CONSUMER FINANCIAL PROTECTION BUREAU | OCTOBER 2021

Report of the CFPB Education Loan Ombudsman

Consumer Financial Protection Bureau

Table of contents

Executive summary

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, this report analyzes complaints submitted by consumers from September 1, 2020, through August 31, 2021. During this time period, the Consumer Financial Protection Bureau ("Bureau" or "CFPB") handled approximately 5,300 complaints related to private or federal student loans – approximately 1,900 private student loan complaints and 3,400 federal student loan complaints. The Bureau handled approximately 900 debt collection complaints with a student loan related sub-product, and approximately 730 complaints mentioning COVID-19 or related keywords with a student loan related sub-product. Overall, the number of complaints has decreased for both private and federal student loans, continuing a trend from 2017.

1. For the year ending August 31, 2021, the Bureau handled approximately 1,900 private student loan complaints, a decrease of approximately 0.8% compared to that of the previous year (2020).
2. For the year ending August 31, 2021, the Bureau handled approximately 3,400 federal student loan complaints, a decrease of approximately 32% compared to that of the previous year (2020).

The country experienced an unprecedented pandemic during the entire time period covered by this report. The pandemic created novel challenges while exacerbating other challenges that existed before the pandemic. Many of the challenges may arise from time, resource, and/or other constraints that need to be addressed in order to achieve successful resolution. The challenges include, but are not limited to, the following:

- The pandemic has exacerbated socio-economic and racial disparities throughout the student loan ecosystem as well as other ecosystems that affect student loan borrowers. Gaps and disparities within ecosystems are indicators of risks within those markets and systems. These gaps present heightened risk of borrower harm, particularly to vulnerable populations.
- Four of the nine federal student loan servicers have either stopped, or announced that they are going to stop, servicing federal student loans. This will require the largest transfer of student loans (over 16 million borrowers with a loan volume of over $650 billion) in the history of higher education and presents heighted risk of borrower harm.

However, for at least one servicer, only the operator of the servicing system is changing, and those loans will remain on the same system when the servicer leaves the market.

- Over 32 million borrowers with federally held loans will enter repayment in the first quarter of 2022. The vast majority will be making payments for the first time in nearly 22 months. Several million will be entering repayment for the very first time. This group includes borrowers who entered the post-school grace period during the pandemic and several hundred thousand Parent Plus loan borrowers who deferred repayment until after the graduation of their children. This will the largest entry into repayment in the history of higher education and presents heightened risk of borrower harm.

Challenges related to the pandemic also present unique opportunities to improve student loan borrower outcomes in a more holistic and enduring manner. This report discusses and makes recommendations to address these challenges and improve borrower outcomes.

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.[1] 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 or Representatives.

[1] 12 USC §5535

This report is drafted pursuant to the Act and covers CFPB complaint data from September 1, 2020 through August 31, 2021. It also reviews and discusses the interrelated student loan and education eco-systems and makes recommendations to improve borrower outcomes. This is the ninth Ombudsman report.

Robert G. Cameron

Private Education Loan Ombudsman

Consumer Financial Protection Bureau

2. Student loan complaint data

Monitoring consumer complaints is one of the Bureau's primary functions. Complaints provide insights into problems consumers experience 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.

The Bureau analyzes complaints in several ways to identify trends and possible consumer harm. For example, the Bureau monitors complaint volume across multiple categories, such as product, issue, sub-product, sub-issue, company, and company response, among others. The Bureau analyzes complaint volume across time and by geographic area, as well as by self-identified characteristics, such as servicemember status and age.

While complaint volume and context are important, some of the most valuable information is found in the narrative text that both consumers and companies provide during the complaint process. The Bureau analyzes the narrative text consumers provide in their complaints, frequently augmenting traditional qualitative analysis with automated methods. Similarly, the Bureau analyzes the text companies provide in their responses to consumers and in the documents provided to support their responses. Analyzing text from consumers and companies provides a more complete understanding of issues and a clearer idea of how companies respond to those issues.

2.1 Sources of information

This report includes complaints about student loans received by the Bureau and published in CFPB's public Consumer Complaint Database,[2] a collection of complaints about consumer financial products and services sent by the CFPB to companies for response.[3] Across all products, more than 5,800 financial companies can respond to their customers through the

[2] The landing page for the Consumer Complaint Database is at https://www.consumerfinance.gov/data-research/consumer-complaints/

[3] Not all complaint narratives are published in the public Consumer Complaint Database because consumers must give the Bureau consent to make their narratives public.

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") and the Department of Education (for federal student loans), have the companies' perspectives on these complaints.

To identify and assess issues faced by student loan borrowers, this report relies on student complaints sent by the Bureau to companies for response[4] as well as other sources of information including internal offices and sections within the Bureau (such as the Office of Supervision, Fair Lending and Enforcement, the Office of Consumer Education and External Affairs, the Section for Students and Young Consumers, the Section for Servicemember Affairs, and the Section for Older Americans), and external sources (such as consumer advocates, regulators, law enforcement agencies, and the Department of Education).

2.2 Complaint context for analysis

The Consumer Complaint Database provides data and tools to analyze complaints. The database does not include consumer's personally identifying information. 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 to which the complaint was sent for response. 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. It is important to note that the Consumer Complaint Database is not a statistical sample of consumers' experiences in the marketplace. Further, the number of complaints regarding any issue does not suggest the prevalence of issues as those issues relate to the entire student loan market. Additionally, the Bureau does not verify all the allegations in consumers'

---

[4] The Consumer Complaint Database is a collection of complaints on a range of consumer financial products and services, sent to companies for response. The Bureau does not verify all the facts alleged in these complaints, but the Bureau does 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.

complaints.[5] Readers should consider what conclusions may be fairly drawn from complaints alone.

The database includes web-based and user-friendly features such as the ability to filter data based on specific search criteria and to aggregate data in various ways. Publicly available tools include the ability to search and aggregate data by complaint type, company, location, date, or any combination of available variables; geospatial capability in order to see complaints on a map; trend visualizations of complaint information based on filters and search terms; and the ability to download data. Internally, the Bureau has tools to identify spikes in complaint data, interactive reports, and a machine learning tool that enables increased accuracy versus key-word searches alone when searching for issues in complaint narratives.

While complaint volume provides important information to the Bureau, it has some limitations. The Bureau recognizes that complaint data can often be better understood in the context of other market data. The data in this report are adjusted for market share where sufficient data exists to adjust it for market share. However, there are not currently sufficient data to accurately adjust all 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. 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 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. Each approach has merit individually and/or in combination with another, however, not all information is readily or publicly available for analysis.

The Consumer Complaint Database remains 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

---

[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.

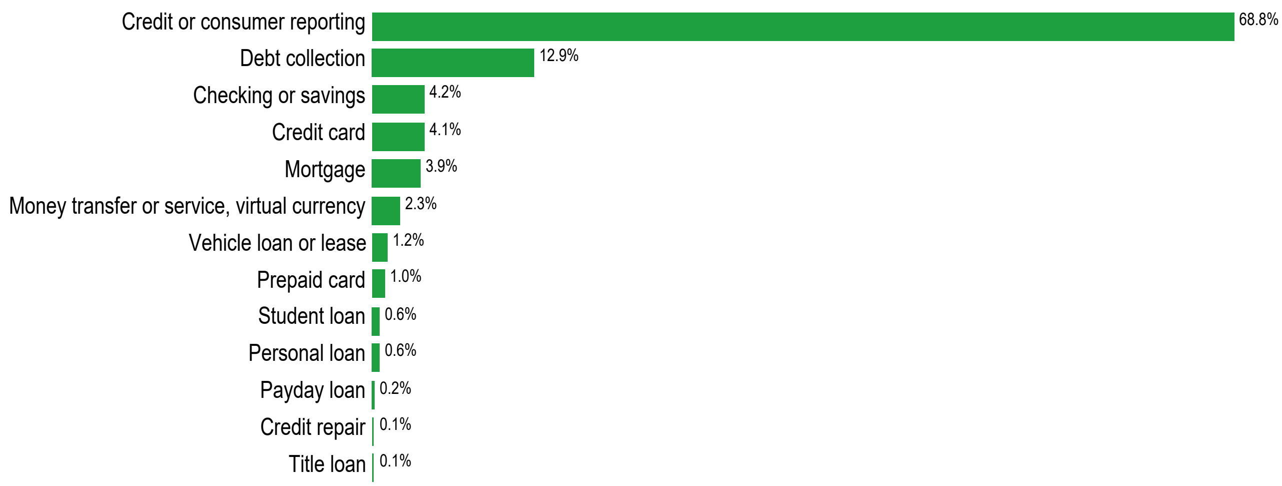
laws, enforce those laws judiciously, and to educate and empower consumers to make better-informed financial decisions to reach their own life goals. For consumers, the Bureau's complaint process is efficient and effective. It documents their experiences and challenges in the marketplace and is an important tool in resolving those challenges. This year, 99% of complaints sent to companies received 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 Student loan complaint data – aggregate, private, and federal

During the period of September 1, 2020, through August 31, 2021, the Bureau received approximately 835,300 complaints of which approximately 5,300, or roughly 0.6%, were related to private or federal student loans.[6] In 2020, about 1.6% of complaints were related to private or federal loans.

[6] This report used dynamic data as of October 1, 2021 and may differ slightly from other reports.

FIGURE 1: COMPLAINTS RECEIVED BY PRODUCT

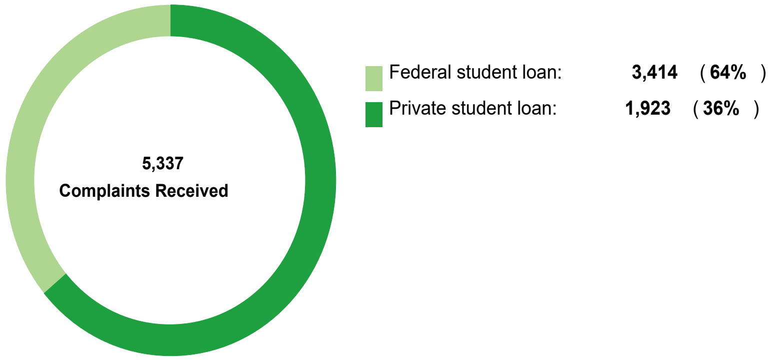


Note: This chart provides data regarding the number of complaints received by the Bureau.

During the period of September 1, 2020 through August 31, 2021, of the approximately 5,300 student loan complaints received, approximately 1,900 were related to private student loans and approximately 3,400 were related to federal student loans.[7] Though the overall number of complaints is down, the percent of complaints regarding private student loans has increased from 28% in 2020 to 36% in 2021.

[7] Separately, the Department of Education received approximately 45,000 federal student loan complaints from September 1, 2020 through August 31, 2021.

FIGURE 2: PRIVATE AND FEDERAL STUDENT LOAN COMPLAINTS RECEIVED



Note: This chart provides data regarding the number of private and federal student loan complaints received by the Bureau from September 1, 2020 through August 31, 2021.

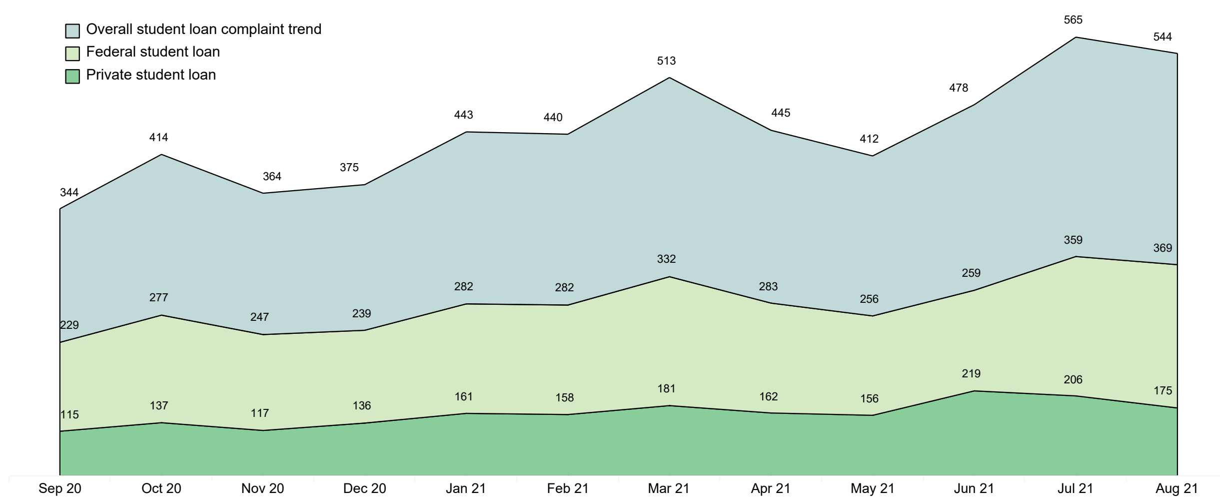
2.3.1 Complaint trend highlights

During the period of September 1, 2020 through August 31, 2021, complaints overall for student loans trended lower. This continues the downward trend noted in prior reports.[8] However, the decrease was most pronounced for federal student loan complaints which decreased approximately 32% compared to the previous year (2020). Private student loan complaints decreased approximately 0.8%. The decrease in federal student loan complaints is likely attributable to CARES Act and subsequent administrative relief because for federally held loans, no payments were due and no interest accumulated, among other federal relief measures, for the entire period of this report. Private student loans are not covered by the CARES Act and subsequent administrative relief, though lenders generally provided borrowers with various relief measures such as disaster forbearances. An important distinction between federal and private loan relief measures is in how relief measures are accessed: opt-in versus opt-out. Borrowers with federally held student loans were automatically included in CARES Act and administrative relief measures with the opportunity to opt-out, while private student loan borrowers typically had to affirmatively opt-in for the available relief measures.

[8] https://files.consumerfinance.gov/f/documents/cfpb_annual-report_private-education-loan-ombudsman_2019.pdf and https://files.consumerfinance.gov/f/documents/cfpb_annual-report_private-education-loan-ombudsman_2020.pdf

The upcoming return to repayment for over 32 million borrowers with federally held loans (when the final administrative extension of CARES Act relief measures expires on January 31, 2022) and the transition of over 16 million borrowers (with a loan volume of over $650 billion) following the announcement by two servicers that they will not renew their federal contracts and the announcement that one servicer has been approved to novate its federal contract (essentially a new party will take over the contract operations of the current party), all present potential risk of significant consumer harm. Without appropriate mitigation measures, there may be a significant increase in complaints in the coming months, and perhaps for a year or more, as borrowers share their experiences in the marketplace. *See*, Section 5, Ombudsman Discussion, for analysis of the return to repayment, servicer transitions, possible risks and effects on borrowers, and potential actions and mitigation measures that may reduce or prevent potential borrower harm.

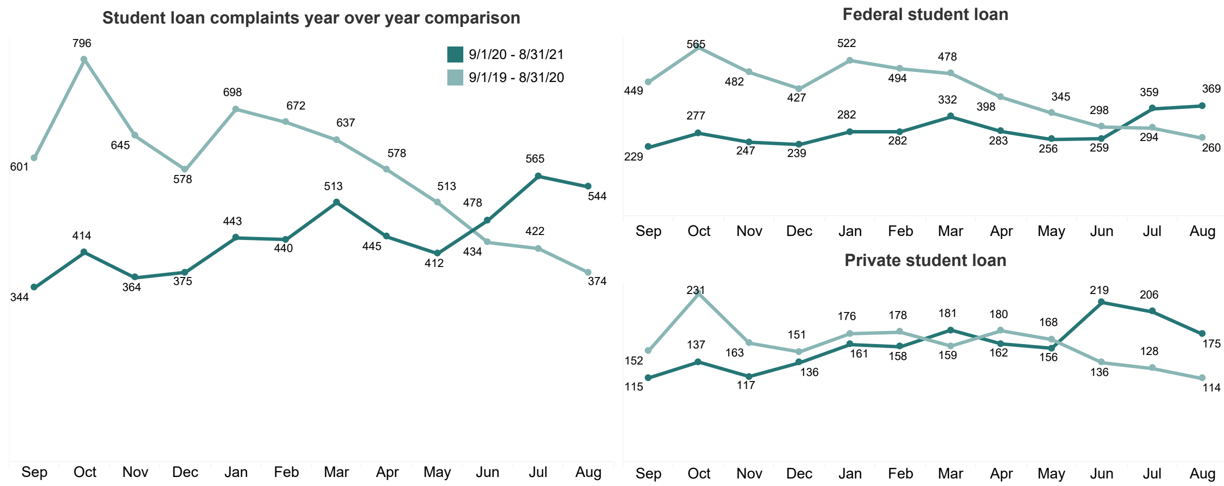
FIGURE 3: MONTHLY COMPLAINTS RECEIVED TREND FOR STUDENT LOANS



Note: This chart shows complaint trends for student loan complaints – overall, private and federal. Though the number of complaints is down from last year, there have been month to month increases. Some of these increases correlate to prior anticipated expiration dates of CARES Act and administrative relief that were subsequently extended, indicating that there likely may be a significant increase in complaints when the administrative extensions of CARES Act relief measures actually expire.

Year over year comparisons for student loan complaints – overall, private and federal are shown below. It is notable that although the number of complaints has decreased since last year, monthly increases have been trending upward.

FIGURE 4: COMPARISON OF COMPLAINTS RECEIVED YEAR OVER YEAR BY MONTH

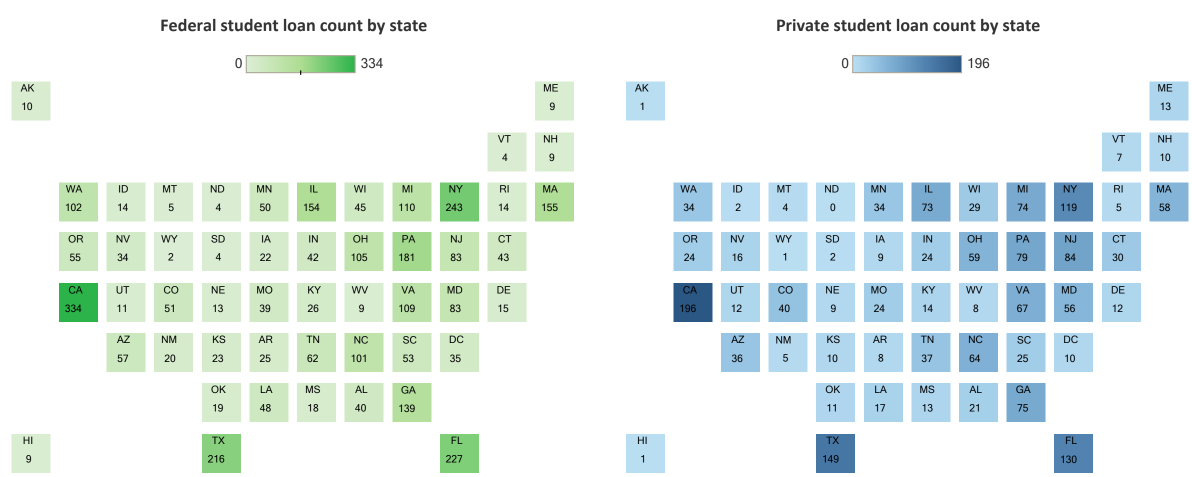


Note: The time periods compared are September 1, 2019 through August 31, 2020 and September 1, 2020 through August 31, 2021. Also, March 13, 2020 was the effective date for CARES Act relief.

2.3.2 Geographic highlights

Geographic highlights, on a state by state basis are shown below in Figure 5.

FIGURE 5: GEOGRAPHIC HIGHLIGHTS FOR PRIVATE AND FEDERAL STUDENT LOANS RECEIVED BY THE BUREAU



Note: This figure provides the number of complaints received per state.

Based on the maps above, the table below compares the percent share by state between private and federal student loan complaints. States with the largest percent share increases and decreases are below.

TABLE 1: PERCENT SHARE BY STATE BETWEEN PRIVATE AND FEDERAL STUDENT LOAN COMPLAINTS RECEIVED

	Federal student loan share	Private student loan share	Difference in shares
Massachusetts	4.7%	3.2%	1.5%
Washington	3.1%	1.8%	1.3%
Pennsylvania	5.5%	4.3%	1.2%
Michigan	3.4%	4.0%	-0.6%
Texas	6.6%	8.1%	-1.5%
New Jersey	2.5%	4.6%	-2.1%

2.3.3 Servicemember and older American highlights

Servicemembers and older Americans are vulnerable populations. They have unique circumstances that may impede their ability to access relief for which they are eligible. Falling behind on student loans may have additional consequences for these populations, such as the loss of security clearances for servicemembers, among other things, and, for older Americans, the challenges of living on a fixed income – for example, making choices between paying student loans and buying medication or groceries.

During the period of September 1, 2020 through August 31, 2021, approximately 1% (449 of 43,201) of complaints submitted by servicemembers were student loan related, compared to 0.6% (4,886 of 791,878) submitted by non-servicemembers.[9] From September 1, 2019 through August 31, 2020, approximately 1.8% (718 of 39,037) of complaints submitted by servicemembers were student loan related, compared to 1.5% complaints (6,230 of 408,193) submitted by non-servicemembers. The percent gap between servicemembers and non-servicemembers who submitted student loan complaints has grown, from 0.3% to 0.4%, which may indicate that servicemembers are increasingly experiencing more challenges with their student loans than non-servicemembers. Overall federal student loan complaints represented

[9] The Bureau has resources and tools available to assist servicemembers on a wide variety of issues, including student loans, at https://www.consumerfinance.gov/practitioner-resources/servicemembers/

64% of student loan complaints received by the Bureau (Figure 2) while federal student loan complaints represented 66% of student loan complaints received from servicemembers. This indicates that compared to non-servicemembers, servicemembers may experience more challenges with federal student loans.

It is also notable that more than a quarter of these servicemember undergraduates take out education loans despite access to robust Post-9/11 GI Bill benefits.[10]

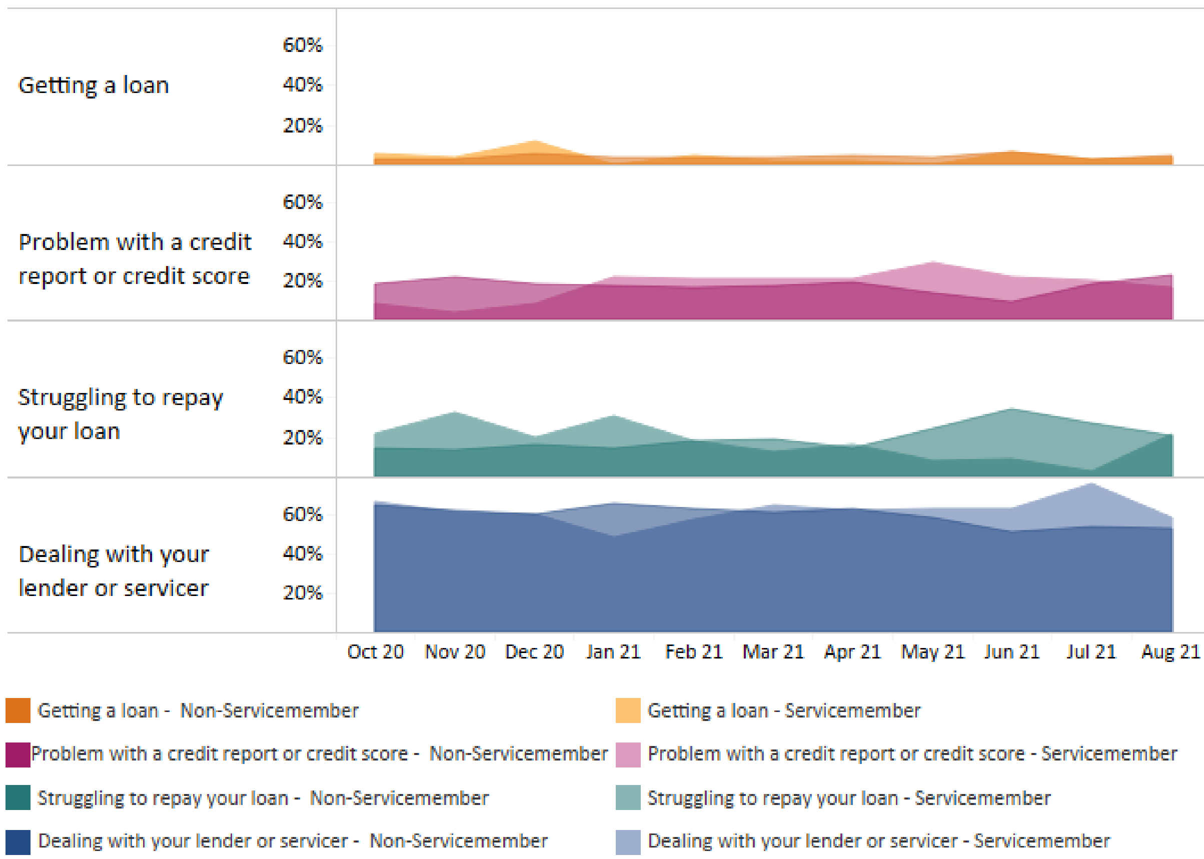
TABLE 2: STUDENT LOAN COMPLAINTS SUBMITTED BY SERVICEMEMBERS AND NON-SERVICEMEMBERS FOR PRIVATE AND FEDERAL STUDENT LOANS RECEIVED

	Student loan complaints submitted by servicemembers	Student loan complaints submitted by non-servicemembers
Federal student loan	297	3,117
Private student loan	152	1,771
Grand Total	449	4,888

Figure 6, below, shows how monthly student loan complaint issue percentage trends differ by servicemembers vs. non-servicemembers. Servicemembers are experiencing proportionately more challenges than non-servicemembers regarding “Problem with a credit report or credit score”, “Struggling to repay your loan”, and “Dealing with your lender or servicer.” The first two are particularly notable as they may impact security clearances and the ability to continue to serve.

[10] https://www.pewtrusts.org/en/research-and-analysis/articles/2021/09/13/veteran-student-loan-debt-draws-new-attention

FIGURE 6: PERCENTAGE OF ISSUE VOLUME TREND FOR STUDENT LOAN COMPLAINTS SUBMITTED BY SERVICEMEMBERS AND NON-SERVICEMEMBERS



During the period of September 1, 2020 through August 31, 2021, approximately 0.7% (190 of 25,411) of complaints submitted by older consumers were student loan related, compared to 1.6% (2,027 of 124,287) submitted by consumers under age 62 (younger consumers).[11] From September 1, 2020 through August 31, 2021, approximately 1.1% (236 of 21,290) of complaints submitted by older Americans were under student loan related, compared to 2.9% submitted by consumers under age 62. Notably, from September 1, 2020 through August 31, 2021, private student loan complaints represent 38% of student loan complaints received from older consumers, while private student loan complaints represent 33% of student loan complaints received from younger consumers. This indicates that when compared to younger consumers,

[11] The Bureau has resources and tools available to assist older Americans at https://www.consumerfinance.gov/practitioner-resources/resources-for-older-adults/

older consumers are experiencing disproportionately more challenges with private student loans. Among other things, this may indicate circumstances where older consumers are co-signers and may be having challenges with co-signer release. Additionally, the major private student loan lenders have been offering death discharge benefits for about a decade. However, the Bureau has heard from parents of borrowers who have requested co-signer release and have been denied even though their child was killed in action serving our nation in combat operations.

