

MEMORANDUM

December 2020

TO: Stakeholders
FROM: Ben Kaufman, Research & Policy Analyst, Student Borrower Protection Center
RE: Changes to Climb Credit's Website after the SBPC's Investigation

In October 2020, the Student Borrower Protection Center (SBPC) sent a letter to the Consumer Financial Protection Bureau highlighting extensive evidence that Climb Credit, a specialty private student loan company, was engaging in misleading, dangerous, and possibly illegal business practices.¹ In response, Climb made various changes to its website over the subsequent weeks.

Changes to Climb's website include the following.

- The Truth in Lending Act (TILA) and its implementing regulations require that lenders publish a standard interest rate calculation called an "Annual Percentage Rate" (APR).² Unlike a nominal interest rate, which is simply the amount of *interest* that the borrower will have to pay on their loan as a percent of their balance, the APR is a broader measure that also considers the cost of any additional fees such as origination fees.³ The SBPC found that Climb displayed only the nominal interest rate of its loans instead of their APR, thereby hiding relevant origination fees and **misrepresenting the true cost of the loans**, possibly in violation of the Truth in Lending Act.⁴ Climb's website **now displays an APR** for loans available for the courses it promotes.

¹ See Aarthi Swaminathan, *Student loan watchdog accuses lender Climb Credit of 'troubling tactics'*, Yahoo! Finance (Oct. 21, 2020), <https://www.yahoo.com/lifestyle/climb-credit-student-loan-watchdog-131451216.html>.

² 12 C.F.R. § 1026.18, <https://www.consumerfinance.gov/rules-policy/regulations/1026/18/> ("For each transaction other than a mortgage transaction subject to § 1026.19(e) and (f), the creditor shall disclose the following information as applicable: . . . (e) Annual percentage rate. The annual percentage rate, using that term, and a brief description such as 'the cost of your credit as a yearly rate.'").

³ Consumer Fin. Prot. Bureau, What is the difference between a mortgage interest rate and an APR? (2019) (alteration in original), <https://www.consumerfinance.gov/ask-cfpb/what-is-the-difference-between-a-mortgage-interest-rate-and-an-apr-en-135> ("The **interest rate** is the cost you will pay each year to borrow the money, expressed as a percentage rate. It does not reflect fees or any other charges you may have to pay for the loan. An **annual percentage rate** (APR) is a broader measure of the cost of borrowing money than the interest rate. The APR reflects the interest rate, any points, mortgage broker fees, and other charges that you pay to get the loan. For that reason, your APR is usually higher than your interest rate."); *Putting Consumers First? A Semi-Annual Review of the Consumer Financial Protection Bureau*, 116th Cong. 1 (2019), <https://www.govinfo.gov/content/pkg/CHRG-116hhrg36461/html/CHRG-116hhrg36461.htm> ("[T]he APR is derived from the finance charge, the amount financed, and the payment schedule. It is a mathematical transformation of those three numbers into the cost of credit expressed at a yearly rate."); 12 C.F.R. § 1026.18, <https://www.consumerfinance.gov/rules-policy/regulations/1026/18/> ("For each transaction other than a mortgage transaction subject to § 1026.19(e) and (f), the creditor shall disclose the following information as applicable: . . . (d) Finance charge. The finance charge, using that term, and a brief description such as 'the dollar amount the credit will cost you.'"); Consumer Fin. Prot. Bureau, Comment for 1026.47 - Content of Disclosures Comment 47(a)(4)(2)(i), <https://www.consumerfinance.gov/rules-policy/regulations/1026/Interp-47/#47-a-3-Interp-4> ("The creditor must calculate the total cost estimate by determining all finance charges that would be applicable to loans. . . . For example, if a creditor charges a range of origination fees from 0% to 3%, but the 3% origination fee would apply to loans with the highest initial rate, the lender must assume the 3% origination fee is charged.")

