STUDENT BORROWER
PROTECTION CENTER

A YEAR WITHOUT ACTION

An Analysis of Borrower Complaints

Student Borrower Protection Center

December 11, 2018

In the 382 days since President Trump's appointees assumed control of the CFPB, the agency has not taken a single substantive action to stand up for student loan borrowers. Meanwhile, every type of borrower, with every type of loan, at every stage of repayment is getting hurt.

Table of Contents

A Note from SBPC

Over the past year, we saw 8.5 million more borrowers take on another $100 billion in student loan debt. That's on top of the $101 billion they took on in 2017, and the $100 billion they took on in 2016. This unprecedented debt burden is now quickly approaching $1.6 trillion dollars.

And these borrowers are struggling.

This year, 1.1 million federal student loan borrowers defaulted on their student loans—adding to the more-than-one-million borrowers who have defaulted each year for the last four years. Another five million borrowers are at least two student loan payments behind—many of these are defaults yet to come; borrowers we can expect the system to fail as we continue to do nothing. In total, the Federal Reserve Bank of New York estimates that more than 11 percent of student loan debt is severely delinquent—a delinquency rate exceeding that of mortgages, auto loans, and credit cards.

Adding insult to injury, borrowers continue to run into rampant, widespread problems with their student loan companies. Thousands of individual borrowers are caught in the gears of a broken student loan system, trying to pay off their debt and access the rights afforded to them by federal law. Many of these borrowers have sought relief by filing a complaint with the Consumer Financial Protection Bureau—their stories are the foundation of this report.

Servicing breakdowns are particularly devastating for the most vulnerable borrowers. Tens of thousands of disabled veterans are needlessly paying on their debt when they are eligible to have it forgiven. Tens of thousands of seniors are having their Social Security benefits seized despite their loans being eligible for discharge. And now, there is new evidence that America's public servants—nurses, teachers, first responders, and more—are having their financial lives ruined.

To make matters worse, Washington is not only walking away from the fight to protect borrowers—it is arming the other side. In 2018, we saw unprecedented steps by the Department of Education to shield private sector companies from accountability rather than answering to the very borrowers they are paid to serve. Similarly, the Justice Department now brazenly marches into federal and state courthouses, arguing that some of the largest financial services companies in the country above the law. And the Consumer Financial Protection Bureau—an agency that once stood proudly as the most vocal and vehement champion of student loan borrowers—has failed to fulfil its obligations under the law and live up to its duty to borrowers.

In the 382 days since President Trump's appointees assumed control of the agency, the CFPB has not taken a single substantive action to stand up for student loan borrowers. This includes failing in its statutory obligation to issue an annual report to Congress detailing the problems identified in the preceding year's student loan complaints. Meanwhile, every type of borrower, with every type of loan, at every stage of repayment is getting hurt.

Borrowers deserve better.

This report highlights the challenges borrowers face in order to empower policymakers, enforcement agencies, regulators, and litigants to fight for justice on behalf of borrowers.

Sincerely,

Seth Frotman
Executive Director
Student Borrower Protection Center

Introduction

Each year, tens of thousands of student loan borrowers submit complaints to the Consumer Financial Protection Bureau (CFPB). These complaints detail a wide range of servicing breakdowns that can cost thousands of dollars and add years of repayment onto the life of a loan. Individually, each complaint represents the experience of a single borrower. Collectively, these complaints tell the story of how student loan borrowers routinely fall victim to the predatory servicing practices that plague a broken student loan market.

Borrower complaints have been a critical piece of some of the most significant reforms in the student loan market over the past few years. From servicemembers to first responders, consumer complaint narratives have served to drive market reform—identifying problems so that law enforcement, regulators, and private litigants can take action to protect student loan borrowers, and so that policymakers can craft systemic reforms.[1]

The following report documents the experience of student loan borrowers over the previous year, highlighting the problems they face when navigating repayment of their loans. This analysis is based on consumer complaints submitted to the CFPB on or after September 1, 2017.

Student Debt in 2018

Data from the past year shows significant, continuing distress in the student loan market, including more than one million borrowers newly in default and five million borrowers at least one payment behind.[2] Despite relatively low interest rates and stable employment, the consumers with student debt fall behind at substantially higher rates, when compared to consumers with other types of household debt. Currently, more than 11 percent of the student loan market is in severe delinquency.[3] And still, these numbers do not begin to count the tens of millions of borrowers who are making their payments but struggle throughout their financial lives.

In 2018, across the student loan market, we saw:

- $83.5 billion in growth of outstanding student debt[4]
- $100 billion in newly originated loans[5]
- 8.5 million new student loan borrowers[6]
- 1.13 million defaults on a federal student loan[7]
- 99 percent of borrowers denied Public Service Loan Forgiveness[8]
- 13,283 complaints about student loan servicing and collection practices submitted to the Consumer Financial Protection Bureau[9]

Complaint Overview

Each year, the Consumer Financial Protection Bureau publishes thousands of complaints from student loan borrowers in its Consumer Complaint Database.[10] Borrowers can submit complaints related to the origination, servicing, or collection of their student loan, and specify whether the loan is private or federal. Since 2012, the CFPB has received more than 60,000 complaints from student loan borrowers.[11]

Since September 1, 2017, the Bureau has published more than 13,000 complaints from borrowers, including borrowers in all 50 states, about the servicing and collection of their student loans.[12] Together, these complaints demonstrate widespread servicing breakdowns across the student loan market, affecting every type of borrower, with every type of loan, at every stage of repayment.

Every Type of Borrower

Borrowers across the country, with a diverse range of backgrounds and circumstances, fall prey to abuses by student loan companies. As the following discussion exposes in detail, student loan borrowers harmed by these abuses include servicemembers and veterans, older borrowers, and borrowers working in public service.

