

UNITED STATES OF AMERICA
BUREAU OF CONSUMER FINANCIAL PROTECTION

ADMINISTRATIVE PROCEEDING

File No. 2019-BCFP-0005

In the Matter of:

**Conduent Education
Services, LLC**

CONSENT ORDER

The Bureau of Consumer Financial Protection (Bureau) has reviewed certain student loan servicing activities of Conduent Education Services, LLC, (Respondent), formerly known as ACS Education Services, and has identified the following law violation: Respondent failed to process loan adjustments in a timely manner, which resulted in errors in borrowers' principal balance amounts. Respondent's conduct resulted in harm to borrowers. Some borrowers paid off incorrect amounts on their loans and other borrowers experienced delays in having their loans consolidated. Respondent's conduct constitutes unfair acts or practices in violation of § 1031 and § 1036 of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5531, 5536. Under Sections 1053 and 1055 of the

CFPA, 12 U.S.C. §§ 5563, 5565, the Bureau issues this Consent Order (Consent Order).

I

Jurisdiction

1. The Bureau has jurisdiction over this matter under sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563 and 5565.

II

Stipulation

2. Respondent has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated April 18, 2019 (Stipulation), which is incorporated by reference and is accepted by the Bureau. By this Stipulation, Respondent has consented to the issuance of this Consent Order by the Bureau under sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563 and 5565. Respondent neither admits nor denies the facts described in this Order, except Respondent admits those necessary to establish the Bureau’s jurisdiction over Respondent and the subject matter of this action.

III

Definitions

3. The following definitions apply to this Consent Order:
 - a. “Affected Borrowers” are borrowers with one or more Affected Loans.

- b. “Affected Loans” are all student loans that were made pursuant to the Federal Family Education Loan Program, 20 U.S.C. §§ 1071 et seq., that were serviced by Respondent, that Respondent placed into queues to await review by Respondent to determine if such loans required adjustments, including to their principal balances, as a result of being placed into deferment, forbearance, or income-based repayment plans, and which remained unadjusted at least as of July 21, 2011.
- c. “Effective Date” means the date on which the Consent Order is issued.
- d. “Enforcement Director” means the Assistant Director for the Office of Enforcement for the Bureau of Consumer Financial Protection, or his or her delegate.
- e. “Related Consumer Action” means a private action by or on behalf of one or more consumers or an enforcement action by another governmental agency brought against Respondent based on substantially the same facts as described in Section IV of this Consent Order.
- f. “Relevant Period” includes the period from July 21, 2011, to the date of this Consent Order.
- g. “Remediation Plan” means Respondent’s Remediation Plan, which set forth Respondent’s plan to remediate the Affected Loans. The Remediation Plan is comprised of the Remediation Plan that was

submitted to the Bureau on June 4, 2015, as revised on June 6, 2015, July 7, 2015, August 8, 2015 and December 17, 2015, and Respondent's Addendum to Remediation Plan submitted to the Bureau on June 30, 2017, as revised on August 25, 2017 and September 22, 2017.

- h. "Respondent" means Conduent Education Services, LLC and its successors and assigns.

IV

Bureau Findings and Conclusions

The Bureau finds the following:

4. Respondent is a wholly-owned subsidiary of Conduent Business Services, LLC, which is in turn a wholly-owned subsidiary of Conduent Incorporated. Respondent previously conducted business as ACS Education Services. Respondent is a limited liability company registered in Delaware, and with a principal place of business in New Jersey.
5. Since at least 2005, Respondent has been a servicer of student loans, including loans made pursuant to the Federal Family Education Loan Program, 20 U.S.C. §§ 1071 et seq. (FFEL loans).
6. Respondent is a servicer of student loans, and therefore is a "covered person" under the CFPA, 12 U.S.C. § 5481(6)(A), (15)(A)(i).

