made the decision to focus on two subjects that, if promptly addressed, may have the greatest immediate impact in preventing potential harm to borrowers: complaints and student loan debt relief scams.

Complaints and complaint analyses provide not just effective tools for supervision and enforcement, but complaint data and analyses can also be used by market participants to effectively detect issues early, prevent harm, and if harm has occurred, provide early and timely remediation. Everyone benefits when appropriate complaint analysis is performed and appropriate action is taken.

Student loan debt relief scams harm borrowers, the Department of Education, taxpayers, lenders, and servicers. The complaint data and data from enforcement actions indicate that student loan debt relief companies that are violating the law have a large negative impact that harms vulnerable and struggling borrowers. Everyone benefits when these scams are identified and shut down, and everyone has an opportunity to be a part of making that happen.

4.1. Complaints

Consumer complaints are submissions that express dissatisfaction with, or communicate suspicion of wrongful conduct by, an identifiable entity related to a consumer's personal experience with a financial product or service. Though consumer harm may not always be associated with every complaint, complaints are a valuable source of information for the Bureau and market participants, among others, in preventing consumer harm.

Monitoring complaints by the Bureau provides insights into problems consumers report experiencing and can serve as an early indicator of issues in the financial marketplace. Complaint analyses support the Bureau's work to supervise companies, enforce federal consumer financial laws, propose rules, and develop tools to empower consumers to make informed financial decisions. While analyzing complaints provides important information to the Bureau, it has some limitations as noted in secton 2.2. For example, the Bureau does not verify all allegations in consumers' complaints. Further, the Bureau recognizes that complaint data can often be better understood in the context of other data, such as product or service market size and company share, and the Bureau is working to identify methods that provide that context.

Complaint monitoring is performed by market participants, typically as part of a Compliance Management System ("CMS").[20] Complaint monitoring provides market participants insights into the challenges they may have with creating appropriate consumer experiences and meeting compliance obligations. Additionally, complaints serve as early indicators of potential issues that may need to be addressed. Importantly, market participants are positioned to receive complaints in real-time, identify and validate issues in the complaints, and determine the root cause of the complaint – whether the cause is policies, processes, procedures, technologically systemic, or some other cause. Appropriately designed complaint analyses processes identify issues early which in turn limits the window of harm to consumers and reduces the population of consumers that requires remediation. Appropriate and timely complaint analyses, early identification of issues, and remediation when harm has occurred, reduces harm to consumers, increases consumer satisfaction, drives business value, and reduces reputational, litigation, and regulatory risk to companies and organizations.

More specifically, complaints happen after dissatisfaction or harm occurs. When harm has occurred, it may continue to occur for the individual borrower and the population of borrowers similarly situated, until the issue causing the harm is stopped and remediated. The smaller the time period between when such a complaint is received and when the harm is stopped and remediated, the more harm that is prevented. Everyone, from consumers to market participants, benefits when harm is identified, remediated, and prevented. Appropriate and timely complaint analyses is one tool market participants have to accomplish this.

[20] CMS's are subject to supervisory examinations. CMS's include structures, methods and processes that when working properly, ensure compliance with consumer financial protection laws. Supervisory examinations of CMS's are one way the Bureau ensures compliance with federal consumer financial laws and ensures a level playing field between market participants.

4.2. Student loan debt relief scams

At the outset, it is important to distinguish between unscrupulous student loan debt relief companies[21] and legitimate credit counselors and others who perform valuable services, such as legitimate debt relief companies,[22] in assisting borrowers with their debt. Often, borrowers who are victimized by unscrupulous student loan debt relief companies are struggling, vulnerable, and are in need of legitimate assistance. Importantly, government agencies and servicers offer a variety of free tools that can help consumers navigate repayment of their student loans, and student loan debt relief companies do not have any special access to these tools or programs. The Department of Education, for example, has a website dedicated to assisting federal loan borrowers in finding the right repayment plan, learning how to make payments, getting help if they can't afford their payments, and seeing what circumstances might result in a loan being forgiven, canceled, or discharged.[23] The Department and the Department's student loan servicers provide free assistance in navigating repayment options and obtaining federal protections for federal loans.[24] Additionally, the Bureau has tools and information available regarding both private and federal loans.[25]

Unscrupulous student loan debt relief companies first and foremost inflict tremendous harm on consumers. Numerous enforcement cases have shown that these companies misrepresent their services and charge consumers thousands of dollars in monthly and upfront fees[26] without providing promised services. In many cases, these companies employed aggressive marketing tactics[27] through direct mail, telecommunications, and social media platforms that suggest

[21] See, Appendix A regarding red flags.

