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**Comment submitted by  
The National Consumer Law Center**

**To the Consumer Financial Protection Bureau**

**Re: Request for Information regarding Student Loan Servicing**

**Docket No. CFPB-2015-0021**

**July 13, 2015**

**Introduction**

Thank you for the opportunity to comment on student loan servicing. These comments are submitted on behalf of the National Consumer Law Center's low-income clients.<sup>1</sup> NCLC's Student Loan Borrower Assistance Project provides information about student loan rights and responsibilities for borrowers and advocates. We also seek to increase public understanding of student lending issues and to identify policy solutions to promote access to education, lessen student debt burdens and make loan repayment more manageable.<sup>2</sup>

Student loan servicers are the borrower's primary point of contact. If the servicer is competent and efficient, many financially distressed borrowers will be able to avoid default. The main problem with the current system is that student loan borrowers do not receive consistent quality service. Combined with lax oversight and no clear way for borrowers to enforce their rights, too many borrowers never obtain options that could relieve their debt burdens and help them make fresh starts in life.

Unfortunately, the servicing system has become so confusing that an entire industry of for-profit "debt relief" companies has sprung up to supposedly provide the services that the free

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<sup>1</sup> The National Consumer Law Center is a nonprofit organization specializing in consumer issues on behalf of low-income people. We work with thousands of legal services, government and private attorneys, as well as community groups and organizations that represent low-income and older individuals on consumer issues. In addition, NCLC publishes and annually supplements practice treatises which describe the law currently applicable to all types of consumer transactions, including *Student Loan Law* (5<sup>th</sup> ed. 2014.). These comments were written by NCLC attorneys Deanne Loonin, Geoff Walsh and Persis Yu.

<sup>2</sup> See the Project's web site at <http://www.studentloanborrowerassistance.org>.

government servicers are failing to provide. Borrowers run the risk not only of paying exorbitant fees to these companies, but also of losing important rights.<sup>3</sup>

There is an urgent need to improve student loan servicing to help avoid default and ease the burdens of student loan debt. These comments focus on the scope of the problem in both federal and private student loan servicing as well as lessons that can be derived from other consumer credit markets.

Part One of these comments focus on student loan industry practices. Part Two responds to the Bureau's questions about the applicability of consumer protections from other consumer financial product markets to student loans, focusing on the mortgage market. NCLC is also separately filing comments with the National Association of Consumer Bankruptcy Attorneys highlighting key issues for student loan borrowers seeking to or filing for bankruptcy protection.

## **Responses to Questions Related to Student Loan Servicing**

### **Part One**

#### **I. Common Industry Practices**

##### **A. Federal Student Loans: Structure and Compensation for Servicers**

After using just one servicer for many years, the Department of Education (hereafter "The Department") expanded the pool of federal student loan servicers in 2009. This was just before the switch to 100% Direct Lending. At that time, the Department contracted with four companies, Great Lakes Educational Loan Services, Nelnet, FedLoan Servicing (PHEAA), and Sallie Mae (now Navient). These four servicers are referred to as TIVAS (Title IV Additional Servicers). All were lenders or guaranty agencies in the now defunct FFEL program.

The Department's initial contract with the TIVAS was for five years, expiring in June 2014, with an option to extend for an additional five years at the government's discretion. The Department exercised this option in summer 2014 and then modified the performance metrics effective September 1, 2014. The most significant change was a steeper reduction in payments to servicers once a borrower goes into delinquency status. This was intended to create greater incentives for servicers to keep borrowers current.

The Department also contracts with a number of non-profit student loan servicers. There are also a few "specialty" servicers. For example, Nelnet is currently the servicer for total and permanent disability discharge applications and FedLoan Servicing (PHEAA) is the public service loan forgiveness servicer.

In addition to Direct Loans, there are critical servicing issues with federal FFEL and Perkins loans. Although the FFEL Program ended as of July 2010, there will be large volumes

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<sup>3</sup> See National Consumer Law Center, "Searching for Relief: Desperate Borrowers and the Growing Student Loan 'Debt Relief' Industry" (June 2013).

of existing FFEL loans that are held, serviced, and collected by FFEL lenders, servicers, and guaranty agencies for many more years. Perkins loans are originated and serviced by participating schools and repaid to the school.

Despite the recent changes in the performance metrics, our experience working with borrowers and working with advocates nationally is that federal student loan servicers still do not provide consistent quality service and too often fail to inform borrowers of the full range of available options.

In just one recent example, an NCLC attorney met with a client who was on the verge of default (past 270 days delinquent). The borrower had been trying to contact the servicer. However, until NCLC intervened, the servicer was not only hostile, but kept telling the borrower that she had to either pay the full amount due or make a significant lump sum to bring the account current. This was an impossible and distressing message to a young woman with four children, barely surviving on about \$800/month. Until we brought it up, the servicer did not even mention income based repayment (IBR).

This is not the behavior one would predict based on the incentives in the current performance metrics. Unfortunately, as we document throughout these comments, relying on financial incentives to push servicers to do the right thing is not adequate to ensure quality service and protect borrowers.

## **B. Private Student Loans: General Structure and Compensation for Servicers**

There is a general lack of information about private student loan servicing. The CFPB has summarized some trends, including that private student loan servicers generally receive a flat monthly fee per account serviced with compensation generally not tied to any specific services performed on behalf of a borrower.

Many private loan borrowers are unsure who holds their loans. Many of these loans are older, subprime loans that private lenders securitized during the predatory lending heyday. As a result, many borrowers do not know who to contact for assistance and they tend to get the runaround when they do seek help. The servicer may be hired by a trustee, the original lender, or another entity that claims to now hold the loan.

A common complaint we hear from borrowers is that they are unable to obtain even basic information, such as amounts owed and paid, from their private student lenders or servicers. A borrower from New York contacting us through our web site summarized this problem concisely: “I have a private loan that has been passed around and I can’t seem to get ahold of anyone about it.”

## **II. Information Systems Used by Federal Student Loan Servicers**

There is not much public information on the information systems student loan servicers use. Although we do not have information about the technology, we too often see inferior

results, causing significant harm to borrowers. We frequently see inefficiencies and repeated errors by both federal and private loan servicers.

The problems are likely caused by a combination of inferior information systems, staff incompetence, skewed monetary incentives and lack of training. Regardless of causes, the result is that servicers frequently lose documents and repeatedly ask borrowers to provide documents they have already submitted. Far too often, servicers provide inferior administration of basic programs such as income based repayment (IBR), including problems with initial application and re-certification. Almost universally, servicers fail to discuss the full range of available options.

In some cases, these problems arise when accounts are transferred. Borrower confusion was particularly heightened while the Department was transferring accounts from ACS to the other servicers. Borrowers complained of problems with payment amounts changing, payments getting lost, and interruptions in their automatic debit payments.<sup>4</sup>

In releasing cohort default rates in September 2014, the Department acknowledged that there were problems during the ACS and FFEL transfer. Although the Department did not give any special consideration to borrowers who may have defaulted due to servicer confusion, the Department did give a break to schools facing potential sanctions due to high default rates.

In one example, a 67-year old New Jersey-based borrower wrote to NCLC's Student Loan Borrower Assistance Project that he took out federal loans to attend college as a non-traditional student. He paid on his loan for 14 years until he was no longer able to afford it. He was told he did not qualify for public service loan forgiveness because his loan was from before 2008. (This is incorrect). He applied for and was accepted for IBR with ACS. A few years later, Nelnet took over his loan and told him he did not qualify for IBR. They said the original approval was a mistake. He is now on the brink of default, not knowing where to turn.

On the federal side, servicers are often unable to comply with simple requests such as inputting third party release forms or providing payment histories. With respect to releases, this should be a simple matter of noting on electronic file that the borrower has an authorized representative or third party with permission to speak about the case.

The servicers have inconsistent policies in terms of accepting and processing release forms. In some cases, Department servicers take weeks to "process" simple forms. In one recent case, an advocate representing a federal loan borrower reported that the servicer (Navient in this case) said it would take a few weeks to process a release form. In contrast, when the advocate sent in a release form to Navient's private loan servicing department, the representative confirmed receipt within 24 hours and accepted the release.

Another servicer with the Department routinely states that advocates should not even bother calling until at least two weeks after receipt of a release form. Its staff members say that they can "see it in their system" but they cannot do anything until it gets "processed." These

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<sup>4</sup> See generally Marian Wang, Student Loan Borrowers Dazed and Confused by Servicer Shuffle, ProPublica (Apr. 23, 2012).

delays have very serious consequences for borrowers, particularly those that are having trouble navigating the system and are in late stage delinquency status.

We also see inconsistent practices in terms of reporting information to credit bureaus. Unaffordable private student loans may place borrowers in a “Catch-22” where a delinquency on their private loans could prevent them from obtaining jobs that could help pay the student loans. Nearly half of all employers do credit checks on some or all of their employees when hiring.<sup>5</sup> Additionally, poor credit can effect a consumer’s ability to secure affordable housing and insurance.

The negative impact of a missed payment can be magnified by the way that a servicer reports accounts to the credit bureaus. Even though a borrower may only make one payment, each loan will be reported as an independent trade line. Some servicers will even split consolidation loans into subsidized and unsubsidized components. Therefore, every missed payment for a borrower winds up looking like two or more missed payments. Some servicers are also slow to update borrowers' credit reports. As a result consolidation can lead to the double reporting of the same loan.

In one recent example, an NCLC client, Patty, owed approximately \$90,000 in student loans. Half of this balance was due to private loans from three different private lenders. Patty has developmental disabilities and works full time as a waitress. She is currently on the income-based repayment plan for her federal loans, and has worked out a payment arrangement for two of her three private lenders. Unfortunately, her third lender refused to accept any amount less than the full monthly payment of \$200 – which she cannot afford. Because the lender refused to work out a payment arrangement, she is now three years past due on this account.