7. In 2017, Respondent announced that it was winding down its student loan servicing operations entirely and that all of the loans it services, including any remaining Affected Loans, would be transferred off its servicing platform by the end of 2018.
8. Since at least 2005, borrowers with FFEL loans could obtain deferment or forbearance for those loans through their servicer and obtain a temporary cessation of their obligation to make monthly payments. Since 2009, borrowers with FFEL loans who could not afford loan payments were also able to request income-based repayment (IBR) plans for those loans through their servicer.
9. When CES processed approved requests for deferment, forbearance, and IBR, it adjusted the relevant borrowers' monthly billed amounts.
10. Sometimes other adjustments beyond monthly billing amounts were required. As a result, in certain circumstances, CES had to make a determination as to whether such additional adjustments, including adjustments to the principal balances of the accounts, would be necessary.
11. CES could automatically process principal balance adjustments for most loans. From at least 2005 until at least 2014, however, certain adjustments had to be processed manually by a trained loan processor. Not all CES processors were trained to make manual adjustments.

12. Starting in or around 2005, CES was not able to process all its manual adjustments in a timely manner and the company used a system of electronic “queues” to hold loans for later processing. A loan processor who could not process an adjustment manually at the time it arose would create a work ticket and put the loan into a queue.
13. In the interim, Affected Loans remained unadjusted with potentially incorrect principal balances, even as the Affected Borrowers’ billing statements would have reflected the forbearance, deferment, or IBR status of those borrowers with respect to monthly payments.
14. Over the years, the queues grew. Respondent tracks its loans not individually but by “packets,” each of which contain up to nine loans belonging to the same borrower. Eventually, over 200,000 packets of Affected Loans were in the queues for adjustment.
15. From 2005 until 2015, many Affected Loans remained in queues in Respondent’s systems with principal balances that were incorrect.
16. Respondent was aware of the problem early on. In daily and monthly internal reports since at least 2009, for example, Respondent acknowledged the backlog of unadjusted loans in the queues.
17. Respondent was also aware that unadjusted Affected Loans that were transferred to other servicers from 2005 to 2015 might have had incorrect

balances, but Respondent did not inform the Affected Borrowers or the relevant servicers.

18. Similarly, from 2005 to 2015, when Affected Borrowers paid off unadjusted Affected Loans, Respondent was aware that the amounts paid might be incorrect, but failed to inform those Affected Borrowers or correct the balances of those Affected Loans.
19. Respondent disclosed the problem to the Bureau in 2014 and began remediating the problem in 2015.
20. In 2015, Respondent began implementing a remediation plan to review and, where necessary, adjust the principal balances of the Affected Loans. Respondent reviewed more than 200,000 packets of Affected Loans as part of its remediation process.
21. Respondent's remediation process took nearly three years. Of the Affected Loans reviewed, over 200,000 packets were reviewed and 189,000 packets were adjusted. Most adjustments were made to balances that were too high.
22. During the remediation process, some Affected Borrowers sought to obtain payoff information for their Affected Loans. For example, certain Affected Borrowers sought to consolidate their Affected Loans into Direct Consolidation Loans, the processing of which required Respondent to provide payoff information.

23. A Direct Consolidation Loan is a federal loan made by the U.S. Department of Education that allows a borrower to combine one or more federal student loans into one new loan. Direct Consolidation Loans may provide borrowers with certain benefits, including lower monthly payments, and access to a broader range of income-driven repayment options and loan forgiveness programs, such as the Public Service Loan Forgiveness program which, under certain circumstances, can provide loan forgiveness after 120 months of qualifying payments.
24. In order to convert a borrower's FFEL loans to a Direct Consolidation Loan, the FFEL servicer must provide payoff information for the relevant loans to the new servicer on a specific form, called a Loan Verification Certificate (LVC). The LVC contains basic information related to the borrower's loan such as outstanding principal balance and accrued interest. Pursuant to 34 C.F.R. § 685.220(f), LVCs should be provided within 10 business days of the request for the form.
25. In many instances, after it began its remediation process, Respondent failed to provide payoff information for Affected Loans in a timely manner due to the time it took to adjust the principal balances of the Affected Loans. This resulted in delays for some Affected Borrowers, including those seeking to convert their Affected Loans into Direct Consolidation Loans.