[22] See Appendix B for the differences between credit counselors and legitimate debt relief companies.

[23] https://studentaid.ed.gov/sa/repay-loans

[24] https://studentaid.ed.gov/sa/repay-loans/understand/servicers#contact

[25] https://www.consumerfinance.gov/consumer-tools/student-loans/

[26] https://www.consumer.ftc.gov/articles/1028-student-loans; 16 CFR Part 310: Telemarketing Sales Rule

[27] https://studentaid.ed.gov/sa/repay-loans/avoiding-loan-scams#how-target-borrowers

special expertise in student loan repayment or special access to government programs. For instance, companies have characterized themselves as affiliated with the federal government and that their fees are necessary for enrollment in income driven repayment programs; however, these programs are available to consumers for free.[28] In some cases, companies "guarantee" customized debt relief solutions, but only offer consolidation of federal loans into direct loans and then enrollment into direct loan repayment programs. The companies might still charge borrowers for consolidation based services, even if the borrowers have certain federal and/or private loans that are not eligible for consolidation. Further, in some cases consolidation-repayment plans could result in higher monthly payments, loss of grace periods, or loss of specific benefits available to the consumer's original loans.[29] Some student loan debt relief companies have also taken over consumers' accounts by requiring consumers to give them their federal student aid personal identification numbers ("FSA PINs") and changing the consumer's contact and login information, effectively severing contact between the consumer and their student loan servicer, the entity that could actually help the consumer.[30] In these cases, the consumer loses visibility into their account, and the company can trick the consumer into believing they are making more manageable monthly student loan payments when the account is actually either accruing interest in forbearance or in a $0 payment plan.[31] Other consumer harms include sending borrowers into default[32], often making borrowers incur more debt than they had originally.[33] Second and third order effects include perpetrating frauds upon

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[28] https://files.consumerfinance.gov/f/201603_cfpb_consent-order-student-aid-institute-inc-steven-lamont.pdf

[29] https://www.consumerfinance.gov/policy-compliance/enforcement/actions/college-education-services-marcia-elena-vargas-and-frank-liz/

[30] https://www.consumer.ftc.gov/blog/2016/05/student-debt-relief-schemes-targeted-ftc; https://studentaid.ed.gov/sa/repay-loans/avoiding-loan-scams#how-target-borrowers

[31] https://www.ftc.gov/system/files/documents/cases/192_3105_mission_hills_complaint_7-11-19.pdf

[32] https://www.consumerfinance.gov/ask-cfpb/what-are-debt-settlementdebt-relief-services-and-should-i-use-them-en-1457/; https://www.ftc.gov/system/files/documents/cases/strategic_student_solutions_complaint_0.pdf; and https://www.ftc.gov/system/files/documents/cases/192_3105_mission_hills_complaint_7-11-19.pdf

[33] Id.

the Department of Education by falsifying information on official documents.[34] Indeed, the GAO's findings regarding indicators of potential fraud or error in income and family size information for borrowers with approved Income-Driven Repayment (IDR) plans[35] may be attributable, in part, to unscrupulous student loan debt relief companies.[36]

The challenges posed by unscrupulous student loan debt relief companies are extensive. While the Bureau, Department of Education, FTC, student loan servicers, and others have engaged in information campaigns warning consumers about student loan debt relief scams, continued and enhanced education efforts are necessary to support and empower consumers in protecting themselves from harm. Enforcement authorities face challenges in identifying student loan debt relief scams in real time to prevent widespread consumer harm. Student loan debt relief scams are able to quickly and efficiently target consumers through a variety of marketing platforms, especially through targeted messages through social media marketing tools and the use of temporary company names and aliases. Further, reaching potential student loan debt relief victims can be challenging, especially in cases when these entities have severed the ability for servicers to contact the consumer.

Everyone involved with student loan borrowers (e.g., lenders, guarantors, servicers, schools, federal and state agencies, and advocates) has an opportunity to combat these scam operations whether it is to raise awareness, inform and educate borrowers, file complaints, share information with law enforcement authorities, or bring enforcement actions, when appropriate. This requires partnerships and building trust between and among consumers, lenders, guarantors, servicers, schools, federal and state agencies, and advocates.

