Consumer Financial Protection Bureau  
1275 First St, NE  
Washington D.C., 20002

Re: Comments on Notice and Request for Comment on “Student Loan Servicing Market Monitoring”  
Docket ID: CFPB-2017-0002  
April 24, 2017

Thank you for the opportunity to submit comments on the Consumer Financial Protection Bureau’s (CFPB) proposed information collection regarding student loan servicing metrics and borrower outcomes. This comment is submitted on behalf of the Center for American Progress’s (CAP) higher education team, in conjunction with the undersigned members of the Postsecondary Data Collaborative (PostsecData).

PostsecData comprises organizations committed to the use of high-quality postsecondary data to improve student success and advance educational equity. Our collective work addresses issues including transparency, affordability, and student loan repayment. We believe that fair, honest, and high-quality student loan servicing is imperative to tackling the outstanding $1.3 trillion in federal student loan debt in the United States through helping borrowers successfully repay their loans, particularly for low-income and working-class Americans. This includes ensuring that borrowers have access to affordable payments and other options when they fall on hard times or encounter other difficulties with repayment.

As such, CAP and the undersigned groups applaud the CFPB’s proposed Student Loan Servicing Market Monitoring initiative to collect information from both private and federal student loan servicers on their loan portfolios and borrower outcomes. In this letter, we lay out specific reasons why the proposed initiative is necessary to identify barriers to successful loan repayment and improve outcomes for all student loan borrowers, especially those at greatest risk of default.

The Proposed Data Collection Can Improve Student Loan Servicing and Outcomes for Students

Nationwide, the number of loan dollars in default rose 14 percent from 2015–16, representing a total loan balance of $137.4 billion in default by the end of 2016. Such a sharp increase in defaults suggests real problems in the student loan servicing industry, as default and delinquency can have devastating effects on borrowers, severely harming their financial stability. This is particularly concerning given the availability of options to help borrowers avoid default, such as income driven repayment plans. The effects are felt most sharply by students from low-income backgrounds—they are less likely to finish a degree than their wealthier peers, even among those with similar academic profiles, and the students most likely to default on their education loans are those with low balances who did not finish a degree. While the U.S. Department of Education (ED) currently publishes summary data on federal student loans, more fine-grained and servicer-level data are needed. The newly proposed data collection will help shed light on how student loan servicers can improve borrower outcomes.

The CFPB’s own research has identified that servicing has been problematic for students. For example, the most common student-loan-related complaints submitted to the Bureau (67 percent) relate to borrower interactions with a lender or student loan servicer. Borrowers reported having significant difficulties making payments, getting information, and managing their accounts. Additionally, consumers complain of difficulties with getting payments processed correctly, obtaining their loan history, and receiving accurate account statuses, as well as
subpar customer service in response to their questions about repayment options. In the last year alone, student loan complaints increased 429 percent, the largest of any product or service in the U.S.

Even as ED prepares to award new loan servicing contracts, more work needs to be done to ensure that borrowers are receiving the help they need, and that servicers have the necessary tools to improve outcomes. To better serve and protect borrowers, everyone—including students, their families, and the colleges they attend—needs better information on student loan servicing and the areas that could put consumers at risk. Recently, Secretary DeVos rescinded policy directives designed to standardize and elevate the quality of federal loan servicing, a move that could harm consumers. Considering this change, the proposed Student Loan Servicing Market Monitoring initiative will provide the data necessary to continue to illuminate how servicers are helping their borrowers and the various stages of repayment that are most problematic.

The proposed data collection will improve loan servicing and outcomes for students by providing valuable information on the following:

1. **Private and Federal Student Loan Outcomes**
   Research shows that 24 percent of borrowers who did not complete a degree defaulted within two years of entering repayment, compared to only 9 percent of students who completed. The proposed collection will help disaggregate repayment plan type for completers and non-completers among servicers, allowing for comparisons of how various servicing agencies serve borrowers most at risk for delinquency and default and will help to identify barriers to repayment. To date, critical information on this issue has been largely unavailable. These data will help policymakers, student advocates, and institutions pursue meaningful reform in student loan servicing by illuminating best practices among servicers that lead to positive borrower outcomes.

2. **Barriers to IDR Enrollment**
   The new collection will shed light on potential barriers to enrollment and annual re-certification for Income-Driven Repayment (IDR), offering insight that will be critical to improve service to, and outcomes for, borrowers. IDR helps keep millions of borrowers out of default by ensuring access to affordable monthly payments that are capped at a percentage of their discretionary income. Borrowers who enroll in IDR have significantly lower default rates—among borrowers who entered repayment between 2010 and 2014, fewer than 1 percent of individuals in IDR plans defaulted, compared to 14 percent of those on standard repayment plans.