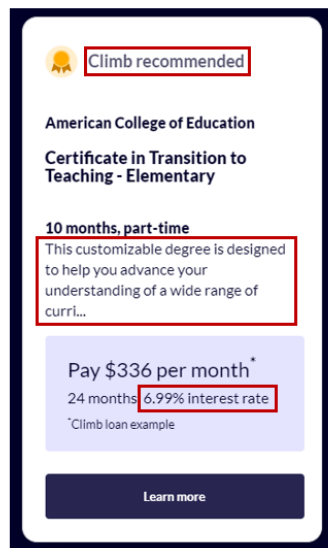
⁴ See, e.g., Letter from Student Borrower Prot. Ctr. to Consumer Fin. Prot. Bureau Director Kathleen Kraninger (Oct. 21, 2020), https://protectborrowers.org/wp-content/uploads/2020/12/SBPC_Letter-regarding-Climb-Credit.pdf (citations omitted) ("Climb supplies a 6.99% interest rate for the example loan associated with ACE's Micro-Credential in Learning Behavior Specialist I, which may seem low and be appealing to consumers. In truth and in fact, that example loan carries an APR nearly 10 points higher—potentially violating state usury laws—whether the consumer finances Climb's origination fee (16.248% APR) or pays it up front and out-of-pocket (16.730% APR). Because APR reflects the true cost of borrowing money over time, Climb's practice of using appealing periodic interest rates in its 'example Climb loan' advertisements while omitting much higher APRs not only appears to



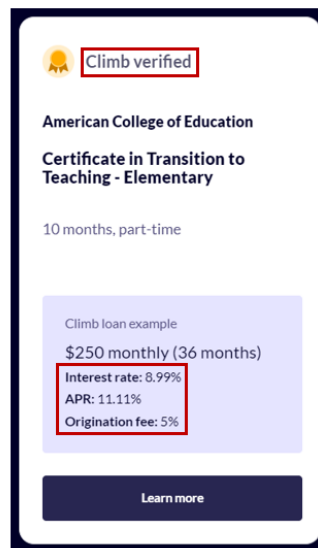
- In an example cited in the SBPC’s letter, Climb displayed the “monthly payment” and nominal interest rate associated with a loan product while excluding from its “monthly payment” calculations an applicable origination fee equal to five percent of the loan balance.⁵ Borrowers would ultimately need to pay Climb this origination fee up front, resulting in a surprise bill of more than \$150. Alternatively, a borrower could amortize the fee with the loan, increasing the borrower’s monthly payment obligations by five percent per billing period and the overall cost of the loan by almost \$160.⁶
- **Now**, Climb displays an APR for the loans associated with each of the programs it promotes, aligning it with basic standard practices for consumer lenders.⁷

Climb now displays APRs and has eliminated misleading course descriptions

Climb’s old website:



Climb’s new website:



See *infra* notes 7, 9

violate Regulation Z but likely constitutes a deceptive practice in violation of 12 U.S.C. § 5531(a) because it has the tendency to mislead reasonable consumers about the likely cost of credit with Climb and how it might compare with other lenders who follow the rules and use APR in their advertisements.”).

⁵ *Id.* (citations omitted) (“Climb’s webpage soliciting loans for ACE’s Micro-Credential in Learning Behavior Specialist I states that the program involves \$3,350 Tuition and a \$200 Deposit, while providing an ‘example Climb loan’ in which the borrower can ‘[p]ay \$273 per month’ for 12 months with a ‘6.99% interest rate.’ Using these figures, the consumer would finance \$3,150 in tuition after making the \$200 deposit. Climb’s 5% origination fee would be \$157.50 to borrow \$3,150 in tuition. Using Climb’s represented method for determining the loan amount—including the origination fee in the loan amount—the ‘example’ loan amount would be \$3,307.50. Applying the 6.99% interest rate over the 12-month period for this specific ‘example Climb loan’ results in monthly payments of \$286.17. Climb’s example monthly payment of \$273 therefore understates the actual cost by \$13.17 per month or \$158.04 over the 12-month life of the loan.”).