At the end of this report, Appendices A and B are attached. Appendix A is designed to assist market participants and others in informing, educating and empowering consumers regarding student loan debt relief companies and idenitifies potential red flags to help identify such companies. It also notes actions that are currently being taken (in addition to the enforcement

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34 See, https://www.gao.gov/assets/700/699968.pdf; *FTC v. Elegant Solutions, Inc.*, et al, 8:19-cv-01333-JVS-KES (CD CA 2019).

35 https://www.gao.gov/assets/700/699968.pdf

36 https://slsa.net/wp-content/uploads/2019/07/SLSA-Press-Statement-072519-GAO-WEB.pdf

actions noted in section 3.0) to identify and mitigate the effects of student debt relief scams. Appendix B is designed to to assist market participants and others in informing, educating and empowering consumers regarding the differences between credit counselors and legitimate debt relief companies as well as impermissible fees.

5. Recommendations

- Regarding complaints, beyond the sharing of information as contemplated in the MOU with the Department of Education for resolving complaints (which happens after the dissatisfaction, perceived harm, or actual harm has occurred) and assisting borrowers, Policymakers, the Department of Education, and the Bureau should assess and consider the sharing of information, analytical tools, education outreach, and expertise in order to proactively prevent borrower harm, and when borrower harm has occurred, reduce the window in which harm is occurring through timely identification and remediation, which in turn reduces the number of affected borrowers and reduces the impact on borrowers who are affected.

- Regarding student loan debt relief scams, Policymakers should consider the following:

  - Policymakers, federal and state law enforcement agencies, and market participants should consider reinforcing the success of the enforcement actions against student loan debt relief companies by formalizing these collaborative and cooperative enforcement efforts and expanding beyond civil enforcement actions to criminal enforcement actions at all levels. In assessing and considering formalization of these efforts, actions to consider include the sharing of information, further developing and sharing data analytic tools, creating task forces, deciding how to best task organize, and determining how to best synchronize and deconflict both resources and expertise in order to achieve the maximum benefit for the consumer. Importantly, formalization also sends a strong message of deterrence to unscrupulous actors in the market place, encourages consumer confidence, and further works to prevent harm to borrowers while also working to stop fraudulent acts against the Department of Education and market participants.

  - With respect to developing and sharing data analytic tools that support civil and criminal enforcement actions, and particularly with regard to the data that those tools rely upon, Policymakers should consider providing limited exceptions to existing statutes which would then enable increased flexibility in changing data elements collected in complaints so that such data elements and complaints may be more reflective of, and responsive to, the changing environment.

- Student loan debt relief scams are able to quickly and efficiently target consumers through a variety of marketing platforms, especially through targeted messages through social media marketing tools. The challenge enforcement authorities face is being able to identify student loan debt relief scams in real time to prevent widespread consumer harms. Policymakers should consider encouraging marketing compliance professionals and entities involved in hosting or moderating digital and social media platforms, to discuss how to leverage existing web analytic tools to more quickly identify and protect consumers against student debt relief scams and implement measures to do so. Further, these parties and other stakeholders should discuss how to identify the entities and individuals behind unlawful debt relief practices and share this information with civil and criminal enforcement authorities.

- Policymakers should consider creating and reinforcing efforts to identify the most effective and timely intervention points to perform borrower outreach and education regarding the available federal benefits, how to obtain them for free, and the risks of unscrupulous student loan debt relief companies.

- Regarding student loan programs and protections associated with student loan programs, Policymakers, including the Department of Education, should consider encouraging the formal development of "Lessons Learned" as part of the student loan program lifecycle. The purpose of "Lessons Learned" is to develop situational understanding by looking at programs since their inception through the present and to provide the best information available to Policymakers and program managers going forward as new programs are contemplated, developed, and rolled-out. "Lessons Learned" are also a valuable knowledge management tool used to pass on knowledge and information to others. This is important because it is likely that those who were initially involved in creating a program, may not be the same people who were involved in the roll-out, and they may not be the same people responsible for ensuring that a program achieves its promise. Information from "Lessons Learned" would be used to reinforce and replicate, where appropriate, the most successful elements of loan programs and to learn from elements of loan programs where the promise of the program was not fully achieved as intended. Examples of successful elements of loan programs include the various and timely disclosures that are required for private education loans. Documenting "Lessons Learned" benefits current and future Policymakers and program managers and consumers.