26. As of 2015, Respondent did not provide LVCs for those Affected Borrowers seeking to consolidate their Affected Loans in at least 3,680 instances within 10 days of the request. In over 3,130 instances, it took 30 days or more; in at least 1,490 instances it took 4 months or more; and in at least 260 instances, it took over a year.

27. In October 2018, Respondent informed the Bureau that it had become aware of an additional population of loans that may require principal balance adjustments as a result of having been in deferment, forbearance or a similar status (Additional Loans). These Additional Loans, like the Affected Loans, were not reviewed for adjustment as they should have been. Unlike the Affected Loans, however, the Additional Loans were not placed into queues for review and were not addressed by the Respondent through the remediation process for the Affected Loans covered by this Order.

Findings and Conclusions as to Respondent's Unfair Practices

28. Since at least July 21, 2011, Respondent failed to process adjustments to the principal balances of the Affected Loans when those loans were put into deferment, forbearance, or IBR. Respondent maintained the Affected Loans in a backlog, unadjusted. Many of the Affected Loans carried inaccurate principal balances while waiting in the queues.

29. Respondent did not inform Affected Borrowers that it did not complete the processing of their Affected Loans associated with their deferment, forbearance, IBR, or other change in status. Because their monthly billing changes did reflect an adjustment, Affected Borrowers had no reason to suspect that Respondent had not made any required changes to their principal balances.
30. Some Affected Borrowers paid off their Affected Loans based on unadjusted, inaccurate principal balances. Other Affected Loans were transferred to other servicers with unadjusted, inaccurate principal balances.
31. Since at least 2015, as a result of Respondent's need to determine whether adjustments to the principal balances of the Affected Loans were required, and if so, to make those adjustments, Respondent failed to provide some Affected Borrowers with payoff information in a timely manner, including Affected Borrowers seeking to consolidate their Affected Loans. This failure resulted in a delay for such Affected Borrowers in obtaining the benefits of consolidation.
32. Section 1036(a)(1)(B) of the CFP A prohibits "unfair, deceptive, or abusive" acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is unfair if it causes or is likely to cause substantial injury to consumers that is not

reasonably avoidable and is not outweighed by countervailing benefits to consumers or to competition. 12 U.S.C. § 5531(c)(1).

33. As set forth in Paragraphs 28-32, during the Relevant Period, Respondent's acts and practices caused, or were likely to cause, substantial injury to consumers that was not reasonably avoidable by consumers. The substantial injury or risk of substantial injury to Affected Borrowers from Respondent's conduct is not outweighed by any countervailing benefits to consumers or to competition. Maintaining incorrect or potentially incorrect principal account balances for student loans is a servicing practice that does not confer any countervailing benefit to consumers or competition.
34. Respondent therefore engaged in unfair acts or practices in violation of Sections 1031 and 1036 of the CFP A, 12 U.S.C. §§ 5531, 5536.

ORDER

V

Conduct Provisions

IT IS ORDERED, under sections 1053 and 1055 of the CFP A, that:

35. To the extent not already completed, Respondent and its officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, must take the following affirmative actions:

- a. Conduct a review of all Affected Loans to determine whether the Affected Loans require any principal balance adjustments.
- b. To the extent that adjustments are required, Respondent will do the following:
 - i. For any Affected Borrower whose total principal account balance requires an adjustment resulting in a net increase, Respondent will compensate or make other arrangements with the appropriate servicers or lender(s) associated with the Affected Loans of such Affected Borrower so that the Affected Borrower will not be held responsible for the additional amount. For such Affected Borrowers whose Affected Loans are still outstanding, Respondent will ensure that the net principal balance of such Affected Loans remains unchanged by virtue of the adjustment; for such Affected Borrowers whose Affected Loans are paid off in full, Respondent will ensure that such Affected Borrowers are not billed any additional amounts as a result of any adjustments.
 - ii. For any Affected Borrower whose total principal account balance requires an adjustment resulting in a net decrease, Respondent will do the following:

