

Annual Report of the CFPB Private Education Loan Ombudsman

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Executive summary

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, this report analyzes complaints submitted by consumers from September 1, 2019, through August 31, 2020. During this time period the Consumer Financial Protection Bureau (“Bureau” or “CFPB”) handled approximately 7,000 complaints related to private or federal student loans – approximately 1,900 private student loan complaints and 5,000 federal student loan complaints. The Bureau handled approximately 1,700 debt collection complaints with a student loan related sub-product, and approximately 500 complaints mentioning COVID-19 or related keywords with a student loan related sub-product. Overall, the number of complaints has decreased for both private and federal student loans, continuing a trend from 2017.

1. For the year ending August 31, 2020, the Bureau handled approximately 1,900 private student loan complaints, a decrease of approximately 33 percent compared to that of the previous year (2019).
2. For the year ending August 31, 2020, the Bureau handled approximately 5,000 federal student loan complaints, a decrease of approximately 24 percent compared to that of the previous year (2019).

On January 31, 2020, the Bureau and the U.S. Department of Education (“Department”) signed a Memorandum of Understanding regarding complaints, including the resolution of complaints and the sharing of information regarding complaints and borrower characteristics. The Department has near real-time access to the Bureau’s complaint database and access to certain Bureau data analytics.

During the period of this report, the Bureau has conducted supervisory examination(s) and prioritized assessment(s) of federal servicer(s), the number of which is confidential; announced five enforcement actions against student loan debt relief companies and a student loan trust; created a new interactive guide within our Paying for College suite of tools; and has engaged in extensive borrower education and outreach, among other things.

Total student loan debt is now \$1.677 trillion and is second only to home mortgages in outstanding household debt. Student loan debt and repayment outcome varies by socio-economic status, race, and degree attainment, among other factors. COVID-19 has had a significant impact on students and student loans and exacerbated certain socio-economic and

racial gaps. The CARES Act, and a subsequent executive order extending it, provided relief for federally held federal student loans but did not provide relief for private student loans or non-federally held federal student loans. Many private lenders and servicers have offered various accommodations for private student loans.

It is anticipated that policymakers will remain focused on how to assist student loan borrowers for the duration of the pandemic. In addressing near-term and long-term repayment issues, policymakers may wish to consider simplifying the various loan repayment plans and the various forgiveness, discharge, and cancellation programs; accelerating efforts to automate data sharing between federal agencies in order to streamline enrollment in repayment plans; requiring federal student loan debtors who file for bankruptcy to enroll in an Income Driven Repayment plan; revisiting the undue hardship test in bankruptcy; assessing comprehensive and holistic approaches to address socio-economic and racial gaps in education attainment and student loan debt load; identifying methods to reinforce successful efforts to close socio-economic and racial gaps in degree attainment; and continuing to aggressively pursue student loan debt relief scams.

1. About this report

The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Act”) established a Private Education Loan Ombudsman (“Ombudsman”) within the Consumer Financial Protection Bureau (“Bureau” or “CFPB”) to provide timely assistance to borrowers of private education loans.¹ The statutory functions and requirements of the Ombudsman include the following:

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

This report is drafted pursuant to the Act and covers CFPB complaint data from September 1, 2019 through August 31, 2020. This is the eighth Ombudsman report. Notably, on January 31,

¹ 12 USC §5535

2020, the Bureau and the Department of Education signed an MOU regarding the sharing of complaint information which has assisted, in part, to inform this report.

The Ombudsman Report is to include the activities and effectiveness of the position in the preceding year, and this information is included throughout the report and is summarized in Section 4. Section 2 of this report provides CFPB private and federal student loan complaint information and data. These data include information on approximately 1,900 private student loan complaints submitted between September 1, 2019 and August 31, 2020 and more than 5,000 federal student loan complaints submitted between September 1, 2019 and August 31, 2020; approximately 1,700 debt collection complaints related to private or federal student loans submitted between September 1, 2019 and August 31, 2020; and approximately 500 complaints mentioning COVID-19 related to private or federal student loans. Section 3 of this report provides data on the student loan market, gaps in completion rates, and debt burdens. Section 5, the Ombudsman Discussion, provides information regarding student loan debt relief and degree attainment. Section 6 provides recommendations for policymakers.

Robert G. Cameron

Private Education Loan Ombudsman

Consumer Financial Protection Bureau

2. Student loan complaint data

2.1 Sources of information

This report includes complaints about student loans received by the Bureau and published in CFPB’s public [Consumer Complaint Database](#),² a collection of complaints about consumer financial products and services sent by the CFPB to companies for response. Across all products, more than 5,800 financial companies can respond to their customers through the Bureau’s complaint process, ensuring the Bureau and the state and federal agencies with which the Bureau shares complaint information, including the Federal Trade Commission (“FTC”) and the Department of Education (for federal student loans), have the companies’ perspectives on these complaint(s).

To identify and assess issues faced by student loan borrowers, this report relies on student complaints sent by the Bureau to companies for response³ as well as other sources of information including internal offices and sections within the Bureau (such as the Office of Supervision, Fair Lending and Enforcement, the Office of Consumer Education and External Affairs, the Section for Students and Young Consumers, the Section for Servicemember Affairs, and the Section for Older Americans), consumers, regulators, law enforcement agencies, and the Department of Education.

2.2 Limitations

The Consumer Complaint Database provides data and tools to analyze complaints. The database does not include consumer’s personally identifying information. It contains anonymized complaint data provided by consumers, including the type of complaint, the date of

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

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

submission, the consumer's ZIP code, and the company to which the complaint was sent for response. The database also includes information about the actions taken by a company in response to a complaint: whether the company's response was timely and how the company responded. It is important to note that the Consumer Complaint Database is not a statistical sample of consumers' experiences in the marketplace. Further, the number of complaints regarding any issue does not suggest the prevalence of issues as those issues relate to the entire student loan market.

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

The Bureau does not verify all the allegations in consumers' complaints.⁴ Unproven allegations in consumer narratives should be regarded as opinion, not fact. Readers should consider what conclusions may be fairly drawn from complaints alone. The data are adjusted for market share where sufficient data exists to adjust it for market share. However, there are not currently sufficient data to accurately adjust aspects of this report for market share. For example, regarding private student loans, it is difficult to accurately determine the number of complaints per 10,000 borrowers for meaningful company or organization comparisons or for meaningful comparisons between and among states. However, the market share analysis that is done, and the method used to do the analysis, is solely for use in, and limited to, this year's report and should not be interpreted as either a final Bureau decision or Bureau guidance on how to best determine market share and normalize complaint data. There are various approaches to doing market share analysis, or normalizing complaint data, including the number of borrowers, the number of borrower accounts, total customer interactions, and account values, among others. Each approach has merit individually and/or in combination with another; however, not all information is readily or publicly available for analysis.

⁴ The Bureau does take steps to confirm a commercial relationship between the consumer and the company or organization. The Bureau expects that such companies and organizations will find the issues raised in the complaints useful as they apply their complaint analysis process (which should be feasible, suitable and acceptable for the size and sophistication of the company or organization) to perform appropriate root cause analysis as part of their compliance management systems, which are subject to supervisory examinations.

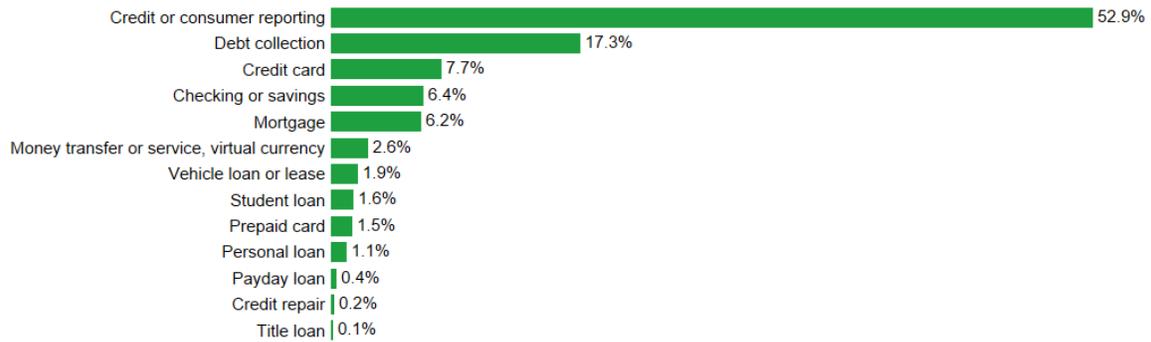
The Consumer Complaint Database remains an important tool for the Bureau, consumers, advocates, other regulators, and market participants. Complaints help the Bureau in its work to regulate consumer financial products and services under existing federal consumer financial laws, enforce those laws judiciously, and educate and empower consumers to make better-informed financial decisions to reach their own life goals. For consumers, the Bureau’s complaint process is efficient and effective. It documents their experiences and challenges in the market place and is an important tool in resolving those challenges. This year, 99% of complaints sent to companies received a timely response. For borrower assistance and advocacy organizations, published complaint data provides insights and situational awareness regarding the issues experienced by consumers and informs their advocacy. Similarly, for state ombudsman offices and other state regulators, it provides key insights and situational awareness regarding the issues faced by consumers in their states as well as a comparison to other states. For market participants, consumer complaint information is an important tool to inform and support compliance activities and internal monitoring activities.

2.3 Student loan complaint data – aggregate, private, and federal

During the period of September 1, 2019, through August 31, 2020, the Bureau received approximately 447,300 complaints of which approximately 7,000, or roughly 1.6%, are related to private or federal student loans.⁵

⁵ This report used dynamic data as of October 1, 2020 and may differ slightly from other reports.

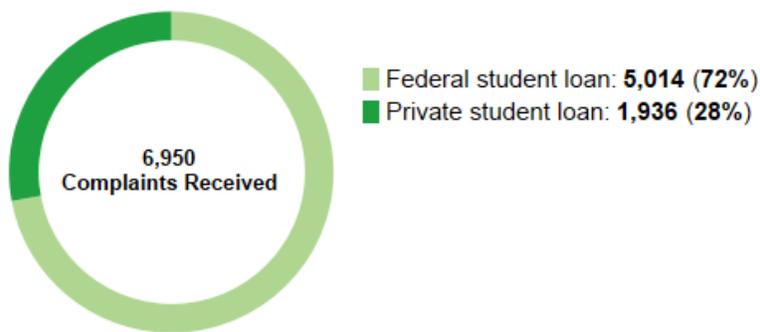
FIGURE 1: COMPLAINTS RECEIVED BY PRODUCT



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

During the period of September 1, 2019 through August 31, 2020, of the approximately 7,000 student loan complaints received, approximately 1,900 were related to private student loans and approximately 5,000 were related to federal student loans.⁶

FIGURE 2: PRIVATE AND FEDERAL STUDENT LOAN COMPLAINTS RECEIVED



Note: This chart provides data regarding the number of private and federal student loan complaints received by the Bureau.

⁶ Separately, the Department of Education receives approximately 30,000 federal student loan complaints annually.

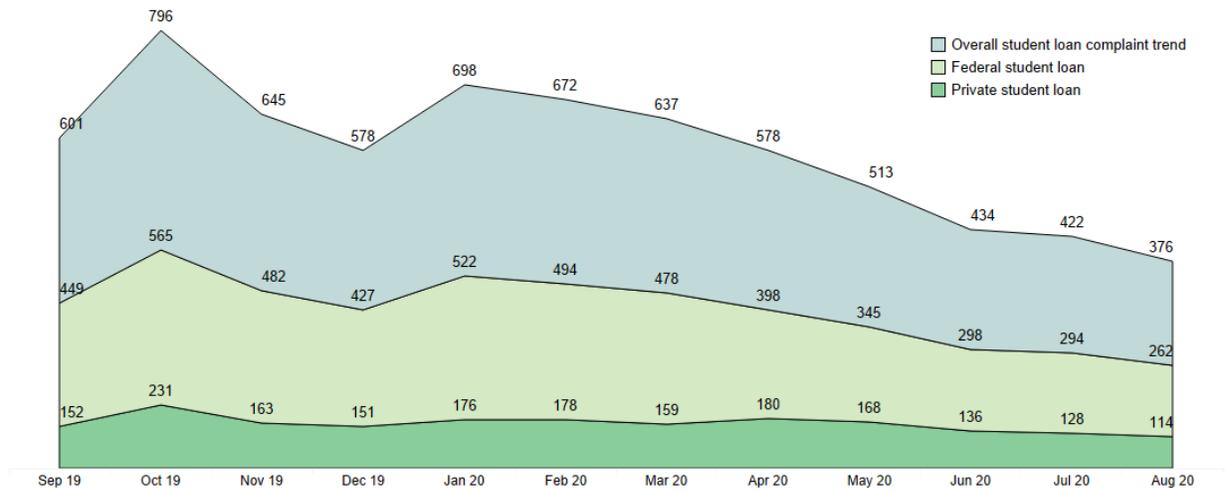
2.3.1 Complaint trend highlights

During the period of September 1, 2019 through August 31, 2020, complaints overall for student loans, private loans, and federal loans trended lower. This continues the downward trend noted in last year's report.⁷ The overall decrease is likely not attributable to a single factor. For example, CARES Act relief (explained more fully in section 2.3.5) likely contributed significantly to the decrease since March 2020. However, this does not account for the steady decrease in complaints that preceded the CARES Act. Though no single factor may be responsible for the decrease, and it is difficult to quantify and assign attribution between and among potential factors, the following factors may have contributed to the overall decrease: borrower education and outreach by federal and state agencies and regulators; borrower education and outreach by consumer advocates; and continued maturation of some industry participants' compliance management systems, complaint monitoring systems, and their internal consumer advocate and ombudsman offices.⁸

⁷ https://files.consumerfinance.gov/f/documents/cfpb_annual-report_private-education-loan-ombudsman_2019.pdf

⁸ As noted in the 2019 report, complaint monitoring by market participants provides important, near-real time insights and is an early indicator of potential issues. Appropriate and timely complaint analysis, early identification of issues and remediation when harm has occurred, reduces harm to consumers, increases consumer satisfaction, drives business value, and reduces reputational, litigation and regulatory risk to companies and organizations. *Id.* The foregoing fosters a culture of compliance. Maintaining a culture of compliance requires dedicating adequate resources, commensurate with the organization's size and complexity, in order to monitor and address issues as they arise.

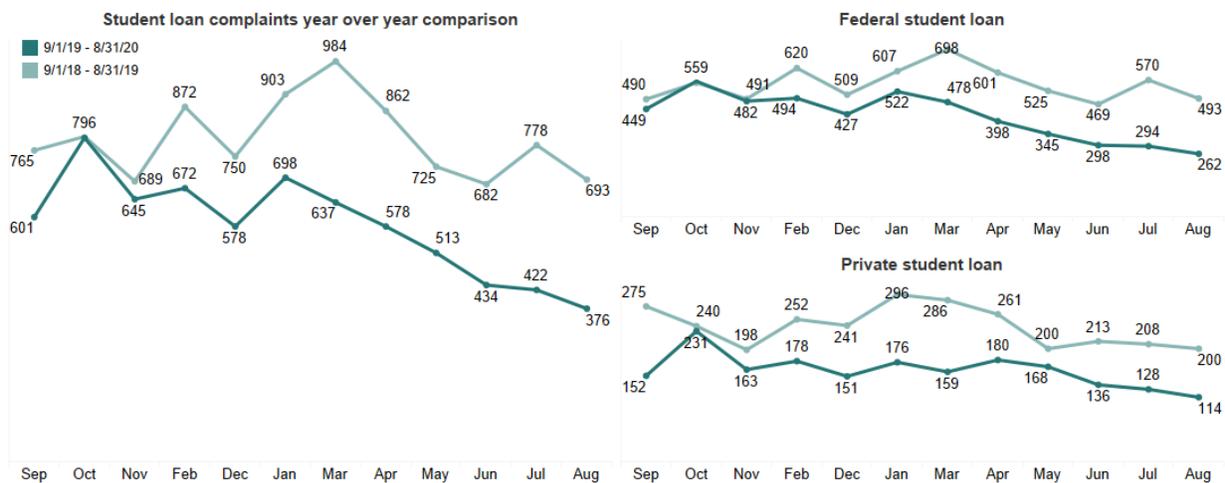
FIGURE 3: MONTHLY COMPLAINTS RECEIVED TREND FOR STUDENT LOANS



Note: This chart shows complaint trends for student loan complaints – overall, private and federal. During this time period, student loan complaints displayed a downward trend, with both private and federal student loan sub-products trending lower. Also, March 13, 2020 was the effective date for CARES Act relief.

Year over year comparisons for student loan complaints – overall, private and federal are below.