Servicemembers and Veterans

Historically, servicemembers and veterans have fallen victim to some of the most egregious student loan servicing abuses. Despite the range of federal consumer protections designed to mitigate the financial burden of military life, military borrowers have long served as the "canary in the coal mine" for student loan servicing failures.[13] When servicing breakdowns happen to servicemembers, it often foreshadows larger, systemic failures—both at individual companies and across the larger student loan market.[14] Where financial readiness is imperative to military readiness, soldiers facing financial distress may be distracted from the responsibilities of their service.[15]

Because military borrowers are acutely impacted by servicing problems, Congress has passed a range of protections to assist military borrowers during repayment, including interest rate caps under the SCRA, recertification waivers under the HEROES Act, and zero percent interest rates when receiving hostile fire pay. For years, policymakers and law enforcement official have noted how servicemembers struggle to access these protections.[16] Despite public reassurances from industry promising improved service for military borrowers, recent complaints to the CFPB show that military borrowers are still struggling to access these federal protections.[17]

During the review period, the CFPB received complaints from more than 1,300 servicemembers with student loans. These complaints show that military borrowers are struggling to access basic consumer protections they earned through service to our country. For example, one borrower described the inaccurate processing of his military deferment request, stating:[18]

> ***"While preparing for pre-mobilization . . . I was alerted that my student loans were [past] due. I contacted Great Lakes . . . and informed them that I was [deploying] in a week and that I needed to defer my student loan payments. I was told that I needed to mail a hard copy of my military orders . . . along with my account number in order to defer my payments and it would be of no issue. I mailed a copy of my orders . . . and assumed all was fine. I received no other communications regarding the issue after my original conversation. Upon checking my credit score I noticed my student loans had gone into default and were sent to a collection agency. I tried making contact with Great Lakes and the referred me to [the default management company]. The latter did not have any information for me . . . I have not been able to get any information on how to remedy my student loans being defaulted while I am receiving hostile fire pay. . ."***

Military borrowers also complain that they struggle to enroll in income-driven repayment plans, thereby preventing them from using time spent in service to count toward Public Service Loan Forgiveness. PSLF serves as a critical tool in the recruitment and retention of servicemembers, yet servicing breakdowns lead to military borrowers not receiving any credit towards loan forgiveness while on active duty.[19] For example, one military borrower described how a student loan servicer steered them away from income-driven repayment, stating:[20]

> ***"I joined the [military] upon graduation from college . . . I reported to basic training. . . . Prior to entry . . . I contacted . . . my student loan service contractor. I told them I could not pay the monthly payment of $1200 a month and told [the company] that was reporting for active service. At no time did anyone suggest that I apply for an income driven repayment plan, which I found out a month ago, would have been my best option, as the payments would have been small, affordable for an XXXX, and would have counted towards the 120 payments for public service loan forgiveness. I was encouraged, on that phone call, to place my loans into long term military deferment."***

But the problems do not end when servicemembers leave active duty. Complaints from veterans with service-connected disabilities show that they continue to struggle to access disability discharge protections and may even be erroneously reported as in default.[21] These struggles persist despite warnings from the federal government, and have been the basis in both federal and state litigation against student loan servicers.[22] For example, one borrower complained:[23]

> ***"I am a veteran. Although my student loans have been forgiven . . . the loan servicer for the Department of Education has notified the credit reporting agencies that my student loans are delinquent and have been 'assigned to the government.'"***

Older Borrowers

Borrowers age 60 and older are the fastest growing segment of student loan borrowers.[24] Between 2012 and 2017, the numbers of older borrowers increased by 46 percent, and concerningly, the delinquency rate of older borrowers increased by 80 percent.[25]

Oftentimes, older borrowers are navigating repayment while on fixed income, making servicing breakdowns that increase loan costs financially devastating.[26] Borrowers have previously complained about how offsets to Social Security benefits can drive them into poverty. Other borrowers have complained about how how improper denial of cosigner release requests can restrict their access to other forms of credit and prolong indebtedness, extending an unexpected burden of student debt into retirement.

Over the past year, more than 300 older borrowers filed a complaint with the CFPB.[27] These borrowers complained about widespread servicing breakdowns, ranging from being unable to have their IDR payment adjusted after entering retirement to being denied access to cosigned loan records. For example, one older student loan borrower stated:[28]

"Four years ago I co-signed for my grandson to get a student loan. I was told by [the company] that if my grandson made 12 consecutive payments without being late he would be able to release me from the loan. Well I made sure my grandson paid his bill on time so that I could be released. My grandson put in the release form after making the twelfth payment. He received a letter back from [the company] stating his request had been denied. If I had known this would happen, I never would have co-signed."

When federal student loan borrowers default, their' Social Security benefits are protected at an amount that is below federal poverty guidelines.[29] As a result, when borrowers' benefits are offset, many immediately experience severe financial distress, often deprived of the financial resources necessary to buy essentials like medicine. For example, one borrower complained:[30]

"I receive a letter of collection . . . about a debt that I am already paying on via offset of my Social Security. They are threatening collection action if I don't make payment arrangements . . . I have been paying this debt, above a reasonable amount . . .This company does not participate in an Income-Driven Repayment Plan with the US Government, Dept of Education, yet, they collect for the Dept. of Education. I have submitted such a request (IBR) to the Dept. of Education, via XXXX, and they have long-since accepted this. I am currently on forbearance. I highly resent their letters to me threatening collection when they are already collecting on the debt. I do not talk to them as they contact me through various, unknown phone numbers and often, the people on the other end are not helpful."