1. For any such Affected Borrower with Affected Loans that were paid in full by the Borrower or a third party, either through Respondent or another servicer, Respondent will remit to the person who paid off the Affected Loans the full amount by which the Affected Loans were overpaid as a result of the adjustment;
 2. For any such Affected Borrower whose Affected Loans are outstanding and being serviced by Respondent, Respondent will adjust the Affected Loans as appropriate; and
 3. For any such Affected Borrower whose Affected Loans are no longer serviced by Respondent but are outstanding with another servicer, Respondent will ensure, by communication with the appropriate servicer and lender, that the Affected Loans are adjusted as appropriate.
- c. Ensure the principal balance of any Affected Loan has been properly adjusted prior to being transferred from Respondent's systems.

- d. Ensure that any information provided to an Affected Borrower or third party related to the principal balance of an Affected Loan reflects the adjusted principal balance of the Affected Loan.
- e. Ensure the execution and completion of Respondent's Remediation Plan.

MONETARY RELIEF

VI

Order to Pay Civil Money Penalties

IT IS FURTHER ORDERED that:

- 36. Under section 1055(c) of the CFPA, 12 U.S.C. § 5565(c), by reason of the violations of law described in Section IV of this Consent Order, and taking into account the factors in 12 U.S.C. § 5565(c)(3), Respondent must pay a civil money penalty of \$3.9 million to the Bureau.
- 37. Within 10 days of the Effective Date, Respondent must pay the civil money penalty by wire transfer to the Bureau or to the Bureau's agent in compliance with the Bureau's wiring instructions.
- 38. The civil money penalty paid under this Consent Order will be deposited in the Civil Penalty Fund of the Bureau as required by section 1017(d) of the CFPA, 12 U.S.C. § 5497(d).

39. Respondent must treat the civil money penalty paid under this Consent Order as a penalty paid to the government for all purposes. Regardless of how the Bureau ultimately uses those funds, Respondent may not:
- a. Claim, assert, or apply for a tax deduction, tax credit, or any other tax benefit for any civil money penalty paid under this Consent Order; or
 - b. Seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made under any insurance policy, with regard to any civil money penalty paid under this Consent Order.
40. To preserve the deterrent effect of the civil money penalty, in any Related Consumer Action, Respondent may not argue that Respondent is entitled to, nor may Respondent benefit by, any offset or reduction of any compensatory monetary remedies imposed in the Related Consumer Action because of the civil money penalty paid in this action. If the court in any Related Consumer Action offsets or otherwise reduces the amount of compensatory monetary remedies imposed against Respondent based on the civil money penalty paid in this action or based on any payment that the Bureau makes from the Civil Penalty Fund Respondent must, within 30 days after entry of a final order granting such offset or reduction, notify the Bureau, and pay the amount of

the offset reduction to the U.S. Treasury. Such a payment will not be considered an additional civil money penalty and will not change the amount of the civil money penalty imposed in this action.

VII Additional Monetary Provisions

IT IS FURTHER ORDERED that:

41. In the event of any default on Respondent's obligations to make payment under this Consent Order, interest, computed under 28 U.S.C. § 1961, as amended, will accrue on any outstanding amounts not paid from the date of default to the date of payment, and will immediately become due and payable.
42. Respondent must relinquish all dominion, control, and title to the funds paid to the fullest extent permitted by law and no part of the funds may be returned to Respondent.
43. Under 31 U.S.C. § 7701, Respondent, unless it already has done so, must furnish to the Bureau its taxpayer identifying numbers, which may be used for purposes of collecting and reporting on any delinquent amount arising out of this Consent Order.

44. Within 30 days of the entry of a final judgment, consent order, or settlement in a Related Consumer Action, Respondent must notify the Enforcement Director of the final judgment, consent order, or settlement in writing. That notification must indicate the amount of redress, if any, that Respondent paid or is required to pay to consumers and describe the consumers or classes of consumers to whom that redress has been or will be paid.

