



STUDENT BORROWER
PROTECTION CENTER

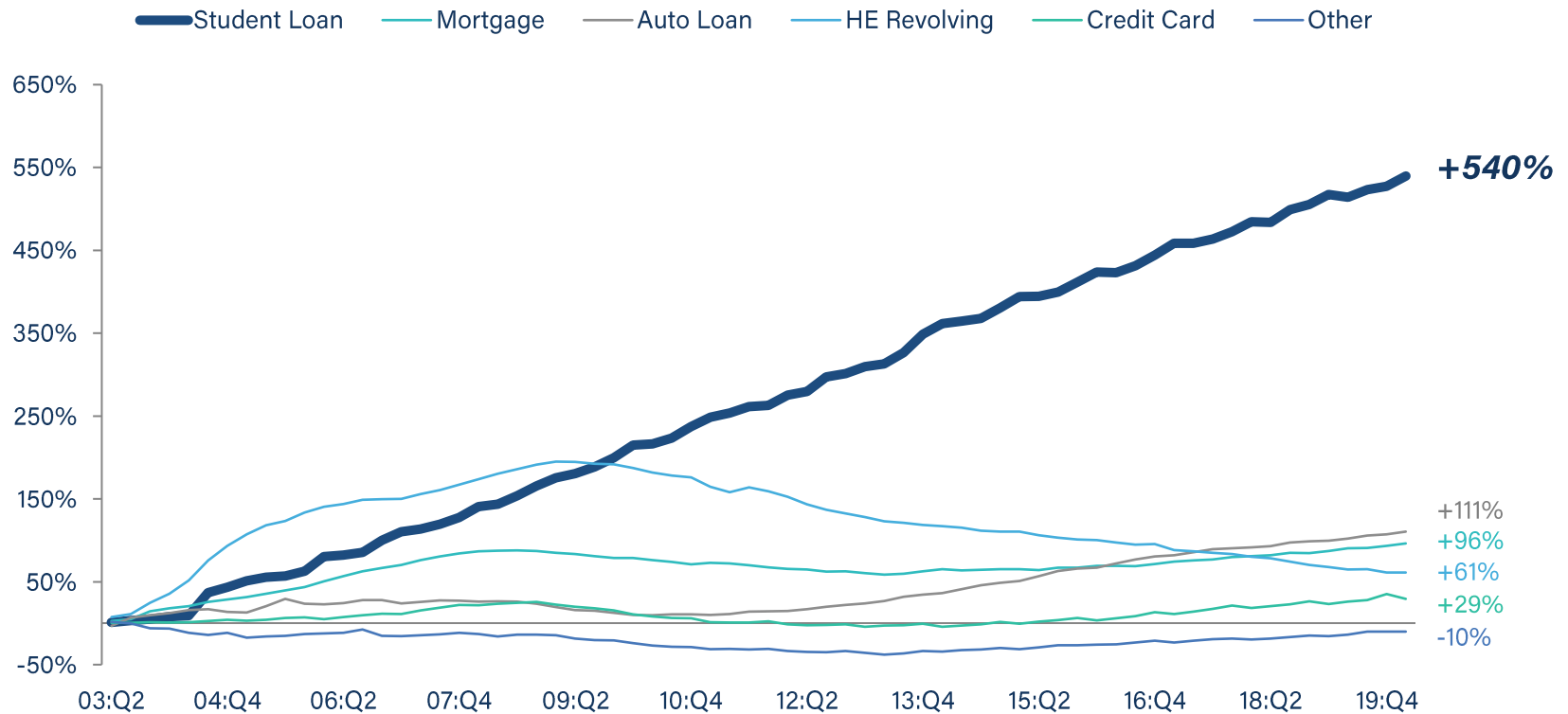
PROTECT BORROWERS

Presentation to the Governor's Task Force on Student Debt

May 2020

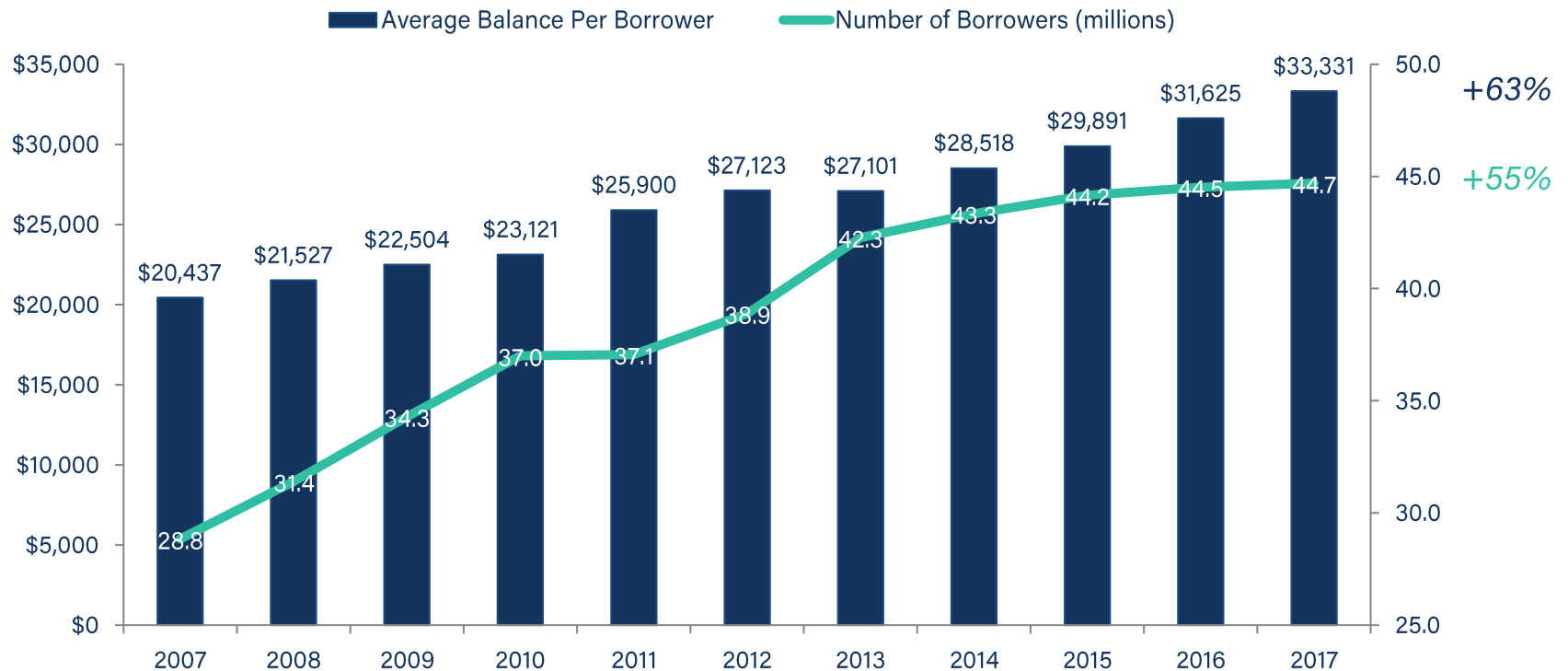
The growth of U.S. student loan debt has been consistent and explosive