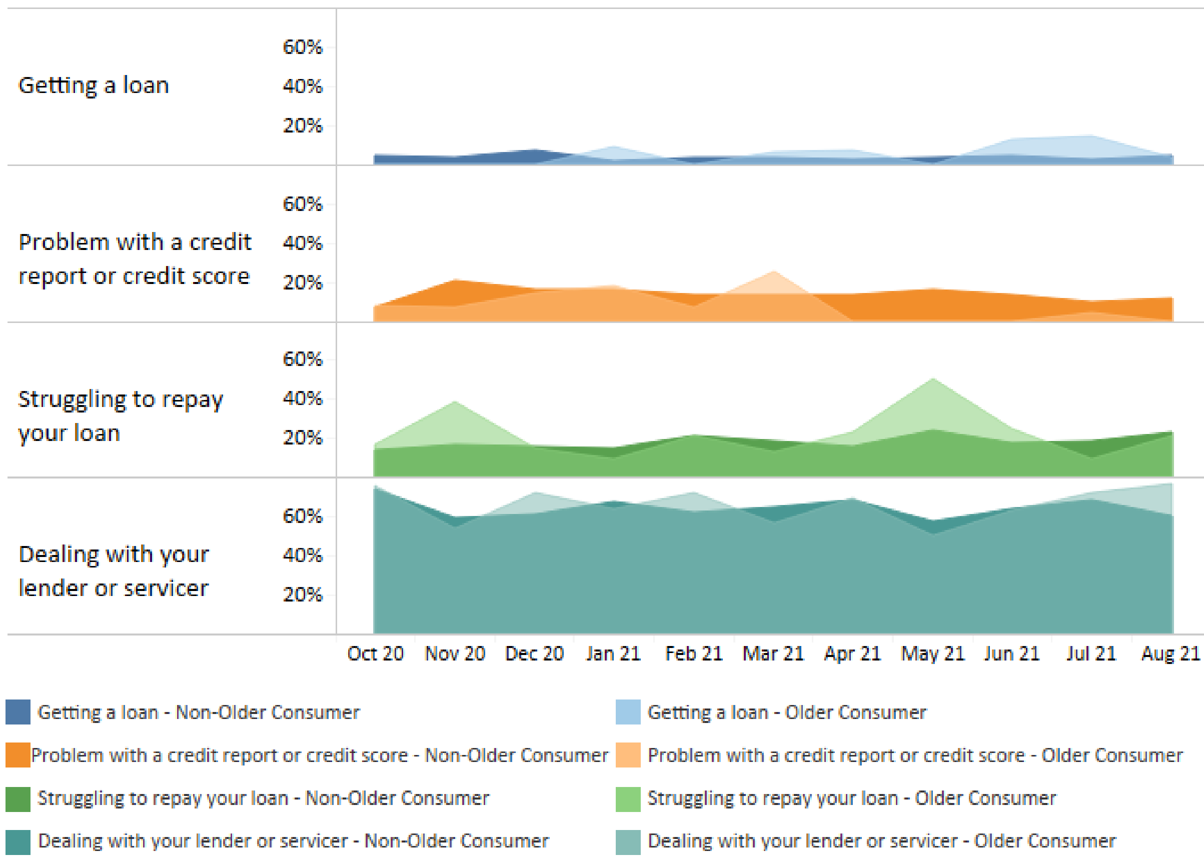
TABLE 3: STUDENT LOAN COMPLAINTS SUBMITTED BY OLDER CONSUMERS AND CONSUMERS UNDER THE AGE OF 62 FOR PRIVATE AND FEDERAL STUDENT LOANS RECEIVED

	Student loan complaints by older consumers	Student loan complaints by younger consumers[12]
Federal student loan	118	1,364
Private student loan	72	663
Grand Total	190	2,027

Figure 7, below, shows how monthly student loan complaint issue percentage trends differ by older versus younger consumers. Older Americans are experiencing proportionately more challenges than younger consumers regarding "Problem with a credit report or credit score", "Struggling to repay your loan", and "Dealing with your lender or servicer." Though this is not consistent from month to month, the spikes are notable, particularly from approximately March 2021 forward, which may suggest increasing financial distress going forward when the last administrative extension of CARES Act relief measures expire.

[12] These numbers exclude consumers who did not report their age.

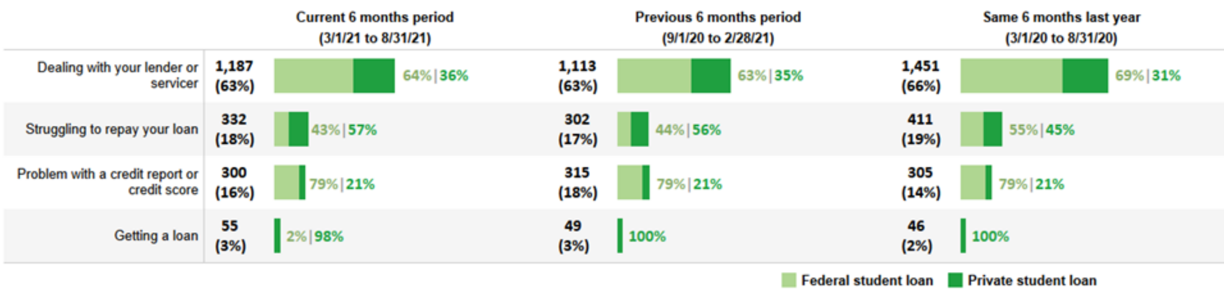
FIGURE 7: PECENTAGE OF ISSUE VOLUME TREND FOR STUDENT LOAN COMPLAINTS SUBMITTED BY OLDER CONSUMERS AND CONSUMERS UNDER THE AGE OF 62



2.3.4 Issue and outcome highlights

The Emergency Declaration regarding COVID-19 was signed by the former President on March 13, 2020, approximately halfway through the last reporting period (September 1, 2019 through August 31, 2020). The CARES Act was signed by the former President on March 27, 2020, and federal student loan relief was made retroactive to March 13, 2020. CARES Act relief for student loans was set to expire on September 30, 2020 but has been extended several times by administrative action. The final extension for post-CARES Act administrative relief is set the expire on January 31, 2022. CARES Act and administrative relief for student loans has been in effect for this entire reporting period. Thus, in reviewing issues and outcomes and making comparisons, it is helpful to look at comparable periods during which CARES Act relief was in effect: the most recent six months, the prior six months, and the same six month period a year ago as the most recent six months. Figure 8, below, provides a snapshot of comparable time periods regarding the percentage distribution of complaints received by private and federal loans. The percentage distribution of complaints has been relatively consistent even as the number of complaints has decreased.

FIGURE 8: ISSUE HIGHLIGHTS AND PERCENTAGE DISTRIBUTION OF COMPLAINTS RECEIVED BY PRIVATE AND FEDERAL LOANS



Note: Consumers submitting 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 credit reporting related issues for student loans reported as "Problem with a credit report or credit score." This figure reflects the categories consumers selected when submitting a complaint.

The broad issues highlighted above are helpful in determining where to look for potential challenges. However, by themselves, each broad issue above may include a myriad of potential challenges for student loan borrowers, and those challenges may require different solutions and resources in order to address, remediate, and resolve them. The Bureau's sub-issue categories provide greater specificity, which is helpful in identifying specific challenges and working toward timely and effective resolution of them. The figure below provides greater detail of potential challenges within each broad issue.

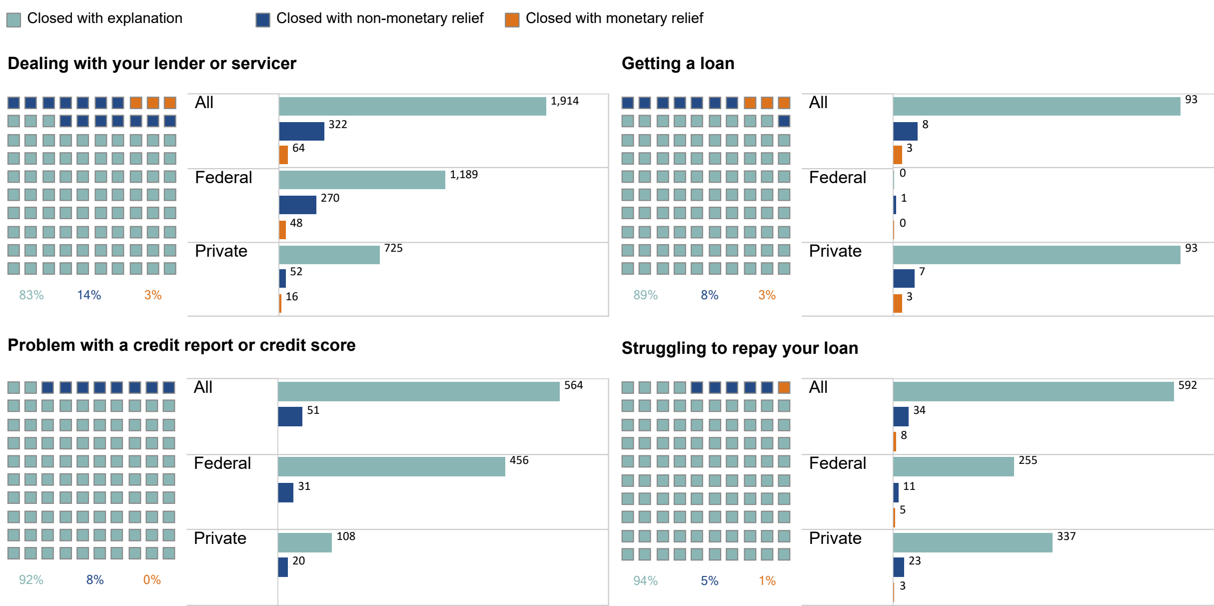
FIGURE 9: SUB-ISSUE HIGHLIGHTS WITH COMPLAINT COUNT AND PERCENT TOTAL FOR EACH

Issue	Sub-issue	All student loan	Federal student loan	Private student loan
Dealing with your lender or servicer	Received bad information about your loan	823 (36%)	593 (39%)	230 (29%)
	Trouble with how payments are being handled	664 (29%)	408 (27%)	256 (32%)
	Problem with customer service	257 (11%)	180 (12%)	77 (10%)
	Don't agree with the fees charged	243 (11%)	160 (11%)	83 (10%)
	Need information about your loan balance or loan terms	191 (8%)	116 (8%)	75 (9%)
	Keep getting calls about your loan	122 (5%)	50 (3%)	72 (9%)
Struggling to repay your loan	Can't get other flexible options for repaying your loan	354 (56%)	142 (52%)	212 (58%)
	Can't temporarily delay making payments	142 (22%)	67 (25%)	75 (21%)
	Problem lowering your monthly payments	138 (22%)	62 (23%)	76 (21%)
Problem with a credit report or credit score	Account status incorrect	168 (27%)	131 (27%)	37 (29%)
	Their investigation did not fix an error on your report	143 (23%)	114 (23%)	29 (23%)
	Account information incorrect	113 (18%)	95 (20%)	18 (14%)
	Information belongs to someone else	59 (10%)	51 (10%)	8 (6%)
	Old information reappears or never goes away	26 (4%)	22 (5%)	4 (3%)
	Problem with personal statement of dispute	23 (4%)	11 (2%)	12 (9%)
	Reporting company used your report improperly	15 (2%)	13 (3%)	2 (2%)
	Investigation took more than 30 days	13 (2%)	12 (2%)	1 (1%)
	Was not notified of investigation status or results	12 (2%)	11 (2%)	1 (1%)
	Billing dispute for services	9 (1%)	5 (1%)	4 (3%)
	Information is missing that should be on the report	7 (1%)	3 (1%)	4 (3%)
	Other	6 (1%)	6 (1%)	0 (0%)
	Difficulty submitting a dispute or getting information about a dispute over the phone	4 (1%)	3 (1%)	1 (1%)
	Personal information incorrect	4 (1%)	4 (1%)	0 (0%)
	Credit inquiries on your report that you don't recognize	3 (0%)	3 (1%)	0 (0%)
	Problem canceling credit monitoring or identify theft protection service	3 (0%)	1 (0%)	2 (2%)
	Public record information inaccurate	3 (0%)	0 (0%)	3 (2%)
	Other problem getting your report or credit score	2 (0%)	0 (0%)	2 (2%)
	Problem with product or service terms changing	1 (0%)	1 (0%)	0 (0%)
	Received unwanted marketing or advertising	1 (0%)	1 (0%)	0 (0%)
Getting a loan	Fraudulent loan	53 (51%)	0 (0%)	53 (51%)
	Confusing or misleading advertising	19 (18%)	0 (0%)	19 (18%)
	Denied loan	19 (18%)	0 (0%)	19 (18%)
	Other	1 (1%)	1 (100%)	0 (0%)
	Qualified for a better loan than the one offered	7 (7%)	0 (0%)	7 (7%)
	Problem with the interest rate	4 (4%)	0 (0%)	4 (4%)
	Problem with signing the paperwork	1 (1%)	0 (0%)	1 (1%)

Note: The time period is September 1, 2020 through August 31, 2021. The data are based upon the student loan product, issues, and sub-issues.

Outcome highlights are provided below. Companies responded with explanations or non-monetary relief in 98% of closed company responses. In 2020, companies responded with explanations or non-monetary relief in 98% of closed company responses. However, this year there were percentage increases in monetary relief regarding “Dealing with your lender or servicer” and “getting a loan”. This likely reflects an increase in substantiated complaints where monetary relief is used to make the borrower whole. There is likely no single cause for this increase. The increases in monetary relief may potentially be attributable to, in part, any one or more of the following or other factors: regulatory oversight at the federal and state level as more issues get identified which require monetary relief, a percent increase in such issues, increased servicer awareness of borrower and regulator expectations, and the potential degradation in the effectiveness of the servicers' compliance management systems and/or servicer complaint monitoring that did not identify and remediate the issues before complaints were filed. The potential factors listed are not exhaustive.

FIGURE 10: COMPANY RESPONSE OUTCOMES FOR PRIVATE AND FEDERAL STUDENT LOANS



Note: The time period is September 1, 2020 through August 31, 2021. The data show percentage distribution by company-selected closure response category (i.e. Complaints closed with explanation, Closed with non-monetary relief, and Closed monetary relief) for student loan complaints and sub-products for each issue.

2.3.5 COVID-19 and student loan complaints

COVID-19 continues to have significant effects on our nation's health and economy.[13] Our nation's financial health concerns include student loans,[14] which are the second highest consumer household debt category after home mortgages. *See*, Section 3, Student loan and education ecosystems: student success. The relief available to student loan borrowers during the pandemic is different substantively (what relief is available) and procedurally (how relief is accessed), depending upon whether the student loans are federal or private.

Federal protections for federal student loans are included in the CARES Act and subsequent administrative relief. The "Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak"[15] was signed by the former President on March 13, 2020, and on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed.[16] Shortly thereafter, in early April 2020, initial guidance was issued by the Department of Education.[17] The relief provided under the CARES Act was made retroactive to March 13, 2020 and was originally effective through September 30, 2020. There have been four administrative extensions of relief. Much of the relief provided pursuant to the CARES Act for student loans was extended via Presidential Memorandum through December 31, 2020.[18]

---

[13] https://www.richmondfed.org/publications/research/coronavirus and https://www.philadelphiafed.org/search-results?pageStart=1&pageSize=12&searchQuery=COVID-19+%26+the+Philadelphia+Fed

[14] The Bureau has many resources and tools regarding COVID-19 and financial services, including student loans, at https://www.consumerfinance.gov/coronavirus/

[15] https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/

[16] https://www.govtrack.us/congress/bills/116/hr748

[17] The Department of Education, Federal Student Aid (FSA) has current information and FAQs regarding COVID-19 and Department owned federal loans at https://studentaid.gov/announcements-events/coronavirus?utm_medium=paid_search&utm_source=google&utm_campaign=camp_94&utm_content=branded_ad_1

[18] On August 8, 2020, the former President signed the "Memorandum on Continued Student Loan Payment Relief During the COVID-19 Pandemic" (Memorandum). The Memorandum directed the Secretary of Education to "… take action pursuant to applicable law to effectuate appropriate waivers of and modifications to the requirements and conditions of economic hardship deferments … and provide such deferments to borrowers as necessary to continue the temporary cessation of payments and the waiver of all interest on student loans held by the Department of Education until December 31, 2020."

Subsequent similar extensions of relief were made through January 31, 2021, September 30, 2021, and then January 31, 2022, which is anticipated to be the final extension.[19]

The CARES Act and subsequent administrative relief primarily applies to federal loans that are held by the federal government. This means federal Direct Loans, Department owned Federal Family of Education Loans (FFEL), Department owned Perkins loans, and defaulted Health Education Assistance Loans (HEAL) are covered under the CARES Act and subsequent administrative relief.[20] On March 30, 2021 the Department expanded relief to defaulted commercially owned FFEL loans and made the relief retroactive to March 13, 2020.[21] However, commercially owned FFEL loans that are not in default, Perkins loans owned by schools, and private student loans owned by states or state affiliated agencies, banks, credit unions, schools, or other private entities are not covered under the student loan provisions of the CARES Act. CARES Act protections and the extension of protections include the following:[22]

- Automatic suspension of principal payments and interest from March 13,2020 through January 31, 2022.
    - Interest is set at 0%.
- Suspended payments are not missed payments.
    - Suspended payments are reported to credit bureaus as fulfilled payments.
- Suspended payments count toward loan forgiveness programs, including Public Service Loan Forgiveness (PSLF) provided other program requirements are met.
- Suspension of involuntary wage garnishments and Treasury offsets with refunds available for garnishments and offsets occurring on or after March 13, 2020.

Though private student loans are not covered under the CARES Act and subsequent administrative relief, lenders and servicers have offered forms of relief that include forbearances and other ways to postpone or manage monthly payments such as temporary

---

[19] https://studentaid.gov/announcements-events/coronavirus

[20] *Id.*

[21] https://www.ed.gov/news/press-releases/department-education-announces-expansion-covid-19-emergency-flexibilities-additional-federal-student-loans-default

[22] https://studentaid.gov/announcements-events/coronavirus

payment reductions, interest rate reductions, and waiving of late fees and penalties. For federally-guaranteed loans held by banks and other private entities, servicers are able to use the natural disaster forbearance.[23] The natural disaster forbearances are available in three-month increments that can be renewed, but, in most cases, enrollment and renewal require borrower action. Forbearance options for private student loans vary in duration but cannot be renewed indefinitely. Understanding what protections do, or do not, apply has been particularly confusing for borrowers with commercially owned FFEL loans throughout the pandemic.

Procedurally, the relief for borrowers with federally-owned student loans was automatically applied, and borrowers have the option to opt-out of the payment suspension. The burden is on the servicers to apply the CARES Act benefits. The relief for borrowers of private student loans required an affirmative request for relief. This placed the burden on the borrower to make the request. First and foremost, this means that private student loan borrowers must be aware of what relief is available. The Bureau and other regulators have provided information for borrowers[24] and advised borrowers to contact their lenders and servicers to explore their relief options.[25] Many private lenders and servicers have COVID-19 resource web pages and have performed outreach to borrowers to let borrowers know what options are available.[26] In addition, consumer advocates have been active in assisting private student loan borrowers and making them aware of available options.

The forgoing types of relief (i.e. the expansive relief for federal student loan borrowers versus more limited relief for private student loan borrowers), who is eligible for relief (particularly for commercially owned FFEL), and the procedures to obtain relief are likely significant factors in

---

[23] The Disaster forbearance was designed to assist borrowers affected by natural disasters such as hurricanes, floods, fires, and other emergencies that generally have a more limited duration and typically have a more limited geographic scope than the Coronavirus pandemic which has had a longer duration and greater geographic scope.

[24] https://www.consumer.ftc.gov/blog/2021/02/coronavirus-relief-continues-housing-and-student-loans and https://www.mass.gov/guides/resources-during-covid-19#-students-and-student-borrowers

[25] https://www.consumerfinance.gov/coronavirus/student-loans/ and https://studentaid.gov/announcements-events/coronavirus

[26] The following list is illustrative only. It is not exhaustive. https://www.elfi.com/coronavirus-update/, https://www.ascentfunding.com/blog/coronavirus-pandemic-ascent-is-here-to-help-students-during-the-current-health-crisis/, https://www.citizensbank.com/learning/cares-act-student-loans.aspx?, https://www.collegeavestudentloans.com/resources/our-response-to-covid-19/, https://go.commonbond.co/guide-to-student-loan-relief, https://www.lendkey.com/faq/covid-19/, https://www.salliemae.com/landing/coronavirus/, https://www.penfed.org/frequently-asked-questions/assistance,

the large decrease in federal student loan complaints (32%) versus the smaller decrease in private student loan complaints (0.8%) over the reporting period.

When pandemic relief expires, it is reasonable to anticipate a potential significant increase in the number of complaints when over 32 million borrowers are placed into repayment. Planning for the return to repayment is ongoing. Concurrently, as planning for the return to repayment is happening, the unprecedented transfers of more than 16 million accounts with a loan volume of over $650 billion is occurring. The servicing transfer likely will not be completed before borrowers return to repayment. Without appropriate mitigation measures, it is reasonable to anticipate a significant increase in complaints when these transitions happen. See, Section 5, Ombudsman Discussion, for an analysis of the return to repayment and servicer transitions.

If any borrower is experiencing financial difficulty or has any questions regarding their private student loans or federal student loans, they should contact their servicer, or if applicable, their financial aid office at their school or university. If their issue cannot be resolved or if they run into challenges, borrowers should contact applicable government entities, including the Bureau,[27] the Department of Education's Federal Student Aid Ombudsman,[28] the Federal Trade Commission (FTC),[29] or state regulatory[30] or enforcement[31] authorities.

The Bureau has actively monitored student loan complaints regarding COVID-19, among other things. Complaints mentioning COVID-19 or similar terms began to appear in March 2020. The Bureau has handled approximately 1,260 student loan complaints where the consumer narrative mentions keywords related to COVID-19 since the Pandemic began and approximately 730 in this reporting period. Student loan complaints overall and those mentioning COVID-19, coronavirus, and related terms are compared below in monthly frequency.

---

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

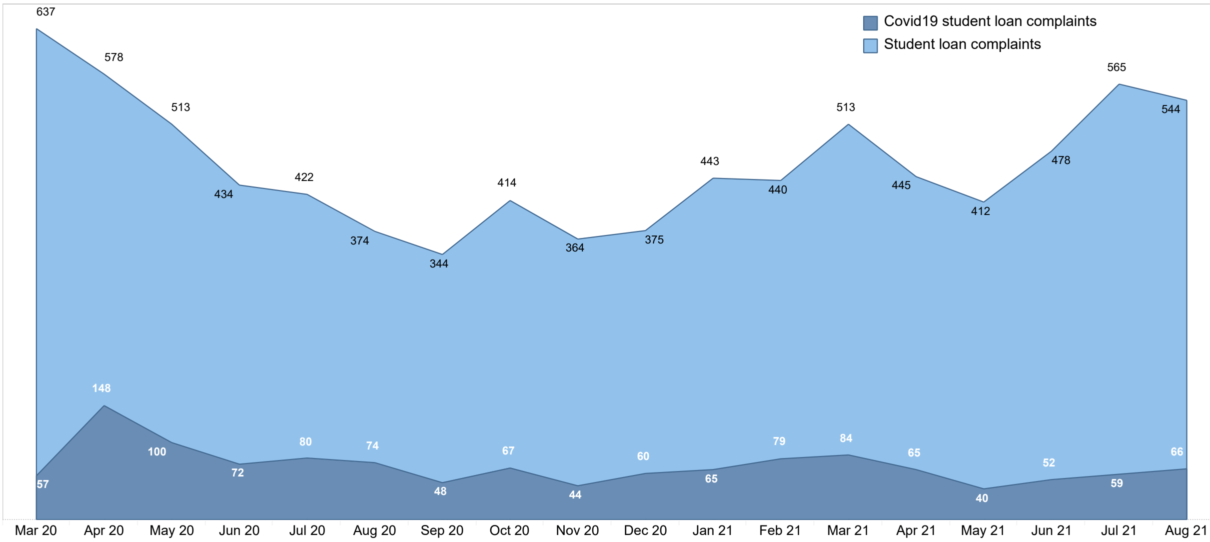
[28] https://studentaid.gov/feedback-ombudsman/disputes/prepare

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

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

[31] https://www.naag.org/naag/attorneys-general/whos-my-ag.php

FIGURE 11: MONTHLY FREQUENCY OF STUDENT LOAN COMPLAINTS RECEIVED AND THOSE MENTIONING COVID-19, CORONAVIRUS, AND RELATED TERMS

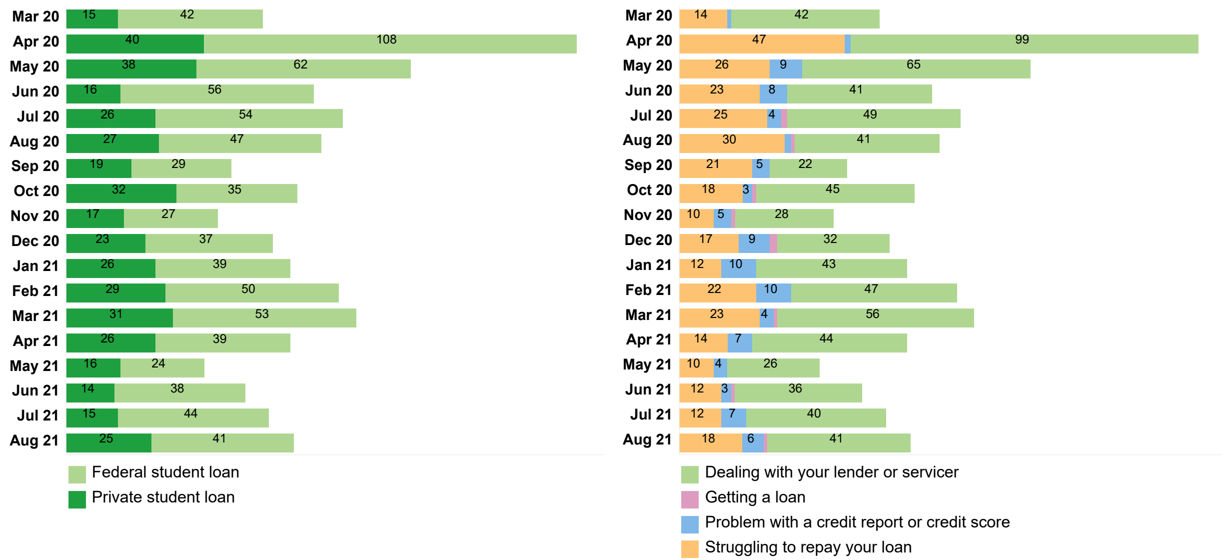


Note: The time period is March 1, 2020 through August 31, 2021.

Student loan complaints mentioning COVID-19 as a percentage of overall monthly student loans ranged from 9% to 26% of with an average of around 15%.

Finally, below is a monthly breakdown of student loan complaints mentioning COVID-19. The left side of the figure is broken down by sub-product (private and federal student loans). The right side of the figure is broken down by issues.

FIGURE 12: MONTHLY BREAKDOWN OF COVID-19 STUDENT LOAN COMPLAINTS RECEIVED AT THE SUB-PRODUCT LEVEL (PRIVATE AND FEDERAL STUDENT LOANS) AND ISSUE



Note: The time period is March 15, 2020 through August 31, 2021. Consumers can select from a list of credit reporting related issues, reported as "Problem with a credit report or credit score," when submitting complaints about consumer financial products and services, including student loan product. The term "COVID-19 complaints" refers to complaints that mention coronavirus and related terms. Complaints identified using this search criteria should be reviewed to determine relevancy.

2.3.6 Debt collection complaint data

From September 1, 2020 through August 31, 2021, the Bureau handled approximately 900 private student loan complaints where the consumer selected debt collection as the product.

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. More than 5,800 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' perspectives on these complaint(s).

Complaints that cannot be sent to companies for response, such as those regarding issues with third-party debt relief companies that do not yet participate in the complaint process, or complaints that result from debt relief scams,[32] are not published in the Consumer Complaint Database or reflected in the company-level analysis in this report. These complaints are also shared with state and federal agencies. This includes state Attorneys General's offices, the Office of Federal Student Aid, the Department of Education's Office of the Inspector General, and 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.

The tables below are based on complaints sent to companies or organizations and data exported from the public Consumer Complaint Database as of October 1, 2021.

FIGURE 13: TOP RECIPIENTS OF STUDENT LOAN DEBT COLLECTION COMPLAINTS FROM SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

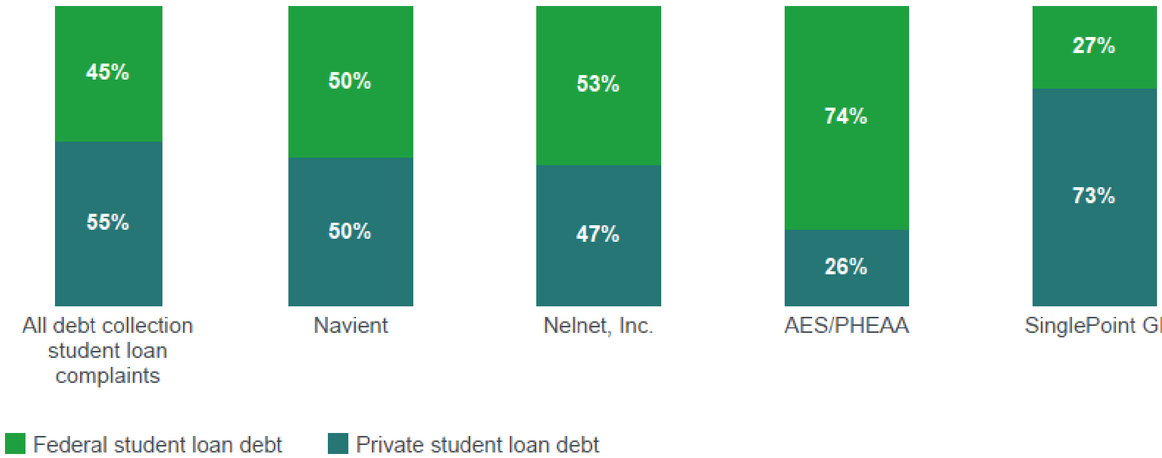
Federal Student Loans	Number of Complaints	Private Student Loans	Number of Complaints
Navient	76	Navient	75
Nelnet	66	Nelnet	59
AES/PHEAA	61	SinglePoint GI[33]	24
Transunion	14	Williams & Fudge,Inc.	23
ECMC Group, Inc.	3	AES/PHEAA	21

Note: This figure 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 debt collection parent companies responding to complaints about their subsidiary debt collection companies.

