

# Report of the CFPB Education Loan Ombudsman



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# Executive summary

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Act”), this report analyzes complaints submitted by consumers from September 1, 2021, through August 31, 2022. During this time period, the number of complaints significantly increased for both private and federal student loans. This reverses a consistent downward trend in the number of complaints from 2017 through August 2021. During the current time period, the Consumer Financial Protection Bureau (“Bureau” or “CFPB”) handled approximately 8,410 complaints related to private or federal student loans, a 59 percent increase from the previous year (2021).

1. For the year ending August 31, 2022, the Bureau handled approximately 2,960 private student loan complaints, a 56 percent increase compared to the previous year (2021).
2. For the year ending August 31, 2022, the Bureau handled approximately 5,450 federal student loan complaints, a 60 percent increase compared to the previous year (2021).

Additionally, the Bureau handled approximately 2,000 debt collection complaints with a student loan related sub-product, and approximately 900 complaints mentioning COVID-19 or related keywords with a student loan related sub-product, increases of 122 percent and 23 percent, respectively, compared to the previous year (2021). These increases are also significant, particularly with respect to debt collection complaints and student loan scammers.

This report includes discussion of certain key risks raised in borrower complaints, including:

- Borrowers with private student loans face difficulty exercising their claims and defenses to repayment even when there have been federal agency findings of misconduct by the borrower’s institution of higher education.
- Borrowers seeking bankruptcy discharge of their student loans appear to face improper collection attempts by servicers after private student loans not subject to the higher “undue hardship” standard have been discharged by order of a bankruptcy judge.
- Borrowers with commercial Federal Family Education Loan Program (FFELP) loans have the ability to consolidate into Direct Consolidation Loans in order to qualify for various types of pandemic-related relief provided for federal loans, such as the CARES Act payment pause and related extensions, the PSLF Limited Waiver, and the IDR waiver. However, servicer misrepresentations and processing errors have kept borrowers

from realizing the full benefits of these programs despite being entitled to consolidation under federal law.

This report discusses and makes recommendations to address these risks in order to improve borrower outcomes.

# 1. About this report

The Dodd-Frank Wall Street Reform and Consumer Protection Act established an Education Loan Ombudsman (“Ombudsman”) within the CFPB to provide timely assistance to borrowers of private education loans.<sup>1</sup> 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 (ED), 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 ED student loan ombudsman 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.

This report is drafted pursuant to the Act and covers CFPB complaint data from September 1, 2021 through August 31, 2022. It also reviews and discusses the gaps, disparities, and potential risks in different portfolios of student loans, the different treatment of borrowers who are

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<sup>1</sup> 12 U.S.C. § 5535.

similarly situated, and the different treatment of student loans in bankruptcy. This is the tenth Education Loan Ombudsman report.

Robert G. Cameron

*Education Loan Ombudsman*

**Consumer Financial Protection Bureau**

## 2. Student lending market

The student loan ecosystem is large and complex, with outstanding student loan debt totaling \$1.745 trillion owed by 43.5 million borrowers.<sup>2</sup> This section of the report reviews the student lending market from a lifecycle perspective, beginning with an overview of the market for student loans, then provides statistics on originations of new loans, the average balance borrowers carry, and their experiences in repayment. Finally, this section also notes changing market conditions that are likely to impact consumers' experiences with student lending.

### 2.1 Market overview

In the years since the Great Recession, student loan balances have outpaced the growth in all other consumer credit markets, and today student loans make up the second-largest share of household debt after home mortgages.<sup>3</sup> Since 2009, the share of household debt attributable to student loans has doubled from 5 percent to 10 percent, as shown in Figure 1.<sup>4</sup>

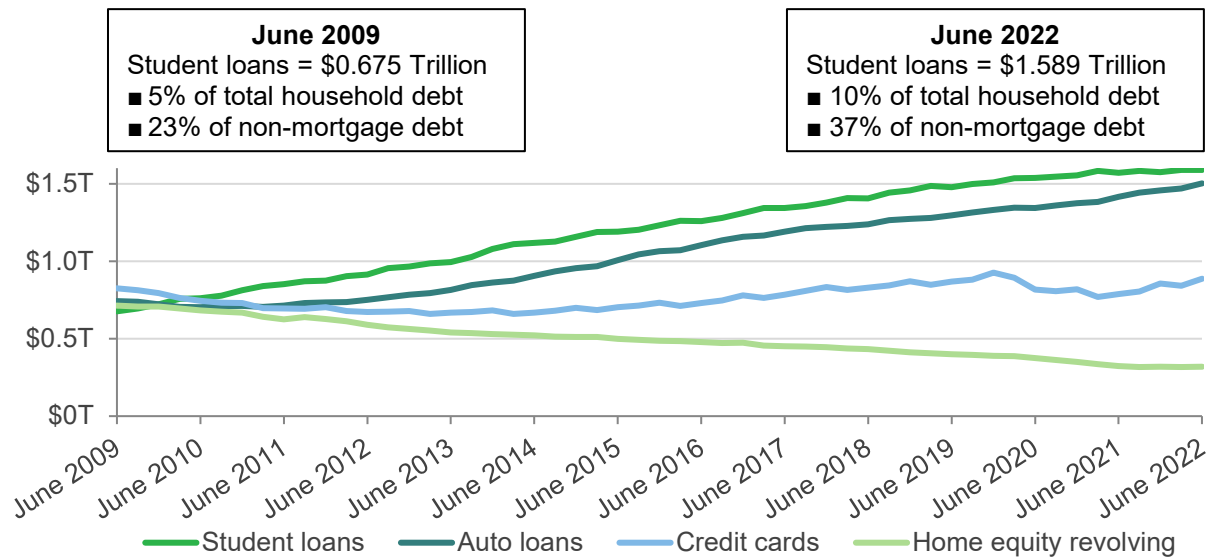
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<sup>2</sup> For the total student loan debt estimate, see Federal Reserve, *G19 Consumer Credit Series*, (last accessed October 3, 2022), available at <http://www.federalreserve.gov/releases/g19/current/default.htm>. For the total number of borrowers estimate, see Federal Reserve Bank of New York (FRBNY), *Number of Borrowers by State*, (last accessed October 3, 2022), available at <https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/xls/student-loan-by-state.xlsx>. These two data sources differ in important ways that lead to differences in some figures. The Federal Reserve's G-19 dataset is based on benchmarks that include data from the Office of Federal Student Aid (FSA), as well as Call Reports submitted by financial institutions, among others. The FRBNY dataset draws on data from a nationwide consumer reporting agency. For more on the methodology behind these figures, see Federal Reserve, *Consumer Credit – G.19*, available at <https://www.federalreserve.gov/releases/g19/about.htm>; FRBNY, *Quarterly Report on Household Debt and Credit*, (Aug. 2022), available at [https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/hhdc\\_2022q2.pdf](https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/hhdc_2022q2.pdf).

<sup>3</sup> FRBNY, *Quarterly Report on Household Debt and Credit, Page 3 Data*, (Aug. 2022), available at [https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/xls/hhd\\_c\\_report\\_2022q2.xlsx](https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/xls/hhd_c_report_2022q2.xlsx). Home equity lines of credit are included in the chart data, while primary mortgage balances and "Other" loans are excluded.

<sup>4</sup> *Id.*

**FIGURE 1:** NON-MORTGAGE DEBT BALANCES, JUNE 2009–JUNE 2022 (FRBNY)



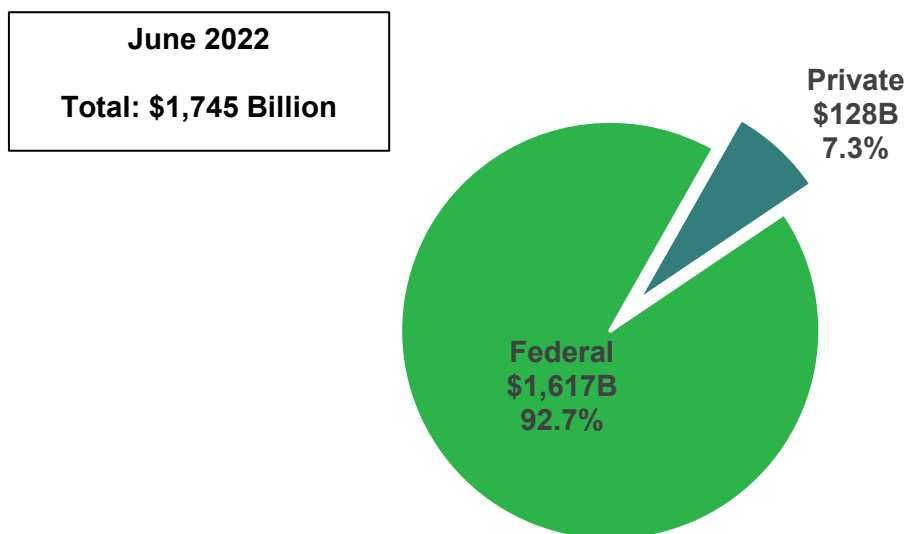
The Department of Education (ED) remains the dominant player in the student loan industry. The federal loan portfolio includes over \$1.4 trillion in Direct Loans, nearly \$214 billion in Title IV loans issued under the FFEL Program, and \$4 billion in federal Perkins loans.<sup>5</sup> Private education loans are issued by banks, credit unions, state-sponsored agencies, and other non-bank lenders. Figure 2 shows the total outstanding student loan volume, with an estimate of private education loans of \$128 billion based on the estimated total student loan volume of \$1.745 trillion minus the current value of the federal education loan portfolio of \$1.617 trillion.<sup>6</sup>

<sup>5</sup> FSA, *Federal Student Aid Data Center*, available at <https://studentaid.gov/data-center/student/portfolio>.

<sup>6</sup> FSA, *Federal Student Aid Data Center*, available at <https://studentaid.gov/data-center/student/portfolio>; Federal Reserve, *G19 Consumer Credit Series*, available at <http://www.federalreserve.gov/releases/g19/current/default.htm>.



**FIGURE 2:** TOTAL OUTSTANDING STUDENT LOAN VOLUME, JUNE 2022 (FSA, FRB)<sup>7</sup>



In September 2008, consumers owed 81 percent of the nation’s \$661 billion student loan portfolio to private lenders, state-sponsored programs, and schools. As of March 2022, consumers owed 84 percent of the nation’s \$1.745 trillion student loan portfolio to ED, with the remainder mostly made up of commercially-held FFELP loans.<sup>8</sup> This is primarily due to ED’s transition toward Direct Loans since the FFEL Program ended following the 2009-2010 academic year.

## 2.2 Market trends

### Originations

New federal student loan originations have been steadily declining since 2011, as shown in Figure 3.<sup>9</sup> Parent PLUS and Graduate PLUS loans have increased over time, but remain a

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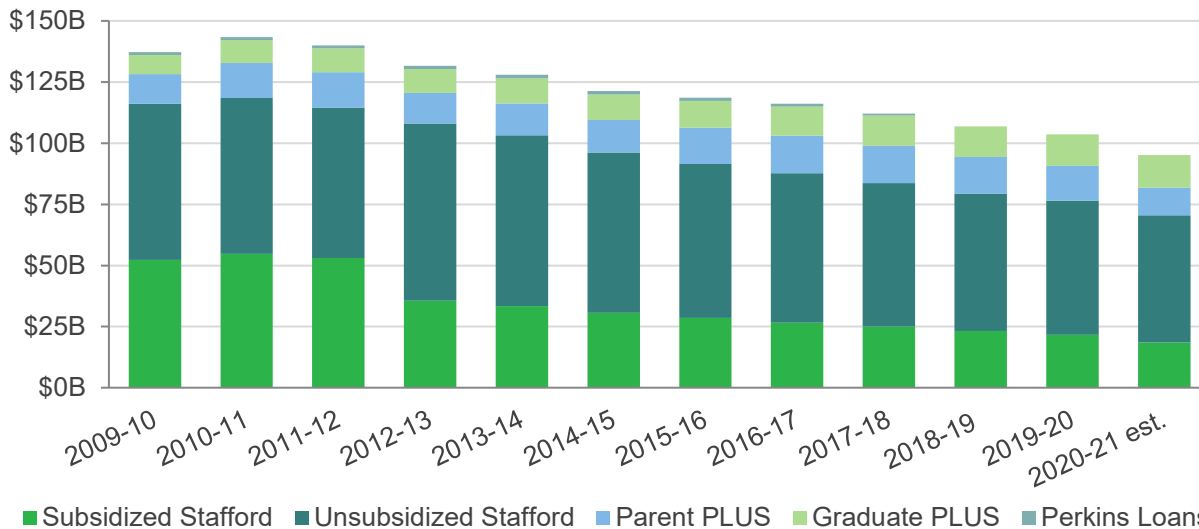
<sup>7</sup> *Id.* Private student loans outstanding is an estimate based on the total estimated student loans outstanding reported by the Federal Reserve, subtracting the volume of the federal student loan portfolio reported by FSA.

<sup>8</sup> *Id.*

<sup>9</sup> The College Board, *Trends in College Pricing and Student Aid 2021*, available at <https://research.collegeboard.org/trends/student-aid>. Report data are updated annually and include federally guaranteed loans that have been originated beginning with the 2009-10 academic year. Originations data exclude Federal Consolidation loans.

relatively small share of the overall market for federal student loans. Legislative authority to issue new Perkins Loans ended September 30, 2017.

**FIGURE 3: FEDERAL STUDENT LOAN ORIGINATIONS BY LOAN TYPE (COLLEGE BOARD)**



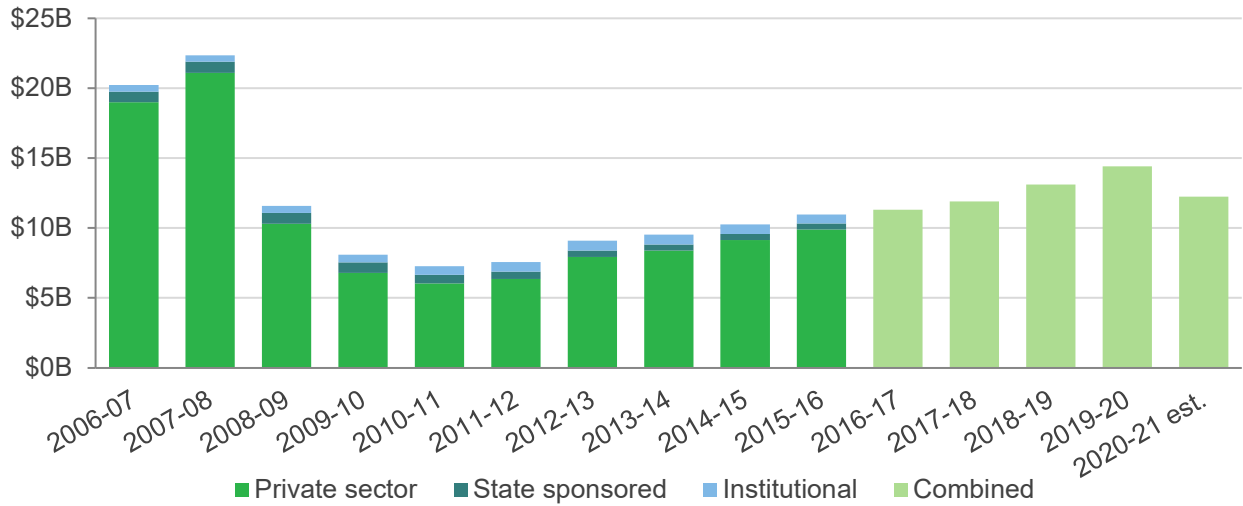
Though there are limitations on the available data, sources estimate that non-federal student loan origination activity declined in academic year 2020-2021 in a reversal of recent trends, and remains well below originations levels observed prior to the Great Recession. According to one estimate, non-federal student loan originations declined 15 percent in the 2020-21 academic year to \$12.2 billion, as shown in Figure 4.<sup>10</sup> The decline in new loan originations may be partly explained by the broad decline in college enrollment during the pandemic.<sup>11</sup> Non-federal student loans include education loans issued by the private sector, state sponsored entities, and institutions of higher education. While the estimate cited here no longer disaggregates

<sup>10</sup> The College Board, *Trends in Student Aid 2016* and *Trends in College Pricing and Student Aid 2021*, available at <https://research.collegeboard.org/trends/student-aid>. College Board’s estimates rely on data from MeasureOne, which represented 57.27 percent of private student loans outstanding (including consolidation, refinance and parent loans). See MeasureOne, *The MeasureOne Private Student Loan Report*, (Dec. 2021), available at <https://www.measureone.com/resources#report>, at 3. The College Board stopped disaggregating non-federal origination volume by type of issuer, effective with the 2016-17 academic year.

<sup>11</sup> See NCES Research Center, *Current Term Enrollment Estimates*, (dated May 26, 2022), available at <https://ncesresearchcenter.org/current-term-enrollment-estimates/>. See also The Pew Charitable Trusts, *How the Pandemic Could Affect the Rise in Student Debt*, (Dec. 22, 2021), available at <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2021/12/how-the-pandemic-could-affect-the-rise-in-student-debt>.

institutional or state-sponsored loan volumes, market monitoring results suggest these lenders continue to make up a small percentage of non-federal student loan volumes.