Change in total outstanding balances



\$1.6 trillion+ in outstanding student debt

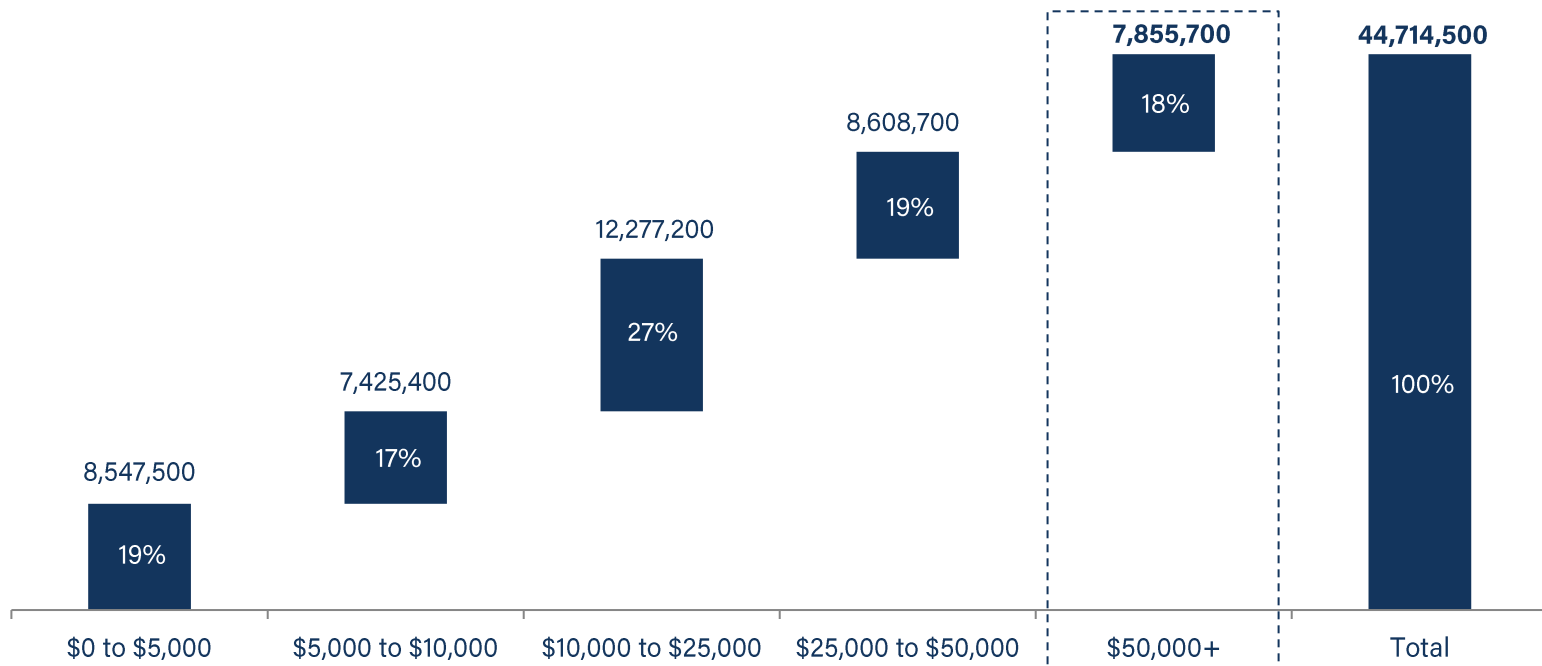
There are now far more borrowers, and each bears a heavier debt burden