Patty has a long credit history. Though her credit history is not perfect, the past due private student loan is the biggest drag on her credit score. Unfortunately, because she cannot get up to date on this one private loan, it will continue to report a past due balance until it is obsolete. Furthermore, although this lender sends Patty one bill with one monthly payment, because she took out the loan in three separate disbursements, it is reported on her credit reports as three separate past due accounts.

Six months ago, Patty was in a car accident and her car was totaled. She needed to buy a used car on credit in order to get to work. Due to her bad credit score, the best interest rate that Patty could get on a car loan was 19.7 percent. Over the life of her loan, she will pay thousands more dollars for her car, due in large part to her private lender that refused to offer her an affordable payment plan.

### **III. Servicing Problems and Borrower Confusion**

Borrowers are often confused because the servicers are involved in so many aspects of the student loan industry. A borrower hearing from Sallie Mae/Navient, for example, is often

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<sup>5</sup> Society for Human Resources Management, SHRM Survey Findings: Background Checking – The Use of Credit Background Checks in Hiring Decisions (July 19, 2012).

unsure about whether the communication is about a FFEL loan, Direct Loan or private loan. This uncertainty has serious consequences leading to communication breakdowns and sometimes to defaults.

This a major reason why NCLC has called on the Department of Education to use a single portal that borrowers can access. The Obama Administration in its Student Aid Bill of Rights supported this concept, requiring the Department to create a centralized point of access for borrowers as soon as practicable.

It must be clear to borrowers that the portal is for government loans. In addition, all servicer communications should clearly be from the government instead of the current system where each servicing company individually brands communications.

Most borrowers have no idea whether they have a private or federal or another type of student loan. Borrower confusion is particularly acute in cases where the borrowers are targeted by fraudulent schools and rip-off debt relief companies.

For example, a recent NCLC client attended a fraudulent for-profit school. The school representative told her she had to make loan payments while in school. She thought this was a federal loan, but in fact she was paying for a school institutional loan. After withdrawing from school, the borrower thought she had already paid off the loan because she had made payments to the school. Instead, she began hearing from a government servicer. Since she was confused and was unable to get an explanation from that servicer, she contacted a company advertising that it could help borrowers with student loan problems. This borrower, living on only about \$500 in monthly public assistance payments, paid nearly \$600 to the company (paid in installments). The company consolidated the government loan. The borrower did not understand this process and thought in any case that the payments she made to this company would mean that she no longer owed any money on the loan.

In many cases, borrowers had no idea they even had institutional loans. Many fraudulent schools offered these loans as “loss leaders” to avoid possible penalties due to violations of the “90-10” rule.<sup>6</sup> An NCLC client received the letter in Attachment 1. She received this letter because she had a Genesis loan from a Corinthian school and the loan was part of the CFPB settlement with the company. The borrower was confused because she did not even know she had the loan and because the letter appears to inform her that she has to start making payments or risk negative credit consequences.

The documents in Attachment 2 show the huge potential for confusion when borrowers have both federal and private loans with the same company. The borrower in Attachment 2 has many different types of loans (private, FFEL, and Direct) serviced by Sallie Mae, now Navient. In 2011, she ran into financial trouble and stopped making payments on all of her loans. The documents show the notices she received from Sallie Mae in a two-month period. While one notice did clearly indicate that it was in reference to the Department-held loans, the other notices make no reference to the type of loan. In fact, the account number on one of the private loan documents is the same as on the federal loan notice. These notices clearly have potential to cause extreme confusion. In the federal notice, the borrower is being told that she has options

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<sup>6</sup> See generally, National Consumer Law Center, “Piling It On” (Jan. 2011).

including IBR and deferments. The other notices claim that she is already in default and threaten her with collection or litigation. Many lenders exploit this confusion to pressure borrowers into making higher payments or in some cases to pay private loans ahead of federal loans.

#### **IV. Existing Federal and State Statutory or Regulatory Protections**

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. In its October 2013 report, the CFPB pointed to protections in the Real Estate Settlement Procedures Act (RESPA) for mortgages and the CARD Act for credit cards and the need to examine whether these types of reforms could apply to the student loan servicing market.<sup>7</sup>

The CFPB pointed out that some of the provisions in mortgage servicing rules that could apply to student loan servicers include notice of transfer of loan servicing, timely transfer of documents to new services, payoff statements, error resolution and dispute review procedures, continuity of contact, records retention and early intervention for borrowers nearing default.<sup>8</sup> We discuss these in detail in section 2 of these comments.

On the federal side, there are explicit due diligence regulations for FFEL and Perkins loans only. There are no such regulations for Direct Loans. The FFEL regulations require lenders and servicers to engage in certain activities, depending on how long the borrower has been delinquent. The Department states that at least some of the FFEL provisions were incorporated in the Direct loan contracts. This is apparently in contract modifications. However, as far we are aware, these modifications are not made publicly available.

There are some protections in the contracts that the Department signs with the servicers. However, borrowers rarely know about those rights. In general, the Department states in the contracts that it does not intend to provide additional service level requirements, but it does expect “best of business practices” to be deployed. Servicers are also required to meet “all statutory and legislative requirements.”

The Administration seems committed to preserving the “flexibility” in the contract-based servicer system. The Department states that it provides “broad latitude” to the servicers to determine how best to service their assigned loans in order to yield high performing portfolios and high levels of customer satisfaction.<sup>9</sup> The problem is that incentives alone fail to set standard and transparent borrower protections. Further, the lack of public enforcement combined with limited borrower rights to enforce protections means that servicers are largely unaccountable when they fail to provide quality service or violate applicable law.

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<sup>7</sup> Consumer Financial Protection Bureau, “Annual Report of the CFPB Student Loan Ombudsman” (October 16, 2013).

<sup>8</sup> Id.

<sup>9</sup> U.S. Department of Education, “Loan Servicing Information-Customer Service Performance Results and Allocation Information” (Sept. 11, 2014).

Private contracts may be part of the solution, but only if combined with clear enforceable borrower rights and rigorous government oversight. NCLC’s policy brief in Attachment 3 summarizes these complementary areas of reform in the context of servicing. Among other problems, the Department has been lax in using existing enforcement tools. Yet rigorous oversight is essential to preserve the integrity of the servicing system. As Senator Elizabeth Warren recently said, “The Department of Education needs to show that there’s a real cop on the beat. Whether it’s a loan servicer that is breaking the law or a college that is violating the rules of the financial aid programs, the Department should spell out a clear framework for how those actions will be identified, evaluated, and punished. Federal Student Aid should include specific consequences for rule-breaking in its contracts with servicers and debt collectors. It’s time to get tough.”<sup>10</sup>

The situation is not much better for borrowers on the private loan side. Unlike other consumer credit products, prescriptive servicing and billing rights are limited for private student loan borrowers. For example, the Truth in Lending Act’s (TILA) fair billing provisions apply only to open-end credit.

## **V. Common Industry Practices Related to Repayment**

### **A. Federal Student Loans**

We discussed in the prior section common problems with the servicers’ information systems. We noted that inferior technology may be part of the problem, but there also appear to be training gaps and other problems that lead to consistently poor service and mistakes.

#### **1. Common Errors**

Examples of servicer errors include:

The borrower in Attachment 4 requested a re-calculation of the IBR payment on the basis of changed circumstances (the borrower is an attorney who was entering self-employment). After consultation with three separate FedLoan Servicing agents, the borrower was advised to submit a "Self Certifying Statement," a signed letter providing the borrower's information, explaining the borrower's situation, and providing information regarding the source and frequency of the borrower's income. The borrower submitted an application with a "Self Certifying Statement" as documentation of income, per FedLoan's instructions. The attached letter is FedLoan Servicing's subsequent denial letter, stating that the borrower did not produce sufficient documentation of income and listing additional items that the borrower needed to produce. The borrower needed to escalate to management in order to explain why the Self Certifying Statement was sufficient, and why the borrower could not produce the documentation listed on the letter (i.e., borrower had not

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<sup>10</sup> Remarks by Senator Elizabeth Warren, Shanker Institute and the American Federation of Teachers, “The Affordability Crisis: Rescuing the Dream of College Education for the Working Class and Poor” (June 11, 2015).

done a profit and loss tax statement yet; the borrower could not provide copies of checks or contracts due to attorney-client confidentiality; the borrower does not have an accountant and is a solo practitioner so does not have "articles of incorporation," a "business charter," etc.). After escalation, the manager agreed that the Self Certifying Statement was sufficient, and the client was properly placed on IBR with the adjusted payment amount based on the income supplied in the statement.

Attachment 5 shows a typical consolidation problem. This borrower is consolidating and selecting an IDR plan. The summary letter is contradictory and unhelpful regarding repayment plan options. In this case, the borrower selected the "Lowest Possible Payment" on the IDR application and should have been placed in IBR. Although the letter reflects that the borrower selected "Lowest Possible Payment" (see page 2, middle), for some reason it states that the borrower is being placed on the ICR plan (see page 2, lower-middle), even though this would not be the lowest possible payment. On the Repayment Plan Summary table, the servicer calculates the borrower's payment under the ICR plan, but lists the borrower's payment under the IBR plan as "unknown" (see page 3). This does not make sense, given that the servicer clearly has the borrower's income and family size information (see page 2, bottom).

Attachment 6 shows a typical correspondence generated as soon as a Direct Consolidation loan is issued. Here, the borrower selected an IDR plan. However, the initial correspondence shows the borrower on a 30-year Standard plan. When contacted, Navient said to ignore this statement and that the IDR application was being reviewed. The borrower was ultimately correctly placed on an IDR plan, and a later bill reflected the IDR payment amount. However, this is a widespread problem across all four major ED servicers- initial post-consolidation correspondence tells borrowers that they are on Standard plans, omitting information about the IDR application being "processed" or reviewed. We frequently see problems with consolidation both before and after the Department's new program allowing borrowers to choose services after consolidation.