**FIGURE 4:** NON-FEDERAL STUDENT LOAN ORIGINATIONS BY LOAN TYPE (COLLEGE BOARD)

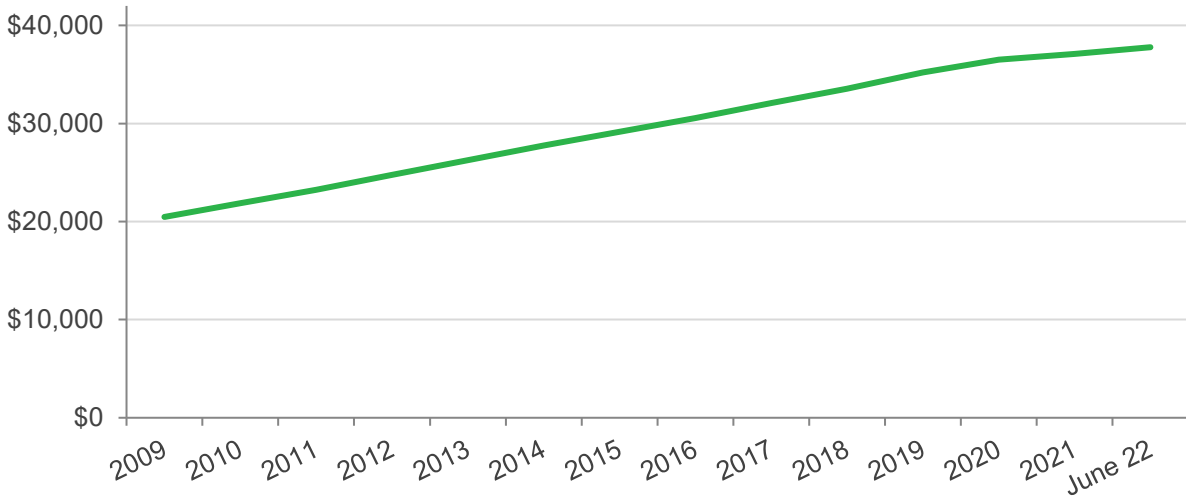


## Average balances

The average federal student loan burden continues to grow in nominal terms, from about \$20,500 in September 2009 to nearly \$38,000 at the end of the June 2022, as shown in Figure 5.<sup>12</sup>

<sup>12</sup> FSA, *Federal Student Aid Data Center*, available at <https://studentaid.gov/data-center/student/portfolio>. Data shown for the end of federal fiscal years 2009-2021 and the most recent quarter.

**FIGURE 5:** AVERAGE TITLE IV LOAN BALANCE PER LOAN RECIPIENT (FSA)



While average balances have risen over time, they are skewed by a relatively small portion of loans with large balances. Based on ED data, three out of four Direct Loan borrowers owe \$40,000 or less, and more than half owe less than \$20,000.<sup>13</sup> Figure 6 shows the average Direct Loan balance by level of indebtedness (more or less than \$40,000). The average balance for borrowers owing \$40,000 or less is \$14,839.<sup>14</sup> The average balance for those owing more than \$40,000 is \$96,460.<sup>15</sup>

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<sup>13</sup> FSA, *Federal Student Aid Data Center*, (last accessed Oct. 3, 2022), available at <https://studentaid.gov/data-center/student/portfolio/>.

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

**FIGURE 6:** AVERAGE DIRECT LOAN BALANCE, JUNE 2022 (FSA)



## Repayment

As of June 2022, only one percent of Direct Loan and ED-held FFELP balances were in repayment status, due to the payment suspension imposed by the CARES Act and continued by administrative order.<sup>16</sup> All other borrower balances are either in a deferment or forbearance status or have been in default since before the CARES Act was implemented. Commercially-held FFELP and private loans are not subject to the payment suspension. One industry analysis of bank-held loans suggests that roughly 70 percent of commercially-held FFELP and 74 percent of private loan balances were in repayment, according to most recent figures from September 30, 2021.<sup>17</sup>

The Federal Reserve Bank of New York tracks delinquency rates for consumer loans, based on outstanding balances. Prior to the pandemic, the 90+day delinquency rate for student loans had

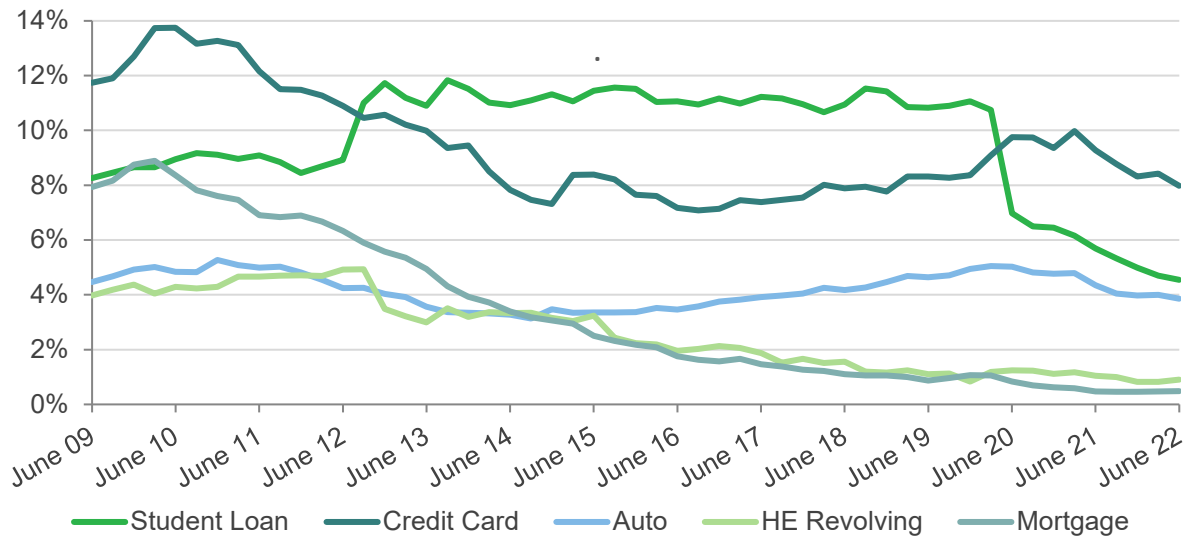
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<sup>16</sup> *Id.*

<sup>17</sup> *Id.* See also MeasureOne, *The MeasureOne Private Student Loan Report*, (Dec. 2021), available at <https://www.measureone.com/resources#report>.

been hovering around 11 percent.<sup>18</sup> This serious delinquency rate fell sharply in Q2 2020 and has since continued to fall, reaching 4.7 percent in Q1 2022. This decline is due primarily to the payment suspension for federally-held loans. As a result, student loan delinquency rates are now lower than delinquency on credit card debt but remain higher than for all forms of secured debt.

**FIGURE 7:** DELINQUENT BALANCES AS A SHARE OF TOTAL OUTSTANDING LOAN BALANCES, JUNE 2009–JUNE 2022 (FRBNY)



## 2.3 Market conditions

### Rising interest rates

As the Federal Reserve raises interest rates in response to inflation concerns, interest rates on new private loans and existing variable-rate loans are likely to increase, and new federal loan

<sup>18</sup> FRBNY, *Quarterly Report on Household Debt and Credit, Page 12 Data*, (Aug. 2022), available at [https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/xls/hhd\\_c\\_report\\_2022q2.xlsx](https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/xls/hhd_c_report_2022q2.xlsx). The FRBNY’s calculation is not a measure of the delinquency rate of the outstanding balance of non-defaulted education loans in active repayment, since the data include defaulted federal loans, which by law are not charged off and must be reported to credit bureaus for seven years. As noted in a footnote on p. 3 of the Report, “delinquency rates for student loans are likely to understate effective delinquency rates because about half of these loans are currently in deferment, in grace periods or in forbearance and therefore temporarily not in the repayment cycle.” See FRBNY, *Quarterly Report on Household Debt and Credit*, (Aug. 2022), available at [https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/hhdc\\_2022q2.pdf](https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/hhdc_2022q2.pdf).

rates may also increase when rates are set next year.<sup>19</sup> This may make student loans increasingly unaffordable for some borrowers.<sup>20</sup> It will also increase the cost of private refinancing options available to all student loan borrowers. For current students, increased private loan rates could result in greater interest accrual and larger monthly payments upon entering repayment. Increased interest rates could also drive some borrowers toward alternative financing products that might carry fewer consumer protections.

## Alternative lending products

Alternatives to traditional federal student loans could contain terms and conditions that borrowers later find detrimental. When compared with federal student loans, private loans offer fewer flexibilities and more limited discharge options.<sup>21</sup> Private lending used to cover educational expenses can also include Income Share Agreements (ISAs), tuition payment plans, and other types of installment loans. There is currently limited data on the prevalence of these products within the market, as well as the terms and conditions to which borrowers agree when they take on these forms of credit. But market monitoring and consumer complaints raise concerns about whether these alternative forms of private debt are associated with poor borrower outcomes. Better data in this area could also indicate whether certain populations are being improperly targeted by lenders.

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<sup>19</sup> Certain types of federal student loans have fixed interest rates that are established annually in accordance with formulas specified in sections 455(b)(8)(A) through (C) of the Higher Education Act of 1965, as amended. See FSA, (DL-22-04) *Interest Rates for Direct Loans First Disbursed Between July 1, 2022 and June 30, 2023*, (May 24, 2022), available at <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2022-05-24/interest-rates-direct-loans-first-disbursed-between-july-1-2022-and-june-30-2023>.

<sup>20</sup> Jason Laljee and Sheffey, Ayelet, Business Insider, *Student-loan borrowers with private debt might be stuck watching their balances balloon as Biden carries out federal forgiveness*, (Sept. 22, 2022), available at <https://www.businessinsider.com/private-student-loan-borrowers-interest-rates-debt-balloon-biden-forgiveness-2022-9>.

<sup>21</sup> See Cons. Fin. Prot. Bur., *Private Student Loans*, (Aug. 29, 2012), available at [https://files.consumerfinance.gov/f/201207\\_cfpb\\_Reports\\_Private-Student-Loans.pdf](https://files.consumerfinance.gov/f/201207_cfpb_Reports_Private-Student-Loans.pdf).

# 3. Student loan complaints

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.

## 3.1 Data sources

This report includes complaints about student loans received by the Bureau and published in CFPB’s public Consumer Complaint Database (CCDB), a collection of complaints about consumer financial products and services sent by the CFPB to companies for response.<sup>22</sup> The database does not include consumers’ personally identifying information. The CCDB 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. It also includes information about the actions taken by a company in response to a

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<sup>22</sup> Cons. Fin. Prot. Bur., *Consumer Complaint Database*, available at <https://www.consumerfinance.gov/data-research/consumer-complaints/>. Not all complaint narratives are published to the public Consumer Complaint Database because consumer consent is required to publish them publicly.



complaint: whether the company's response was timely and how the company responded. Across all products, more than 6,500 financial companies can respond to their customers through the Bureau's complaint process, providing an opportunity for companies' perspectives to be included in the database. The Bureau shares complaint information with state and federal agencies, including the Federal Trade Commission (FTC) and ED.

## 3.2 Limitations

Readers should note that this report does not suggest the prevalence of these issues described as they relate to the entire student loan market. The information provided by borrowers helps to illustrate where there may be a mismatch between borrower expectations and actual service delivered or whether an entity may be violating federal consumer financial laws. Representatives from industry and borrower assistance organizations will likely find the inventory of borrower issues helpful in further understanding the diversity of experiences in the market.

## 3.3 Complaint data trends

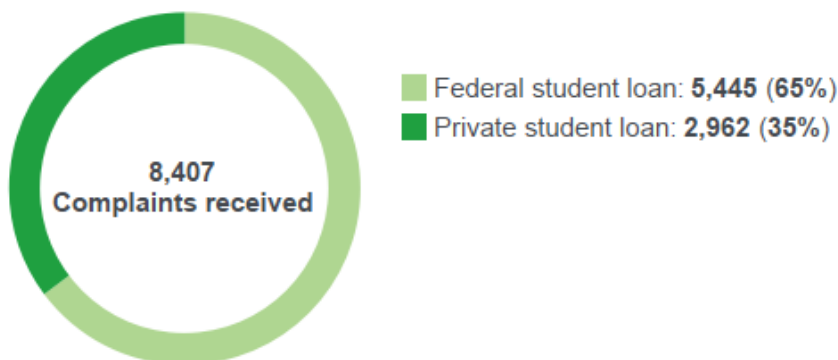
### Complaint volume overall

During the period of September 1, 2021 through August 31, 2022, of the 8,407 student loan complaints received, 2,962 were related to private student loans and 5,445 were related to federal student loans.<sup>23</sup> The number of complaints has increased compared to the previous year, but the share of complaints concerning private student loans has remained roughly the same.

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<sup>23</sup> This report used dynamic data as of October 1, 2022 and may differ slightly from other reports. The Bureau accepts complaints about federal student loan servicing, but it does not handle complaints about federal student loan origination. Instead, it refers borrowers seeking to make such complaints to ED. ED received approximately 85,345 federal student loan complaints from September 1, 2021 through August 31, 2022.

**FIGURE 8:** PRIVATE AND FEDERAL STUDENT LOAN COMPLAINTS RECEIVED, SEPT. 2021–AUG. 2022



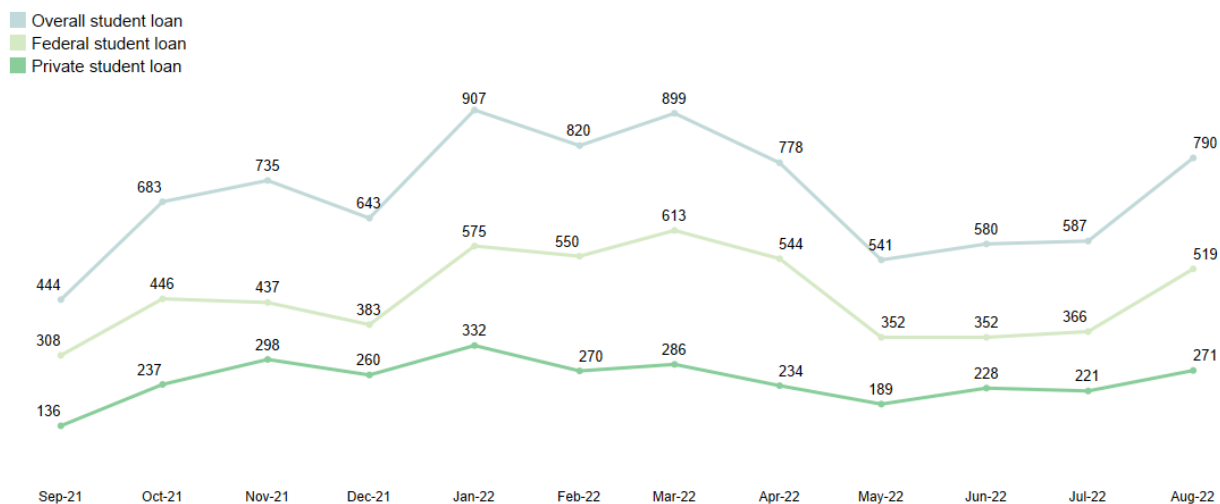
During the period of September 1, 2021 through August 31, 2022, complaints for student loans trended higher, both overall and for each loan type. Total student loan-related complaints increased nearly 58 percent year-over-year, reversing the downward trend noted in prior reports.<sup>24</sup> Both federal and private student loan complaints increased at similar rates. However, given that most federal student loans are currently in forbearance due to the CARES Act and subsequent relief measures, the return to pre-2020 levels of complaints regarding federally-held loans is noteworthy.<sup>25</sup> Private student loans are not covered by federal debt relief programs, and while lenders did generally provide borrowers with some pandemic relief measures such as disaster forbearances during the early stages of the pandemic, evidence suggests that such relief is no longer available.<sup>26</sup> Private student loan lenders typically offer a limited amount of forbearance, but availability varies by lender.

<sup>24</sup> See Cons. Fin. Prot. Bur., *Annual Report of the CFPB Private Education Loan Ombudsman*, (Oct. 2019) (2019 Report), [https://files.consumerfinance.gov/f/documents/cfpb\\_annual-report\\_private-education-loan-ombudsman\\_2019.pdf](https://files.consumerfinance.gov/f/documents/cfpb_annual-report_private-education-loan-ombudsman_2019.pdf), Cons. Fin. Prot. Bur., *Annual Report of the CFPB Private Education Loan Ombudsman*, (Oct. 2020) (2020 Report), [https://files.consumerfinance.gov/f/documents/cfpb\\_annual-report\\_private-education-loan-ombudsman\\_2020.pdf](https://files.consumerfinance.gov/f/documents/cfpb_annual-report_private-education-loan-ombudsman_2020.pdf), and Cons. Fin. Prot. Bur., *Report of the CFPB Education Loan Ombudsman*, (Oct. 2021) (2021 Report), [https://files.consumerfinance.gov/f/documents/cfpb\\_education-loan-ombudsman-annual-report\\_2021.pdf](https://files.consumerfinance.gov/f/documents/cfpb_education-loan-ombudsman-annual-report_2021.pdf).