More than 1-in-5 U.S. consumers have student loan debt

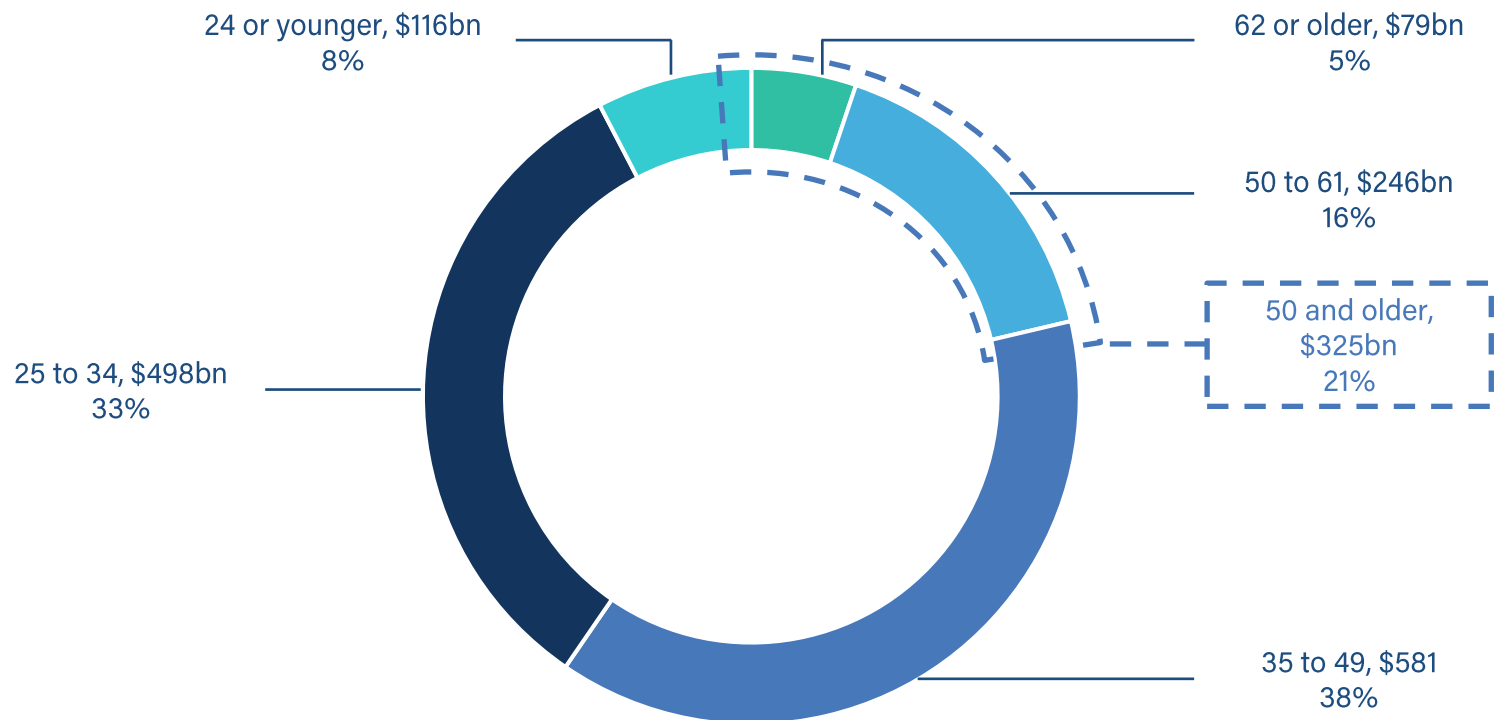
Distribution of loan balances

Number of borrowers at each balance level



7.86 million borrowers (almost 1-in-5) now owe more than \$50,000

Borrowers aged 50+ owe almost three times more than those aged 24 or less



Student debt in Wisconsin by the numbers

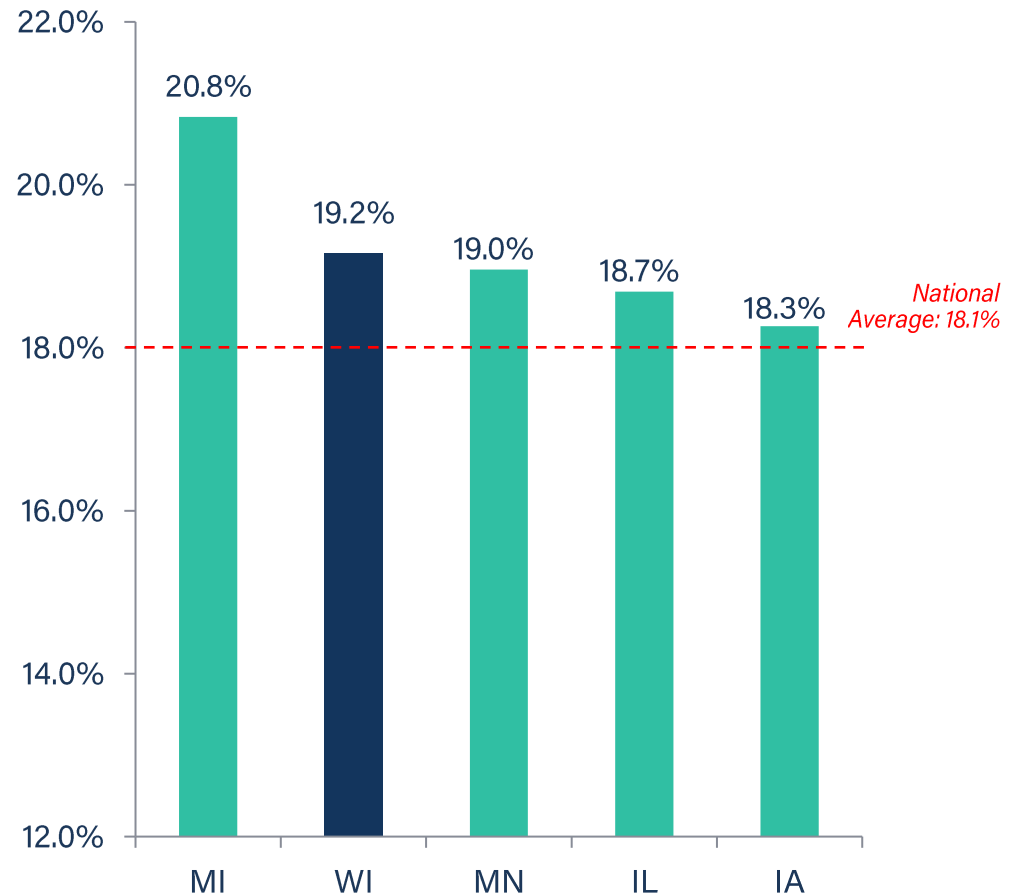


- **\$23.9 billion** in outstanding student loan debt
- **710,100** student borrowers
- **\$33,720** average student debt per WI borrower
- **92%** increase in student loan debt in WI from 2010 to 2020

Student debt in Wisconsin by the numbers

- **90,183** delinquent borrowers
- **\$2.1 billion** in delinquent debt
- **58,272** borrowers aged 60+
- **6,480** delinquent WI borrowers aged 60+
- **48%** increase in borrowers aged 60+ (2012 to 2017)

Regional comparison: % borrowers in IDR



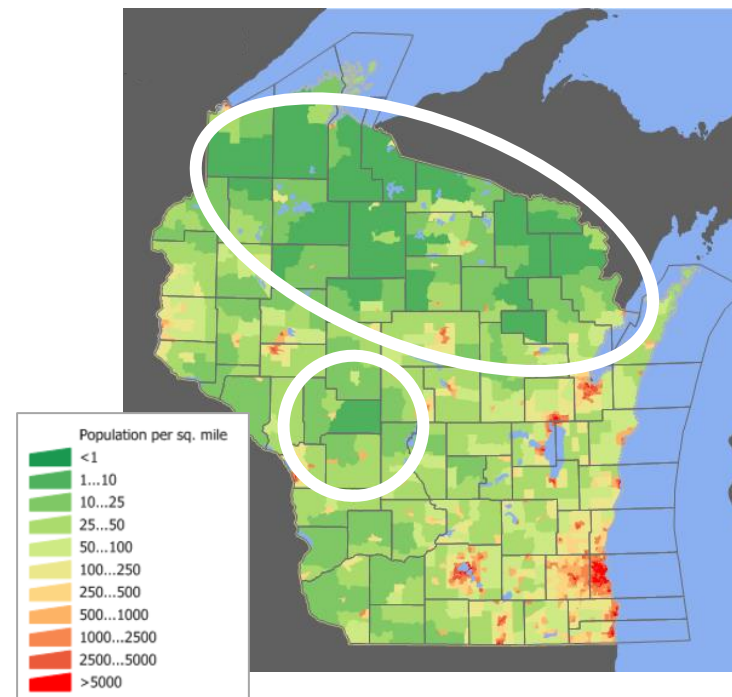
Rural student loan distress: Wisconsin

- **26%** of WI lives outside of metropolitan statistical areas
- **221,445** rural borrowers in WI
- **19%** of rural population 18+ holds student loans
- **12%** rural delinquency rate