Some servicers continue to send notices demanding payment while processing the borrower's IBR application. In the email notices attached in Attachment 7, the client applied for IBR on Feb. 26, 2014 using the studentloans.gov website. On Feb. 28, 2014, she received an email from Sallie Mae indicating that she was required to pay \$88.03 by March 22, 2014. This email did not indicate what loan this balance was associated with or provide her with any options for repayment. A call to Sallie Mae revealed that this email was sent automatically because the client's forbearance had ended. They indicated that she was placed in another administrative forbearance in order to process her IBR application and that she could ignore the email. A follow-up call in early April revealed that Sallie Mae had still not processed her IBR application. They said they never got it from the review team at the processing center at studentloans.gov, but would expedite her application and that it should be done in seven days. At the end of April, she received a nearly identical email indicating that she was required to pay \$88.03. After intervention from the Department of Education Ombudsman, the client was finally placed in a \$0 IBR plan.

The borrower in Attachment 8 consolidated her federal student loans with the Department of Education in 2012. As part of her consolidation application, she applied for IBR. Even

though the client submitted a repayment selection form and an alternative documentation of income form (ADOI), she was still asked for additional income information during the consolidation process. She submitted that information and on October 24, 2012, she received a summary sheet from the Department of Education. The summary sheet confirmed that the client's loan was in IBR and that her payment amount was estimated to be \$0 per month. She then received a letter in November 2012 from Sallie Mae indicating that her loans were transferred to Sallie Mae for servicing. The letter also indicated that despite the original correct IBR placement, the borrower was now in the standard repayment plan and that her monthly amount would be \$75.66 per month. After a lengthy back and forth with Sallie Mae, the client was eventually placed in a \$0 IBR payment.

These periods of uncertainty are particularly difficult for vulnerable borrowers. Their hopes of getting on a path to financial recovery with affordable student loan payments seem dashed when they repeatedly receive inaccurate bills with unaffordable payments.

In another example, a legal services attorney recently helped a pro se client get out of default through consolidation and request IBR. The borrower submitted all the correct documents for the IBR plan, including her most recent taxes and her unemployment benefit information to show that she was no longer earning the same income. The servicer ignored this information and gave her a standard repayment plan. A Navient representative said that even though this was Navient's mistake, the information was now outdated and the client had to resubmit the IBR request and her income information. The borrower did as instructed, but this time the servicer gave her the wrong payment amount. The amount Navient calculated did not make any sense, based on either her tax information or her unemployment benefits. She should have received a very low payment. The borrower and attorney called again. The representative admitted it was the wrong amount and that she would submit it for recalculation. The borrower asked for a forbearance while this was happening, but the servicer refused to grant it. The servicer said it should be resolved before the next payment was due and that if it was not resolved, the borrower could then call again and request a forbearance. It was not resolved and the client was forced to be called back to request the forbearance.

We have seen many other examples of inaccuracies or borrowers steered to options that might be easier or more lucrative for servicers, but not optimal for borrowers. One borrower contacting NCLC's Student Loan Borrower Assistance Project wrote about faxing an economic hardship forbearance form to Sallie Mae five times in six months, but the forbearance still had not been processed. Another borrower from Ohio wrote about making her monthly on-time payments to Sallie Mae until her bill for December showed an amount six times larger than what she was currently paying. She was on the income sensitive plan, and faxed another application for it in November. She said that the servicer told her they were behind on processing the applications and that she should wait for it to be processed. Eventually she called again and was told that she had been misinformed and that she had to pay what was being billed. She cannot afford this amount.

## **2. Lack of Effective Complaint System**

The examples presented in these comments show that servicers frequently make mistakes regardless of the performance incentive system. When this happens, the borrowers have no formal way to force the servicers to get it right.

The Direct Loan contracts require servicers to respond and resolve customer complaints and create and execute a plan to escalate complaints to Federal Student Aid (FSA) and the ombudsman. In practice, however, it is not clear if borrowers know how to lodge complaints and if so, how these complaints are handled. The Department's web site provides tips to handle disputes. However, as of summer 2015, it does not describe a complaint process other than contacting the servicers directly and if not resolved, the Department of Education ombudsman.<sup>11</sup>

A robust complaint system is essential to allow borrowers the opportunity to get relief when servicers fail to perform and to track common issues and evaluate servicer performance. President's Obama's Student Aid Bill of Rights requires the Secretary of Education to develop and implement a simple process for borrowers to file complaints by July 1, 2016. The Department will be required to provide data from the complaint system to other enforcement agencies and by October 1, 2017, publish a report summarizing and analyzing the system, including resolution of complaints. This is essential to assist borrowers and to track patterns of problems. However, as we emphasize in section 2 of these comments based on the mortgage servicing experience, an effective complaint process alone is not enough to ensure that borrower rights are protected.

### **B. Private Student Loans**

#### **1. Common Problems**

The CFPB has highlighted numerous issues with private student loan processing and application of payments. According to the CFPB, companies typically apply payments first to satisfy outstanding fees and interest and then allocate any additional funds to principal.<sup>12</sup> There is significant confusion with respect to paid ahead or advanced payment status. There are also issues related to borrowers submitting single payments to cover several loans associated with the same servicer.

In addition to payment processing issues, the Bureau has highlighted other issues with private student loan servicing. For example, the CFPB has written about borrowers complaining about problems getting co-signers released from loan obligations even in cases where the benefits are prominently advertised prior to origination.<sup>13</sup> Borrowers have also complained that required forms are often not available on websites or in electronic form and that servicers are not proactively informing consumers about specific requirements to submit requests for release.

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<sup>11</sup> <https://studentaid.ed.gov/repay-loans/disputes>

<sup>12</sup> Consumer Financial Protection Bureau, "Annual Report of the CFPB Student Loan Ombudsman" (October 16, 2013).

<sup>13</sup> Consumer Financial Protection Bureau, "Mid-year Update on Student Loan Complaints" (April 2014).

Although borrowers report that many lenders and servicers conduct credit checks before releasing a co-signer, they generally do not reveal the minimum qualification standards, such as a credit score threshold. In June 2015, the Bureau found that private lenders rejected 90 percent of consumers who applied for co-signer releases. The report further noted that consumers have little information on the criteria.<sup>14</sup>

In one example, we heard from a California borrower who has federal and private loans serviced by Sallie Mae. She reported that Sallie Mae denied her requests to remove her co-signer from her loan despite the fact that she has been in repayment for six years. Each time, Sallie Mae cited different reasons for denial. Additionally, she said that she had been making overpayments for years, assuming they were going towards the principal, until she learned that the lender just applies the overpayment to her subsequent monthly payments. She said that a representative told her she would need to call every month to request that her overpayment be applied to the principal.

The Bureau's complaint system has the potential to drive reform private student loan servicing, particularly if information about complaints is made public and the Bureau issues frequent reports about common problems. However, its effect will be limited as long as private lenders are not required to offer relief to borrowers.

## **2. Death and Disability Cancellations**

There is no standard system for death and disability cancellations for private loans. A few lenders have said they will cancel loans in limited circumstances. For example, Sallie Mae announced in 2010 that it had hired a company to administer claims for a new total and permanent disability program for private education loans. This program, however, applies only to the Smart Option Student Loans. The company also announced that it would forgive any unpaid balance in the event of a primary borrower's death. It is unclear whether this policy is being administered consistently. In addition, borrowers report that relief varies depending on when the loan was taken out and on whether there is a co-signer. For example, in some cases, Sallie Mae will not cancel the loan, but rather modify it or reduce principal and still try to collect from a co-signer in case of death or from both the primary borrower and co-signer in case of disability. Some lenders claim that, once a loan has been securitized, the final decision is up to the trustee of the loan portfolio, leaving borrowers with no ability to predict whether they will qualify for relief and if so, by how much.

Wells Fargo announced a similar program in December 2010, stating that it would require verbal or written notification of a student's death or permanent and total disability followed by receipt of acceptable documentation.

However, the companies to date have not provided public information about eligibility and application requirements. We do not know of any investigation as to whether these programs are described in writing in loan agreements or elsewhere and whether the lenders are following up on their promises.

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<sup>14</sup> Consumer Financial Protection Bureau, "Mid-Year Update on Student Loan Complaints" (June 2015).

A few recent media reports have highlighted families grieving after losing a child and also having to deal with private student loan debts. In one case, the son had been the pride of his family, according to the article, and the first to go to college.<sup>15</sup> He tragically died in a car accident. The government discharged the federal student loans, but the bulk of the son's loans were private.

A grieving mother wrote to us:

Two days after Christmas we tragically lost our only daughter in a car accident. She was just 24 years old. She completed her college degree as a Social Worker, an occupation that wasn't going to make her rich in money, but in her words what counted most, helping others. Although she volunteered as a City Year corp member for two years, she never really got the chance to make the impact she came here to make before she was taken from us.

Like so many other students, she was mired in student loan debt after graduation...Needless to say our family has been devastated by this tragedy. While we're still dealing with our loss and the pain and devastation it's caused our family we are also dealing with the legal troubles that come when a young person dies with barely any accumulated assets but like so many recent graduates, increasing student loan debt. I co-signed for her loans to help her complete her degree and to fulfill our dream of having that piece of paper on our wall. I signed never thinking she wouldn't be able to repay the loan on her own.

This case illustrates the current haphazard approach in these tragic cases. One of the private lenders sent condolences and discharged the debt. The other lender told this mother that there was no such cancellation option.

As with loan modifications, the presence of a program for disability and death discharges is part of assessing whether lending is designed at the outset to be based on ability to pay. Discharges in case of the student's death are particularly important to prevent deception and unfairness for parents who do not expect to be liable, and should not be, for a loan after the student dies.