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

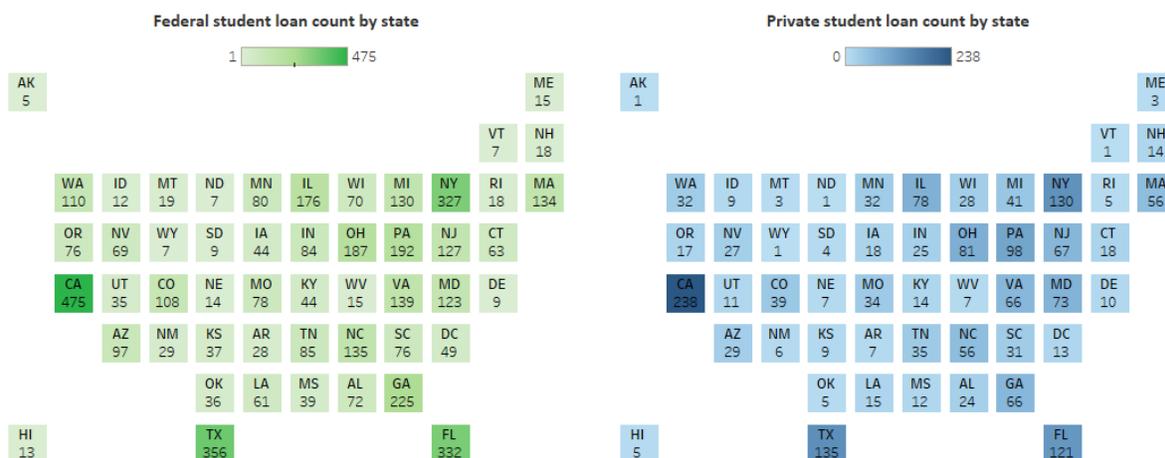


Note: The time periods compared are September 1, 2018 through August 31, 2019 and September 1, 2019 through August 31, 2020. Also, March 13, 2020 was the effective date for CARES Act relief.

2.3.2 Geographic highlights

Geographic highlights, on a state by state basis are below.

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



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

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

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

	Federal student loan share	Private student loan share	Difference in shares
Georgia	4.8%	3.6%	1.2%
Washington	2.3%	1.7%	0.6%
Oregon	1.6%	0.9%	0.7%
Maryland	2.6%	3.9%	-1.3%
Pennsylvania	4.1%	5.3%	-1.2%
California	10.1%	12.8%	-2.7%

2.3.3 Servicemember and older student highlights

During the period of September 1, 2019 through August 31, 2020, approximately 1.8% (719 of 39,053) of complaints submitted by servicemembers were student loan related, compared to 1.5% (6,231 of 408,242) submitted by non-servicemembers.⁹

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

	Student loan complaints submitted by servicemembers	Student loan complaints submitted by non-servicemembers
Federal student loan	515	4,499
Private student loan	204	1,732
Grand Total	719	6,231

During the period of September 1, 2019 through August 31, 2020, approximately 1.1% (236 of 21,295) of complaints submitted by older consumers were student loan related, compared to 1.6% (6,714 of 426,000) submitted by consumers under age 62.¹⁰

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

	Student loan complaints by older consumers	Student loan complaints by non-older consumer
Federal student loan	144	4,870
Private student loan	92	1,844
Grand Total	236	6,714

2.3.4 Issue and outcome highlights

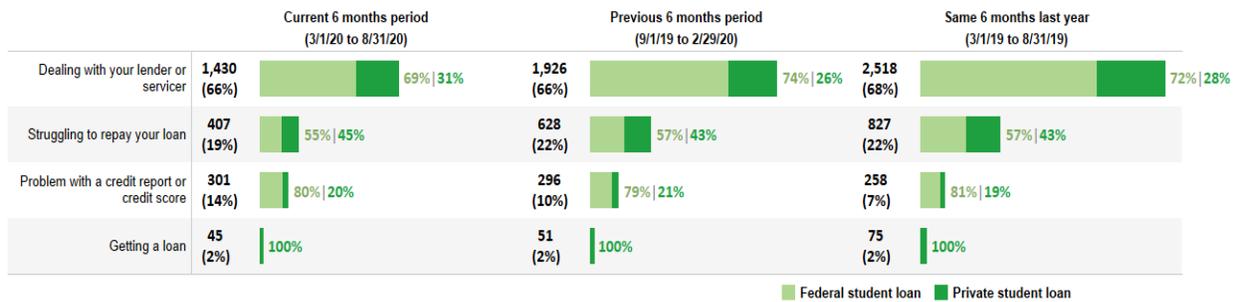
The Emergency Declaration regarding COVID-19 was signed March 13, 2020, approximately halfway through this reporting period. The CARES Act was signed March 27, 2020, and federal student loan relief was made retroactive to March 13, 2020. In broadly reviewing issues and

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

¹⁰ The Bureau has resources and tools available to assist older Americans at <https://www.consumerfinance.gov/practitioner-resources/resources-for-older-adults/>

outcomes and making comparisons, it is helpful to look at two distinct time periods: pre-Emergency Declaration (September 1, 2019 through February 29, 2020) and post-Emergency Declaration (March 1, 2020 through August 31, 2020).

FIGURE 6: ISSUE HIGHLIGHTS AND PERCENTAGE DISTRIBUTION OF COMPLAINTS RECEIVED BY PRIVATE AND FEDERAL LOANS



Note: Consumers submitting student loan complaints may select from the following four types of complaint categories: “Getting a loan,” “Can’t pay my loan,” “Dealing with my lender or servicer,” and credit reporting related issues for student loans reported as “Problem with a credit report or credit score.” This figure reflects the categories consumers selected when submitting a complaint.

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

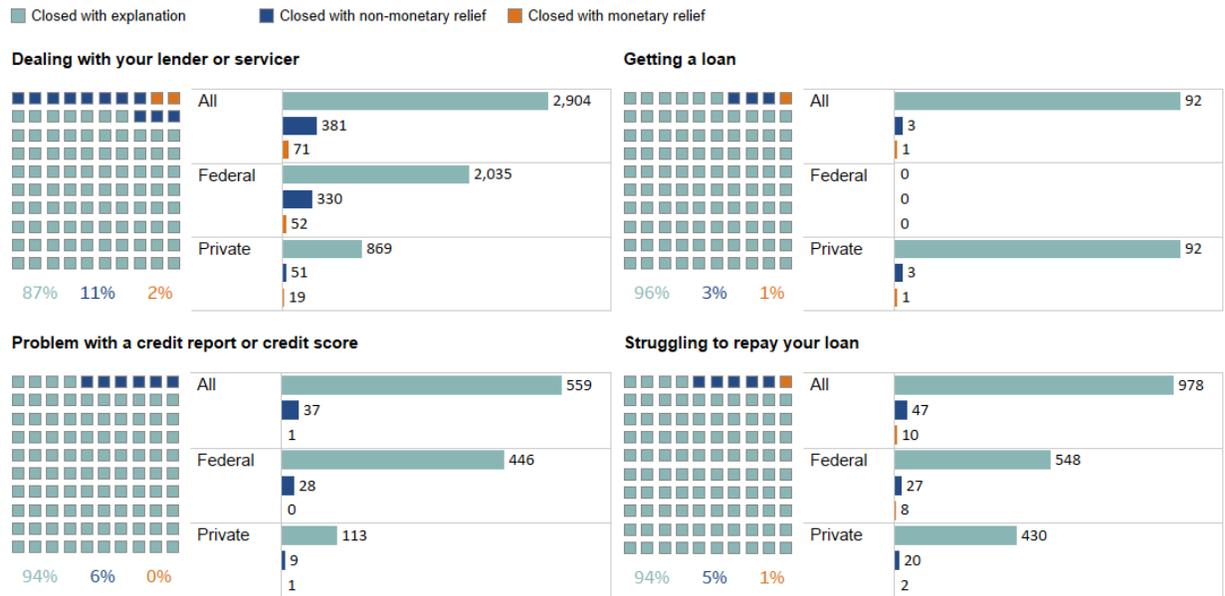
FIGURE 7: SUB-ISSUE HIGHLIGHTS WITH COMPLAINT COUNT AND PERCENT TOTAL FOR EACH

		All student loan	Federal student loan	Private student loan
Dealing with your lender or servicer	Received bad information about your loan	1,155 (34%)	891 (37%)	264 (28%)
	Trouble with how payments are being handled	1,140 (34%)	815 (34%)	325 (35%)
	Don't agree with the fees charged	363 (11%)	255 (11%)	108 (12%)
	Problem with customer service	311 (9%)	224 (9%)	87 (9%)
	Need information about your loan balance or loan terms	273 (8%)	182 (8%)	91 (10%)
	Keep getting calls about your loan	114 (3%)	50 (2%)	64 (7%)
Struggling to repay your loan	Can't get other flexible options for repaying your loan	512 (49%)	301 (52%)	211 (47%)
	Problem lowering your monthly payments	326 (31%)	185 (32%)	141 (31%)
	Can't temporarily delay making payments	197 (19%)	97 (17%)	100 (22%)
Problem with a credit report or credit score	Their investigation did not fix an error on your report	179 (30%)	162 (34%)	17 (14%)
	Account status incorrect	160 (27%)	129 (27%)	31 (25%)
	Account information incorrect	105 (18%)	82 (17%)	23 (19%)
	Information belongs to someone else	43 (7%)	25 (5%)	18 (15%)
	Old information reappears or never goes away	26 (4%)	15 (3%)	11 (9%)
	Problem with personal statement of dispute	20 (3%)	16 (3%)	4 (3%)
	Billing dispute for services	14 (2%)	9 (2%)	5 (4%)
	Difficulty submitting a dispute or getting information about a dispute over the phone	9 (2%)	8 (2%)	1 (1%)
	Credit inquiries on your report that you don't recognize	6 (1%)	2 (0%)	4 (3%)
	Information is missing that should be on the report	5 (1%)	3 (1%)	2 (2%)
	Investigation took more than 30 days	5 (1%)	4 (1%)	1 (1%)
	Problem with product or service terms changing	4 (1%)	3 (1%)	1 (1%)
	Other	3 (1%)	3 (1%)	0 (0%)
	Other problem getting your report or credit score	3 (1%)	2 (0%)	1 (1%)
	Public record information inaccurate	3 (1%)	2 (0%)	1 (1%)
	Reporting company used your report improperly	3 (1%)	3 (1%)	0 (0%)
	Was not notified of investigation status or results	3 (1%)	2 (0%)	1 (1%)
	Personal information incorrect	2 (0%)	1 (0%)	1 (1%)
	Received unsolicited financial product or insurance offers after opting out	2 (0%)	1 (0%)	1 (1%)
	Didn't receive services that were advertised	1 (0%)	1 (0%)	0 (0%)
Received unwanted marketing or advertising	1 (0%)	1 (0%)	0 (0%)	
Getting a loan	Fraudulent loan	42 (44%)	0 (0%)	42 (44%)
	Confusing or misleading advertising	28 (29%)	0 (0%)	28 (29%)
	Denied loan	15 (16%)	0 (0%)	15 (16%)
	Problem with the interest rate	9 (9%)	0 (0%)	9 (9%)
	Problem with signing the paperwork	1 (1%)	0 (0%)	1 (1%)
	Qualified for a better loan than the one offered	1 (1%)	0 (0%)	1 (1%)

Note: The time period is September 1, 2019 through August 31, 2020. The data are based upon the student loan product, issues, and sub-issues.

Outcome highlights are provided below. Companies responded with explanations or non-monetary relief in 98% of closed company responses.

FIGURE 8: COMPANY RESPONSE OUTCOMES FOR PRIVATE AND FEDERAL STUDENT LOANS



Note: The time period is September 1, 2019 through August 31, 2020. The data show percentage distribution by company-selected closure response category (i.e. Complaints closed with explanation, Closed with non-monetary relief, and Closed monetary relief) for student loan complaints and sub-products for each issue.

2.3.5 COVID-19 and student loan complaints

COVID-19 has had, and continues to have, significant effects on our nation’s health and economy.¹¹ Our nation’s economic and financial health includes student loans,¹² which are the second highest consumer household debt category after home mortgages (*see*, Section 3, Student loan market). The “Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak”¹³ was signed by the President on March 13, 2020, and on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act

¹¹ <https://www.richmondfed.org/publications/research/coronavirus> and <https://www.philadelphiafed.org/research-and-data/regional-economy/covid19-economic-impacts>

¹² The Bureau has many resources and tools regarding COVID-19 and financial services, including student loans, at <https://www.consumerfinance.gov/coronavirus/>

¹³ <https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/>.

was signed.¹⁴ Shortly thereafter initial guidance was issued by the Department of Education on or about April 3, 2020.¹⁵ The relief provided under the CARES Act was made retroactive to March 13, 2020 and was originally effective through September 30, 2020. Much of the relief provided pursuant to the CARES Act for student loans was extended via Presidential Memorandum through December 31, 2020.¹⁶

The CARES Act only applies to federal loans that are held by the federal government. This means federal Direct Loans, Department owned Federal Family of Education Loans (FFEL), and Department owned Perkins loans are covered under the CARES Act. However, FFEL loans owned by commercial lenders, Perkins loans owned by schools, and private student loans owned by states or state affiliated agencies, banks, credit unions, schools, or other private entities are not covered under the CARES Act. CARES Act protections and the extension of protections through the Presidential Memorandum include the following:¹⁷

- Automatic suspension of principal payments and interest from March 13, 2020 through December 31, 2020.
 - Interest is set at 0% and will not capitalize at the end of the suspension.
- Suspended payments are not missed payments.
 - Suspended payments are reported to credit bureaus as fulfilled payments.
- Suspended payments count toward loan forgiveness programs, including Public Service Loan Forgiveness (PSLF) provided other program requirements are met.

¹⁴ <https://www.govtrack.us/congress/bills/116/hr748>

¹⁵ The Department of Education, Federal Student Aid (FSA) has current information and FAQs regarding COVID-19 and Department owned federal loans at https://studentaid.gov/announcements-events/coronavirus?utm_medium=paid_search&utm_source=google&utm_campaign=camp_94&utm_content=branded_ad_1

¹⁶ On August 8, 2020, the President signed the “Memorandum on Continued Student Loan Payment Relief During the COVID-19 Pandemic” (Memorandum). The Memorandum directed the Secretary of Education to “... take action pursuant to applicable law to effectuate appropriate waivers of and modifications to the requirements and conditions of economic hardship deferments ... and provide such deferments to borrowers as necessary to continue the temporary cessation of payments and the waiver of all interest on student loans held by the Department of Education until December 31, 2020.”

¹⁷ <https://studentaid.gov/announcements-events/coronavirus>

- Suspension of involuntary wage garnishments and Treasury offsets with refunds available for garnishments and offsets occurring on or after March 13, 2020.

Though private student loans are not covered under the CARES Act, lenders and servicers may offer other protections and/or flexibilities. Many lenders and servicers have offered, and are offering, ways to postpone or manage monthly payments, such as forbearance, temporary payment reductions, interest rate reductions, and the waiving of late fees and penalties. For federally-guaranteed loans held by banks and other private entities, servicers are able to use the natural disaster forbearance.¹⁸ The natural disaster forbearances are available in three-month increments that can be renewed, but, in most cases, enrollment and renewal require borrower action. Forbearance options for private student loans vary in duration but cannot be renewed indefinitely.

The forgoing relief is likely a significant factor in the decrease of private and federal student loan complaints since March 2020. When the relief expires, it is reasonable to anticipate that there may be an increase in complaints. It is also reasonable to anticipate, that as with any transition, there may be potential for borrower confusion and consumer harm – for example, Income-Driven Repayment recertification issues, auto-debit problems, and inaccurate billing. Potential borrower confusion can likely be mitigated, at least in part, by consistent communication and outreach to borrowers by industry participants, federal and state regulators and agencies, and consumer advocates. Consumer harm can likely be mitigated by lenders and servicers anticipating the potential issues and then planning, implementing, and testing controls designed to prevent the issues from arising and prevent the harm from occurring.

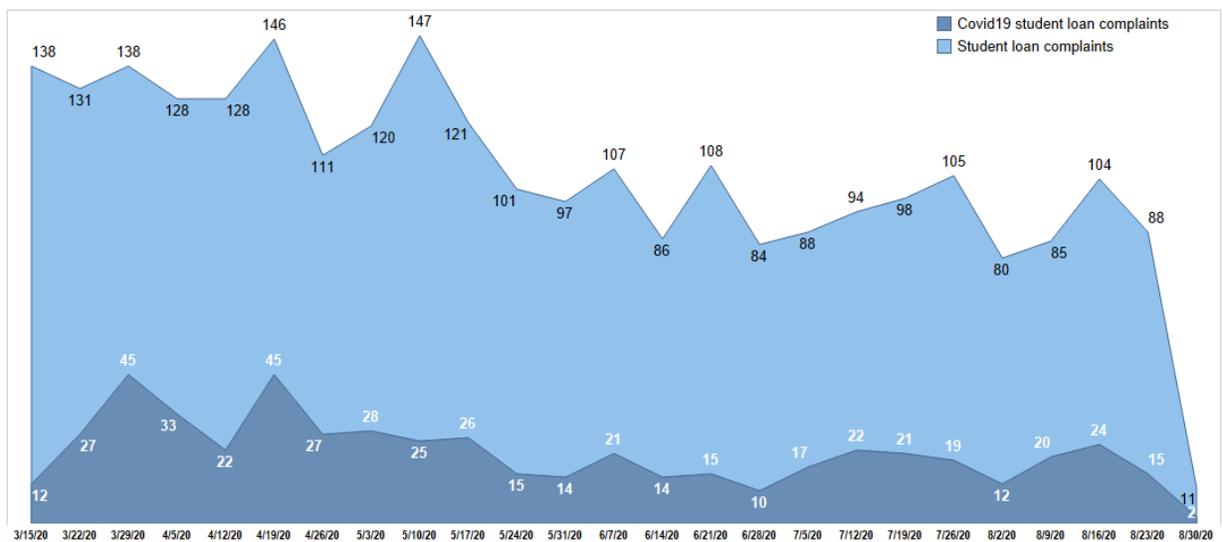
If any borrower is experiencing financial difficulty or has any questions regarding their private student loans or federal student loans, they should contact their servicer, or if applicable, their financial aid office at their school or university. If their issue cannot be resolved or if they run into challenges, borrowers should contact applicable government entities, including the

¹⁸ The natural disaster forbearance was designed to assist borrowers affected by natural disasters such as hurricanes, floods, and fires, which generally have a more limited duration and generally have a more limited geographic scope than the Coronavirus pandemic which has had a longer duration and greater geographic scope.