COMPLIANCE PROVISIONS

VIII

Reporting Requirements

IT IS FURTHER ORDERED that:

45. Respondent must notify the Bureau of any development that may affect compliance obligations arising under this Consent Order, including but not limited to, a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor company; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Consent Order; the filing of any bankruptcy or insolvency proceeding by or against Respondent; or a change in Respondent's name or address. Respondent must provide this notice, if practicable, at least 30 days before the development, but in any case no later than 14 days after the development.

46. Within 90 days of the Effective Date, and again one year after the Effective Date, Respondent must submit to the Enforcement Director an accurate written compliance progress report (Compliance Report) which, at a minimum:

- a. Lists each applicable paragraph and subparagraph of the Order and describes in detail the manner and form in which Respondent has complied with this Order;
- b. Provides a written summary of the methods, progress, and completion of Respondent's remediation efforts, including a summary of the completion of the affirmative acts set forth in Paragraph 35;
- c. Describes in detail the manner and form in which Respondent has complied with the Remediation Plan; and
- d. Attaches a copy of each Order Acknowledgment obtained under Section IX (Order Distribution and Acknowledgment), unless previously submitted to the Bureau.

IX

Order Distribution and Acknowledgment

IT IS FURTHER ORDERED that:

47. Within 30 days of the Effective Date, Respondent must deliver a copy of this Consent Order to each of its executive officers as well as to any managers, employees, service providers, or other agents and representatives who have responsibilities related to the subject matter of the Consent Order.
48. For the duration of this Consent Order, Respondent must deliver a copy of this Consent Order to any business entity resulting from any change in structure referred to in Section VIII (Reporting Requirements), any future board members and executive officers as well as to any managers, employees, service providers, or other agents and representatives who will have responsibilities related to the subject matter of the Consent Order before they assume their responsibilities.
49. Respondent must secure a signed and dated statement acknowledging receipt of a copy of this Consent Order, ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15 U.S.C. § 7001 *et seq.*, within 30 days of delivery, from all persons receiving a copy of this Consent Order under this Section.

X

Recordkeeping

IT IS FURTHER ORDERED that:

50. Respondent must create, or if already created, must retain for the duration of

the Consent Order, all documents and records necessary to demonstrate full compliance with each provision of this Consent Order, including all submissions to the Bureau.

51. Respondent must retain the documents identified in Paragraph 50 for the duration of the Consent Order.

52. Respondent must make the documents identified in Paragraph 50 available to the Bureau upon the Bureau's request.

XI

Notices

IT IS FURTHER ORDERED that:

53. Unless otherwise directed in writing by the Bureau, Respondent must provide all submissions, requests, communications, or other documents relating to this Consent Order in writing, with the subject line, "*In re Conduent Education Services, LLC*, File No. 2019-BCFP-0005," and send them by overnight courier or first-class mail to the below address and contemporaneously by email to Enforcement_Compliance@cfpb.gov:

Assistant Director for Enforcement
Bureau of Consumer Financial Protection
ATTENTION: Office of Enforcement
1700 G Street, N.W.
Washington, D.C. 20552

XII

Cooperation with the Bureau

IT IS FURTHER ORDERED that:

54. Respondent must cooperate fully to help the Bureau determine the identity and location of, including the current servicer of, and the amount of incorrect principal attributed to each Affected Loan for, each Affected Borrower. Respondent must provide such information in its or its agents' possession or control within 20 days after receiving a written request from the Bureau.

XIII

Compliance Monitoring

IT IS FURTHER ORDERED that, to monitor Respondent's compliance with this Consent Order:

55. Within 20 days following receipt of a written request from the Bureau, Respondent must submit additional Compliance Reports or other requested information, related to requirements of this Consent Order, which must be made under penalty of perjury; provide sworn testimony related to requirements of this Consent Order and Respondent's compliance with those requirements; or produce documents related to requirements of this Consent Order and Respondent's compliance with those requirements.