These rights exist for federal loan borrowers. In fact, the improved disability discharge system provides some important lessons in streamlining a government program. While not perfect, the program operates much more efficiently due to a series of legislative and regulatory improvements. The increased effectiveness is due in part to a simplified system where all borrowers apply for discharges through one servicer regardless of whether they have FFEL, Perkins or Direct Loans.

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<sup>15</sup> Marian Wang, "Grieving Father Struggles to Pay Dead Son's Student Loans", Pro Publica (June 14, 2012).

## VI. Servicing for Financially Distressed Borrowers

### A. Federal Student Loans

#### 1. Lack of Comprehensive Counseling

As discussed throughout these comments, the Department relies on high level, general standards in private contracts with servicers. Yet relying on a proprietary system hidden from the public and from borrowers is not appropriate in the federal student loan context. Federal student lending is not a typical marketplace. Federal student loans are government products *and* borrowers are *entitled* to various relief options by law. All borrowers should have the same access to these programs. It makes no sense that due to the vagaries of competition, only some borrowers have access to relief and comprehensive counseling.

Servicers may act in what appear to be irrational ways due also to conflicts of interest.

The potential for conflicts of interest abounds. For example, FFEL servicers have an interest in preserving their portfolios given that there are no new FFEL originations. We have seen that in some cases FFEL servicers will not fully inform borrowers of their rights to consolidate with Direct Loans. In other cases, Direct and FFEL servicers will not inform borrowers of rights such as disability discharges that lead to lower payments for the servicers.

The servicers' conflicts of interest reflect those within the Department. Despite the good intentions of many individuals working in the Department, Federal Student Aid (FSA) is not specifically set up to put borrower needs first. Unlike the Consumer Financial Protection Bureau, FSA by its very nature has multiple constituencies, often with conflicting needs and goals. Students are only one of these groups and are often the least powerful,

Instead of servicers acting in their own interests, they should in every case counsel each borrower individually about the full range of options. This includes phone and other direct communications as well as letters and emails.

The 2014 communication in Attachment 9 from Great Lakes is a good example of a communication that includes a range of possible solutions. This letter is notable in that it includes the option of loan forgiveness. In contrast, the attached letter from Collection Technology in Attachment 10 is a more typical example of a servicer claiming that borrowers must pay the whole loan in full. The letter does mention the possibility of other resolution options, but does not specify anything other than paying the account in full.

The standard Department letter in Attachment 11 is another example of the serious problems with current default aversion efforts. The letter informs a borrower in late stage delinquency that she must immediately repay the total due, in this case a balance of over \$21,000. This is inaccurate information. In fact, borrowers in these circumstances have a range of options, including deferments and income-based repayment. The letter describes these programs, but only in the last sentence.

Servicers' failure to provide comprehensive counseling means that borrowers are often steered to options that may be easier for servicers or in their financial interests, but not necessarily optimal for borrowers. For example, Attachment 12 includes the NSLDS report for a former Everest Institute student. After leaving school, this client was placed in a forbearance and was continually placed in forbearances for three years. After these ran out, she defaulted on her loans. This client was working during these years, though her income was not sufficient to pay the standard repayment amount. She was never told about IBR.

Attachment 13 is from an NCLC client. After Sallie Mae placed this client in a standard repayment plan instead of the IBR plan she requested during her consolidation, she called Sallie Mae to tell them that she could not afford the amount on the bill. Instead of getting her on IBR like she originally requested, Sallie Mae sent her an economic hardship deferral application. The notice also makes no mention of an income-based repayment option.

Below are a few other examples from borrowers who contacted NCLC's Student Loan Borrower Assistance Project:

- Liz, a 52 year old woman from Georgia, took out \$25,000 in federal loans to obtain her nursing degree. She wrote that she is a divorced mother of two and could not find work after school. She ended up surviving on food stamps and public assistance. She was not counseled on the range of options and so she applied for forbearance continuously for 15 years. The loan balance ballooned to \$98,000.
- Stan, a 61 year old borrower from Colorado, said that after losing his job, he decided to attend a local school when he was 51. He was unable to find work upon graduation and ended up losing his house to foreclosure. He filed for bankruptcy but was unable to include the student loan. He kept getting put on deferment for the loan instead of being given a payment he could afford, and still owes to this day about the same amount he did 10 years ago.
- Nancy from Wisconsin wrote that she has been paying on a Sallie Mae consolidated loan since 1993. She originally borrowed \$34,000 at 9% interest, has paid about \$40,000 on the loan over the years, and now owes \$75,000 on it due to the times she used deferment and forbearance options. She lost her job in 2008, and now works part time. She wrote that Sallie Mae has not helped her work out a better payment arrangement.

## **2. Counseling Borrowers about School-Related Cancellations**

The recent collapse of Corinthian Colleges underscores the huge gaps in servicer systems to understand and counsel borrowers about school-related relief. While there is no current guidance for some of the programs, such as defense to repayment, guidance for other programs has been clearly set out in regulations since the mid-1990's. Yet we repeatedly see inaccurate information from servicers to these vulnerable borrowers.

We wrote about these concerns in a May 5 letter to Secretary Duncan (see Attachment 14). Attachment B to that letter included two letters denying defense to repayment (DTR) claims on the basis that no such relief exists. Although the Department publicly apologized, these borrowers are no closer to getting relief than when they sent in the applications.

In another example, the borrower in Attachment 15 attended a school, Career Colleges of America that closed on Jan. 10, 2014. On her own, she submitted a closed school discharge application with the correct attendance dates, stating that she had enrolled at another college but did not transfer any credits. Her servicer, FedLoan Servicing, responded by denying the discharge and stating that she needed something from CCA stating that she did not transfer credits to new school. The problem is that the borrower cannot get anything from CCA because it is closed. The borrower and attorney instead got a letter from her new school confirming she had not transferred any credits. FedLoan Servicing again denied her discharge application, this time stating, “You must provide proof of your actual last date of attendance at [CCA]. Proof must be on official school letterhead signed by the registrar’s office.” Again, CCA is closed and the borrower therefore cannot provide a letter of her last date of enrollment. She had provided a copy of her enrollment agreement with her dates of attendance. In addition, FedLoan Servicing could confirm this status on NSLDS.

In some cases, the Department and its contractors have inexplicably added requirements to discharge options that are not in the regulations. For example, in Attachment 16, the servicer and then the Department denied a borrower’s application for false certification based on disqualifying status. Among other reasons cited, the Department said that the school was not made aware of the disqualifying condition at the time the borrower enrolled. This is not a requirement, however, in the regulations. The denial letter also states that the condition must be long-term and unchangeable. This too is not in the regulations.

Servicer errors and misinformation about school-related discharges make a terrible situation even worse for borrowers seeking relief.

## **B. Private Student Loans and Distressed Borrowers**

Private student loan borrowers need flexibility to prevent and address delinquency and default. Yet, in our experience representing borrowers in financial distress, most lenders, including non-profit lenders, have not been willing to cancel or modify loans or offer reasonable settlements. The CFPB found in its July 2012 report that the lenders in its sample did not currently offer loan modification programs.<sup>16</sup>

A lender’s failure to have a loan modification program and other practices to help distressed borrowers is an element or sign of unfair origination and underwriting practices. Loan modifications that enable a student to make payments on a loan rather than completely defaulting are in both the students’ and the lenders’ best interests, but as we have seen in the mortgage market, sometimes industry needs a push to come up with a win-win solution.

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<sup>16</sup> Consumer Financial Protection Bureau, “Private Student Loans” at 66 (July 20, 2012).

Modifications may lead to lost revenues for servicers, but in many cases the losses will be much greater if the servicer refuses assistance. Many borrowers are financially destitute with little or no future earnings prospects. Some are severely disabled or otherwise unable to work. Yet servicers remain largely unaccountable for their dismal performance in making modifications.

In some cases, we hear from servicers that they do not have the authority to accept a settlement offer. This is an unacceptable and unproductive response to a borrower looking for help. Servicers that claim to lack authority to modify loans should put the borrower in touch with the owner or entity that does have such authority.

Below are a few examples from borrowers writing to NCLC:

- Emily from Illinois wrote that she took out about \$50,000 in federal and private student loans to attend a private college. When looking into different loan options, Sallie Mae suggested to her the "Smart Option Plan" which she now regrets taking. She had to drop out of college, and once the grace period ended, her repayments went from \$90/month to \$490/month with interest rates of 8.25% and 9.12%. She was told that the "Smart Option" plan precluded her from changing her terms or even qualifying for a deferment.
- Kelly from New York wrote that he took out \$171k in federal and private loans to complete an undergraduate degree. His parents helped make payments, but his father lost his job and his mother is on disability. He reached out to Sallie Mae to ask about cancellation and lowering the monthly payment. He keeps being told that the lowered monthly payment will kick in the following month but it never does. He asked about lowering the interest rate but was told nothing can be done about it. He wants to pay the loans back but says he cannot afford what they are currently asking.

Private lenders' failure to offer relief options is compounded by the lack of refinancing options. Although an industry spokesperson stated in 2014 that lenders are equipped to handle current demand to refinance existing private student loans, this is not our experience.<sup>17</sup> This industry statement is also in contrast to the Bureau's description in a 2013 report of a lack of options to lower the rates of higher priced loans.<sup>18</sup>

To the extent we have seen refinancing options, the programs mainly target prime borrowers and in many cases aggressively seek to push borrowers to include federal student loans in private consolidation loans. If they choose this product, these borrowers will lose the borrower rights from their federal loans, such as affordable repayment and disability discharges. Yet affordable refinancing should be possible. For example, Senator Elizabeth Warren in a June 2015 speech described North Dakota's recently implemented student loan refinancing program.<sup>19</sup>

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<sup>17</sup> Testimony of Richard Hunt, Consumer Bankers Association, Before the U.S. Senate Committee on Banking, Housing and Urban Affairs, "Financial Products for Students: Issues and Challenges" (July 31, 2014).