For this consumer and many facing similar circumstances, this outcome was entirely avoidable—typically, a borrower who is receiving Social Security benefits is also eligible for a significant reduction in his or her student loan payment under an IDR plan. In the case of nearly 70,000 seniors who were pushed into poverty due to the offset of their Social Security benefits, it is nearly certain these borrowers would have been eligible for a low dollar IDR payment had their servicer successfully facilitated enrollment in this important consumer protection.[31]

Public Servants

The financial burden of student debt often forces borrowers to choose between long-term financial stability or pursuing careers in public service.[32] However, a range of federal protections exist to mitigate the burden of student debt on those pursuing public service careers—most notably, the Public Service Loan Forgiveness (PSLF) program.[33]

In 2017, the first cohort of borrowers became eligible for loan forgiveness under the PSLF program. Hundreds of thousands of borrowers applied under the assumption that they were on track to qualify for the program. However, data from the Department of Education showed that 99 percent of borrowers who applied for Public Service Loan Forgiveness were denied.[34]

This denial rate was predicted by regulators who had received complaints from borrowers pursuing PSLF that described servicing breakdowns that knocked them off track for loan forgiveness.[35] As the CFPB documented in its 2017 report on student loan servicing and PSLF, borrowers complained about a wide range of servicing failures, including receiving inaccurate information to prevent them from consolidating their loans in order to qualify for PSLF, or having years of payments misapplied, rendering dozens of payments as non-qualifying under the program.[36]

Complaints received by the CFPB over the last year show that these problems continue. During the reporting period, borrowers complained about a wide range of servicing problems impacting their eligibility for PSLF. Borrowers described spending months in forbearance as they waited for their servicer to process their repayment plan application, causing them to miss out on months of credit toward PSLF. Borrowers also complained about receiving inaccurate information from servicers about qualifying employment, causing them to pursue careers in fields that potentially do not qualify for PSLF. Other borrowers complained about being misled by their servicer and missing out on years of qualified payments. For example, one borrower noted:[37]

"I originally was assigned to [company redacted] as my federal student loans lender. . . . Once I started making payments to them I was very careful about ensuring that my payment type would qualify for PSLF. I called several times to ensure this before I started making payments and was reassured on more than one occasion that my payment plan would qualify. [Later] I was transferred to [FedLoan Servicing] due to doing my first PSLF certification forms. I was just notified today that the 38 payments made with [my previous servicer] would not qualify although [that company] reassured me that my plan would qualify. [My previous servicer] also advised that there was no need to certify my employment until I reached 120 payments . . . I would like to know if there is an appeals process since I was acting on the bad information provided and have invested thousands of dollars that don't qualify."

In 2018, Congress passed the Temporary Expanded Public Service Loan Forgiveness program (TEPSLF), acknowledging the widespread breakdowns stemming from servicers providing inaccurate information.[38] This program allotted $700 million to allow borrowers to receive credit for months spent in the wrong repayment plan. Complaints show that borrowers are struggling to access this intended fix, receiving misleading or incomplete information about how to qualify. For example, one borrower noted:[39]

"I have worked for a qualified employer for the program since XX/XX/XXXX. I have never missed a payment . . . I was under the impression that the payment plan was "income based". . . . I learned of the PSLF program and inquired with MOHELA if I qualified. . . . During that call the representative informed me that my payment plan did not qualify because I was in fact on an "income based-extended" payment plan. I . . . was frustrated as I had missed seven years of what I thought were "qualifying" payments. At that time I asked the attendant to modify my payment plan to a qualifying plan. . . . I learned of the Temporary Expanded Public Service Loan Forgiveness program (TEPSLF). . . . When I spoke with the attendant I was informed that my payment plan did not qualify because it was some sort of hybrid income-based plan. . . I thought I could trust the advice from the loan servicer not once, but twice and I was misled."

Every Type of Loan

Complaints from student loan borrowers demonstrate that the student debt crisis affects borrowers with every type of student loan. As the following section describes, borrowers' complaints include problems with private student loans made by big banks and by small, state-backed lenders. Borrowers complain of breakdowns spanning the servicing and debt collection of newer federal student loans made directly by the U.S. Department of Education and older federal loans made by banks and private lenders with a federal government guaranty. Students also report problems stemming unpaid bills from colleges and universities pursuing unpaid expenses.

Private Loans

For years, policymakers and advocates have raised alarms over the lack of protections available for struggling borrowers with private student loans.[40] Further, borrowers with private student loans have consistently complained about being denied the limited benefits that do exist for these loans, as advertised to them by their lender, including, for example, cosigner release and certain interest rate reductions. Despite documented concern about these servicing practices by both federal and state regulators, borrower complaints show that these practices continue.

During the review period, more than 5,000 complaints were submitted about the servicing and collection of private student loans. These borrowers complained about widespread problems with their loans, beginning from origination until payoff, including issues ranging from payment processing to customer service, and from loan modifications to cosigner release. For example, one borrower complained:[41]

> ***"I contacted AES in order to remove my cosigner from my private student loan. . . after 9 years of on-time payments or approved in-school deferment time, and was told I would never be eligible to remove my cosigner because I utilized forbearance time. . . [T]his was not made clear to me before I made this decision, no phone call was made to explain my commitment and how my cosigner would never be released from my loan."***

Borrowers with private student loans also complain about a lack of communication around certain loan benefits offered by their servicer. Borrowers report having their loan benefits revoked without notice, causing ramifications across their credit profiles. For example, one borrower complained:[42]

"I had re-occurring payments scheduled to be taken out from my account every . . . month. Payments have been continuing to be withdrawn from my account, [however,] I received a notification on my credit that I am 60+ days delinquent and now I am unable to do anything with my credit. It appears that my application had never gone through for the renewal of the interest rate reduction plan I was on and the same re-occurring payments from my previous plan were being withdrawn from my account which were no longer covering my minimum balance. . . My co-signer is unable to obtain financing on a car now and has no car to drive. . . Normally I would receive a call from Navient if something was wrong and when I called today, the rep even admitted fault that they never made one phone call. . ."