Student loan delinquency

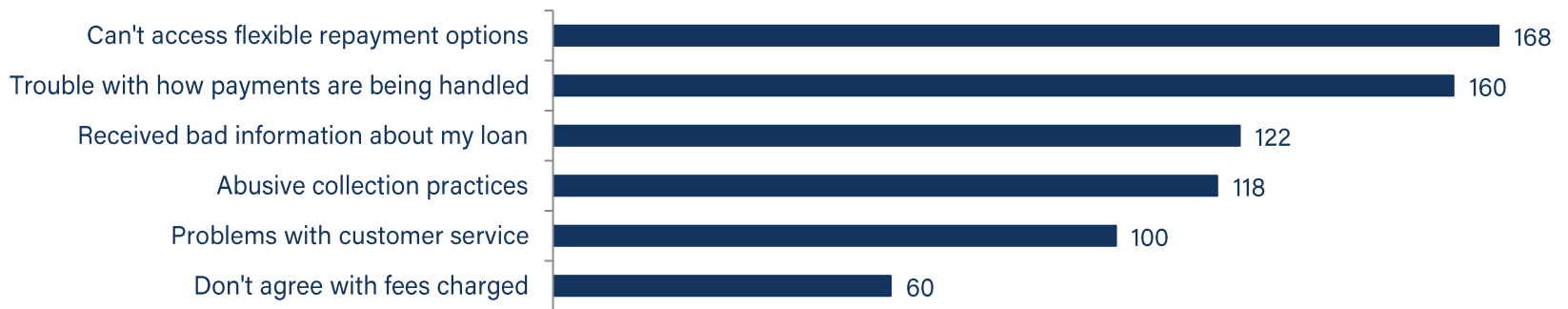


Population density

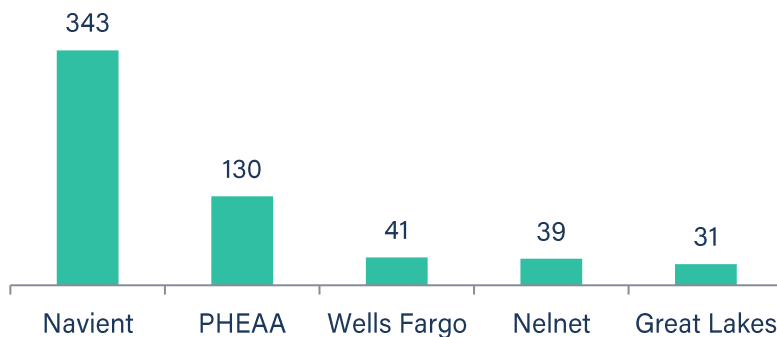


Wisconsin borrowers need someone in their corner

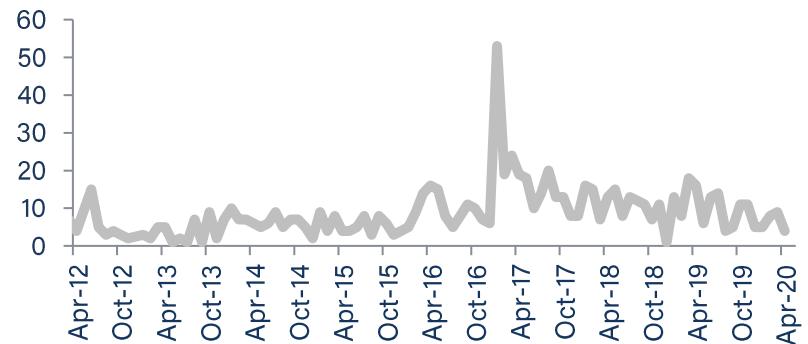
WI student loan complaints by sub-issue



WI student loan complaints by company



WI student loan complaints by month



Washington's response to the coronavirus: the CARES Act

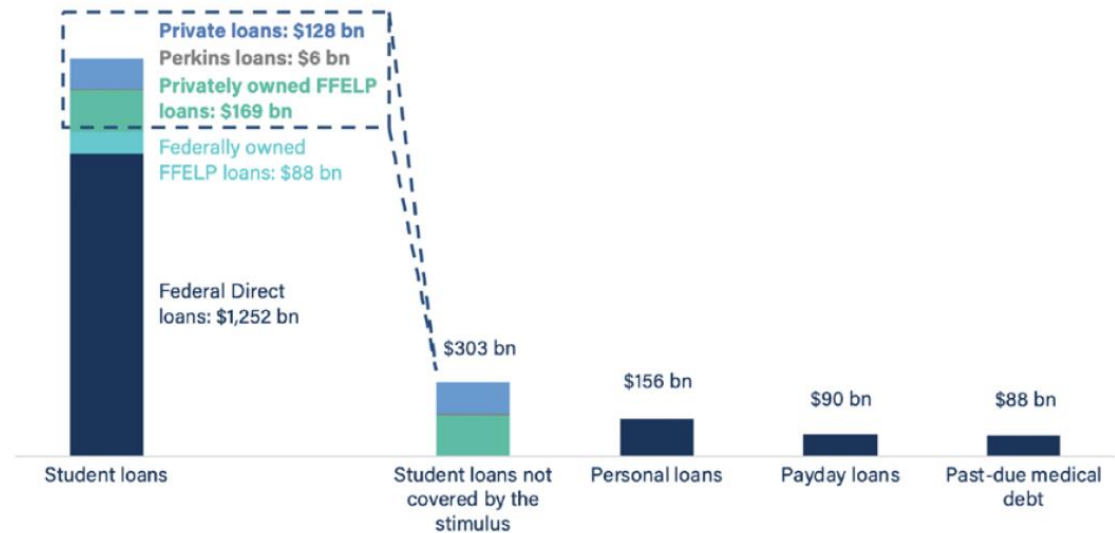
Through September 30, 2020

- 0% interest
- Automatic payment suspension
- Qualified payments for PSLF and IDR forgiveness
- Suspension of all collection activity
 - ☐ Wage garnishment
 - ☐ Social Security benefits offset
 - ☐ Tax refund offset
- Applies automatically to all debt held by the federal government (~\$1.3 trillion in Direct and ED-held FFEL loans)

The CARES Act leaves out hundreds of billions of dollars in student loans, including millions of private student loan borrowers



Student loans not covered by the stimulus: \$303 billion



Serious problems persist for student loan borrowers

The Washington Post

As Americans faced layoffs and lost wages, student loan companies kept going to court to collect



Education Secretary Betsy DeVos sued over wage garnishment amid coronavirus pandemic

Consumer advocates are suing Education Secretary Betsy DeVos for her department's failure to stop garnishing student loan borrowers' wages, despite declaring that it would [suspend wage garnishment](#) on March 25.



3615342

Date CFPB received the complaint
4/21/2020

Consumer complaint narrative

I have about (\$290000.00) of student loans being serviced by [Great Lakes Borrower services](#). Out of that (\$290000.00) about (\$18000.00) is accrued interest that was present before the coronavirus pandemic. The servicer is putting all accounts into an administrative forbearance in order to comply with the recently

I am looking for a simple YES or NO answer to a simple question.

nothing. I am looking for a simple YES or NO answer to a simple question. For your convenience I will ask



A-A-Ron9023 @davis_9023 · Apr 14

Replying to [@MyFedLoan](#)

a payment was deducted from my bank account on 3/21/2020. Will I get that payment returned? I have sent in a message over a week ago and have yet to receive a reply. Thanks

1



2



Trevor
@Tsudbury

Replying to [@Tsudbury](#) and [@frickindannie](#)

😞 I just checked Navient, and only 3 of my loans are still federally owned at this point. So I still owe basically everything anyhow

2:39 PM · Apr 7, 2020 · [Twitter for iPhone](#)



CARES Act protections expire at the end of September

SEPTEMBER 2020

SUN	MON	TUE	WED	THU	FRI	SAT
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	?	?	?

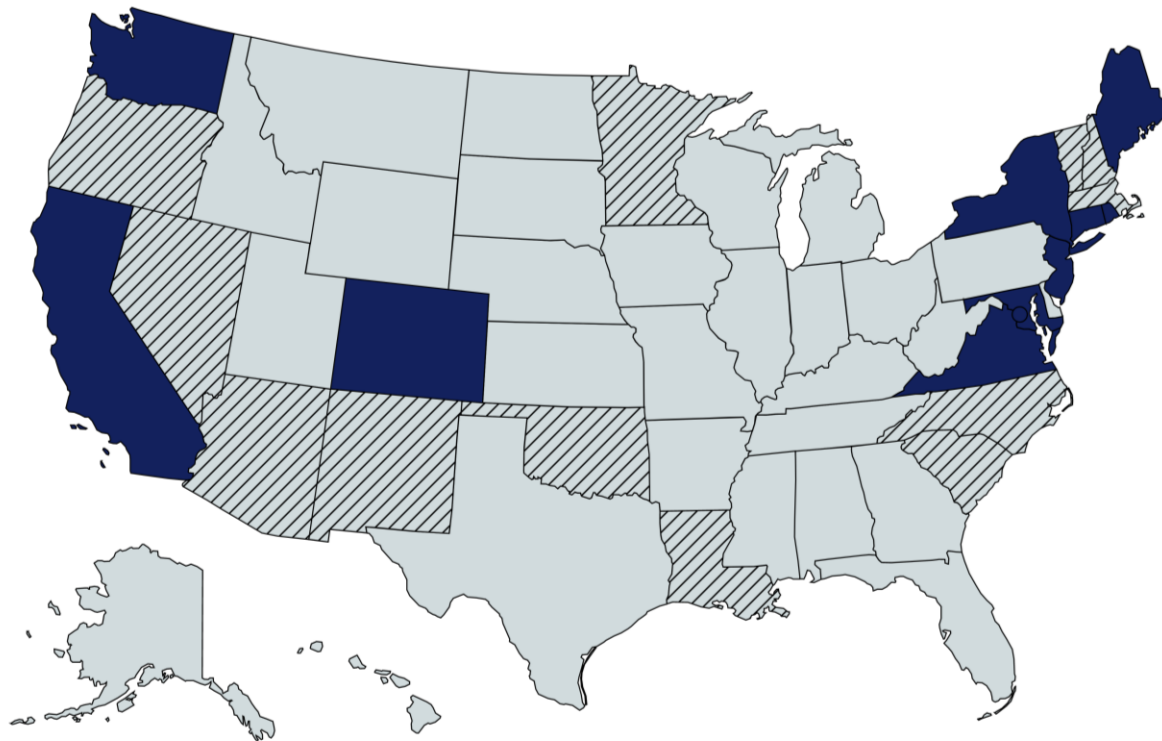
+35 million accounts get turned back on

States Standing Up for Student Loan Borrowers

How states are stepping in

- ✓ Improving data
- ✓ Targeted debt relief
- ✓ College affordability for new borrowers
- ✓ Enhancing consumer protections