[32] For further details regarding debt relief scams and red flags to identify and avoid them, see the 2019 report at https://files.consumerfinance.gov/f/documents/cfpb_annual-report_private-education-loan-ombudsman_2019.pdf

[33] SinglePointGI is a holding company that bought General Revenue Corporation (GRC) from Navient in 2019. Previously, GRC performed, among other things, collections of Perkins loans.

FIGURE 14: DISTRIBUTION OF LOAN TYPE FOR STUDENT DEBT COLLECTION COMPLAINTS BY COMPANY FROM SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

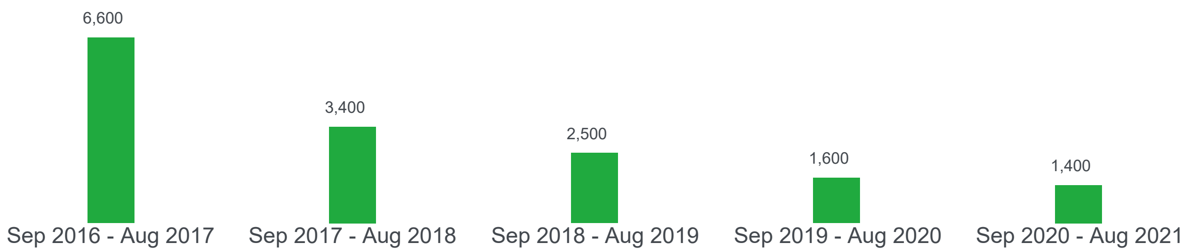


Note: This figure reflects debt collection complaints where (1) the consumer identified the sub-product as a private or federal student loan and (2) the identified company or organization that responded to the complaint, confirming the relationship with the consumer. This table was not normalized to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

2.4 Additional private student loan complaint data

From September 1, 2020 through August 31, 2021, the Bureau handled approximately 1,900 private 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, 2021.

FIGURE 15: COMPARISON OF THE AGGREGATE NUMBER OF PRIVATE STUDENT LOAN COMPLAINTS SENT TO COMPANIES BY YEAR



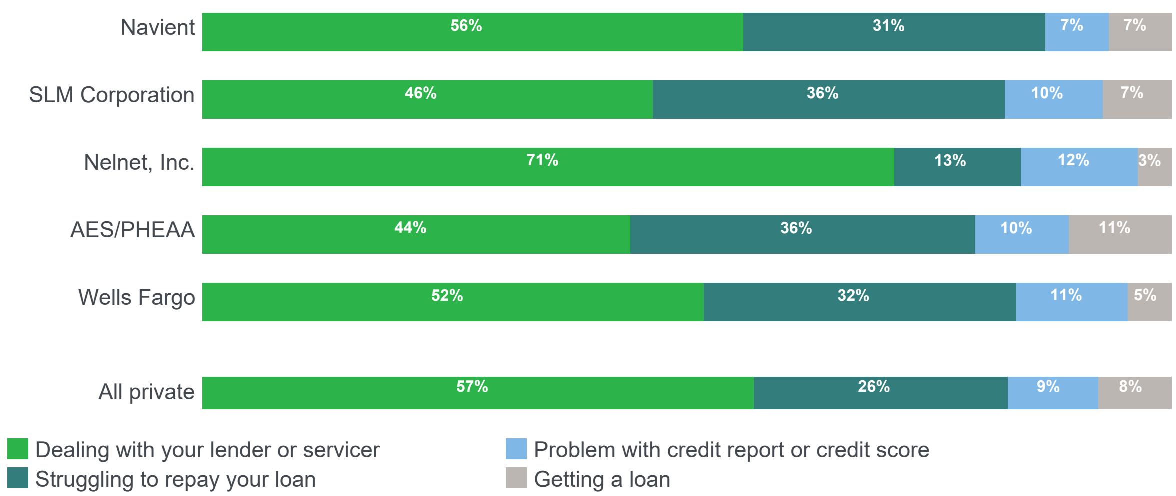
Note: This figure reflects yearly aggregate complaints where (1) the consumer identified the sub-product as a private student loan and (2) the identified company or organization that responded to the complaint, confirming the relationship with the consumer.

FIGURE 16: ORGANIZATIONS WITH THE MOST PRIVATE STUDENT LOAN COMPLAINTS

	Private student loan complaints	% share of private student loan complaints sent to companies
Navient	459	32%
SLM Corporation	168	12%
Nelnet, Inc.	147	10%
AES/PHEAA	104	7%
Wells Fargo	87	6%

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

FIGURE 17: CONSUMER-IDENTIFIED ISSUES IN PRIVATE STUDENT LOAN COMPLAINTS BY ORGANIZATION

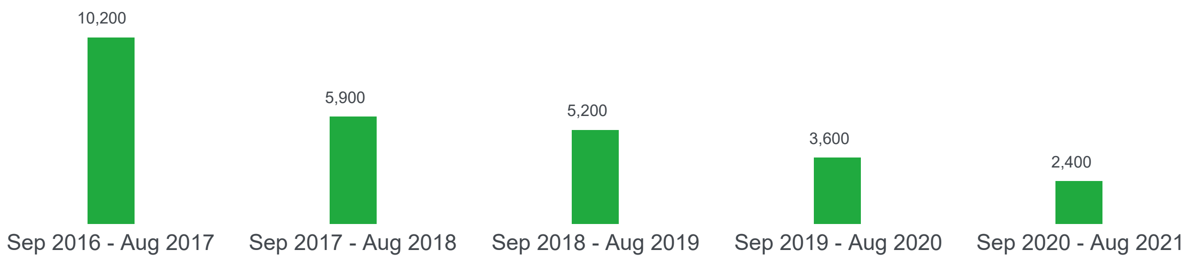


Note: This figure reflects complaints where (1) the consumer identified the sub-product as a private student loan and (2) the company or organization that responded to the complaint, confirming the relationship with the consumer. This table reflects the organizations responding to the greatest number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

2.5 Additional federal student loan complaint data

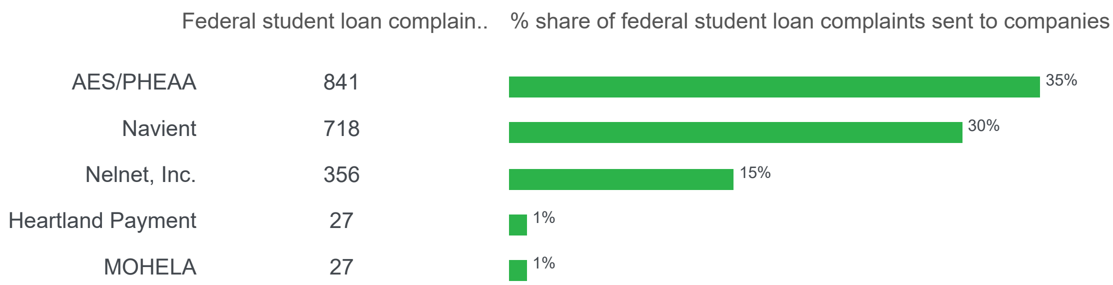
From September 1, 2020 through August 31, 2021, the Bureau handled approximately 3,400 federal student loan complaints. The following tables are based on complaints sent to companies or organizations and data exported from the public Consumer Complaint Database as of October 1, 2021.

FIGURE 18: COMPARISON OF THE AGGREGATE NUMBER OF FEDERAL STUDENT LOAN COMPLAINTS SENT TO COMPANIES BY YEAR



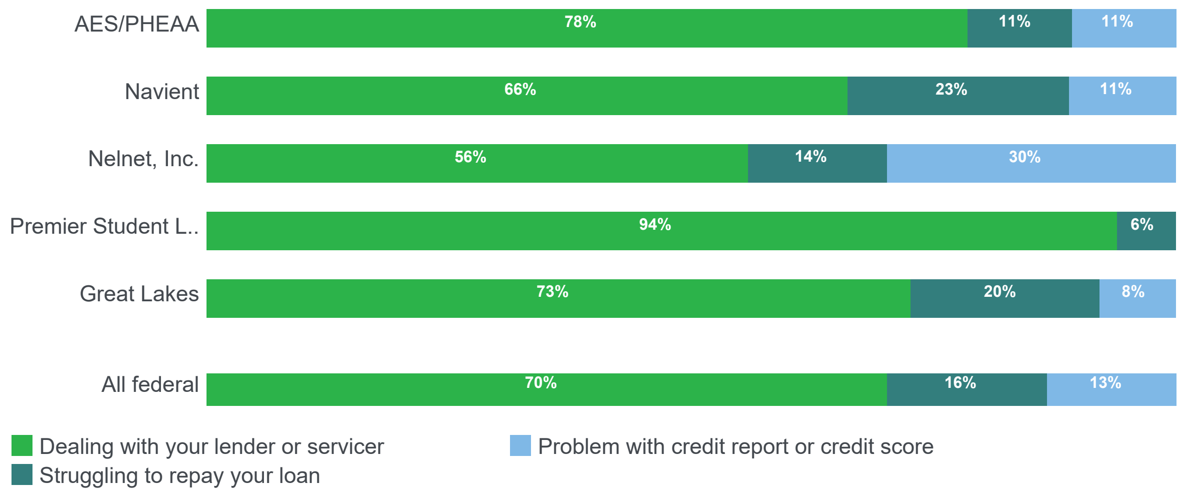
Note: This figure reflects yearly aggregate complaints where (1) the consumer identified the sub-product as a federal student loan and (2) the company or organization that responded to the complaint, confirming the relationship with the consumer.

FIGURE 19: ORGANIZATIONS WITH THE MOST FEDERAL STUDENT LOAN COMPLAINTS



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

FIGURE 20: IDENTIFIED ISSUES IN FEDERAL STUDENT LOAN COMPLAINTS BY ORGANIZATION



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

TABLE 4: NORMALIZATION TABLE BASED ON COMPLAINTS PER 10,000 BORROWERS

Company	Number of complaints	Number of borrowers in millions[34]	Complaints per 10K borrowers
AES/PHEAA	841	9.19	0.92
Navient	718	6.06	1.18
Nelnet[35]	356	14.42	0.25
Not-for-profits[36]	75	7.17	0.10

Note: The number of borrowers is a snapshot 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, throughout this reporting period, there were nine federal student loan servicers. This table reflects data for the four Title IV Additional Servicers (TIVAS), which are the largest federal student loan servicers, and they responded to the greatest number of complaints. The five not-for-profit servicers are listed in the aggregate. The TIVAS account totals do not include accounts of non-ED owned loans. PHEAA, Nelnet, and Navient service portfolios of Commercial FFEL loans.

[34] The number of borrowers is from the National Student Loan Data System (NSLDS) as of March 31, 2021. There is a decrease in the number of borrowers at the not-for profits and an increase in the number of borrowers at the four Title IV Additional Servicers (TIVAS). The increase in the number of borrowers serviced by the four TIVAS reflects UHEAA's termination of its federal student loan servicing contract. The transfer of UHEAA's portfolio of approximately 1 million loans to other contract servicers was completed in Q1 2021.

[35] The methodology for normalization is consistent from report to report. The methodology in previous reports is to display only the companies to which the complaints were routed. These companies are the "parent company". Because Great Lakes is owned by Nelnet (the parent company), all complaints mentioning Great Lakes were routed to Nelnet. Therefore, Great Lakes is removed from this reporting year, and the number of borrowers from Great Lakes are added to Nelnet with the number of complaints per 10K borrower adjusted.

[36] Not-for-profits include aggregate complaints for the Utah Higher Education Assistance Agency (UHEAA), Oklahoma Student Loan Authority, HESC/EdFinancial, MOHELA, and Granite State Management & Resources. UHEAA serviced federal loans for only part of the reporting period.

TABLE 5: NORMALIZATION TABLE BASED ON COMPLAINTS PER 10,000 BORROWERS PER YEAR OVER YEAR

Company	Sep 2017 – Aug 2018	Sep 2018 – Aug 2019	Sep 2019 – Aug 2020	Sep 2020 – Aug 2021
AES/PHEAA	1.8	2.1	1.54	0.92
Navient	3.9	3.2	1.89	1.18
Nelnet	0.9	0.8	0.83	0.25
Great Lakes	0.3	0.2	0.06	0.00[37]
Not-for-profits	0.2	0.2	0.12	0.10

[37] The methodology for normalization is consistent from report to report. The methodology in previous reports is to display only the companies to which the complaints were routed. These companies are the “parent company.” Because Great Lakes is owned by Nelnet (now the parent company), all complaints mentioning Great Lakes were routed to Nelnet. Therefore, Great Lakes is removed from this reporting year and the number of borrowers from Great Lakes are added to Nelnet with the number of complaints per 10K borrower adjusted. The TIVAS account totals do not include the accounts of non-ED owned loans. PHEAA, Nelnet, and Navient service portfolios of Commercial FFEL loans.

3. Student loan and education ecosystems: student success

The student loan ecosystem is large and complex, with outstanding student loan debt totaling $1.728 trillion [38] owed by 43.2 million borrowers.[39] During this reporting period, the socio-economic and racial gaps in student loan debt and degree completion noted in last year's report have been exacerbated by the pandemic. Additionally, there are two significant transitions that are occurring: most federal student loan borrowers are preparing to resume or start repayment at the same time that four of nine federal student loan servicers either have stopped, or announced they will stop, servicing federal-owned student loans. The return to repayment for federal student loans will affect over 32 million borrowers with a loan volume of approximately $1.274 trillion. For the borrowers whose servicers have either stopped, or announced they will stop, servicing federal student loans this means that these borrowers will have to be transferred to other servicers. This transfer affects at least 16 million borrowers with a volume of over $650 billion.[40] These transitions are unprecedented by themselves, and the planning and execution of these events are happening simultaneously. Meanwhile, our nation and student loan borrowers are living through unprecedented times due to the pandemic, the effects of which go far beyond student loans.

Student success, both within institutions of higher learning and following graduation, is the keystone upon which the student loan ecosystem and the higher education ecosystem depend.

---

[38] "Federal Student Aid Portfolio Summary," Federal Student Aid Data Center, *available at* https://studentaid.ed.gov/sa/data-center; *G19 Consumer Credit Series*, Federal Reserve, *available at* http://www.federalreserve.gov/releases/g19/current/default.htm.

[39] Source: Federal Reserve Bank of New York.

[40] Source: Office of Federal Student Aid, U.S. Department of Education. ED does not publish detailed data for the NFPs.

These eco-systems must consciously focus on and support student success.[41] If students are not successful, the student loan and education eco-systems cannot be successful. One way to measure student success may by considering the following: (1) access, (2) to an affordable education, (3) that is completed in a timely manner, and (4) which provides students with reasonable repayment expectations to repay their student loans – in other words, the education received is worth the costs.

More broadly, the student loan and higher education ecosystems are interdependent and generally consist of the following components which greatly influence student success: (1) education (generally determined by schools), (2) costs and affordability of education (generally determined by schools and funding sources), (3) financing (generally determined by lenders such as Federal Student Aid, banks, credit unions, state agencies, and institutions of higher learning), and (4) servicing (generally determined lenders and servicers). There are gaps in student success, and these gaps are indicators of risks within one or more component parts of these ecosystems. These gaps include socio-economic and racial disparities in student success, indicating there are increased risks for these vulnerable populations. Further, varying degrees of information asymmetry exist between student loan borrowers, schools, lenders, and servicers. In these markets, information asymmetry consistently works against student success.

This section of the report reviews the four interrelated parts of the student loan and education ecosystems because what is being financed and serviced, and some of the challenges associated with financing and servicing, starts with education and its costs. It also provides information regarding social-economic and racial disparities in student loan debt and degree completion which informs the recommendations in Section 6. Recommendations that take a more holistic approach to the challenges and gaps within the student loan and education ecosystems are more likely to be impactful, more likely to help vulnerable populations, and more likely to be enduring, which should increase success for all students.

---

[41] https://www.ed.gov/college ("Cost and debt are only part of the story—**we need increased focus on student success**. Addressing growing college costs and debt is absolutely critical. Many more students need access to vastly more affordable and quality higher education opportunities—including tuition-free degree options. For too long, though, America's higher education system has focused almost exclusively on inputs—enrolling students in college—and too little on outcomes—graduating from college with high-quality degrees. **We must reset the incentives that underpin the system so the focus is on the outcome that matters: completing a quality degree at a reasonable cost.** Otherwise, we will merely be finding better ways of paying for an unsustainable status quo.") (Emphasis added)

3.1 Higher education and its costs

Education has traditionally served as a ladder of opportunity and upward mobility that unleashes the potential of students and benefits society.[42] For much of American history, the benefits of education, for both students and society, have outweighed the costs.[43] Historically, there has been a college wage premium.[44] However, there is a growing body of research that calls into question the college wage premium, and some students seeking to enter the workforce may find that their intended career field does not support their student loan payments.[45]

---

[42] *See*, Chetty, Hendren, Kline, Saez, & Turner, Is the United States Still a Land of Opportunity? Recent Trends in Intergenerational Mobility (Jan. 2014), https://opportunityinsights.org/wp-content/uploads/2018/04/mobility_trends.pdf ("For children born between 1971 and 1986, we measure intergenerational mobility based on the correlation between parent and child income percentile ranks. For more recent cohorts, we measure mobility as the correlation between a child's probability of attending college and her parents' income rank. We also calculate transition probabilities, such as a child's chances of reaching the top quintile of the income distribution starting from the bottom quintile. Based on all of these measures, we find that children entering the labor market today have the same chances of moving up in the income distribution (relative to their parents) as children born in the 1970s. However, because inequality has risen, the consequences of the "birth lottery"–the parents to whom a child is born–are larger today than in the past.")

[43] Higher education has intrinsic and intangible benefits for students and society. It also has tangible costs. This part of the report looks at the tangible costs and its impact. The intent of this part of the report is not to in any way diminish or minimize the intrinsic and intangible benefits of higher education. Further, the benefits and the costs are not mutually exclusive, where one is "good" and one is "bad". Rather, when properly balanced, they converge in a beneficial manner to advance student success. On many campuses and within many programs, this regularly happens, as evidenced by students who attain their degrees in a timely manner and are able to repay their loans. The challenges exist where this is not happening, particularly for vulnerable populations.

[44] Over the course of their lifetimes, those with a bachelor's degree generally earn about $1 million than those with only a high school diploma, and experience other positive outcomes such as lower unemployment rates and lower poverty rates. https://www.census.gov/library/publications/2012/acs/acsbr11-04.html, https://www2.census.gov/library/publications/2011/acs/acs-14.pdfhttps://www.aplu.org/projects-and-initiatives/college-costs-tuition-and-financial-aid/publicuvalues/employment-earnings.html and https://www.ed.gov/college

[45] *See, e.g.*, Jared Ashworth & Tyler Ransom, *Has the college wage premium continued to rise? Evidence from multiple U.S. Surveys*, 69 Econ. of Educ. Rev. 149 (Apr. 2019), https://www.sciencedirect.com/science/article/pii/S0272775718304862; Rohit Chopra, *Prepared Remarks by Rohit Chopra Before the Federal Reserve Bank of St. Louis*, CFPB (Nov. 18, 2013), https://www.consumerfinance.gov/about-us/newsroom/student-loan-ombudsman-rohit-chopra-before-the-federal-reserve-bank-of-st-louis/ ("The growing gap between college graduates and others isn't really due to rising starting wages for the average college graduate – it's that the wages of those without a degree are falling rapidly. In fact, when accounting for inflation, young college graduates have found that starting wages are falling."). This challenge highlights, in part, the asymmetry of information between schools and students. Misalignment between the cost of an education and its value may contribute to the declining college wage premiums.

In addressing the diminishing college wage premium, it is useful to take into consideration the sequential rungs on the ladder of opportunity that lead to student success: access, costs and affordability, timely degree attainment, and reasonable repayment expectations to repay their student loans.

Importantly, without access there is no opportunity, and the ladder cannot be climbed. Access is generally determined by schools and funding sources.[46] Without scholarships, grants, and student loans, many students would not have access to higher education.

COVID-19 has also negatively impacted college attendance and has had a disproportionate impact on access for those who are economically vulnerable. "During the period of August 19 to August 31, 2020, some 31 percent of adults 18 years old and over who had household members planning to take classes in fall 2020 from a postsecondary institution reported that all plans to take classes in the fall had been canceled for at least one household member. The two most frequently cited reasons they reported for the cancellations were having coronavirus or having concerns about getting coronavirus (46 percent) and not being able to pay for classes/educational expenses because of changes to income from the pandemic (42 percent)."[47]

---

[46] Importantly, there are factors that involve pre-K and K-12 that also influence access, but they are beyond the scope of this report. However, the importance of these factors cannot be overstated because what happens early in a child's/student's life has a statistical impact on what happens later across populations. https://www.pewtrusts.org/~/media/legacy/uploadedfiles/wwwpewtrustsorg/reports/pre-k_education/pathwayprek12futurepdf.pdf ("Notably, the benefits of pre-k endure, translating to success later in life. Children who attend high-quality pre-k have a reduced likelihood of criminal behavior and incarceration, higher chances of being employed as adults, increased lifetime earnings and less reliance on welfare.") Further, as noted in last year's report, there is a significant amount of data, research, and peer-reviewed literature regarding socio-economic and racial financial and wealth gaps starting with pre-K and continuing through K-12 and post-secondary education which influence debt load and degree attainment. For example, https://scholar.harvard.edu/hendren/publications/race-and-economic-opportunity-united-states-intergenerational-perspective, https://www.stlouisfed.org/search, https://www.clevelandfed.org/newsroom-and-events/publications/economic-commentary/2019-economic-commentaries/ec-201903-what-is-behind-the-persistence-of-the-racial-wealth-gap.aspx, https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm, http://nieer.org/policy-issue/special-report-access-to-high-quality-early-education-and-racial-equity, https://www.stlouisfed.org/open-vault/2019/august/wealth-inequality-in-america-facts-figures, and https://nces.ed.gov/programs/coe/indicator_cce.asp.

[47] Impact of the Coronavirus Pandemic on Fall Plans for Postsecondary Education (last updated May 21, 2021), https://nces.ed.gov/programs/coe/indicator/tpb?tid=74

The second rung is affordability. [48] Affordability must be appropriately addressed to maintain access, particularly for vulnerable populations. The price students may be asked to pay is generally determined by schools after considering the student's financial circumstances. Schools first set the cost of attendance (COA),[49] then they consider the Expected Family Contribution (EFC) calculated from the financial information entered into the FAFSA.[50] The EFC is subtracted from the COA to determine the amount of financial need remaining and that

[48] Concerns about the costs of higher education have persisted for decades. 74 years ago, *Higher Education for American Democracy* (Zook, 1947), University of Illinois at Urbana-Champaign was published. Among many other things, the report noted "The major barrier arises from the fact the hundreds of thousands of the nations talented youth come from families too poor to enable them to undertake the task of getting a college education. This great waste can no longer be tolerated in a country whose Constitution affirms belief in equality of opportunity." It also advocated for, among many things, "Free public education through the fourteenth year," and that "student fees in publicly controlled institution be reduced." https://babel.hathitrust.org/cgi/pt?id=uiug.30112022463886&view=1up&seq=6&skin=2021 Further, a GAO report in 1998 (23 years ago) noted costs concerns going back to 1980 (41 years ago). The GAO report states, "Over the past two decades, tuition increases (including related fees) have substantially outstripped rises in median family income and the cost of living. In our study on tuition increases (including related fees) at 4-year public colleges and universities from school year 1980-81 through 1994-95, we found that the two major factors associated with these increases were the rise in schools' expenditures and schools' need to increase tuition revenue to make up for smaller increases in state appropriations." GAO Report to the Honorable Charles E. Schumer, House of Representatives, *Higher Education – Tuition Increases and Colleges' Efforts to Contain Costs*, September 1998 at https://www.gao.gov/products/hehs-98-227

[49] If attendance is at least half-time, the COA is an estimate of tuition and fees; the costs of room and board (or living expenses for students who do not contract with the school for room and board); the cost of books, supplies, transportation, loan fees, and miscellaneous expenses (including a reasonable amount for the documented cost of a personal computer); an allowance for child care or other dependent care; costs related to a disability; and/or reasonable costs for study-abroad programs. https://studentaid.gov/complete-aid-process/how-calculated

[50] The EFC is an index number that college financial aid staff use to determine how much financial aid you would receive if you were to attend their school. The information reported on the FAFSA form is used to calculate your EFC. The EFC is calculated according to a formula established by law. Your family's taxed and untaxed income, assets, and benefits (such as unemployment or Social Security) all could be considered in the formula. Also considered are your family size and the number of family members who will attend college or career school during the year. *The EFC Formula* guide shows exactly how an EFC is calculated. Importantly, the EFC is not the amount of money your family will have to pay for college, nor is it the amount of federal student aid you will receive. It is a number used by your school to calculate how much financial aid you are eligible to receive. https://studentaid.gov/complete-aid-process/how-calculated Notably, under the *FASFA Simplification Act*, which was passed on December 27, 2020, EFC will be replaced by the Student Aid Index (SAI) starting in July 2023. The lowest EFC is $0.00. The lowest SAI is -$1,500. https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2021-06-11/beginning-phased-implementation-fafsa-simplification-act-ea-id-general-21-39

figures into how much need-based aid a student may be offered.[51] To determine unmet funding needs, schools subtract any financial aid awarded from the COA.[52]

Affordability is generally determined by schools and sources of funds available to cover costs and unmet financial needs. Affordability is more than the short-term cost of education and the financial ability of students to attend school, it also includes long-term benefits: what students and society receive in return, which should include reasonable repayment expectations.

The sticker price of education has increased 178% since 1990.[53] As the cost of education has increased, real income per adult increased an overall average of 60% from 1980 to 2014 and an average of 40% for middle class adults, while remaining largely stagnant for adults in the bottom 50% of the pretax income distribution.[54] This means that higher education has become more unaffordable since 1980, particularly for the bottom 50%. This is reflected in the quintile distribution of college attendance noted in last year's report.[55]

Institutional budgets and priorities are set by college and university governing Boards,[56] and the boards are critical in addressing the costs of higher education for students, families, and

---

[51] Although schools typically seek to fully meet a student's financial need, there is no guarantee that the available aid programs will be able to fully cover the total amount of need-based aid eligibility.

[52] https://studentaid.gov/complete-aid-process/how-calculated

[53] See, *The Costs of Excess: Why Colleges, and Universities Must Control Runaway Spending* (August 2021), https://www.goacta.org/resource/cost-of-excess/

[54] Thomas Piketty & Emmanuel Saez & Gabriel Zucman, 2018. "*Distributional National Accounts: Methods and Estimates for the United States*", The Quarterly Journal of Economics, vol 133(2), pages 553-609. ("Average pretax real national income per adult has increased 60% from 1980 to 2014, but we find that it has stagnated for the bottom 50% of the distribution at about $16,000 a year. The pretax income of the middle class—adults between the median and the 90th percentile—has grown 40% since 1980 … . Income has boomed at the top.") *See also*, NBER Working Paper 22945, DOI 10.336/w22945 (December 2016). https://www.nber.org/papers/w22945 ("Income has boomed at the top: in 1980, top 1% adults earned on average 27 times more than bottom 50% adults, while they earn 81 times more today.")

[55] *See*, Private Education Loan Ombudsman 2020 Annual Report, Figure 26 at p. 39, https://www.consumerfinance.gov/about-us/newsroom/cfpb-private-education-loan-ombudsman-issues-2020-annual-report/ Source: U.S. Department of Education, National Center for Education Statistics, High School Longitudinal Study of 2009 HSLS:09), Base Year and Second Follow-up. See Digest of Education Statistics 2019, table 302.44.

[56] Budgets and priorities are also influenced by sources both inside and outside of colleges and universities, some of which are beyond the governing Boards' control. For example, carrying out certain statutory compliance mandates and the amount of state funding.

taxpayers.[57] Tuition is generally the largest cost experienced by student loan borrowers, and notably, several colleges and universities froze or lowered their tuition for the 2020/2021 school year[58] and several froze their tuition for the current academic year.[59] However, freezing or lowering tuition appears to be the exception to the rule.[60]

There is evidence that increases in tuition reduce enrollment and access based on socio-economic factors. Students from low-income families are less likely to enroll in and complete college than their peers, even when academic ability is taken into consideration.[61] Further, low-income students, first-generation college students, and minority students, in particular, are most affected: 9 percent of students from the lowest income quartile graduate with a bachelor's degree by age 24, compared to 77 percent for the top income quartile.[62]

There is evidence that suggests that increases in tuition reduce diversity, enrollment, and access for vulnerable populations and that this is more pronounced for first-time, full-time freshmen. "Increases in tuition have even been linked to a decrease in student diversity in future years on

[57] See, *The Costs of Excess: Why Colleges, and Universities Must Control Runaway Spending* (August 2021), https://www.goacta.org/resource/cost-of-excess/ ("High levels of student loan debt have been shown to postpone major life events dramatically, with borrowers reporting delays in saving for retirement (62%), buying a home (55%), marriage (21%), and starting a family (28%). … Even the most optimistic would be hard-pressed to argue that colleges today are providing nearly three times the educational value that they did 30 years ago—which would otherwise justify the 178% increase in sticker price at four- year public institutions since 1990. This argument crumbles in the face of studies that show that one-third of students leave college without any growth in critical thinking or analytical reasoning skills and that only 49% of employers think recent graduates are proficient in oral and written communication.")