Direct Loans

Federal student loans made under the Direct Loan program comprise the largest segment of the outstanding student debt.[43] A majority of these loans are handled by three large companies—Navient, Pennsylvania Higher Education Assistance Agency (PHEAA), and Nelnet.[44]

During the review period, borrowers submitted over 8,000 complaints about the servicing and collection of federal student loan debt. These complaints described a wide range of servicing failures, including errors when processing payments across multiple loans and breakdowns in trying to receive information from customer service representatives. Most notably, borrowers complain that the critical protections offered through the Direct Loan program, including the most powerful consumer protections under Income-Driven Repayment plans are often stymied by the action of their servicer For example, one borrower complained:[45]

"I feel very frustrated with the way Navient is dealing with repayment programs. I called several times . . . to find out information and guidance for a deferment program. They asked me the same questions over and over again, and at the end sending me to a general website that did not have all the information and the clear steps I needed to start the process. Every time I was talking to someone, she was in a hurry . . . I needed more guidance and the address to send the application. . . I am still waiting for a response on my application, but I'm very disappointed and dissatisfied with their services. . ."

FFELP Loans

As the Federal Family Education Loan program continues to wind down, borrowers with these older bank-based loans are often subject to company mergers or servicing transfers. Borrowers complain that as their servicers repeatedly change, they receive different and conflicting information about repayment options. Borrowers also complain that after a change in servicer, account records and payment histories may be lost and they struggle to get in touch with the new servicer to correct the information. For example, one borrower complained:[46]

> ***"My loan with ACS changed to Conduent Education. I was informed that I would not have to change any information, and that everything would stay the same. When I went to log in to make a payment, it told me that I did not have an account and that the action was not available. I tried changing my password, and the system recognized that I did have an account, but then it told me that there was no loan associated with my Social Security number. I tried calling the customer service number provided, and it asked for my social security number without giving me any other options. Again, I got a response that said there was no account associated with my social security number."***

School-based Loans

As In certain situations, students may receive funding directly from the school to cover education expenses.[47] Complaints show that borrowers struggle to get information when seeking to repay these debts, as it is often unclear whether the school or a third-party servicer is managing the account. Furthermore, when issues with repayment arise, schools will often withhold borrowers' transcripts.[48] Borrowers report that they are unable to pursue graduate schools or certain employment because they cannot provide these transcripts. For example, one borrower complained:[49]

> ***"I graduated with my [degree] and I currently owe the school directly $7000 for my last quarter. They will not release my official transcripts until this is paid in full and I am trying to further my education by applying to grad schools but can't do so unless I have my official transcripts. I have had a payment plan set up with the school since I have started and continue to make on time payments to pay this balance I have never been late. They aren't willing to work with me on releasing my official transcripts."***

Every Stage of Repayment

Law enforcement officials across the country have alleged abuses by student loan companies affecting borrowers from when they first receive a loan, to when they leave school and begin repayment, through the day they try to pay off their debt. As student loan companies face charges of widespread illegal practices in courtrooms nationwide, borrowers continue to identify a staggering range of breakdowns and barriers.

Getting on Track

Over the last year, borrower complaints show that they continue to be erroneously removed from in-school deferment. As a result, borrowers prematurely enter repayment when they are unable to afford a student loan payment. Borrowers complain that as they struggle to correct their enrollment status, their servicer furnishes derogatory information to credit bureaus. For example, one borrower explained:[50]

> ***"Since 2017 I have been in contact with AES to inform then that I am in school. They made minimal effort to properly inform me of information about my loan. . . . [T]hey said they sent out an in-school deferment form for me to sign, which I did not receive. I called to ask them to send it again earlier this month, they told me that I should've received it in my electronic inbox instead of by mail and that they would be sending it again that way. A few days later I receive an email stating I am not eligible because my account is in delinquency. I haven't made payment because I have been under the impression that my in school deferment would be rightfully instated. . . . Throughout my multiple calls to AES over the week they give me varying excuses as to why I they can't provide me with in school deferment until finally a manager calls and tells me this morning that it's been five years school my loan has been disbursed therefore making me ineligible for in school deferment and I am out of options."***

Recent complaints from borrowers also show that they are struggling to enroll in an affordable repayment plans after leaving school. Borrowers complain that servicers do not provide timely communication about their first payment due, thereby creating immediate and unnecessary financial distress as they are beginning their careers. Borrowers state that servicers do not leave them enough time to make the first payment or enroll in IDR when the payment is unaffordable. Borrowers also report that they may be unable to even contact their servicer to learn about available repayment options. For example, one borrower complained:[51]

"[I have m]ultiple loans from two degrees . . . All loans were in grace until XX/XX/XXXX. I applied for an IBR before grace period ended. I received a notice . . . saying that one loan (for $2000) had defaulted and was sent to collections. Since then and now, after filling out two IBR requests, I have received three bills this month for the rest of my loans, all with different amounts and due dates. [My servicer] cannot provide me with anything on paper that says which amount I should pay each month. . . . I spoke to [a] representative, and explain the situation. She said she will forward matter of defaulted loan to her supervisor. She said it seems to be an error because the loan was reported current until the day it was sent to default. . ."

Staying on Track

For borrowers enrolled in income-driven repayment plans, successfully recertifying each year is one of the most critical factors in staying on track during repayment. Failing to timely recertify can trigger consequences like "snap-back" payments and interest capitalization.[52] Nevertheless, data from the Department of Education shows that 57 percent of borrowers are unable to recertify on time.[53]

For years, government reports have documented how servicers do not provide adequate assistance to borrowers trying to recertify their IDR plan.[54] Furthermore, law enforcement has found that servicers improperly deny borrowers' recertification applications or fail to extend borrowers' current plan while the recertification is processing.[55] As a result, borrowers are forced to choose between unaffordable monthly payments or interest-capitalizing forbearance.[56]

Over the past year, borrowers continue to complain that servicing breakdowns like processing delays and poor communication prevent them from recertifying their IDR plans in a timely manner. For example, one borrower explained:[57]

"I am on income driven repayment and received inadequate notice from my servicing company regarding the critical deadline that was approaching for my annual recertification. I received absolutely no US Postal mail from the company, no phone calls, or text messages. The only notification I received was an email . . . with the unspecific subject "Action Required: View the message in your Paperless Inbox and take action!'' Unfortunately this email was received after my loan servicer had already capitalized all my outstanding interest . . . and had also increased my monthly payment from $320 to $2300."