<sup>18</sup> Consumer Financial Protection Bureau, "[Student Loan Affordability](#)" (May 8, 2013).

<sup>19</sup> Remarks by Senator Elizabeth Warren, Shanker Institute and the American Federation of Teachers, "The Affordability Crisis: Rescuing the Dream of College Education for the Working Class and Poor" (June 11, 2015).

In addition, financially distressed borrowers often face unpredictable and often unfair private loan default policies. Borrowers are in default on federal loans if they fail to make payments for a relatively long period of time, usually nine months. They might also be in default if they fail to meet other terms of the promissory note. There are no similar standardized criteria for private loan defaults. Rather, default triggers for private student loans are specified in the loan contracts. In most cases, borrowers will not have a long period to resolve problems if they miss payments on a private student loan. Private loans may go into default as soon as one payment is missed. This severely limits borrowers' opportunities to try to resolve problems and opens them up to onerous collection tactics, credit damage, and possible litigation.

A few of the default triggers in the loan contracts we reviewed in our 2008 report were particularly troubling.<sup>20</sup> For example, the typical loan we reviewed stated that borrowers could be declared in default if “in the lender’s judgment, they experience a significant lessening of ability to repay the loan” or “are in default on any other loan they already have with this lender, or any loan they might have in the future.” The last category closely resembles the heavily criticized “universal default clause” that was common in many credit card agreements.

In a 2014 report, the CFPB highlighted problems with default triggers in private student loan agreements, including contracts that give lenders the option to demand the full balance of a loan when a co-signer has died or filed for bankruptcy.<sup>21</sup> The report described potential alternatives to “auto-defaults”, including possible co-signer release and maintaining the existing payment schedule, providing the borrower an opportunity to identify a new co-signer, or providing time to refinance.

We discuss this problem in greater detail in the comments submitted jointly with the National Association of Consumer Bankruptcy Attorneys.

## **VII. Practices for Borrower Segments with Unique Characteristics**

In NCLC’s January comments in response to the Department’s RFI, we agreed that the idea of specialty servicers to work with at-risk borrowers is worthy of further study.<sup>22</sup> The Department must first do more research to understand which borrowers are most at risk and what sorts of interventions are most effective in preventing defaults for different populations. There is a shocking dearth of research on why borrowers default and the role of servicing in default.<sup>23</sup> Although there has been some private study, the government is in the best position to research these issues as it has the most access to data and resources.

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<sup>20</sup> National Consumer Law Center, “Paying the Price: The High Cost of Private Student Loans and the Dangers for Student Borrowers” (March 2008).

<sup>21</sup> Consumer Financial Protection Bureau, “Mid-year Update on Student Loan Complaints” (April 2014).

<sup>22</sup> See National Consumer Law Center, “Response to Department of Education Request for Information: Title IV Student Loan Servicing” (Jan. 30, 2015), available at: <http://www.studentloanborrowerassistance.org/wp-content/uploads/2013/05/response-rfi-servicing-jan2015.pdf>.

<sup>23</sup> See generally The National Consumer Law Center, “The Student Loan Default Trap: Why Borrowers Default and What Can Be Done” (July 2012).

We have serious concerns, however, about a system that, for example, sends all “at risk” borrowers to a single specialty servicer. This could segregate the neediest borrowers, possibly with the least effective servicer. As discussed throughout these comments, *all* borrowers should have consistent access to high quality servicing and to entitlement programs. As an alternative, we believe that each servicer could set up an internal unit charged with identifying and working with at-risk populations. This would be similar to the positive efforts servicers have made to create separate units to work with military service members.

There may be particular interventions or means of communications that are more effective in reaching some populations and all servicers should be required to develop such measures. For example, an incentive system could be considered that would pay servicers higher amounts if they successfully enroll certain at risk borrowers in relief programs rather than paying more simply because the servicer says it is trying to work with these borrowers.

## **Part Two**

### **I. Applicability of Mortgage-Related Servicing Protocols**

#### **A. Introduction: The Major National Mortgage Servicing Protocols**

This Part of our comments focuses on servicing of home mortgages. The Bureau’s RFI noted the similarities between student loan and residential mortgage servicing. There are obviously differences between the two systems as well. Foreclosure is a one-time option available to mortgage servicers. The potential for foreclosure (how to avoid it and when to move ahead efficiently) plays a large role in mortgage servicing. The declaration of default on a student loan has similar decisive effects and is a useful point of reference for comparing the two systems.

Servicing rules and protocols are more developed for mortgages than for student loans. Unfortunately, enforcement of the rules and protocols in mortgage servicing has been largely missing. This failure of enforcement should signal an area of concern for anyone developing a system for oversight of student loan servicing.

The basic structure of student loan servicing resembles the framework for mortgage servicing. In both systems federal entities enter into contracts with private servicers. The servicers are required to follow guidelines set by the federal entities. In the mortgage servicing context this system does not work to protect borrowers’ rights, including rights embodied in federal regulations and in other federal servicing guidelines. In our comments below we will describe these shortcomings and refer to lessons learned from mortgage servicing that can promote better oversight of student loan servicers.

Mortgage servicing is dominated by several large players. The overwhelming majority of residential mortgages in the country are serviced under a model developed by one of these large players. For the discussion that follows it is helpful to keep in mind who these players are. Below is a brief description of the seven major national mortgage servicing models and the entities that set their standards.

**GSE Loans (Fannie Mae and Freddie Mac).** The two Government-Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac are congressionally chartered private corporations that own and insure residential mortgage loans. Together the two GSEs own or insure over one-half of the home mortgages in the United States. Mortgage servicers enter into servicing agreements with the GSEs. By the terms of these agreements the servicers must comply with regularly updated GSE servicing guidelines. Federal legislation in 2008 authorized a federal agency, the Federal Housing Finance Agency (FHFA), to place the two GSEs in conservatorship. The conservatorship remains in effect today. Although the FHFA retains ultimate authority over the GSEs, it has delegated back to the GSEs the authority to make and enforce routine servicing rules. Each GSE continues to issue its own set of servicing guidelines. These appear in the form of a *Single Family Servicing Guide*.<sup>24</sup> Each Guide is periodically updated through servicer bulletins published by the GSE and posted on the GSE website. The GSEs offer their own version of the Home Affordable Modification Program (“HAMP”). As an agent for the Treasury Department the GSEs also administer the HAMP program for servicers of non-GSE loans

**Federal Housing Administration (FHA)-Insured Loans.** The Federal Housing Administration (FHA) has insured single-family home loans since the 1930s. FHA is now a division of the Department of Housing and Urban Development (HUD). Private financial institutions originate and service FHA-insured loans, subject to HUD guidelines. FHA’s share of the residential mortgage market has varied over time. In recent years up to fifteen percent of home loans being originated were FHA-insured. The FHA plays a major role in creating homeownership opportunities for low and middle-income households. Some of the loss mitigation options for FHA-insured loans have a basis in the National Housing Act<sup>25</sup> and in HUD regulations promulgated pursuant to the Act.<sup>26</sup> According to the Housing Act and HUD regulations, review for loss mitigation is mandatory before foreclosure. In June 2015 HUD released an updated Handbook for FHA servicing and loss mitigation.<sup>27</sup> This Handbook collects HUD guidance previously available in periodically published “Mortgagee Letters.” Servicers of FHA loans must comply with the Handbook provisions in regular servicing and in default servicing.

**The Rural Housing Service (RHS) Direct and Insured Loans.** The Rural Housing Service (RHS) is a division of the Department of Agriculture. Formerly known as the Farmers Home Administration (FmHA), RHS manages an insured single-family home loan program and a direct single-family loan program. The rules for RHS’s insured loan program are similar to those for FHA-insured loans. The RHS *direct loan* program differs significantly from the other federally-insured loan programs managed by FHA, RHS, and the VA. Under the direct loan program, RHS offers loans for the purchase and improvement of homes. These are loans directly from the United States to the borrower. The RHS direct loan program is authorized by the National

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<sup>24</sup> Fannie Mae servicing guidelines appear in the *Fannie Mae Single Family Servicing Guide* and in updates and announcements periodically published on its website. Fannie Mae recently published a revised Guide, the *Fannie Mae Single Family Servicing Guide* (June 10, 2015) which can be found at <https://www.fanniemae.com/content/guide/servicing/index.html> Freddie Mac publishes a similar guide: the *Freddie Mac Single-Family Seller/Servicer Guide* at <http://www.freddiemac.com/singlefamily/guide/> . Freddie Mac and Fannie Mae also publish bulletins that periodically update their servicing handbooks.

<sup>25</sup> 12 U.S.C. §1715u(a).

<sup>26</sup> 24 C.F.R. §203.500 and §203.601, *et seq.*

<sup>27</sup> Single Family Housing Policy Handbook, HUD Handbook 4000.1 (Servicing and Loss Mitigation) available at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/handbook\\_4000-1](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1) .

Housing Act. 42 U.S.C. § 1472, *et seq.*; 7 C.F.R. Part 3550. Nationally, over one million homes are financed through the RHS direct loan program. All RHS direct loans are serviced by a single national servicer, the RHS Centralized Servicing Center (CSC), located in St. Louis. RHS's Centralized Servicing Center publishes a guide containing all pertinent servicing guidelines.<sup>28</sup> The RHS Handbook incorporates statutory and regulatory provisions applicable to loans in default and loans in non-default status.