APPENDIX A:

Unscrupulous student loan debt relief companies and red flags

What is a student loan debt relief company?

Student loan debt relief companies are companies that often represent that they can arrange to have student debt forgiven, renegotiated, settled, or in some way change the terms of a person's debt to a creditor or debt collector.[37] In the case of federal loans, these companies often charge fees for completing paperwork to enroll consumers in government student loan programs, such as direct loan consolidation or income-driven repayment programs. For private student loans, the company may attempt to negotiate a settlement with the creditor, though creditors may respond by first seeking loan repayment from the co-signer before engaging in settlement negotiations or by entering into litigation in an attempt to collect funds through wage garnishment or a lien on the consumer's home.

Be cautious about any company that asks for an up-front fee, seems to overpromise results, makes things seem "simple and easy", too good to be true, or takes over communications with your student loan servicer.[38]

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[37] https://www.consumerfinance.gov/ask-cfpb/what-are-debt-settlementdebt-relief-services-and-should-i-use-them-en-1457/

[38] https://www.ftc.gov/news-events/press-releases/2019/09/ftc-takes-action-against-operators-student-loan-debt-relief

Remember, everything that a debt relief company offers to do for you for a fee (or fees) regarding your federal student loans, you can do for free through the Department of Education and its servicers.[39] For private student loans, you should consider first reaching out to the loan owner to see what options are available before contacting a credit counselor or debt relief company.[40]

Some non-profit credit counseling services offer student loan counseling services and may charge nominal upfront fees. Generally these services involve counseling that take into account all of your debts and your financial goals. While credit counselors may offer support in completing necessary paperwork to enroll in repayment plans, reputable credit counselors will never seek to take over a consumer's account or communications with their servicer(s).

What are the common tactics unscrupulous student debt relief companies use? (examples are not exhaustive)

1. **Targeting.** Consumers undergoing life transitions or under duress are particularly vulnerable to targeting.[41] Student loan debt relief companies will also use social media and appear to offer special "personalized" programs based on a consumer's servicer, age, home state or city, or profession (especially for consumers who work in public service).

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[39] https://studentaid.ed.gov/sa/repay-loans

[40] https://www.consumerfinance.gov/ask-cfpb/what-is-the-best-way-to-negotiate-a-settlement-with-a-debt-collector-en-1447/

[41] Targeted populations under duress or undergoing transitions include, but are not limited to, populations experiencing divorce, death of a loved one, medical issues, a new baby, loss of income, natural disasters, and not completing a degree, as well as the elderly.

2. **Promises.** Common promises include immediate student loan forgiveness,[42] reducing or eliminating your debt,[43] reducing or eliminating your monthly payments[44] (sometimes to as low as zero), stopping garnishment or default[45], and special deals.

3. **Scare tactics/sense of urgency.**[46] Common scare tactics include pressure to act quickly ("final notice", "this program expires soon", "for a limited time only"[47]), stating the Department of Education or servicer cannot help you – claiming that the company is the only one that can help you and will service your loans[48] - and listing negative consequences of loan default.

4. **Provide a sense of security.** They may indicate that they are providing a government service, affiliated with the government or are a government agency[49], have special knowledge or contacts, and/or know how to navigate the system. Once a sense of security is established and a consumer is invested in a program, it can be difficult to recognize that it may have been a bad choice. Scammers rely on consumers "staying the course" in order for the scam to continue.

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42 https://www.ftc.gov/news-events/press-releases/2019/09/ftc-takes-action-against-operators-student-loan-debt-relief

43 Id.

44 Id.

45 https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-to-end-student-debt-relief-scams/

46 https://studentaid.ed.gov/sa/repay-loans/avoiding-loan-scams#how-target-borrowers

47 https://www.ag.state.mn.us/Consumer/Publications/StudentLoanAssistanceScams.asp

48 https://www.ftc.gov/system/files/documents/cases/1723076aslccomplaint.pdf

49 https://www.ftc.gov/news-events/press-releases/2015/03/ftcs-request-court-shuts-down-credit-repair-scam-impersonates-ftc

Red flags

Red flags are potential indicators that a student loan debt relief company may be a scam. Some red flags are borrower facing, while others are servicer facing. All red flags are important and the red flags provided below are to assist those involved in identifyng these scams. The following lists are not exhaustive.