[58] For a non-exhaustive list, *see*, https://www.goacta.org/2020/07/colleges-and-universities-that-have-lowered-for-frozen-tuition-for-2020-2021/

[59] https://www.insidehighered.com/news/2021/06/28/colleges-freezing-tuition-next-academic-year

[60] *Id.*

[61] *See*, Private Education Loan Ombudsman 2020 Annual Report, Figure 26 at p. 38, https://www.consumerfinance.gov/about-us/newsroom/cfpb-private-education-loan-ombudsman-issues-2020-annual-report/ Source: U.S. Department of Education, National Center for Education Statistics, High School Longitudinal Study of 2009 HSLS:09), Base Year and Second Follow-up. See Digest of Education Statistics 2019, table 302.44.

[62] *Id.* Figure 25 at 38. Source: 3 U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Winter 2018–19, Graduation Rates component. See Digest of Education Statistics 2019, table 326.10. https://nces.ed.gov/programs/coe/indicator_ctr.asp

public campuses, with a $1,000 increase in tuition and fees causing the racial and ethnic diversity of first-time, full-time freshmen to decline by 4.5%."[63]

It is also important to note that there is information asymmetry between students and schools regarding financial aid packages and the cost of attendance, the "sticker price" to attend, and the discounted price to attend, as well as scholarships, grants and other forms of available financial aid.[64] This information asymmetry prevents borrowers from fully understanding the costs to attend a particular institution. It also negatively impacts borrowers' capabilities to make meaningful comparisons between institutions, make informed decisions regarding which institutions to attend, and in understanding the potential impact of indebtedness on the borrowers' futures.

Timely degree attainment is critical for student success. It is not only the actual costs to attend school that impact students, it is also the opportunity costs incurred while the student is in school. Further, students who take out college loans but don't graduate are three times more likely to default than borrowers who complete.[65] If students do not graduate and yet have student loan debt, or if they graduate and cannot repay their student loan debt, then this points to potential failures within the systems. For those who do complete their degree, on average only 44% of first-time, full-time students who enroll in a bachelor's degree program graduate within 4 years, while only 62% graduate within 6 years, and there are gaps based on socio-economic and racial status.[66]

The Department of Education maintains "Promising and Practical Strategies to Increase Postsecondary Success," a web-based resource which lists the programs and efforts of various

---

[63] Drew Allen and Gregory C. Wolniak, "Exploring the Effects of Tuition Increases on Racial/Ethnic Diversity at Public Colleges and Universities," *Research in Higher Education* 60 (2019):18–43, https://doi.org/10.1007/s11162-018-9502-6; and https://www.insidehighered.com/news/2018/03/27/increases-college-tuition-drive-down-diversity-public-colleges-study-says

[64] *The Costs of Excess: Why Colleges, and Universities Must Control Runaway Spending* (August 2021), https://www.goacta.org/resource/cost-of-excess/, *supra* note 44.

[65] https://www.brookings.edu/wp-content/uploads/2018/01/scott-clayton-report.pdf and ttps://ticas.org/files/pub_files/students_at_the_greatest_risk_of_default.pdf which analyzed data from the U.S. Department of Education's Beginning Postsecondary Students Longitudinal Study (BPS), which among other things, follows undergraduate students who enrolled in college for the first time in 2003-04 and tracks whether they defaulted on their federal student loans within 12 years of entering college.

[66] *See*, Private Education Loan Ombudsman 2020 Annual Report, Figure 25 at p. 38, https://www.consumerfinance.gov/about-us/newsroom/cfpb-private-education-loan-ombudsman-issues-2020-annual-report/

schools to improve retention, degree attainment, and student success.[67] There are also other ongoing efforts throughout higher education that are having positive, measurable outcomes in degree attainment. For example, one alliance of universities set a 10-year goal of producing 68,000 additional graduates. The schools in the alliance implemented a variety of retention programs and actually graduated an additional 72,573 students within six years. They "increased the number of graduates from low-income backgrounds 36% and graduates of color by 73%."[68] Further, they are on track to graduate a total 136,000 additional students by 2023.[69] An important aspect of these successful efforts occurring on campuses across America is recognizing that given the immense diversity between and among institutions of higher education, it is unlikely that there will be "one-size fits all" solutions. However, there are likely some values and principles that may have general application. (*See*, Section 5, Ombudsman Discussion)

Finally, it is important that student loan borrowers have reasonable repayment expectations. This involves the amounts financed to attend school and how much the student can expect to earn with their degree, or more specifically, the increase in income they can expect to earn with their degree (versus if they did not have one) and whether the increase is reasonably in line with the amounts financed. One general rule is that aggregate student loan debt should not exceed the borrower's starting salary (or that payments should not exceed about 10% of gross monthly income).[70] For students who are paying for their educations themselves and do not take out private or federal student loans, this general rule is likely less important as there is nothing to pay back, and for these students the impact of inferior programs (programs that do

---

67 https://www.ed.gov/college-completion/promising-strategies/tags/Retention

68 https://theuia.org/ and s*ee*, https://www.prnewswire.com/news-releases/university-innovation-alliance-adds-first-new-members-publishes-new-data-on-existing-institutions-ambitious-graduation-goals-301306802.html and https://hechingerreport.org/opinion-higher-education-needs-to-get-comfortable-with-trial-and-error/

69 *Id.*

70 https://files.consumerfinance.gov/f/documents/cfpb_building_block_activities_understanding-how-much-student-debt-afford_guide.pdf. *See*, https://www.brookings.edu/opinions/does-justification-for-rescinding-gainful-employment-rules-distorts-research/ and https://eric.ed.gov/?id=ED430443

not provide a meaningful path to repayment[71]) is mitigated in part. However, the general rule becomes very important for students who take out private and federal student loans, and the impact of inferior programs becomes more pronounced for borrowers as they struggle to repay. When default occurs, the impact becomes even more pronounced, both for borrowers who will experience long-term negative consequences and for lenders (private student loans) and taxpayers (federal student loans). These impacts may result in increased financial hardship and decreased access to student loans in the future as the future costs to borrower may increase. This means programs that provide a path for meaningful repayment are a key to student success, while inferior programs that do not do so reverberate for years with negative consequences for borrowers and others.[72] Further, about 62% of college graduates work in a job that requires a college degree, while only about 27% are working in a job related to their major.[73] This may suggest a gap between the education provided and the opportunities and skillsets required by the job market. This gap, when addressed, may present opportunities to

[71] This is a limited definition. It is used because there is general acknowledgement that there is a student loan debt crisis. At its simplest, this crisis started when there was not a consistent path to meaningful repayment for a critical mass of student loan borrowers. There may be programs that are superior academically but do not offer a path to meaningful repayment for some students. For example, if a student's dream is to be a public elementary school teacher, and they plan on taking out loans to finance their entire undergraduate education, all else being equal (scholarships, grants, work-study, etc. and the likelihood of remaining large difference in costs that will have to be financed) it is likely more prudent and cost-effective for the student to attend an in-state land-grant university with a strong program, than to attend what may be the best academic program in the country at an elite and more expensive school. *See*, https://www.insidehighered.com/news/2014/02/07/academic-rigor-lacking-not-dead-study-says ("Despite the fact that one of the universities charges much higher tuition, Campbell found no notable difference in teaching or learning between the two. 'With all of the conversation right now around cost, I think that's interesting and worth noting,' she said. 'Students who are going to the public institution on in-state tuition are probably paying less than they might pay at a private institution, and yet we're seeing the similar education quality.'")

[72] The negative effects of inferior programs in the for-profit space are well documented. More recently we are starting to see the lack of a path to meaningful repayment occur at graduate programs in variety of institutions, including some of this country's elite universities. For those that do not need to borrow for these graduate programs, there are no issues regarding repayment. For those that must borrower and do not have a path to meaningful repayment, these programs are burdening borrowers with debt which they cannot pay for with the education they received.

[73] New York Federal Reserve at https://libertystreeteconomics.newyorkfed.org/2013/05/do-big-cities-help-college-graduates-find-better-jobs/ Source: U.S. Bureau of the Census, 2010 American Community Survey; author's calculations. Note: Individuals with graduate degrees are not included in the calculation of college major matching because the information available on majors relates to the undergraduate degree.

increase meaningful paths to repayment by providing sufficient preparation for the job market.[74]

An appropriate set, or system, of metrics for school and program accountability and transparency are important to measure and improve student success as well as the success of the student loan and education eco-systems. In crafting a set, or system of metrics, it must be acknowledged the risk that any metric or system can be gamed (such as the Cohort Default Rate[75]), and that an appropriately designed system will make it more expensive to game the system than to comply with it. *See*, Section 5 Ombudsman Discussion.

3.2 Financing higher education

When financing higher education, it is important to consider the student loan market and how students and their families pay for education when the "free money" (i.e. scholarships, grants,

[74] This is not to say that colleges and universities should focus all their efforts on job preparation and work force participation following graduation. To the contrary, colleges and universities are preparing students for a life-time of learning, problem solving, and success. For example, there is evidence that in the years immediately following graduation, liberal arts majors earn less that those with pre-professional or professional degrees, but liberal arts majors earn about $2,000 more during their peak earning years and were more likely to obtain advanced degrees. https://www.insidehighered.com/news/2014/01/22/see-how-liberal-arts-grads-really-fare-report-examines-long-term-data citing *How Liberal Arts and Sciences Majors Fare in employment*, Association of American Colleges and Universities and the National Center for Higher Education Management Systems. This does suggest, though, that there may be room to incorporate post-graduation considerations into current courses regarding professional and career readiness.

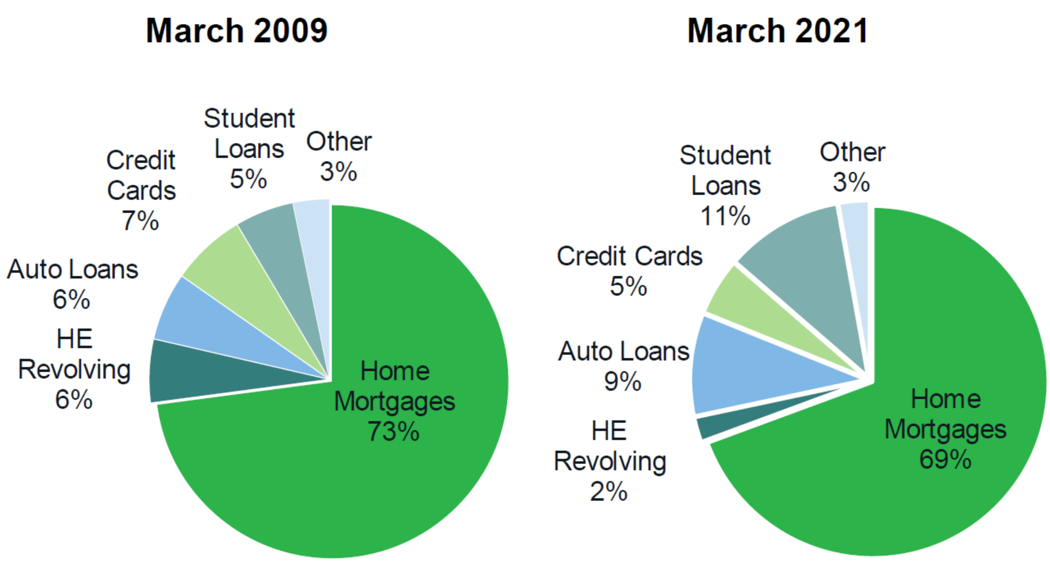
[75] The purpose of purpose of CDR is to protect students and taxpayers by preventing schools that post high borrower default rates from maintaining access to Title IV funds. "A cohort default rate is the percentage of a school's borrowers who enter repayment on certain Federal Family Education Loan (FFEL) Program or William D. Ford Federal Direct Loan (Direct Loan) Program loans during a particular federal fiscal year (FY), October 1st to September 30th, and default or meet other specified conditions prior to the end of the second following fiscal year." https://www2.ed.gov/offices/OSFAP/defaultmanagement/cdr.html Federal student loan default occurs after 270 days (or more) of non-payment. For colleges and universities, defaulted loans are generally not counted in their cohort default rate until they are 360 days overdue. Default has severe adverse consequences for student loan borrowers. If the cohort default rate is too high, schools may lose eligibility for federal funding. One result, among others, is forbearance abuse which is a potential result when some schools hire companies to reach out to their alumni who are struggling to repay and persuade them to enroll in forbearance. This increases the overall amount of debt due to capitalized interest and negative amortization, and for those who continue to struggle, it merely pushes back the time period of default back until it is outside of the time period considered for the cohort default rate. In short, this practice protects schools, but does not protect (and in some cases harms) federal student loan borrowers. https://ticas.org/accountability/protecting-the-cohort-default-rate-from-forbearance-abuse/

work-study programs, tuition reimbursement, and other types of state and federal tuition assistance programs, etc.) does not cover the costs of higher education.

3.2.1 Student Loan Market

As of June 2021, total outstanding household debt was $14.96 trillion. As a share of household debt, private and federal student loan debt was second only to home mortgage debt. Figure 21 shows the percentages of household debt and compares March 2009 to March 2021. The share of household debt for student loans has more than doubled.[76]

FIGURE 21: STUDENT LOANS AS A SHARE OF HOUSEHOLD DEBT MARCH 2009 AND MARCH 2021

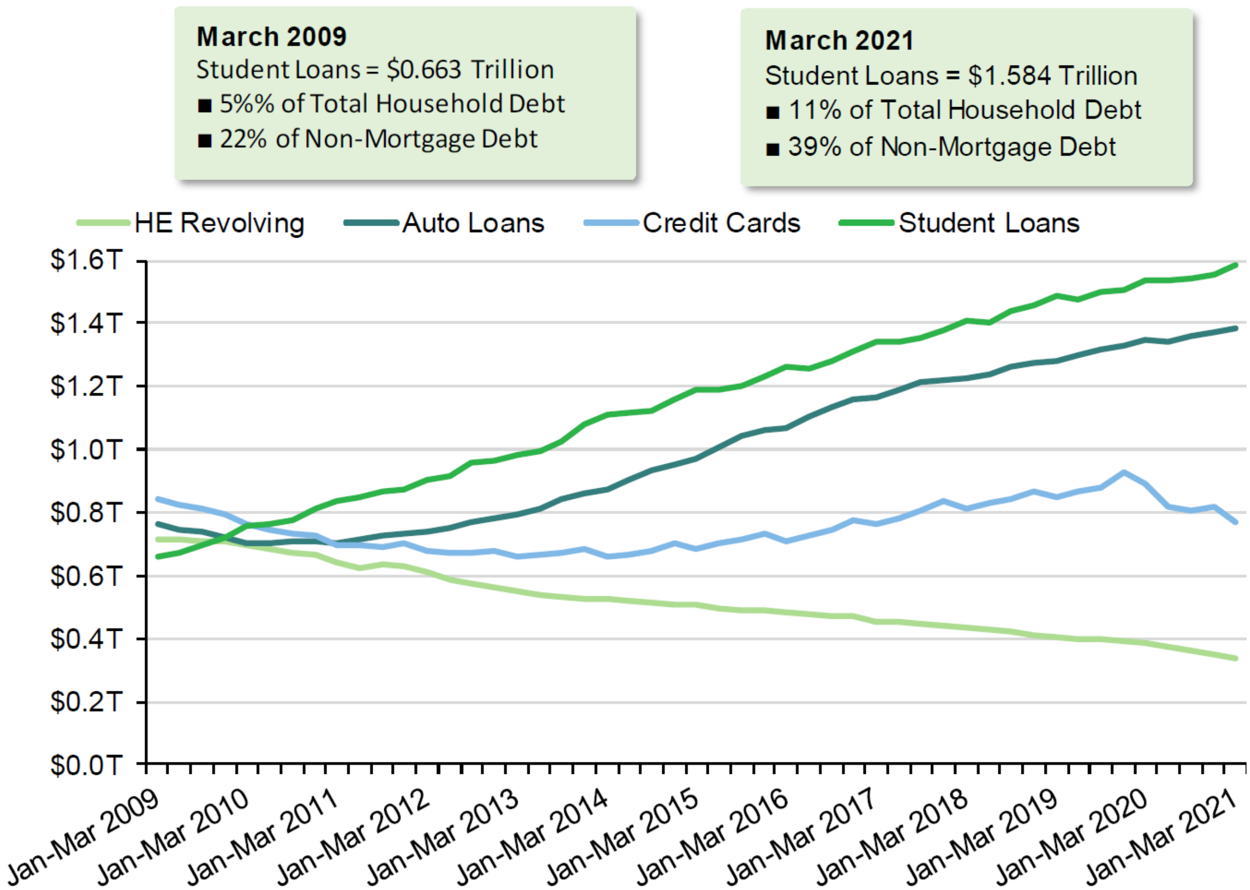


Note: The FRBNY data differ from the Federal Reserve's data because their respective reports rely on different data sources. Percentages may not add to 100 due to rounding.

[76] Source: "Total Debt Balance and its Composition," Federal Reserve Bank of New York Consumer Credit Panel/Equifax, *available at* https://www.newyorkfed.org/microeconomics/data.html.

Figure 22 shows student loans as a share of non-mortgage debt and excludes primary mortgage loans to help illustrate the growth in student debt versus other non-mortgage debt.[77] It also illustrates other household debts that may affect the ability to repay student loans.

FIGURE 22: STUDENT LOANS AS A SHARE OF NON-MORTGAGE DEBT



Note: Home equity lines of credit are included in the chart data; primary mortgage balances are excluded. "Other" loans also are excluded from the chart. The FRBNY uses a different data set than that used by the Federal Reserve Board.

[77] Source: "Total Debt Balance and its Composition," Federal Reserve Bank of New York Consumer Credit Panel/Equifax, *available at* https://www.newyorkfed.org/microeconomics/data.html.

Figure 23 shows the total outstanding student loan volume, with private education loans comprising $136 billion (7.9%) and federal education loans comprising 1.592 trillion (92.1%) of the total outstanding volume.

FIGURE 23: TOTAL OUTSTANDING STUDENT LOAN VOLUME[78]

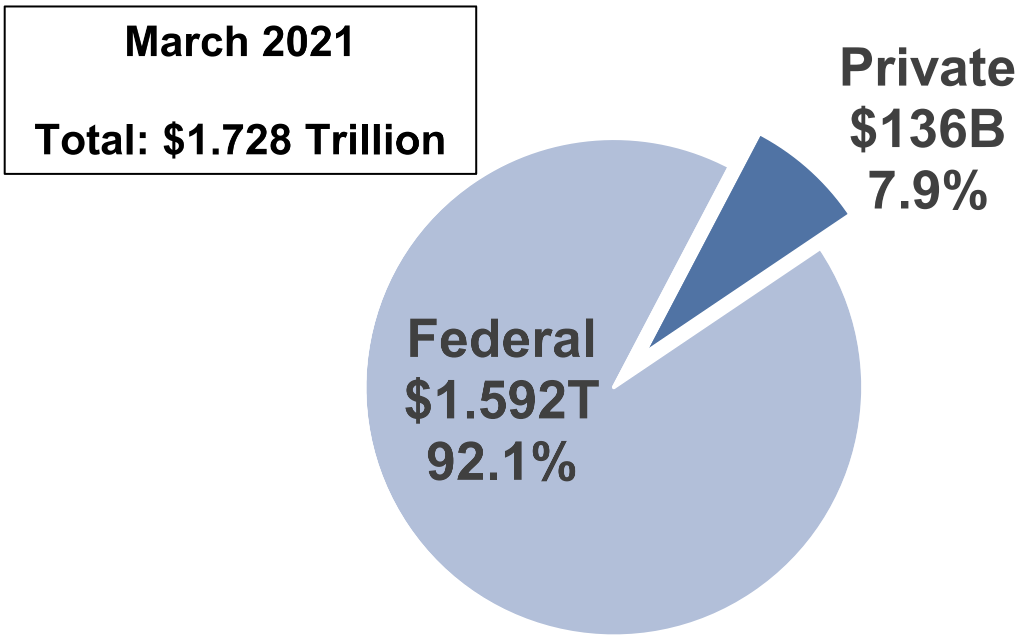


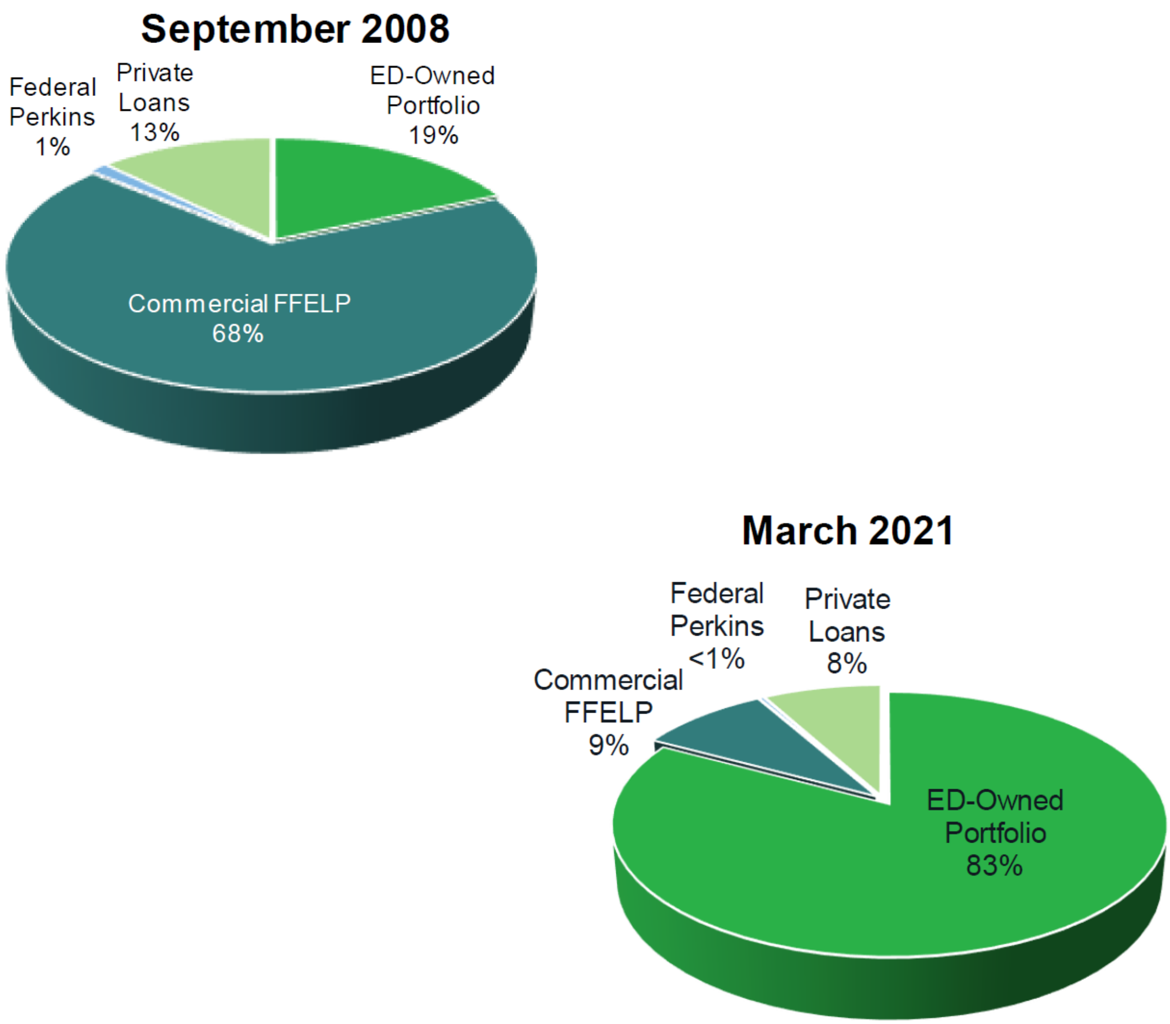
Figure 24 shows the overall student loan portfolio by lender type in September 2008 and March 2021. In September 2008, consumers owed 81% of the nation's $661 billion student loan portfolio to private lenders, state-sponsored programs, and schools. As of March 2021,

---

[78] "Federal Student Aid Portfolio Summary," Federal Student Aid Data Center, *available at* https://studentaid.ed.gov/sa/data-center; *G19 Consumer Credit Series*, Federal Reserve, *available at* http://www.federalreserve.gov/releases/g19/current/default.htm. Note: The consumer credit report compiled by the Federal Reserve Bank of New York is based on data provided by a national credit reporting agency. The student loan estimate provided by the G19 Consumer Credit Series relies on data reported for the federally-owned student loan portfolio and for privately-held student loans (federal and private) https://www.federalreserve.gov/releases/g19/about.htm

consumers owed 83% of the nation's $1.73 trillion student loan portfolio to the U.S. Department of Education.[79]

FIGURE 24: SHARE OF STUDENT LOAN PORTFOLIO BY LENDER TYPE.



[79] Note: Percentages do not add to 100 due to rounding. Sources: "Federal Student Aid Portfolio Summary," Federal Student Aid Data Center, *available at* https://studentaid.ed.gov/sa/data-center; *G19 Consumer Credit Series*, Federal Reserve, *available at* https://www.federalreserve.gov/releases/g19/current/.

Figure 25 shows the that average federal student loan burden continues to grow, from about $20,500 in September 2009 to over $37,100 at the end of the March 2021. This is an estimate of average debt per federal loan recipient and does not reflect what borrowers actually owe at the start of repayment, on average.

FIGURE 25: AVERAGE TITLE IV LOAN BALANCE PER LOAN RECIPIENT[80]

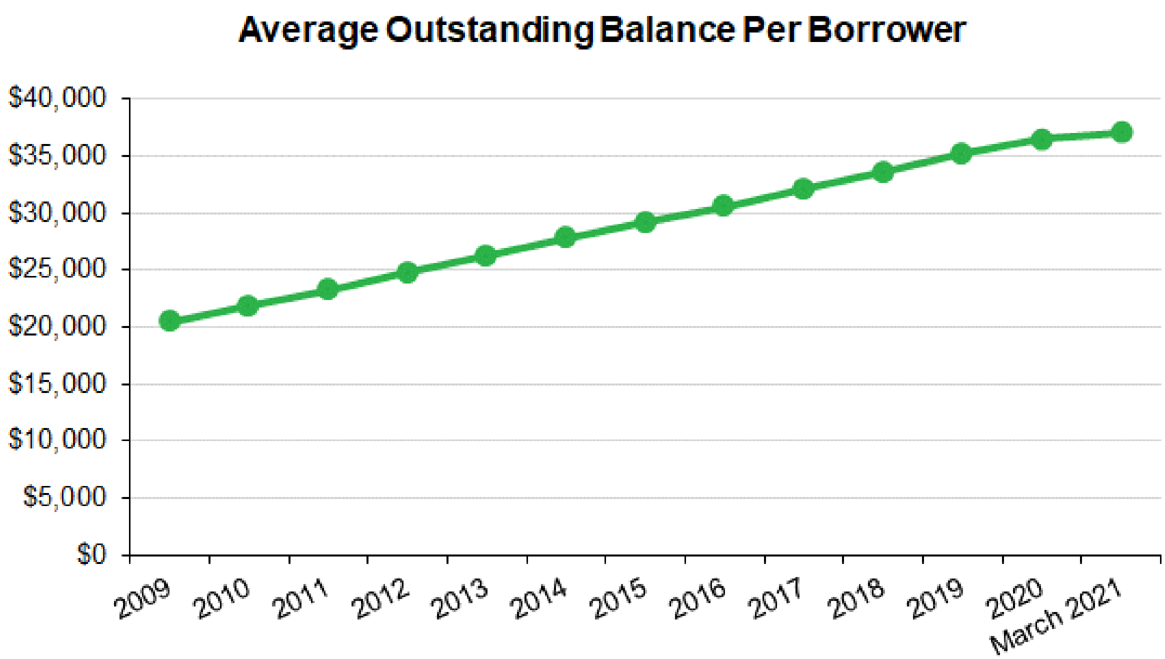


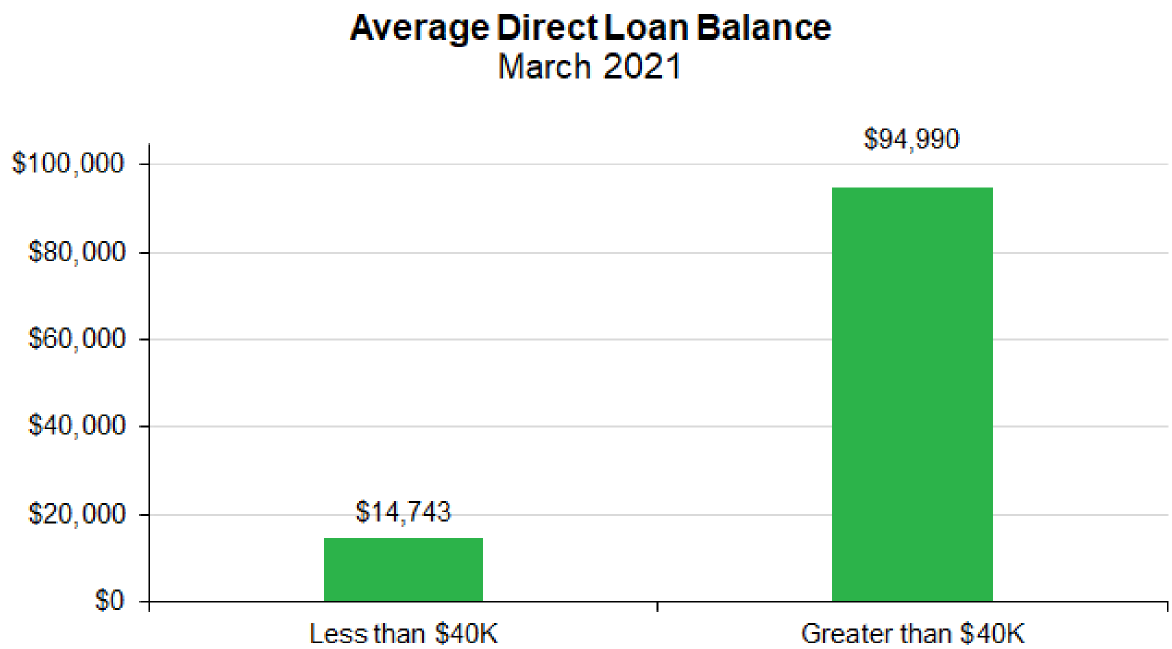
Figure 26 shows the average Direct loan balance by level of indebtedness. It relies on data published by the Department of Education. 53% owe no more than $20,000. The majority (75%) of Direct loan borrowers owe $40,000 or less. The average balance for the 28.8 million borrowers owing $40,000 or less is $14,743. The average balance for those owing more than $40,000 is $94,990. Generally, and as noted in last year's report,[81] the lower average debt of

[80] Note**:** Data shown for the end of federal fiscal years 2009-2019 and the most recent quarter. Source: "Federal Student Aid Portfolio Summary," Federal Student Aid Data Center, *available at* https://studentaid.ed.gov/sa/data-center; chart and table reflect quarter-end data.