Bureau,¹⁹ the Department of Education’s Federal Student Aid Ombudsman,²⁰ the Federal Trade Commission (FTC),²¹ or state regulatory²² or enforcement²³ authorities.

The Bureau has actively monitored student loan complaints regarding COVID-19, among other things. Complaints mentioning COVID-19 or similar terms began to appear in March 2020. The Bureau has handled approximately 500 student loan complaints where the consumer narrative mentions keywords related to COVID-19. Student loan complaints overall and those mentioning COVID-19, coronavirus, and related terms are compared below in weekly frequency.

FIGURE 9: WEEKLY FREQUENCY OF STUDENT LOAN COMPLAINTS RECEIVED AND THOSE MENTIONING COVID-19, CORONAVIRUS, AND RELATED TERMS



Note: The time period is March 1, 2020 through August 31, 2020. The last week of the reporting period in August included only 2 days, which largely accounts for the lower complaint total for the last week.

Student loan complaints mentioning COVID-19 as a percentage of overall weekly student loans ranged from 9% to 33% of with an average of around 20%.

¹⁹ <https://www.consumerfinance.gov/complaint/>

²⁰ <https://studentaid.gov/feedback-ombudsman/disputes/prepare>

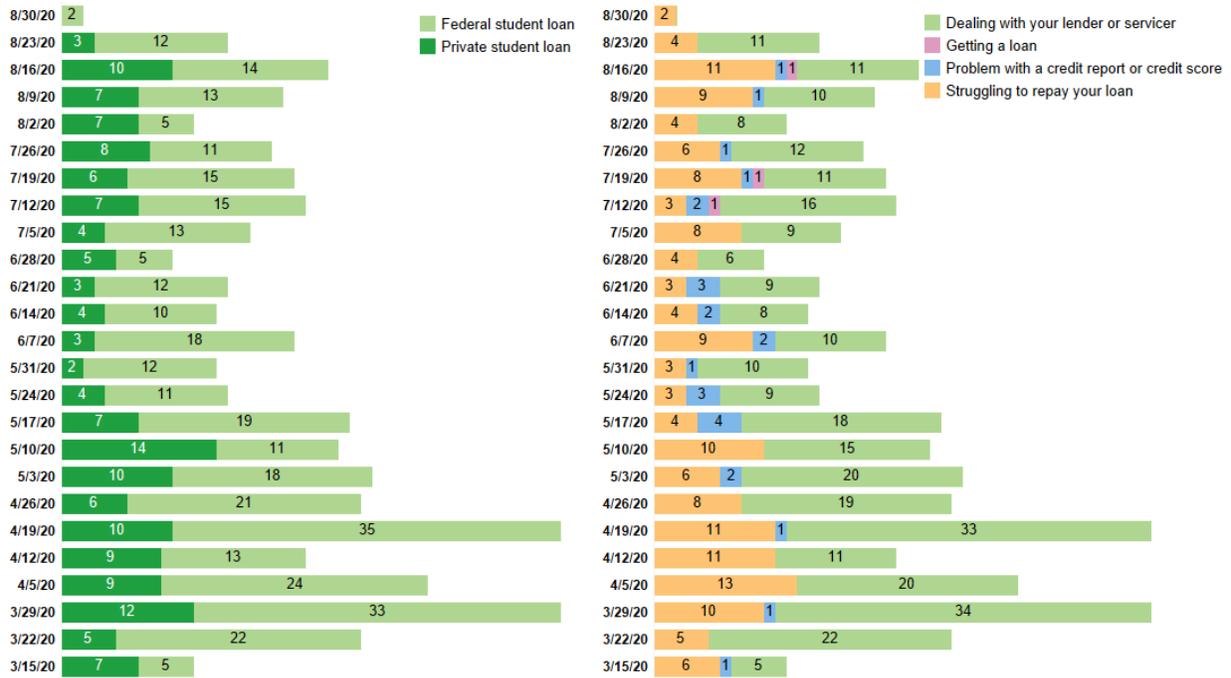
²¹ <https://www.ftccomplaintassistant.gov/#crnt&panel1-1>

²² <https://www.usa.gov/state-consumer>

²³ <https://www.naag.org/naag/attorneys-general/whos-my-ag.php>

Finally, below is a weekly 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 10: WEEKLY BREAKDOWN OF COVID-19 STUDENT LOAN COMPLAINTS RECEIVED AT THE SUB-PRODUCT LEVEL (PRIVATE AND FEDERAL STUDENT LOANS) AND ISSUE



Note: The time period is March 15, 2020 through August 31, 2020. The last week of the reporting period in August included only 2 days, which largely accounts for the lower complaint total for the last week. Consumers can select from a list of credit reporting related issues, reported as "Problem with a credit report or credit score," when submitting complaints about consumer financial products and services, including student loan product. The term "COVID-19 complaints" refers to complaints that mention coronavirus and related terms. Complaints identified using this search criteria should be reviewed to determine relevancy.

2.3.6 Debt collection complaint data

From September 1, 2019 through August 31, 2020, the Bureau handled approximately 1,700 private student loan complaints where the consumer selected debt collection as the product.

This report includes data from the CFPB’s Consumer Complaint Database, a collection of complaints about consumer financial products and services sent by the CFPB to companies for response. More than 5,800 financial companies currently provide responses to their customers through the Bureau’s complaint process, ensuring the Bureau and the state and federal agencies with which the Bureau shares complaint information, including the Federal Trade Commission, have the companies’ perspectives on these complaint(s).

Complaints that cannot be sent to companies for response such as those regarding issues with third-party debt relief companies that do not yet participate in the complaint process, or complaints that result from [debt relief scams](#),²⁴ are not published in the Consumer Complaint Database or reflected in the company-level analysis in this report. These complaints are also shared with state and federal agencies and included in the Federal Trade Commission’s Sentinel Network for law enforcement agencies, enabling these agencies to differentiate between responsive and non-responsive companies and to evaluate a company’s handling of consumer complaints.

The tables below are based on complaints sent to companies or organizations and data exported from the public Consumer Complaint Database as of October 1, 2020.

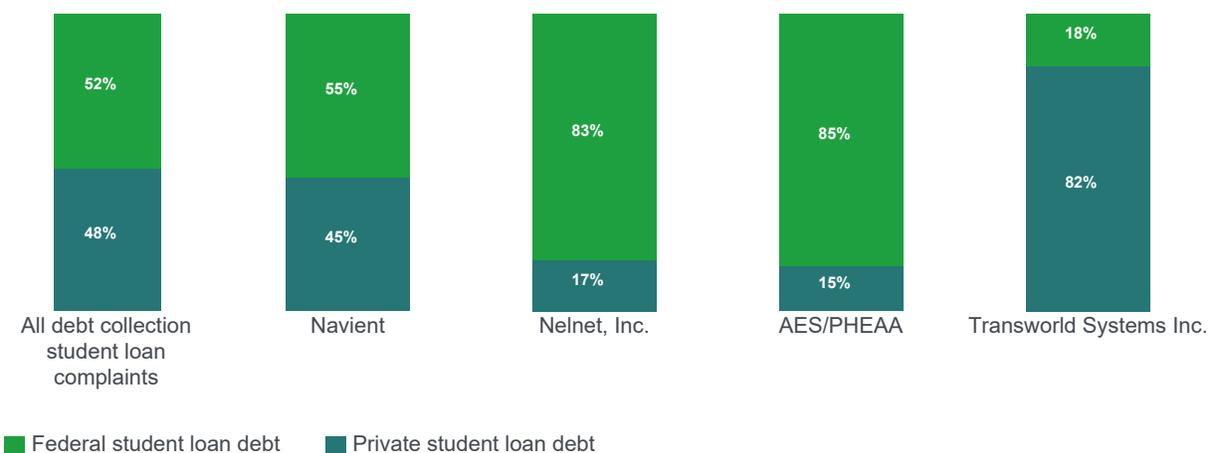
FIGURE 11: TOP RECIPIENTS OF STUDENT LOAN DEBT COLLECTION COMPLAINTS FROM SEPTEMBER 1, 2019 THROUGH AUGUST 31, 2020

Federal Student Loans	Number of Complaints	Private Student Loans	Number of Complaints
Navient	109	Navient	89
Nelnet	58	Transworld Systems Inc.	28
AES/PHEAA	56	Ability Recovery Services, LLC	22
Ascendium Education Group	20	SLM Corporation	17
F.H. Cann & Associates, Inc.	18	EOS Holdings, Inc.	13

²⁴ For further details regarding debt relief scams and red flags to identify and avoid them, see the 2019 report at https://files.consumerfinance.gov/f/documents/cfpb_annual-report_private-education-loan-ombudsman_2019.pdf

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

FIGURE 12: DISTRIBUTION OF LOAN TYPE FOR STUDENT DEBT COLLECTION COMPLAINTS BY COMPANY FROM SEPTEMBER 1, 2019 THROUGH AUGUST 31, 2020

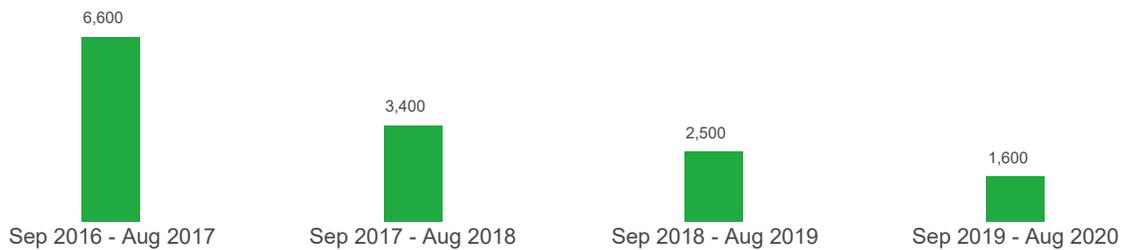


Note: This figure reflects debt collection complaints where (1) the consumer identified the sub-product as a private or federal student loan and (2) the identified company or organization that responded to the complaint, confirming the relationship with the consumer. This table was not normalized to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

2.4 Additional private student loan complaint data

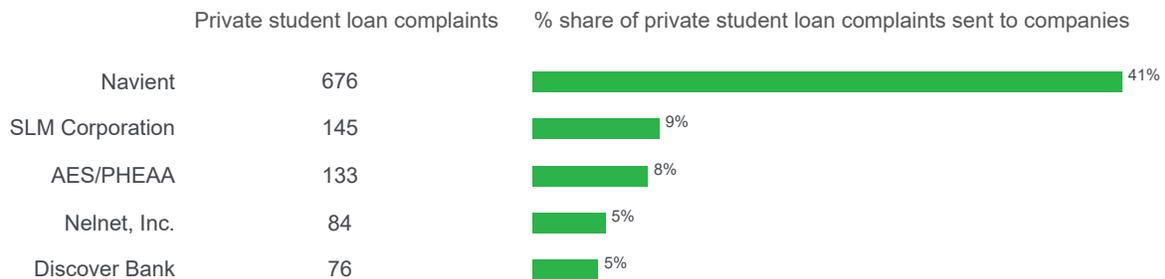
From September 1, 2019 through August 31, 2020, the Bureau handled approximately 1,900 private student loan complaints. The following tables are based on complaints sent to companies or organizations and data exported from the public Consumer Complaint Database as of October 1, 2020.

FIGURE 13: COMPARISON OF THE AGGREGATE NUMBER OF PRIVATE STUDENT LOAN COMPLAINTS SENT TO COMPANIES BY YEAR



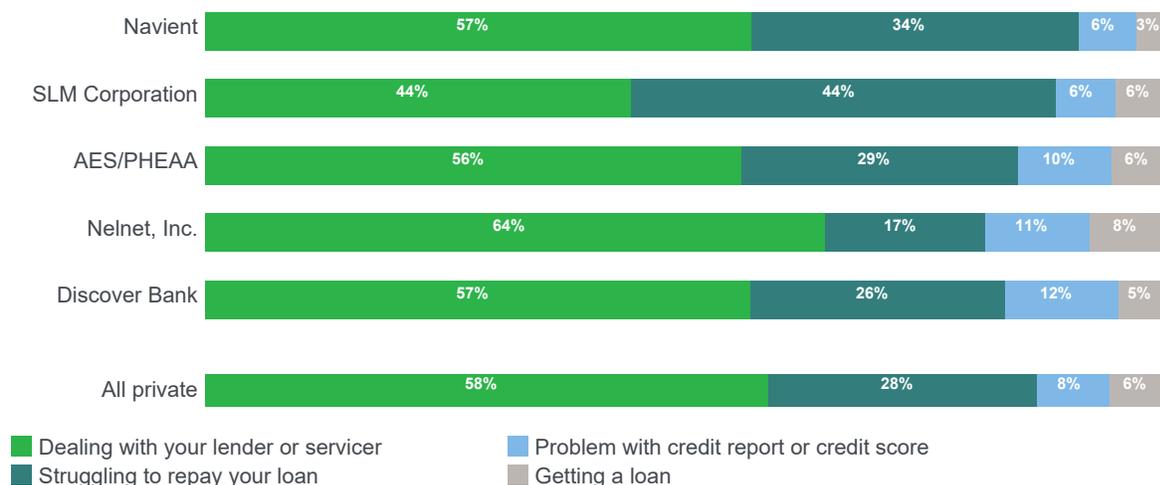
Note: This figure reflects yearly aggregate complaints where (1) the consumer identified the sub-product as a private student loan and (2) the identified company or organization that responded to the complaint, confirming the relationship with the consumer.

FIGURE 14: ORGANIZATIONS WITH THE MOST PRIVATE STUDENT LOAN COMPLAINTS



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

FIGURE 15: CONSUMER-IDENTIFIED ISSUES IN PRIVATE STUDENT LOAN COMPLAINTS BY ORGANIZATION



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

2.5 Additional federal student loan complaint data

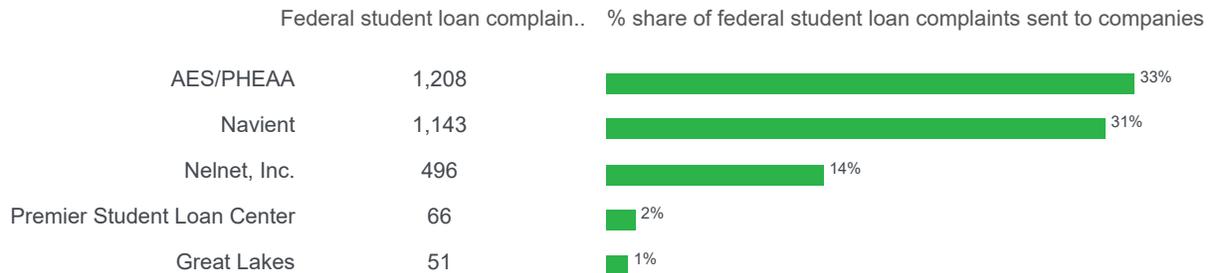
From September 1, 2019 through August 31, 2020, the Bureau handled approximately 5,000 federal student loan complaints. The following tables are based on complaints sent to companies or organizations and data exported from the public Consumer Complaint Database as of October 1, 2020.

FIGURE 16: COMPARISON OF THE AGGREGATE NUMBER OF FEDERAL STUDENT LOAN COMPLAINTS SENT TO COMPANIES BY YEAR



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

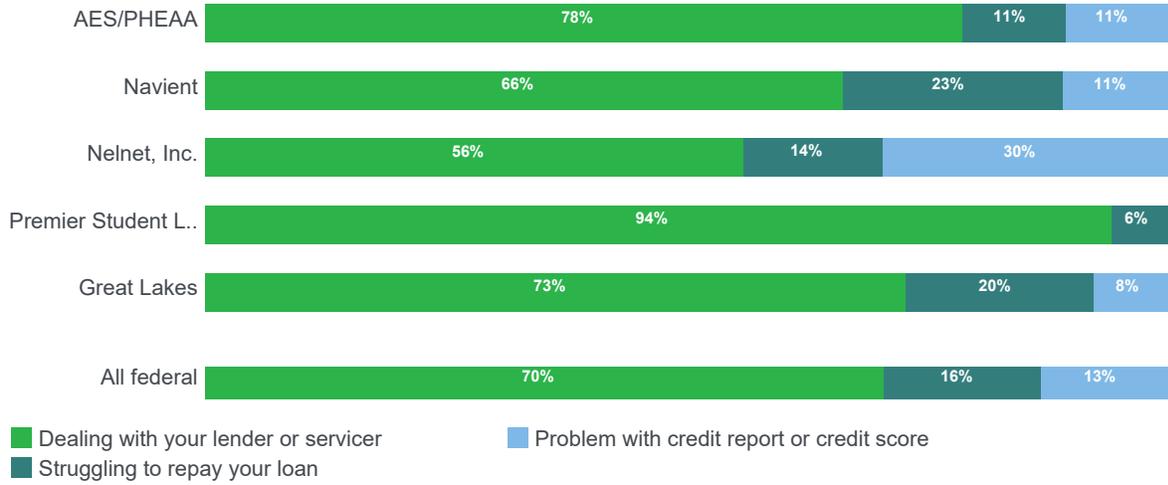
FIGURE 17: ORGANIZATIONS WITH THE MOST FEDERAL STUDENT LOAN COMPLAINTS²⁵



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

²⁵ On October 21, 2019, the Bureau along with the Minnesota Attorney General’s Office, North Carolina Department of Justice, and the Los Angeles City Attorney, filed a complaint and sought a temporary restraining order and preliminary injunction in federal court in the Central District of California against Consumer Advocacy Center Inc., d/b/a Premier Student Loan Center (Premier); True Count Staffing Inc., d/b/a SL Account Management (True Count); Prime Consulting LLC, d/b/a Financial Preparation Services (Prime); Albert Kim; Kaine Wen; and Tuong Nguyen (aka Tom Nelson). Among other things, the complaint alleged that Premier charged illegal advance fees for student loan debt relief services; misrepresented to borrowers that the defendants can forgive borrowers’ student loans; misrepresented to borrowers that the fees they charge are being applied to borrowers’ loans; and falsified borrowers’ family size, marital status, and income to borrowers’ student loan servicers in order to qualify borrowers for artificially low monthly payments. The court granted the request for the temporary restraining order on October 21, 2019. The complaint also names several relief defendants, and seeks disgorgement of those relief defendants’ ill-gotten gains.