Borrower facing red flags:

Though not an exhaustive list, and when used in isolation they may not be sufficient to identify student loan debt relief scams, one or more of the following factors assists in identifying such scams, and market participants and others may wish to consider the following information in order to inform and empower borrowers:

1. Aggressive marketing and high pressure sales pitch.[50]
2. Promising fast loan forgiveness.[51]
3. Asking for large upfront fees and/or ongoing monthly fees that can last as long as the length of your repayment terms.[52] (For-profit debt relief companies are prohibited from charging upfront fees under the Telemarketing Sales Rule;[53] this is illegal and should be reported immediately to the Bureau[54], the FTC[55], and/or state law enforcement

[50] https://studentaid.ed.gov/sa/repay-loans/avoiding-loan-scams#how-target-borrowers

[51] Id.

[52] https://www.consumer.ftc.gov/articles/1028-student-loans

[53] https://www.ftc.gov/tips-advice/business-center/guidance/debt-relief-services-telemarketing-sales-rule-guide-business

[54] https://www.consumerfinance.gov/complaint/

[55] https://www.ftccomplaintassistant.gov/#crnt&panel1-1

authorities.[56] In contrast, legitimate non-profit credit counselors may charge nominal upfront fees.[57])

4. Asking for your FSA ID (the user name and password used to log in to the U.S. Department of Education websites).[58] You should protect your FSA ID. Do not share it.
5. Requesting that borrowers complete powers of attorney and/or third party authorizations.[59] (Note, however that there are legitimate purposes for powers of attorney and third party authorizations. For example, advocacy groups and family members may rely on these tools to work on your behalf.)
6. Requesting that borrowers not contact their servicer[60] or lender.[61]
7. Stating that your student loan servicer will not help you or that they will take over servicing your loan. [62]
8. Asking for your social security number.
9. Stating or leading you to believe that the debt relief company is involved in approval process.[63]
10. Promising to reduce or eliminate student debt.[64]

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[56] https://www.naag.org/current-attorneys-general.php and https://www.usa.gov/state-consumer

[57] The Department of Justice also maintains a list of approved credit counselors (though it may not include all legitimate credit counselors) at https://www.justice.gov/ust/credit-counseling-debtor-education-information

[58] https://studentaid.ed.gov/sa/repay-loans/avoiding-loan-scams#how-target-borrowers

[59] Id.

[60] *See*, https://arkansasag.gov/consumer-protection/money/one/debt-relief-services/

[61] https://www.consumer.ftc.gov/blog/2016/05/student-debt-relief-schemes-targeted-ftc

[62] https://www.ftc.gov/system/files/documents/cases/192_3105_mission_hills_complaint_7-11-19.pdf

[63] https://www.ftc.gov/system/files/documents/cases/1723076aslccomplaint.pdf

[64] Id.

11. Promising to immediately reduce monthly payments.[65]
12. Promising to cancel debt and/or making promises that the program will repair or improve the consumer's credit.[66]
13. Pretending to be affiliated with the government, Department of Education, or loan servicers.[67]
14. Representing that the forgiveness plan will expire.[68]
15. Asking the borrower to provide bank account information and to send payment through the third party rather than directly to the servicer. [69]
16. You are contacted by a company other than your servicer when you did not solicit that contact.[70] (Note, however, that there may be times when your servicers changes or if you default, you may get contacted by different collectors.)

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[65] Id.

[66] https://www.ftc.gov/news-events/press-releases/2015/03/ftcs-request-court-shuts-down-credit-repair-scam-impersonates-ftc; https://www.ftc.gov/system/files/documents/cases/strategic_student_solutions_complaint_0.pdf

[67] Id.