⁶ *Id.*

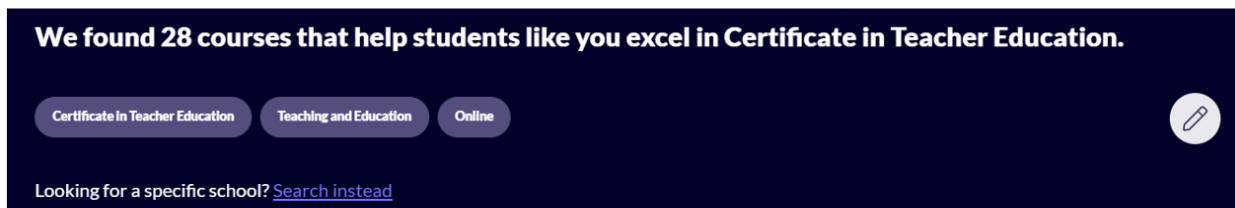
⁷ We found 28 courses that help students like you excel in Certificate in Teacher Education., Climb Credit, [\[https://perma.cc/GHB2-GPXS\]](https://perma.cc/GHB2-GPXS) (last visited Nov. 18, 2020). Climb also apparently changed the terms of at least some of its loan products. This includes extending the terms of these and increasing nominal interest charged on them. In the example depicted in the image above, these changes resulted in the overall cost of the loan increasing by almost \$1,000 (12 percent over the original cost of the loan).



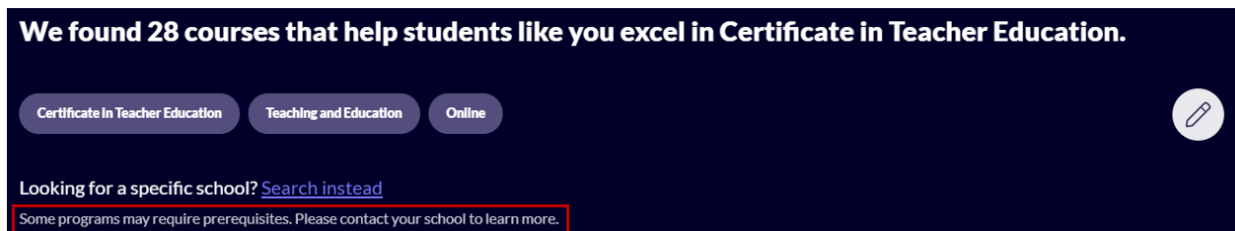
- The SBPC noted that Climb **misrepresented programs** as leading to “great outcomes for students” even when the programs could not actually lead to professional licensure.⁸ Climb **now warns students** that the programs it promotes may not lead to a relevant credential.
 - In one example highlighted by the SBPC, Climb promoted 28 teacher training programs, even though almost none of these programs led to a credential recognized by any relevant licensing authority.⁹
 - **Now**, Climb’s website adds a disclaimer stating that “Some programs may require prerequisites. Please contact your school to learn more.”¹⁰ It is unclear whether this refers to prerequisites for a given program or for professional licenses associated with the careers that the courses Climb advertises are related to.

Climb now warns its partner programs may not lead to any recognized form of license or credential

Climb’s old website:



Climb’s new website:



See *infra* notes 7, 9

⁸ See, e.g., Student Borrower Prot. Ctr., *supra* note 4 at 5 (“Among the 28 ‘Climb recommended’ courses that Climb presents under the header of ‘Certificate in Teacher Education’ within the field of ‘Teaching & Education,’ 13 are ‘[c]ertificate’ programs offered by the American College of Education (hereinafter ‘ACE’). . . . However, ACE’s website appears to indicate that at least five of these Climb-recommended courses are not recognized by any state authority for any reason, while official recognition of the remaining eight courses is extremely limited even for consumers who are already licensed teachers.”).

⁹ *Id.*; *We found 28 courses that help students like you excel in Certificate in Teacher Education.*, Climb Credit, [<https://perma.cc/KMV8-5BRC>] (last visited Oct. 12, 2020).

¹⁰ Climb Credit, *supra* note 7.