FIGURE 18: IDENTIFIED ISSUES IN FEDERAL STUDENT LOAN COMPLAINTS BY ORGANIZATION



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

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

Company	Number of complaints	Number of borrowers in millions ²⁶	Complaints per 10K borrowers
AES/PHEAA	1,208	7.84	1.54
Navient	1,143	6.05	1.89
Nelnet	496	5.98	0.83
Great Lakes	51	7.92	0.06
Not-for-profits ²⁷	86	7.41	0.12

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

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

Company	Sep 2017 – Aug 2018	Sep 2018 – Aug 2019	Sep 2019 – Aug 2020
AES/PHEAA	1.8	2.1	1.54
Navient	3.9	3.2	1.89
Nelnet	0.9	0.8	0.83
Great Lakes	0.3	0.2	0.06
Not-for-profits	0.2	0.2	0.12

²⁶ The number of borrowers is from the National Student Loan Data System (NSLDS) as of March 31, 2020. The four Title IV Additional Services have a decline in numbers which is attributable, at least in part, to the allocation metrics used to assign new borrower accounts to nine different servicers.

²⁷ Not-for-profits include aggregate complaints for the Utah Higher Education Assistance Agency, Oklahoma Student Loan Authority, HESC/Edfinancial, MOHELA, and Granite State Management & Resources.

3. Student loan market

The student loan market is large and complex, with outstanding student loan debt totaling \$1.677 trillion.²⁸ This market is part of the larger financial ecosystem, and it supports the higher education ecosystem.²⁹ Generally, the interrelated component parts of the student loan market and the education ecosystem are (1) the actual education provided (mostly determined by schools), (2) the cost of the education provided (mostly determined by schools), (3) the financing of the cost (mostly by federal, private, and institutional lenders), and (4) servicing of the financing (mostly by student loan servicers). Each of the foregoing parts has varying degrees of information asymmetry between student loan borrowers and the organizations with which borrowers interact.³⁰ Further, approximately 70% of college graduates rely on student loans in order to have access to post-secondary education,³¹ and they take out those loans with the expectation of completing their education. This section of the report provides a broad overview of the student loan market, with a focus on student loan debt and completion, that policymakers and others may wish to consider in creating and implementing policies and solutions.

²⁸ “Federal Student Aid Portfolio Summary,” Federal Student Aid Data Center, *available at* <https://studentaid.ed.gov/sa/data-center>; *G19 Consumer Credit Series*, Federal Reserve, *available at* <http://www.federalreserve.gov/releases/g19/current/default.htm>.

²⁹ Together the student loan market and the education ecosystem include institutions of higher education of various types (for example, private, public, not-for-profit, for-profit, 2-year schools and 4-year schools), lenders of various types (for example, the federal government, banks, credit unions, state agencies or state affiliated organizations, and schools), guaranty agencies, loan servicers, federal and state regulators and agencies, consumer advocacy groups, trade associations, other participants and stakeholders, and various student loan borrowers (for example, students, parents, grandparents, servicemembers, veterans, older consumers, and co-signers, all of whom have a variety of backgrounds and income levels).

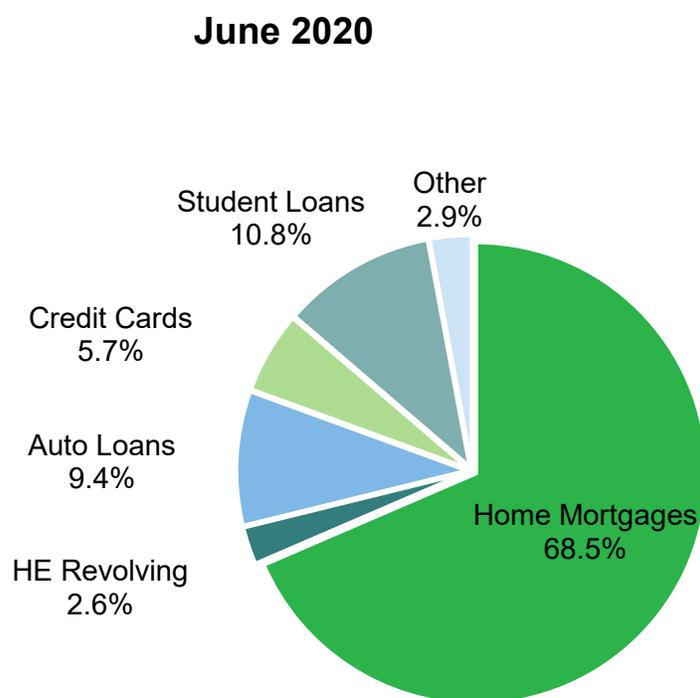
³⁰ It is important to note that empowered student loan borrowers who know their rights as borrowers and consumers will be better equipped to make informed decisions, avoid unscrupulous actors, and navigate the consumer financial market place with more confidence. To this end, there are outreach and education efforts by federal and state regulators, market participants, institutions of higher education, consumer advocates, and others to educate and empower borrowers.

³¹ https://ticas.org/files/pub_files/qf_about_student_debt.pdf

3.1 Household debt and student loan volume

As of June 2020, total outstanding household debt is \$14.3 trillion. As a share of household debt, private and federal student loan debt is second only to home mortgage debt. Figure 19 shows the percentages of household debt for mortgages (68.5%), student loan debt (10.8%), auto loans (9.4%), credit cards (5.7%), home equity revolving debt (2.6%) and other (2.9%) as of June 2020.³²

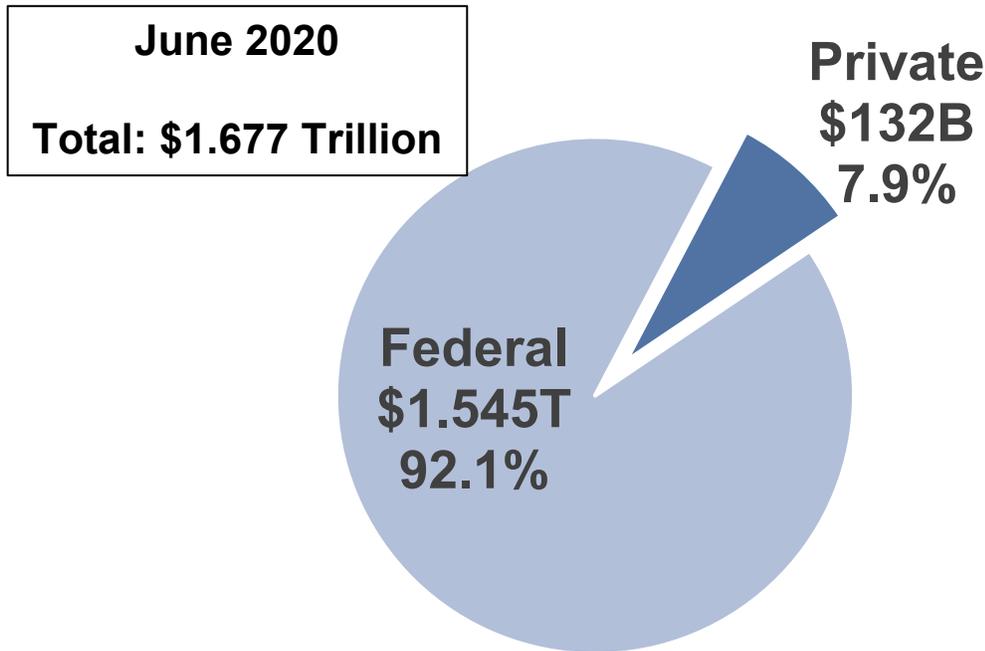
FIGURE 19: STUDENT LOANS AS A SHARE OF HOUSEHOLD DEBT



³² "Total Debt Balance and its Composition," Federal Reserve Bank of New York Consumer Credit Panel/Equifax, available at <https://www.newyorkfed.org/microeconomics/data.html>.

Figure 20 shows the total outstanding student loan volume, with private education loans comprising \$132 billion (7.9%) and federal education loans comprising 1.55 trillion (92.1%) of the total outstanding volume.

FIGURE 20: TOTAL OUTSTANDING STUDENT LOAN VOLUME³³

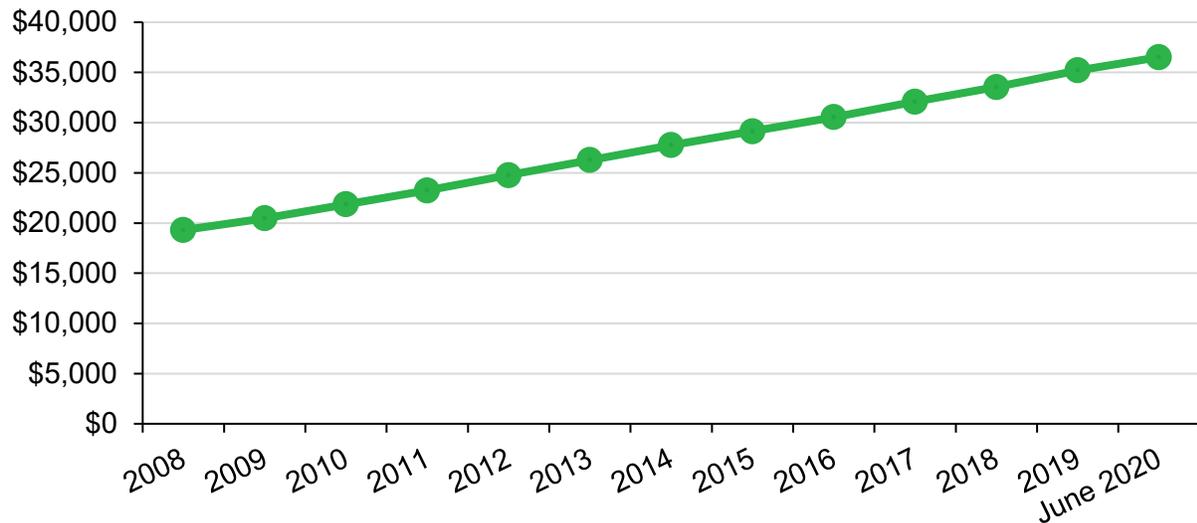


3.2 Average outstanding balances

\$1.677 trillion in outstanding student loan debt is unprecedented and continues to grow. Figure 21 shows the average Title IV loan balance per loan recipient through June 2020.

³³ “Federal Student Aid Portfolio Summary,” Federal Student Aid Data Center, *available at* <https://studentaid.ed.gov/sa/data-center>; *G19 Consumer Credit Series*, Federal Reserve, *available at* <http://www.federalreserve.gov/releases/g19/current/default.htm>. Note: The consumer credit report compiled by the Federal Reserve Bank of New York is based on data provided by a national credit reporting agency. The student loan estimate provided by the G19 Consumer Credit Series relies on data reported for the federally-owned student loan portfolio and for privately-held student loans (federal and private) <https://www.federalreserve.gov/releases/g19/about.htm>

FIGURE 21: AVERAGE TITLE IV LOAN BALANCE PER LOAN RECIPIENT³⁴



The average debt level per loan recipient has increased from just under \$20,000 in 2008 to approximately \$37,000 as of June 2020. However, averages are not always useful in understanding the distribution of debt, and averages do not reveal important borrower characteristics. For example, students who start, but do not complete, their post-secondary education generally take out fewer loans and have lower loan balances than the average while students who attend professional, graduate, and doctoral programs (for example doctors, dentists, lawyers, MBA’s, and others) generally have much higher loan balances than the average.³⁵ Students from low and moderate income (LMI)³⁶ households and communities are

³⁴ “Federal Student Aid Portfolio Summary,” Federal Student Aid Data Center, *available at* <https://studentaid.ed.gov/sa/data-center>; chart and table reflect quarter-end data.

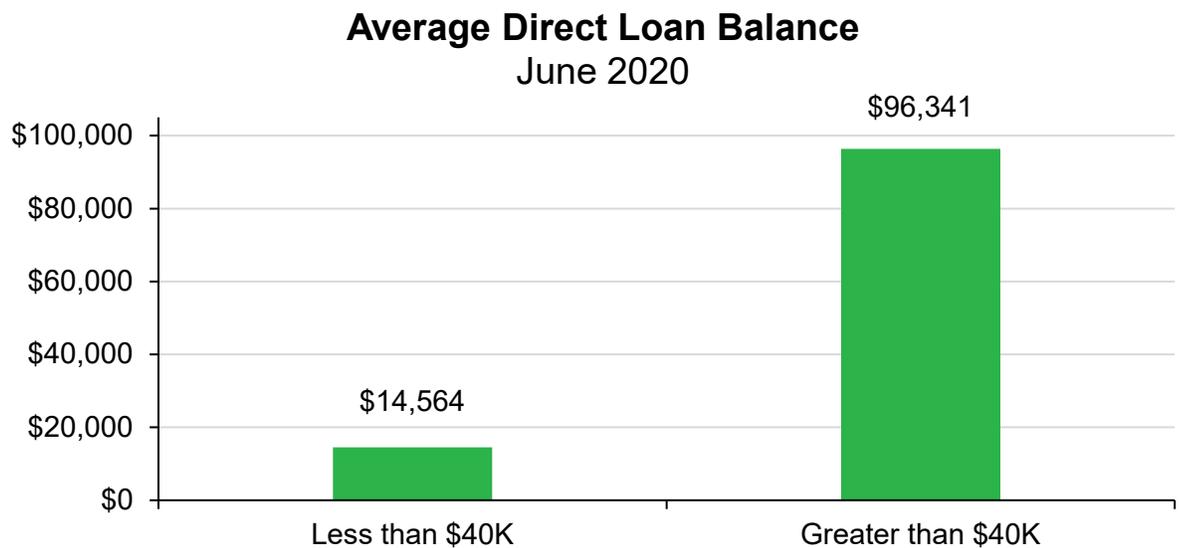
³⁵ Please note that this is a helpful, but broad, generalization of 45 million borrowers with a combined student loan debt of \$1.677 trillion. There are exceptions to this general rule.

³⁶ An LMI neighborhood is defined as a Census tract where the median income is less than 80 percent of the average median income in the metro area or state. <https://www.stlouisfed.org/publications/bridges/summer-2016/all-low-and-moderate-income-areas-are-not-created-equal>

less likely to complete their post-secondary education than higher income households. LMI households are also disproportionately vulnerable populations and households of color.³⁷

Figure 22 shows one way of assessing debt distribution by looking at the average Direct loan balance by level of indebtedness. Among student loan borrowers, (1) those with over \$40,000 of student loan debt have an average debt of \$96,341, and (2) those with less than \$40,000 of student loan debt have an average debt of \$14,564. Generally, the lower average debt of \$14,564 is attributable, in part, to students who do not complete their post-secondary education while the larger average debt balance of \$96,341 attributable, in part, to professional, graduate, and doctoral students.³⁸ In 2019, 8% of all student loan debt was held by households that did not attain a degree, while 56% was held by households that attained degrees from professional, masters, or doctoral programs.³⁹

FIGURE 22: AVERAGE DIRECT LOAN BALANCE⁴⁰



³⁷ <https://collegeforamerica.org/college-completion-low-income-students/>

³⁸ As of 2015-2016, the average loan balances for completers of these programs are as follows: for “other” (non-Ph.D.) doctorates, \$132,200; for Ph.D.’s outside the field of education, \$98,800; for medical doctorates, \$246,000, for law degrees, \$145,500; for other health science doctorate completers, \$202,400; and for education doctorates, \$111,900. https://nces.ed.gov/programs/coe/indicator_tub.asp

³⁹ <https://www.brookings.edu/blog/up-front/2020/10/09/who-owes-the-most-in-student-loans-new-data-from-the-fed/> and <https://www.federalreserve.gov/econres/scfindex.htm>.

⁴⁰ “Federal Student Aid Direct Loan Portfolio by Debt Size,” Federal Student Aid Data Center, *available at* <https://studentaid.ed.gov/sa/data-center>. Data used to compile this chart include the number of Direct Loan borrowers in the specified debt size category. The data include both student and parent borrowers. All loan statuses are included (e.g., in-school, grace, repayment, deferment, forbearance, and default).