[68] https://studentaid.ed.gov/sa/repay-loans/avoiding-loan-scams#identify-scam

[69] The Department of Education maintains a list of their servicers at https://studentaid.ed.gov/sa/repay-loans/understand/servicers#my-servicer

[70] https://studentaid.ed.gov/sa/repay-loans/avoiding-loan-scams#how-target-borrowers

Borrower Actions:

1. If you believe you are the victim of a student loan debt relief company, file a report with the Bureau,[71] FTC,[72] Federal Student Aid Feedback System,[73] or state law enforcement authorities.[74] You should contact your bank or credit card company and request that payments to the company be stopped.[75] For federal loans, you need to complete the following tasks:

    a. Log in and change your FSA ID. Do NOT share your new FSA ID password with anyone![76]

    b. Contact your federal loan servicer to revoke any power of attorney or third-party authorization agreement that your servicer has on file. You should also make sure no unwanted actions were taken on your loans.[77]

2. Before you do business with any student loan debt relief company, contact your state Attorney General[78] and state consumer protection agency.[79] They can tell you if any consumer complaints are on file about the firm you're considering doing business with. Some states require debt settlement companies to be licensed. You can check with

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[71] https://www.consumerfinance.gov/complaint/

[72] https://www.ftccomplaintassistant.gov/#crnt&panel1-1

[73] https://studentaid.ed.gov/sa/repay-loans/avoiding-loan-scams#identify-scam

[74] https://www.naag.org/current-attorneys-general.php

[75] https://studentaid.ed.gov/sa/repay-loans/avoiding-loan-scams#identify-scam

[76] Id.

[77] Id.

[78] Id.

[79] https://www.usa.gov/state-consumer

your state regulator[80] or ask your state Attorney General[81] if the company is required to be licensed to work in your state and, if so, whether it is licensed. You can also view information and tools available from the Bureau,[82] the Department of Education,[83] and the FTC[84] for more information. The FTC maintains a list of companies and people banned from offering debt relief services.[85]

3. An alternative to a student loan debt relief company is a non-profit consumer credit counseling service.[86] These non-profit organizations can attempt to work with you and your creditors to develop a debt management plan that you can afford, and that can help get you out of debt.[87] They usually will also help you develop a budget and provide other financial counseling.[88] Most credit counselors offer services through in-person meetings at local offices, the internet, or on the telephone. You can find a credit counselor through the National Foundation for Credit Counseling[89] or Financial Counseling Association of America.[90] To get started, you can try the Financial Counseling Association of America, on their website or by phone at (800) 450-1794, or the National Foundation for Credit Counseling, on their website or by phone at (800) 388-2227.[91] The United

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80 Id.

81 Id.

82 https://www.consumerfinance.gov/consumer-tools/debt-collection/

83 https://studentaid.ed.gov/sa/repay-loans/avoiding-loan-scams

84 https://www.consumer.ftc.gov/articles/0150-coping-debt

85 https://www.ftc.gov/enforcement/cases-proceedings/banned-mortgage-relief-debt-relief-companies-people

86 https://www.consumerfinance.gov/ask-cfpb/what-is-credit-counseling-en-1451/ and https://www.consumer.ftc.gov/articles/0153-choosing-credit-counselor

87 Id.

88 Id.

89 www.nfcc.org

90 www.fcaa.org

91 https://www.consumerfinance.gov/ask-cfpb/what-is-credit-counseling-en-1451/

States Department of Justice maintains a list of approved credit counseling agencies on their web site[92], though this list may not include all legitimate credit counselors.

Servicer facing red flags

Notably, servicers[93] are positioned to obtain a wide range of information regarding student loan debt relief companies and have been proactive and cooperative in identifying bad actors and making referrals to appropriate federal and state agencies. Servicers rely on complaints, account analysis, and internal investigations to identify unscrupulous student loan debt relief companies and learn how they operate. Some servicers are taking proactive steps to help identify borrower accounts impacted by improper student loan debt relief companies. These servicers identify and use account level indicators to assist in identifying unscrupulous student loan debt relief companies.

Actions of various servicers:

1. All servicers coordinate with federal and state law enforcement authorities, provide them with information regarding potential unscrupulous student loan debt relief companies, and make appropriate referrals for enforcement action.
2. One or more servicers take action (such as sending an email) to ensure that the borrower is aware of a potential contact from student debt relief company and that the services are offered for free through the Department Education and servicers.
3. One or more servicers proactively use social media to inform and educate borrowers and increase their awareness of student debt relief companies and that the services are available for free.

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[92] https://www.justice.gov/ust/credit-counseling-debtor-education-information

[93] Prior reports (i.e., CFPB, ***Annual Report of the CFPB Student Loan Ombudsman*** (Oct. 17, 2017), https://files.consumerfinance.gov/f/documents/cfpb_annual-report_student-loan-ombudsman_2017.pdf) focused on servicers' practices related to accessing federal student loan protections (such as forbearance, enrolling in IDR, recertifying IDR, and loan forgiveness) and areas for improvement in those practices in order for struggling borrowers to more easily access federal student loan protections.