The consequences of recertification breakdowns are not only limited to the borrower's loans—the ramifications can spread across the borrower's financial life. Borrowers complain that after enrolling in auto-pay, recertification breakdowns that trigger snapback payments can lead to overdraft fees and overdrawn accounts. For example, one borrower complained:[58]

> ***"For the second time in as many years, Navient failed to inform me that I needed to recertify my income, increased my payment from $0 to $230 without notice, and enrolled me in autopay without my permission. Last summer, I received an email that my "autopayment" would debit within a few days. Within fifteen minutes of receiving this email, I called them and told them not to debit my account. They explained it was too late, it was four days before the payment was to come due, and I should have notified them five days before it came due. In other words, they sent a single "reminder" email out of the blue when it was too late for them to stop the payment. . ."***

Getting Back on Track

Each year for the last four years, more than one million borrowers have defaulted on a federal loan. When borrowers get knocked off track with their federal loans, they have the right to "rehabilitate" their loans and get out of default. Successfully rehabilitating a federal student loan will return the loan to "good standing" and transfer a borrower's account from a debt collector back to a student loan servicer. However, borrowers complain that collectors and servicers often do not provide them with the information necessary to get out of default and successfully repay their loan following rehabilitation. For example, one borrower explained:[59]

> ***"I did go into default and enter a rehabilitation . . . My loan came out of default and was in good standing. The [collector] then transferred my loan to [my servicer] but I was not informed of this transfer and my auto payments were stopped. So then my student loans went back into default. For each semester of school, it was tracked . . .as a separate loan (totaling 23) which showed 23 defaulted loans."***

Another borrower described how she was shuffled between representatives and was unable to complete her rehabilitation enrollment application:[60]

> ***"I have submitted the Loan Rehabilitation: Income and Expense Information Document to Credit Adjustments, Inc. 5 TIMES via fax . . . Each time I submit there was an excuse on their end to may paperwork (didn't receive it, wrong document, spouse info should be on there, spouse info shouldn't be on there, the fax came through too faint). Failed correspondence is why I am in default and now on the verge of garnishment. Credit Adjustments, Inc. are playing games with my paperwork!!!!!! I have dealt with at least 5 different representatives . . . I believe Credit Adjustments, Inc. is trying to sabotage me and get my pay check garnished."***

Borrowers also complain that servicers and debt collectors engage in aggressive tactics to collect student loan debt. Borrowers report that collectors often disregard requests not to call borrowers' employers and also repeatedly call members borrowers' extended families. Borrowers state that these calls disclosing their student loan debt have jeopardized their employment, further inhibiting their ability to repay their student loans. For example, one borrower complained:[61]

> ***"[Pioneer] disclosed my personal information to at least 4 third parties, called my employer . . . more than once, I have the screen shots they sent. Because of this, they will not be asking me to work for them again they said. These credit people also called my younger sister. . . What the heck is going on? This is harassment. . ."***

Conclusion

This report offers further evidence that student loan borrowers across the country are being squeezed between the burden of historic student debt and widespread abuses by student loan companies that are newly empowered to prioritize corporate profits over consumers' rights. These complaints, taken on top of the more than 60,000 student loan complaints received by the Bureau since 2012, provide a direct rebuttal to the often repeated but inaccurate observation that the student debt crisis is a crisis of personal responsibility.[62] Instead, these complaints paint a picture of a generation of borrowers trapped in the gears of a broken student loan system.

This report, released 14 months after CFPB last issued a report to Congress on student loan complaints, also reaffirms that the status quo in the student loan market is failing borrowers across the country. Last year, the CFPB recommended that policymakers create strong, enforceable student loan servicing standards, and that federal and state policymakers work together to provide "robust, coordinated, consumer-driven oversight" of the student loan industry.[63]

Since that time, the Trump Administration's Treasury Department issued its own, independent recommendations that reinforced the CFPB's perspective, criticizing the Department of Education and raising alarms that "federal student loan servicing currently lacks effective minimum servicing standards."[64]

Borrowers would benefit from improved servicing standards and coordinated federal and state oversight; however, recent actions by the Trump Administration reveal that the U.S. Department of Education has, instead, made a calculated decision—rather than advance new reforms and consumer protections, it is attempting to shield student loan companies from the legal consequences of its abuses.

As Washington turns its back on student loan borrowers, policymakers in state capitals and litigators in courtrooms across the country must fill this void, demanding accountability from the student loan industry. The financial futures of a generation of student loan borrowers depend on it.

Endnotes

[1] *See, e.g.*, Consumer Financial Protection Bureau (CFPB), *Annual Report of the CFPB Student Loan Ombudsman* (Oct. 2017), https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_annual-report_student-loan-ombudsman_2017.pdf (describing "how consumer complaints led to reforms that expanded invocation of protections through automation; improved borrower outcomes through enhanced, timely, and accurate borrower communication; and mitigated risk of unanticipated borrower harm by spurring industry to make changes to key loan term.").

[2] *See* U.S. Dept. of Education, Office of Federal Student Aid, FSA Data Center, *Direct Loan Portfolio by Delinquency Status* (June 30, 2018), https://studentaid.ed.gov/sa/sites/default/files/fsawg/datacenter/library/DLPortfoliobyDelinquencyStatus.xls; U.S. Dept. of Education, Office of Federal Student Aid, FSA Data Center, *Direct Loans Entering Default* (June 30, 2018), https://studentaid.ed.gov/sa/sites/default/files/fsawg/datacenter/library/DLEnteringDefaults.xls.