<sup>25</sup> An increase in consumer contacts over the last year following important market developments may have contributed to the rise in complaints. For a list of some developments in the federal student loan market, see Appendix B.

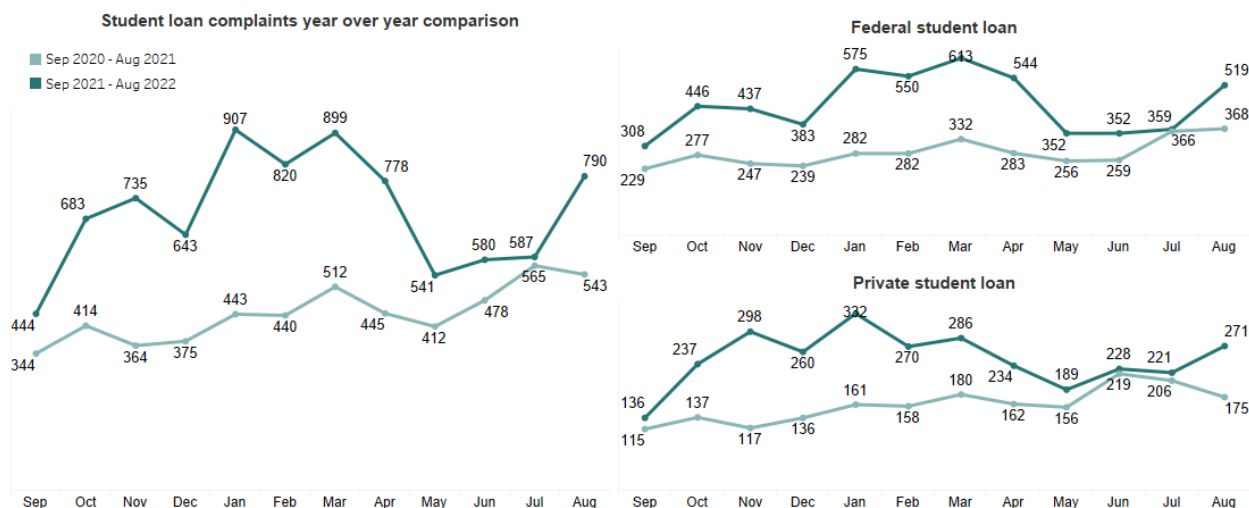
<sup>26</sup> See DBRS Morningstar, *DBRS Morningstar Student Loan ABS Update – Q2 2022 Performance*, (Oct. 5, 2022), available at <https://www.dbrsmorningstar.com/research/403669>.

**FIGURE 9:** MONTHLY COMPLAINTS RECEIVED TREND FOR STUDENT LOANS, SEPT. 2021–AUG. 2022



Year-over-year comparisons for student loan complaints show an increased volume of complaints for both federal and private student loans in nearly all months of the year, with particularly high volumes of federal student loan complaints between January and April of 2022 relative to 2021, and a notable increase again in August 2022 for both loan types. These variations may be related to the timing of repayment pause extension announcements and accompanying speculation, which may have introduced uncertainty for borrowers.

**FIGURE 10:** COMPARISON OF COMPLAINTS RECEIVED YEAR OVER YEAR BY MONTH, SEPT. 2020–AUG. 2021 AND SEPT. 2021–AUG. 2022



## Servicemembers and Older Americans

Servicemembers and older Americans 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 putting security clearances at risk for servicemembers, or increasing budgetary pressures for older Americans living on a fixed income that may require them to choose between paying student loans and buying medication or groceries.

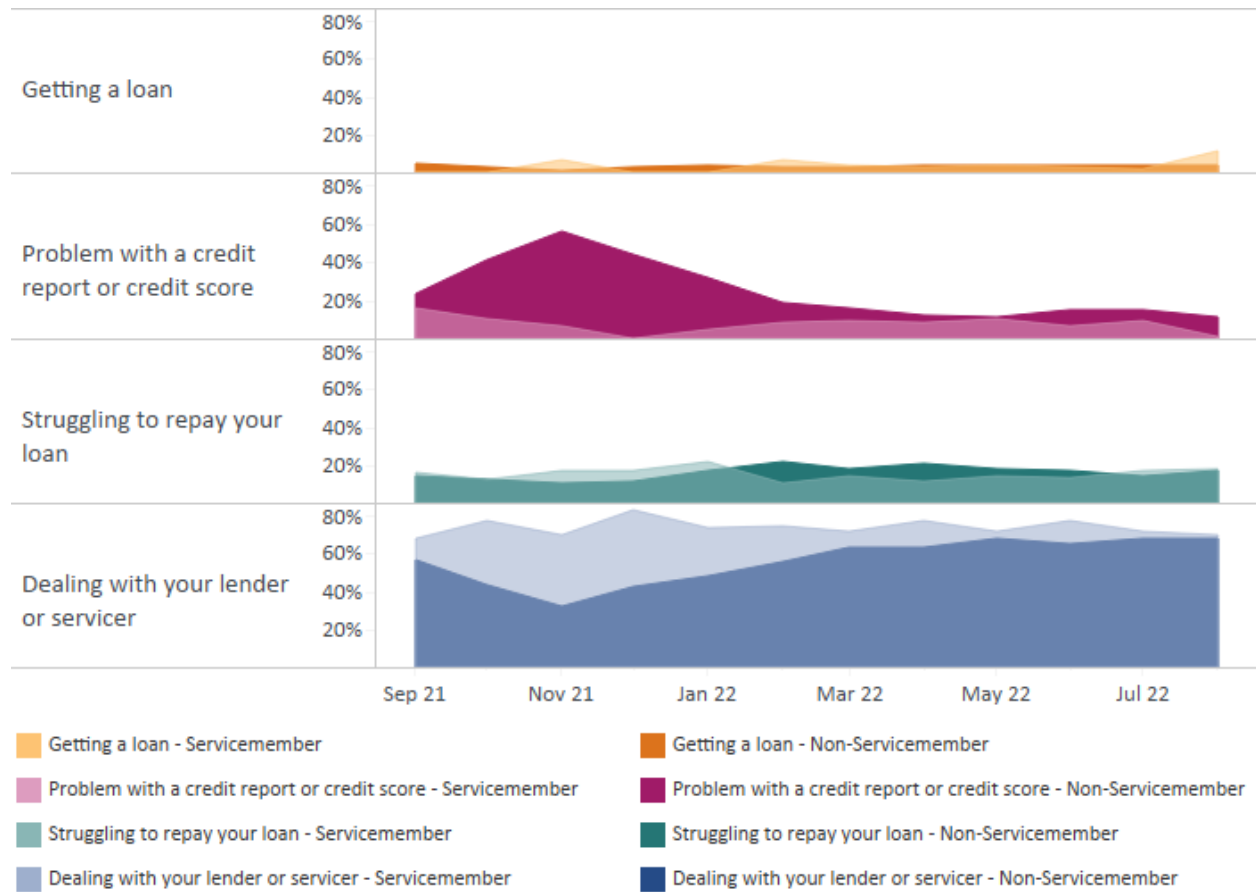
Overall federal student loan complaints represented 65 percent of student loan complaints received by the Bureau (Figure 8) while federal student loan complaints represented 72 percent of student loan complaints received from servicemembers. This suggests that servicemembers may experience more challenges with federal student loans than non-servicemembers do, despite access to robust Post-9/11 GI Bill benefits.

**TABLE 1:** STUDENT LOAN COMPLAINTS RECEIVED, SERVICEMEMBERS AND NON-SERVICEMEMBERS, FEDERAL AND PRIVATE STUDENT LOANS, SEPT. 2021–AUG. 2022

	Student loan complaints submitted by servicemembers	Student loan complaints submitted by non-servicemembers
<b>Federal student loan</b>	482	4,963
<b>Private student loan</b>	187	2,775
<b>Grand total</b>	669	7,738

Figure 11, below, shows how monthly student loan complaint issue percentage trends differ by servicemembers vs. non-servicemembers. Servicemember complaints concern proportionately more challenges than non-servicemembers regarding “Dealing with your lender or servicer,” but proportionately fewer issues with credit reports or credit scoring.

**FIGURE 11: PERCENTAGE OF ISSUE VOLUME TREND FOR STUDENT LOAN COMPLAINTS SUBMITTED BY SERVICEMEMBERS AND NON-SERVICEMEMBERS, SEPT. 2021–AUG. 2022**



From September 1, 2021 through August 31, 2022, private student loan complaints represented 32 percent of student loan complaints received from both older consumers and non-older consumers. One common challenge experienced by older consumers with private student loans relates to co-signer release, where older consumers are co-signers on loans made with younger borrowers, but who may later have difficulty removing themselves from the loan. For example, while major private student loan lenders have long offered death discharge benefits, in previous years the Bureau has heard from the parents of borrowers who were denied co-signer releases even though their children were killed in action serving our nation in combat operations, and co-signer release continues to be a relevant issue for these borrowers.

**TABLE 2:** STUDENT LOAN COMPLAINTS RECEIVED, OLDER AND YOUNGER CONSUMERS, FEDERAL AND PRIVATE STUDENT LOANS, SEPT. 2021–AUG. 2022

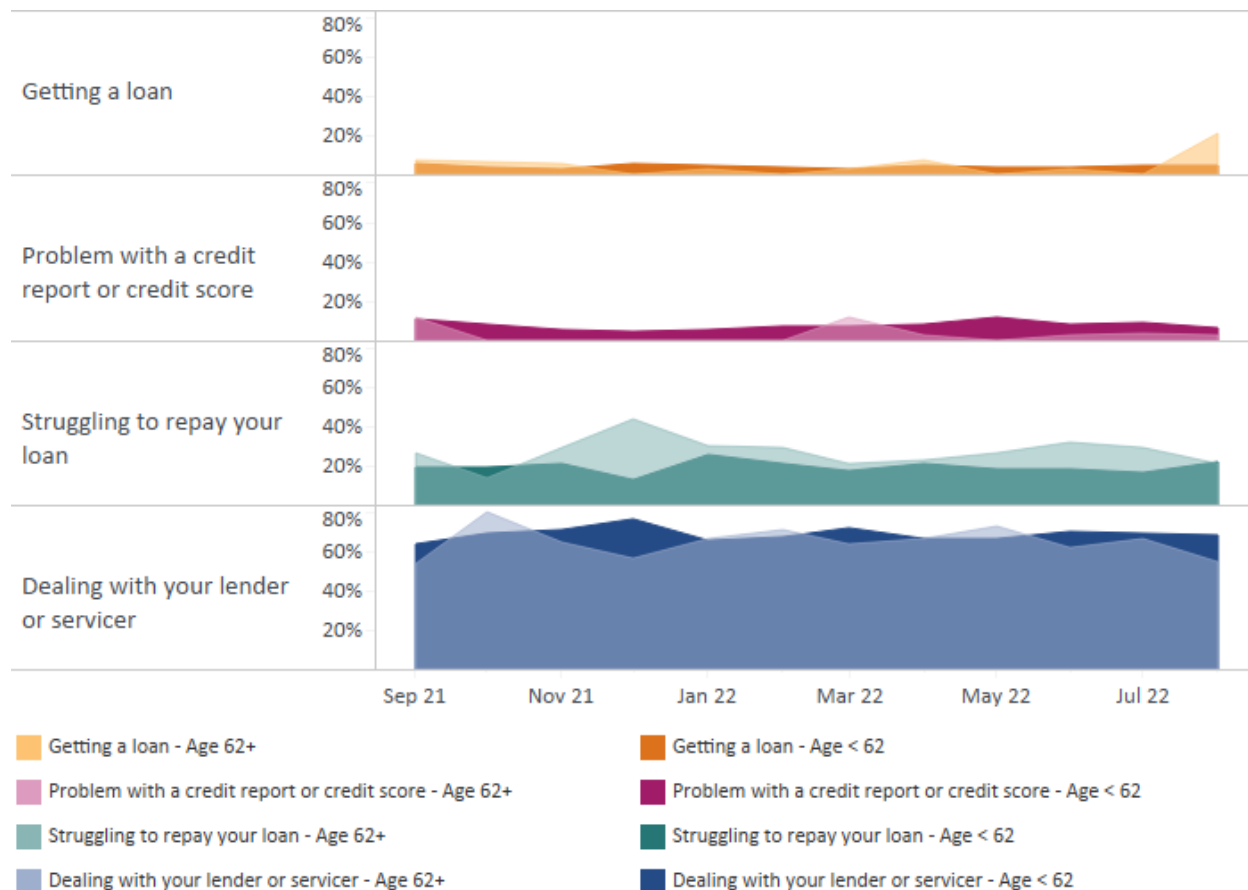
	Student loan complaints by older consumers	Student loan complaints by younger consumers
Federal student loan	222	2,313
Private student loan	105	1,080
Grand Total	327	3,393

Figure 12 shows how monthly student loan complaint issue trends differ by older versus non-older consumers. In most months this year, older Americans cited proportionately more challenges in repaying their loans than younger consumers, particularly in and around December 2021 which roughly coincided with the announcement of the extension of the CARES Act pause that was announced on December 22, 2021.<sup>27</sup> This may suggest increasing financial distress going forward when the last administrative extension of CARES Act relief measures expires.

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<sup>27</sup> U.S. Dept. of Ed., *Biden-Harris Administration Extends Student Loan Pause Through May 1, 2022*, (Dec. 22, 2021), available at <https://www.ed.gov/news/press-releases/biden-harris-administration-extends-student-loan-pause-through-may-1-2022>.

**FIGURE 12:** PERCENTAGE OF ISSUE VOLUME TREND FOR STUDENT LOAN COMPLAINTS SUBMITTED BY CONSUMERS AGE 62+ AND CONSUMERS UNDER AGE 62, SEPT. 2021–AUG. 2022 (CCDB)



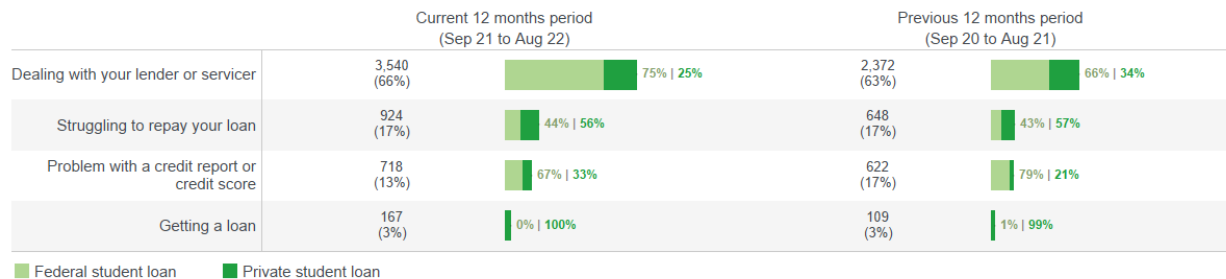
## Issues identified in complaints

The CARES Act and administrative relief for student loans has been in effect for this entire reporting period.<sup>28</sup> In reviewing issues and outcomes and making comparisons, it is helpful to look at comparable periods during which CARES Act relief measures were in effect: the most recent twelve months and the preceding twelve months. Figure 13 provides a snapshot of the distribution of private and federal loan complaints for two preceding twelve-month periods. While complaints have risen overall, the most recent twelve months show an increase in both

<sup>28</sup> The Emergency Declaration regarding COVID-19 was signed by the former President on March 13, 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 to expire on December 31, 2022.

the number and the share of complaints related to dealing with a lender or servicer. Some of the increase in complaints regarding lenders and servicers may be related to increased contacts between borrowers and services regarding changes to the IDR and PSLF programs on the federal side, especially considering CARES Act relief was in effect for both observation periods, which suspended payments on federally-owned loans.

**FIGURE 13: ISSUE HIGHLIGHTS AND PERCENTAGE DISTRIBUTION OF COMPLAINTS RECEIVED BY PRIVATE AND FEDERAL LOANS, SEPT. 2020–AUG. 2022<sup>29</sup>**



The Bureau’s sub-issue categories provide greater specificity, which is helpful in identifying specific challenges and working toward timely and effective resolution. The figure below provides greater detail of potential challenges within each broad issue category.

Like last year, federal student loan borrowers most frequently complained about receiving inaccurate or incomplete information about their loans from servicers, but the total number of complaints in this area more than doubled. This was also the most commonly-cited reason for complaints by private student loan borrowers this year. However, while private student loan borrowers’ second most common complaint category regarded lack of flexible repayment options, that was only the fifth most cited issue for federal student loan borrowers.

<sup>29</sup> Consumers submitting student loan complaints may select from the following four types of complaint categories: “Getting a loan,” “Struggling to repay 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.

