



STUDENT BORROWER  
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# Fewer Rights, Fewer Protections: Reflections on the Lack of Safeguards in Student Lending

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“Federal student loan servicing **currently lacks effective minimum servicing standards. This has created difficulties for federal student loan servicers when they communicate with regulators about their servicing practices.** For example, a servicer may discuss a specific servicing practice with Education and gain approval for that practice but run into consumer protection concerns about the same practice in examinations or discussions with the Bureau.” (p. 125)

— Treasury Secretary Steven Mnuchin, *A Financial System That Creates Economic Opportunities Nonbank Financials, Fintech, and Innovation* ([Jul. 3, 2018](#))

“In recent years, policymakers have undertaken broad-based legislative and regulatory efforts to strengthen applicable federal consumer financial laws protecting consumers in the servicing of mortgages and credit cards. **However, for student loan borrowers, there is no existing, comprehensive federal statutory or regulatory framework providing consistent standards for the servicing of all student loans.**” (citations omitted, emphasis added)

— Consumer Financial Protection Bureau, *Student loan servicing: Analysis of public input and recommendations for reform* ([Sep. 1, 2015](#))

“The servicing of student loan debt is not regulated as closely as debt servicing for other financial products. **Unlike in similar financial service industries, there is little regulation of specific student loan servicer conduct, such as the handling and application of payments.** We believe that the 2012 National Mortgage Settlement negotiated by the Attorneys General, and the subsequent regulations promulgated by the Bureau, significantly improved mortgage servicing industry practices and contributed to lower mortgage default and foreclosure rates in recent years. **The mortgage experience should be a model for improving servicing in the student loan market.**” (emphasis added)

— Letter from 19 State Attorneys General and Consumer Protection Regulators ([Jul. 13, 2015](#))

“Far too many student loan borrowers face distress and default because of student loan servicers’ failure to help them access relief, like income-based repayment plans for federal loans, or modification of private education loans. **Taking a cue from mortgage servicing reforms, improved student loan servicing could address many common problems, including payment processing, error resolution, transfer of servicers, and interest rate notifications.**” (emphasis added)

— Letter from a Consortium of 114 Consumer, Student, Education, and Civil Rights Advocates (20 National and 94 State) ([Jul. 13, 2015](#))

“Accurate and timely application of payments, access to information, delivery of important notices and disclosures, and resolution of any account errors are essential service level expectations in the financial services industry. **There is no reason those expectations should be any lower for student loan borrowers than they are for home loans, credit cards, or other consumer debts.**” (emphasis added)

— Letter from the University of Wisconsin Credit Union ([Jun. 18, 2015](#))

“For companies engaged in student loan servicing, **Congress should create standards that all student loan servicers must follow. To protect borrowers, we need protections in place that are above and beyond the general prohibitions against unfair and deceptive practices in state consumer fraud acts.** These standards need to ensure that servicers make clear to borrowers what their repayment options are. Standards would help eliminate the confusion and lack of information that borrowers are currently experiencing.” (emphasis added)

— Former Illinois Attorney General Lisa Madigan, *Testimony before the Committee on Health, Education, Labor, and Pensions United States Senate* ([Jul. 24, 2014](#))

**“Other favorable credit card and mortgage industry standards should be applied to student loans as we should ensure that our students—often the most vulnerable borrowers in terms of financial standing—receive no less in protections than other borrowers.** Thus standards for responsiveness from servicers, resolutions for complaints, and live contact requirements should be adopted for student borrowers as well.” (emphasis added)

— Letter from the Higher Education Loan Coalition ([Jul. 8, 2015](#))



“The CFPB shifted the terrain when it issued a comprehensive mortgage servicing rule to insure that consumer homeowners facing default receive complete and timely information regarding loss mitigation alternatives. . . . **There is every reason to believe that student loan servicing, which represents a dramatically increasing share of overall consumer debt, would benefit from similar consumer protections.**” (emphasis added)

— Letter from 34 Leading Consumer Law Professors ([Jul. 23, 2015](#))

**“We must vigilantly hold the institutions within our student loan finance system—both student loan servicers and schools—accountable. . . . We have a responsibility, as a government, to make sure that the rules of the road prevent underperforming servicers and schools from harming students with unaffordable debt, and we must continue our work until the student loan financing system delivers on its promise for every student.”** (emphasis added)