**VA-Insured loans.** The Department of Veterans Affairs (VA) insures home loans originated by private lenders for eligible veterans. As with FHA and RHS-insured mortgages, the VA program is authorized by federal statute. The VA promulgates regulations for general servicing and for loss mitigation pertaining to its insured loans. 38 C.F.R. § 36.4800-4893 and 38 C.F.R. § 4316-19. VA loan servicing guidelines offer many of the loss mitigation options provided by FHA and RHS. *See e.g.* 38 C.F.R. 36.4315 (VA loan modification). The VA publishes a Handbook for servicers and periodically releases notices to update the Handbook.<sup>29</sup>

**The Home Affordable Modification Program (HAMP).** Congress authorized the Making Home Affordable Modification Program (“HAMP”) as part of the Emergency Economic Stabilization Act of 2008 (12 U.S.C §§ 5201 *et seq.*) and the Helping Families Save Their Homes Act of 2009 (Pub. L. 111–22, § 1[a], 123 Stat. 1632, 1632 [111th Cong., 1st Sess., May 20, 2009]). As directed by the statutes, the Treasury Department implemented HAMP as a set of incentivized loss mitigation options. The Treasury Department provides subsidies in connection with a servicer’s implementation of a HAMP option. Since early 2009, servicers of over 80% of U.S. residential mortgages have entered into HAMP participation agreements with Treasury. Under these agreements participating servicers must review borrowers who are in default or at imminent risk of default for specific loss mitigation options. These options include a HAMP loan modification meeting certain affordability standards. Other HAMP options include forbearance plans and short sales. The Treasury Department publishes a program Handbook for HAMP.<sup>30</sup> The Treasury’s Handbook applies to “Non-GSE” servicers. It does not apply to loss mitigation evaluations for a loan that is owned or insured by one of the GSEs (Fannie Mae or Freddie Mac), which operate their own HAMP loan modification programs. It also does not apply to a loan that is insured by FHA, RHS, or the VA. The HAMP participation agreements that servicers sign with the Treasury Department incorporate the Handbook provisions. Servicers agree to follow the HAMP Handbook guidelines in servicing loans in default or at imminent risk of default.

**The CFPB Mortgage Servicing Rules.** Under its authority to promulgate rules implementing the Real Estate Settlement Procedure Act (RESPA) and the Truth-in-Lending Act (TILA), the Consumer Financial Protection Bureau (CFPB) has issued a set of rules governing the conduct of mortgage servicers. 24 C.F.R. §§1024.35-41; 12 C.F.R. § 1026.36 and § 1026.41. These became effective as final rules in January 2014. With minor exceptions, the rules apply to all servicers of closed-end residential mortgage loans and to all home mortgage loans. The rules apply to loans

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<sup>28</sup> Handbook HB-2-3550 DLOS Centralized Servicing Center, available at <http://www.rurdev.usda.gov/handbooks.html>.

<sup>29</sup> VA servicing guidelines are contained in a VA Handbook H26-94-1 available at [https://www.nclc.org/images/pdf/foreclosure\\_mortgage/counseling\\_resources/government\\_agency\\_resources/gar\\_va\\_handbook\\_h26941.pdf](https://www.nclc.org/images/pdf/foreclosure_mortgage/counseling_resources/government_agency_resources/gar_va_handbook_h26941.pdf).

<sup>30</sup> Making Home Affordable Program Handbook for Servicers of Non-GSE Mortgages Version 4.5 (June 1, 2015), available at <https://www.hmpadmin.com/portal/programs/guidance.jsp>.

insured by the government agencies (FHA, RHS, and VA) and loans owned or insured by the GSEs Fannie Mae and Freddie Mac. The CFPB rules do not preempt guidelines of these federal entities to the extent that their rules are more favorable to borrowers and not inconsistent with the CFPB rules. Similarly, the CFPB rules do not preempt state laws that are more protective of borrowers.

**National Mortgage Settlement (NMS).** In April 2012, six of the largest national mortgage servicers entered into consent judgments with state attorneys general and federal officials.<sup>31</sup> Since then, two additional servicers agreed to similar settlements.<sup>32</sup> These consent judgments settled multi-year investigations of the servicers' conduct of foreclosures and loss mitigation reviews. In addition to provisions for monetary relief, each servicer agreed to abide by a set of servicing standards for three and one-half years from the effective dates of the settlements. The servicing standards appear as an attachment to the consent decree executed by each servicer.<sup>33</sup> The standards obligate servicers, *inter alia*, to review borrowers for alternatives to foreclosure and refrain from foreclosing unless these reviews have been completed. The decrees appoint a monitor to oversee servicer compliance. The monitor has authority to pursue enforcement upon finding non-compliance. The monitoring relies heavily upon a system of borrower complaints.

## **B. Common Issues Involving Federal Agency Enforcement of Mortgage Servicing Standards**

### **1. Weak Agency Enforcement.**

Many of the mortgage loan programs described above have a similar structure. A federal statute authorizes the loan program. The statute entrusts implementation of the program to a federal agency. The federal agency enters into contractual arrangements with private financial institutions to manage major aspects of the loan program. The intent of these contractual arrangements is that the private institutions will service loans in accordance with the federal statutes, regulations, and handbooks published by the agency.

This structure holds true for the FHA, RHS, and VA programs. Although the Treasury Department's HAMP program does not operate under a federal statute that sets out extensive program details, HAMP's structure is similar in that private servicers implement the program pursuant to federal agency guidance. In all of these programs, including HAMP, a federal agency ultimately has authority over servicers. This authority is embodied in a set of handbooks, directives, and other published guidance. The federal agencies establish additional requirements through the terms of their contracts with servicers. The servicing contracts typically include an obligation that the servicer comply with the agency's published guidance in servicing borrowers' loans.

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<sup>31</sup> Bank of America, Citi, JP Morgan Chase, Wells Fargo, and Ally (formerly GMAC Mortgage).

<sup>32</sup> Ocwen (including American Home Mortgage and Litton) (approved February 2014) and Sun Trust (approved September 2014).

<sup>33</sup> See e.g. Exhibit E to the Bank of America consent judgment, at [https://d9klfgibkccquc.cloudfront.net/Consent\\_Judgment\\_BoA-4-11-12.pdf](https://d9klfgibkccquc.cloudfront.net/Consent_Judgment_BoA-4-11-12.pdf)

Part One of these comments highlighted the lax enforcement and oversight of student loan servicers. Federal agencies have done a similarly poor job in overseeing their contracts with mortgage servicers. Mortgage servicers routinely ignore the agencies' guidelines in areas such as loss mitigation review. The law firms that the servicers hire to conduct foreclosures typically lack a basic knowledge of the applicable federal program rules. The failure of Treasury and the GSEs to enforce HAMP rules has been widely documented,<sup>34</sup> as have the other federal agencies' poor records of supervising mortgage servicers and their agents.<sup>35</sup> The National Mortgage Settlement resulted from a multi-year investigation by state attorneys general and federal officials into widespread abuses by mortgage servicers.

In their oversight, the federal agencies tend to rely on self-reporting by mortgage servicers. The agencies use quality control systems that typically focus on the servicer's aptitude in completing the agency's forms and checklists rather than reviews of the servicers' direct interactions with borrowers. To the extent that any of the agencies have developed systems to deal with servicer-borrower disputes, the efficacy of these systems is very limited. FHA, the VA, and the Treasury Department have created customer service divisions. FHA has a National Servicing Center that serves as a customer service unit.<sup>36</sup> VA has nine regional loan centers that handle borrower complaints about servicers. The Treasury Department developed a "HAMP Solution Center" ("HSC") to assist borrowers.

None of these in-house units has been effective in curbing major servicer abuses. The HAMP program's HSC coordinates appeal procedures (referred to as "escalation") with the servicers' own staff. The HSC escalation process is hit-and-miss. The process is subject to time limits, so that staff tend to "close out" cases quickly to meet these time deadlines. The FHA customer service center can be helpful in some limited cases where a clarification of facts is needed. However, the FHA Center lacks authority to compel a servicer to act or refrain from acting in a particular manner. The VA centers have committed staff, but also lack enforcement authority.

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<sup>34</sup> United States Government Accountability Office, *Troubled Asset Relief Program: Results of Housing Counselor Survey of Borrower Experiences in the HAMP Program* GAO Report 11-367R (May 26, 2011); United States Government Accountability Office, GAO Report to Congressional Committees, *Troubled Asset Relief Program, Treasury Continues to Face Implementation Challenges and Data Weaknesses in Its Making Home Affordable Program* (Mar. 2011) (GAO 11-288); United States Government Accountability Office, GAO Report to Congressional Committees, *Troubled Asset Relief Program, Further Action Needed to Fully and Equitably Implement Foreclosure Mitigation Program 14-28* (June 24, 2010) (GAO 10-634); Office of the Special Inspector General for the Troubled Asset Relief Program, SIGTARP, Quarterly Report to Congress (Oct. 26, 2010); California Reinvestment Coalition, *Race to the Bottom An Analysis of HAMP Modification Outcomes by Race and Ethnicity for California* (July 2011); California Reinvestment Coalition, *The Chasm Between Words and Deeds VI: HAMP Is Not Working* (July 2010); Paul Kiel and Olga Pierce, "Homeowners Questionnaire Shows Banks Violating Government Program Rules," *ProPublica*, Aug. 16, 2010. See also *At a Crossroads: Lessons from the Home Affordable Modification Program* (NCLC Jan. 2013) available at <http://www.nclc.org/issues/at-a-crossroads.html>.

<sup>35</sup> GAO, *Foreclosure Mitigation: Agencies Could Improve Effectiveness of Federal Efforts with Additional Data Collection and Analysis* (GAO-12-296 June 28, 2012) available at <http://www.gao.gov/products/GAO-12-296>; FHFA Office of Inspector General, *FHFA's Oversight of Fannie Mae's Default-Related Legal Services* (Audit Report AUD-2011-004 Sept. 30, 2011) available at <http://www.fhfaog.gov/Content/Files/AUD-2011-004.pdf>.