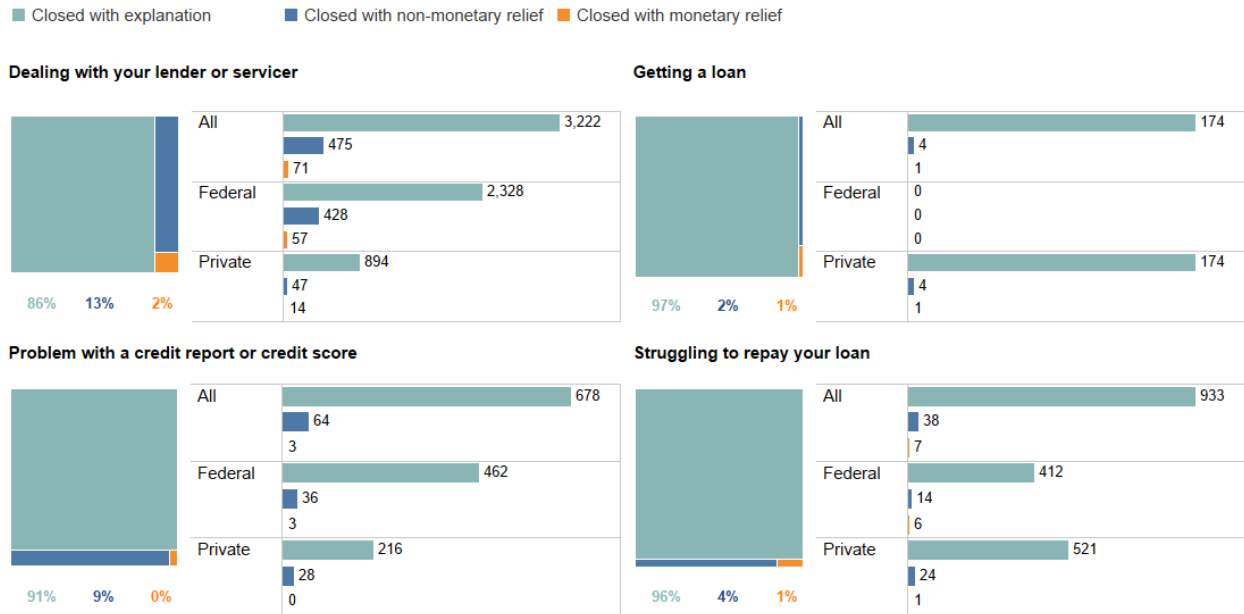


**FIGURE 14:** STUDENT LOAN COMPLAINTS BY ISSUE AND TOP FIVE SUB-ISSUES, SEPT. 2021–AUG. 2022

		All student loan	Federal student loan	Private student loan
Dealing with your lender or servicer	Received bad information about your loan	1,616 (43%)	1,286 (46%)	330 (35%)
	Trouble with how payments are being handled	945 (25%)	685 (24%)	260 (27%)
	Problem with customer service	423 (11%)	337 (12%)	86 (9%)
	Need information about your loan balance or loan terms	369 (10%)	275 (10%)	94 (10%)
	Don't agree with the fees charged	288 (8%)	179 (6%)	109 (11%)
Struggling to repay your loan	Can't get other flexible options for repaying your loan	570 (58%)	254 (59%)	316 (58%)
	Problem lowering your monthly payments	252 (26%)	113 (26%)	139 (25%)
	Can't temporarily delay making payments	156 (16%)	65 (15%)	91 (17%)
Problem with a credit report or credit score	Account information incorrect	165 (22%)	121 (24%)	44 (18%)
	Account status incorrect	156 (21%)	120 (24%)	36 (15%)
	Was not notified of investigation status or results	109 (15%)	13 (3%)	96 (39%)
	Their investigation did not fix an error on your report	90 (12%)	73 (15%)	17 (7%)
	Reporting company used your report improperly	66 (9%)	53 (11%)	13 (5%)
Getting a loan	Fraudulent loan	96 (54%)	0 (0%)	96 (54%)
	Confusing or misleading advertising	50 (28%)	0 (0%)	50 (28%)
	Denied loan	19 (11%)	0 (0%)	19 (11%)
	Problem with the interest rate	8 (4%)	0 (0%)	8 (4%)
	Qualified for a better loan than the one offered	3 (2%)	0 (0%)	3 (2%)

Responses from companies to borrower complaints may consist of an explanation, monetary relief, or non-monetary relief, as shown in Figure 15. Companies responded with explanations or non-monetary relief in 99 percent of closed company responses, similar to the 98 percent reported in 2021. However, while this year saw a general rise in complaints in all categories, a greater share of complaints were closed with explanation or non-monetary relief, rather than monetary relief.

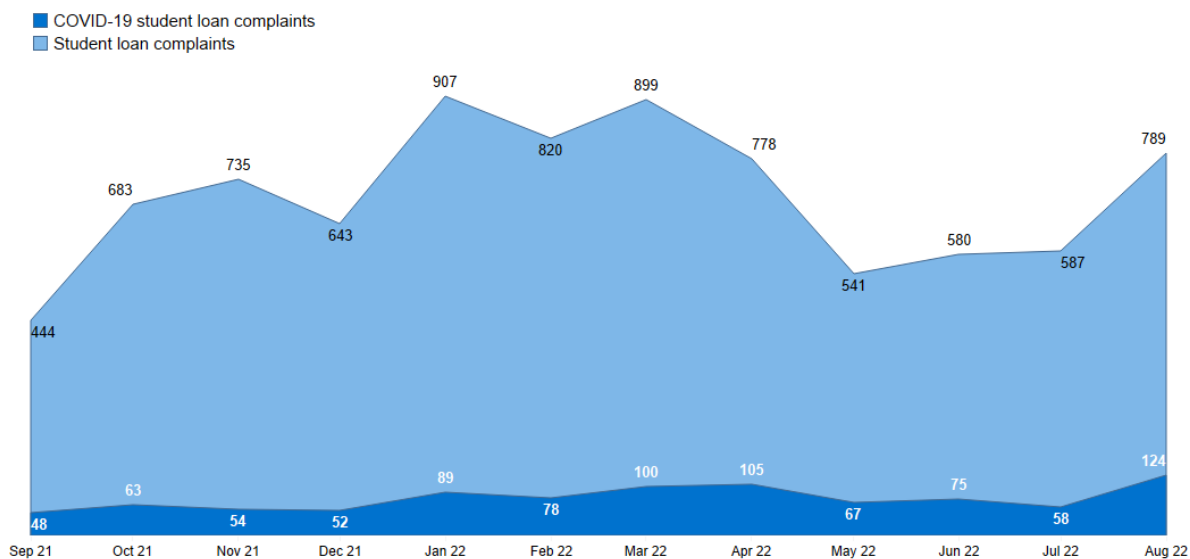
**FIGURE 15: COMPANY RESPONSE OUTCOMES FOR PRIVATE AND FEDERAL STUDENT LOANS, SEPT. 2021–AUG. 2022**



## COVID-19 complaints

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 2,172 student loan complaints where the consumer narrative mentions keywords related to COVID-19 since the pandemic began and 913 in this reporting period. Student loan complaints overall and those mentioning COVID-19, coronavirus, and related terms are compared below in monthly frequency.

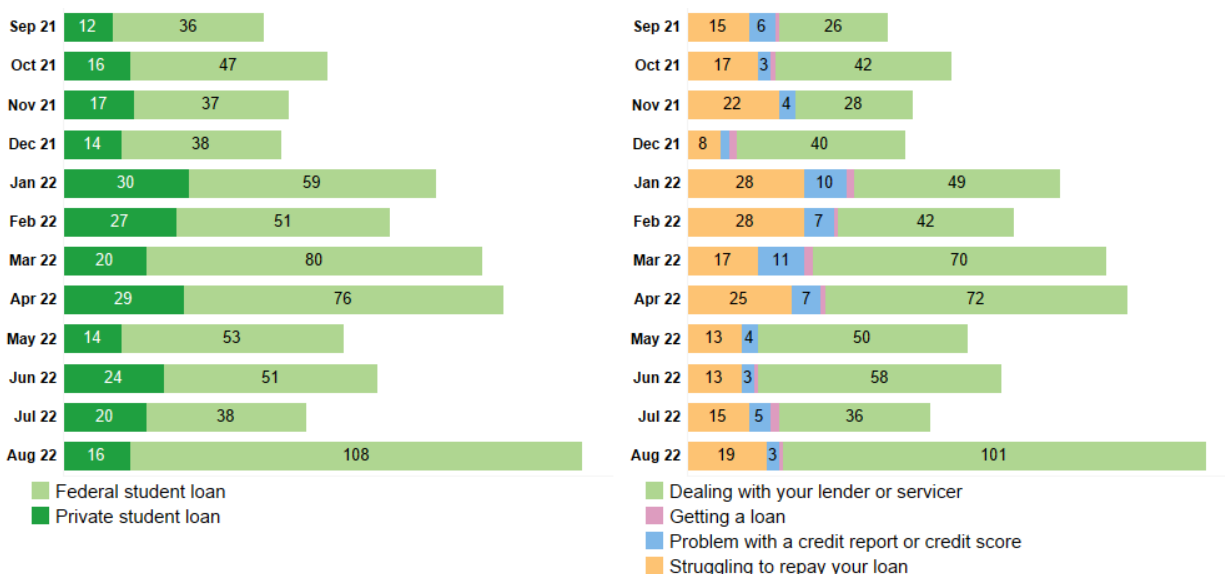
**FIGURE 16:** STUDENT LOAN COMPLAINTS RECEIVED INCLUDING TERMS RELATED TO COVID-19, SEPT. 2021–AUG. 2022



Student loan complaints mentioning COVID-19 as a percentage of overall monthly student loans ranged from 7 percent to 16 percent with an average of around 11 percent.

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 17 shows that the two months with the highest number of student loan complaints coincided with announcements of pause extensions (Apr. 2022 and Aug. 2022), and also shows more federal student loan complaints related to “Dealing with your lender or servicer.” This could suggest that borrowers may have been dissatisfied with the service they received from servicers at the time announcements were made by ED.

**FIGURE 17:** STUDENT LOAN COMPLAINTS RECEIVED INCLUDING TERMS RELATED TO COVID-19 BY PRODUCT AND BY ISSUE, SEPT. 2021–AUG. 2022<sup>30</sup>



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.

## Debt collection

From September 1, 2021 through August 31, 2022, the Bureau handled approximately 2,000 student loan complaints where the consumer selected debt collection as the product (rather than student loans).

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,<sup>31</sup> are not published in the CCDB or reflected in the company-level analysis in this report. These complaints are shared with state and federal

<sup>30</sup> 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 products.

<sup>31</sup> For details regarding debt relief scams and red flags to identify and avoid them, see the 2019 Report.

agencies, including state Attorneys General, the Office of Federal Student Aid (FSA), ED’s Office of the Inspector General, and the FTC’s Sentinel Network for law enforcement agencies. Sharing information with these agencies enables them to more effectively assess the responsiveness of companies in their handling of consumer complaints.

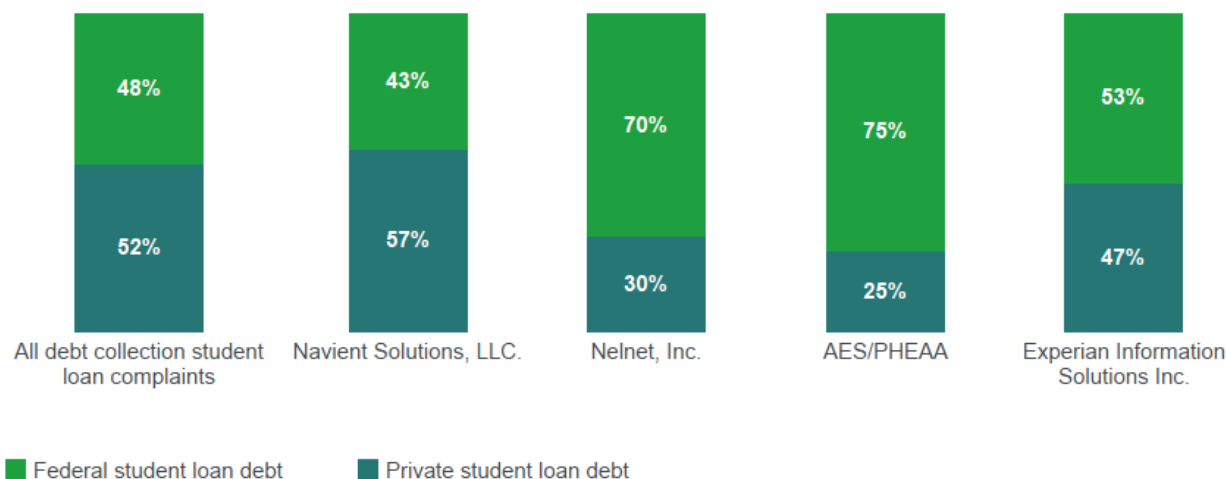
The table and figure below are based on complaints sent to companies or organizations and data exported from the public CCDB as of October 1, 2022. Nelnet and Navient were the top two recipients of student loan debt collection complaints this year for both federal and private student loans, as shown in Table 3.

**TABLE 3:** TOP RECIPIENTS OF STUDENT LOAN DEBT COLLECTION COMPLAINTS, SEPT. 2021–AUG. 2022<sup>32</sup>

<b>Federal Student Loans</b>	<b>Number of Complaints</b>	<b>Private Student Loans</b>	<b>Number of Complaints</b>
Navient	73	Nelnet	78
Nelnet	33	Navient	55
SLM Corporation	29	AES/PHEAA	44
Experian	20	Maximus Education, LLC dba Aidvantage	26
Ability Recovery Services, LLC	17	Experian	23

<sup>32</sup> This table reflects debt collection complaints where (1) the consumer identified the sub-product as a private or federal student loan and (2) the identified company or organization that responded to the complaint, confirming the relationship with the consumer. This table also reflects debt collection parent companies responding to complaints about their subsidiary debt collection companies.

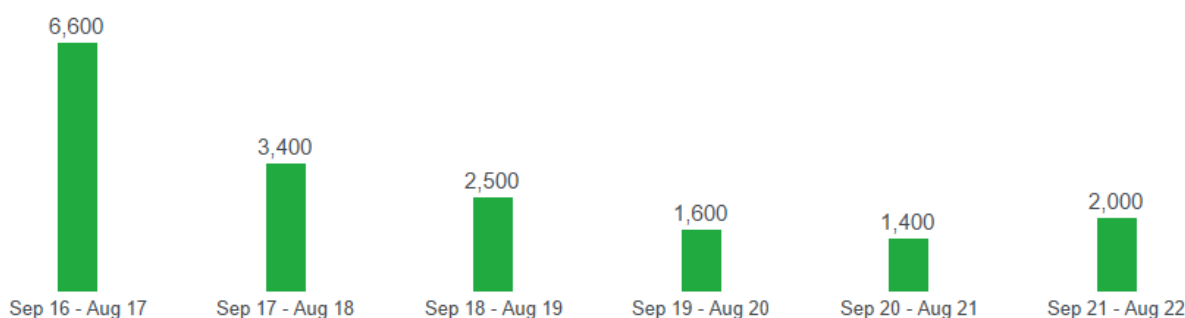
**FIGURE 18:** DISTRIBUTION OF LOAN TYPE FOR STUDENT DEBT COLLECTION COMPLAINTS FOR TOP FOUR COMPANY RECIPIENTS, SEPT. 2021–AUG. 2022<sup>33</sup>



## Aggregate private student loan complaint trends

From September 1, 2021 through August 31, 2022, the Bureau handled approximately 3,000 private student loan complaints. The following tables are based on complaints sent to companies or organizations and data exported from the public CCDB as of October 1, 2022.