3.3 Direct loan portfolio by delinquency status & completion and default by type of institution

As the Department of Education has noted, “The most expensive education is one that doesn’t lead to a degree. While graduating with high levels of debt is holding too many borrowers back from reaching their full potential, the even more damaging outcome is for students who take on debt but never complete their degree. In fact, students’ ability to repay their loans depends more strongly on whether they graduate than on how much total debt they take on.”⁴¹

Figure 23 shows delinquent accounts as a share of accounts in repayment and completion within the Direct loan portfolio, while Table 6 shows the total share of accounts in repayment that are delinquent.⁴² At all levels of delinquency, students who never completed school have a much higher delinquency rate than students who completed school.⁴³ Starting at 91 days delinquent, the delinquency rate is at least twice as high for students who never completed school than the rate for students who completed school. Further delinquencies are higher in low and moderate

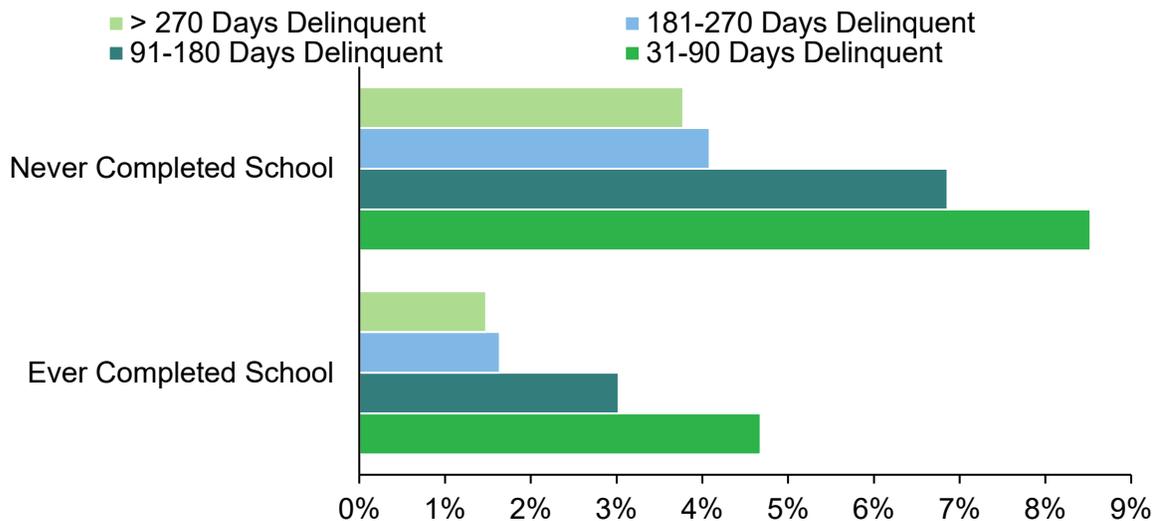
⁴¹ <https://www.ed.gov/college>

⁴² “Direct Loan Portfolio by Delinquency Status and Enrollment Status,” Federal Student Aid Data Center, *available at* <https://studentaid.ed.gov/sa/data-center>. Also, data exclude borrowers for whom enrollment status information was not available.

⁴³ The Federal Reserve noted the following in 2015: “Student loan delinquencies do not appear to be driven by high levels of student loan debt, but rather by other factors that affect borrowers’ ability to repay it. ... Borrowers who leave school without a college degree are disproportionately more likely to become delinquent on their student loans, although their student loan burdens are on average relatively low. In marked contrast, graduate degree holders, while generally associated with sizable student loan debt, rarely become delinquent on their student loan debt. In particular, not controlling for other factors, the average delinquency rate and student loan balance among those who did not earn a degree are 43.5 percent and \$12,524, compared to 6.8 percent and \$48,260 for those with earning a Master’s or higher degree.” <https://federalreserve.gov/econresdata/notes/feds-notes/2015/trillion-dollar-question-what-predicts-student-loan-delinquency-risk-20151016.html>

income (LMI)⁴⁴ communities as “LMI communities are feeling the effects of the increasing reliance on student debt. Lower income makes repayment of loans more difficult, even though borrowers’ debt burdens may be lower.”⁴⁵

FIGURE 23: DELINQUENT ACCOUNTS AS A SHARE OF ACCOUNTS IN REPAYMENT AS OF DECEMBER 2019⁴⁶



⁴⁴ An LMI neighborhood is defined as a Census tract where the median income is less than 80 percent of the average median income in the metro area or state. <https://www.stlouisfed.org/publications/bridges/summer-2016/all-low-and-moderate-income-areas-are-not-created-equal>

⁴⁵ <https://www.stlouisfed.org/on-the-economy/2014/july/student-debt-in-low-and-moderate-income-areas>

⁴⁶ Data from the quarter ending December 31, 2019 are used because the quarter ending March 31, 2020 data are not necessarily representative given the debt relief measures that were implemented in April but backdated to March 13, 2020. Thus, December 31, 2019 data may be more meaningful.

TABLE 6: TOTALS OF DELINQUENT ACCOUNTS AS A SHARE OF ACCOUNTS IN REPAYMENT AS OF DECEMBER 2019⁴⁷

	31-90 Days Delinquent	91-180 Days Delinquent	181-270 Days Delinquent	> 270 Days Delinquent	Total
Ever Completed School	4.7%	3.0%	1.6%	1.5%	10.8%
Never Completed School	8.5%	6.9%	4.1%	3.8%	23.2%

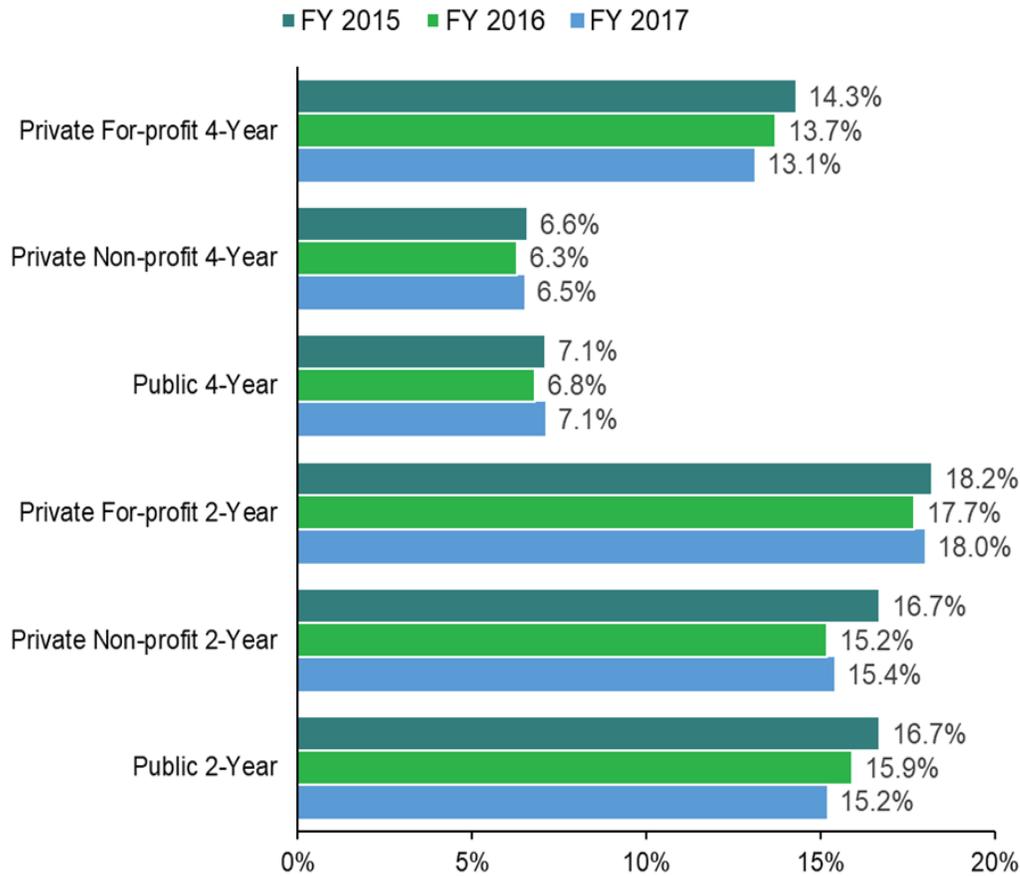
Figure 24, below, shows three-year cohort default rates by the type of institution. The three-year cohort default rate reflects the percentage of borrowers who enter repayment in a given federal fiscal year and default prior to the end of the second following fiscal year. Community colleges and other two-year institutions have the highest cohort default rates. Four-year public and four-year private non-profit schools have lower default rates and higher completion rates than other institution types; non-completion is an indicator of default. Four-year for-profit and two-year for-profit institutions have higher default rates than their public and private non-profit counter-parts. Low income, Black, Hispanic, and other vulnerable populations are disproportionately more likely to attend for-profit institutions, and when they do not complete their programs at for-profit institutions, they are disproportionately more likely to struggle to pay.⁴⁸ Cohort default rates are based on Subsidized and Unsubsidized Stafford loan performance. PLUS loans and Perkins loans are not included in these calculations.⁴⁹

⁴⁷ *Id.*

⁴⁸ <https://ticas.org/wp-content/uploads/2020/10/classof2019.pdf>

⁴⁹ “Three Year Cohort Default Rates by Institution Type,” Office of Federal Student Aid, U.S. Department of Education, available at <http://www2.ed.gov/offices/OSFAP/defaultmanagement/schooltyperates.pdf>.

FIGURE 24: THREE-YEAR COHORT DEFAULT RATES BY TYPE OF INSTITUTION



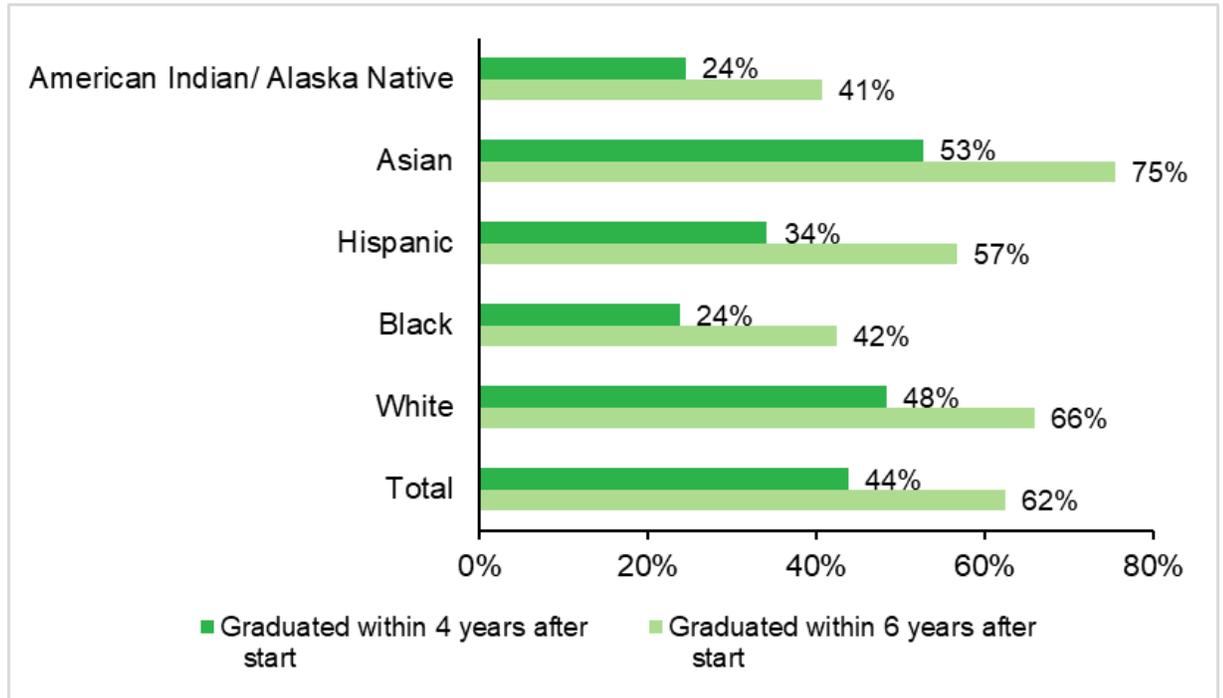
3.4 Additional data points: defaults, debt, completion, enrollment, and COVID-19

- Students who take out college loans but don't graduate are three times more likely to default than borrowers who complete.⁵⁰

⁵⁰ <https://www.brookings.edu/wp-content/uploads/2018/01/scott-clayton-report.pdf> and https://ticas.org/files/pub_files/students_at_the_greatest_risk_of_default.pdf which analyzed data from the U.S. Department of Education's Beginning Postsecondary Students Longitudinal Study (BPS), which among other things, follows undergraduate students who enrolled in college for the first time in 2003-04 and tracks whether they defaulted on their federal student loans within 12 years of entering college.

- The average amount of recent defaults, as of March 31, 2020, is approximately \$26,700 and the average default amount for defaulted loans owned by ED is approximately \$28,000.⁵¹ Further, borrowers who owe less than \$5,000 at the start of repayment are the most likely to default within four years.⁵²
- Only 44% of first-time, full-time students who enroll in a bachelor's degree program graduate within 4 years, while only 62% graduate within 6 years.⁵³

FIGURE 25: GRADUATION RATES WITHIN 4 AND 6 YEARS FOR DEGREE COMPLETION FOR FIRST-TIME, FULL-TIME BACHELOR'S DEGREE-SEEKING STUDENTS AT 4-YEAR POSTSECONDARY INSTITUTIONS FOR COHORT ENTRY YEAR 2012.⁵⁴



⁵¹ “DL Portfolio by Delinquency Status,” Federal Student Aid Data Center, *available at* <https://studentaid.ed.gov/sa/data-center>

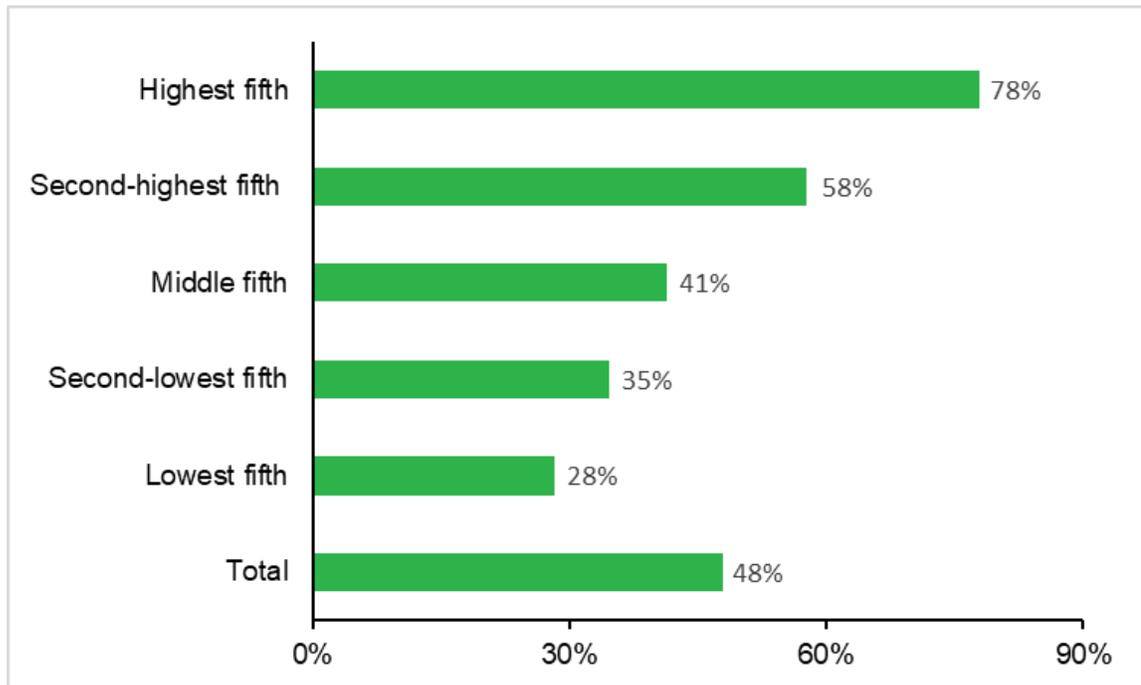
⁵² A 2018 analysis of credit bureau data (includes private and federal student loans) for the 2012 cohort *available at* https://www.urban.org/sites/default/files/publication/98884/underwater_on_student_debt.pdf

⁵³ U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Winter 2018–19, Graduation Rates component. See Digest of Education Statistics 2019, table 326.10. https://nces.ed.gov/programs/coe/indicator_ctr.asp

⁵⁴ *Id.* Note: Data are for 4-year degree-granting postsecondary institutions participating in Title IV federal financial aid programs. Graduation rates include students receiving bachelor’s degrees from their initial institution of attendance only. Rounded numbers are displayed.

- Low-income students, first-generation college students, and minority students, in particular, are most affected: 9 percent of students from the lowest income quartile graduate with a bachelor's degree by age 24, compared to 77 percent for the top income quartile.⁵⁵
- Students from low-income families are also less likely to enroll in and complete college than their peers, even when academic ability is taken into consideration.⁵⁶

FIGURE 26: PERCENTAGE OF ALL 2009 9TH GRADERS ENROLLED IN POSTSECONDARY INSTITUTION IN 2016 BY SOCIOECONOMIC STATUS IN 2009.



Note: Socioeconomic status was measured in fall 2009, when respondents were 9th-graders. Figure includes only respondents for whom data on socioeconomic status in 2009 were available. Postsecondary enrollment is as of February 2016, approximately three years after most respondents had completed high school.

⁵⁵ <https://www.ed.gov/college>

⁵⁶ U.S. Department of Education, National Center for Education Statistics, High School Longitudinal Study of 2009 (HSL:09), Base Year and Second Follow-up. See Digest of Education Statistics 2019, table 302.44.