States passing or considering legislation to protect student loan borrowers



States that have passed laws to protect student loan borrowers since 2015



States considering laws to protect student loan borrowers

Student loan companies at the center of recent enforcement actions & lawsuits

Aequitas Capital Management. Berkeley College. Bridgepoint Education. Career Education Corporation. Citibank. Conduent. Corinthian Colleges. Discover Bank. Education Management Corporation. Florida Career College. GC Services. iQor Holdings. Higher One. ITT Education Services. National Collegiate Student Loan Trusts. Navient. PHEAA. Pioneer Credit Recovery. QuinStreet. Sallie Mae Bank. SoFi. Sunkey Publishing. Student Aid Institute. Transworld Systems. University of Phoenix. Victory Media. Wells Fargo Bank.

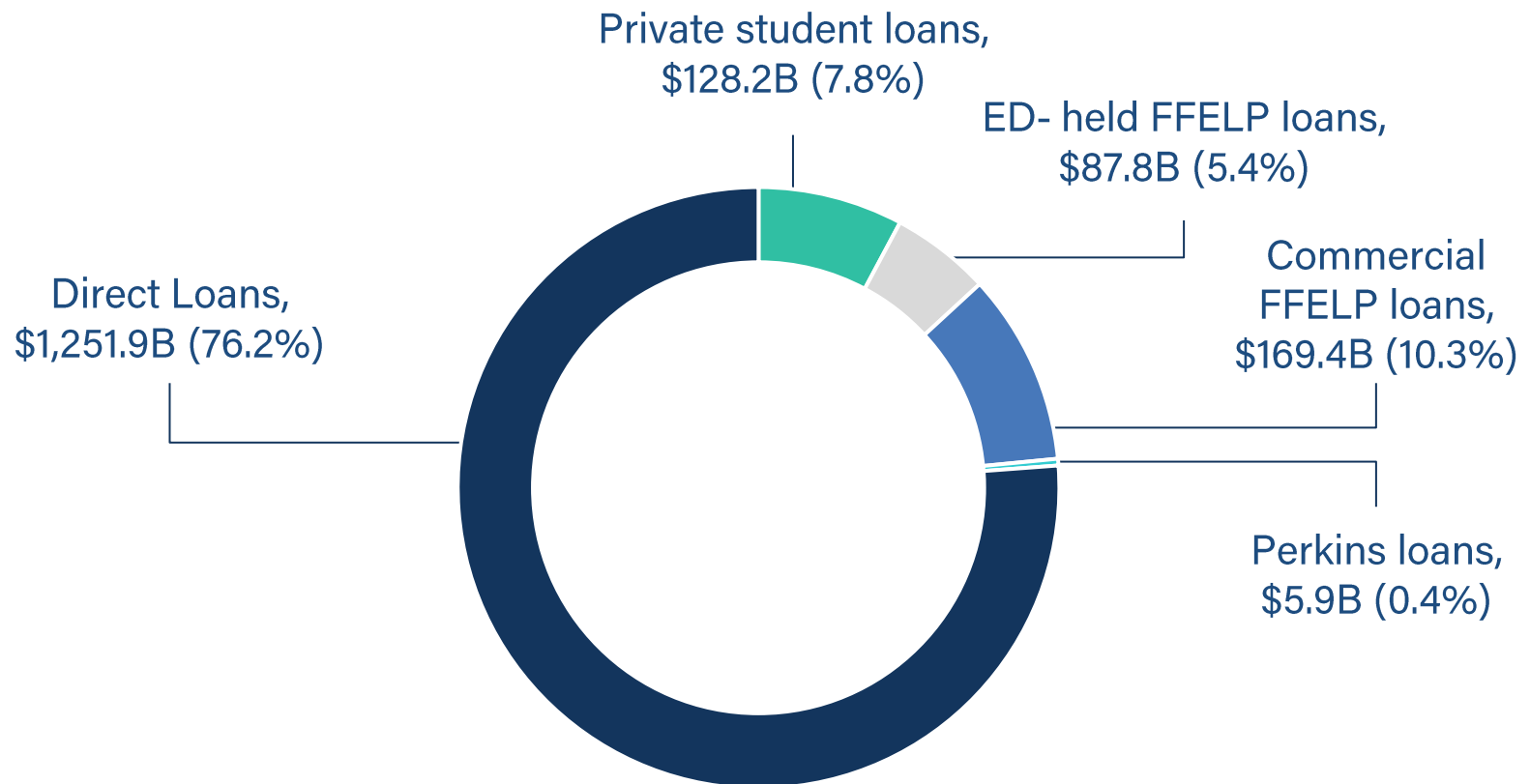
Opportunities for Enhanced Oversight and Consumer Protections for Student Loan Borrowers

Origination

Servicing

Collections

The student loan market

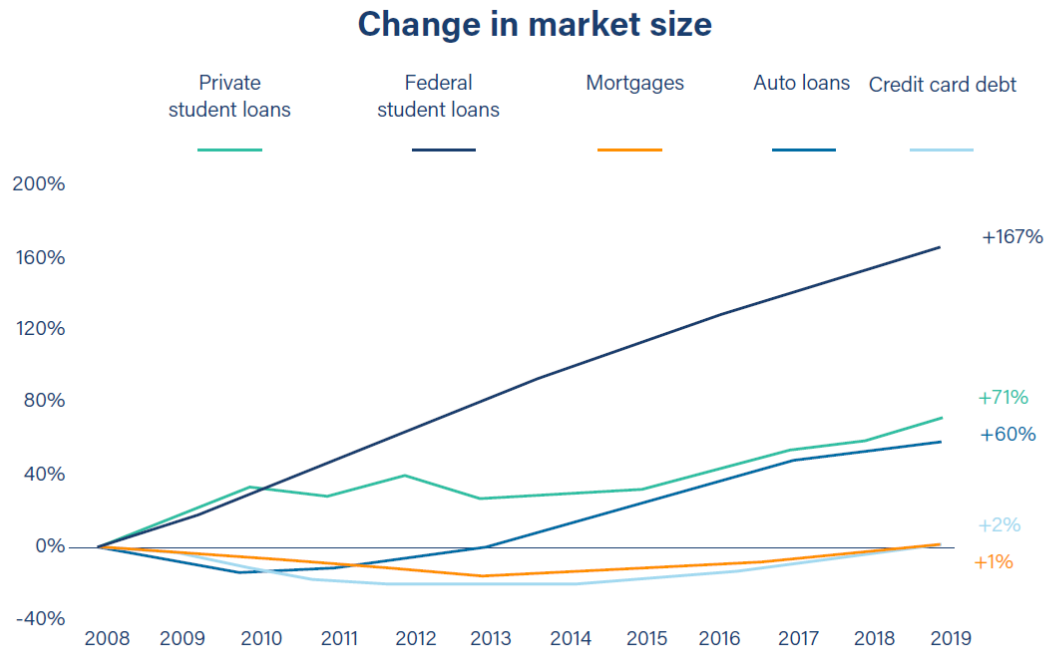


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The private student loan market is booming