- The SBPC pointed out that Climb’s framing of the third-party courses it advertises as “recommended” was likely to **mislead prospective students** regarding the extent to which Climb had actually vetted those courses.¹¹ Climb **no longer presents courses** as “recommended,” but it continues to frame these courses as having been “verified” by Climb.
 - Climb framed 28 teacher training courses offered by a partner school as “Climb recommended,” despite being of dubious value and likely not leading to a professional license.¹²
 - **Now**, Climb has reframed this language to present these courses as “Climb verified.”¹³ It is not obvious how Climb sees this revised designation as being substantially different or less likely to generate consumer confusion than the original use of “recommended.” Moreover, Climb’s disclaimer that students should “contact your school to learn more” regarding prerequisites for professional credentials associated with programs that Climb itself advertises only heightens the question of what Climb is actually verifying.
- The SBPC highlighted how Climb was simply **copying descriptions of the courses it advertises** from the websites of its partner schools, belying its claims of careful, independent vetting.¹⁴ Climb **now has removed descriptions** for individual courses on its website.
 - In one example, the description for a cosmetology program advertised by Climb was taken verbatim from the relevant school’s website.¹⁵
 - **Now**, Climb does not display a course description for that course or for any other course advertised on its website.¹⁶
- The SBPC showed that Climb **misleadingly represented certain job titles as “typical”** for graduates of certain programs even though the programs in question might not qualify students for a job with such a title.¹⁷ Climb **now does not display** “typical job titles.”
 - In one case, Climb represented “Teacher, Professor, [and] Postsecondary / Higher Education” as “[t]ypical grad job titles” for certain teacher training certificate programs, even though almost all of these programs could not lead to a relevant professional license.¹⁸
 - **Now**, Climb now does not make representations around typical graduate job titles.¹⁹

¹¹ See, e.g., Student Borrower Prot. Ctr., *supra* note 4, at 4 (citations omitted) (“Upon navigating to the list of online courses available within this field, the prospective student arrives at a page advertising ‘28 courses that help students like you excel in [sic.] Certificate in Teacher Education.’ Each of these courses is displayed with a ribbon and a statement that the course is ‘Climb recommended,’ while the webpage itself prominently describes various listed programs as leading to a ‘degree,’ a ‘[c]ertification,’ or various forms of ‘[m]icro-[c]redential.’ In light of Climb’s broader messaging around quality assurance, the presentation of this group of courses within the subset of programs Climb advertises as leading to a ‘Certificate in Teacher Education,’ and that at least some of the advertised programs do in fact lead to preparation for professional licensure, a consumer may reasonably interpret Climb’s recommendation and representations that the courses will help the consumer ‘excel’ in their chosen field as meaning that each of the 28 programs presented leads to some variety of officially recognized credential or preparation for formal licensure in teaching or a related field—or at least that Climb would warn them about courses that did not. However, this is not the case.”).

¹² Climb Credit, *supra* note 9; see generally Student Borrower Prot. Ctr., *supra* note 4, at 4.

¹³ Climb Credit, *supra* note 7.

¹⁴ Student Borrower Prot. Ctr., *supra* note 4, at 14 n.53.

¹⁵ *The Salon Professional Academy of Melbourne, Cosmetology*, Climb Credit, [<https://perma.cc/4XQM-VQQU>] (last visited Sept. 13, 2020); *The Salon Professional Academy, Melbourne*, [<https://perma.cc/K5TH-7AYL>], (last visited Sept. 16, 2020).

¹⁶ *The Salon Professional Academy of Melbourne, Cosmetology*, [<https://perma.cc/6W8D-URXF>] (last visited Dec. 3 2020); Climb Credit, *supra* note 7.