— Former Deputy Treasury Secretary Sarah Bloom Raskin, *Remarks by Deputy Secretary Sarah Bloom Raskin At the Rappaport Center For Law and Public Policy Conference On The Student Debt Crisis* ([Mar. 18, 2016](#))

“The CARD Act stopped these practices, and has saved consumers tens of billions in unfair charges, while reducing risk to the industry and preserving consumers’ access to affordable credit. **Today, private education loan borrowers make similar complaints about unfair payment processing, late fees, and universal default policies. They deserve the same protections as credit card borrowers now enjoy.**”  
(emphasis added)

— Letter from a Consortium of 114 Consumer, Student, Education, and Civil Rights Advocates  
(20 National and 94 State) ([Jul. 13, 2015](#))

“My Administration has already put in place **significant protections that ensure borrowers with credit cards and mortgages are treated fairly** . . . . Now is the time for stronger protections for the more than 40 million Americans with student loan debt.”

— President Barack Obama, *Presidential Memorandum -- Student Aid Bill of Rights*  
([Mar. 10, 2015](#))

“There are **few laws specifically governing student loan servicer conduct** for either federal or private loans. The **absence of clear borrower protections contrasts** with other consumer credit areas such as credit cards and mortgages.” (emphasis added)

— Letter from the National Consumer Law Center ([Jul. 15, 2015](#))

“Currently, **there are few laws which regulate the practices that student loan servicers can engage in.** As a result, a generation of students are graduating from college with a mountain of debt under the subjugation of student loan servicers who often engage in predatory actions . . . . **There are few protections or avenues of recourse for a borrower to take if they suffer damages, which leaves students at the mercy of student loan servicers.**” (emphasis added)

— Letter from the American Federation of State, County, and Municipal Employees (AFCSME) Councils 36 and 57; Locals 1902, 1001, 206, 3299, and 4911; and the United Nurses Associations of California / Union of Health Care Professionals ([Jun. 11, 2019](#))

**“[O]ther kinds of consumer debt come with protections related to repayment and servicing. By contrast, for people who took out loans to get an education, there are fewer protections and the system is often tough to navigate – as a result, these borrowers may be at the mercy of their servicers.”**

(emphasis added)

— Letter from Consumers Union ([Jul. 13, 2015](#))

“Half of households in the United States headed by someone with at least some college have student loans, yet **most of these borrowers have few consumer protections in the servicing context**, and certainly far fewer protections than are now available to mortgage borrowers and in some instances credit card holders.” (citation omitted, emphasis added)

— Letter from the Center for American Progress ([Jul. 13, 2015](#))



“In light of the current **lack of a stronger state based supervision/regulatory structure**, however, there is a heightened need for student loan servicers to have much more robust and genuine customer service, as well as loss mitigation programs in place, something that was lacking for a long time in the mortgage servicing world.” (emphasis added)

— Letter from the Empire Justice Center ([Jul. 13, 2015](#))

“[I]t is important the Bureau also put in place strong rules for all borrowers, regardless of loan type or who owns their loans. As a prime example, **the Bureau should look to our work in the CARD Act to help inform how they should best protect borrowers . . . .**” (emphasis added)

— Letter from Congresswoman Susan Davis (D-CA-53) ([Jul. 13, 2015](#))

**“Unlike mortgages or credit cards, there is no industry-wide federal level regulation of the student loan industry.** As a result, people with student loans do not have the same consumer protections and safeguards to help them manage their debt.” (emphasis added)

— Letter from Californians for Economic Justice, a Coalition of 29 Unions and Consumer Advocates Working in California ([Jun. 12, 2019](#))

“RESPA allows a home loan borrower to formally contest and receive a written explanation of virtually any action taken by a mortgage servicer. This process is known as a Qualified Written Request. **A similar vehicle for addressing disputes (such as payment handling, error resolution, interest rate adjustment) with a student loan is needed.**” (emphasis added)

— Letter from the Legal Services of New York ([Jul. 13, 2015](#))

**“For unlike servicers for mortgages credit cards and business loans, student loan servicers face no oversight over their operations.** Left unchecked, these companies turn to predatory behavior designed to maximize profits.” (emphasis added)

— Colorado State Senate Majority Leader Steve Fenberg and State Senator Faith Winter,  
*Opinion: Colorado will lead the effort to end the student debt crisis* ([Apr. 11, 2019](#))