[81] *See*, Private Education Loan Ombudsman 2020 Annual Report, Figure 22 at p. 33, https://www.consumerfinance.gov/about-us/newsroom/cfpb-private-education-loan-ombudsman-issues-2020-annual-report/

$14,743 is attributable, in part, to students who do not complete their post-secondary education while the larger average debt balance of $94,990 attributable, in part, to professional, graduate, and doctoral students.[82] In 2019, 8% of all student loan debt was held by households that did not attain a degree, while 56% was held by households that attainted degrees from professional, masters, or doctoral programs.[83]

FIGURE 26: AVERAGE DIRECT LOAN BALANCE[84]



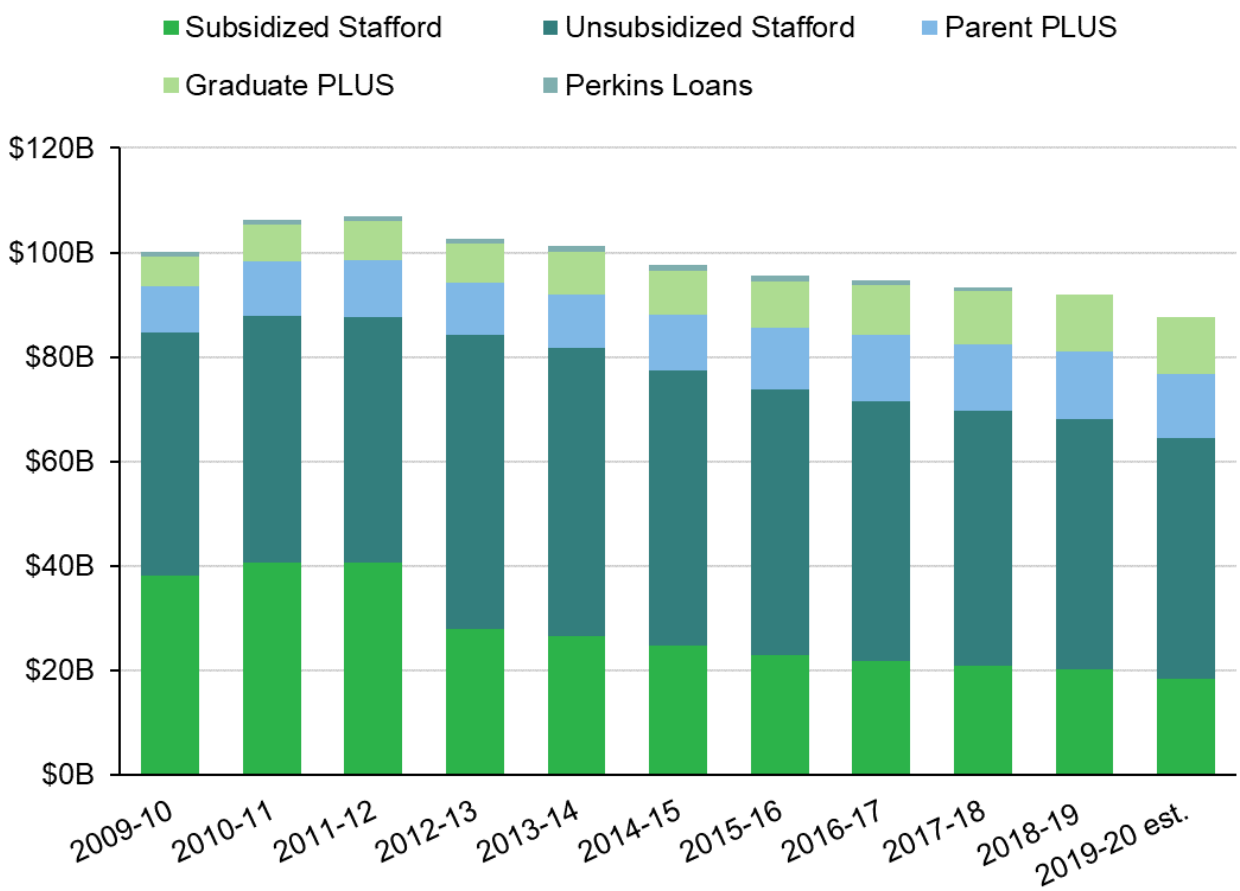
[82] As of 2015-2016, the average loan balances for completers of these programs are as follows: for "other" (non-Ph.D.) doctorates, $132,200; for Ph.D.'s outside the field of education, $98,800; for medical doctorates, $246,000, for law degrees, $145,500; for other health science doctorate completers, $202,400; and for education doctorates, $111,900. https://nces.ed.gov/programs/coe/indicator_tub.asp

[83] https://www.brookings.edu/blog/up-front/2020/10/09/who-owes-the-most-in-student-loans-new-data-from-the-fed/ and https://www.federalreserve.gov/econres/scfindex.htm.

[84] Source: "Federal Student Aid Direct Loan Portfolio by Debt Size," Federal Student Aid Data Center, *available at* https://studentaid.ed.gov/sa/data-center.

Even as student debt has increased, overall originations for federal student loans have been decreasing since 2011-2012. Federal Graduate PLUS loans, introduced in mid-2006, have become an important source of funding for graduate students. Originations of Parent PLUS loans, which can only be used to fund undergraduate degrees for dependent students, increased sharply in the wake of the Great Recession. Legislative authority to issue new Perkins loans ended September 30, 2017. Figure 27 shows federal student loan originations by loan type.[85]

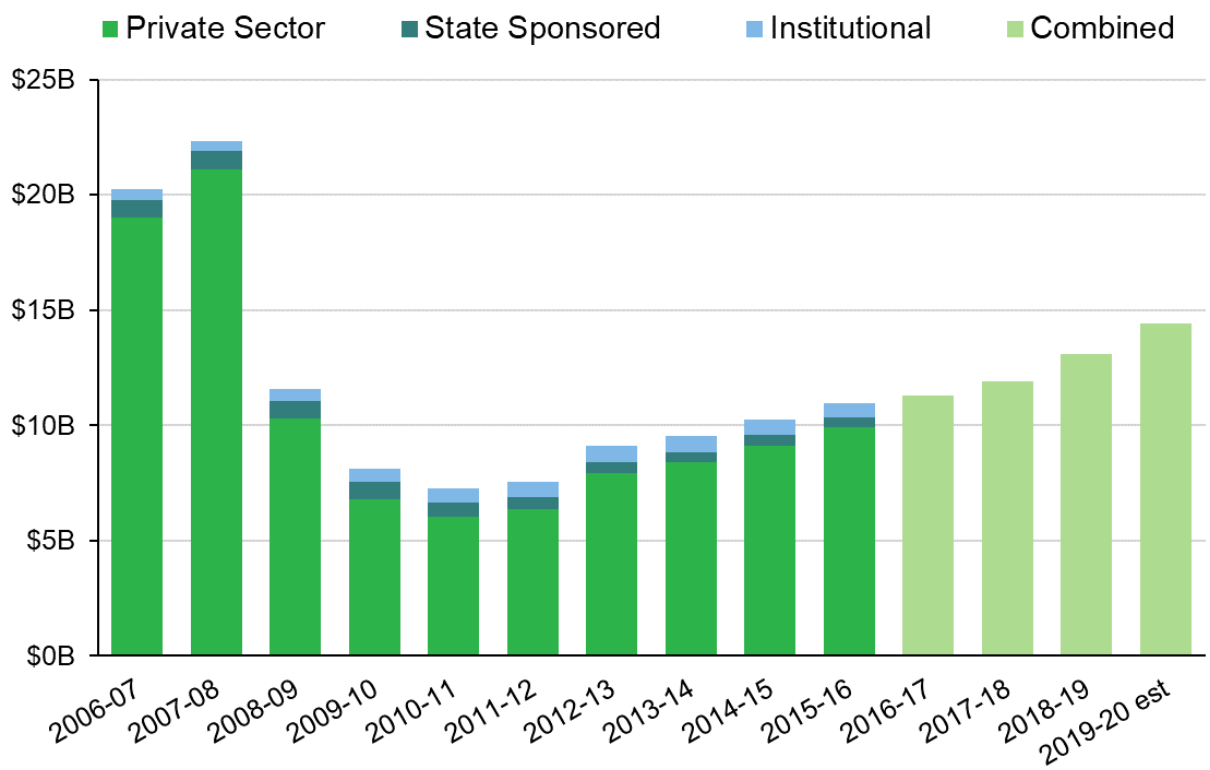
FIGURE 27: FEDERAL STUDENT LOAN ORIGINATIONS BY LOAN TYPE



[85] Note: These data are updated annually and include federally guaranteed loans originated through the 2009-10 academic year. Loans in later years include only Direct and Perkins loans. Data exclude Federal Consolidation loans. Source: *Trends in Student Aid 2020*, The College Board; *see* Table 2.

Recent private student loan origination activity remains well below originations levels seen prior to the 2008-2009 financial crisis and the ensuing Great Recession, which restricted the availability of, and demand for, private student loans. Private student loan originations continued to rise in the 2019-20 academic year, with lenders issuing $14.4 billion from July 2019 through June 2020, up nearly 10% from the prior year. Figure 28 shows non-federal student loan originations by type of lender (private sector, state sponsored, institutional and combined).[86]

FIGURE 28: FEDERAL STUDENT LOAN ORIGINATIONS BY LOAN TYPE



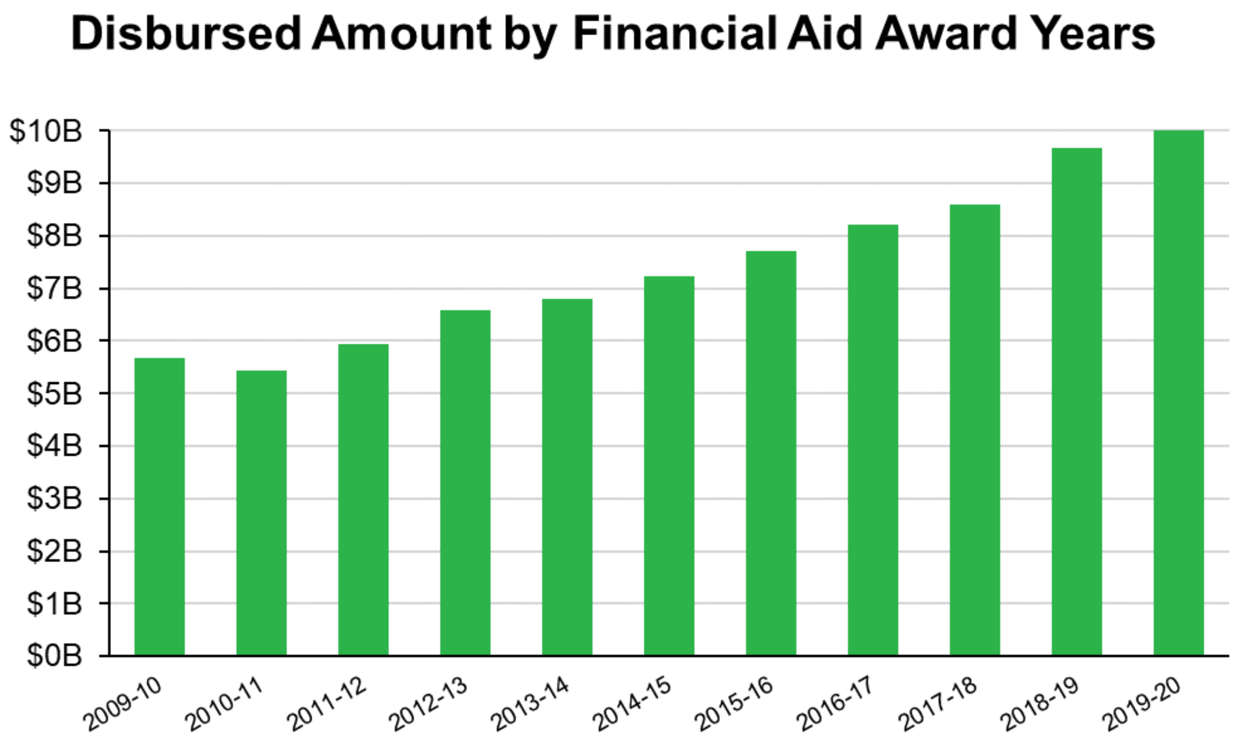
Note: The College Board stopped disaggregating non-federal origination volume by type of issuer, effective with the 2016-17 academic year.

[86] Sources: *Trends in Student Aid 2016* and *Trends in Student Aid 2020*, The College Board; *see* Table 2.

Notably, the disbursed amount for private student loans (or volume of student loans) has been rising since 2010-2011. According to data compiled on behalf of a group of major lenders, private loan origination rose 5.0% to $10.1 billion during the 2019-20 award year. MeasureOne's latest report shows a 15.2% year over year ***decrease*** in origination volume to $7.63 billion for the first three quarters of the 2020-21 award year (through March 2021). A decline was expected due to the impact of the COVID-19 pandemic on college enrollment and funding needs. Figure 29 shows the dispursed amounts by financial award years as reported by MeasureOne Consortium participants.[87]

[87] Compared to federal student loans, there is very little federally required reporting on private student loans. The MeasureOne Consortium contains data that is voluntarily reported. Source: *The MeasureOne Private Student Loan Report, MeasureOne, available at* https://www.measureone.com/psl.php. *See,* "Distribution by Loan Type." MeasureOne's report is released semiannually and is based on data provided by a consortium of private student loan originators. These include five major lenders: Citizens Bank, Discover, Navient, PNC Bank, and Sallie Mae. The report also includes data from 9 other lenders: College Ave Student Loans, Navy Federal Credit Union, and 7 state- sponsored loan programs: INvestEd (Indiana), New Hampshire Higher Education Assistance Foundation Network, North Carolina State Education Assistance Authority, Rhode Island Student Loan Authority, South Carolina Student Loan Authority, Vermont Student Assistance Corporation, and Utah Higher Education Assistance Authority. The Education Finance Council, which represents state-affiliated and other nonprofit lenders, also participates in the MeasureOne Private Student Loan Consortium.

FIGURE 29: DISPERSED AMOUNT BY FINANCIAL AID AWARD YEARS



Note: The financial aid award year runs from July 1st to June 30th.

3.2.2 How students and families pay for higher education

Section 3.2.1 provides an overview of student loan debt and the incredibly large, and growing, student loan market in the aggregate. It is important to keep in mind that each dollar that goes into the student loan market is from people: students and families who borrow to attend institutions of higher education to cover the costs that scholarships, grants, work study, state and federal tuition assistance programs, and other sources do not cover. Individual students and families make decisions about what school to attend, how much they can afford, how they will finance attendance, how much they expect to earn following graduation, job prospects when they graduate, and how long they expect to take to repay the debt, among other things. For many, it is a family/household effort to pay for higher education. It is important that information asymmetry be reduced (and eventually eliminated) at each step, and that there is full transparency and accountability at each step, so students and families can make informed decisions.

In order to meet the unmet costs of higher education, students and families rely on funding that broadly comes from six sources: student and family savings, student and family current earnings, and student and family future earnings (loans). The composition and combination of these sources, and eligibility criteria for some of them, in turn drives certain markets within the student loan eco-system. For example, borrowers without savings or sufficient current earnings, who may not qualify for federal student loans or meet the underwriting criteria for traditional private student loans, may wish to consider Income Share Agreements as a funding option. Consider that a single parent who rents, has no equity in a home, and has an insufficient credit score to qualify as a co-signer for their child's (or children's) student loans will likely would look to federal ParentPlus loans which do not have underwriting criteria (but there is a credit check for adverse credit history).

Student and family savings.

Student and family savings can be as simple as a savings account and may also include 529 plans, Roth IRA's, Coverdale Education Savings Accounts, Certificates of Deposit, eligible savings bonds, custodial accounts, and other investments. [88] Though not traditionally thought of as "savings," earning college credits while in high school (many high schools have programs with community colleges where high school students may attend and receive college credits at no cost to the student) may be a very appealing way to limit costs – instead of students saving by working a part-time job now, they may save on costs later by earning college credits now. Every individual and each family should review their individual facts and circumstances as well as the advantages and disadvantages of each option to select those that are best for them. At the same time, not every family may be able to save for college, which means current income and/or loans are used to access higher education. Importantly, when student and family savings are used to finance higher education, household wealth decreases by the amount used. Families and students anticipate that the student will ultimately benefit from the investment, and it will be worth the short-term decrease in household wealth.

[88] This report is not intended to, nor does it provide, financial advice. It is pointing out options for saving for college.

Student and family current income.

Given the lower growth in income compared to rising tuition,[89] current student and family income likely has gradually become less of a factor in covering higher education costs over time, particularly for those in the lower 50% of income distribution. Further, it is well documented that most students can no longer simply "work their way through school" to cover the costs of a four-year degree and graduate debt free. However, at the same time, current student and family income may reduce student loan borrowing. Every dollar not borrowed is worth its own value plus the interest saved yearly over time.

Student and family future income (loans).

Approximately 69% of college graduates rely on student loans in order to access post-secondary education.[90] This means that approximately 31% of college graduates were able to rely upon various forms of financial aid, savings, and current income in order to graduate debt free. Students and families who take out loans have an expectation that the student will complete their education and will be able to repay the loans.

Loan options include federal student loans and non-federal student loans. Federal student loans include Direct loans and Direct PLUS loans. Direct PLUS loans include Parent PLUS loans for parents of undergraduates and Graduate PLUS for graduate and professional students.[91] Non-federal student loans include student loans offered by banks, credit unions, states and state affiliated organizations, institutions of higher education, income share agreements, and others.

Only the amount needed to cover unmet costs should be borrowed versus the amount for which a borrower may be eligible. Generally, most borrowers will benefit by starting with federal student loans. If other loans are needed, the maximum amount of federal student loans should be borrowed before utilizing other options.[92] At the same time, if the maximum amount of federal loans is not needed, then only the amount that is needed should be borrowed. Federal student loans offer more protections, including income-based repayment plans and various loan

---

89 *Supra*, at p.38.

90 https://ticas.org/files/pub_files/qf_about_student_debt.pdf

91 https://studentaid.gov/understand-aid/types/loans/plus

92 The amount that may be borrowed depends upon the cost of attendance, other financial aid that has been received, and student status. https://studentaid.gov/understand-aid/types/loans/subsidized-unsubsidized

forgiveness programs.[93] Federal student loans do not require underwriting and, except for Parent Plus and Graduate Plus loans, do not require any credit checks. Interest rates for federal student loans are set annually in the year they are disbursed. Additionally, federally owned student loans have been covered by CARES Act and subsequent administrative relief during the pandemic. This relief allows borrowers with federally held student loans to make no payments, and it halts interest accrual until the relief expires.

Non-federal student loans vary in their terms, annual percentage rates, discharge options, co-signer release, and may reset their interest rates monthly, quarterly, or yearly, as provided for in the promissory notes, and based upon a public benchmark for short term interest rates.[94] Non-federal student loans rely on underwriting criteria, which means that everyone may not qualify as a borrower or co-signer. However, a loan with a co-signer may have a lower interest rate or better terms.

Non-federal student loans may offer payment relief options and borrower protections. For example, during the pandemic some states and state affiliated organizations either stopped collection activity or offered relief comparable to the CARES Act.[95] Some non-federal private education loans made disaster forbearances and other types of relief and flexibilities available.[96] Many non-federal loan owners have offered relief due to the changed circumstances borrowers have experienced as a result of the pandemic. Some of the relief offered by loan owners has been in the form of exceptions to requirements in promissory notes.[97] If a borrower

93 *See*, Private Education Loan Ombudsman 2020 Annual Report, at pp. 54-56, https://www.consumerfinance.gov/about-us/newsroom/cfpb-private-education-loan-ombudsman-issues-2020-annual-report/

94 Previously the London Interbank Offer Rate (LIBOR) was used. LIBOR was based partially on market-data "expert judgment", and is being phased out. Going forward, the Secured Overnight Finance Rate (SOFR) will be used. SOFR relies on transaction data.

95 https://ag.ny.gov/press-release/2020/attorney-general-james-renews-suspension-state-debt-collection-fifth-time and https://www.patreasury.gov/newsroom/archive/2020/06-11-PHEAA.html

96 For student loans owned by organizations regulated by the prudential regulators, there are safety and soundness requirements that must be met. These requirements do not apply to federal student loans. During the pandemic, in general, it was recognized that certain flexibilities were consistent with safety and soundness, and this benefited consumers. https://www.fdic.gov/coronavirus/ and https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20200623a1.pdf

97 Some loan holders provide meaningful opportunities for exceptions, while others do not. For example, the Bureau has heard from parents who co-signed their child's private student loans and the loan holder was non-responsive to requests for an exception regarding co-signer release. The parents were not granted co-signer relief, even though their child was killed in action during combat operations.

experiences difficulty in making payments on their non-federal student loans, it is important that the borrower reach out to their servicer and inquire regarding what relief is available. If they do not receive a response, or do not receive a satisfactory response, they should file a complaint with the Bureau and reach out to other federal and state regulators.

Other options for borrowing must be very carefully considered and borrowers may benefit from the advice of a financial professional. For example, taking out home equity loans or home equity lines of credit, and borrowing against retirement accounts generally are not recommended.

3.3 Servicing student loans

After students and families have financed the unmet costs to access higher education, most lenders hire companies, known as servicers, to service the borrowers' loans. Borrowers generally do not have a choice in who services their loans.[98] Servicers play an important role in processing payments and providing the benefits for which borrowers are eligible, whether the loans are federal or private. Servicers likely have more frequent contacts with borrowers than borrowers have with their lenders, and servicers likely have a longer relationship with borrowers than the schools the borrowers attended.

At the outset, it is important to understand the role of servicers in order to ensure that there is situational awareness and understanding so that meaningful recommendations and reforms may be thoughtfully considered. Indeed, the Bureau receives many complaints that reflect a borrower's frustration and experience in the marketplace regarding servicers. Many of these complaints are due to servicers' actions (or inaction) and misinformation provided by the servicer. In some complaints, however, borrowers are seeking a remedy that servicers cannot provide. Such instances provide opportunities for education and outreach as well as opportunities to inform policymakers. For example, capitalized interest and increasing loan balances (negative amortization) may occur when a borrower with federal student loans is on an income driven repayment plan. (These plans also provide for forgiveness after 20-25 years, depending upon the plan.) This was, and is, a policy decision and a program requirement that servicers must follow, but at the same time, it may be worthy of being reassessed and reconsidered, based upon its prevalence in borrowers' experiences and complaints.

[98] This is also generally true of other types of consumer credit.

Regarding what servicers cannot do: servicers do not set program requirements, and do not determine the types of relief that are available. Servicers generally do not have discretion regarding requests for exceptions to program requirements. Instead, they elevate those requests to the loan holder for a decision. Generally, Third-party servicers (those who service loans for unrelated entities and who do not otherwise share a corporate structure with loan holders), do not receive revenue from the interest collected or from late fees. Third-party servicers have no right, title, or legal interest in the loans they service – the underlying loans and loan data are owned by the loan holder, whether the loans are federal or private. Generally, Third-party servicers do not directly receive income from the amounts collected, rather the amounts collected are forwarded to the loan holders. (Typically, Third-party student loan servicers receive a set amount of revenue based on the status of loans that they service, not on the amounts collected and not on the number of contacts with borrowers.) However, some servicers are subsidiaries of loan holders or may otherwise share a corporate structure, and loan holders do receive income from amounts collected, including interest charges.

Regarding what servicers are required to do: servicers are required to comply with federal and state consumer financial protection laws. Servicers are required to not commit unfair, deceptive, and abusive acts and practices (UDAAPs). Servicers are expected to treat borrowers ethically as well as with dignity and respect. Servicers are expected to competently execute program requirements and provide timely, complete, and accurate information regarding eligibility criteria of various programs so borrowers may make informed decisions about their loans. Servicers are expected to affirmatively assist borrowers in accessing benefits for which they are eligible. Servicers are expected to proactively monitor complaints and have effective compliance management systems and risk control measures in place in order to proactively identify potential issues, determine the universe of borrowers affected by potential issues, and remediate those issues, *nunc pro tunc*. Servicers have the ability to influence delinquency and default rates and are expected to do so in a positive manner. Servicers are expected to appropriately align organizational incentives from top to bottom in order to ensure that full compliance with federal and state consumer protection laws is a baseline from which to build and not a ceiling.[99] This is a leadership responsibility that starts in the C-suite.

Program requirements are often complex and varied. These requirements must be clearly explained to borrowers in a manner that enables borrowers to make informed decisions regarding their loans. For example, repayment options alone are complex as federal student loans have numerous different repayment plans,[100] including income driven repayment plans,[101] forbearances,[102] deferments,[103] and loan forgiveness.[104] Each of the foregoing has its own set of eligibility criteria as well as advantages and disadvantages that servicers must clearly and accurately explain to borrowers.

Supervisory findings.

Throughout the pandemic, and during this reporting period, the Bureau has conducted supervisory examination(s) and prioritized assessment(s)[105] of federal servicer(s), the number of

---

[99] When properly done with the support of senior C-suite leadership, compliance not only drives positive outcomes for consumers, but also drives business value. For example, among the most frustrating things for borrowers, and among the expensive things for a servicer, is repeat contacts. Repeat contacts may be an indicator of consumer dissatisfaction, consumer harm, lack of issue resolution, as wells as that consumers may not be receiving appropriate and accurate information and guidance. It is most beneficial for consumers, as well as cost effective for servicers, to properly assist borrowers and resolve their issues on the first contact. For customer service representatives, quantitative incentives such as shorter call times and answering a higher number of calls, may not benefit consumers (and in fact, may harm them), achieve long-term value, and at times may not align with expectations regarding full compliance with federal and state consumer financial protection laws and program requirements.