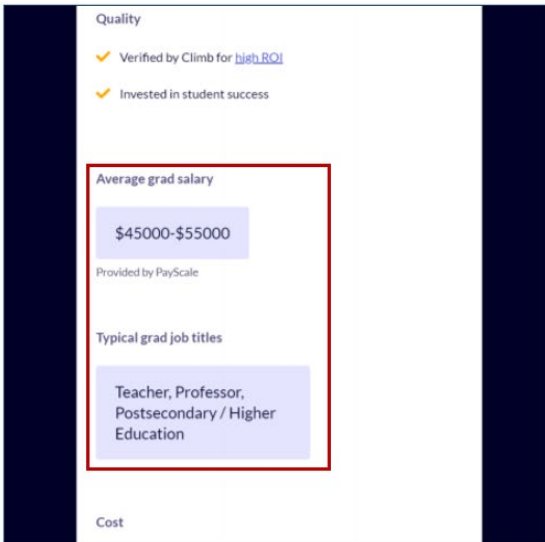
¹⁷ Student Borrower Prot. Ctr., *supra* note 4, at 5.

¹⁸ *American College of Education, Certificate in Adult Education & Corporate Training*, Climb Credit, [<https://perma.cc/NX6M-SR9P>] (last visited Sept. 21, 2020).

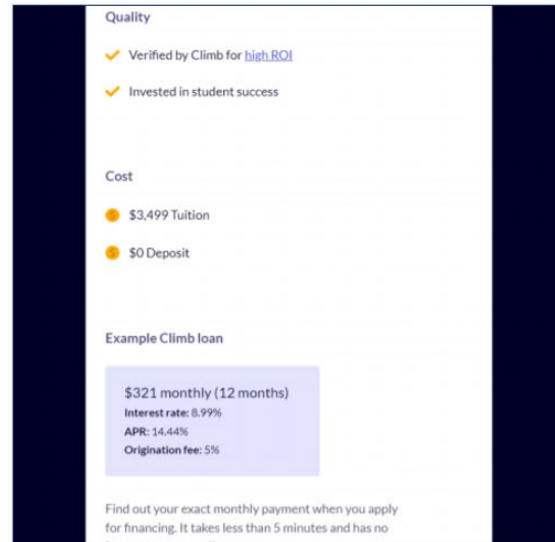
¹⁹ *American College of Education, Certificate in Adult Education & Corporate Training*, Climb Credit, [<https://perma.cc/Y6EQ-6JVF>] (last visited Nov. 18, 2020).

Climb has removed dubious “grad salary” data and “grad job titles”

Climb’s old website:



Climb’s new website:



See *infra* notes 21-22

- The SBPC noted **several issues related to the accuracy and relevance** of graduate income ranges provided by Climb for specific programs that it advertised.²⁰ Climb has since **removed program-specific graduate income ranges**.
 - In one case, Climb stated an “[a]verage grad salary” for a “Teachers Aide” training program of “\$45000-\$55000,” a representation that was dubiously sourced and possibly incorrect.²¹
 - **Now**, Climb does not offer program-specific graduate salary ranges.²²
- The SBPC identified how Climb **issued seemingly contradictory public statements** about whether it uses the consumer’s school to determine the terms of credit, including the interest rates on the loans it offers.²³ Climb has since **removed from its website references** to setting interest rates based on “the school you attend.”

²⁰ See, e.g., Student Borrower Prot. Ctr., *supra* note 4 at 9 (“Climb’s loan solicitation also represents an ‘[a]verage grad salary’ for the Career Pathways Institute’s Paraprofessional Certification Program of ‘\$45000-\$55000’ and states that this information is ‘provided by PayScale.’ This representation appears to be deceptive for two reasons. First, PayScale allows consumers to search for income data by school, but a search for Career Pathways Institute returns no matches. It therefore appears unlikely that PayScale is in fact Climb’s source for average graduate salary information for this particular program, making Climb’s practice of misrepresenting the data source for its income claim likely deceptive. Second, even if this ‘grad salary’ data is generalized and based on teachers’ aides as a whole, PayScale provides an average salary for ‘Teacher Aide’ of \$20,219 and represents that ‘[a] Teacher Aide typically makes between \$13k - \$32k.’ Climb therefore may misrepresent average income data for the field in which consumers may become licensed through this course by a factor of about two.”) (citations omitted).

²¹ *Id.*; Career Pathways Institute, *Teachers Aide*, Climb Credit, [<https://perma.cc/R5JR-WCCG>] (last visited Sept. 16, 2020).