<sup>36</sup> U.S. Department of HUD 301 NW 6<sup>th</sup> Street, Ste 200 Oklahoma City, OK 73102  
Fax: (405) 609-8405 or (405) 609-8421 [www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm](http://www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm) E-mail: [hsg-lossmit@hud.gov](mailto:hsg-lossmit@hud.gov) 1-877-622-8525

The essential problem with the FHA, VA, and Treasury Department systems for handling borrower complaints is that they are informal dispute resolution devices. There are few, if any, defined procedural rules applicable to them. Complaints are resolved through phone calls, e-mails, and letters. The agencies devote limited staff to these divisions and there is no recourse for borrowers who are dissatisfied with the outcome of the agency's cursory review of their problem. Given the imbalance in knowledge and resources between borrowers and servicers, this type of "customer service" approach has been ineffective.

The National Mortgage Settlement Administrator oversees a complaint-based system that has no ability to grant relief to individual borrowers. It is not clear what incentive borrowers have to submit complaints to such a database. The settlement administrator relies on this database of borrower complaints to assess whether servicers are complying with the settlement's servicing practice requirements. Such a system assumes that borrowers are familiar with the settlement terms and know what to complain about. Unfortunately, few borrowers have this knowledge or know about the system for reporting complaints to an oversight monitor.

In sum, neither the customer service center departments nor the complaint-based database models used in mortgage servicing programs have any significant impact on shaping servicer behavior.

## **2. Limits on Borrower Enforcement.**

Courts have consistently ruled that borrowers do not have a right to bring lawsuits to enforce federal mortgage servicing guidelines against servicers who disregard them. According to the courts, the National Housing Act and the general statutory authority for the Treasury Department to create HAMP do not authorize a private right of action for borrowers against servicers who fail to follow Treasury or FHA guidelines. Similarly, courts reject borrowers' arguments that they are third-party beneficiaries of the contracts between federal agencies and servicers.

There are, however, important exceptions to this general rule precluding borrower lawsuits against mortgage servicers. Certain statutes expressly allow borrower enforcement. For example, RESPA and TILA authorize borrowers to bring legal claims against mortgage servicers for violation of certain statutory and regulatory provisions.<sup>37</sup> The CFPB's mortgage servicing rules, implemented under its RESPA authority, allow borrowers to pursue legal claims related to servicers' activities, such as their conduct of loss mitigation reviews and foreclosures. These provisions are discussed in more detail below. Although they create only procedural protections, the CFPB's mortgage servicing rules can enhance enforcement of the loss mitigation standards embodied in the federal statutes and regulations that other federal agencies seldom enforce.

Unfortunately, there are serious limits in the enforcement structure of the CFPB's RESPA mortgage servicing rules. The rules rely heavily on a requirement that the borrower submit a "complete application" in order to trigger rights to a loss mitigation review. The rules do not define a "complete application" and instead leave this key concept up to servicer

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<sup>37</sup> 12 U.S.C. §§ 2605(f), 2614 (RESPA); 15 U.S.C. § 1640(a) (TILA).

discretion. Servicer abuse of the complete application requirement can deprive a borrower of the notice and appeal rights under the CFPB rules' procedural scheme.

There are other significant limitations on the effectiveness of the CFPB's mortgage servicing rules. The appeal rights apply only to loan modification denials and not to other servicer misconduct. Even when allowed, the "appeal" under the CFPB rules involves nothing more than an in-house review by the servicer's own staff. Perhaps the most significant problem with the CFPB rules is that the entire set of borrower rights pertaining to loss mitigation, including written notices, a complete review, and appeal, apply for only one complete loss mitigation application submitted by a borrower to a particular servicer. Borrowers whose circumstances have changed after an earlier review do not have the right to the procedural protections upon a later application. Finally, the statutory provision allowing borrower enforcement of RESPA specifically mentions the availability of monetary relief. Although RESPA does not expressly exclude injunction remedies, some courts have interpreted the statute to preclude borrower claims for injunctive relief. For this reason, borrowers may face challenges in asserting RESPA claims as a basis to enjoin an imminent foreclosure sale.

### **C. Areas Where Mortgage Servicing Enforcement Works**

Although borrowers' ability to enforce federal servicing guidelines is very limited in the mortgage context, there are two noteworthy instances where borrowers have been able to enforce federal servicing rules. One is general and the other focuses on a specific loan program. First, applying state contract law, courts have barred a servicer from foreclosing on FHA, RHS, and VA mortgages when the servicer failed to comply with federal mortgage servicing regulations. Second, the rules of the RHS direct loan program provide an example of an effective appeal process that resolves disputes between borrowers and servicers while promoting enforcement of federal program rules. These two options for enforcement of mortgage servicing standards suggest approaches that should be effective in structuring a system to regulate student loan servicers. We discuss both options in more detail in the following sections.

#### **1. Enforcement of servicing standards as a contract right for FHA, RHS, and VA mortgage loans.**

Since the 1970s courts have held that borrowers could not assert a private right of action to enforce FHA loss mitigation requirements.<sup>38</sup> On the other hand, borrowers routinely prevail when they assert non-compliance with FHA servicing guidelines as a defense to a lender's efforts to enforce the mortgage. The courts have adopted various theories in allowing these defenses. Compliance with FHA servicing guidelines may be construed as a condition precedent to acceleration and foreclosure.<sup>39</sup> The standard FHA form mortgage has contained a provision stating that the lender cannot foreclose if proceeding to a sale would be contrary to HUD regulations. Thus, foreclosing in violation of HUD regulations would be a breach of contract.<sup>40</sup> Finally, courts have recognized non-compliance with HUD servicing guidelines as an equitable

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<sup>38</sup> See, e.g., *Brown v. Lynn*, 392 F. Supp. 559 (N.D. Ill. 1975).

<sup>39</sup> See, e.g., *Lacey-McKinney v. Taylor Bean & Whitaker Mtge. Co.*, 937 N.E. 2d 853 (Ind. Ct. App. 2010).

<sup>40</sup> See, e.g., *Matthews v. PHH Mortg. Corp.*, 724 S.E. 2d 196 (Va. 2012).

defense to foreclosure.<sup>41</sup> Notably, courts have allowed borrowers to bring these equitable and contract claims in non-judicial foreclosure states where the borrower must file a lawsuit to enjoin the sale.<sup>42</sup>

Borrowers may also assert non-compliance with RHS loss mitigation guidelines as a defense to a foreclosure.<sup>43</sup> This includes defenses alleging failure to notify the borrower of available options. Because RHS servicer decisions are on behalf of a federal agency, the decisions are subject to judicial review directly under the Administrative Procedures Act.<sup>44</sup>

Finally, although the VA statutes, regulations, and handbooks are much less specific in directing how servicers review for loss mitigation than the FHA's rules, the courts have held that VA servicers have an obligation to review for foreclosure alternatives, and enforcement of a VA-insured mortgage is contingent on compliance with this obligation.<sup>45</sup>

## 2. Appeals of Servicer Decisions under the RHS Direct Loan Program

*Background on the RHS Direct Loan Repayment Options.* The statute that created the RHS direct loan program provides for a number of options to make ongoing payments affordable and help borrowers avoid default. RHS also offers special loss mitigation alternatives to borrowers who are in default. For borrowers whose loans have not been accelerated, RHS provides a system of subsidies that reduce the borrower's ongoing payment to an affordable level based on current household income. Under the RHS program, homeowners enter into annual agreements that fix a subsidy level and set monthly payments at an affordable amount. This payment level may be altered during the year if the borrower's financial circumstances change. 7 C.F.R. § 3550.10, 3550.68. For borrowers who cannot afford the minimal subsidized payment due to temporary circumstances beyond their control, RHS authorizes a "moratorium" on payments. 42 U.S.C. § 1475, 7 C.F.R. § 3550.207. RHS offers other options including repayment plans and reamortization. RHS regulations prescribe the circumstances and procedures that the servicer must follow to accelerate a mortgage loan. 7 C.F.R. § 3550.202

*The RHS Appeal System.* Borrowers are "participants" in the RHS direct loan program and as such they have the right to appeal agency decisions that affect their participation in the program. Since RHS interacts with a borrower through a national servicer, it is typically this servicer's decision that a borrower appeals. The National Appeals Division (NAD) is an independent unit within the USDA which has authority to adjudicate participants' appeals of adverse agency decisions. 7 C.F.R. § 11.2(a). Appeal rights are available to anyone who has applied for any RHS program benefit or whose right to participate in any RHS option has been affected by an agency decision. 7 C.F.R. § 11.1.

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<sup>41</sup> See, e.g., *Wells Fargo v. Neal*, 922 A.2d 538 (Md. 2007); *Brown v. Lynn*, 392 F. Supp. 559 (N.D. Ill. 1975).

<sup>42</sup> *Pfeifer v. Countrywide Home Loans, Inc.*, 211 Cal. App. 4<sup>th</sup> 1250 (2012); *Mathews v. PHH Mortgage Corp.*, 283 Va. 723, 724 S.E. 2d 196 (2012); *Wells Fargo v. Neal*, 922 A.2d 538 (Md. 2007).

<sup>43</sup> *United States v. Shields*, 733 F. Supp. 776 (D. Vt. 1989); *United States v. Trimble*, 86 F.R.D. 435 (S.D. Fla. 1980).

<sup>44</sup> *United States v. Shields*, 733 F. Supp. 776 (D. Vt. 1989).

<sup>45</sup> *Ranson v. Bank of America, N.A.*, 2013 WL 1077093 (S. D. W. Va. Mar. 14, 2013) (breach of contract claim); *Union Nat'l Bank of Little Rock v. Cobbs*, 567 A.2d 719 (Pa. Super. 1989) (applying equitable principles).