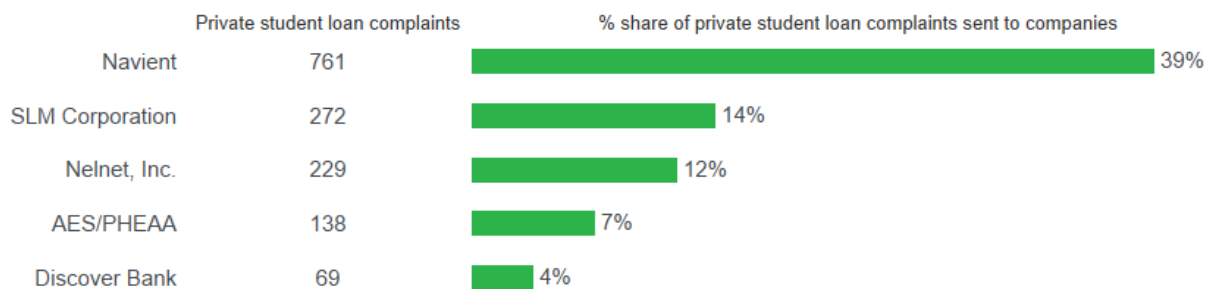
**FIGURE 19:** COMPARISON OF THE AGGREGATE NUMBER OF PRIVATE STUDENT LOAN COMPLAINTS SENT TO COMPANIES BY YEAR, SEPT. 2016–AUG. 2022<sup>34</sup>



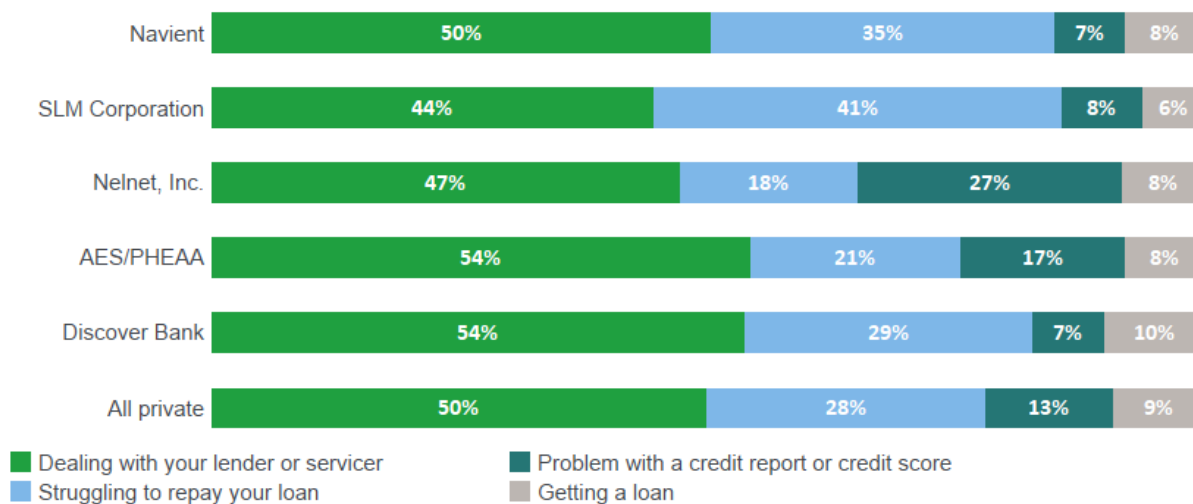
<sup>33</sup> *Id.*

<sup>34</sup> 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 20:** ORGANIZATIONS WITH THE MOST PRIVATE STUDENT LOAN COMPLAINTS, SEPT. 2021–AUG. 2022<sup>35</sup>



**FIGURE 21:** CONSUMER-IDENTIFIED ISSUES IN PRIVATE STUDENT LOAN COMPLAINTS BY ORGANIZATION, SEPT. 2021–AUG. 2022<sup>36</sup>



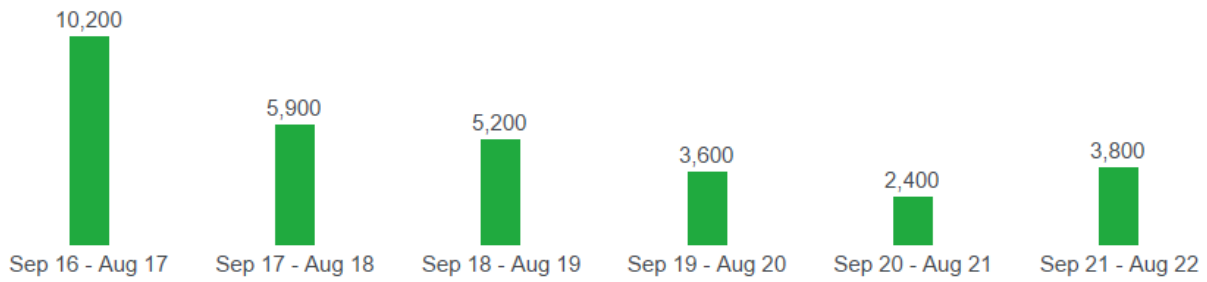
## Aggregate federal student loan complaint trends

From September 1, 2021 through August 31, 2022, the Bureau handled approximately 5,400 federal student loan complaints. The following tables are based on complaints sent to companies or organizations and data exported from the public CCDB as of October 1, 2022.

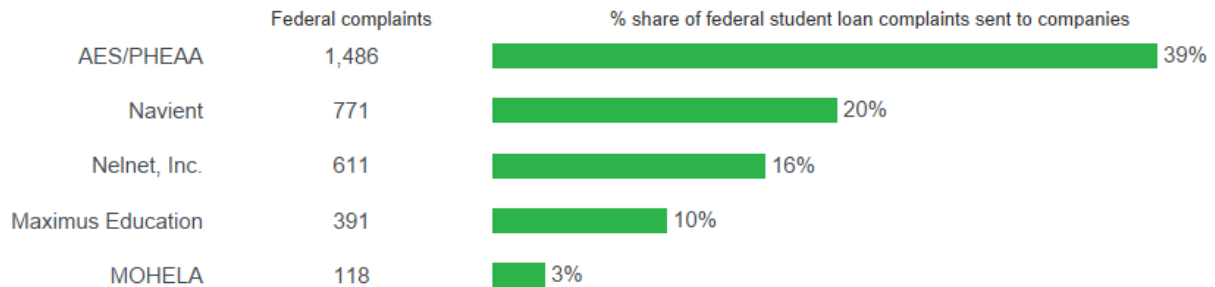
<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

**FIGURE 22:** FEDERAL STUDENT LOAN COMPLAINTS SENT TO COMPANIES BY YEAR, SEPT. 2017–AUG. 2022<sup>37</sup>



**FIGURE 23:** ORGANIZATIONS WITH THE MOST FEDERAL STUDENT LOAN COMPLAINTS, SEPT. 2021–AUG. 2022<sup>38</sup>

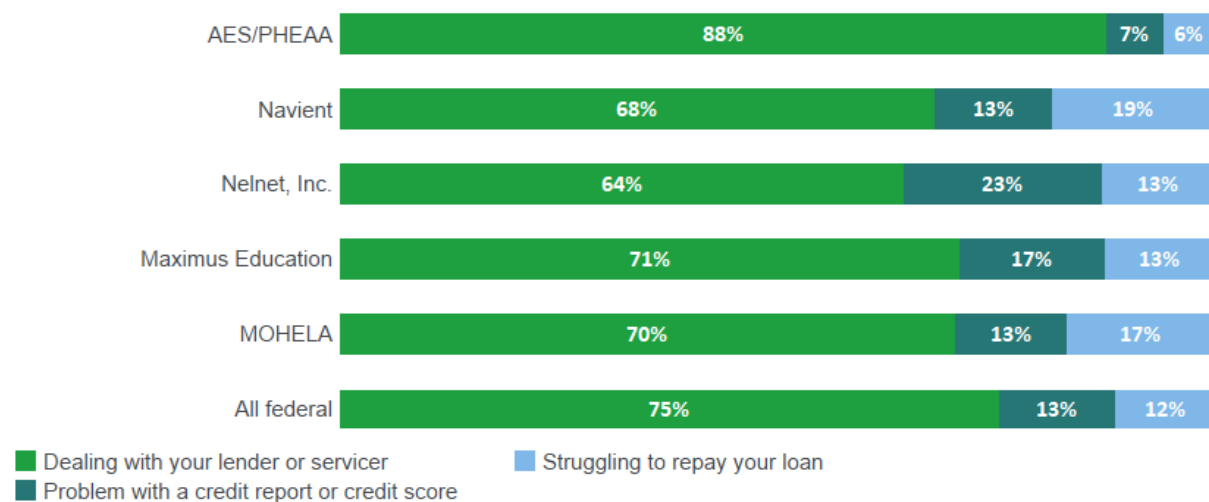


<sup>37</sup> This figure reflects yearly aggregate complaints where (1) the consumer identified the sub-product as a federal student loan and (2) the company or organization that responded to the complaint, confirming the relationship with the consumer.

<sup>38</sup> *Id.*



**FIGURE 24:** ORGANIZATIONS WITH THE MOST FEDERAL STUDENT LOAN COMPLAINTS BY ISSUE, SEPT. 2021–AUG. 2022<sup>39</sup>



**TABLE 4:** NORMALIZATION TABLE BASED ON COMPLAINTS PER 10,000 BORROWERS, SEPT. 2021–AUG. 2022<sup>40</sup>

Company	Number of complaints	Number of borrowers in millions	Complaints per 10K borrowers
AES/PHEAA	1,486	4.8	3.1
Navient/Maximus	1,162	6.7	1.7
Nelnet/Great Lakes	611	14.6	0.4
MOHELA	118	4.3	0.3
EdFinancial	113	3.6	0.3
OSLA	12	1.1	0.1

<sup>39</sup> *Id.*

<sup>40</sup> The number of borrowers is an average based on quarter-end borrower counts, but assumes borrower counts as of June 30, 2022 remained constant through August 2022. Throughout this reporting period, there were six federal student loan servicers. Maximus, parent company of Aidvantage, completed the novation of the federal loan servicing contract from Navient within the year, so complaint volumes are aggregated. This table reflects data for federal student loan servicers, and do not include accounts of non-ED owned loans. PHEAA, Nelnet, and Navient service portfolios of commercial FFELP loans.

**TABLE 5:** NORMALIZATION TABLE BASED ON COMPLAINTS PER 10,000 BORROWERS BY YEAR, SEPT. 2017–AUG. 2022<sup>41</sup>

Company	Sept. 2017 – Aug. 2018	Sept. 2018 – Aug. 2019	Sept. 2019 – Aug. 2020	Sept. 2020 – Aug. 2021	Sept. 2021 – Aug. 2022
AES/PHEAA	1.9	2.3	1.7	1.0	3.1
Navient/Maximus	4.2	3.5	2.0	1.3	1.7
Nelnet/Great Lakes	0.6	0.5	0.4	0.3	0.4
MOHELA	0.3	0.2	0.2	0.1	0.3
EdFinancial	0.4	0.2	0.2	0.1	0.3
OSLA	0.2	0.2	0.1	0.2	0.1
UHEAA	0.3	0.3	0.2	0.3	-

<sup>41</sup> The methodology for normalization has changed slightly from prior iterations of this report. This time, borrower counts are based on quarterly average federal loan servicing portfolios (as in Table 4), rather than a year-end snapshot. As in prior reports, this table displays only the companies to which complaints were routed. These companies are the “parent company.” Because Great Lakes is now owned by Nelnet (the parent company), all complaints mentioning Great Lakes were routed to Nelnet. Therefore, Great Lakes is removed and the borrower count for Nelnet includes all Great Lakes borrowers. Maximus, parent company of Aidvantage, completed the novation of the federal loan servicing contract from Navient within the year, so complaint volumes are aggregated for Sep 2021–Aug 2022.

# 4. Ombudsman discussion

The following discussion identifies consumer risks included in consumer complaints filed with the Bureau and market monitoring. While this section, of course, does not list the full range of risks faced by student loan borrowers, the risks included impose significant consumer harm and raise concerns about industry compliance with applicable federal law.

## 4.1 Private student loans

As noted in the market analysis section, the private student loan market now exceeds \$128 billion dollars. Complaints received by the Bureau from borrowers with private student loans raise a host of issues, from origination to servicing to collections. This report will focus on two specific areas of harm identified in the complaints: the failure of private student loan holders and servicers to account for borrower defenses to repayment arising from fraud and abuse at institutions of higher education and the continued collection of education debt that has been discharged in bankruptcy.

### Private loans associated with predatory schools

Over the last decade, federal, state and private litigation and investigations<sup>42</sup> have demonstrated that major for-profit college chains engaged in predatory practices, pressuring students to borrow large amounts by making false, misleading, or fraudulent claims about employment placement rates, starting salaries, and other indications of future success.<sup>43</sup> These inquiries also showed that predatory schools have targeted non-traditional students, low-income households,

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<sup>42</sup> For a historical list of enforcement actions by state and federal agencies, as well as private actions, see Veterans Education Success, *Law Enforcement Actions Against Predatory Colleges*, (updated Jan. 2021), available at <https://vetsedsuccess.org/law-enforcement-actions-against-predatory-colleges/>.

<sup>43</sup> See, e.g., FTC, *FTC Targets False Claims by For-Profit Colleges*, (Oct. 6, 2021), available at <https://www.ftc.gov/news-events/news/press-releases/2021/10/ftc-targets-false-claims-profit-colleges>.

military veterans, and Black and Latino students, leaving them with low future earnings, high debt balances, and high default rates.<sup>44</sup>

The CFPB has received numerous complaints describing the tactics employed by these predatory schools that left students with large amounts of unaffordable debt. For example, one borrower described misrepresentations regarding work availability, starting salary, and pressure tactics to sign loan documents with no explanation.

*I attended [for-profit] in 2004 and 2005. ... the schools parent corporation ...went bankrupt and closed every single one of its schools. **Previously I had been lied to about the salaries and the availability of work in a career in hospitality.** I was told multiple times by multiple people that entry level salaries could be 60,000 dollars or more. This was a complete and utter lie and had I known what the hospitality industry paid entry level employees I would NEVER have attended the school. **I was forcefully encouraged to "hurry and sign" loan documents without any explanation of fees and the overall cost of this education.** Since I started repayment in 2005, my original loan amount of 20000 dollars had doubled. I have been paying these loans for 17 years and my total current balance as of today is just under 32000 dollars. (Emphasis added.)*

Another borrower described their school's misrepresentations regarding the availability of grants and job placement, along with the borrower's experience in the job market given the low value of the educational programming they received.

*[For-profit] college used predatory methods to get me to join. When applying for financial aid I was told I was eligible for it all to be paid in grants. I was misled by the recruiting office that told me that even though I had a felony that ... they were 100% confident they could get me a job placement They falsified career placement status. I never received job placement services. The instructors also passed you in the class weather or not you passed the test.*

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<sup>44</sup> See, e.g., ED, *Education Department Releases Proposed Regulations to Protect Veterans and Service Members, Increase College Oversight, and Increase College Access for Incarcerated Individuals*, (July 26, 2022), available at <https://www.ed.gov/news/press-releases/education-department-releases-proposed-regulations-protect-veterans-and-service-members-increase-college-oversight-and-increase-college-access-incarcerated-individuals>; Harvard Law Review Blog, *For-Profit Schools' Predatory Practices and Students of Color: A Mission to Enroll Rather than Educate*, (July 30, 2018), available at <https://blog.harvardlawreview.org/for-profit-schools-predatory-practices-and-students-of-color-a-mission-to-enroll-rather-than-educate/>.

*Also, as a result of their practices, the college has filed bankruptcy and has shut down permanently. I am unable to obtain any transcript or diploma that I have received. Therefore I am unable to prove that I attended a college or show any degree completion. I am also unable to put down on a resume that I completed the college because all employers, especially in the legal field in which I went to school for know that [For-profit] college have been sued and is permanently closed. Employers don't take it seriously. I am unable to use and show the "education" that I allegedly received. I wouldn't even signed up if they didn't promise job placement and tell me that I was eligible for grants.*

When schools receiving Title IV funds engage in these types of practices, or commit other misconduct in violation of state laws, victimized borrowers can invoke “borrower defense to repayment” (borrower defense) discharges of their federally-owned loans. These discharges may be for individual borrowers or a number, such as all borrowers who attended a program or school (group discharge).

In 2021 and 2022, the Department of Education issued billions of dollars in discharges to federal student loan borrowers who had suffered under predatory schools. The Department of Education used its authorities to issue group discharges to borrowers who attended several large for-profit college chains, including Corinthian Colleges and ITT Technical Institute.<sup>45</sup> These discharges were accompanied by specific findings regarding how borrowers were misled and other school misconduct.

While the expanded use of borrower defense on federal student loans has been a significant development for many borrowers, investigations of predatory for-profit schools have shown that private student loans played a critical role in the business model of these schools. Over the past decade, the CFPB has identified a range of risks associated with the private student loan market’s intersection with for-profit schools.<sup>46</sup> For example, the CFPB raised concerns about illegal practices by both institutions and lenders that worked to enroll students in low-value educational programs and to saddle them with high-cost private student loans to meet tuition obligations. In 2014, the CFPB sued ITT Educational Services, Inc. (ITT) for its role in pushing

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<sup>45</sup> ED, *Education Department Approves \$5.8 Billion Group Discharge to Cancel all Remaining Loans for 560,000 Borrowers who Attended Corinthian*, (June 1, 2022), available at <https://www.ed.gov/news/press-releases/education-department-approves-58-billion-group-discharge-cancel-all-remaining-loans-560000-borrowers-who-attended-corinthian-colleges>; ED, *Department of Education Approves Borrower Defense Claims Related to Three Additional Institutions*, (July 9, 2021), available at <https://www.ed.gov/news/press-releases/department-education-approves-borrower-defense-claims-related-three-additional-institutions>.

<sup>46</sup> See 2019 Report.

students into private loans.<sup>47</sup> The CFPB took similar action against Corinthian Colleges. In its complaints against both ITT and Corinthian, the CFPB described how both schools relied on private student loans to fund the “gap” between federal loans or grants and the schools’ tuition prices.<sup>48</sup> Each complaint noted that third-party lenders made those private student loans until 2008, leading both schools to generate their own institutional lending programs.<sup>49</sup> The CFPB ultimately entered into settlements with the holders of private institutional loans marketed to students at ITT and Corinthian, while several state attorneys general settled with one large private student lender to provide relief for a portion of the third-party private student loans associated with those schools.<sup>50</sup> The FTC has also taken enforcement actions affecting some private student debts associated with predatory for-profit schools.<sup>51</sup>

The private student loan risks uncovered by CFPB are not only echoed in state and private actions against for-profit colleges; they are also echoed in consumer complaints received by the Bureau. These complaints document how borrowers continue to struggle with private student loans made by third-party private student lenders for attendance at predatory for-profit colleges.

For example, one borrower wrote:

*Thank you for all your efforts to protect the rights and freedoms we share today, and I appreciate your time to review my concern. On August 4th, 2022, the court granted preliminary approval for federal loan cancellation and refunded payments for class*

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<sup>47</sup> Cons. Fin. Prot. Bur., *CFPB Sues For-Profit College Chain ITT For Predatory Lending*, (Feb. 26, 2014), available at <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-for-profit-college-chain-itt-for-predatory-lending/>.