- As of September 14, 2020, early indications and estimates of the effects of COVID-19 on the fall 2020 enrollment are as follows: undergraduate enrollments are down 4.0%⁵⁷ from last year's level, while graduate student enrollments are up 2.7%⁵⁸ resulting in postsecondary enrollment being down by 3.0%. Notably, enrollment for first-time beginning students is down 16.1%⁵⁹
- One recent study of a large public four-year college finds additional effects of COVID-19 on students including: 13% of students have delayed graduation, and 40% lost a job, internship, or a job offer.⁶⁰ These effects vary by socio-economic factors.⁶¹

⁵⁷ More specifically, undergraduate enrollments are down 13.6% for international students, down 10.7% for both Native American and Native Alaskan students, down 7.9% for Black students, down 7.6% for White students, down 6.1% for Hispanic students, and down 4.0% for Asian students. This decrease is nationwide and across all types of institutions. This information was last accessed on October 16, 2020, with 53.9% of institutions reporting to the National Student Clearing House. This information is dynamic and may change over time. <https://nscresearchcenter.org/stay-informed/>

⁵⁸ More specifically, graduate enrollments are up 14.2% for Hispanic students, up 9.9% for Black students, up 7.6% for Asian students, up 6.6% for Native American and Native Alaskan students, up 4.1% for White students, and down 7.6% for international students. This is nationwide and across all types of institutions. This information was last accessed on October 16, 2020, with 53.9% of institutions reporting to the National Student Clearing House. This information is dynamic and may change over time. <https://nscresearchcenter.org/stay-informed/>

⁵⁹ This information was last accessed on October 16, 2020, with 53.9% of institutions reporting to the National Student Clearing House. This information is dynamic and may change over time. <https://nscresearchcenter.org/stay-informed/>

⁶⁰ <https://www.nber.org/papers/w27392> and <https://www.sciencedirect.com/science/article/pii/S0047272720301353#!>

⁶¹ *Id.*

4. Activities, effectiveness, and developments

The annual report is required to describe the activities and evaluate the effectiveness of the Ombudsman during the preceding year.⁶² The activities include, among other things, efforts to informally resolve complaints and when possible, prevent or limit harm to student loan borrowers. These efforts involve outreach, collaboration, and building partnerships both internally and externally. Within the Bureau, this involves collaborating and working with other offices, divisions, and sections such as Consumer Education and External Affairs (CEEA); Research, Markets, and Regulation (RMR); Supervision, Enforcement, and Fair Lending (SEFL); Students and Young Consumers (Students); Servicemember Affairs; Older Americans; and Consumer Response, all of which are involved with student loans. Externally, this involves collaborating and working with federal and state regulatory and enforcement agencies, consumer advocates, institutions of higher education, industry trade associations, market stakeholders, and others. The effectiveness of the Ombudsman is the result of successful outreach, collaboration, building internal and external partnerships, and teamwork. The information below highlights these team efforts. It is not exhaustive.

- 99% of complaints received a timely response by the company.
- On January 31, 2020, the Bureau and the Department of Education, Federal Student Aid (FSA) entered into an Memorandum of Understanding (MOU) regarding the sharing complaint information.⁶³ Key provisions of the MOU include quarterly meetings to discuss observations regarding the nature of complaints received, characteristics of borrowers, and available information about resolution of complaints, as well as analysis and recommendations;⁶⁴ complaint handling;⁶⁵ responsibilities by issue type (federal

⁶² 12 USC § 5535(d)(1)

⁶³ https://files.consumerfinance.gov/f/documents/cfpb_ed-memorandum-of-understanding_student-loan-borrowers_2020-02.pdf

⁶⁴ *Id.*, at paragraph B.5.

⁶⁵ *Id.*, at paragraph B.

consumer financial law issues versus program issues);⁶⁶ and near real-time access to the Bureau's Consumer Complaint database and data analytics.⁶⁷

- Since January 31, 2020, the Bureau and FSA have held two (2) quarterly meetings, shared complaint taxonomies and mapped them for meaningful complaint comparisons; shared complaint information, data, analysis, and recommendations; and collaborated in attempting to resolve certain complaints. Importantly, the sharing of information is more than “Ombudsman deep”. For example, the Bureau has provided training for FSA regarding credit reporting requirements and changes to credit reporting requirements for data furnishers, which has been a topic in borrower complaints.
 - Since the National Emergency was declared the Bureau and FSA have met frequently to discuss various issues related to private and federal student loans and COVID-19 protections, relief, and challenges.
 - The Ombudsman has participated in the FSA Ombudsman Caucus meetings and gave a joint presentation with the FSA Ombudsman.
- Federal student loan servicer(s) were subject to combined supervisory and oversight examination(s), the number of which is confidential, by the Bureau and FSA.
 - Federal student loan servicer(s) were subject to Prioritized Assessment(s), the number of which is confidential.⁶⁸

⁶⁶ *Id.*, at paragraph B.4.

⁶⁷ *Id.*, at paragraph B.4

⁶⁸ Prioritized Assessments are higher-level inquiries than traditional examinations, designed to obtain real-time information from entities that operate in markets posing elevated risk of consumer harm due to pandemic related issues. Through Prioritized Assessments, the Bureau has expanded its supervisory oversight to a greater number of institutions than our typical examination schedule allows to gain a greater understanding of industry responses to pandemic related challenges and help ensure that entities are attentive to practices that may result in consumer harm. Unlike our traditional examination work, Prioritized Assessments are not designed to obtain the detailed factual information that would be needed to determine whether violations have occurred but instead assess risk of violations and consumer harm, thus identifying whether more in-depth supervisory work may be necessary.

- The Bureau provided two detailees to FSA’s Vendor Oversight and Program Accountability Directorate (VOPA), in order to provide expertise as FSA builds out its examination teams.
- The Bureau has made available new analytic tools in the Consumer Complaint database for public use.⁶⁹
- The Bureau created a new tool (a recursive machine learning algorithm) to more accurately and effectively search complaint narratives. The first test terms of the new tool were related to student loans.
- The Ombudsman’s outreach has included (either in person or via conference calls or webinars) no less than 31 state Attorneys General offices, 8 national consumer advocacy groups, 3 trade associations, the Conference of State Banking Supervisors, and the 2 prior Private Education Loan Ombudsmen.
 - Additional outreach has included no less than one foundation, a higher education alliance representing 11 universities,⁷⁰ institutions of higher education including one or more HBCU(s), and a bankruptcy judge appointed to the Judicial Conference which sets policy for the federal judiciary.
- On May 17, 2020, the Ombudsman hosted a student loan symposium⁷¹ that included the following participants: FSA’s Ombudsman, a national consumer advocacy organization, the Conference of State Banking Supervisors, the Bureau’s Section of Students and Young Consumers, and an industry trade association.
- On July 17, 2020, the Ombudsman participated in a webinar hosted by the National Bar Association’s Task Force on COVID-19, Subcommittee on Education.
- The Bureau has created numerous blogs related to COVID-19⁷² and student loans in particular.⁷³

⁶⁹ <https://www.consumerfinance.gov/about-us/newsroom/bureau-enhance-consumer-complaint-database/> and <https://www.consumerfinance.gov/data-research/consumer-complaints/>.

⁷⁰ The alliance represents 20% of the student population at large research universities. The universities have experience in scaling innovations from small pilot projects to university-wide programs serving large and diverse student populations. Integrated Post-Secondary Education Data System, <https://nces.ed.gov/ipeds/>.

⁷¹ <https://www.consumerfinance.gov/about-us/events/archive-past-events/symposium-student-loans-during-covid-19-pandemic/>.

⁷² <https://www.consumerfinance.gov/coronavirus/>.

⁷³ *Id.*

- The Bureau created a Paying for College tool, *Your Financial Path to Graduation*⁷⁴ to help students turn financial aid offers into plans to pay for college. Among other things, the tool provides students and families with an interactive plan that can be saved and revised, simple explanations of jargon and financial concepts, money saving tips, running total of uncovered costs, projected debt and other information to help decide if the amount of planned debt is affordable, apples-to-apples comparisons of multiple aid offers, and suggested next steps. The Bureau also began working with institutions of higher education, college access advisors, and high school counselors and other K-12 professionals to pilot the tool with their students.
- The Bureau monitors trends in deceptive or misleading student loan debt relief advertising, among other things. Generally, all the advertising policies for social media platforms prohibit deceptive advertising. In the past year, one or more social media platform(s) changed their policies regarding the debt services advertising category. One or more social media platforms has specific restrictions on debt services and/or student loan-related advertising, including some specific considerations for student loan consolidation, refinancing, and forgiveness advertisements. Advertising of student loan debt relief products appears to have waned over the past year in one or more social media platforms. These company policies are not a 100% solution to ending the marketing of fraudulent student loan debt relief activities, but they do contribute to a financial marketplace that works to protect consumers from student loan debt relief scams.
- Regarding enforcement, the Bureau regularly works with federal and state regulatory enforcement agencies. The following enforcement actions against student loan debt relief companies were filed by the Bureau during this reporting period:⁷⁵
 - Bureau of Consumer Financial Protection, et al v. Consumer Advocacy Center Inc., d/b/a Premier Student Loan Center, et al, United States District Court for the Central District of California, 8:19-cv-01998, filed October 21, 2019. The Bureau, along with the Minnesota Attorney General’s Office, North Carolina

⁷⁴ <https://www.consumerfinance.gov/about-us/newsroom/cfpb-releases-online-tool-help-college-students-determine-how-pay-college/>

⁷⁵ Other enforcement or criminal actions were filed by other federal and state agencies such as the Federal Trade Commission (FTC), the Department of Justice (DOJ), and state Attorneys Generals’ offices.

Department of Justice, and the Los Angeles City Attorney, filed a complaint in the Central District of California against this student-loan debt-relief operation that allegedly deceived thousands of federal-student-loan borrowers and charged over \$71 million in unlawful advance fees in connection with the marketing and sale of student-loan debt-relief services.⁷⁶

- Bureau of Consumer Financial Protection v. Chou Team Realty, LLC f/k/a Chou Team Realty, Inc., d/b/a Monster Loans, d/b/a MonsterLoans, et al, United States District Court for the Central District of California, 8:20-cv-00043, filed January 9, 2020. The Bureau alleged that many of the defendants violated the Fair Credit Reporting Act by obtaining consumer report information without a permissible purpose, and that other defendants charged unlawful advance fees and engaged in deceptive acts and practices in connection with the marketing and sale of student loan debt relief products and services. The complaint also alleged that certain entities and individuals are liable as Relief Defendants because they received profits resulting from the illegal conduct.⁷⁷
 - On May 14, 2020, the Bureau, and Chou Team Realty, LLC, Thomas Chou, TDK Enterprises, LLC, Cre8labs, Inc., and Sean Cowell entered a stipulated final judgment imposing an \$18 million redress judgment, banning Monster Loans, Chou, and Cowell from the debt-relief industry, and assessing a total of \$450,001 in civil money penalties.
 - On July 7, 2020, the Bureau entered a stipulated final judgment with Robert Hoose imposing a \$7 million redress judgment (full payment of which will be suspended upon defendants' paying a portion of the redress), banning him from the debt-relief industry, and requiring payment of a \$1 civil money penalty.
- Bureau of Consumer Financial Protection v. Timemark Solutions, Inc., et al, United States District Court for the Southern District of Florida, 9:20-cv-81057-RS, filed July 7, 2020. The Bureau alleged that the defendants violated the Telemarketing Sales Rule (TSR) by charging illegal advance fees to consumers

⁷⁶ <https://www.consumerfinance.gov/policy-compliance/enforcement/actions/premier-student-loan-center-et-al/>

⁷⁷ <https://www.consumerfinance.gov/policy-compliance/enforcement/actions/monster-loans-lend-tech-loans-and-associated-student-loan-debt-relief-companies/>

who were seeking to renegotiate, settle, reduce, or alter the terms of their loans. Defendants allegedly used telemarketing campaigns to convince more than 7,300 consumers to pay up to \$699 in fees to submit paperwork to reduce or eliminate monthly payments for their federal student loans despite the TSR's prohibition against advanced fees. The consent judgment permanently bans defendants from providing debt relief services, imposes about \$3.8 million for consumer redress (full payment of which will be suspended upon defendants' paying a portion of the redress based on their demonstrated inability to pay the full amount of judgment in each order), and assesses a \$1 civil money penalty on each of the defendants.⁷⁸

- Bureau of Consumer Financial Protection v. GST Factoring, et al, United States District Court for the Central District of California, 8:20-cv-01239, filed July 13, 2020. The Bureau alleged that the companies, their owners, and the attorneys participated in a nationwide student-loan debt-relief operation that charged thousands of consumers saddled with private student-loan debt approximately \$11.8 million in illegal upfront fees in violation of the Telemarketing Sales Rule (TSR).
 - The Bureau and four of the defendants filed stipulated final judgments and orders to resolve the claims against them. The stipulated judgments permanently ban Trimarche from providing debt-relief services and telemarketing any consumer financial product or service, and impose permanent debt-relief bans on Slaughter, Mize, and Ruggiero. The proposed orders also collectively impose an approximate \$11.8 million monetary judgment against the settling defendants for consumer redress, full payment of which will be suspended upon the settling defendants' paying a portion of the redress based on their demonstrated inability to pay the full amount of judgment in each order. Each settling defendant will also pay a \$1 civil money penalty to the Bureau. Also, the Bureau's lawsuit continues to proceed against Defendants GST Factoring, Champion Marketing Solutions, Graff, Freda, and Johanson.⁷⁹

⁷⁸ <https://www.consumerfinance.gov/about-us/newsroom/cfpb-action-student-loan-debt-relief-business-illegal-advance-fees/>

⁷⁹ <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-student-loan-debt-relief-operation-settles-with-some-participants/>

- Outside this reporting period, on September 15, 2020, the Bureau filed a proposed stipulated judgment, along with multiple states, against PEAKS Trust 2009-1, along with Deutsche Bank National Trust Company, Deutsche Bank Trust Company Delaware, and Deutsche Bank Trust Company Americas, in their capacity as trustees to PEAKS Trust 2009-1 (collectively, “PEAKS”). In its complaint, filed in the District Court for the Southern District of Indiana, the Bureau alleged that PEAKS provided substantial assistance to ITT Educational Services, Inc. (ITT) in engaging in unfair acts and practices in violation of the Consumer Financial Protection Act of 2010. PEAKS owned and managed private loans for students at ITT Technical Institute.
 - On October 1, 2020, the court entered a stipulated final judgment which requires PEAKS to discharge all outstanding PEAKS loans. The total amount of loan forgiveness is currently estimated to be \$330 million for about 35,000 borrowers. The settlement with PEAKS marks the third settlement by the Bureau related to ITT’s private loan programs. Last year, the Bureau announced a settlement with Student CU Connect CUSO, LLC—another company that had been set up to hold and manage a separate portfolio of private loans for ITT students—requiring CUSO to discharge approximately \$168 million in loans. The settlements combined will provide nearly \$500 million in private student-loan debt-relief to former ITT students and permanently put an end to the collection of the loans originated under these two private loan programs established by ITT.⁸⁰
- In May 2020, through proactive monitoring of social media and complaints, a credit reporting issue was identified involving one or more student loan servicers and one or more specialty credit scoring companies. The challenge on the front-end was a data element that was reported regarding suspended payments. The challenge on the back-end was how the data element was used in calculating credit scores. The result was a reduction in credit scores for some, but not all, student loan borrowers. Through quick and coordinated action within and across the Bureau, with and by the Office of Federal Student Aid at the Department of Education, and with industry participants, the problem set was defined, the universe of affected borrowers was identified, and the window and

⁸⁰ <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-student-loan-debt-relief-operation-settles-with-some-participants/>

scope for potential harm was reduced. Credit files with millions of tradelines were resubmitted in short order with the correct data element, credit scoring methodology was changed, credit scores were corrected, and the Bureau provided its federal consumer protection law expertise (in this case, credit reporting) to FSA while FSA provided program direction and oversight in identifying the impacted servicer(s) and implementing the change in the data element.

- Noteworthy developments outside of the Bureau’s actions include two criminal actions that have been brought by the Department of Justice and others against student loan debt relief companies wherein guilty pleas were entered. These are among the first criminal actions against student loan debt relief companies.
 - United States v. Rudy Dekermenjian. Dekermenjian, an attorney, pleaded guilty in connection with a conspiracy to defraud a bank into processing more than \$5 million in credit and debit card payments for a student loan debt relief merchant that had previously been terminated by the bank’s risk department and his attempt to obstruct a federal grand jury proceeding and a civil investigation conducted by the Bureau, both of which were investigating this scheme. Dekermenjian pleaded guilty to one count of conspiracy to commit wire fraud affecting a financial institution and bank fraud and one count of alteration and falsification of records. A sentencing date has not yet been scheduled.⁸¹
 - United States v. Brandon Demond Frere. Frere formulated, directed, controlled and participated in the operations of the following companies: American Financial Benefits Center (“AFBC”), Ameritech Financial (“Ameritech”), and Financial Education Benefits Center (“FEBC”) which were registered as California Corporations on February 11, 2011, October 28, 2015, and October 30, 2015, respectively. The charges include one count of Wire Fraud and Aiding and Abetting, and one count of International Money Laundering and Aiding and Abetting. Frere targeted recipients of federal student loans who were often struggling to make payments and caused his employees to use misleading sales scripts and other deceptive practices that fraudulently induced thousands of

⁸¹ The Food and Drug Administration – Office of Criminal Investigations, Rhode Island Task Force, U.S. Postal Inspection Service, and U.S. Immigration and Customs Enforcement’s Homeland Security Investigations assisted with the investigation. <https://www.justice.gov/opa/pr/california-lawyer-pleads-guilty-fraudulent-credit-card-payment-processing-scheme-and>

victims to sign up for document preparation services and to enroll in the financial education benefits program. Frere was sentenced to 42 months of imprisonment.⁸²

⁸² The Federal Trade Commission, Federal Bureau of Investigation, and Internal Revenue Service Criminal Investigation, with assistance from the U.S. Department of Education Office of Inspector assisted with the investigation. <https://www.justice.gov/usao-ndca/united-states-v-brandon-demon-d-frere> and <https://www.justice.gov/usao-ndca/pr/sonoma-county-ceo-sentenced-three-and-half-years-prison-charges-stemming-multi-million>

5. Ombudsman discussion

Our nation has invested significantly in higher education (\$1.677 trillion outstanding in private and federal student loans) in order to improve the well-being of our nation and its people. The financial risks of this investment are largely borne by student loan borrowers, and when those borrowers default, the effect is most acutely felt by those borrowers (sometimes for years) and the financial risks shift to taxpayers and others including (depending upon whether the loan is federal or private) the federal government, guarantors, states, lenders, and co-signers such as parents and grandparents. The financial risks have been exacerbated by COVID-19. For some student loan borrowers, the investment has been worth the risk, while for others it has not been worth the risk. The focus of this discussion is on student loan borrowers most impacted by COVID-19 in two key areas that may be most effective in addressing the issues that student loan borrowers face over the long-term and mitigating those issues in the future: relief for student loan borrowers and degree attainment.