   Over 6 million Direct Loan and Federal Family Education Loan (FFEL) borrowers are enrolled in an IDR plan and must re-certify their income every year to continue making monthly payments based on income. Data also suggest that the recertification process is a barrier to successful repayment for many borrowers. More than half of borrowers miss the annual deadline to recertify their income. Failure to recertify can have dire consequences, including unaffordable spikes in monthly payments that can place borrowers at risk for delinquency or default. Among borrowers who fail to recertify, close to one-third end up in hardship status, meaning they temporarily pause making payments on their loans and subsequently delay the time in which they would reach forgiveness.

   Having information about this process could help inform multiple stakeholders. Institutions of higher education have a vested interest in the success of their students, so the data provided by this collection will assure colleges and universities their students are served well in the student loan servicing system. In
addition, the data will help policymakers and servicers alike target reforms and recommendations to ensure borrowers most at risk for default enroll in and stay in a plan that works for them. ED and the Department of the Treasury have already signaled their commitment to easing the burden of annual IDR recertification. Collection of these data can also inform the eventual creation of a multi-year certification system.17

The proposed information collection will provide a comprehensive look at borrowers who have submitted applications to enroll in IDR or recertify their income. The collection will measure approval time from the date the borrower first applied for IDR and will reveal whether each application is “in-process” or incomplete. These data will show whether there are substantial differences between servicers in processing time; servicers can help make the process easier by allowing borrowers to submit their applications online through StudentLoans.gov, allowing easy upload of income documentation, and establishing efficient processes and clear communications when following up with borrowers with incomplete applications. Additionally, for borrowers who are re-certifying their income to stay on IDR, the proposed data collection will track the number of days required to approve the application, the number of incomplete recertification applications, and the number of applications that were abandoned prior to submission. These data points will help improve servicing for students by identifying the scope and magnitude of barriers that students face during the recertification process.

3. **Deferments and Forbearance**

While deferment and forbearance are good options for borrowers who need short term relief, remaining in these non-payment statuses for lengthy periods of time can drastically increase student loan balances. In some cases, this can make the loan much harder to pay off in the long term. Currently, over 30 percent of Direct Loan borrowers are in some type of deferment or forbearance.18 For borrowers facing longer term issues with repayment, it would be better to enroll them in an IDR plan that caps payments at a modest percentage of income and provides a light at the end of the tunnel by forgiving any remaining debt after 20 or 25 years of payments.19 However, borrowers have reported that instead of helping them to enroll in IDR, some servicers have instead guided them towards temporary forbearance and deferment options, which ultimately makes it harder for the borrower to get back on track to repayment.20

Without any concrete servicer-level data on the number of borrowers in various types of deferment or forbearance, policymakers will remain in the dark, and many borrowers will remain at an unnecessarily high risk of default due to ballooning loan balances and lack of access to affordable, income-based payments. The proposed data collection will provide information on the number of borrowers in deferment or forbearance, enabling efforts to target reforms and recommendations that prevent borrowers from remaining in one of these non-payment statuses for extended periods of time. The data will also help to identify borrowers in these categories early in the process, allow the CFPB to identify trends in borrower outcomes, and inform efforts to help these borrowers get back on track to repay their loans.

4. **Servicer Support for Borrowers**

New data can improve servicing for borrowers most at risk of entering delinquency or default. The CFPB reported that one in three rehabilitated student loan borrowers will default again within two years.21 The proposed collection will compile data on both borrower outcomes and consumer assistance, tracking how struggling borrowers are doing and what servicers have done to aid them. For example, the initiative will collect information on communications initiated by borrowers as well as communications initiated by servicers, and will detail changes to borrower accounts or submitted payments. Tracking this information will be valuable not only for the work done at the CFPB, but for students and the public as well. As
consumers and taxpayers, it is crucial that the public have information on how servicers communicate with borrowers, and how borrowers manage student loan debt.

Conclusion

The Student Loan Servicing Market Monitoring initiative takes important steps to track borrower outcomes and will provide the information necessary to help improve the student loan system for borrowers and consumers, especially low-income students, who are most likely to borrow, and students with low incomes after college, who are most likely to face challenges with loan repayment. These vital data, building on prior improvements in transparency from the Department of Education, will provide borrowers, policymakers, servicers, and the general public with information and context needed to reduce student loan delinquency and default. The collection of and access to this information ensures student loan servicing reforms remain well-targeted and borrowers are protected. High student debt and default have negative effects on the American economy and society contributing to declining and delayed homeownership, entrepreneurship and small business starts, savings, and retirement, as well as creating obstacles to careers such as teaching and medicine. This proposal is one critical step toward addressing the student debt troubles that plague many Americans. Additionally, these data will provide servicers with the information necessary to improve their practices, and ensure better repayment outcomes for the borrowers whom they serve.

Achieving the Dream
American Association of State Colleges and Universities (AASCU)
Campaign for College Opportunity
Center for American Progress
Georgetown University Center on Education and the Workforce
Institute for Higher Education Policy (IHEP)
NASPA - Student Affairs Administrators in Higher Education
National Association for College Admission Counseling (NACAC)
The Institute for College Access & Success (TICAS)
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