<sup>48</sup> See *Consumer Financial Protection Bureau v. Corinthian Colleges, Inc.*, Case 1:14-cv-07194, filed September 16, 2014, available at [https://files.consumerfinance.gov/f/201409\\_cfpb\\_complaint\\_corinthian.pdf](https://files.consumerfinance.gov/f/201409_cfpb_complaint_corinthian.pdf); *Consumer Financial Protection Bureau v. ITT Educational Services, Inc.*, Case 1:14-cv-00292-SEB-TAB, filed February 26, 2014, available at [https://files.consumerfinance.gov/f/201402\\_cfpb\\_complaint\\_ITT.pdf](https://files.consumerfinance.gov/f/201402_cfpb_complaint_ITT.pdf).

<sup>49</sup> *Id.*

<sup>50</sup> See Consent Judgment and Order, *Commonwealth of Pennsylvania v. Navient Corporation and Navient Solutions, LLC*, 3:17-cv-01814-RDM, filed Jan. 20, 2022, available at <https://www.attorneygeneral.gov/wp-content/uploads/2022/01/2022-01-20-Navient-Consent-Judgment-signed.pdf>; see also “Who is eligible for private loan debt cancellation?” *Navient AG Multi-State Settlement*, available at <https://www.navientagsettlement.com/>.

<sup>51</sup> See, e.g., FTC, *DeVry University Agrees to \$100 Million Settlement with FTC*, (Dec. 15, 2016), available at <https://www.ftc.gov/news-events/news/press-releases/2016/12/devry-university-agrees-100-million-settlement-ftc>; FTC, *FTC Obtains Record \$191 Million Settlement from University of Phoenix to Resolve FTC Charges It Used Deceptive Advertising to Attract Prospective Students*, (Dec. 10, 2019), available at <https://www.ftc.gov/news-events/news/press-releases/2019/12/ftc-obtains-record-191-million-settlement-university-phoenix-resolve-ftc-charges-it-used-deceptive>.

members who applied for the Borrower Defense to Repayment. The class action lawsuit: *Sweet v. Cardona*, which is involving predatory and fraudulent for-profit colleges such as the one I attended [For-profit school] proves without a doubt that we have absolutely and massively scammed and ripped off for thousands if not hundreds of thousands of dollars per applicant. ... **[W]e need to also take a look at the private loans borrowers have taken out to attend these scam schools. Many of us have even more debt in private loans than federal loans, and we are still expected to pay it despite overwhelming evidence of fraud, mishandlings, losing payment records, deceit and other criminal activity involving our loans and payments.** (Emphasis added.)

Another borrower wrote:

*I contacted [Servicer] and have been contacted by them several times regarding my Private student loans that were taken out for attendance at [XYZ] ... [XYZ] college was found guilty on several accounts by both CFPB and the Federal government. ... **Currently, my Federal loans have been removed but my private loans still stand.** I believe [XYZ] College and whatever lawsuits they were found guilty of should dissolve my private student loans with [Private Lender]. I believe the collection of these debts to be predatory and unlawful and should have been removed when [XYZ] Colleges was found guilty on multiple accounts.* (Emphasis added.)

*I co-signed for my son ... to attend [College]... Our funding for the school was handled through [Private Lender] ... he agreed to finish payments to [College] through [Private Lender]. ... Since we were involved with the predatory lending practices of [College] and my credit has been negatively impacted, is there any portion of the borrower defense repayment be made?*

Complaint analysis suggests that holders and servicers of private loans associated with predatory for-profit schools continue to collect on these debts despite significant evidence of fraud and abuse in the practices that originated the loans, including in findings reached by state and federal government agencies. Even when borrowers cite those findings in seeking to discuss a resolution to their private loans with their servicer or loan holder, complaints suggest that servicers or holders do not alter their collection activities in order to address claims of fraud in the origination of the loan. Beyond continuing to collect, complaints suggest that private loan holders sometimes respond to borrower requests for accommodation or recourse by stating that no discharge is available. The CFPB has received hundreds of company responses to consumer complaints containing this type of statement.

This conduct raises questions about whether private student loan holders, and servicers who act on their behalf, are operating in compliance with loan promissory notes. The Holder Rule, promulgated by the FTC, requires language to be inserted into contracts for certain consumer debts, including private student loans.<sup>52</sup> That language provides that when the proceeds of a consumer credit contract are used to fund the purchase of a good or service, any claim or defense the consumer could assert against the seller of the good or service can also be asserted against the holder of the consumer credit contract.<sup>53</sup> The application here is clear: the Holder Rule language provides that if a for-profit college defrauded students and students took out loans to attend that college, students can assert claims or defenses to repayment available to them under state or federal law against the holder of the loans.

Numerous state actions against for-profit schools have sought and obtained relief for borrowers under state consumer protection laws,<sup>54</sup> illustrating the availability of claims or defenses pertaining to deception and abuse by for-profit schools where those same laws provide for private recourse. Lenders and servicers that deny the possibility of recourse, without taking into consideration the protections afforded to borrowers under applicable state or federal law and the borrower's experience with the school, might abrogate the terms of their own promissory notes and engage in deceptive acts or practices. Moreover, systematically failing to honor consumer protections contained in debt contracts might violate state and federal consumer protection law, including the Consumer Financial Protection Act. As highlighted in the complaints above, the potential consumer harm is significant for consumers who seek to exercise available defenses to collection efforts, but are forced to continue to pay.

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<sup>52</sup> Private student loan promissory notes sometimes omit the Holder Rule's required language. Notably, the Holder Rule specifies that "it is an unfair or deceptive act or practice within the meaning of section 5 [of the FTC Act] for a seller, directly or indirectly, to . . . take or receive a consumer credit contract" that fails to include the Holder Rule language.

<sup>53</sup> 16 C.F.R. § 433.2.

<sup>54</sup> Office of MA AG, *For-Profit School Sued for Deceiving Students and Facilitating Unfair Loans*, (Apr. 3, 2014), available at <http://wayback.archive-it.org/1101/20180104140913/http://www.mass.gov/ago/news-and-updates/press-releases/2014/2014-04-03-corinthian-complaint.html>; Office of WAAG, *AG obtains \$1.4M in loan forgiveness from for-profit education group EDMC*, (Nov. 16, 2015), available at <https://www.atg.wa.gov/news/news-releases/ag-obtains-14m-loan-forgiveness-profit-education-group-edmc>; Office of CA AG, *Attorney General Xavier Becerra Sues For-Profit Ashford University For Defrauding and Deceiving Students*, (Nov. 29, 2017), available at <https://oag.ca.gov/news/press-releases/attorney-general-xavier-becerra-sues-profit-ashford-university-defrauding-and>; Office of PAAG, *Attorney General Shapiro Announces For-Profit College Company Will Provide \$493 Million In Debt Relief For Over 179,000 Students Nationwide*, (Jan. 3, 2019), available at <https://www.attorneygeneral.gov/taking-action/attorney-general-shapiro-announces-for-profit-college-company-will-provide-493-million-in-debt-relief-for-over-179000-students-nationwide/>; Office of CA AG, *Attorney General Becerra Announces Multistate \$330 Million Settlement with IIT Tech Lender for Defrauding Students*, (Sept. 15, 2020), available at <https://oag.ca.gov/news/press-releases/attorney-general-becerra-announces-multistate-330-million-settlement-iit-tech>.



By virtue of their own promissory notes, private student loan holders are obligated to engage with consumers' requests for accommodation or recourse under applicable law regardless of whether government agencies have rendered relevant findings. But where there are government findings of fraud and abuse at an educational institution sufficient to bring an enforcement action or undergird a discharge of federally-held debt, it is difficult to imagine how a holder could make a credible determination that such fraud and abuse has no relationship to the private student loans originated to finance the same education on behalf of the same students. This is particularly true for private student loans issued through an institution or a preferred lender. Under those circumstances, the lender is particularly close to the nexus of misconduct.

Servicers and holders might be particularly unresponsive to borrowers' requests for accommodation or recourse where the private student loans have been securitized if the trusts that own the debts do not respond to borrower requests. Consumer complaints raise concerns about whether student loan trusts might be structured such that no person or organization is authorized to make decisions when borrowers make requests. Without a way to consider and decide on borrower requests for accommodation or discharge, borrowers might be left without recourse contemplated for them by state or federal law, or even by operation of their loan notes.

## Continued collection of debts discharged in bankruptcy

The United States Bankruptcy Code provides important relief and protections for debt burdened consumers.<sup>55</sup> This relief and protection are particularly important for consumers who have been burdened with decades-old student debt. Bankruptcy is intended to give debtors a fresh start by discharging certain debts,<sup>56</sup> but for many debt-burdened private student loan borrowers, there is no fresh start.

### **QUALIFIED AND NON-QUALIFIED EDUCATION LOANS**

The Bankruptcy Code exempts federal and private student loans from discharge if they meet the requirements of Section 523(a)(8) of the Bankruptcy Code, unless not discharging the loans

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<sup>55</sup> This report notes the current state of bankruptcy law regarding student loans and potential gaps and risks. It does not cover the history of the bankruptcy code and student loans.

<sup>56</sup> *Lamar, Archer & Cofrin, LLP v. Appling*, 138 S. Ct. 1752, 1758 (2018) (quoting *Stellwagen v. Clum*, 245 U.S. 605, 617 (1918)).

would cause “undue hardship.”<sup>57</sup> Direct Loans, ED-owned FFELP loans, commercially-owned FFELP loans, ED-owned Perkins loans and institutionally-owned Perkins loans meet the requirements of Section 523(a)(8) and are evaluated under this standard.<sup>58</sup>

Private student loans are evaluated under the undue hardship standard if they meet the definition of “a qualified education loan,” which is a debt incurred “**solely to pay qualified higher education expenses.**” The Higher Education Act defines “qualified higher education expenses” as cost of attendance<sup>59</sup> (i.e. tuition, fees, books, room and board, etc.).<sup>60</sup> Internal Revenue Service (IRS) regulations emphasize that “mixed-use” loans intended for other purposes as well as higher education expenses do not qualify as qualified education loans.<sup>61</sup>

If a private student loan is not a qualified education loan, an adversary proceeding and a showing of undue hardship are not required to discharge the loan. Instead, a non-qualified education loan is treated like most other forms of unsecured debt and may be discharged when the bankruptcy judge issues the bankruptcy order *by operation of law*—meaning that the borrower does not need to take any additional steps to effectuate the discharge. Examples of non-qualified education loans that can be discharged in a normal bankruptcy proceeding include the following:

- Loans where the loan amount was higher than the cost of attendance (such as tuition, books, room, and board) which can occur when a loan is paid directly to a consumer.
- Loans to pay for education at places that are not eligible for Title IV funding such as unaccredited colleges, a school in a foreign country, or unaccredited training and trade certificate programs.

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<sup>57</sup> 11 U.S.C. § 523(a)(8) states that “Unless excepting such debt from discharge under this paragraph would impose an undue hardship on the debtor and the debtor’s dependents, for— (A)(i) an educational benefit overpayment or loan made, insured, or guaranteed by a governmental unit, or made under any program funded in whole or in part by a governmental unit or nonprofit institution; or (ii) an obligation to repay funds received as an educational benefit, scholarship, or stipend; or (B) any other educational loan that is a qualified education loan, as defined in section 221(d)(1) of the Internal Revenue Code of 1986, incurred by a debtor who is an individual.”

<sup>58</sup> *Id.*

<sup>59</sup> 26 U.S.C. § 221(d)(1)-(2) (emphasis added).

<sup>60</sup> 20 U.S.C. § 1087*ll*.

<sup>61</sup> *See* 26 C.F.R. § 1.221-1(e)(4), example 6 (“Student J signs a promissory note for a loan secured by Student J’s personal residence. Student J will use part of the loan proceeds to pay for certain improvements to Student J’s residence and part of the loan proceeds to pay qualified higher education expenses of Student J’s spouse. Because Student J obtains the loan not solely to pay qualified higher education expenses, the loan is not a qualified education loan.”). Also, Regulation Z defines “private education loan” to include such mixed-purpose loans.

- Loans made to cover fees and living expenses incurred while studying for the bar exam or other professional exams.
- Loans made to cover fees, living expenses, and moving costs associated with medical or dental residency.
- Loans to a student attending school less than half-time.

Consumers might understandably struggle with the distinction between qualified and non-qualified education loans, if they are aware of it at all. However, bankruptcy law and its application to student loans should be understood and reflected in the policies and procedures of loan holders, lenders, servicers, and collectors. Unfortunately, the Bureau has seen troubling accounts of industry practices regarding bankruptcy, and consumer complaints that have raised serious questions about whether student loan companies are violating discharge orders and unlawfully collecting on non-qualified education loans even after a borrower has been through bankruptcy. On April 12, 2022, the Bureau highlighted these practices in a blog regarding bankruptcy myths.<sup>62</sup> Since the blog was published, we have continued to hear from borrowers regarding these practices. For example, this borrower had a private bar examination loan:

*[Bank 1] owns my **private bar examination loans** obtained in 2008. In 2011, I filed for Chapter 7 bankruptcy. [Servicer 1] was listed as a creditor and received notice. [Servicer 1] resumed collections on my account after the bankruptcy, and I relied on their inaccurate position that I was still obligated to repay this "student loan" despite my Chapter 7 discharge. ... These were private consumer loans discharged in my Chapter 7 without the need for an adversary proceeding in that **1) they were not used to attend an eligible education institution, 2) were not used to pay for school attendance, 3) were not for a course of study leading to a degree (I already had my degree), and 4) notice was provided to the servicer.** Servicing of these loans was transferred to [Servicer 2] in 2012. [Servicer 2] has continued collecting on these loans ever since. After reading the CFPB post about busting bankruptcy myths, I contacted [Servicer 2] to ensure they were notified about my Chapter 7 and to resolve the matter. **I provided the bankruptcy records at least twice, including the petition and the discharge records. [Servicer 2] acknowledges I filed for bankruptcy but fails to acknowledge my private bar exam loans were discharged.** The matter was escalated to [Bank 1]. ... I requested a disability accommodation to communicate in*

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<sup>62</sup> Robert G. Cameron, Cons. Fin. Prot. Bur., *Busting myths about bankruptcy and private student loans*, (Apr. 12, 2022), available at <https://www.consumerfinance.gov/about-us/blog/busting-myths-about-bankruptcy-and-private-student-loans/>.

*writing, to no avail. I informed [Representative at Bank 1] that the servicer already has the records and I provided my account #[11111111]... I sent that email July ...2022 and have not received a response. ... (Emphasis added)*

This borrower had a private direct-to-consumer loan that was not limited to the cost of attendance.

*This was a private loan that originated from [Loan owner 1]. I filed for bankruptcy in 2014 and this was included since it was a **private transaction/loan paid directly to me**. I advised the lender of my bankruptcy discharge, they then filed for bankruptcy, sold the account to [Loan owner 2]. [Loan owner 2] then sold the account to [Loan owner 3]. I have called and emailed them about the discharge Gave them a copy and requested my payments for 2021 and 2022 returned. They advised it would take 3 weeks but it has been over a month with no new information and they continue to report the account to the credit agencies. (Emphasis added)*

Based on these and other complaints, it appears that servicers are continuing to collect non-qualified education loans that have been discharged. Holders of these loans appear to either be directing or permitting such activity in violation of current bankruptcy law or not holding their servicers accountable for compliance with current bankruptcy law when the servicers collect in error.

Further, some private student lenders represented to borrowers that such loans could not be discharged in bankruptcy while at the same time they securitized their loans and sold their products to investors by touting low default rates, profitability, and representing to investors (who are generally more sophisticated than the typical borrower) that some private student loans are not dischargeable in bankruptcy.<sup>63</sup> Sometimes these representations to borrowers appear to be false. The Bureau has heard from borrowers who have had collections continue on

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<sup>63</sup> SLM Student Loan Trust 2010-1, *Prospectus Supplement to Base Prospectus* (dated Apr. 8, 2010), available at <https://images.navient.com/investors/debtasset/SLM-Loan-Trusts/06-10/2010-1/20101.pdf> (“In addition, direct-to-consumer loans are disbursed directly to the borrowers based upon certifications and warranties contained in their promissory notes, including their certification of the cost of attendance for their education. This process does not involve school certification as an additional control and, therefore, may be subject to some additional risk that the loans are not used for qualified education expenses. If you own any notes in a related issuing entity, you will bear any risk of loss resulting from the discharge of any borrower of a private credit student loan to the extent the amount of the default is not covered by the issuing entity’s credit enhancement.”); *In re McDaniel*, 590 B.R. 537, 542, ftnt 3 (Bankr. D. Colo. 2018) wherein the court noted, “While Navient was marketing these new loan products to student borrowers, Navient was also attempting to securitize the new loan products for sale on the secondary market. Plaintiffs allege to avoid securities violations, Navient disclosed to its potential (sophisticated) investors in student loan asset-backed securities prospectuses that ‘pursuant to section 523(a)(8), only private loans made for qualified expenses were excepted from discharge.’”

non-qualified education loans following discharge. Consider this borrower's experience involving private student loans which were neither for higher education nor for attendance at a Title IV school, and where the consumer described collection activities on behalf of a trust that held the loan for years after a bankruptcy discharged order was issued. The complaint describes the trust as non-responsive to the discharge order until recently, though compliance with the discharge order is not certain.