Within the \$1.677 trillion in outstanding student loan debt, there are socio-economic and racial gaps both in student loan debt⁸³ and degree attainment. The gaps have been exacerbated during COVID-19. Low and Moderate Income (LMI) households are most affected by these gaps and COVID-19.⁸⁴ LMI households are disproportionately comprised of vulnerable populations, including Black and Hispanic populations, and households headed by single parents who are also disproportionately women.⁸⁵

⁸³ <https://www.stlouisfed.org/on-the-economy/2018/july/student-loans-contributing-racial-wealth-gap>

⁸⁴ <https://philadelphiafed.org/covid-19/covid-19-equity-in-recovery/which-neighborhoods-and-households-will-be-most-impacted>

⁸⁵ There is a significant amount of data, research, and peer-reviewed literature regarding socio-economic and racial financial and wealth gaps starting with pre-K and continuing through K-12 and post-secondary education. For example, <https://scholar.harvard.edu/hendren/publications/race-and-economic-opportunity-united-states-intergenerational-perspective>, <https://www.stlouisfed.org/search>, <https://www.clevelandfed.org/newsroom-and-events/publications/economic-commentary/2019-economic-commentaries/ec-201903-what-is-behind-the-persistence-of-the-racial-wealth-gap.aspx>, <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>, <http://nieer.org/policy-issue/special-report-access-to-high-quality-early-education-and-racial-equity>, <https://www.stlouisfed.org/open-vault/2019/august/wealth-inequality-in-america-facts-figures>, and https://nces.ed.gov/programs/coe/indicator_cce.asp. This is important and should be holistically considered and addressed because, at its simplest, what happens early in a child's/student's life has a statistical impact on what happens later. Though statistics do not and cannot predict outcomes for an individual within a population, they can predict overall outcomes for populations. However, pre-K and K-12 are beyond the scope of this report although they do influence and effect student loan debt load and degree attainment.

The gaps highlight important issues. Gaps in outcomes – repayment or educational – based on race or socio-economic status suggest that there are specific risks within these systems. Without examining the root cause of these gaps and defining appropriate problem sets,⁸⁶ solutions may fall short of producing economic opportunity for everyone in a manner that endures.⁸⁷

5.1 Relief for student loan borrowers

The types of relief available to student loan borrowers, the actual criteria for relief eligibility, and the ability to easily determine eligibility and then access the available relief, range from the relatively straightforward and automatic provisions of the CARES Act to more complex options. This section highlights the relief available under the CARES Act for federally owned loans, relief available during the pandemic for privately owned loans, four different federal Income Driven Repayment (IDR) programs, and ten different federal loan forgiveness, cancellation, or discharge programs.

In considering relief for student loan borrowers, there are two important considerations from a borrower’s perspective: the amount of the monthly payment and the amount of the debt owed. The amount of the monthly payment is largely determined by the amount that was borrowed, the interest rate, the time period in which it is scheduled to be paid, and in the case federal loans, whether the borrower is enrolled in IDR and their income if they are enrolled in IDR. The amount of the debt is largely determined by the amount that was borrowed, the interest rate,

⁸⁶ In defining the problem sets, it is important to be mindful of the general policy goals of fair and equitable access to an affordable quality education, financing and servicing, and degree attainment, which in turn align closely with the four interrelated component parts of the higher education ecosystem and student loan market: education, the cost of education, financing, and servicing. Addressing only one or two parts of this complex system may not be sufficient to prevent the issues from recurring.

⁸⁷ Conceptually and by analogy, if student loans were buckets of water carried by student loan borrowers, and 30% of students had no buckets to carry (because they do not have student loans), while 70% of students had buckets to carry whose size, and the borrowers’ ability to carry it may be generally predicted based on racial or socio-economic status, then one possible suggestion to address the issue would be by emptying the parts of the buckets that are disproportionate – whether by volume or ability to carry it - or even emptying the buckets. However, either course of action leaves open the likelihood of recurrence (i.e. the buckets would fill back up) and as such, the solution is not enduring and the problem is not solved. It also would treat those who are able to carry a heavier bucket (such as doctors, lawyers, dentists, MBA’s and graduates of other graduate programs, etc.) the same as those who may not be in a position to do so (such as those who do not attain a degree). A suggested problem set (or sets) may be designed to ensure that where buckets exists, they are capable of being carried. In other words, the education received is worth the investment across all racial and socio-economic backgrounds and populations.

and the interest that has accrued. Notably, it is largely the cost of higher education and what students receive in return for their education that determines the volume of student loan debt and whether it is an unreasonable burden.

As noted in Section 2.3.5, the CARES Act provided relief for federally held student loans and was focused on relief from monthly payments. CARES Act protections and the extension of protections through the Presidential Memorandum include the following:⁸⁸

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

During COVID-19 options for private student loans debt relief has varied by lender. Many lenders have offered (1) ways to postpone payments such as forbearance – often retroactive to the emergency, (2) temporary reduced payments or interest rate reductions, and (3) waiving fees and penalties. The relief offered has largely been tied to natural disaster relief provisions that exist in the lenders' loan programs.⁸⁹

More generally, unlike federal student loans, private student loans are subject to underwriting criteria and typically have co-signers. Private student loans are generally utilized after federal student loans are exhausted. They also generally do not go above the cost of attendance (COA)⁹⁰ taking into account amounts that have already been borrowed in federal student loans. They

⁸⁸ <https://studentaid.gov/announcements-events/coronavirus>

⁸⁹ In addition to Bureau empowerment and education efforts, 10 states (California, Colorado, Connecticut, Illinois, Massachusetts, New Jersey, New York, Vermont, Virginia, and Washington) announced relief provided by student loan servicers.

⁹⁰ COA is the amount it will cost a student to go to school. For students who attend school at least half-time, the COA is the estimate of tuition and fees, cost of room and board (or living expenses), cost of books, supplies, transportation, loan fees, and miscellaneous expenses (including a reasonable amount for the documented cost of a personal computer), allowance for child care or other dependent care, costs related to a disability, and reasonable costs for eligible study-abroad programs.

generally require school certification. Considering that private student loans have underwriting criteria, co-signers, and generally are taken out after federal loans have been exhausted, the result is that they make up only approximately 7.9% of the market and have relatively low delinquency and default rates when compared to federal student loans. However, there are still challenges for private student loan borrowers.

The pandemic is unprecedented and as such, many of the effects of the pandemic presented issues of first impression, and efforts to resolve these complex issues were undertaken as the issues were occurring. COVID-19 and relief under the CARES Act, exposed disparities in the relief available to borrowers depending whether their loans were owned privately or owned by the Department. The disparities created confusion. The confusion is compounded by whether certain federal loans (the Federal Family of Education Loan Program, or FFELP, and Perkins loans) were held by the Department or held privately. Those owned by the Department received relief under the CARES Act. FFELP and Perkins loans that were privately owned could, but were not required, to provide relief under the CARES Act.⁹¹ Notably, borrowers had no choice in who owned their FFELP and Perkins Loans. There was disparity regarding loans owned by states or state-affiliated agencies or organizations. Some states stopped collecting on debts owed to them.⁹² Other states provided relief similar to the CARES Act (i.e. suspended payments, and 0% interest retroactive to March 13, 2020) for student loans owned by them.⁹³ For a borrower who may have a combination of one or more Direct loans, Department owned FFELP or Perkins loans, privately owned FFELP or Perkins loans, private loans owned by a state, and private loans owned by a bank or credit union, the disparities created confusion.

Environments where there is complexity, confusion, and anxiety are ripe for illegal conduct by student loan debt relief providers. Section 4 of this report describes Bureau enforcement actions against four student loan debt relief providers and two criminal actions brought by the Department of Justice and others. Many of the tactics and red flags of these operations are in

⁹¹ The seeds of this disparity were sown in the last financial crisis. During the financial crisis in 2008, there was a lack of liquidity in the market. In response to the risk that access to financing for education would be reduced, Congress passed the Ensuring Continued Access to Student Loan Act (ECASLA). ECASLA gave the Department new authority to purchase FFELP and Perkins loans that were originated by banks, credit unions, and other lenders from July 2009 through June 2010. This created liquidity and was essentially a secondary market. In short, ECASLA effectively addressed the risk. In 2010, Congress passed legislation (Health Care And Education Reconciliation Act of 2010) that terminated the authority of banks and other private lenders to issue FFELP loans and made Direct Loans 100%. (The authority for schools to make new Perkins loans ended in 2017, with final disbursements permitted through June 18, 2018.) However, until the CARES Act, borrowers with FFELP and Perkins loans were generally unaware that their loans might be treated differently depending on who owned the loans.

⁹² <https://ag.ny.gov/press-release/2020/attorney-general-james-renews-suspension-state-debt-collection-fifth-time>

⁹³ <https://www.patreaury.gov/newsroom/archive/2020/06-11-PHEAA.html>

last year's report.⁹⁴ Recognizing that empowered student loan borrowers are better equipped to make informed decisions and avoid unscrupulous actors, the Bureau and others have been consistent in outreach and messaging in order to educate and empower consumers.⁹⁵ Indeed, educating and empowering consumers so they can avoid unscrupulous student loan debt relief providers has been an area where everyone is in agreement, from federal and state regulators, to consumer advocates and industry participants.⁹⁶

Regarding monthly payments, most federal student loans are eligible for at least one income-driven repayment (IDR) plan⁹⁷ ⁹⁸ in which the monthly payment is capped at 10% to 20% ⁹⁹ of the borrower's discretionary income¹⁰⁰ and the outstanding amount may be forgiven after a repayment period, usually 20 to 25 years.¹⁰¹ If the borrower's discretionary income is low enough, the payment could be as low as \$0 per month.¹⁰² Additionally, for those eligible for

⁹⁴ https://files.consumerfinance.gov/f/documents/cfpb_annual-report_private-education-loan-ombudsman_2019.pdf

⁹⁵ <https://www.consumerfinance.gov/coronavirus/>

⁹⁶ <https://www.consumerfinance.gov/about-us/events/archive-past-events/symposium-student-loans-during-covid-19-pandemic/>

⁹⁷ The plans are Pay As You Earn (PAYE), Revised Pay as You Earn (REPAYE), Income-Based Repayment (IBR) and Income-Contingent Repayment (ICR). Under all four plans, any remaining loan balance is forgiven if the federal student loans aren't fully repaid at the end of the repayment period. <https://studentaid.gov/manage-loans/repayment/plans/income-driven>. Please note that this discussion is about income-driven repayment plans and does not address the variety of other repayments that are available.

⁹⁸ Parent PLUS loans are not eligible for most income driven repayment plans. However, parents can become eligible for an IDR repayment plan (ICR) by consolidating their Parent PLUS loans into a Direct Consolidation Loan. <https://studentaid.gov/understand-aid/types/loans/plus/parent>

⁹⁹ Pay As You Earn (PAYE) and Revised Pay as You Earn (REPAYE) repayment plans are capped at 10%. The Income-Based Repayment (IBR) plan is capped at 15%. The Income-Contingent Plan is capped at 20%. <https://studentaid.gov/help-center/answers/search/discretionary%20income/help-articles/1>

¹⁰⁰ For Income-Based Repayment (IBR), Pay As You Earn (PAYE), Revised Pay as You Earn (REPAYE), and loan rehabilitation, discretionary income is the difference between your annual income and 150 percent of the poverty guideline for the borrower's family size and state of residence. For Income-Contingent Repayment (ICR), discretionary income is the difference between the borrower's annual income and 100 percent of the poverty guideline for your family size and state of residence. <https://studentaid.gov/help-center/answers/search/discretionary%20income/help-articles/1> and <https://studentaid.gov/manage-loans/repayment/plans/income-driven>. The poverty guidelines are maintained by the U.S. Department of Health and Human Services and are available at aspe.hhs.gov/poverty-guidelines.

¹⁰¹ The repayment period for PAYE is 20 years. For REPAYE the repayment period is 20 years if all of the loans in repayment were undergraduate loans and 25 years if any of the loans in repayment were loans for graduate or professional study. For IBR the repayment period is 20 years for new borrowers on or after July 1, 2014 and 25 years if the borrower is not new on or after July 1, 2014. The repayment period for ICR is 25 years. <https://studentaid.gov/manage-loans/repayment/plans/income-driven>

¹⁰² <https://studentaid.gov/manage-loans/repayment/plans/income-driven>

Public Service Loan Forgiveness (PSLF),¹⁰³ loan forgiveness occurs after 120 qualifying payments (as soon as 10 years) and for borrowers who may not have been enrolled in a qualifying payment plan for PSLF, there is Temporary Expanded Public Service Loan Forgiveness (TEPSLF)¹⁰⁴.

PSLF was created in 2007 and applications for forgiveness started being accepted in the fall of 2017. PSLF is a complex program, and its challenges have been well documented.¹⁰⁵ The efforts to resolve those challenges and the incremental progress starting to be made toward future forgiveness¹⁰⁶ are illustrative of similar approaches that may be effective in other programs and which policymakers may wish to consider to inform the possibility of addressing other current challenges in current programs and potential future programs, particularly with respect to enrollment in programs, tracking borrowers' statuses within those programs, and automating the exchange of information that the programs require.¹⁰⁷ Approaches to increasing PSLF

¹⁰³ To be eligible for PSLF, borrowers must meet four requirements: the borrower must (1) have one or more Direct loans (or consolidate other federal loans into Direct loans), (2) make 120 qualifying payments, (3) be enrolled in a qualifying repayment plan (an income driven plan), and (4) work full-time for a qualified employer (such as federal, state, local, or tribal government or not-for-profit organization). <https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service>

¹⁰⁴ The *Consolidated Appropriations Act, 2018* provided limited, additional conditions under which borrowers may become eligible for [loan forgiveness](#) if some or all of the payments borrowers made were on [William D. Ford Federal Direct Loan \(Direct Loan\) Program](#) loans were under a nonqualifying repayment plan for Public Service Loan Forgiveness (PSLF). The U.S. Department of Education (ED) is referring to this reconsideration as the Temporary Expanded Public Service Loan Forgiveness (TEPSLF) opportunity. See, [Temporary Expanded Public Service Loan Forgiveness \(TEPSLF\)](#).

¹⁰⁵ Borrowers first became eligible to apply for loan forgiveness in September 2017. However, few applicants met the requirements, and as of April 2018 only 55 of 19,321 loan forgiveness applications had been approved. <https://www.gao.gov/products/GAO-18-547>. By March 2019 only 864 of 76,002 applications had been approved (for a 99% denial rate) with almost \$31 million forgiven, for an average per borrower of \$59,000. Roughly half of the denial reasons were because the borrower had not made 120 qualifying payments. Other common reasons for denial were regarding missing information on applications and borrowers not having qualifying federal loans. <https://www.gao.gov/products/GAO-19-717T>

¹⁰⁶ That some progress has been made does not mean that the challenges have been resolved or that there is not a more to do in continuing to make measurable progress toward resolution. For example, as of August 2020, 3233 of 170,993 unique borrowers have been approved (for a denial rate of 98%) with \$236,184,035 forgiven for an average balance per borrower of \$73,054. The most common reasons for denial were insufficient qualifying payments (56%), missing information (25%), and ineligible loans (14%). Larger progress has been made regarding Employment Certification Forms (ECF's). Eligible ECFs are a strong indicator of progress toward future forgiveness, and there has been a steady increase in eligible ECF's since June 2015 when approximately 250,000 borrowers had eligible ECFs. As of August 2020, 1,338,590 borrowers had at least one eligible ECF, with a total outstanding balance of over \$117 billion and an average balance per borrower of \$87,508. For ECFs deemed ineligible (1,370,445 were ineligible out of 4,460,065 submitted for an eligibility rate of 69%) the most common reasons were missing information (83%), ineligible loans (8%), employment dates (4%), and ineligible employer (4%). <https://studentaid.gov/data-center/student/loan-forgiveness/pslf-data>

¹⁰⁷ Automating the exchange of program required information reduces the opportunity for human error, increases accuracy, and reduces costs. At the same time, populations that may not be captured through automated processes

approval rates include providing robust self-help resources that help borrowers (1) understand the program; (2) assess whether their employer and loans qualify for PSLF; and (3) decide which PSLF form to submit.¹⁰⁸ The recently enhanced PSLF Help Tool available on the Department of Education’s website also generates a partially completed form for borrowers to take to employers to sign which borrowers can then submit to the PSLF servicer, and which uses the information the Department has about federal student loans to explain other actions the borrower should or must take to receive PSLF.¹⁰⁹

Servicers play an important role in helping borrowers understand PSLF eligibility rules, navigating the approval process, and accurately tracking the status of borrowers’ progress. Servicers should establish proactive communication strategies for their call centers, online account portals, and printed materials to ensure that borrowers have accurate and complete information about how they can potentially qualify for PSLF and the status of their progress, including accurate payment counts.