Borrowers owe 71% more in private student loan debt than they did a decade ago, outpacing growth in most other credit markets



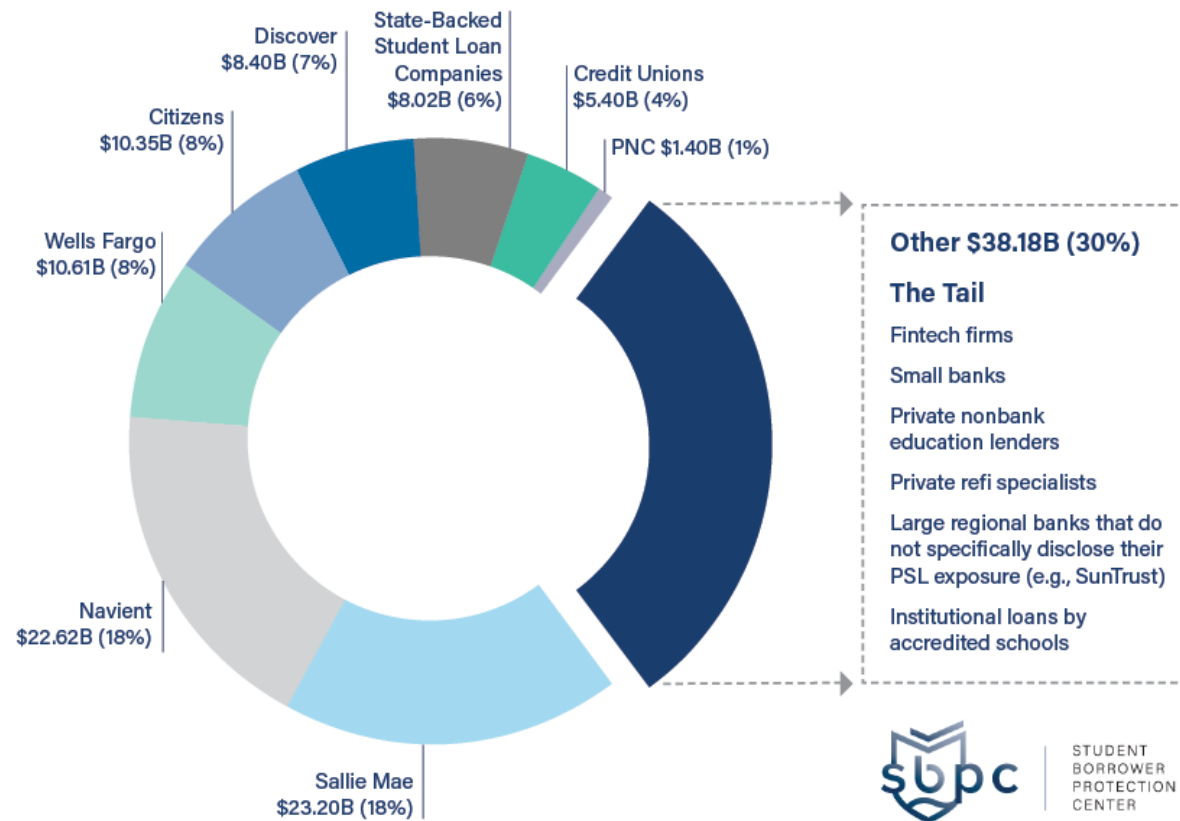
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The private student loan market is marked by a long, opaque tail

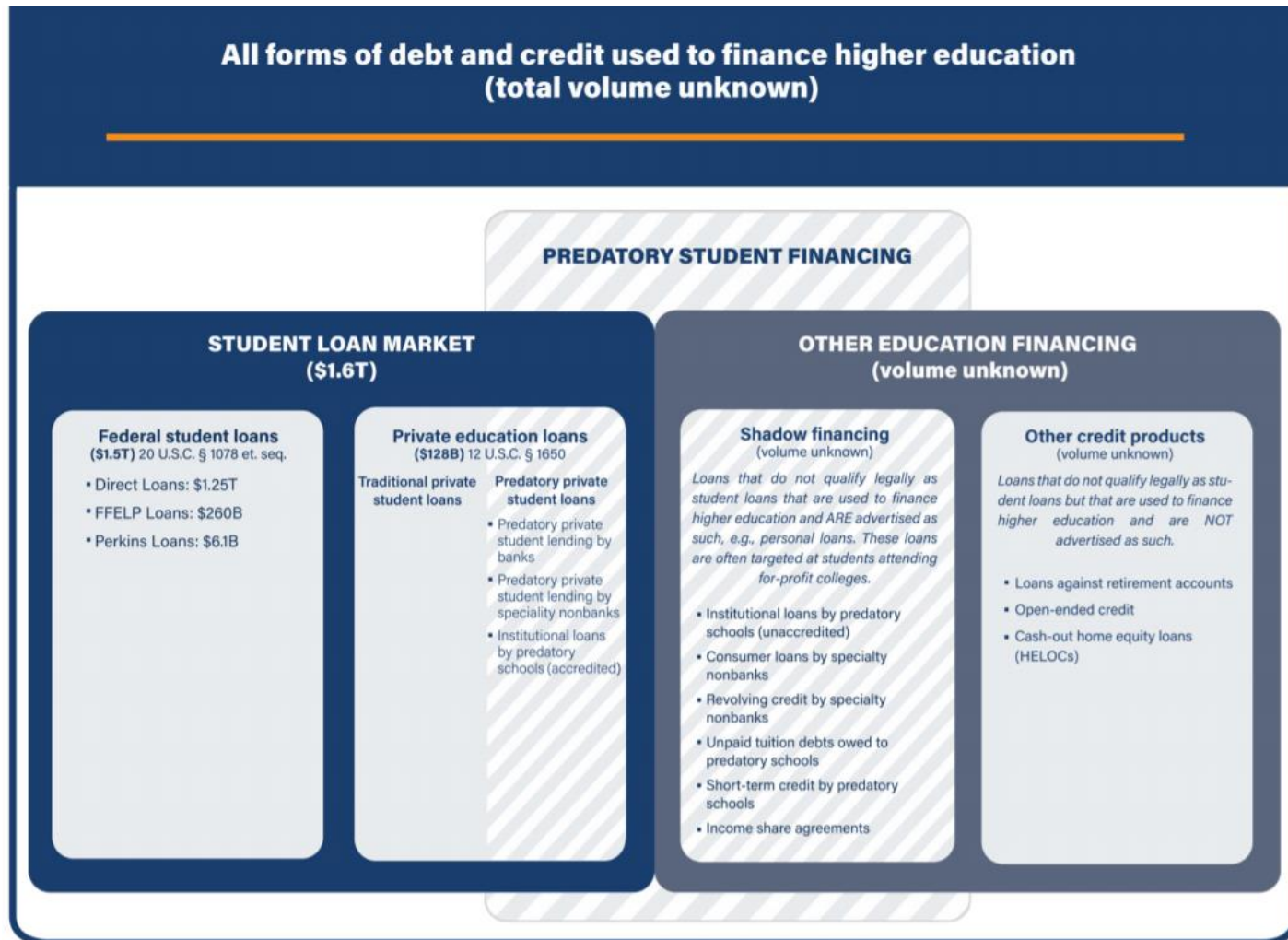


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A shadow education finance market looms large



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The private student loan market is riddled with abuses