²² Career Pathways Institute, *Teachers Aide*, Climb Credit, [<https://perma.cc/RN7X-JWZS>] (last visited Dec. 3, 2020).

²³ Student Borrower Prot. Ctr., *supra* note 4 at 18.



- After a congressional inquiry stemming from another SBPC investigation,²⁴ Climb represented to members of the U.S. Senate Banking Committee that “[o]nce a decision is made to grant the loan, the interest rate is based on the applicant’s FICO score.”²⁵ However, Climb stated in a fine-print “[d]isclaimer” on its website that “[a]ctual interest rates vary within this range based on a number of factors, including your state of residence, credit history, *the school you attend*, and applicable lending laws and regulations.” (emphasis added).²⁶
- **Now**, Climb has removed references to “the school you attend” from this sentence in its disclaimer.²⁷
- The SBPC noted that Climb’s representations around salary increases for graduates were **likely deceptive** given that they were based on an outdated and non-representative survey.²⁸
 - Climb made generalized representations based on a years-old survey only of students who attended coding bootcamps.²⁹
 - **Now**, Climb has since updated its survey to reflect a larger sample of students, though it remains unclear if this sample is representative of Climb customers in general and it notably presents results only for students who complete their course of study.³⁰

While these changes represent a degree of improvement for Climb, there remains a range of additional practices that present considerable risks to borrowers. Moreover, these changes do nothing for those borrowers who were previously misled into taking out Climb’s high-cost and risky credit products. There is far more work to be done on the issue of Climb Credit’s business practices.

²⁴ Danielle Douglas-Gabriel, *Senate Democrats Raise Concerns About Educational Redlining in Student Lending*, Wash. Post (July 31, 2020), <https://www.washingtonpost.com/education/2020/07/30/senate-democrats-raise-concerns-about-educational-redlining-student-lending/>.

²⁵ Letter from Climb Credit to Sen. Sherrod Brown et al. at 2 (Feb 28, 2020), <https://www.banking.senate.gov/imo/media/doc/Educational%20data%20-%20appendix.pdf#page=2>.

²⁶ Climb Credit, *supra* note 18.

²⁷ Climb Credit, *supra* note 19.

²⁸ Student Borrower Prot. Ctr., *supra* note 4 at 11 (“Climb represents a ‘[m]edian salary increase for Climb school graduates’ of 66.7%; that ‘3/5’ of Climb partner school graduates who ‘were unemployed prior to program attendance’ obtained full-time employment; and that Climb borrowers enjoyed a 38.9% ‘[m]edian pay increase for 2nd job after Climb.’ Climb discloses that these figures are derived from ‘graduate survey responses’ but conceals facts that likely render these figures deceptive for many of Climb’s prospective borrowers. First, a reasonable consumer would conclude that these figures reflect recent, up-to-date graduate results. In fact, a separate Climb webpage indicates that this data was derived from a survey of students who graduated between October 2014 and November 2017. Climb’s presentation of these statistics as reflecting recent or current graduate outcomes appears to be deceptive. Second, Climb indicates on a separate webpage that the graduates who responded to this survey also appear to have ‘typically’ attended ‘a coding bootcamp.’ However, it is a deceptive practice to present a subset of unusual earnings results as typical, and it is unlikely the wage gains of successful graduates of coding bootcamps are representative of expected wage gains for students studying at for-profit cosmetology schools or programs that do not result in eligibility to become licensed in the profession to which the course of study pertains. Moreover, Climb’s disclaimer cannot save its income claims from being deceptive. Instead, Climb’s disclaimer only confirms the deceptive nature of its top-line misrepresentations.”).

²⁹ *About Climb*, Climb Credit, [\[https://perma.cc/68FB-D8NN\]](https://perma.cc/68FB-D8NN) (last visited Sept. 13, 2020).

³⁰ *About Climb*, Climb Credit, [\[https://perma.cc/ULZ9-KM5M\]](https://perma.cc/ULZ9-KM5M) (last visited Nov. 18, 2020).