*... I received two **K-12 private school parent student loans** ... from [Bank 1] for my minor daughter to attend the 9th and 10th grades in 2003 and 2004. ... At some point these loans were allegedly transferred to [Trust] ... I filed for a Chapter 7 bankruptcy in ... [early] 2012 which was discharged June ... 2012. ... I also later filed a Chapter 7 bankruptcy [in] ... 2021, which was [later] discharged [in] ... 2021. **The loan for 2003 ... was included in the [2012] bankruptcy and Bankruptcy Discharge Order. ... [Trust] has not acknowledged the Bankruptcy Discharge Order of June ... 2012 and continued to bill me for both debts.** ... [Servicer 1 and Trust] informed me that I was contractually required continue to payments on the first loan ... after both bankruptcy discharge dates and violated the 2012 Bankruptcy Automatic Stay and Bankrupt Discharge Orders by continuing direct collection activities. **I made timely payments and have paid a total of \$6,198.39 ... since my Bankruptcy Automatic Stay Order (... 2012) and Bankruptcy Discharge Order were issued (... 2012).** I was continuously contacted by [Servicer 1 and Trust] indicating a requirement to repay the defaulted second loan ... via [Collection Servicer 1]. ... After the bankruptcy discharge of June ... 2012, I filed a complaint ... [in] ... December ... 2013, with [Servicer 1 and Trust] regarding dischargeability of the ... K-12 student loans. **I stated that my minor child attended a high school for which the loan funds were dispersed. I further stated that the loan funds were used to pay high school tuition and were not "qualified education loans...to solely to pay qualified higher education expenses" and therefore did not meet the requirements as an exception to the U.S. Bankruptcy code.** The [Servicer 1] complaint response stated that they had no record of my bankruptcy and referred me to [Collection Servicer 2] (the representing collection agency for [Trust]). [Collection Servicer 2] stated that I needed to file an adversary proceeding with the bankruptcy court to request that the loans be discharged. ... Each ... K-12 loan was disbursed when my daughter was a minor ... attending high school (which was not a qualified higher education institution expense). **No adversary proceeding should be necessary since these loans were evidently not qualified (higher) educational loans written clearly on the face of loan documents ... indicating that the funds would be disbursed to the high school.** It is absolute that these loans do not fall within the exception to the U.S. Bankruptcy Code as noted above and were both discharged June ... 2012. ... [Trust] finally*

*ceased all collection activity on loan ... in response to the receipt of a recent cease and desist letter that I recently sent them.” (Emphasis added)*

The United States Bankruptcy Code provides for discharge of non-qualified education loans through regular bankruptcy. Holders and student loan servicers cannot collect debts that a consumer no longer owes. Doing so may violate the Consumer Financial Protection Act, as well as the orders of United States bankruptcy judges.

## 4.2 Federal student loans

For years the Bureau has documented the gap between the benefits offered to borrowers under federal law through a range of protections under Title IV, and the experience of borrowers in actually accessing those benefits. Complaints received by the Bureau during the reporting period indicate that consumers continue to face challenges getting access to federal benefits, even as the Department of Education has made significant program changes aimed at streamlining and expanding access to particular benefits.

### Servicers impeding access to federal benefits

The payment pause for federally-owned loans and policy developments designed to increase access to forgiveness for Direct Loans have made it a particularly beneficial time to consolidate commercially-held FFELP or institutionally-owned Perkins loans into Direct Consolidation Loans. Borrowers with commercial FFELP loans may consolidate their loans into a Direct consolidation loan and obtain relief pursuant to the CARES Act, the PSLF Limited Waiver, and the IDR waiver. Servicers and commercial FFELP holders play vital roles in communicating to borrowers about consolidation and explaining the steps necessary to obtain the relief. Servicers must also process forms correctly the first time without undue delay. Unfortunately, complaints show that both commercial FFELP servicers and servicers that process Direct Loan consolidations are failing to provide correct information or process forms in a timely manner.

Consumers have shared the following experiences regarding incorrect information and processing challenges with servicers.

#### **IMPLEMENTING PSLF WAIVER: MISINFORMATION ABOUT CONSOLIDATION**

This borrower was not informed that they could consolidate.

*We didn't [Servicer] inform me consolidate my loan through a direct loans so I would be eligible for payment pause and loan forgiveness. The company willfully withheld information.*

This borrower was given incorrect information regarding consolidation, saw incorrect information on a website that had not been updated, and cancelled the consolidation loan as a result.

*I want to file a complaint regarding my student loans. I have received differing information regarding consolidating my federal loans. I called several weeks ago and inquired about consolidation of all my federal loans. I was told by the loan agent that my loans would be consolidated into one loan and my PSLF qualifying payments would be recalculated and counted as the highest number of payments made to all loans. So I proceeded with the consolidation. I completed the app online and got confirmation that my loans were being consolidate. Then on 3/1/22 I got a letter in the mail that was regarding my consolidation. **The letter stated that if I consolidate these loans I would have to re-start my payment counts toward PSLF. I panicked. This is direct opposite of what the agent told me.** I placed many calls to [Servicer] and was put on hold for over 30 minutes, when I tried to get a call back I was either hung up on or placed on another hold. Never was able to ask anyone. **I searched the website for information and saw on there as well that my payments would restart. I canceled the consolidation request so I would not loose my payments. The website states that counts start over as well.** However I am hearing from MANY other borrowers that this is no longer correct but that the site is not updated, that the letter I got 2 weeks ago is outdated. So I have once again been trying several times a day to contact the servicing center with absolutely no luck at all. I can not get the information that I need to determine if I need to apply for consolidation again. This has been very confusing and the information that I was given over the phone weeks ago is direct opposite of what is on the website. I need written facts so that I can determine if consolidation is the right course for me. I can not consolidate if I have to restart my payment counts. I just need correct information and can't even get a call back. I have also direct messaged them on Face Book and can not get a response. I do understand that everything is in process to change the information however there is a deadline I am trying to meet as well for the consolidation process. I need help getting the correct information. I have been getting misinformation for years with various student loan servicers. (Emphasis added)*

Similarly, another consumer was given incorrect information regarding consolidation, cancelled the consolidation loan, and did not receive the forgiveness for which they were eligible.

*After receiving notification regarding the extension of the PSLF Waiver Program, I completed an original consolidation online for all of my FFEL and Direct Consolidation Loans. I have had several correspondences with representatives from [Servicer] beginning in October, after the waiver was implemented. I began my consolidation process on October ... 2022, in accordance with the waiver instructions. I included all of my loans (2 FFEL loans and a Direct Loan). I received a letter on 10/26/22 that my request is almost complete. In this letter it stated:*

***"We wanted to confirm that you intentionally included Direct Loans on your consolidation application, because consolidating your loans will "erase" any qualifying payments you may have already made toward the required 120 for PSLF and TEPSLF purposes".***

***Due to receiving this letter, I immediately canceled my consolidation, as I did not want my payments to be "erased". I called on 10/29/22 and spoke with a representative that stated I did not need to include my already consolidated Direct loan with this consolidation, just my FFEL loans. This led to the representative removing my previous Direct Loan and leaving the Direct Loan out of the consolidation process.***

*I was then informed that I should have included all of my loans into the consolidation for forgiveness. Because everything else was filed correctly, my account was reviewed, and only my FFEL loans were forgiven in December, which had the 120 qualifying payments. Due to not including my Direct Loan, my Direct Loan remains with Nelnet and has not been sent over for forgiveness. My Direct Loan should have been included in the original consolidation which would have been forgiven with my FFEL loan due to the highest payment count, counting for all loans.*

*This payment count should have forgiven all my loans based on the new PSLF waiver; however, because of the FedLoan representative's change, they were not. This exact scenario has happened to several public servants across the country over the last few months and even as late as yesterday. We've been told there is nothing we can do to change it.*

***I properly followed procedures but was horribly misled. I am now stuck with \$101, 618.17 that should have been forgiven on 12/23/21 according to the PSLF waiver extension. (Emphasis added.)***



This borrower applied in a timely manner, but not all their loans were consolidated resulting in some loans not being forgiven, though these loans would have been eligible if they had been consolidated.

*I applied for loan consolidation in December and was told it takes 1-2 weeks to process. Fed loan sent me an email stating that the loans were being consolidated in January. However, **after I received the email that my loans were consolidated, on 1/10/22 my older loans were forgiven and the newer ones that should have been consolidated and received the higher payment count were not counted nor included.** They literally sent another email stating that now they cannot finalize my consolidation because the older loans were now at zero and a balance is required for consolidation. Meanwhile they just sent an email listing all 4 loans are being consolidated days prior. It makes no sense and is completely unfair and ridiculous. I was told it's a mistake and they will escalate. Nothing has been done but empty promises. I filed a previous case and it was closed because staff did not speak to me or follow directions correctly. I want someone to look over this immediately. All of the loans should have been forgiven together. **I applied on time to consolidate and obtain the higher payment count under the guidelines on time.** This needs to be resolved and the remainder of the loans need to be discharged. I have been promised a review for over 2 months and nothing has been done. The supervisor says everytime we just received word about all the issues that were submitted prior to yours so yours should come in any day now. Over 2 months later absolutely no resolution in sight. I did everything correctly and applied within the guidelines. They keep giving me the run around. (Emphasis added.)*

This borrower was not effectively informed about FFELP versus Direct Loans, consolidation, or income-based repayment programs.

*[Servicer] has never communicated effectively about the repayment options and what it meant to hold a private federal student loan (FFELP) versus a direct federal student loan. They never reached out to discuss reconsolidation for a second time to take advantage of the federal government's payment pause and they are purposefully dragging their feet on my reconsolidation now. I am trying to take advantage of the federal interest rate pause and they are slow walking my application. Not only that, but they have never communicated with me (& others in a similar situation) regarding this being an option and how to process the re-consolidation of the consolidation - I had to find out the information on my own and directly ask to receive the answers that this was possible. Navient deliberately withheld this information from me (and others in a similar situation), in my opinion. Had I been informed years ago, my student loans would have been on a payment*

pause or interest rate pause and I would have owed about 6,000 dollars less than I owe now. My current balance is \$107.5k for my student loans. This is indentured servitude and unfair that because I took my loans out in the 1990s they don't qualify for the payment pause. This on-top of [Servicer] not communicating about income based repayment and throwing my into forbearance instead during a 3 year period (2010-2013) when I was struggling financially is predatory lending, plain and simple. **HELP!**

This borrower was also given incorrect information regarding consolidation and, as a result, did not continue with the consolidation and had to restart the process to consolidate.

***I completed the process to receive PSLF in Dec. 2021 and received a letter stating I would not receive credit for my previous loans payments if I consolidated. I qualify under the new waiver, but did not continue with the consolidation because of this letter. After researching, I know the letter had incorrect information that kept me from continuing my process to receive PSLF. I now have to start the process all over again and contact my service providers to see if I can still consolidate because [Servicer] sent me incorrect information. (Emphasis added.)***

This borrower was also given incorrect information regarding the ability to consolidate into a Direct Loan.

***I have been teaching for 17 years and continue to attempt in qualifying for Public Service Loan Forgiveness this last year. I have made payments consistently for more than 120 payments. [Servicer] keeps informing me that my loan is not a direct loan but was informed by many other teachers that i can consolidate into a direct loan to qualify which they have. I cannot get a straight answer or how to consolidate this loan to a direct loan after many phone calls and letter not helping to consolidate my loans. (Emphasis added.)***

This borrower was given incorrect information and experienced loans being removed from the consolidation loan.

***I am a Federal Student Loan borrower with [Servicer] and a participant in the Public Service Loan Forgiveness Program (PSLF). I have been a teacher for seventeen years. After receiving notification regarding the extension of the PSLF Waiver Program, I completed an original consolidation online for all of my FFEL and Direct Consolidation Loans, in accordance with the waiver instructions in mid-October. I immediately became concerned because an automated letter from [Servicer] indicated all my loan counts would restart at a zero payment count. So on***

*October 22, I spoke to [Customer Service Representative] at [Servicer] who **told me NOT to consolidate all the loans, and she actually removed the Direct Loans from my consolidation.** ... Because everything else was filed correctly, my account was reviewed, and I was forgiven only the FFEL loans which had the qualifying 120 payments. This payment count should have forgiven all my loans based on the new PSLF waiver; however, because of the [Servicer] representative's change, they were not. . . . **I properly followed procedures but was horribly misled. I am now stuck with \$63,742.01 that should have been forgiven on December 7 according to the PSLF waiver extension.** (Emphasis added.)*

Consider the experience of this borrower trying to overcome conflicting information from two servicers as well as processing challenges starting in 2018. The borrower wanted to maximize the PSLF-eligible loans forgiven under the temporary PSLF waiver and was prevented from doing so because of incorrect and conflicting information. The servicers also directed the borrower to talk to the other servicer to fix the problem instead of making servicer-to-servicer contact to assist the borrower.

*I received a letter from [Servicer 1] dated 5/12/2022 indicating that 2 of my student loans are being forgiven/discharged under the Public Service Loan Forgiveness. This two loans date to 2008. I contacted [Servicer 1] on 5/23/2022 ... to inquire as to my remaining 3 loans and why they were not discharged. The representative could not tell me why only partial loans were discharge and transferred me to another representative that explained that because my loans from 2015, 2016, and 2017 were not consolidated to my 2008 loans I could not benefit from getting them discharged. This representative advised me to consolidate my loans and resubmit my PSLF form and transferred me to a third representative that could help me consolidate my loans. I spoke to the 3rd representative and she explained that I needed to consolidate by going on the studentaid.gov website. I told this representative that upon graduating in 2018 I told my loan servicer [Servicer 2] that I wanted all my loans consolidated and that I was under the impression that all my loans were consolidated. She confirmed that they were not an advice me to again consolidate the remaining loans which I immediate did so after getting off the phone with her on 5/23/2022.*

*On the same day 5/23/2022 I proceeded to contact my loan servicer [Servicer 2] looking for an explanation as to why my loan were not consolidated ... I was informed by [Representative of Servicer 2] ... that my "loans were all direct loans and did not need to be consolidated". The [Servicer 2] representative directed me to call [Servicer 1] again and shared that my loans were already direct loans.*

*I contacted [Servicer 1] on 5/24/2022 and spoke with 3 representative that passed me around and told me that there was nothing they could do for me as my 2015-2017 loans were no consolidated with my 2008 loans that had already been discharged. I spoke to PSLF specialist who was adamant and said nothing could be done and [referred]... my request to Account Recovery Specialist who sarcastically asked me if I was calling to have my loan forgiveness reconsidered due to misinformation/lack of information (in fact this is my request). With very little guidance the Account Recovery Specialist told me to submit an appeal to my PSLF by going to studentaid.org.*

*I am asking for assistant in having all my loans reconsider under the PLSF waiver as I have hanging loans that were not considered for discharge due to not being consolidated with my highest count loan. Please know that my loan processor [Servicer 2] never advised me as to the PSLF waiver and the benefit of consolidating. Up to this week 5/23/22 they are still advising me that direct loans do not need to be consolidated which opposite to what [Servicer 1] is saying. [Servicer 1] quickly discharged my highest count loan (2008) without tell me to consolidate or so that I dont take advantage of consolidating my most recent loans. ... They are not willing to work with me and have told me that there is nothing they can do as my highest count loan were already discharged. **The lack of information and misinformation by the two loan servicer/processor have significantly negatively impacted me as I have three outstanding loans that could have been discharged.** (Emphasis added.)*

## **PSLF PROCESSING DELAYS**

Even when all requirements for PSLF have been met, processing may be unduly delayed, and servicers may not be responsive in providing information regarding the status of the request for forgiveness. We have heard from borrowers who are experiencing inordinate and unexplained delays in processing. Consider the following borrower experiences involving processing delays, lack of status updates, and incorrect information provided by servicers.

*On **February 20, 2022** I submitted a my annual employer certification form for Public Service Loan Forgiveness ... [for Servicer] to update the counts towards loan forgiveness on my student loan account. Having not received any feedback or status update on the submitted employer certification form, I called [Servicer] in **March 2022** to determine what is the status of my employer certification and updated counts. I was told by a customer representative that they are unable to provide me any feedback on where in the certification process is my employer certification form because they have a backlog and it may take "several months" to get to my application. I was advised to follow-up "in a few weeks." I followed-up with [Servicer] in **May 2022** and on **June 2, 2022**. On both*

occasions I was told that [Servicer] has a large backlog of applications they are working through and as such it may take several months to process my application. On both occasions I asked where in the certification process is my application and the customer service representatives noted that they cannot provide me with that information.