**INSIDE
HIGHER ED**
**CFPB Seeks Proposed Settlement for
Corinthian's Lending Program** [READ MORE](#)

 ITT barred from collecting on
private student loans

Journal Inquirer [READ MORE](#)
**For-Profit College
Company to Refund
Students \$23.5 Million
in CFPB Settlement**
THE WALL STREET JOURNAL.
[READ MORE](#)

**DFS superintendent Linda A. Lacewell
announces settlement with national
student loan servicer of for-profit schools**
[READ MORE](#)
**INSIDE
HIGHER ED**
**Career Education Corp. Settles With
States, Forgives Student Debt** [READ MORE](#)
**Supreme Court says Globe U and MN School
of Business made illegal loans**
TwinCities.com
PIONEER PRESS

[READ MORE](#)
**Wells Fargo fined \$3.6M over student
loan practices** [READ MORE](#)

CNN Money
**Citibank fined for
illegal student loan
servicing practices**
[READ MORE](#)

 THE UNITED STATES
DEPARTMENT OF JUSTICE

**Justice Department Reaches \$60 Million Settlement
with Sallie Mae to Resolve Allegations of Charging
Military Servicemembers Excessive Rates on
Student Loans** [READ MORE](#)
**Discover to pay \$18.5 million over
sloppy student loan servicing**
MarketWatch
[READ MORE](#)
**Student Loan Creditor, Fined for 'False'
Lawsuits, Must Halt Collections**
The New York Times [READ MORE](#)

FEDERAL TRADE COMMISSION
PROTECTING AMERICA'S CONSUMERS

**Online Student Loan Refinance Company SoFi
Settles FTC Charges, Agrees to Stop Making
False Claims About Loan Refinancing Savings**
[READ MORE](#)

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Why servicing and collections oversight matter

Problem	Solution
Runaway college costs	In-school deferment, grace period, IDR, PSLF
Second chance	Rehabilitation and consolidation
Catastrophic event coverage	Disability discharge, closed school discharge, DTR

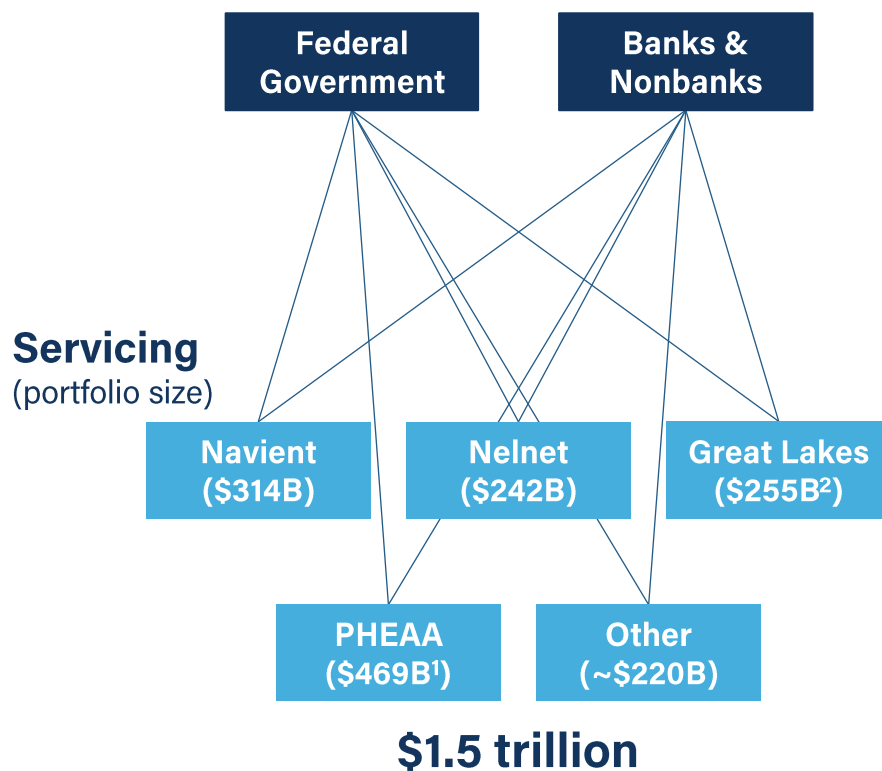
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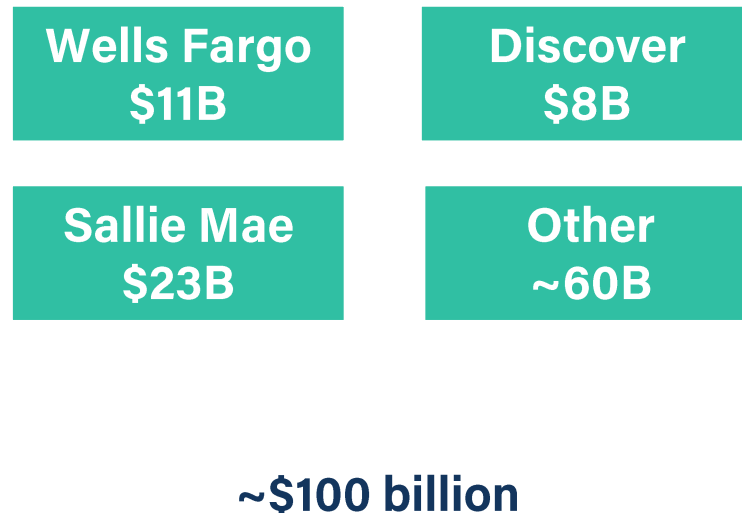
Collections

Student loan market structure

Origination



First-party servicing



1. Includes servicing conducted through PHEAA's platform by third parties including guarantors, not-for-profits, and other servicers.
2. Nelnet acquired Great Lakes in 2018, but it continues to operate Great Lakes' loan portfolio under the Great Lakes brand name.

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Federal loan servicers

Company	Federal portfolio size
PHEAA	\$368 billion
Great Lakes	\$255 billion
Navient	\$228 billion
Nelnet	\$193 billion
Not-for-Profit Servicers ¹	\$127 billion

¹ Includes Aspire, CornerStone, COSTEP, EdFinancial/ESA, EDFEducation/CF, EdManage, Kentucky KSA, MOHELA, NHHLEC, OSLA, and VSAC.

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Private loan servicers

Company	Private portfolio size	Originating lender
PHEAA	\$56.7 billion ¹	PNC, Suntrust, etc.
Navient	\$22.2 billion	Navient, Sallie Mae, Earnest, etc.
Sallie Mae	\$22.2 billion	Sallie Mae
MOHELA	\$18.3 billion	SoFi
Nelnet	\$16.0 billion	Citizens Bank
Wells Fargo	\$10.6 billion	Wells Fargo
Discover	\$8.4 billion	Discover

¹ Includes servicing conducted through PHEAA's platform by third parties including guarantors, not-for-profits, and other servicers. Includes loans originated under the FFEL program to accommodate PHEAA's financial reporting.