56. Respondent must permit Bureau representatives to seek non-privileged information about the requirements of this Consent Order and Respondent's compliance with those requirements from any employee or other person affiliated with Respondent who has agreed to such an interview. The person interviewed may have counsel present.
57. Nothing in this Consent Order will limit the Bureau's lawful use of civil investigative demands under 12 C.F.R. § 1080.6 or other compulsory process.

XIV

Modifications to Non-Material Requirements

IT IS FURTHER ORDERED that:

58. Respondent may seek a modification to non-material requirements of this Consent Order (*e.g.*, reasonable extensions of time and changes to reporting requirements) by submitting a written request to the Enforcement Director.
59. The Enforcement Director may, in his or her discretion, modify any non-material requirements of this Consent Order (*e.g.*, reasonable extensions of time and changes to reporting requirements) if he or she determines good cause justifies the modification. Any such modification by the Enforcement Director must be in writing.

XV

Administrative Provisions

60. The provisions of this Consent Order do not bar, estop, or otherwise prevent the Bureau, or any other governmental agency, from taking any other action against Respondent, except as described in Paragraph 62.
61. As of the Effective Date, Respondent has ceased all student loan servicing and anticipates that it will dissolve its operations entirely. After Respondent has submitted the Compliance Report set forth in Paragraph 46 of this Consent Order, its ongoing obligations under the Compliance Provisions of this Consent Order will be suspended if it submits to the Enforcement Director satisfactory documentation showing that such dissolution has occurred. If Respondent resumes operations, its obligations under the Compliance Provisions of this Consent Order will no longer be suspended.
62. With the exception of the failure to adjust the balances of the Additional Loans as described in Paragraph 27, the Bureau releases and discharges Respondent from all potential liability for law violations that the Bureau has or might have asserted based on the practices described in Section IV of this Consent Order, to the extent such practices occurred before the Effective Date and the Bureau knows about them as of the Effective Date. The Bureau may use the practices described in this Consent Order in future enforcement actions against Respondent and its affiliates, including, without limitation, to

establish a pattern or practice of violations or the continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release does not preclude or affect any right of the Bureau to determine and ensure compliance with the Consent Order, or to seek penalties for any violations of the Consent Order.

63. This Consent Order is intended to be, and will be construed as, a final Consent Order issued under section 1053 of the CFP A, 12 U.S.C. § 5563, and expressly does not form, and may not be construed to form, a contract binding the Bureau or the United States.
64. This Consent Order will terminate five years from the Effective Date. The Consent Order will remain effective and enforceable until such time, except to the extent that any provisions of this Consent Order have been amended, suspended, waived, or terminated in writing by the Bureau or its designated agent.
65. Calculation of time limitations will run from the Effective Date and be based on calendar days, unless otherwise noted.
66. Should Respondent seek to transfer or assign all or part of its operations that are subject to this Consent Order, Respondent must, as a condition of sale, obtain the written agreement of the transferee or assignee to comply with all applicable provisions of this Consent Order.

67. The provisions of this Consent Order will be enforceable by the Bureau. For any violation of this Consent Order, the Bureau may impose the maximum amount of civil money penalties allowed under section 1055(c) of the CFP A, 12 U.S.C. § 5565(c). In connection with any attempt by the Bureau to enforce this Consent Order in federal district court, the Bureau may serve Respondent wherever Respondent may be found and Respondent may not contest that court's personal jurisdiction over Respondent.
68. This Consent Order and the accompanying Stipulation contain the complete agreement between the parties. The parties have made no promises, representations, or warranties other than what is contained in this Consent Order and the accompanying Stipulation. This Consent Order and the accompanying Stipulation supersede any prior oral or written communications, discussions, or understandings.
69. Nothing in this Consent Order or the accompanying Stipulation may be construed as allowing the Respondent, its officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED, this 24th day of April, 2019.


Kathleen L. Kraninger
Director
Bureau of Consumer Financial Protection