Regarding the amounts borrowed for federal student loans, the information regarding debt distribution, delinquency status, and default rates discussed in Section 3 indicates that the amount of debt of borrowers who have the greatest challenge in repaying is under \$40,000, and the average debt amount for those owing \$40,000 or less is \$14,564. The challenge in repaying this relatively low amount of debt (it is significantly under the average debt amount of approximately \$37,000) is attributable in large part to not completing their degree.¹¹⁰ Students are saddled with debt with no opportunity to benefit.

Regarding forgiveness, cancellation, and discharge¹¹¹ of federal student loans, there are many options depending upon the type of federal loan (Direct, FFELP, Perkins, or Parent PLUS) and the borrower’s circumstances. The options include PSLF, Teacher Loan Forgiveness, Closed School Discharge, Perkins Loan Cancellation and Discharge, Total and Permanent Disability Discharge, Discharge Due to Death, Discharge in Bankruptcy (rare, but possible), Borrower

must be anticipated and planned for in an appropriate manner, so that they receive the benefits for which they are eligible and do not “fall between the cracks”.

¹⁰⁸ <https://studentaid.gov/articles/using-the-pslf-help-tool/>

¹⁰⁹ <https://studentaid.gov/app/pslfFlow.action#!/pslf/launch>

¹¹⁰ This does not mean that others with higher debt amounts do not struggle. It simply points to situations where many borrowers, particularly those in LMI households, are struggling.

¹¹¹ Forgiveness and cancellation generally refer to when you no longer need to make payments because of your job and/or completion of your income driven payment plan. Discharge generally refers to circumstances such as total and permanent disability or the closure of a school. <https://studentaid.gov/manage-loans/forgiveness-cancellation>

Defense to Repayment, False Certification Discharge, and Unpaid Refund Discharge. For Parent PLUS Loan Borrowers, Parent PLUS loans may be discharged if the parent or student dies, if the parent becomes totally and permanently disabled, if the loan is discharged in bankruptcy, if the school closed before program completion, loan eligibility was falsely certified through identity theft, or the student withdrew, but the school did not refund the loan money it was required to pay under applicable laws and regulations.¹¹²

Forgiveness, cancellation, or discharge of private student loans is usually more limited and varies by lender and loan program. Generally, loans may be forgiven, cancelled, or discharged if the borrower dies, becomes totally and permanently disabled, or if there was fraud or identity theft.

The myriad repayment options for federal loans are varied and complex, as are the variety of federal loan forgiveness, cancellation, and discharge programs. The complexity makes them difficult for borrowers to navigate and creates barriers to programs such as IDR, particularly if servicers do not provide borrowers with accurate and timely information. Policymakers may wish to consider simplifying these options. When considering simplification, policymakers may wish to consider including information available at other agencies and the sharing of that information in an automated manner. The Department of Education and Internal Revenue Service (IRS) are already working to automate the retrieval of income information from borrowers' tax returns required for initial enrollment in an IDR plan and the annual recertification process. Policymakers may wish to explore whether the IRS could help play a role in identifying PSLF-qualifying employers, whether the Department of Defense (DOD) could provide qualifying employment information for servicemembers' PSLF eligibility, and whether the Office of Personnel Management (OPM) could provide qualifying federal employment information for PSLF eligibility. Information from the IRS, DOD, and OPM could then be matched with repayment information to determine the number of eligible payments.

Bankruptcy is one potential option to address federal and private student loan debt relief. Bankruptcy considers individual facts and circumstances in providing debt relief. Federal and private student loans are unsecured debt. They are treated differently than other unsecured debt. Federal student loans are generally not dischargeable in bankruptcy absent a showing of undue hardship, and the filing of an Adversary Proceeding (a law suit within the bankruptcy). Private student loans began following the same undue hardship standard and Adversary Proceeding requirement in 2005. (Shortly thereafter, in 2008, the financial crisis struck, there was increase in enrollment, and an increase in student loans. This increase was likely not

¹¹² <https://studentaid.gov/manage-loans/forgiveness-cancellation>

foreseen in 2005.) Especially in view of the pandemic and its economic aftermath, policymakers may wish to consider initiating a review of discharge requirements for student loans.

Though student loan discharge in bankruptcy is not common because student loans are treated differently than other unsecured debt, student loans are discharged when there has been a showing of undue hardship. However, undue hardship has become more difficult to demonstrate over time and may no longer accurately reflect what was originally intended. If the undue hardship standard is revisited, policymakers may wish to consider two important aspects: (1) ensuring that bankruptcy debtors who need it receive a fresh start and (2) ensuring that the harm “undue hardship” was meant to prevent (bankruptcy abuse by students shortly after graduation) is addressed and prevented. For federal student loans, additional possible considerations may include protecting the public fiscal interest. For private student loans, additional possible considerations may include ensuring that changes to discharge requirements do not negatively impact future student loan borrowers through increased costs for student loans or the potential risk of reduced access to private student loan financing.

Short of discharging federal student loan debt in bankruptcy, an option to consider is requiring federal student loan debtors to enroll in an IDR repayment plan when they file for bankruptcy, if they have not previously done so. With monthly payments as low as \$0.00, federal student loans would likely not be an undue hardship for many borrowers. This would, however, require an acknowledgement that enrolling in an IDR plan is not a violation of the automatic stay.

5.2 Degree attainment

Degree attainment is a significant contributing factor that directly impacts student loan debt by increasing the earning capacity of many student loan borrowers. Increased earning capacity increases student loan borrowers’ ability to repay. Though students who take out college loans but don't graduate are three times more likely to default than borrowers who complete,¹¹³ at the same time, it must be noted that degree attainment in and of itself is not a silver bullet in

¹¹³ <https://www.brookings.edu/wp-content/uploads/2018/01/scott-clayton-report.pdf> and https://ticas.org/files/pub_files/students_at_the_greatest_risk_of_default.pdf which analyzed data from the U.S. Department of Education’s Beginning Postsecondary Students Longitudinal Study (BPS), which among other things, follows undergraduate students who enrolled in college for the first time in 2003-04 and tracks whether they defaulted on their federal student loans within 12 years of entering college.

addressing student loan debt, eliminating financial hardship, or limiting delinquency and default as not all populations have received the same benefit from attaining a degree.¹¹⁴

As noted in Section 3, there are significant gaps in degree attainment for 4-year and 6-year completion rates across different populations (Figure 24).¹¹⁵ Those who do not attain a degree are more than twice as likely to become delinquent and later default than those who attain their degree (Figure 23 and Table 6). Those who take longer than 4 years to complete their education frequently take out more loans and have opportunity-costs as well. Finally, when reviewing who actually enrolls in school from a socio-economic perspective, 78% of those from the highest income quintile enroll, while only 28% from the lowest income quintile enroll (Figure 26).¹¹⁶

Between populations and among populations, it is important to address these gaps. Critical considerations of fair and equitable access to quality education, financing, affordable repayment options, and other factors should be carefully assessed with a view toward defining interrelated and comprehensive problem sets for each component part of the higher education ecosystem and the student loan market that result in enduring and measurable solutions that are feasible, acceptable and suitable.

Even the highest degree attainment rates (53% for 4 years and 75% for 6 years) beg the question of whether this may be considered sufficient to strive for and whether we can do better, particularly considering the increased debt load at 6 years and the debt burden for those that do not finish.¹¹⁷ In other words, the policy proposals likely should not be designed to achieve the

¹¹⁴ <https://www.stlouisfed.org/on-the-economy/2017/february/wealth-gaps-grow-educational-attainment>

¹¹⁵ Asians have the highest 4-year (53%) and 6-year (75%) degree attainment rate, while Blacks have the lowest 4-year (24%) and 6-year (42%) degree attainment rate. The average degree attainment rates are 4-year (44%) and 6-year (62%) across all populations.

¹¹⁶ Students from low and moderate income (LMI) households are less likely to enroll, and when they do enroll, less likely to complete their post-secondary education than higher income households. LMI households are also disproportionately vulnerable populations and households of color. <https://collegeforamerica.org/college-completion-low-income-students/>.

¹¹⁷ This question is not, and cannot, be directed solely at institutions of higher learning and market participants. As noted previously, there is a significant amount of data, research, and peer-reviewed literature regarding socio-economic and racial financial and wealth gaps starting with pre-K and continuing through K-12 and post-secondary education. Though institutions of higher learning and market participants can positively impact fair and equitable access to a quality education, affordability, and degree attainment, more comprehensive, synchronized, nested, and holistic solutions would likely be more effective. However, pre-K, K-12, and socio-economic and racial financial and wealth gaps are beyond the scope of this report although they do influence and affect student loan debt load and degree attainment.

current highest attainment rates across all populations, but rather consider how to exceed them across all populations.

Fortunately, there are public and private efforts at a variety of institutions of higher education, at the federal and state level, and with others to identify factors that influence completion rates, monitor those factors, disseminate that information, and where it has been successful, reinforce that success with resources and share successful strategies with others in order to increase degree attainment rates and close attainment gaps.¹¹⁸ Some of the efforts use predictive analytics and near real-time indicators and interventions¹¹⁹ to move the needle toward improvements in degree attainment, reducing the gaps in degree attainment, and improving student outcomes at individual institutions. Growing and scaling these efforts, while tailoring them to specific circumstances, will be an important part in achieving broader systemic success beyond individual institutions.

Critical to the success of these efforts is strong and supportive leadership, adequate resourcing, continuous review and assessment, revision as more is learned, tailored and targeted intervention at key points, and personal involvement of mentors and advisors. In short, this is a significant investment in student success and assists in mitigating the financial risk borne by students.

The investments resulting in improved student outcomes noted above are made while students are still in school. Policymakers may wish to consider whether there may be additional ways that the financial risk borne by students could be further shared, including being shared by institutions of higher education which provide the education and set its costs. Appropriately sharing this risk may also increase accountability. If considered, such financial risk sharing should include a continued interest (post-graduation) in the students' success.¹²⁰ This could take the form of defining and achieving metrics that are focused on improving student success, which in turn is meaningful to the success of all four components of the higher education ecosystem and student loan market (i.e. education, the cost of education, financing, and servicing). It would be important that incentives in this regard be carefully considered and aligned, so that there are no unintended second and third order effects that would adversely affect student loan borrowers who are meant to be helped. For example, if a metric or incentive

¹¹⁸ The following are representative and are not exhaustive: <https://theuia.org/#our-partners> and https://www.cuny.edu/search/?q=student+outcomes&site=CUNYedu&client=cuny5&proxystylesheet=cuny5&output=xml_no_dtd and <https://www2.ed.gov/about/offices/list/ope/index.html>

¹¹⁹ <https://www2.ed.gov/about/offices/list/ope/index.html> and <https://theuia.org/#our-partners>

¹²⁰ Student success is the backbone, or center of gravity, upon which the overall success of the higher education ecosystem and the student loan market depend.

resulted in some schools or lenders changing their policies in a manner that denied access to LMI or otherwise disadvantaged students, this would be an unintended effect that would hurt those that are meant to be helped.

6. Recommendations

CARES Act-related student loan relief

- Regarding relief options that are available for federal loans that are federally held versus relief options that are available for federal loans that are held by others, and to the extent that policymakers did not intend to differentiate between federal loans based upon who holds them, policymakers may wish to consider creating parity such that all federal loans, regardless of who holds them, have the same relief options, both now and in the future. Policymakers may also wish to consider the manner in which the options are provided so that confusion and unintended second and third order effects are mitigated or avoided.
- Regarding the duration of federally-mandated relief measures for student loans, policy makers may wish to consider whether any extensions beyond December 31, 2020, should be event-driven, time-driven, or a hybrid of both. Event driven duration may rely on various economic data and indicators appropriate to the circumstances that may trigger relief starting and ending, while a time driven duration provides known start and stop times. A hybrid approach may combine the predictability of a time driven approach with the flexibility of an event driven approach.
- Regarding the substance of CARES Act relief, policymakers may wish to consider assessing whether to initiate a “lessons learned” in order capture and apply those lessons in the event that similar circumstances happen in the future.¹²¹ The lessons learned may include consideration of the effectiveness of the various provisions with a view toward reinforcing those that were successful, considering revisions to others, and considering whether there should be additions. Such lessons learned may also include a forward-looking component to anticipate future effects.¹²² Policymakers may also wish to include an assessment of interagency actions and efforts with advocates and market participants and the forms of those interactions and efforts.

¹²¹ The CARES Act relief is specific to the pandemic. The pandemic was unprecedented. There are valuable lessons to be learned, some of which should be reinforced and others which may result in changes and revisions. Then, if a similar or comparable large-scale event happens in the future, there is a baseline to start from in responding to the event and providing relief.

¹²² For example, the parity issue was an unintended future effect of an effective response during the 2008 financial crisis.

Relief for student loan borrowers

- Policymakers may wish to consider simplifying the myriad of existing loan forgiveness, cancellation, and discharge options as well as repayment options. Simplifying the options may reduce borrower confusion and barriers to accessing these programs.
- For various IDR and forgiveness plans (including PSLF) policymakers may wish to encourage efforts to share information between federal agencies in an automated manner where possible (for example with the IRS for income information and employment information for PSLF, with DOD for employment information for servicemembers' PSLF eligibility, and with OPM for employment information for federal employees' PSLF eligibility) to further reduce the burden on student loan borrowers and reduce opportunities for human error. Further, such data may be able to be matched to borrower repayment histories. Policymakers may also wish to encourage proactively identifying potential populations of borrowers that may not be included in such automated processes and ensure that those borrowers receive the benefits for which they are eligible.
- Policymakers may wish to consider whether federal student loan borrowers should be automatically enrolled in an IDR plan when they reach a certain stage of delinquency.
- Regarding bankruptcy, policymakers may wish to consider requiring that bankruptcy debtors with federal student loans enroll in an IDR plan which may result in payments as low as \$0.00. Lower monthly payments may reduce or mitigate financial hardship.
- In particular, policymakers may wish to consider whether to revisit the undue hardship requirement in bankruptcy and how that requirement is applied to individual facts and circumstances. If the undue hardship requirement is revisited policymakers may wish to consider (1) ensuring that bankruptcy debtors receive a fresh start upon discharge and (2) ensuring that the harm "undue hardship" was meant to prevent is addressed and prevented.

Socio-economic and racial gaps

There are socio-economic and racial gaps in the student loan debt burden and in degree attainment.

- Policymakers may wish to consider creating and formalizing approaches to address these gaps in a manner that brings together stakeholders including state and federal agencies, advocacy groups, academia, and industry participants; cross-levels

information; builds on successful existing efforts; encourages innovative approaches including predictive analytics and timely interventions; and considers factors within, and outside of, the student loan market and higher education ecosystem in order to effectively address these gaps and implement enduring solutions with measurable results. Where there are current authorities to enable such solutions, those authorities should be appropriately used. Where there are not authorities that align with effective and measurable solutions, then appropriate recommendations should be made to policymakers that will enable such solutions.

- Degree attainment has a positive impact on reducing student delinquency rates and defaults and on achieving greater financial security. Policymakers may wish to consider reinforcing successful efforts to reduce gaps in degree attainment in a manner that facilitates the scaling of the successful efforts, while tailoring them to specific facts and circumstances. Policymakers may also wish to consider the alignment of appropriate metrics and incentives to encourage institutions of higher learning to decrease attainment gaps, and to share their students' financial risk in a manner that continues post-graduation.

Borrower education, empowerment, and outreach

- When the relief available during the pandemic expires, there will be a significant transition. Policymakers may wish to encourage frequent and consistent outreach among all stakeholders (federal and state agencies, advocates, and market participants) to educate and empower consumers regarding what to expect and their options. Policymakers may also want to consider whether the transition should be implemented in a deliberate and sequential manner that protects consumers and provides market participants with the opportunity to scale up to full-capacity.

Student loan debt relief scams

- The pandemic environment is one of complexity, confusion, and anxiety for student loan borrowers. Scammers are active in this environment. Policymakers may wish to reinforce the successful administrative, civil, and criminal actions against student loan debt relief scams. This may be facilitated through efforts to continue and increase collaboration and information sharing among state and federal agencies, and through increasing penalties such that the penalties are a strong deterrent.

7. Contact information

To reach the CFPB's Student Loan Ombudsman:

By phone (844) 611-4260

By email Private_Education_Loan_Ombudsman@cfpb.gov

By mail Consumer Financial Protection Bureau
Attn: Bob Cameron
1700 G Street NW
Washington, DC 20552

To submit a complaint:

Online consumerfinance.gov/complaint

By phone 180+ languages, M-F 8am-8pm EST
Toll-Free: (855) 411-CFPB (2372)
TTY/TDD: (855) 729-CFPB (2372)

By mail Consumer Financial Protection Bureau
PO Box 2900
Clinton, Iowa 52733

By fax (855) 237-2392

Press and media requests:

By email press@consumerfinance.gov

Congressional inquiries:

By phone (202) 435-7960