APPENDIX B:

Credit counselors, legitimate debt settlement companies, and fees

What's the difference between a credit counselor and a legitimate debt settlement company?[94]

Credit counseling organizations are usually non-profit organizations that advise you on managing your money and debts and usually offer free educational materials and workshops.[95] Debt settlement companies offer to arrange settlements of your debts with creditors or debt collectors for a fee.[96] They typically offer to pay off your debts with lump sum payments that you have to save up before a settlement.[97] If a debt settlement company requires you to save up funds in an account, these funds still belong to you.[98] The account must be administered by an independent third party and be under your control.[99] You are entitled to withdraw funds held in that account at any time without penalty.[100]

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94 https://www.consumerfinance.gov/ask-cfpb/whats-the-difference-between-a-credit-counselor-and-a-debt-settlement-or-debt-relief-company-en-1449/

95 https://www.consumerfinance.gov/ask-cfpb/what-is-credit-counseling-en-1451/

96 https://www.consumerfinance.gov/ask-cfpb/what-are-debt-settlementdebt-relief-services-and-should-i-use-them-en-1457/

97 https://www.consumerfinance.gov/ask-cfpb/whats-the-difference-between-a-credit-counselor-and-a-debt-settlement-or-debt-relief-company-en-1449/

98 Id.

99 Id.

100 Id.

Credit counseling services to help you deal with debt are different from debt settlement companies in a number of important ways as noted in the following chart:

CREDIT COUNSELING SERVICES THAT ASSIST WITH DEBT	DEBT SETTLEMENT COMPANIES
Usually non-profit organizations	Usually are for-profit companies that charge a fee for their services. Generally, these companies cannot charge you until after they perform services
Advise you on managing your money and debts and help you budget your payments	Offer to arrange settlements of your debts with creditors or debt collectors
Reach agreed upon payment plans or agreements with your creditors to ensure that the creditors will not pursue collection efforts or charge late fees while on the plan	Often have no up-front agreements with creditors. Some creditors will not negotiate with debt settlement companies
Usually do not negotiate any reduction in the amounts you owe - instead, they can lower your overall monthly payment	Typically offer to pay off your debts with a lump sum payment that you save up in an independent account that you control
Do not advise you to stop paying your debt, but may help negotiate your monthly payments	Usually advise that you stop paying your creditors until a debt settlement is negotiated with creditors, which may damage your credit and result in your being sued
Payment plans do not usually have tax implications	Debt settlement may involve debt forgiveness, which may have tax implications

Fees

The Federal Trade Commission has adopted a rule that says you can't be charged a fee[101] until the debt settlement company has met three requirements:[102]

1. **A successful result must be reached**. The debt settlement company must have renegotiated, settled, reduced or otherwise changed the terms of at least one of your debts.[103]

2. **There must be an agreement between you and the creditor/debt collector**. You must agree to the settlement agreement, debt management plan, or other result reached by the debt settlement company with your creditor or debt collector.[104]

3. **You must have made a payment to the creditor**. You must have made at least one payment to the creditor or debt collector as a result of the agreement negotiated by the debt settlement company.

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[101] https://www.consumer.ftc.gov/articles/1028-student-loans; 16 CFR Part 310: Telemarketing Sales Rule

[102] https://www.ftc.gov/tips-advice/business-center/guidance/debt-relief-services-telemarketing-sales-rule-guide-business#fees

[103] Id.

[104] Id.

6. Contact information

To reach the CFPB's Private Education Loan Ombudsman:

By phone	(844) 611-4260
By email	CFPB_Private_Education_Loan_Ombudsman@cfpb.gov
By mail	Consumer Financial Protection Bureau Attn: Bob Cameron 1700 G Street NW Washington, DC 20552

To submit a complaint to the CFPB:

Online	consumerfinance.gov/complaint
By phone	180+ languages, M-F 8am-8pm EST Toll-Free: (855) 411-CFPB (2372) TTY/TDD: (855) 729-CFPB (2372)
By mail	Consumer Financial Protection Bureau PO Box 2900 Clinton, Iowa 52733
By fax	(855) 237-2392

Press and media requests:

By email	press@consumerfinance.gov

Congressional inquiries:

By phone	(202) 435-7960