On June 2, 2022, the customer service representative I spoke with ... asked whether I would like to be transferred to the PSLF department at which point I answered "Yes." **I also asked [Servicer representative] for the direct number to the PSLF department and was told there is no direct number and I need to call the main [Servicer] number and ask to be transferred to the PSLF department, if needed. After being transferred to the PSLF department I received a voicemail message noting that they are busy and I would need to wait 20 mins for my call to be received. I opted for a call back. It has been more than an hour and I have not received a call back from the PSLF department. ... I am employed by an eligible employer (not-for-profit organization). Each year I have submitted my employer certification and verified my income to be able to receive accurate counts towards forgiveness yet [Servicer] is essentially forcing individuals extend the life of their loans by not updating borrowers' payment counts. (Emphasis added.)**

Another borrower wrote:

*I am a borrower who should benefit from the Biden Administration's PSLF waiver. I have been employed for most of the past sixteen years by the United States Courts. I have made payments more than 120 months of payments on FFELP loans and Direct Student loans during the months I have been employed by the courts. I submitted an application to [Servicer] last fall. I heard from them after the Biden Administration announced the waiver program in October, informing me that I did not qualify because I had not made 120 payments on a direct loan in a qualifying repayment program. I called [Servicer and] ... [Servicer's] representative acknowledged their error on periods of employment, but suggested I submit another application, as well as certification that I continued to be employed by the federal courts. ... I filed a new application to ensure that the company had my most current information and in an attempt to see if they could process this correctly. **[Servicer] sent me a letter on November 12, 2021 stating that the company had received my application for PSLF loan forgiveness. ... I have heard nothing from them since on that issue.** I continue to wait for an evaluation, and I am frustrated. ... **[M]y ... account does not even acknowledge that I have applied for PSLF. I fear that my application has fallen through the cracks, and that I am going to have to wait for months to receive the forgiveness to which I am***

**currently entitled.** ... Presently, [Servicer] seems to be dilatory in processing claims and in updating applicants on the status of their loans. I have been waiting since November [2021] to hear whether I am eligible for the program ... . (Emphasis added.)

Another borrower wrote:

*I've waited 4 months for my PSLF certification form to be processed to update my payment count and have yet to hear the outcome. The employer didn't change from the year prior and it hasn't been anything out of the ordinary. I was told these forms should take no longer than 2 weeks to be processed, and every time I call about it to inquire on status since July, they say it's still processing. They are no longer going to be processing these forms after December, and I submitted early to avoid delays towards the end of their contract, but still no one is doing their jobs.*

# 5. Recommendations

Complaints suggest that across the federal and private student loan markets, failures on the part of industry participants are excluding borrowers from protections and benefits intended for them under law. As a result, borrowers continue to endure collection activities on debts that state and federal law recognize should be reduced or eliminated. The following recommendations are based on the foregoing discussion with a view toward addressing these failures and redressing borrower harm.

- Protecting borrowers with private student loans originated to attend predatory schools
  - Regulators and law enforcement should examine whether holders of private student loans originated to fund programs at predatory for-profit schools are abiding by state and federal law, including the protections required by the Holder Rule. After a decade of private and government actions compiling evidence that predatory schools coerced students to take on debt through fraudulent means, holders and servicers are on abundant notice that borrowers saddled with these debts have defenses to repayment.
- Ensuring that holders and servicers of private student loans are not collecting discharged debt.
  - Policymakers and law enforcement officials must closely examine consumer complaints indicating continued collections of non-qualified education loans discharged in bankruptcy for potential widespread violations of law and judicial orders.
- Servicers creating barriers to pandemic-driven relief
  - Policymakers, regulators, and law enforcement should remain vigilant to consumer complaints about barriers to federal benefits and protections created by servicing failures. Whether on the part of Direct Loan servicers or commercial FFELP servicers (and many servicers are or have been both), misinformation and holdups or errors in processing keep consumers out of the benefits and protections intended for them under law. Detecting servicer failures will be critical to the success of these relief programs.
  - Policymakers may wish to consider making successful aspects of the PSLF Limited Waiver, the IDR Waiver, and student debt cancellation permanent. Efforts like data

matches, making loan forgiveness programs “opt out” rather than “opt in,” and simplifying the consumer-facing incentives for consolidating commercial FFELP into Direct Consolidation Loans could benefit borrowers if made permanent, in part because they curtail some of the ways in which servicers can obstruct borrower access to federal loan benefits and protections.



# 6. Contact information

## To reach the CFPB's Education Loan Ombudsman:

**By phone** (844) 611-4260

**By email** [Education\\_Loan\\_Ombudsman@cfpb.gov](mailto: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](https://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](mailto:press@consumerfinance.gov)

## Congressional inquiries:

**By phone** (202) 435-7960

## APPENDIX A: OMBUDSMAN ACTIVITIES

The annual report is required to describe the activities and evaluate the effectiveness of the Ombudsman during the preceding year.<sup>64</sup> The activities include, among other things, efforts to informally resolve complaints, coordinate complaint resolution with FSA's 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 with offices, divisions, and sections such as Consumer Education and External Affairs; Research, Markets, and Regulation; Supervision, Enforcement, and Fair Lending (SEFL); Students and Young Consumers; 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. Effectiveness is the result of successful outreach, collaboration, internal and external partnerships, and teamwork. The information below highlights some of these team efforts and is not exhaustive.

- 99 percent of complaints received a timely response by the company. Complaints are regularly reviewed for issues and trends, forwarded to SEFL, forwarded to other agencies as appropriate, and borrower outreach is conducted.
- In accordance with the January 31, 2020, MOU among the Bureau, ED, and FSA, regarding the sharing of complaint information,<sup>65</sup> there have been regular meetings where complaint information, analysis, and trends are shared, as well as information related to the CARES Act and subsequent administrative relief, return to repayment, and servicing transfers.
- Interagency efforts to protect student loan borrowers include the following:

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<sup>64</sup> 12 U.S.C. § 5535(d)(1).

<sup>65</sup> U.S. Dept. of Ed. and Cons. Fin. Prot. Bur., Memorandum of Understanding Between The Bureau of Consumer Financial Protection and The U.S. Department of Education Concerning Coordination in Resolving Borrower Complaints, (dated Jan. 31, 2020), available at [https://files.consumerfinance.gov/f/documents/cfpb\\_ed-memorandum-of-understanding\\_student-loan-borrowers\\_2020-02.pdf](https://files.consumerfinance.gov/f/documents/cfpb_ed-memorandum-of-understanding_student-loan-borrowers_2020-02.pdf).

- The Principles of Excellence (POE) Working Group meetings pursuant to Executive Order 13607 continue.<sup>66</sup> Participants include the CFPB (Ombudsman, Students, Servicemember Affairs, and SEFL), the Department of Defense, the Veteran’s Administration, ED, and the FTC. 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 academic and student support services to active-duty service members, reservists, members of the National Guard, veterans, and military families. To this end, information and data are shared to the extent permitted, and MOUs for more robust data sharing are being initiated.
- Student loan debt relief (also known as third-party debt relief) meetings continue and are regularly scheduled. Participants include the CFPB (Offices of Education Loan Ombudsman, Students, and SEFL), the FTC, FSA, and ED’s Office of the Inspector General.
- The Ombudsman’s outreach has included national consumer advocacy organizations, trade associations, and state Attorneys General offices, ombudsmen, and regulators.
- The Bureau works to empower students, young consumers, and student loan borrowers to make more informed financial choices when saving or paying for college, managing money, building credit, and repaying debt with the purpose of preventing negative financial events, such as student loan default. This year’s efforts included:
  - **Repaying Student Debt.** The Bureau revised the Repay Student Debt suite of resources to provide borrowers with information about COVID-related student benefits information, including the payment pause, the PSLF Limited Waiver, and the Biden Administration’s recently announced one-time debt relief program.
  - **Targeted outreach to student loan borrowers.** The Bureau conducted targeted outreach to consumers and stakeholders on student loans, focusing on recent

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<sup>66</sup> The White House, *Executive Order -- Establishing Principles of Excellence for Educational Institutions Serving Service Members, Veterans, Spouses, and Other Family Members*, (Apr. 27, 2012), available at <https://obamawhitehouse.archives.gov/the-press-office/2012/04/27/executive-order-establishing-principles-excellence-educational-instituti>.

changes to student lending due to the pandemic.<sup>67</sup> Presentations over the past year have focused on CARES Act benefits for borrowers with student loans and the PSLF Limited Waiver that was implemented by ED. The Bureau provided training and webinar opportunities to a wide variety of organizations to broaden its outreach on these issues. The Bureau developed new relationships with state government organizations, religious organizations, and student-focused practitioners.

- **Higher education focused blogs and reports.** The Bureau published multiple reports and blogs to highlight the experiences of students, young consumers, and student loan borrowers. Over the past fiscal year, the Bureau focused on COVID-19 financial relief as the primary topic.<sup>68</sup> The Office of Students and Young Consumers published information with a dual focus of preparing student loan borrowers for entering repayment when the CARES Act payment pause ends and to warn federal agencies about the impact the end of the payment pause may have on consumers.<sup>69</sup> Additionally, the Bureau published blogs that focused on the impact of transcript withholding as a debt collection practice.<sup>70</sup> The Office also published a blog regarding how to recognize student loan scammers, including red flags, tips for avoiding scammers, and what to do when contacted by scammer or if a borrower has been defrauded,<sup>71</sup> as well as other resources regarding scammers. Finally, in response to complaints regarding companies that may be collecting on student loan debt that has been discharged in bankruptcy, and the persistent myth that student loans cannot be

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<sup>67</sup> Cons. Fin. Prot. Bur., *Section for Student and Young Consumers training webinars*, available at <https://www.consumerfinance.gov/consumer-tools/educator-tools/students/student-young-consumers-training-webinars/>.

<sup>68</sup> Cons. Fin. Prot. Bur., *Protecting your finances during the coronavirus pandemic*, available at <https://www.consumerfinance.gov/coronavirus/>.

<sup>69</sup> Cons. Fin. Prot. Bur., *Student loan borrowers should prepare to repay*, available at <https://www.consumerfinance.gov/coronavirus/student-loans/>.

<sup>70</sup> Scott Filter and Oppenheim, Emma, Cons. Fin. Prot. Bur., *Transcript Withholding Holds Back Workers and Wages*, (Apr. 18, 2022), available at <https://www.consumerfinance.gov/about-us/blog/transcript-withholding-holds-back-workers-and-wages/>.

<sup>71</sup> Cons. Fin. Prot. Bur., *Consumer advisory: Don't give money or information to scammers promising student loan forgiveness*, (May 3, 2022), available at <https://www.consumerfinance.gov/about-us/newsroom/consumer-advisory-dont-give-money-or-information-to-scammers-promising-student-loan-forgiveness/>.

discharged in bankruptcy, the Bureau published a blog regarding student loans that may be dischargeable in bankruptcy and the standard(s) that may apply.<sup>72</sup>

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<sup>72</sup> Robert G. Cameron, Cons. Fin. Prot. Bur., *Busting myths about bankruptcy and private student loans*, (Apr. 12, 2022), available at <https://www.consumerfinance.gov/about-us/blog/busting-myths-about-bankruptcy-and-private-student-loans/>.

## APPENDIX B: PANDEMIC-RELATED PROGRAM CHANGES

- As of March 13, 2020, payments have been paused and interest rates have been set to zero percent on federally-owned loans.<sup>73</sup> This relief was extended administratively seven times. Payments and interest are currently scheduled to restart on January 1, 2023. Refunds of payments made on federally-owned loans during the payment pause are available upon request.<sup>74</sup> The purpose of the pause is to provide relief to borrowers during the pandemic.<sup>75</sup>
- On March 18, 2021, The Department announced changes to relief for approved borrower defense applications, and then later approved different group borrower defense discharges for certain schools.<sup>76</sup> The Department also streamlined and simplified borrower defense claims submission.<sup>77</sup>
- On October 6, 2021, the Department announced a temporary limited waiver for Public Service Loan Forgiveness (PSLF) requirements.<sup>78</sup> For a limited period of time, federal student loan borrowers, many of whom were misled by their servicer, may receive credit for past periods of repayment that would otherwise not qualify for PSLF, such as when

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<sup>73</sup> FSA, *COVID-19 Loan Payment Pause and 0% Interest*, (last accessed Oct. 4, 2022), available at <https://studentaid.gov/announcements-events/covid-19/payment-pause-zero-interest>.

<sup>74</sup> *Id.*

<sup>75</sup> *Id.*

<sup>76</sup> Group discharges, with certain limitations, include the following: Westwood College, ITT, Kaplan Career Institute, Corinthian College, Marinello School of Beauty, DeVry University, Minnesota School of Business, and Globe University. See FSA, *Borrower Defense Updates*, (last accessed Oct. 4, 2022), available at <https://studentaid.gov/announcements-events/borrower-defense-update>.

<sup>77</sup> See FSA, *Borrower Defense Loan Discharge*, (last accessed Oct. 4, 2022), available at <https://studentaid.gov/borrower-defense/>.

<sup>78</sup> Note that to be eligible for the PSLF waiver, borrowers must have an eligible employer and a Direct Loan. For borrowers with FFELP loans (federal and commercial), federal Perkins loans, and graduate PLUS loans, borrowers must consolidate these loans into a Direct consolidation loan. FFELP parent PLUS loans may have limitations to credit for time in repayment when they are consolidated into Direct Loans. See U.S. Dept. of Ed., *U.S. Department of Education Announces Transformational Changes to the Public Service Loan Forgiveness Program, Will Put Over 550,000 Public Service Workers Closer to Loan Forgiveness*, (Oct. 6, 2021), available at <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>. See also FSA, *Stakeholder Resources: The Limited PSLF Waiver*, (last accessed Oct. 4, 2022), available at <https://financialaidtoolkit.ed.gov/tk/announcement-detail.jsp?id=limited-pslf-waiver>.

the payments were made under an ineligible loan program. The PSLF Limited Waiver ends Oct. 31, 2022.<sup>79</sup>

- On March 9, 2022, the Department announced important steps that it was taking to ensure that bankruptcy relief is available to student loan borrowers.<sup>80</sup>
- On April 6, 2022, the Department announced the “Fresh Start” initiative to help eligible borrowers in default.<sup>81</sup> Among the benefits, eligible borrowers will regain access to Title IV funding and have the default removed from their credit reports. The initiative will continue for one year after the payment pause ends.
- On April 19, 2022, the Department announced several changes and updates to income driven repayment (IDR) plans that will bring eligible IDR borrowers closer to forgiveness.<sup>82</sup> These changes include performing a one-time payment count revision, which will include counting time toward IDR forgiveness for any months the loan was in a repayment status, 12 months of consecutive forbearance, and 36 months or more of cumulative forbearance.<sup>83</sup> The purpose of the IDR waiver is to provide an opportunity for borrowers, many of whom were inappropriately steered into forbearances by their servicers, to have these periods of time count toward forgiveness. Commercially-held FFELP borrowers must consolidate into a Direct Loan before the Department completes the IDR changes in order to benefit from the IDR payment count adjustments.<sup>84</sup>
- On August 24, 2022, President Biden and Education Secretary Cardona announced a plan to cancel up to \$20,000 of federal student debt for borrowers making under

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<sup>79</sup> *Id.*

<sup>80</sup> FSA, *Discharge in Bankruptcy*, (last accessed Oct. 4, 2022), available at <https://studentaid.gov/manage-loans/forgiveness-cancellation/bankruptcy>.

<sup>81</sup> Eligible borrowers may have the following loans: defaulted Direct Loans, defaulted FFELP loans, and defaulted Perkins loans held by ED. The following loans are not eligible: defaulted Perkins loans held by schools, defaulted Health Education Assistance Loan (HEAL) Program loans, student loans remaining with the U.S. Department of Justice for ongoing litigation, Direct Loans that default after the end of the COVID-19 student loan payment pause, and FFELP loans that default after the end of the COVID-19 student loan payment pause. See FSA, *A Fresh Start for Federal Student Loan Borrowers in Default*, (last accessed Oct. 4, 2022), available at <https://studentaid.gov/announcements-events/default-fresh-start>.

<sup>82</sup> FSA, *Income-Driven Repayment and Public Service Loan Forgiveness Program Account Adjustment*, (last accessed Oct. 4, 2022), available at <https://studentaid.gov/announcements-events/idr-account-adjustment>.

<sup>83</sup> *Id.*

<sup>84</sup> *Id.* ED estimates the changes will be completed no sooner than January 2, 2023.

\$125,000 or families making under \$250,000 per year.<sup>85</sup> The plan provides for up to \$10,000 in debt cancellation to federal student loan borrowers who did not receive Pell Grants and \$20,000 to those who did receive Pell Grants.<sup>86</sup> As of the publication date of this report, the White House estimates that up to 43 million borrowers will receive relief under this plan, with approximately 20 million receiving full cancellation of their federal student loan balance.<sup>87</sup>

- Finally, the Department of Education has announced that payments will re-start on student loan payments in January 2023. Servicers will play a key role in communicating with borrowers about their payments, maintaining and providing accurate account information, and counseling borrowers about their best options if payments are not affordable.

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<sup>85</sup> The White House, *FACT SHEET: President Biden Announces Student Loan Relief for Borrowers Who Need It Most*, (Aug. 24, 2022), available at <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/24/fact-sheet-president-biden-announces-student-loan-relief-for-borrowers-who-need-it-most/>. See also FSA, *One-Time Student Loan Debt Relief*, (last accessed Oct. 4, 2022), available at <https://studentaid.gov/debt-relief-announcement/one-time-cancellation>.

<sup>86</sup> *Id.*

<sup>87</sup> *Id.*