[100] https://studentaid.gov/manage-loans/repayment/plans

[101] https://studentaid.gov/manage-loans/repayment/plans/income-driven

[102] https://studentaid.gov/manage-loans/lower-payments/get-temporary-relief/forbearance

[103] https://studentaid.gov/help-center/answers/article/what-deferment-types-exist

[104] https://studentaid.gov/manage-loans/forgiveness-cancellation and *See*, Private Education Loan Ombudsman 2020 Annual Report, at pp. 54-56, https://www.consumerfinance.gov/about-us/newsroom/cfpb-private-education-loan-ombudsman-issues-2020-annual-report/

[105] Prioritized Assessments are higher-level inquiries than traditional examinations, designed to obtain real-time information from entities that operate in markets posing elevated risk of consumer harm due to pandemic related issues. Through Prioritized Assessments, the Bureau expanded its supervisory oversight to a greater number of institutions than the typical examination schedule allows in order to gain a greater understanding of industry responses to pandemic related challenges and help ensure that entities are attentive to practices that may result in consumer harm. Unlike traditional examination work, Prioritized Assessments are not designed to obtain the detailed factual information that would be needed to determine whether violations have occurred but instead assess risk of violations and consumer harm, thus identifying whether more in-depth supervisory work may be necessary and followed up on accordingly.

which is confidential. The Bureau identified issues where borrowers were given inaccurate and misleading information and issues where there was a lack of compliance with consumer financial protection laws and compliance with program requirements. Many of these issues were discussed in the Bureau's Summer 2021 Supervisory Highlights.[106] The issues identified include the following:

- Deceptive marketing regarding private education loan interest rates;
- Three different types of misrepresentations regarding eligibility for Public Service Loan Forgiveness (PSLF):[107]
  - Not informing FFEL borrowers that they may consolidate into a Direct loan to become eligible for PSLF;
  - Misrepresenting the effect of employer certification forms; and
  - Misrepresenting employer types eligible for PSLF.
- Failing to reverse the negative consequences of automatic natural disaster forbearances;
- Failing to honor consumer payment allocation instructions;
- Providing inaccurate monthly payment amounts to consumers after a loan transfer.

The foregoing indicates that more robust criteria to protect consumers must be incorporated into future federal contracts in order to facilitate vendor oversight and strengthen consumer protection. Some these issues are not new and have been previously identified, which may also indicate that servicers' compliance monitoring systems (CMS) and complaint management systems may be insufficient, or that operational decisions are not prioritizing compliance, which then results in borrower harm.

---

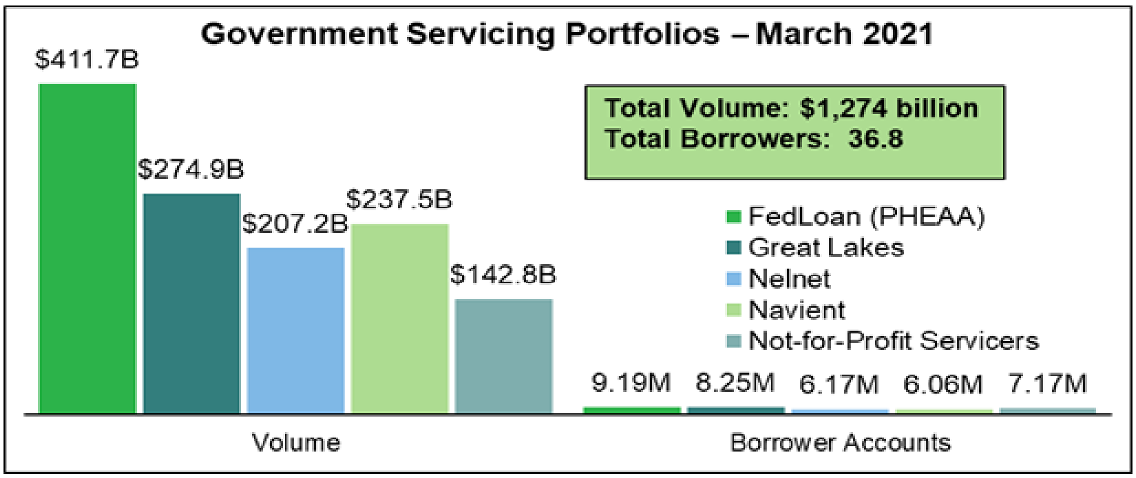
[106] https://www.consumerfinance.gov/data-research/research-reports/supervisory-highlights-issue-24-summer-2021/

[107] On September 24, 2021, the Private Education Loan Ombudsman filed a comment and recommendations in response the Department of Education's request for information regarding PSLF. The comment notes numerous PSLF issues in the complaints the Bureau has received. https://www.regulations.gov/comment/ED-2021-OUS-0082-47833. *See,* Appendix A.

Federal student loan servicers leaving the market.

At the beginning of 2021 there were four large servicers (known as Title IV additional servicers or "TIVAS") and five smaller servicers (not-for-profits) that serviced federal student loans.[108] Many of the federal student loan servicers also service private student loans. It is notable that some of the smaller servicers use the TIVAS' servicing platforms to service their federal student loans. For example, the Utah Higher Education Assistance Authority (UHEAA, also known as CornerStone) and the Missouri Higher Education Loan Authority (MOHELA) use the Pennsylvania Higher Education Assistance Agency's (PHEAA) servicing platform to service their federal student loans. Figure 30 shows the number of borrowers and loan volume at each servicer as of March 2021.[109]

FIGURE 30: FEDERAL STUDENT LOAN SERVICING PORTFOLIOS



[108] The servicers are a mix of for-profit companies, not-for-profits, and an independent state agency. The TIVAS are Navient, Nelnet, Great Lakes Educational Loan Services, Inc., and the Pennsylvania Higher Education Assistance Agency (PHEAA, which operates under the fictious names of FedLoan Servicing ["FLS"] and American Education Services ["AES"]). Neltnet owns Great Lakes. The not-for-profits are Granite State Management and Resources, the Oklahoma State Loan Authority (OSLA), the Missouri Higher Education Loan Authority (MOHELA), and HESC/Edfinancial. The fifth NFP, the Utah Higher Education Assistance Authority, announced in late 2020 that it was terminating its contract with the Department of Education; the resulting transfer of approximately 1 million accounts serviced by UHEAA's Cornerstone division, were transferred to PHEAA's FedLoan Servicing division early in Q1 2021.

[109] Source: Office of Federal Student Aid, U.S. Department of Education. ED does not publish detailed data for the NFPs.

Within the past year, four servicers have announced that they will no longer service federal student loans: UHEAA,[110] PHEAA,[111] Granite State,[112] and Navient.[113] Borrowers with UHEAA have already been transferred to another servicer. Borrowers with Granite State and PHEAA have started the process of being transferred to other servicers. Navient will novate its federal student loan contract, which means that another company (Maximus) will take over as a party to the contract and will use the existing servicing system.

Delinquency.

Prior to the pandemic, data for the quarter ending December 31, 2019, showed that the overall delinquency rate for those who completed school was 10.8%, and for those started, but did not complete school, the delinquency rate was 23.2%. Historically, for-profit four year and for-

---

[110] In October 2020, UHEAA announced that it would no longer servicer federal student loans. UHEAA serviced approximately 1 million borrowers at the time of the announcement. UHEAA officials were quoted as follows: "We are a profitable organization. This is just a financial decision to end an unprofitable segment," and "... officials had hoped that ... restructuring of the agreement would come with new pricing 'but it was worse than it was before so it just made it a really easy decision for the board ... to make a decision to exit the contract. https://www.deseret.com/utah/2020/10/21/21525121/146-jobs-to-be-cut-as-utah-terminates-student-loans-contract-due-to-financial-loses

[111] On July 8, 2021, PHEAA announced that it would not renew its contract with the Department of Education to service federal student loans. PHEAA serviced approximately 9 million borrowers at the time of the announcement. PHEAA officials were quoted as follows: "Remaining a federal student loan servicer is no longer a successful business line for the agency. ... We're recognizing that and taking a step back from the federal government and saying this is no longer beneficial to our Pennsylvania residents and we need to move on. ... We recognize we can't have losses and we are a quasi-state governmental agency and we need to look out for Pennsylvania residents." https://www.pennlive.com/news/2021/07/pas-student-aid-agency-to-end-its-role-as-a-federal-student-loan-servicer.html

[112] On July 19, 2021 Granite State announces that it would not renew its contract with the Department of Education. Granite state serviced approximately 1.3 million borrowers at the time of the announcement. Granite State announced as follows: "In order to better fulfill its purpose of empowering students of all ages and backgrounds to discover and achieve their education and career goals, the nonprofit New Hampshire Higher Education Association Foundation (NHHEAF) Network will not seek or accept renewal of its federal student loan servicing contract, whose statement of work expires Dec. 31. While supporting students and borrowers remains central to the NHHEAF Network's mission, winding down its federal student loan servicing operations will provide the opportunity to deepen longstanding public service efforts in New Hampshire as well as enhance its nationwide education financing and borrower support ... ." https://www.nhheaf.org/press.asp

[113] On September 28, 2021, Navient announced that it planned to novate its federal student loan contract to Maximus. Navient serviced approximately 6.1 million borrowers at the time of the announcement. Navient announced as follows: "Under the proposed transaction, many Navient employees on the Department of Education loan servicing team will transfer to Maximus. This will ensure operational continuity ... ." The novation has been approved by the Department of Education. https://news.navient.com/news-releases/news-release-details/navient-maximus-announce-proposal-transfer-federal-student-loan

profit two-year schools have had delinquency rates that exceeded their counterparts at both private non-profit four and two-year schools and public four year and two year schools.[114]

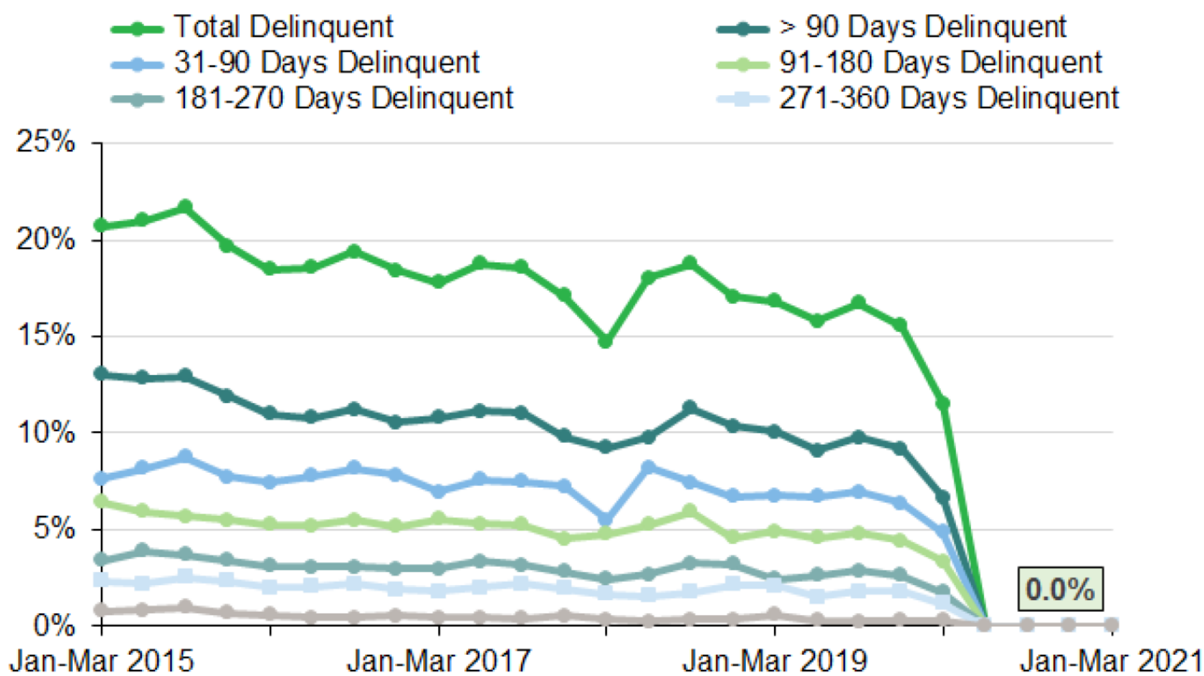
Due to CARES Act and subsequent administrative relief for federal student loans and private lenders offering disaster forbearance relief to struggling borrowers, the 90+ day delinquency rates (severe delinquency) for the nation's entire student loan portfolio have fallen to historic lows and stood below 0.5% in May 2021.

Regarding federal Direct loans, at the beginning of the pandemic, Direct loan borrowers in repayment were automatically placed in administrative forbearance. As a result, account delinquencies were cured. Beginning in second quarter of 2020, all federally-owned (Direct and FFEL) student loans subject to the payment suspension have been reported as current. Delinquency rates for the Direct Loan portfolio are expected to remain at 0% until after the payment pause ends. Figure 31 shows the federal Direct loan delinquency status as a share of accounts in repayment from January 2015 through March 2021.[115]

[114] *See*, Private Education Loan Ombudsman 2020 Annual Report, at pp. 35-37, https://www.consumerfinance.gov/about-us/newsroom/cfpb-private-education-loan-ombudsman-issues-2020-annual-report/

[115] Source: "DL Portfolio by Delinqency Status," Federal Student Aid Data Center, *available at* https://studentaid.ed.gov/sa/data-center. Note: Delinquency rates are based on borrower accounts that are in active repayment status. Borrower accounts that have reached the 361st day of delinquency but have not yet been transferred to collections are included in this data measure. Defaulted accounts that have already been transferred to the Department of Education's collections service are not included.

FIGURE 31: DELINQUENT ACCOUNTS AS A SHARE OF ACCOUNTS IN REPAYMENT



With delinquency rates at historic lows and the pending restart to repayment, this is an historic opportunity to make changes that proactively monitor and prevent delinquencies. If no changes are made, then it is reasonable to anticipate that delinquency rates will return to their pre-pandemic levels, and possibly higher. Importantly, federally-owned student loan delinquencies are not reported to credit reporting agencies until the loan is at least 90 days past due.[116] This means that the Department and servicers have an opportunity to monitor their portfolios within the 90-day window before credit reporting occurs, undertake early intervention efforts to assist borrowers, and monitor which intervention efforts are most successful.

[116] https://studentaid.gov/manage-loans/default

4. Activities, effectiveness, and developments

The annual report is required to describe the activities and evaluate the effectiveness of the Ombudsman during the preceding year.[117] The activities include, among other things, efforts to informally resolve complaints, coordinate complaint resolution with Federal Student Aid's (FSA) student loan ombudsman, and when possible, prevent or limit harm to student loan borrowers. These efforts involve outreach, collaboration, and building partnerships, both internally and externally. Within the Bureau, this involves collaborating and working with other offices, divisions, and sections such as Consumer Education and External Affairs (CEEA); Research, Markets, and Regulation (RMR); Supervision, Enforcement, and Fair Lending (SEFL); Students and Young Consumers (Students); Servicemember Affairs; Older Americans; and Consumer Response, all of which are involved with student loans. Externally, this involves collaborating and working with federal and state regulatory and enforcement agencies, consumer advocates, institutions of higher education, industry trade associations, market stakeholders, and others. The effectiveness of the Ombudsman is the result of successful outreach, collaboration, building internal and external partnerships, and teamwork. The information below highlights these team efforts. It is not exhaustive.

- 99% of complaints received a timely response by the company. Complaints are regularly reviewed for issues and trends, forwarded to Supervision, Enforcement and Fair Lending, and borrower outreach is conducted.
- In accordance with the January 31, 2020, Memorandum of Understanding (MOU) between the Bureau and the Department of Education, Federal Student Aid (FSA), regarding the sharing complaint information[118] there have been, and continue to be, regular meetings (more frequently than quarterly) where complaint information, analysis, and trends are shared as well as information related to the CARES Act and

[117] 12 USC § 5535(d)(1)

[118] https://files.consumerfinance.gov/f/documents/cfpb_ed-memorandum-of-understanding_student-loan-borrowers_2020-02.pdf

subsequent administrative relief, return to repayment, and servicing transfers. Among other activities with FSA, the Ombudsman has done the following:

- Spoke in conjunction with FSA's Executive Director of VOPA at FSA's quarterly servicer quality assurance and performance vendor oversight calls;
- Met with FSA's Vendor Oversight Committee regarding the Ombudsman's annual report, complaints, data, and analysis;
- Participated in FSA calls with state Attorneys General Offices;
- Participated in joint call calls with national advocacy groups;
- Gave joint presentations with the FSA Ombudsman;
- Participated in the FSA Ombudsman Caucus meetings; and
- Provided regular updates of complaints regarding PSLF and student loan debt relief scams to FSA. The data provided is more extensive that what is available through the government portal.

- Interagency efforts to protect student loan borrowers include the following:
  - The Principles of Excellence (POE) Working Group meetings pursuant to Executive Order 13607 have resumed.[119] Participants include the CFPB (Private Education Loan Ombudsman, Students, Servicemember Affairs, and Supervision, Enforcement and Fair Lending), the Department of Defense, the Veteran's Administration, the Department of Education, and the Federal Trade Commission. The purpose is to ensure educational institutions provide meaningful information to service members, veterans, spouses, and other family members about the financial cost and quality of educational institutions to assist those prospective students in making choices about how to use their Federal educational benefits; prevent abusive and deceptive recruiting practices that target the recipients of Federal military and veterans educational benefits; and ensure that educational institutions provide high-quality

[119] https://obamawhitehouse.archives.gov/the-press-office/2012/04/27/executive-order-establishing-principles-excellence-educational-instituti

academic and student support services to active-duty service members, reservists, members of the National Guard, veterans, and military families.

  - Student loan debt relief (also known as Third-party Debt Relief, "TPRD") meetings were initiated and are regularly scheduled. Participants include the CFPB (Private Education Loan Ombudsman, Students, and Supervision, Enforcement and Fair Lending), the Federal Trade Commission, FSA, and the Department of Education Office of the Inspector General.
  - Regarding the return to repayment for federal-owned student loans, the Bureau is collaborating with FSA and others to mitigate and prevent consumer harm.
  - Regarding the servicing transfers of approximately 16 million borrowers, the Bureau is collaborating with FSA, state regulators, and others to mitigate and prevent consumer harm.
  - Federal student loan servicer(s) were subject to combined supervisory and oversight examination(s), by the Bureau and FSA, the number of which is confidential,
  - Providing student loan expertise and reviewing pleadings filed by the Solicitor General regarding a response to a petition for certiorari before the U.S. Supreme Court regarding a bankruptcy case and income driven repayment.
  - Attending the Federal Reserve Board of Governor's series on *Innovations & Developments in Financing Postsecondary Education & Training*
- Federal student loan servicer(s) were subject to Prioritized Assessment(s) by the Bureau, the number of which is confidential.[120]
- The Ombudsman's outreach has included (via conference calls or webinars) state Attorneys General offices, ombudsman, and regulators; national consumer advocacy

[120] Prioritized Assessments are higher-level inquiries than traditional examinations, designed to obtain real-time information from entities that operate in markets posing elevated risk of consumer harm due to pandemic related issues. Through Prioritized Assessments, the Bureau has expanded its supervisory oversight to a greater number of institutions than our typical examination schedule allows to gain a greater understanding of industry responses to pandemic related challenges and help ensure that entities are attentive to practices that may result in consumer harm. Unlike our traditional examination work, Prioritized Assessments are not designed to obtain the detailed factual information that would be needed to determine whether violations have occurred but instead assess risk of violations and consumer harm, thus identifying whether more in-depth supervisory work may be necessary.

organizations (including a coalition of 12 consumer advocacy organizations); and trade associations.

- Additional outreach has included the National Association of Consumer Bankruptcy Attorneys and a higher education alliance representing 13 universities.[121]

- The Bureau works to empower students and young consumers to make informed financial choices when saving or paying for college, managing money, building credit, and repaying student debt. These efforts include providing assistance to young consumers directly through the Bureau's Paying for College suite of web tools,[122] providing webinars,[123] Financial inTuition podcast,[124] and technical assistance to organizations that serve young consumers, and drawing insights from students and former students about their experiences with student loans.[125] The Bureau also has created numerous blogs related to COVID-19[126] and student loans in particular.[127]

  - **Exploring financial aid options**. The Bureau's *Paying for College: Your financial path to graduation*[128] web tool seeks to help prospective students make informed decisions about financing their college education. The tool helps prospective borrowers navigate financial aid offers by exploring some important concepts and questions about the short-term and long-term financial consequences of their aid choices. The tool provides tips and money saving strategies to help students choose an institution of higher education and a financial path forward. In FY 20, the Bureau began working with institutions of higher education, college access

---

[121] The alliance represents approximately 20% of the student population at large research universities. The universities have experience in scaling innovations from small pilot projects to university-wide programs serving large and diverse student populations. Source: Integrated Post-Secondary Education Data System, https://nces.ed.gov/ipeds/

[122] https://www.consumerfinance.gov/paying-for-college/

[123] https://www.consumerfinance.gov/consumer-tools/educator-tools/students/student-young-consumers-training-webinars/

[124] https://www.consumerfinance.gov/consumer-tools/educator-tools/students/financial-intuition/

[125] https://www.consumerfinance.gov/foia-requests/foia-electronic-reading-room/financial-education-at-institutions-of-higher-education/

[126] https://www.consumerfinance.gov/coronavirus/

[127] *Id.*

[128] www.consumerfinance.gov/gradpath

advisors, and high school counselors and other K-12 professionals to pilot the tool with their students.

- **Understanding student loan repayment options.** The Bureau's *Repay Student Debt*[129] web guide seeks to improve financial security for students with student loan debt. *Repay Student Debt* provides information and advice to help students optimize how they pay off their student loans. The tool walks people through their repayment options based on some basic information about their specific situations.

- **Financial inTuition podcast**. The Bureau's Financial inTuition podcast focuses on a variety of topics pertaining to saving and paying for higher education, managing money, and repaying student loan debt. The podcast episodes share interviews with financial practitioners, students and recent graduates, family members and young adults who have successfully managed their money and repaid their student loan debt. The podcast provides strategies and tips to help students and young adults to make more informed financial decisions.

- The Bureau monitors trends in the student loan debt relief market for deceptive or misleading advertising that may violate the Telemarking Sales Rule, among other things.

- Regarding enforcement, the Bureau regularly works with federal and state regulatory enforcement agencies. The Bureau filed the following enforcement actions during this reporting period related to student loan origination, loan servicing, or student loan debt relief providers:[130]

    - *PEAKS Trust 2009-1 et al.* On September 15, 2020,[131] the CFPB filed a complaint and proposed stipulated judgment against PEAKS Trust 2009-1, along with Deutsche Bank National Trust Company, Deutsche Bank Trust Company Delaware, and Deutsche Bank Trust Company Americas, in their capacity as trustees to PEAKS Trust 2009-1 (collectively, "PEAKS"). The Bureau alleged that PEAKS provided substantial assistance to ITT Educational Services, Inc. (ITT) in engaging in unfair

[129] https://www.consumerfinance.gov/paying-for-college/repay-student-debt/

[130] Other enforcement or criminal actions were filed by other federal and state agencies such as the Federal Trade Commission (FTC), the Department of Justice (DOJ), and state Attorneys Generals' offices.

[131] https://www.consumerfinance.gov/about-us/newsroom/cfpb-multiple-states-enter-settlement-itt-private-loans-owner-assisting-itt-unfair-practices/

acts and practices in violation of the Consumer Financial Protection Act of 2010. PEAKS owned and managed private loans for students at ITT Technical Institute. PEAKS allegedly knew or was reckless in not knowing that many student borrowers did not understand the terms and conditions of those loans, could not afford them, or in some cases did not even know they had them. On October 1, 2020, the court entered a stipulated judgment[132] which required PEAKS to forgive all of its outstanding loans—approximately $330 million in debt– for about 35,000 borrowers who currently have outstanding principal balances.[133]

- *Performance SLC, LLC, Performance Settlement, LLC and Daniel Crenshaw* – On November 5, 2020, the CFPB filed a complaint[134] against Performance SLC, LLC (PSLC), a California debt-relief business focused on federal student loan debt; Performance Settlement, LLC (PSettlement),[135] a California debt-settlement company; and Daniel Crenshaw, the owner and CEO of the two companies. The Bureau alleges that PSLC and Crenshaw conducted a student-loan debt-relief business that charged thousands of consumers with federal student-loan debt approximately $9.2 million in illegal upfront fees in violation of the Telemarketing Sales Rule (TSR), to file paperwork on their behalf to access free debt-relief programs available to consumers with federal student loans. PSLC also allegedly failed to provide disclosures mandated by the TSR to consumers it required to place funds in trust accounts. The Bureau also alleges that Crenshaw and PSettlement used deceptive sales tactics to sign consumers up for PSettlement's debt-relief services, in violation of the Consumer Financial Protection Act (CFPA).

---

[132] https://files.consumerfinance.gov/f/documents/cfpb_peaks-trust_stipulated-final-judgment-and-order_2020-10.pdf

[133] https://files.consumerfinance.gov/f/documents/cfpb_peaks-trust_stipulated-final-judgment-and-order_2020-10.pdf

[134] https://www.consumerfinance.gov/enforcement/actions/performance-slc-llc-performance-settlement-llc-daniel-crenshaw/

[135] Separately, Performance Settlement, LLC also obtained over $450,000 from the Paycheck Protection Plan.

https://www.federalpay.org/paycheck-protection-program

- *FDATR, Inc., Dean Tucci, and Kenneth Wayne Halverson* – On November 20, 2021, the CFPB filed a complaint[136] against FDATR, Inc., and its owners, Dean Tucci and Kenneth Wayne Halverson FDATR promised to provide student-loan debt-relief and credit-repair services to consumers nationwide. The Bureau alleged that from 2011 through at least April 2019, the defendants engaged in abusive telemarketing by requesting and taking payments from consumers for debt-relief and credit-repair services before achieving the results it promised and before it was legally allowed to do so under the TSR. The Bureau also alleges that during this same period, the defendants used deception in violation of the TSR and CFPA to attract consumers by misrepresenting material aspects of its student-loan debt-relief services.

- *Discover Bank, The Student Loan Corporation, and Discover Products, Inc* – On December 22, 2020, the Bureau issued a consent order[137] against Discover Bank, The Student Loan Corporation, and Discover Products, Inc. (collectively, Discover) based on the Bureau's findings that Discover violated a prior Bureau order, the Electronic Fund Transfer Act (EFTA), and the Consumer Financial Protection Act of 2010 (CFPA). In relation to its servicing of private student loans. The consent order required discover to pay at least $10 million in consumer redress and a $25 million civil money penalty.

- *Student Loan Pro, Judith Noh, Syed Faisal Gilani, and FNZA Marketing, LLC*- ON March 16, 2021, the CFPB filed a complaint[138] against Student Loan Pro, a California sole proprietorship that telemarketed and provided debt-relief services focused on federal student-loan debt; Judith Noh, its owner; and Syed Gilani, its manager and owner-in-fact. The Bureau also named as a relief defendant FNZA Marketing, LLC (FNZA), a California company nominally owned by Noh and controlled by Gilani. The Bureau alleges that Student Loan Pro conducted a student-loan debt-relief business from 2015 through 2019 that charged about 3,300 consumers with federal student-loan debt approximately $3.5 million in illegal upfront fees in violation of the Telemarketing Sales Rule (TSR), to file paperwork on

---

136 https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-sues-debt-settlement-company-fdatr-inc-and-owners-dean-tucci-and-kenneth-wayne-halverson/

137 https://www.consumerfinance.gov/enforcement/actions/discover-bank-the-student-loan-corporation-and-discover-products-inc/

138 https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-operators-of-an-unlawful-student-loan-debt-relief-scheme/

their behalf to access free debt-relief programs available to consumers with federal student loans.

- Though outside this reporting period, on September 7, 2021, the CFPB filed its first enforcement action regarding Income Share Agreements ("ISAs").[139] The CFPB issued a consent order against Better Future Forward, Inc.; Better Future Forward Manager, LLC; Better Future Forward Opportunity ISA Fund (CP1), LLC; and Better Future Forward Opportunity ISA Fund (CH1), LLC (collectively, "BFF"), which are companies that provide students with ISAs to finance postsecondary education. The CFPB found that BFF falsely represented that its ISAs are not loans and do not create debt, in violation of the CFPA. The organization also failed to give certain required disclosures and imposed prepayment penalties on private education loans, in violation of TILA, Regulation Z, and the CFPA. The violations involved the companies' student-loan-origination activities.

[139] https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-student-lender-for-misleading-borrowers-about-income-share-agreements/

5. Ombudsman discussion

Our nation's investment in higher education continues to grow; there is presently $1.728 trillion outstanding in private and federal student loans. Though higher education is a national investment (particularly with respect to federal student loans) that benefits individuals and society, the financial risks are largely born by each of the 43.2 million people who have student loans, and they suffer the greatest harm when the risks are realized. The risks - their severity and frequency - may be ascertained by identifying gaps within the $1.728 trillion owed by borrowers; there are socio-economic and racial gaps[140] in the debt load carried, degree attainment, and the reasonable ability to repay. [141] COVID-19 has largely exacerbated these gaps.[142] In order to more effectively address these risks within the system, it is important to understand the interrelated parts of the student loan and education eco-systems (education, costs of education, servicing and financing) and the ladder of opportunity that supports student success (assess, costs and affordability, timely degree attainment, and reasonable repayment expectations to repay their student loans) which supports the promise of higher education and student success. Within the interrelated parts of the student loan and education ecosystems, and on each rung on the ladder of opportunity, information asymmetry exists that consistently works against student loan borrowers. *See*, Section 3.