[3] *See* Federal Reserve Bank of New York, *Quarterly Report on Household Debt and Credit* (Nov. 2018), https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/xls/hhd_c_report_2018q3.xlsx.

[4] *See* Board of Governors of the Federal Reserve System, *Consumer Credit - G.19* (Dec. 7, 2018), https://www.federalreserve.gov/releases/g19/current/default.htm.

[5] *See* U.S. Dept. of Education, Office of Federal Student Aid, FSA Data Center, *2017-2018 Award Year Direct Loan Volume by School* (June 30, 2018), https://studentaid.ed.gov/sa/about/data-center/student/title-iv; MeasureOne, *The MeasureOne Private Student Loan Report* (July 24, 2018), https://www.measureone.com/downloads/MeasureOne%20Private%20Student%20Loan%20Report%20Q1%202018%20FINAL.pdf.

[6] *See* U.S. Dept. of Education, Office of Federal Student Aid, FSA Data Center, *Award Year 2017-2018 Recipient Summary* (June 30, 2018), https://studentaid.ed.gov/sa/sites/default/files/fsawg/datacenter/library/AidRecipientsSummary.xls.

[7] *See* U.S. Dept. of Education, Office of Federal Student Aid, FSA Data Center, *New Direct Loan Defaults* (June 30, 2018), https://studentaid.ed.gov/sa/sites/default/files/fsawg/datacenter/library/DLEnteringDefaults.xls.

[8] *See* U.S. Dept. of Education, Office of Federal Student Aid, FSA Data Center, *Public Service Loan Forgiveness (PSLF) Program Data* (June 30, 2018), https://studentaid.ed.gov/sa/sites/default/files/fsawg/datacenter/library/pslf-report.xls; *see also* NPR, *All Things Considered: Data Shows 99% Of Applicants For A Student Loan Forgiveness Program Were Denied* (Sept. 21, 2018), https://www.npr.org/2018/09/21/650508381/data-shows-99-of-applicants-for-student-loan-forgiveness-denied.

[9] *See* CFPB, *Consumer Complaint Database* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints.

[10] *See id*.

[11] *See supra* note 1.

[12] *See supra* note 9.

[13] *See* CFPB, *Testimony of Rohit Chopra Before the Senate Committee on Banking, Housing, and Urban Affairs* (June 24, 2015), https://www.consumerfinance.gov/about-us/newsroom/the-cfpb-before-the-senate-committee-on-banking-housing-and-urban-affairs ("[I]f a servicer is unable to provide adequate service to those who have special protections under the law, it raises questions about whether it is agile enough to deal with the complexities of the larger population of borrowers facing hardship.").

[14] *See id*.

[15] First Lt. Christian Venhuizen, Troops at risk to predatory schools, businesses, spending, Nat'l Guard (Oct. 5, 2012), https://www.nationalguard.mil/News/Family-Programs/Article/574928/troops-at-risk-to-predatory-schools-businesses-spending (quoting Holly Petraeus, "Frankly, financial readiness is tied to military readiness. If you have folks whose finances are a disaster, you may not be able to deploy them.").

[16] *See* CFPB, *Prepared Remarks of Seth Frotman before the Judge Advocate General's Legal Center and School* (Oct. 18, 2016), https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201610_cfpb_Frotman-Remarks-JAG-School.pdf; CFPB, *Prepared Remarks of Seth Frotman before the Judge Advocate General's Legal Center and School* (Oct. 17, 2017), https://files.consumerfinance.gov/f/documents/201710_cfpb_Frotman-Remarks-JAG-School.pdf;

[17] *See, e.g.*, Navient Corporation, *Military Fact Sheet* (2014), https://news.navient.com/static-files/59094755-27f9-4dda-82c7-10f3478d5da5; CFPB, *Overseas and Underserved: Student Loan Servicing and the Cost to Our Men and Women in Uniform* (July 2015), https://files.consumerfinance.gov/f/201507_cfpb_overseas-underserved-student-loan-servicing-and-the-cost-to-our-men-and-women-in-uniform.pdf.

[18] CFPB, *Consumer Complaint 2952482* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2952482. Note that this issue was first raised by the CFPB in 2014. *See* CFPB, *Veterans: Take advantage of student loan forgiveness, but don't let it damage your credit* (2014), https://www.consumerfinance.gov/about-us/blog/veterans-dont-let-student-loan-forgiveness-damage-your-credit [hereinafter *Veterans Blog*].

[19] *See, e.g.*, Department of Defense Information Paper, HR4508, *the Promoting Real Opportunity, Success, and Prosperity through Education Reform (PROSPER) Act* (Jan. 10, 2018), https://www.insidehighered.com/sites/default/server_files/media/Department-of-Defense-on-PROSPER-Act.pdf ("…the Public Service Loan Forgiveness (PSLF) program has been an important recruitment and retention tool for the military to compete with civilian sector.").

[20] CFPB, *Consumer Complaint 2709151* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2709151.

[21] *See also supra* note 18, *Veterans Blog*; *CA v. Navient Corp. et. al*, Complaint (Ca. Sup. Ct., 2018), https://oag.ca.gov/system/files/attachments/press_releases/CA%20AG%20First%20Amended%20Complaint%20-%20Navient.pdf ("Navient's incorrect credit reporting regarding loans that had been discharged due to the borrower's total and permanent disability was both inaccurate and harmful… Navient's misreporting made it appear that some borrowers had defaulted, when, in fact, these borrowers had not defaulted and their loans had been discharged due to a total and permanent disability.").