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History of abuses across student loan servicing

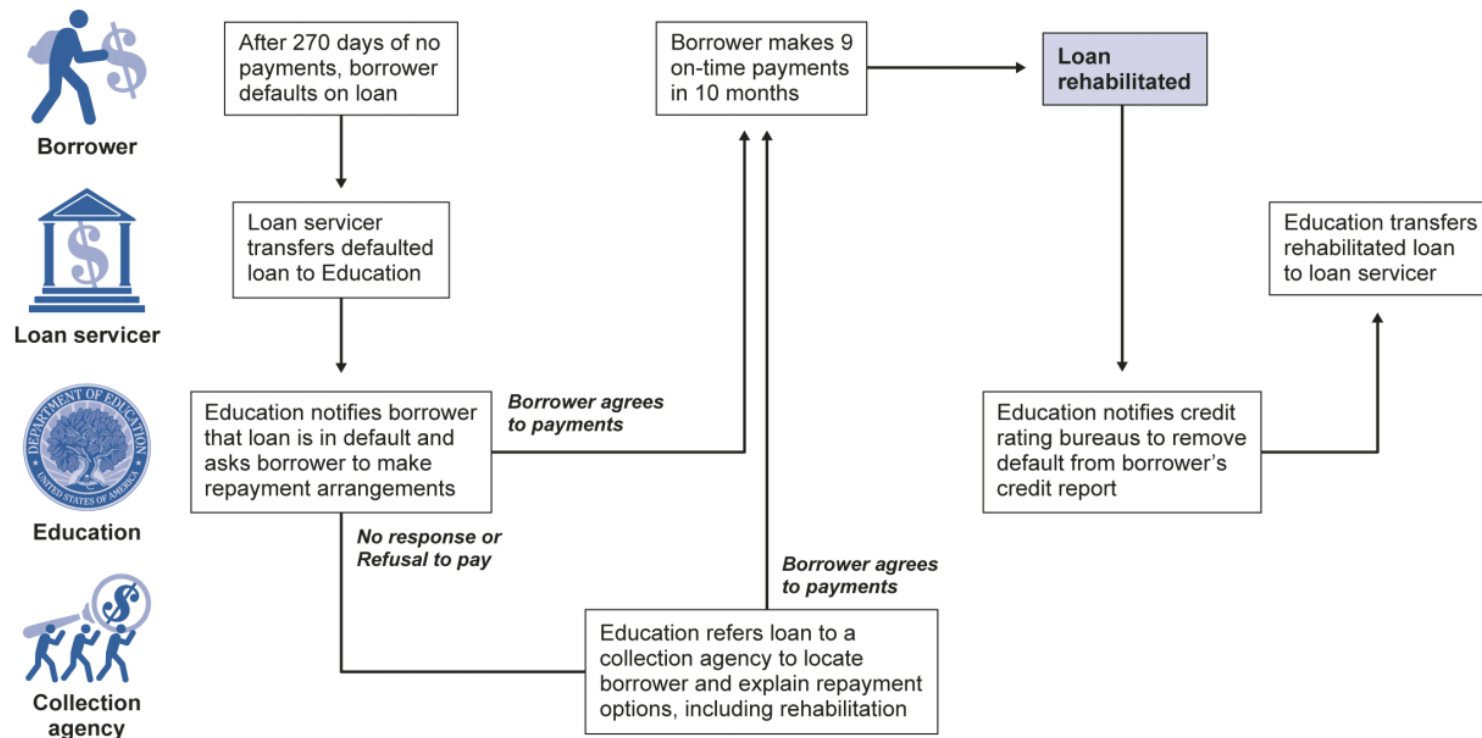
- Forcing borrowers to make payments on loans already discharged through bankruptcy (Navient, 2020)
- Refusing to comply with document requests from state agencies (PHEAA, 2020)
- Consumer protection violations related to the management of the PSLF program, including a failure to credit qualifying payments (PHEAA, 2019)
- Deceptively steering borrowers into forbearance during the processing of their PSLF applications, and overcharging accounts (PHEAA, 2017)
- Illegally converting TEACH grants into loans and refusing to reverse the action after complaints were raised (PHEAA, 2017)
- Illegally steering borrowers into forbearance (Navient, 2017)
- Failing to inform borrowers in successive forbearances and deferments that interest will capitalize after each period of forbearance and deferment (CFPB Sup. Highlights, Spring 2017)
- Incorrectly removing borrowers from deferment while they were still in school and failing to reverse the financial consequences after the deferment was corrected (CFPB Sup. Highlights, Spring 2017)
- Failing to inform borrowers and co-signers that using forbearance may delay, or even permanently foreclose, eligibility for co-signer release (CFPB Sup. Highlights, Winter 2016)
- Illegally auto-defaulting consumers when a loan's co-signer filed for bankruptcy, regardless of whether the borrower was current on all payments (CFPB Sup. Highlights, Winter 2016)
- Illegally threatening wage garnishment against borrowers who were not eligible for garnishment, and misleading borrowers about when the garnishment would begin (CFPB Sup. Highlights, Winter 2016)
- Illegally increasing borrowers' interest rates following a loan sale and subsequent internal servicing conversion (CFPB Sup. Highlights, Winter 2016)
- Failing to provide an effective choice on how payments should be allocated among multiple loans (CFPB Sup. Highlights, Fall 2016)
- Allocating partial payments in a way that maximizes fees (Wells Fargo, 2016)
- Deceiving borrowers who have made extra payments on their loans about how much interest would accrue or had accrued, and how that would affect the application of consumers' payments when the borrower began making payments again (CFPB Sup. Highlights, Fall 2016)
- Providing misinformation on billing statements (Discover, 2015)
- Inflating minimum amounts owed (Discover, 2015)
- Making illegal debt collection calls (Discover, 2015)
- Unfairly denying IDR plan applications (CFPB Sup. Highlights, Fall 2016)
- Making misrepresentations to consumers that late fees may be charged on loans held by ED (CFPB Sup. Highlights, Fall 2015)

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Federal student loan default and rehabilitation



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Student loan debt collectors (federal)

Debt Collectors	Federal student loan inventory
ACT	\$ 9,089,250,010
Coast Professional Inc	\$ 15,771,586,190
ConServe	\$ 8,647,586,754
ERS	\$ 8,102,119,981
FMS	\$ 8,948,043,052
GC Services	\$ 8,409,102,335
Immediate Credit Recovery	\$ 13,092,386,418
National Recoveries Inc	\$ 15,103,875,319
Pioneer	\$ 13,355,582,450

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Student loan debt collectors (federal)

Debt Collectors	Federal student loan inventory
Windham	\$ 6,903,390,981
Action Financial Services	\$ 6,249,167,052
Bass and Associates	\$ 3,823,200,836
Central Research	\$ 8,115,819,852
Credit Adjustments Inc	\$ 12,121,660,859
FH Cann and Associates	\$ 7,111,782,340
National Credit Services	\$ 8,306,218,750
Professional Bureau of Collections of Maryland	\$ 5,678,727,049
Reliant Capital Solutions	\$ 7,148,672,865

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Servicing

Collections

Borrower risks in post-default collections

- **Widespread Fair Debt Collection Practices Act violations:**
 - ❑ Making excessive calls early in the morning or late at night
 - ❑ Calling or showing up at places of employment despite borrower objection
 - ❑ Threatening unlawful recourse, including jail time, for failure to pay debt
 - ❑ Disclosing debt to unauthorized third parties
- **Deceiving borrowers in distress:** misrepresenting repayment options available to the borrower after he or she cures default
- **Steering borrowers into more expensive repayment options:** maximizing fees and revenue by steering the borrower toward options that are statistically likely to result in redefault

Next steps in student borrower protection

- ❑ Creating a student loan ombudsman
 - ❑ Legislative action (e.g., Maine, Illinois)
 - ❑ Executive action (e.g., New York)
- ❑ Student Loan Borrowers' Bill of Rights
- ❑ Enhanced protections for private student loan borrowers
- ❑ Heightened scrutiny under existing authorities (e.g. consumer lending laws, retail installment licensing requirements, and debt collection requirements)
- ❑ Halting abuses of the court system for private student loan borrowers
- ❑ Protecting borrowers from predatory schools