Two of the greatest immediate risks to the student loan eco-system are servicing related. The first risk is the return to repayment that will occur on February 1, 2022. Over 32 million borrowers will enter repayment for the first time in nearly 2 years. The entire servicing system is accustomed to onboarding approximately 1.0 to 1.5 million borrowers at any one time. This return to repayment will include several million borrowers who left school and completed their six-month grace periods during the pandemic and several hundred thousand Parent PLUS loan borrowers who will entering repayment for the first time when the payment pause ends. This

[140] This year's report builds on last year's report regarding socio-economic and racial gaps regarding student loans. Last year's report has additional information regarding these gaps. *See*, Private Education Loan Ombudsman 2020 Annual Report, at pp. 32-40, https://www.consumerfinance.gov/about-us/newsroom/cfpb-private-education-loan-ombudsman-issues-2020-annual-report/

[141] https://www.stlouisfed.org/on-the-economy/2018/july/student-loans-contributing-racial-wealth-gap

[142] https://news.harvard.edu/gazette/story/2021/07/how-covid-taught-america-about-inequity-in-education/ and https://www.thirdway.org/report/how-covid-19-exacerbates-existing-inequities-in-our-financial-aid-system

will be the largest entry into repayment in the history of higher education and presents heightened risk of borrower harm.

The second risk involves the largest transfer of student loans (over 16 million borrowers with a loan volume of over $650 billion) in the history of higher education, due to four of the nine federal student loan servicers which have either stopped, or announced that they are going to stop, servicing federal student loans. This large transfer presents heighted risk of borrower harm.

This section discusses student success and the above risks.

5.1 Transparency and accountability: student success

Student success begins with transparency and accountability at all levels, from access to higher education, to degree attainment, to courses and programs preparing students for post-graduation success, to financing education, to servicing loans and providing relief and programs for which borrowers are eligible. Transparency and accountability reduce information asymmetry and benefit borrowers.

In making choices regarding the financing of education, there are a variety of tools available. For example, as noted in Section 4, the Bureau has tools available to assist students. Students and their parents are encouraged to utilize these and other tools. At the same time, schools have an important part in increasing transparency before students enroll. Bad actors often target vulnerable populations for enrollment, commit unfair, deceptive and abusive acts and practices (essentially “sell a dream” that does not exist except to support their business model), provide inferior programs, and saddle borrowers with student loan debt that they cannot repay. Recently the Federal Trade Commission was unanimous in its decision to target false claims by for-profit colleges.[143] Many of the claims made by for-profit colleges are “… about the career outcomes of their graduates, including whether a particular career field is in demand, the percentage of graduates who get jobs in their chosen field, whether the institution can help a graduate get a job, the amount of money a graduate can expect to earn and other related

[143] https://www.ftc.gov/news-events/press-releases/2021/10/ftc-targets-false-claims-profit-colleges

practices."[144] Further, "[a] disproportionate number of Americans that defaulted on their student loans attended for-profit colleges. For decades, there have been concerns about the incentives of some of these outfits that have scammed students. There have also been too many incidents where veterans using benefits like the GI Bill have been subjected to illegal misconduct."[145]

Though for-profit colleges may have a disproportionate number of bad actors, insufficient transparency and accountability is not limited to bad actors in the for-profit space, particularly regarding expected career outcomes of graduates, whether a particular career field is in demand, the percentage of graduates who get jobs in their chosen field, whether the institutional assistance is effective in helping a graduate get a job, the amount of money a graduate can expect to earn, and other related practices that influence students' decisions to attend specific schools and programs. For example, there are master's programs at prestigious universities that borrowers later find out do not result in earnings sufficient to make progress in paying down their student loan debt.[146]

In addition, it has long been suggested that there may also be a lack of academic rigor at certain programs, which is important for student success. Policymakers, employers, voters, and prospective students take school credentials into account when making key decisions, including higher education policies, hiring, and future attendance.[147] Marketing claims such as "No American college is more affordable",[148] may create false impressions with consumers and such

---

[144] *Id.*

[145] Prepared remarks of Commissioner Rohit Chopra *Regarding the Resurrection of the FTC's Penalty Offense Authority to Deter False Claims by For-Profit colleges*, October 6, 2021. https://www.ftc.gov/public-statements/2021/10/prepared-remarks-commissioner-rohit-chopra-regarding-resurrection-ftcs

[146] https://www.wsj.com/articles/journalism-schools-leave-graduates-with-hefty-student-loans-11631275201, https://www.wsj.com/articles/graduates-of-elite-masters-programs-dont-earn-enough-to-pay-down-loans-11625838158, and https://www.wsj.com/articles/financially-hobbled-for-life-the-elite-masters-degrees-that-dont-pay-off-11625752773

[147] https://www.aaup.org/article/spare-rigor-spoil-learning#.YWcHF_lJFPY ("According to a fall 2009 survey of 302 U.S. employers conducted for the Association of American Colleges and Universities, only one in four believed that two-year and four-year colleges are adequately preparing students for the challenges of today's global economy. … Rigorous standards in evaluating student work are reflected in better student outcomes at all educational levels and with a variety of performance measures. … [I]n pursuing easy courses of study to earn their degrees, significant numbers of college graduates may have compromised their ability to function in an increasingly technological society. Course rigor should help students acquire the knowledge needed for successful participation in an increasingly competitive world.")

[148] *See*, e.g., https://college.harvard.edu/admissions/why-harvard/affordability

claims must be carefully scrutinized as these claims may not apply to all applicants, which may also present an access issue. The key issue is: "To whom to do these marketing claims apply?" Everyone? Vulnerable populations? Those who had access to adequate K-12 preparation? Servicemembers?[149] However, making a decision to attend a particular school based on marketing statements may not result in the best outcome for consumers, no matter the quality of the academic program.[150]

Schools have important roles in other aspects of transparency and accountability to ensure borrower success. For example:[151]

- School policies that place a hold on transcripts for things such as unpaid fees, parking tickets, as well as other unrelated collateral fees and costs for education adversely impact student success.[152] Usually the amounts are relatively low, but have a large disparate impact, particularly on vulnerable populations. It may be better to allow students access to their transcripts in order to obtain a job to repay the unpaid fees.[153]

- Schools should consider ***integrating*** professional and career readiness into every class from the first day and not solely rely upon stand-alone career readiness programs or clinics.[154] By way of illustration, it may no longer be the best use of time and resources to

---

149 *See*, e.g., FAQ regarding transfer credits, "I took college or community college courses before/during my time in the military. Am I eligible to apply as a transfer student?" Answer: "… We recognize that military service may [negatively] impact a student's access to classes." https://college.harvard.edu/resources/faq/i-took-college-or-community-college-courses-beforeduring-my-time-military-am-i

150 The Bureau's authority is limited to schools that provide a financial service or product (such as a loan). The Bureau does not have authority solely with respect schools' marketing claims.

151 See, *e.g.* https://www2.deloitte.com/us/en/insights/industry/public-sector/improving-student-success-in-higher-education.html

152 Many schools used COVID-19 relief funds to make one-time payments to eliminate debts owed directly to schools by students during the pandemic. However, it is uncertain whether similar efforts will continue. https://www.consumerfinance.gov/about-us/blog/higher-education-emergency-grants-available-for-college-students-impacted-by-covid-19-pandemic/ https://www.cuny.edu/comeback/#1626365279932-070b4896-3750, https://www.desu.edu/news/2021/05/university-cancels-outstanding-debt-covid-19-hardship-cases, https://www.nsu.edu/News/2021/June/Making-Strides#:~:text=Norfolk%20State%20University%20continues%20to,for%20more%20than%201200%20students., https://www.vsu.edu/news/2021/vsu-pay-off-balances.php https://www.hccc.edu/news-media/news/07022021.html

153 https://www.policymattersohio.org/research-policy/quality-ohio/education-training/higher-education/collecting-against-the-future

154 https://www.highereddive.com/news/sxsw-edu-why-we-need-to-fix-the-college-to-career-handoff/549727/

have law schools teach *torts* without ever requiring students to draft a complaint, *contracts* without requiring them to draft a contract, and *pleadings and discovery* with without requiring them to draft a pleading or a discovery request.[155] Similar approaches may be found in a myriad of programs and disciplines. A more forward-looking approach may be to integrate career readiness, while maintaining the academic rigor of the programs.[156]

- More closely align tenure requirements with teaching, learning, and student success; incentivize teaching, learning, and student success.

- It may be prudent for schools to assess successful efforts that have improved graduation rates. Given the diversity of institutions of higher learning, the solutions will likely not be "one size fits all", rather solutions must be tailored to the facts and circumstances of each institution. While the solutions may be varied, the core principles are likely constant:

    - Leadership buy-in and support,

    - Data-driven results to more effectively use limited resources,

    - Integration of retention efforts across all facets of the institution where retention is everyone's responsibility and is part of on-going and regular processes versus bolt-on and stove-piped approaches where information sharing is limited and retention efforts are viewed as "one more thing to do".

    - For each institution, each campus, and each program, do not assume the questions are known. Many challenges to individual student success are not part of the tracking that occurs in charts and matrices.

- Given the overall abysmal degree attainment rates at 4 and 6 years of attendance (*see*, Section 3), as well as the opportunity costs, it may be prudent to evaluate whether creating programs where a bachelor's degree may be obtained in 3 years of intensive study (which may likely include attending school during the summer) instead of over 4 to 6 years (or more) would increase graduation rates.

---

[155] https://www.nytimes.com/2011/11/20/business/after-law-school-associates-learn-to-be-lawyers.html

[156] https://theuia.org/our-work#college-to-career

Many students graduate (or do not complete school) and do not understand how much they owe, what the monthly payments will be, or how long they will be paying on the loans. By comparison and analogy, every monthly credit card statement clearly shows how much is owed, how long it will take to pay-off if only the minimum amount is paid, and how much may be saved in interest. It may be prudent to consider a similar detailed disclosure for student loans with each disbursement and consider that such disclosures be provided with financial counseling. Currently, there is a federal student loan acknowledgment letter for each award year, however, due to COVID-19, borrowers are currently not required to complete the acknowledgement for the 2021/2022 academic year before the loan is disbursed.[157]

Regarding servicing, transparency and accountability are paramount in (1) ensuring that borrowers have access to, and accurate information about, the benefits for which they are eligible, (2) assisting borrowers in remaining current, (3) preventing delinquency and default, and (4) responding to borrowers' requests for assistance. Accountability starts with the servicer's internal systems and controls, which are supposed to identify risks and prevent, mitigate, and resolve borrower harm before a complaint is even filed with regulators. After a complaint is filed with regulators, borrower harm has likely already occurred, and has likely occurred with a larger population of borrowers. Servicers must be held accountable throughout the pendency of loan repayment which may be twenty years or more.

Because the financial risks of investing in higher education are largely borne by student loan borrowers (versus schools, lenders, and servicers)[158] accountability metrics or systems must consider how to most effectively share the risks through the student loan and education eco-systems. FSA has performance metrics, many of which are currently being baselined.[159] There are also suggested metrics that include, among other things, "classify[ing] programs as eligible to participate in federal financial aid programs if either a) former students are able to make minimal, literally any, progress towards repaying what they borrow to attend; or b) a majority of former students find employment with earnings high enough to leave them no financially worse off than individuals with lower levels of education (high school graduates for those pursuing

[157] https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2021-03-08/annual-student-loan-acknowledgement-borrower-completion-will-not-be-required-2021-22-award-year-ea-id-dl-21-02

[158] When a student loan borrower defaults, the consequences are felt by borrowers for years, while financial risk shifts to taxpayers and others including (depending upon whether the loan is federal or private) the federal government, guarantors, states, lenders, and co-signers such as parents and grandparents. The risk does not largely shift to schools and servicers.

[159] https://www2.ed.gov/about/reports/annual/2020report/fsa-report.pdf

undergraduate credentials, and bachelor's degree holders for those pursuing graduate degrees) after accounting for the money they paid to attend college."[160]

Metrics that consider the reasonable ability to repay may include bankruptcy[161] and income driven repayment plan (IDR) utilization. If schools or programs have a disproportionate number of students (or a disproportionate loan volume) in bankruptcy, this should be considered regarding eligibility for federal loan programs and possible claw backs of funding. Perhaps if schools shared the risk of bankruptcy, they may be more inclined to ensure they provide an education that is worth the costs.

Generally, IDR plans were meant to assist new graduates just starting out and borrowers who experienced financial difficulties later on. For borrowers who are eligible, IDR is available for the life of the loan, and there is loan forgiveness after 20-25 years. However, IDR plans were not generally intended to be enduring for the life of a large percentage of loans. At some point, IDR may essentially become an insurance policy for inferior programs and schools that have a large and persistent IDR utilization rate, at no cost to the program or school, but at the taxpayers' expense. Policymakers may wish to consider establishing a percentage or threshold of borrowers from a specific program or school (or a volume of loans from a specific program or school), that after a certain persistent time period of long term IDR utilization, there becomes clear evidence that the program is likely inferior, such that eligibility for federal loans should be reconsidered, and perhaps funding should be clawed back.

There are some important considerations with any metric or system of metrics: (1) unintended consequences (in the IDR example, access to IDR should not be discouraged for those who are eligible, particularly for PSLF, and IDR is intended to benefit borrowers experiencing difficulty) and (2) any metric or system can be gamed, so the costs of compliance should be less than the cost of gaming the metric or system.

---

[160] https://www.brookings.edu/research/towards-a-framework-for-accountability-for-federal-financial-assistance-programs-in-postsecondary-education/

[161] Currently, getting loans discharged in bankruptcy is difficult, though not totally impossible. It requires filing an adversary proceeding (a lawsuit within the bankruptcy). Among other things, last year's report recommended consideration of bankruptcy reform that re-assessed the undue hardship test, took into consideration the individual facts and circumstances of each debtor, an took into consideration potential second and third order effects such future access to loans (private loans) and protecting the public treasury (federal loans). School accountability may assist in mitigating such second and third order effects.

5.2 Return to repayment and servicer transitions

The return to repayment and servicers' transitions are significant and historic, and there will be the potential for increased consumer confusion and consumer harm. There is no historical precedent to gauge the potential scale of the effects that these transitions may have on borrowers, let alone that these transitions are overlapping.

The unique aspect of this historic confluence is the scale and the significant potential impact on borrowers. The potential issues and challenges that may cause borrower confusion and borrower harm are mostly known, and thus, they can be planned for and then mitigated. For example, Income-Driven Repayment application and recertification issues, problems with loan forgiveness application processing, auto-debit problems, inaccurate billing, inaccurate payment counts, inaccurate payment allocation and application, among other things, are likely to occur. What is different is that planning and mitigation efforts must be done at scale and done correctly the first time. Strong leadership at the servicers is required to navigate through these transitions. Good leadership ensures that, among other things, there is appropriate resourcing, staffing, and IT support; risks are identified, controls are put in place to address the risks and tested to ensure that they are both properly designed and working as intended; that appropriate pre- and post-transfer testing is done; issues are promptly raised and addressed; lessons learned are properly assessed and applied so the same issues do not recur; borrower communication is clear and transparent; and where challenges do arise, they are properly identified, the universe of affected borrowers is determined and remediation is made to affected borrowers. Though these tasks and others may be delegated, ultimate responsibility and accountability for the success of these transitions cannot be delegated. Given the magnitude of these transitions, their preparation, planning, and execution are leadership responsibilities that start and end at the C-suite level. Being unprepared for the transitions is unacceptable.

Potential borrower harm during the servicer transition may be mitigated, in part, by applying the lessons learned from the largest prior servicing transfer (ACS).[162] Potential borrower confusion can likely be mitigated, at least in part, by consistent communication and outreach to borrowers by industry participants, federal and state regulators and agencies, and consumer

[162] https://protectborrowers.org/acs_investigation/, See, Appendix at p.24, with comprehensive list of issues and supporting documentation.

advocates. Borrower harm can likely be mitigated by lenders and servicers anticipating the potential issues and then planning, implementing, and testing controls designed to prevent the issues from arising and prevent the harm from occurring. Market participants' compliance management systems, complaint monitoring, and internal consumer advocate and ombudsman offices will have important roles for the successful return to repayment and servicer transitions.

Finally, the Bureau has robust monitoring in place for the return to repayment and the servicer transition that includes the ability to identify statistical spikes in the Bureau's complaints. The Bureau and the Department of Education (ED)/Federal Student Aid (FSA) are working collaboratively on the return to repayment and the servicer transition. The Bureau and FSA proactively share complaint information and analysis in accordance with the January 31, 2020 Memorandum of Understanding. Further the Bureau, FSA, advocates, states, and industry participants have been working to provide consistent messaging.

6. Recommendations

- Transparency and accountability: student success
  - Policymakers may wish to consider metrics, or a system of metrics, that share the risks borne by student loan borrowers with schools that have failed to provide meaningful paths to repayment. For example, when considering bankruptcy reform, also consider the number (and loan volume) of bankruptcies for specific programs and schools, such that their eligibility for federal financial aid may be reconsidered and/or money clawed back. Further, consider large and enduring IDR utilization rates by specific programs and schools, such that their eligibility for federal financial aid may be reconsidered and/or money clawed back. In both examples, it will be important to consider the effects, if any, on access to higher education and access to available repayment programs.
  - Policymakers may wish to consider multi-disciplinary, inter-agency approaches to reinforce successful efforts to increase retention and graduation rates.
  - Policymakers may wish to consider accelerating efforts to incorporate qualitative and quantitative metrics that protect consumers into future federal student loan servicing contracts. This may include weekly, monthly, and quarterly reporting as well as servicers' internal quality assurance/control reports, compliance testing, internal audits, and supporting documentation. Such metrics and reporting also should include those that ensure that compliance managements systems and complaint management systems are sufficient for the size, scope, and complexity of the organization and are properly resourced and prioritized. Also, the criteria for immediate escalation of issues should be considered.
  - Policymakers may wish to consider requiring detailed disclosures with every student loan disbursement, such that borrowers know how much they owe, what their projected monthly payments will be, the duration of their monthly payments, and how much they will pay in interest. These disclosures may involve financial instruction.
  - Policymakers may wish to consider a "vesting for forgiveness" or "forgive as you go" approach for loan forgiveness programs, such that is not "all or none" at the end of 10, 20, or 25 years. One possibility to consider is forgiving a percentage of the

current loan balance (where the percentage may increase, decrease, or stay the same each year) or forgiving the capitalized interest or forgiving whichever one is greater.

- Return to repayment and servicer transitions
    - With the return to repayment, not every federal loan payment will be due on February 1, 2022. There will be a narrow window within which loans will have different due dates. Policymakers may wish to consider deliberately staging the return to repayment during this window in a manner that will most likely result in the successful return to repayment for the greatest number of borrowers.
    - Policymakers may wish to consider structuring future federal servicing contracts in a manner such that they do not all expire at nearly the same time.
    - Policymakers may wish to encourage frequent and consistent outreach among all stakeholders (federal and state agencies, advocates, and market participants) to educate and empower consumers regarding what to expect, their options, and actions, if any, that they need to take.
    - Policymakers may wish to consider requiring the submission of "Lessons Learned" documents from all servicers that should start with the implementation of CARES Act relief, and include challenges during the pandemic (as well as best practices), and challenges during the return to repayment and servicer transition (as well as best practices).
- Student loan debt relief scams
    - The pandemic environment is one of complexity, confusion, and anxiety for student loan borrowers. Scammers have been active throughout the pandemic and will likely be more active with upcoming transitions. Data aggregators and payment processors support these scams. Policymakers may wish to expedite application of the STOP Act and facilitate identifying and prosecuting data aggregators and payment processors, as well as the scammers.

The recommendations from last year's report that have not yet been implemented remain relevant. They are incorporated by reference for consideration by policymakers.[163] In particular, policymakers may wish to consider simplifying the myriad of repayment plans and loan forgiveness options, as well as continue in making progress on Public Service Loan Forgiveness (PSLF) program.[164]

---

[163] *See*, Private Education Loan Ombudsman 2020 Annual Report, at pp. 62-64, https://www.consumerfinance.gov/about-us/newsroom/cfpb-private-education-loan-ombudsman-issues-2020-annual-report/

[164] On October 6, 2021, the Deparment of Education announced an overhaul of PSLF that will put over 550,000 public service wrokders close to loan forgiveness. This will include an internal data review on denied PSLF applications and an independent external review (or audit) of PSLF processing. https://www.ed.gov/news/press-releases/fact-sheet-public-service-loan-forgiveness-pslf-program-overhaul?utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term= and https://www.ed.gov/news/press-releases/us-department-education-announces-transformational-changes-public-service-loan-forgiveness-program-will-put-over-550000-public-service-workers-closer-loan-forgiveness

Also, on September 24, 2021, the Private Education Loan Ombudsman submitted a comment to the Department of Education's request for information regarding PSLF. It is attached hereto as Appendix A.

7. Appendix A

7.1 Private Education Loan Ombudsman's comment to the Department of Education's request for information regarding the Public Service Loan Forgiveness Program[165]

[165] https://www.regulations.gov/search?filter=ED-2021-OUS-0082-47833

Consumer Financial
Protection Bureau

September 24, 2021

Office of the Under Secretary
U.S. Department of Education
400 Maryland Avenue SW, Rm 7E307
Washington, DC 20202

RE: ED-2021-OUS-0082 Request for Information Regarding the Public Service Loan Forgiveness Program

The Private Education Loan Ombudsman[1] (Ombudsman) from the Consumer Financial Protection Bureau (CFPB) submits the following comment in response to the Department's Request for Information Regarding the Public Service Loan Forgiveness Program.[2] The statements included in this public comment represent the Ombudsman's independent judgment and do not necessarily represent the view of the CFPB.

For more than a decade, borrowers have reported widespread breakdowns within the Public Service Loan Forgiveness (PSLF) program. In their stories, borrowers share how they planned their lives around the promise of PSLF—choosing specific career fields, buying homes, planning their families, and timing their retirement.[3] And yet, too often, PSLF is inaccessible, often due to no fault of the borrower. Its promise proves illusory, and borrowers are left without a path forward.

The PSLF program was never intended to be reserved for the select few who have the luxury of spending countless hours navigating the PSLF maze. Nevertheless, this is exactly what has happened, as evidenced, in part, by 98 percent loan forgiveness denial rates.[4] Ambiguous requirements, changing interpretations, program complexity, processing errors, inaccurate information from servicers, and delayed handling of PSLF applications have coalesced into thousands of borrower complaints demonstrating widespread breakdowns.[5]

---

[1] *See* 12 U.S.C. § 5535 (creating position of Private Education Loan Ombudsman).
[2] U.S. Dep't of Educ., *Request for Information Regarding the Public Service Loan Forgiveness Program*, 86 Fed. Reg. 40029 (July 26, 2021), https://www.regulations.gov/document/ED-2021-OUS-0082-0001.
[3] *See, e.g.*, Jesse Rothstein & Cecelia Elena Rouse, *Constrained After College: Student Loans and Early Career Occupational Choice*, Princeton Ctr. for Econ. Pol. Studies Working Paper 146 (May 2007), https://www.princeton.edu/~ceps/workingpapers/146rouse.pdf; Alvarro Mezza, Daniel Ringo & Kamila Sommer, *Can Student Loan Debt Explain Low Homeownership Rates for Young Adults*? at 5, Fed. Res. Consumer & Cmty. Context (Jan. 2019), https://www.federalreserve.gov/publications/files/consumer-community-context-201901.pdf; Jessica Dickler, *Student loan debt is a hurdle for many would-be mothers*, CNBC (May 22, 2018); Mark Huelsman, *The Debt Divide: The Racial and Class Bias Behind the "New Normal" of Student Borrowing*, Demos (May 19, 2015), https://www.demos.org/research/debt-divide-racial-and-class-bias-behind-new-normal-student-borrowing.
[4] U.S. Dep't of Educ., Off. of Fed. Student Aid, *Public Service Loan Forgiveness Data* (Apr. 2021), https://studentaid.gov/data-center/student/loan-forgiveness/pslf-data.
[5] These breakdowns generally begin with information asymmetry between the program, servicers, and borrowers and what is needed for accessing PSLF and processing PSLF applications. The information asymmetry consistently works against borrowers. For example, complaints show that program changes and new guidance are often insufficiently communicated to borrowers resulting incorrect information regarding PSLF eligibility being provided.

The piecemeal interventions to date, while well-intentioned, are insufficient if we as a country hope to maintain our promises to the public sector workforce. Borrowers report being so disillusioned with the possibility of loan forgiveness that they exit their public service professions entirely in an effort to increase their income in the private sector as a last-ditch effort to get back on track financially. However, with effective reforms that prioritize eliminating bureaucratic roadblocks and automating protections and processes, we can uphold the promise of PSLF for the nurses, teachers, servicemembers, and countless other public service workers looking to serve their communities.

Public Service & Student Debt

Student debt plays a critical role in determining the career choices of America's workforce. With a growing body of research undermining the so-called "college wage premium," students seeking to enter the workforce quickly find that their intended career field does not support their student loan payments.[6] Moreover, the effects of student debt can ripple long after the loan obligation ends. For example, student loan borrowers are less likely to start a small business, buy homes, and save for retirement.[7] These borrowers are also less likely to accrue wealth or be able to afford their own children's education.[8]

When the burden of student debt is compounded across communities and across generations, there is a detrimental effect on the public service workforce. In one study, researchers found that for students who do not have a choice based on their financial circumstances, student debt "leads graduates to choose higher-salary jobs. . . [and] reduce[s] the probability that students

---

[6] *See, e.g.*, Jared Ashworth & Tyler Ransom, *Has the college wage premium continued to rise? Evidence from multiple U.S. Surveys*, 69 Econ. of Educ. Rev. 149 (Apr. 2019), https://www.sciencedirect.com/science/article/pii/S0272775718304862; Rohit Chopra, *Prepared Remarks by Rohit Chopra Before the Federal Reserve Bank of St. Louis*, CFPB (Nov. 18, 2013), https://www.consumerfinance.gov/about-us/newsroom/student-loan-ombudsman-rohit-chopra-before-the-federal-reserve-bank-of-st-louis/ ("The growing gap between college graduates and others isn't really due to rising starting wages for the average college graduate – it's that the wages of those without a degree are falling rapidly. In fact, when accounting for inflation, young college graduates have found that starting wages are falling."). This challenge highlights, in part, the asymmetry of information between schools and students, but is beyond the scope of this response to the RFI. Nevertheless, misalignment between the cost of an education and its value may contribute to declining college wage premiums.

[7] *See, e.g.*, Rajashri Chakrabarti, Nicole Gorton, & Wilbert van der Klaaw, *Diplomas to Doorsteps: Education, Student Debt, and Homeownership*, Fed. Res. Bank of N.Y. (Apr. 3, 2017), https://libertystreeteconomics.newyorkfed.org/2017/04/diplomas-to-doorsteps-education-student-debt-and-homeownership/; Matthew Rutledge, Geoffrey Sanzenbacher, & Francis Vitagliano, *Do Young Adults with Student Debt Save Less for Retirement*, Ctr. for Retirement Research at Boston College (June 2018), https://crr.bc.edu/briefs/do-young-adults-with-student-debt-save-less-for-retirement/; Brent W. Ambrose et al., *The Impact of Student Loan Debt on Small Business Formation* (Fed. Rsrv. Bank of Phila., Working Paper No. 15-26, 2015), https://www.philadelphiafed.org/the-economy/the-impact-of-student-loan-debt-on-small-business-formation.

[8] Daniel Cooper & J. Christina Wang, *Student Loan Debt and Economic Outcomes*, Fed. Res. Bank of Boston: Current Pol'y Persp. (Oct. 2014), https://www.bostonfed.org/-/media/Documents/Workingpapers/PDF/economic/cpp1407.pdf; Fenaba Addo, *Parents' Wealth Helps Explain Racial Disparities in Student Loan Debt*, Fed. Res. Bank of St. Louis (Mar. 29, 2018), https://www.stlouisfed.org/publications/in-the-balance/2018/parents-wealth-helps-explain-racial-disparities-in-student-loan-debt; Terrance Martin Jr., et al., *The Effect of Student Loans on Parental Views of Education Financing*, 33 J. of Fin. Planning 6 (June 2020), https://www.financialplanningassociation.org/article/jun20-effect-student-loans-parental-views-education-financing.

choose low-paid 'public interest' jobs."[9] To the extent student debt imposes a barrier to public service, America suffers the fallout.

For example, student debt may be impeding Black borrowers from becoming teachers, with consequences beyond those borrowers themselves.[10] Black students benefit when they have at least one Black teacher during school.[11] These students perform better in school, are more likely to graduate, and more likely to attend college.[12] But student debt may be impeding Black borrowers from becoming teachers.[13] PSLF may mitigate some of the systemic barriers imposed by student debt and offer a path to public service.

Or consider the health outcomes of people living in rural communities. Rural residents are more likely to suffer from chronic conditions and have physical limitations,[14] but are less likely to have access to general and specialized healthcare.[15] In 2019, the Department of Health and Human Services determined that 80 percent of rural America was medically underserved.[16] Research suggests that student debt might play a role—student loan borrowers are less likely to stay in rural areas than non-student loan borrowers.[17] With more than three-quarters of medical school and nursing school graduates owing student debt, more practitioners are opting for urban settings over rural.[18] But PSLF could serve as a countervailing incentive to encourage more healthcare practitioners to work for eligible rural healthcare employers.