[22]*See id.*; *see also CFPB v. Navient Corp. et. al.*, Complaint (M.D.Pa., 2017), https://www.courtlistener.com/recap/gov.uscourts.pamd.110329.1.0.pdf ("Navient also misreported information to consumer reporting agencies about thousands of borrowers who were totally and permanently disabled, including veterans whose total and permanent disability was connected to their military service, by making it appear as if those borrowers had defaulted on their student loans when they had not, damaging their credit.").

[23]CFPB, *Consumer Complaint 2752921* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2752921.

[24]*See* CFPB, *Snapshot of older consumers and student loan debt* (Jan. 2017), https://files.consumerfinance.gov/f/documents/201701_cfpb_OA-Student-Loan-Snapshot.pdf.

[25]Based on SBPC's analysis of CFPB, *Older consumers and student loan debt by state* (Aug. 2017), https://files.consumerfinance.gov/f/documents/201708_cfpb_older-consumers-and-student-loan-debt-by-state.pdf.

[26]*See* Lynette Khalfani-Cox, *Student Debt Sinks Retirees*, AARP (Apr. 2017), https://www.aarp.org/money/credit-loans-debt/info-2017/student-loans-debt-repayment-retirement.html ("Researchers at the Center for Responsible Lending say that the rise in the numbers of older Americans in default could be avoided if loan servicers provided better assistance and information to financially challenged consumers.").

[27]*See* CFPB, *Consumer Complaint Database* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints. This number is based on borrowers who self-identify as older consumers—the actual number of older consumers who submitted student loan complaints may be greater.

[28]CFPB, *Consumer Complaint 2742574* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2742574.

[29]*See* 34 C.F.R. § 285.4(e).

[30]CFPB, *Consumer Complaint 2744000* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2744000.

[31]*See* Govt. Accountability Office (GAO), *Social Security Offsets: Improvements to Program Design Could Better Assist Older Student Loan Borrowers with Obtaining Permitted Relief* (Dec. 19, 2016) https://www.gao.gov/products/GAO-17-45 (showing that 47 percent of borrowers subject to Social Security offsets have a monthly benefit that is below the poverty line and is further reduced by the offset. For 16 percent of borrowers, their Social Security benefits are above the poverty line but the offset reduces the benefit below the poverty line).

[32]*See, e.g.*, Nat'l Ass'n of Social Workers, *In the Red: Social Works and Educational Debt* (2008), https://www.socialworkers.org/LinkClick.aspx?fileticket=cndL4_gur88%3D&portalid=0; Pew Charitable Trusts, *Student Debt Means Many New Graduates Can't Afford to be Teachers or Social Workers* (Apr. 5, 2006), Project on Student Debt, http://www.pewtrusts.org/en/about/news-room/press-releases/2006/04/05/student-debt-means-many-newgraduates-cant-afford-to-be-teachers-or-social-workers; The State PIRGs' Higher Education Project, *Paying Back, Not Giving Back: Student debt's negative impact on public service career opportunities* (Apr. 5, 2006), http://www.pirg.org/highered/payingback.pdf.

[33]*See* 20 U.S.C. § 1087e.

[34]*See supra* note 8.

[35]*See, e.g.*, CFPB, *Public Service and Student Debt* (Aug, 2013), https://files.consumerfinance.gov/f/201308_cfpb_public-service-and-student-debt.pdf; CFPB, *Staying on track while giving back: The cost of student loan servicing breakdowns for people serving their communities* (June 2017), https://files.consumerfinance.gov/f/documents/201706_cfpb_PSLF-midyear-report.pdf; GAO, *Public Service Loan Forgiveness: Education Needs to Provide Better Information for the Loan Servicer and Borrowers* (Sept. 5, 2018), https://www.gao.gov/products/GAO-18-547.

[36]*See* CFPB, *Staying on track while giving back: The cost of student loan servicing breakdowns for people serving their communities* (June 2017), https://files.consumerfinance.gov/f/documents/201706_cfpb_PSLF-midyear-report.pdf.

[37]CFPB, *Consumer Complaint 2987399* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2987399.

[38]*See* the *Consolidated Appropriations Act, 2018*, Pub. L. 115-141, Sec. 315.

[39]CFPB, *Consumer Complaint 3049527* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/3049527.

[40]*See, e.g.*, CFPB, *Annual Report of the CFPB Student Loan Ombudsman* (Oct. 16, 2012), https://files.consumerfinance.gov/f/201210_cfpb_Student-Loan-Ombudsman-Annual-Report.pdf; CFPB, *Annual Report of the CFPB Student Loan Ombudsman* (Oct. 16, 2013), https://files.consumerfinance.gov/f/201310_cfpb_student-loan-ombudsman-annual-report.pdf; CFPB, *Annual Report of the CFPB Student Loan Ombudsman* (Oct. 16, 2014), https://files.consumerfinance.gov/f/201410_cfpb_report_annual-report-of-the-student-loan-ombudsman.pdf.

[41] CFPB, *Consumer Complaint 2787951* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2787951.

[42]CFPB, *Consumer Complaint 2921113* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2921113.

[43]Direct Loans comprise more than 70 percent of the student loan market. U.S. Dept. of Education, Office of Federal Student Aid, FSA Data Center, *Federal Student Aid Portfolio Summary* (June 30, 2018), https://studentaid.ed.gov/sa/sites/default/files/fsawg/datacenter/library/PortfolioSummary.xls; *supra* note 4.

[44]The Education Department contracts with nine private companies to manage the Direct Loan portfolio. See U.S. Dept. of Education, Office of Federal Student Aid, *Loan Servicers* (accessed Dec. 10, 2018), https://studentaid.ed.gov/sa/repay-loans/understand/servicers#my-servicer. Four of these companies, Nelnet, Navient, PHEAA, and Great Lakes, service the majority of the portfolio. See U.S. Dept. of Education, Office of Federal Student Aid, FSA Data Center, *Servicer Portfolio by Loan Status* (June 30, 2018), https://studentaid.ed.gov/sa/about/data-center/student/portfolio. In early 2018, Nelnet acquired Great Lakes. See PR News Wire, *Nelnet Completes Acquisition of Great Lakes Educational Loan Services, Inc.* (Feb. 7, 2018), https://www.prnewswire.com/news-releases/nelnet-completes-acquisition-of-great-lakes-educational-loan-services-inc-300595308.html

[45]CFPB, *Consumer Complaint 2959184* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2959184.