---

[9] Rothstein, *supra* note 3 at 6; *see also* Erica Field, *Educational Debt Burden and Career Choice: Evidence from a Financial Aid Experiment at NYU Law School*, Am. Econ. J. (Jan 2009), https://pubs.aeaweb.org/doi/pdfplus/10.1257/app.1.1.1; https://bmjopen.bmj.com/content/9/7/e029980.abstract (finding that student debt drives medical student to specialize, rather than become general practitioners).

[10] *See, e.g.*, Bayliss Fiddiman, Colleen Campbell, & Lisette Partelow, *Student Debt: An Overlooked Barrier to Increasing Teacher Diversity*, Ctr. for Am. Progress (July 9, 2019), https://www.americanprogress.org/issues/education-postsecondary/reports/2019/07/09/471850/student-debt-overlooked-barrier-increasing-teacher-diversity/.

[11] *See, e.g.*, Erica Hines & Michael Hines, *Want to Support Black Students? Invest in Black Teachers*, Time (Aug. 11, 2020), https://time.com/5876164/black-teachers/ ("Black teachers today are, by nearly every metric, more successful at supporting the achievement and well-being of Black children. . . . [Yet] the percentage of Black teachers in public schools remains stubbornly low, hovering around 7% today.").

[12] Seth Gershenson, et al, *The Long-Run Impacts of Same-Race Teachers*, NBER Working Paper 25254 (Nov. 2018), https://www.nber.org/system/files/working_papers/w25254/w25254.pdf.

[13] *See, e.g.*, Bayliss Fiddiman, Colleen Campbell, & Lisette Partelow, *Student Debt: An Overlooked Barrier to Increasing Teacher Diversity*, Ctr. for Am. Progress (July 9, 2019), https://www.americanprogress.org/issues/education-postsecondary/reports/2019/07/09/471850/student-debt-overlooked-barrier-increasing-teacher-diversity/.

[14] Georgetown University Health Policy Institute, *Rural and Urban Health*, https://hpi.georgetown.edu/rural/ (last accessed Sept. 16, 2021).

[15] Robin Warshaw, *Health Disparities Affect Millions in Rural U.S. Communities*, Assoc. of Am. Medical Colleges (Oct. 31, 2017), https://www.aamc.org/news-insights/health-disparities-affect-millions-rural-us-communities.

[16] Agency for Healthcare Research and Quality, Nat'l Healthcare Quality and Disparities Report chartbook on rural health care, AHRQ Pub. No. 17(18)-0001-2-EF (Oct. 2017), https://www.ahrq.gov/sites/default/files/wysiwyg/research/findings/nhqrdr/chartbooks/qdr-ruralhealthchartbook-update.pdf.

[17] PJ Tabit & Josh Winters, *"Rural Brain Drain": Examining Millennial Migration Patterns and Student Loan Debt*, Fed. Res. Bd. (Jan. 2019), https://www.federalreserve.gov/publications/files/consumer-community-context-201901.pdf.

[18] *See, e.g.*, *The Numbers Behind the Degree: Financing Graduate Nursing Education*, Am. Assoc. of Colleges of Nursing (Oct. 2017), https://www.aacnnursing.org/Portals/42/Policy/PDF/Debt_Report.pdf; Craig Ziegler, *The association of medical student debt on choice of primary care specialty and rural practice location*, Univ. of Louisville (2015), https://ir.library.louisville.edu/cgi/viewcontent.cgi?article=3062&context=etd.

With ongoing labor shortages across several public service fields, including teaching,[19] healthcare,[20] social work,[21] and more, the promise of PSLF can serve as an essential recruitment and retention tool.[22]

Experiences with Public Service Loan Forgiveness

Complaints show widespread breakdowns tied to every requirement of the PSLF program, including having the right type of loan, the right type of employment, enrolling in the right repayment plan, and making the right number of payments. Borrowers report that misinformation, changing program requirements, and servicing breakdowns have knocked them off track for loan forgiveness at every turn.

1) Wrong type of loan.

There are several types of federal student loans, including loans made under the Federal Family Education Loan program, the Direct Loan program, and the Perkins loan program. However, only Direct Loans are eligible for PSLF.[23] Borrowers may consolidate non-eligible federal student loans into a Direct Loan in order to earn credit toward PSLF.[24] Borrower complaints indicate several points at which having the wrong type of loan may derail them from getting on track for PSLF.

Borrowers report being misled about how to become eligible PSLF. Borrowers with non-Direct federal loans complain that their servicers often misrepresent or omit how to become eligible for PSLF, including the ability to consolidate into an eligible loan. For example, in one complaint, a borrower reported inquiring to her FFEL servicer about how to get on track for loan forgiveness stemming from her work in a nonprofit organization. The company replied to the borrower directly via email, "We do not offer any loan forgiveness for working in a non profit [sic] organization," while omitting any information about the PSLF program. In fact, it was not until five years later that the borrower received accurate information about consolidating. Had she received comprehensive information in a timely manner, her loans would already be forgiven.

---

[19] *See, e.g.*, Adam Edelman, *Biden wants to fix the nation's teacher shortage Educations say the problem is worsening.*, NBC News (June 6, 2021), https://www.nbcnews.com/politics/joe-biden/biden-wants-fix-nation-s-teacher-shortage-educators-say-problem-n1269340.

[20] *See, e.g.*, *A Closer Look at the Public Health Workforce Shortage*, Univ. of Southern Calif. Keck School of Medicine (Feb. 26, 2020), https://mphdegree.usc.edu/blog/a-closer-look-at-the-public-health-workforce-crisis/.

[21] *See, e.g.*, *Social Worker Shortages and The Rise in Competition for a Competent Child Welfare Workforce*, Quality Improvement Ctr. for Workforce Development (Sept. 30, 2020), https://www.qic-wd.org/blog/social-worker-shortages-and-rise-competition-competent-child-welfare-workforce.

[22] *See also* Prepared Remarks of CFPB Director Richard Cordray on the Announcement on Public Service and Student Debt, CFPB (Sep. 23, 2014), https://www.consumerfinance.gov/about-us/newsroom/prepared-remarks-of-cfpb-director-richard-cordray-at-the-announcement-on-public-service-and-student-debt/.

[23] 20 U.S.C. § 1087e(m)(1)(A).

[24] U.S. Dep't of Educ., Off. of Fed. Student Aid, *Public Service Loan Forgiveness (PSLF)*, https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service (last accessed Sept. 16, 2021).

Similar borrower experiences have been documented by federal regulators and state law enforcement officials. Recently, the CFPB Office of Supervision found that one or more FFEL servicers represented to borrowers that they "had no potential course of action to become eligible for PSLF."[25] These findings echo the findings of the New York Attorney General and Department of Financial Service's enforcement action and consent order in 2019 against one former servicer, noting, "managers directed representatives *not* to provide information on PSLF eligibility criteria to borrowers who contacted [the company] seeking information about the program."[26]

Borrowers complain about losing credit toward PSLF while spending months in limbo waiting for a consolidation to be processed. When borrowers were given accurate information about consolidating their loans, the consolidation process would sometimes take up to a year. Borrowers complained that despite taking all steps necessary to begin earning credit toward PSLF, the FFEL servicer would fail to provide the necessary information to complete the consolidation. As a result, borrowers were denied the right to make qualifying payments.[27] To date, these borrowers still have not received a remedy.

2) Wrong type of employment.

Any borrower working full-time in public service, as defined by law, has an eligible employer for PSLF.[28] Public service employers include government entities, nonprofit organizations that are tax exempt under Section 501(c)(3) of the Internal Revenue Code, and other nonprofit organizations that provide qualifying services.[29] Importantly, there is also confusion because it is the nature of the organization that matters, not the nature of the work being done. Despite recent litigation that clarified which employers are qualified, and improvements to the employer certification process, borrowers complain that they routinely receive inaccurate or conflicting information about their employer's eligibility.[30]

Borrowers complain that their employers were approved, but later denied, thereby creating confusion about the status of their qualified payments. Borrowers working in public service professions can certify their intent to pursue PSLF by submitting an Employer

[25] CFPB, *Supervisory Highlights: Issue 24, Summer 2021* 36 (June 2021), https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-24_2021-06.pdf.
[26] Investigation by Maria T. Vullo of Conduent Education Services, LLC (Jan 2019), https://www.dfs.ny.gov/system/files/documents/2019/01/ea190104_conduent.pdf; *see also* Danielle Douglas-Gabrielle, *ACS's $2.4 million settlement in Massachusetts highlights problem in student loan servicing*, Wash. Post (Nov. 22, 2016), https://www.washingtonpost.com/news/grade-point/wp/2016/11/22/acss-2-4-million-settlement-in-massachusetts-highlights-problems-in-student-loan-servicing/.
[27] In 2019, the CFPB took action against ACS/Conduent for this practice. Consent Order, Conduent Education Services, LLC, 2019-BCFP-0005 (May 2019), https://files.consumerfinance.gov/f/documents/cfpb_conduent-education-services-consent-order_2019-05.pdf.
[28] 20 U.S.C. § 1087e(m).
[29] U.S. Dep't of Educ., Off. of Fed. Student Aid, *Public Service Loan Forgiveness – Qualifying Employer*, https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service#qualifying-employer (last accessed Sept. 20, 2021).
[30] *See* Mark Kantrowitz, *Big Win in Public Service Loan Forgiveness Lawsuit*, Forbes (Feb. 23, 2020), https://www.forbes.com/sites/markkantrowitz/2020/02/23/big-win-in-public-service-loan-forgiveness-lawsuit/?sh=5f5b7d0f4ddd.

Certification Form (ECF).[31] The Department encourages borrowers to submit this form at least once a year, after which borrowers will receive confirmation of their progress towards PSLF.[32] Employment eligibility was evaluated by the PSLF servicer.[33] It was later determined that several employers may have been erroneously approved, and the borrowers working at those employers had their qualified payments retroactively denied.[34] In effect, borrowers had years of qualifying payments wiped away instantly. For example, one borrower described losing out on half of his PSLF credit despite following the process defined by ED:

> *In 2013 [my servicer] confirmed that my employer . . . was a qualifying employer under the Public Service Loan Forgiveness program. They confirmed this several additional times via annual recertifications. In 2018, nearly five years into what would have been a 10-year repayment schedule, I received a letter stating that they had certified my employer's eligibility in error and were retroactively withdrawing credit for all of the qualifying payments I had made to that point.*

Borrowers report having their employer certification forms denied for simply checking the wrong box. Borrowers complain that despite working at qualified government organizations and supplying the correct Employer Identification Number, their employer certification forms are denied simply for checking the wrong box.[35] For example, in one review of military borrower ECFs, servicemembers had their forms routinely denied for failing to check a box stating that they work for a government organization, despite including sufficient information that identified their branch of the military. Employees of school districts, city governments, and state governments faced similar outcomes. Borrowers report being denied an opportunity to correct their submitted form, and instead must start from the beginning.[36] Complaints indicate that this process proved more burdensome during the pandemic, where access to the necessary employer signatures was limited.[37] For example, this borrower state that she has worked for the same city and county and not all of her payments were determined to be qualifying payments:

---

[31] In 2020, the Department of Education released a single form that combined the PSLF application, TEPSLF application, and employer certification form. *See* Public Service Loan Forgiveness (PSLF) & Temporary Expanded PSLF (TEPSLF) Certification & Application, OMB No. 1845-0110, https://studentaid.gov/sites/default/files/public-service-application-for-forgiveness.pdf.

[32] The Department now encourages borrowers to submit ECFs through the *PSLF Help Tool*, available at https://studentaid.gov/pslf/.

[33] In response to an approved ECF, borrowers would receive confirmation of their eligible employer and an updated count of qualified payments made to date.

[34] *See* Andrew Kreighbaum, *ABA Sues Education Dept. on Loan Forgiveness*, Inside Higher Ed (Dec. 21, 2016), https://www.insidehighered.com/quicktakes/2016/12/21/aba-sues-education-dept-loan-forgiveness.

[35] The CFPB found that a similar practice with income-driven repayment plan applications was unfair. *See* CFPB, Supervisory Highlights, Issue 13 (Fall 2016), https://files.consumerfinance.gov/f/documents/Supervisory_Highlights_Issue_13__Final_10.31.16.pdf.

[36] *See id.*

[37] Certain types of e-signatures are not currently accepted. At the recommendation of the GAO, the Department is currently exploring ways to offer e-signature on the ECF. "Digital signatures from you or your employer must be hand-drawn (from a signature pad, mouse, finger, or by taking a picture of a signature drawn on a piece of paper that you then scan and embed on the signature line of the PSLF form) to be accepted. Typed signatures, even if made to mimic a hand-drawn signature, or security certificate-based signatures are not accepted." U.S. Dep't of Educ., Off. of Fed. Student Aid, *Public Service Loan Forgiveness*, https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service (last accessed Sept. 20, 2021).

> *I reached out to … [my servicer] to find out what the latest information is on my Public Service Loan Forgiveness Program number of payments made to date. I reached out . . . on March 23, April 5, April 13, April 16, April 29, May 12 and May 19th of 2021. I uploaded new documents as they requested to show the Employer information. From 09/03/2014 to 12/03/2020, I worked for the same employer, the [same] City and County … with the same FED EIN. [Servicer] has processed 60 of the payments with the last update in April 2019, but I am seeking an update for the years 2019 and 2020. As [Servicer] requested, I submitted my W-2's for 2019 and 2020 to show that I worked for the [same] City and County … . I checked off the box that for this most recent period of 2019 and 2020, I was unable to have the employer sign for the period 09/30/2019 to 12/03/2020, but I was told that W-2s for 2019 and 2020 would be acceptable proof. Given how difficult it is to complete the Public Service Loan Forgiveness Program . . . [I would like] a current update on my status in the program. Thank you.*

Complaints show that the appeals process for an improper employer denial can take up to a year. When employers are denied eligibility for PSLF, borrowers have the option to appeal the decision. However, borrowers complain that the appeals process lacks transparency and timeliness, and in some cases, may take up to a year to process. For example, one borrower submitted information in July 2019 and no progress had been made through May 2020.

3) Wrong type of repayment plan

To earn credit towards PSLF, borrowers must make payments under an eligible repayment plan, which most commonly means an income-driven repayment plan.[38] For years, borrowers reported being enrolled in ineligible repayment plans despite telling their servicers that they were intending to pursue PSLF. In fact, the practice was so pervasive that in 2018, Congress passed a temporary expansion of the PSLF program.[39] Through Temporary Expanded Public Service Loan Forgiveness (TEPSLF), borrowers can earn credit for payments made under an ineligible repayment plan. However, complaints indicate that borrowers still struggle to access promised relief.

Borrowers report being enrolled in ineligible repayment plans, and TEPSLF offers only a temporary fix. Enrollment in ineligible repayment plans has been a recurring issue for borrowers. Enrollment in ineligible repayment plans has also been made worse when borrowers experience multiple servicing transfers, and no single servicer addresses all the challenges and misinformation the borrowers have experienced regarding repayment plans. TEPSLF was created to address this issue. TEPSLF provides limited appropriations with which borrowers can pursue PSLF credit for otherwise ineligible payments, provided that borrowers have an eligible loan (Direct). TEPSLF does not apply to ineligible loans (FFEL). Once these

---

[38] Standard, 10-year repayment plans, and graduated repayment plans once the payment meets or exceeds the standard payment, also qualify for PSLF.
[39] *See* Consolidated Appropriations Act of 2018.

funds are exhausted, TEPSLF no longer remains an option for borrowers who were misled about whether they were on track for PSLF. Borrowers cannot apply for TEPSLF until they have made 120 total payments on their loans, and borrowers complain that despite relying on the same misrepresentations, they may be denied relief if there are no remaining appropriations.

For example, the following borrower experienced issues at two servicers and did not receive information get on track until 2014 when she consolidated her loans into a Direct loan and applied for an eligible repayment plan. She lost years of qualifying payments toward PSLF:

> *"My complaint is against XYZ servicer and ABC servicer. I believe I should be granted PSLF (or TEPSLF) right now, with a refund for years of payments overpaid. I have made regular payments on my student loans since 2001, and have been employed by a PSLF-eligible employer all these years. I have been on an income-based repayment program since Dec 2011… [and consolidated into a Direct loan in 2014] … ."*

The Bureau has even heard from healthcare professionals who have dedicated their careers to working in underserved communities, have been misled about consolidating into the Direct loan program, and have not been properly advised about PSLF and TEPSLF.

Borrowers complain that they struggle to navigate TEPSLF, and early problems have deterred them from reapplying. When TEPSLF was first introduced, borrowers had to navigate a convoluted process of first applying for PSLF, then getting officially denied, and finally sending an email to request reconsideration under the TEPSLF requirements. This confusing process contributed to high denial rates, with borrowers complaining that they did not understand which steps were necessary to be considered for the program. In 2020 the Department introduced a single form for which borrowers could be evaluated for both PSLF and TEPSLF.[40] However, borrowers complain that longstanding struggles with TEPSLF have left them resigned to not receiving loan forgiveness—particularly where they had received several denials under the prior process. Complaints indicate that many borrowers are not aware they can reapply if they were erroneously denied under the previous process. Further, the process is lengthy. For example:

> *It has now been over 200 days, as of 03/23/2021, since I submitted my application and I have not received any information from [Servicer] regarding my TEPSLF application. Because of the many customer service troubles I have encountered throughout my history with [Servicer], I am concerned my TEPSLF application is in a perpetual status of "currently under review".*

Military borrowers complain that servicers encourage them to enroll in military deferment, but fail to mention that military deferment is not PSLF eligible. All military borrowers serving on active duty have the option to enroll in military deferment—an option intended to provide immediate, short-term financial relief for acute financial distress. However, enrolling in military deferment means that borrowers lose the opportunity to enroll in an eligible and affordable payment plan whose payments during this period would count towards PSLF. In fact, one analysis conducted by the CFPB demonstrated that a typical officer in the military

[40] See supra note 31.

might lose out on nearly $20,000 on loan forgiveness by enrolling in military deferment instead of a PSLF-eligible income-driven repayment plan.[41] Complaints from military borrowers indicate that servicers may drive them towards military deferment rather than IDR, thereby limiting their ability to earn credit toward PSLF. Even when servicemembers switch from military deferment to IDR, they still struggle to get on track for PSLF. The Bureau has heard from servicemembers who specifically requested a return to IDR, only to be denied, sometimes for years.

4) Wrong number of payments

Borrowers must make 120 qualifying monthly payments to earn PSLF. This should result in loan forgiveness after serving for ten years in public service, but complaints show that borrowers are often knocked off track, leaving gaps in PSLF credit despite a consistent commitment to public service. The following complaint illustrates not only issues with incorrect number of payments, but also an opaque and lengthy appeals process:

> *In July 2019 when submitting my income recalculation, I also submitted bank statements from all payments made as the # of payments made are off by 4. So, I requested my payments to be recalculated. As no progress had been made when I submitted for income recalculation in May 2020, I again submitted request for payments to be recounted as the 4 payments listed below still are set as not qualifying.*

At times borrowers were knocked off track by systemic errors committed by servicers. For example:

> *"My federal loans are consolidated and serviced by [Servicer]. I qualify for the PSLF program and have submitted documentation for regular tracking of my qualified payments. When determining the number of payments that qualify, [Servicer's] system had an incorrect "amount due", showing 1 cent more than was actually due for 11 of my payments. Therefore, they stated that those 11 payments did not qualify."*

Other borrowers were knocked off track with multiple servicers and servicing transfers that resulted in incorrect payment counts. For example, this borrower's incorrect payment count endured for 5 years with Servicer 3 (Servicer 3 eventually corrected the payment count to 120):

> *I have completed 120 payments required for the Public Service Loan Forgiveness Program, but have been denied forgiveness. … I provided proof of all eight missing payments (bank statements and confirmation emails) in December of 2020.*
>
> *Seven of these payments were made to [Servicer 1] from June to December of 2011. The remaining missing payment was made to [Servicer 2] in September of 2016, then transferred to [Servicer 3] when my account was transferred.*

---

[41] *See Prepared Remarks of Seth Frotman at the Judge Advocate General's Legal Center and School* (Oct. 18, 2016), https://files.consumerfinance.gov/f/documents/201610_cfpb_Frotman-Remarks-JAG-School.pdf.

I spoke to a [Servicer 3] representative on January 4, 2021, who confirmed the missing payment in September of 2016 was received by [Servicer 3] and not added to my qualifying payments. I have proof of this conversation.

It is absurd that [Servicer 3] received the payment five years ago but cannot apply the payment correctly. I have repeatedly called to provide information about the missing payments and the documentation I provided, but no one will discuss my account in detail or verify the proof I have provided. I have records of all phone call correspondence with [Servicer 3] verifying my attempts to correct my account.

Borrowers report asking about affordable repayment solutions and being driven to non-qualifying options, like deferment or forbearance.[42] Forbearance and deferment can be appropriate options to mitigate student debt burdens in discrete circumstances. For example, in-school deferment offers borrowers enrolled in school at least half-time an option to postpone payments until they leave school. Voluntary forbearance offers borrowers an option to postpone payments if they face unexpected, short-term financial distress, such as an unanticipated car repair or medical expense. However, complaints indicate forbearance may be overused by servicers in response to calls where borrowers indicate that their loan payments are unaffordable, without fully explaining these options will delay progress towards PSLF. Other times borrowers were put in deferment or forbearance without their knowledge. The Bureau has heard from borrowers with issues regarding payment counts due to unauthorized deferments and forbearances that have taken years to resolve and involved more than one servicer. Instead of assisting the borrowers, borrowers have been told to reach out to their prior servicer for the information.

The Bureau has even heard from borrowers who specifically asked not to be put into deferment, and yet were placed into deferment. For example:

… I called my servicer, … and explained that I was enrolling in this program … . I asked if this would affect … credit towards public service loan forgiveness, or anything else. I was told no. I explained that I would continue to be working and making payments and expected for my months to continue to count towards PSLF while I went to school ONLINE in an accredited online program at a flagship institution designed for working professionals. What I was NOT told was that I would need to fill out waiver to remove any in-school deferment. … In fact, I paid my [Month] 2018 payment BEFORE [Servicer] notified me they had placed my account in an in-school deferment and then [Servicer] retroactively applied the in-school deferment on my account to include the entire month …. even after accepting a payment in full.

I called [Servicer] multiple times about this situation. I was told I had to fill out a waiver to remove the in-school deferment and have my payments counted. I submitted the waiver three times before the deferment was finally removed, … . In short, this was all a continuous electronic process between my institution, the department of education, and [Servicer] that removed me from notification processes and disallowed me from taking

[42] See CFPB, *Annual Report of the CFPB student loan ombudsman 2016* (Oct 17, 2016), https://www.consumerfinance.gov/data-research/research-reports/2016-annual-report-cfpb-student-loan-ombudsman/.

any proactive action to protect my account from the harmful impacts until after the electronic notifications and domino-effect actions had occurred!

… After the 3rd submission, [Servicer] finally removed the in-school deferment, but only to the date of processing, excluding [2 months] from the waiver of deferment. The impact to my account was my payment for [2 months] being rendered an ineligible for PSLF. …

Borrowers complain that delays in processing IDR recertifications can lead to lost months of PSLF credit. Borrowers making payments under an income-driven repayment plan must update documentation of their income and family size every year through a process called recertification. When a recertification application is submitted, servicers are expected to process it within 15 business days so there is no gap in the borrower's ability to make income-driven payments. However, complaints show that servicers may take longer than 15 days to recertify the borrower's income and family size, often forcing the borrower to choose between making an unaffordable standard payment or opting into forbearance.[43] When borrowers choose forbearance, they do not accrue credit toward PSLF. Over the course of multiple recertifications, this may lead to years of additional time in repayment.

Opportunities to Strengthen PSLF for Borrowers Who Currently Work in Public Service

Informed by thousands of complaints from student loan borrowers, I make the following recommendations for consideration in order to uphold the promise of PSLF and to learn from past challenges so they do not repeat.

The Department should commission an independent audit of the PSLF program. Complaints indicate longstanding struggles with PSLF, and to date, there has been no independent review of denials. Where borrowers are erroneously denied loan forgiveness and are not aware of the option to reapply, they lose access to their legal right to relief. Accordingly, the Department should engage an independent audit of the entire PSLF program, including TEPSLF. The audit should include reviews of the following:

- All accounts in which a borrower has indicated an intent to pursue PSLF—regardless of whether the borrower submitted an ECF or an application for loan forgiveness under PSLF or TEPSLF.
- All PSLF and TEPSLF denials, regardless of the reason for denial. It should provide a detailed analysis of denials based on the "wrong loan." It should also provide a "pipeline" assessment of denials, which could be stratified by months remaining to qualify, which would provide policymakers, the Bureau, FSA, consumer advocates, and servicers a starting point for measuring the number approvals against the known pipeline of borrowers.

[43] Of note, when a borrower timely submits a recertification and a servicer cannot process it before the expiration of the current IDR period, the borrower is entitled to continue making payments and earning PSLF credit at the current IDR payment amount. See 34 C.F.R. §§ 685.209(a)(5)(viii)(A), (b)(3)(vi)(E), (c)(4)(viii)(A), 685.221(e)(8)(i), (ii).

- All monitoring reports produced by ED contractors, sub-contractors, and consultants, including reports from the contractor's consultants. These reports should be evaluated for the validity of quality control metrics, risk assessments, compliance testing, IT reports, and internal audits. All documentation supporting these reports should also be validated.

- All reports regarding identification of PSLF and TEPLSF issues, identification of affected populations, and operational decisions regarding remediation, allocation of resources to remediate issues, and prioritization of remediation efforts.

The findings of this audit should be made publicly available, and where errors are identified that without which, the borrower would have had 120 qualified payments, the Department should automatically grant loan forgiveness.

The Department should use the existing SCRA data match to automatically give PSLF credit to active-duty military borrowers, regardless of loan type or repayment plan. Every federal loan account is already run against the Department of Defense's Manpower Data Center (DMDC) so that servicers may evaluate a borrower's eligibility for interest rate protections under the Servicemember Civil Relief Act.[44] This same data match could be used to give active duty military automatic credit for PSLF. Considering the documented consumer harm military borrowers have faced in trying to navigate PSLF, and incorrect information being provided by servicers, this relief should be granted without regard to loan type or repayment plan. In effect, military borrowers should receive PSLF credit for every month of active duty service.

The Department should prioritize efforts to share data with the federal, state, local, and tribal governments to automate PSLF credit. Nearly half of borrowers with approved ECFs work for some level of government.[45] And yet, reports show that numerous objectively qualified government employers are getting denied due to minor errors on forms. Automating data matches with government employers would streamline the application process for these borrowers and offer near-real time updates on their qualified payment progress.[46] This should also reduce opportunities for human error in processing.

The Department should improve the accessibility and usability of all PSLF forms, including permitting electronic signatures and electronic submission. Currently, when a borrower navigates the Department's *PSLF Help Tool*, she must complete the tool sequence, generate a populated form, collect the necessary employer signatures, and then manually submit the form. The Department should consider permitting electronic submission and electronic signatures. The Department should explore ways for employers to support their

[44] *See* Improved Administration of the Servicemembers Civil Relief Act for Borrowers Under the William D. Ford Direct Loan and Federal Family Education Loan Programs (GEN-14-16) (Aug 25, 2014), https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2014-08-25/gen-14-16-subject-improved-administration-servicemembers-civil-relief-act-borrowers-under-william-d-ford-direct-loan-and-federal-family-education-loan-programs.

[45] U.S. Dep't of Educ., Off. of Fed. Student Aid Data Center, *Public Service Loan Forgiveness,* https://studentaid.gov/sites/default/files/fsawg/datacenter/library/PSLF-april2021.xls.

[46] Currently, qualified payments are only updated when a borrower submits a new employer certification because qualified employment is a requisite for a qualified payment.

employees who are eligible for PSLF. For example, explore ways for employers to electronically submit ECF's on behalf of all their eligible employees.

Other Considerations:

Policymakers may wish to consider simplifying the process to access PSLF by focusing on employer type rather than loan type or repayment plan. In other words, if someone is working for an eligible public service employer, consider eliminating criteria based on the loan type (FFEL versus Direct) and the type of repayment plan (particularly considering the history of incorrect information provided by servicers), as well as the employer at the time forgiveness is granted (particularly with the well-documented processing delays).

Policymakers may wish to consider making it clear that PSLF should be liberally construed (much like the SCRA) and be principles driven supported by rules in order to more effectively effectuate its intent. For example, if a borrower clearly works for an eligible employer, do not deny the ECF due to an incorrect employment box being checked.

Policymakers may wish to consider "forgiveness as you go" over the course of PSLF so that it is not an "all or none" prospect after a period of 10 years or more.

Very respectfully,

Robert G. Cameron
Private Education Loan Ombudsman
Consumer Financial Protection Bureau

8. Contact information

To reach the CFPB's Student Loan Ombudsman:

By phone (844) 611-4260

By email 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:

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