[46]CFPB, *Consumer Complaint 2772137* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2772137.

[47]*See, e.g.*, Danielle Douglas-Gabriel, U*niversities in Va. hit students with whopping collection fees for unpaid tuition*, Wash. Post (Aug. 5, 2017), https://www.washingtonpost.com/local/education/universities-in-va-hit-students-with-whopping-collection-fees-for-unpaid-tuition/2017/08/05/0968c18e-72d3-11e7-9eac-d56bd5568db8_story.html?utm_term=.6b5c25b91e9e.

[48]Rebecca Maurer, *Withholding Transcripts: Policy, Possibilities, and Legal Recourse* (Nov. 15, 2018), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3288837.

[49]CFPB, *Consumer Complaint 2716559* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2716559.

[50]CFPB, *Consumer Complaint 2797474* (accessed Dec. 10, 2018),https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2797474. In 2017, the CFPB issued a report documenting servicing problems experienced by borrowers whose servicers improperly processed changes in "enrollment status," sending unnecessary loan bills and damaging borrowers credit when no payment was required because a borrower was still enrolled in school. *See* CFPB, *Student Data and Student Debt* (2017), https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201702_cfpb_Enrollment-Status-Student-Loan-Report.pdf; *see also*, CFPB, *CFPB Supervision Finds Some Student Loan and Mortgage Servicers Illegally Fail to Provide Protections to Borrowers* (2017), https://www.consumerfinance.gov/about-us/newsroom/cfpb-supervision-finds-some-student-loan-and-mortgage-servicers-illegally-fail-provide-protections-borrowers ("CFPB examiners found that one or more student loan servicers routinely acted on incorrect information about whether the borrower was enrolled in school. This faulty information was in student data reports used to manage millions of borrowers' accounts, and was provided by National Student Clearinghouse, an enrollment data reporting company."); CFPB, *CFPB Takes Action Against Citibank For Student Loan Servicing Failures That Harmed Borrowers* (2017), https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-citibank-student-loan-servicing-failures-harmed-borrowers ("Citibank erroneously canceled in-school deferments for certain borrowers based on inaccurate information about their enrollment status.").

[51] CFPB, *Consumer Complaint 2989182* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2989182.

[52]*See* CFPB, *When you make student loan payments on an income-driven plan, you might be in for a payment shock* (Aug. 17, 2015), https://www.consumerfinance.gov/about-us/blog/when-you-make-student-loan-payments-on-an-income-driven-plan-you-might-be-in-for-a-payment-shock ("When borrowers don't recertify on time, their payments will snap back to the amount they would have owed under a standard 10-year repayment plan—a jump of hundreds of dollars per month, in many cases. This can be a shock to those already struggling to make these payments."); *see also* CFPB, Midyear Update on Student Loan Complaints (2016), https://www.consumerfinance.gov/data-research/research-reports/midyear-update-student-loan-complaints/.

[53]*See* CFPB, *Student Loan Servicing* (Sept. 2015), https://files.consumerfinance.gov/f/201509_cfpb_student-loan-servicing-report.pdf. While available data is limited, in 2017, CFPB proposed new reporting requirements for the student loan servicing industry that would have produced this data on a quarterly basis. This proposal was never finalized and no additional data has been produced by the Department of Education since 2015. *See* CFPB, *Increasing transparency in the student loan servicing market* (Feb. 16, 2017), https://www.consumerfinance.gov/about-us/blog/increasing-transparency-student-loan-servicing-market ("This proposed project would provide the Bureau key data on the number of borrowers who apply to enroll in or recertify their income and family size under these plans and the outcomes of these efforts.").

[54]*See, e.g.*, GAO, *Federal Student Loans: Education Could Do More to Help Ensure Borrowers Are Aware of Repayment and Forgiveness Options* (Aug. 25, 2015), https://www.gao.gov/products/GAO-15-663; CFPB, *Midyear Update on Student Loan Complaints* (Aug. 2016), https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201608_cfpb_StudentLoanOmbudsmanMidYearReport.pdf.

[55]*See, e.g.*, Office of Attorney General Maura Healy, *AG Healey Sues to Protect Public Service Loan Forgiveness* (Aug. 23, 2017), http://www.mass.gov/ago/news-and-updates/press-releases/2017/2017-08-23-pheaa-lawsuit.html.

[56]*See* CFPB, *When you make student loan payments on an income-driven plan, you might be in for a payment shock* (2015), https://www.consumerfinance.gov/about-us/blog/when-you-make-student-loan-payments-on-an-income-driven-plan-you-might-be-in-for-a-payment-shock

[57]CFPB, *Consumer Complaint 2902727* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2902727.

[58]CFPB, *Consumer Complaint 2975887* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2975887.

[59]CFPB, *Consumer Complaint 3029297* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/3029297.

[60]CFPB, *Consumer Complaint 2875004* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2875004.

[61]CFPB, *Consumer Complaint 2659388* (accessed Dec. 10, 2018), https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/2659388.

[62]*See supra* note 1.

[63]*See supra* note 1.

[64]U.S. Dept. of the Treasury, A Financial System That Creates Economic Opportunities Nonbank Financials, Fintech, and Innovation (July 2018), https://home.treasury.gov/sites/default/files/2018-08/A-Financial-System-that-Creates-Economic-Opportunities---Nonbank-Financials-Fintech-and-Innovation_0.pdf.

sbpc | STUDENT BORROWER PROTECTION CENTER

PROTECTBORROWERS.ORG