*Types of servicer decisions that may be appealed.* An “adverse decision” means any decision made by agency personnel (or its servicer) that is adverse to the participant. 7 C.F.R. § 1.1. The appeal procedures apply to any agency decision to deny participation in or receive any benefit under any program of the agency and any adverse decision that involves compliance with program requirements. 7 C.F.R. § 11.3(a). A wide range of RHS mortgage servicing decisions have been the subject of appeals. Rulings from appeals have held that the servicer failed to give the borrower written notice of the availability of repayment options, failed to offer reamortization when appropriate, improperly denied relief based on a borrower’s bankruptcy filing, improperly accelerated a loan without offering the borrower the opportunity for review of the decision to accelerate, misinformed the borrower about payment options, failed to notify the borrower about the status of an application for forbearance, failed to process an application for assistance, calculated an unaffordable repayment plan, and failed to respond timely to a request for assistance.

*Appeal procedures.* Under the RHS appeal rules, when it makes any adverse decision, the servicer must give the borrower a written notice with the specific reason for the decision and describe the appeal process. The borrower may then request an appeal in writing.

The borrower has the option to request a complete three-stage review consisting of: (1) an informal phone conference with the agency staff who made the decision; (2) mediation; and (3) an on-the-record in-person hearing before an NAD hearing officer. The borrower may waive the informal conference and mediation and proceed directly to the formal hearing.

A borrower who initiates the appeal process has the right to receive a copy of the servicer’s records. The hearing record includes all information that the servicer relied upon in making the challenged decision. The borrower may also request any other information from the servicing file. The appeals division has the authority to issue subpoenas for records and in-person appearances upon the borrower’s request. The hearing officer typically conducts a pre-hearing phone conference to assess the parties’ positions and ensure that relevant documents have been exchanged.

The borrower and the hearing officer appear for hearings, while RHS’s national servicing center representative typically appears by phone from St. Louis. The borrower may question agency witnesses. Testimony is under oath, but not subject to formal rules of evidence. The hearing officer is not bound by the agency fact findings. 7 C.F.R. § 11.10. Hearings are recorded and may be transcribed in the event the borrower requests review by the RHS Director or judicial review. 7 C.F.R. § 11.8( c ). The hearing officer’s decision must be based on the case record. The hearing officer may uphold, reverse, or modify the servicer’s decision.

*The Effect of an Appeal Decision.* A hearing officer decision in favor of the borrower vacates the challenged agency decision. The servicer may not take further action based on the erroneous decision. A final determination of the hearing officer is reviewable and enforceable in any U.S. District Court. 7 C.F.R. § 11.13. The borrower may seek injunctive relief in federal court in the event the servicer continues to act upon a decision that was vacated upon appeal. The Equal Access to Justice Act applies to judicial review of an appeal hearing. 7 C.F.R. § 11.4.

Under this statute, the federal government must pay the appellant's attorney's fees and costs when the agency position was not substantially justified in fact and law.

## **D. Applying Mortgage Servicing Practices to Student Loan Servicing**

### **1. General Principles**

Student loan borrowers face many of the same servicing problems that plague mortgage borrowers, as described in Part One of these comments. The key to improvement in both contexts is to implement enforceable servicing rules. In the student loan context this difficulty is heightened because the Higher Education Act, unlike RESPA and TILA, does not provide borrowers with even limited express enforcement options. Based on our experiences with mortgage servicing, we believe that reliance solely on agency enforcement or on a system of recording borrower complaints to the agency will not produce the needed accountability among student loan servicers.

For these reasons, in addition to the specific servicing topics addressed below, we strongly recommend two general structural approaches to strengthen student loan servicing compliance.

#### **a. Create Contractual Conditions To Enforcement Of Student Loan Obligations**

*In the loan documents.* It is important that the loan documents establish reciprocal obligations. The borrower must repay the debt. However, the owner of the loan and its servicer-agent must also comply with their obligations before they enforce the debt. As in the case of the various government-insured loans (FHA, RHS, VA), compliance with servicing rules must be a condition precedent to enforcement. The text of the note should make this clear. All future Direct loans should contain language explicitly stating that no servicer may declare a default on the loan unless it has first complied with clearly defined servicing obligations. Those obligations must include (a) accurately informing borrowers about payment and discharge alternatives; (b) reviewing borrower requests for alternatives, giving notice of decisions, and offering appeal remedies; and (c) prohibiting assessment and collection of costs and fees unless the servicer or debt collector complied with servicing obligations. Borrowers should be able to enforce the obligations as part of their rights under the loan contract.

*In the servicing agreement.* Standard servicing agreements for all direct and FFEL loans should contain terms that (1) obligate the servicer to comply with specified publicly available servicing guidelines; (2) state that borrowers are beneficiaries of the servicing agreement and have the right to enforce the servicer obligations that pertain to borrowers; and (3) bar assessment and collection of fees where a servicer has failed to comply with these servicing obligations.

#### **b. Implement An Effective Appeal System Capable Of Correcting Servicer Errors**

Actions of student loan servicers should be subject to an effective appeal procedure similar to the RHS direct loan appeal system. The RHS direct loan program and the direct

student loan program have many features in common. Both involve direct loans from the United States. Both programs have established various payment options, including income-based payment programs. In both programs individual borrowers interact almost exclusively with a servicing entity that acts on behalf of the United States. The servicers are under a duty to perform in accordance with federal agency standards.

As with the RHS direct mortgage loans, the direct student loan program should allow for appeals of a wide range of servicer decisions. There should be a multi-stage process that includes an informal review, mediation, and a formal administrative hearing. The administrative hearing must be before a neutral decision-maker who is not an employee of the servicer. The hearings and decisions should be on a defined record, with issues specified beforehand. The procedures should allow for further administrative review and judicial review after a hearing officer's decision. Servicers should be subject to a fee-shifting rule in the appeal process so that they must reimburse borrowers for their costs if the borrowers prevail.

### **E. Specific Mortgage and Student Loan Servicing Topics**

The preceding discussion addressed general structural requirements for effective student loan servicing. In particular, we focused on the need for borrower enforcement mechanisms. Enforcement must not rely solely on agency personnel. An effective enforcement system must include procedures through which borrowers can act to protect their rights.

In this section we move from the general to the more specific and discuss a number of concrete problems in student loan servicing. We will first consider how mortgage servicing has addressed similar issues. Then we will suggest how the mortgage servicing protocols can be adapted to improve student loan servicing. In many cases these protocols tie in directly with the contract enforcement and appeal mechanisms we outlined above.

#### **1. Periodic Statements**

*Issue:* Student loan borrowers lack information about the current status of their accounts and options for restructuring payments.

*Approach in the mortgage context.* A Truth-in-Lending (“TILA”) rule mandates a system of periodic statements that mortgage servicers must provide to borrowers on a monthly basis. 12 C.F.R. § 1026.41. This rule establishes two tiers of notices. First, for borrowers who are not behind in payments, the servicer’s monthly statement must inform the borrower of, *inter alia*, the amount due; a breakdown of the amount due for the next periodic payment (including any fees); the breakdown of how the borrower’s last payment was applied; any account activity over the past month, including any fees assessed; how any partial payment has been treated, and phone and mail contact information for the servicer and counselors. The monthly statement to current borrowers must also state the amount of the outstanding principal balance, the current interest rate in effect, any upcoming rate changes, and prepayment rights. There are exceptions to the rule applicable to borrowers who are current and receive coupons with similar specific information.

For borrowers who are not current, the rule requires monthly statements with much more extensive information. No coupon book exemption applies. The additional default requirements apply to borrowers who are more than 45 days delinquent. All monthly statements to these borrowers must include the account history for the past six months (or since the delinquency began), inform the borrower of likely collection consequences and the means to avoid them, and the amount needed to bring the account current.

*Suggested approach in the student loan context.* Student loan servicers should be required to send similar monthly statements to borrowers. The ongoing account status information required by the TILA rule is entirely applicable to student loan accounts. For borrowers who are more than one payment delinquent, the monthly statements should include at a minimum the content required by TILA.

In addition to what TILA requires, the student loan servicer's statements should contain information about available options for restructuring payments and correcting a delinquency. The statement should include the application material that allows the delinquent borrower to apply to the servicer to be considered for all available options. This application should be a simple form. Submission of the application should trigger an obligation for the servicer to review the borrower for all available relief options and to notify the borrower accurately in writing about eligibility for each option. We discuss this application procedure in more detail in the following section.

## **2. Ensuring that servicers review borrowers for all available options.**

*Issue.* There is no transparency or accountability in student loan servicers' reviews for default avoidance measures.

*Approach in the mortgage context.* All of the major mortgage servicing protocols require servicers to review borrowers in default for certain loss mitigation options before the servicer can foreclose. Certain protocols, such as under the HAMP and GSE programs, mandate a basic application format.<sup>46</sup> A concise application format prevents servicers from using arbitrary and burdensome applications to obstruct reviews. Application practices vary among other mortgage programs. FHA allows servicers to develop their own application requirements. RHS's Centralized Servicing Center requires specific application forms for certain loss mitigation options, such as a moratorium.

The CFPB's RESPA rule implemented in 2014 established mandatory procedures that mortgage servicers must follow to review borrowers for loss mitigation options. 12 C.F.R. § 1024.41. These procedures focus upon certain key elements: an application for loss mitigation assistance; the servicer's duty to review the application for all available loss mitigation options; written notices to borrowers when the servicer decides what options are available; and an appeal process. Built into the procedures are also prohibitions on moving ahead with certain enforcement actions while the review process is underway or can still be initiated.

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<sup>46</sup> The GSEs require a "uniform Borrower Assistance Form (FORM 710). HAMP has a Request for Mortgage Assistance ("RMA") form that initiates the HAMP application process.

We find four aspects of the CFPB’s RESPA loss mitigation rule to be particularly helpful. First, the rule defines an obligation for servicers to review for “all available loss mitigation options” when the borrower submits a complete application. The drafters recognized that consumers often do not know what options they may be eligible for when they ask a servicer for assistance. Therefore, it is reasonable to place the burden on the servicer to ensure that it reviews borrowers for all available options. Second, the rule mandates written notices at appropriate times, including notices about the status of an application, a servicer’s decision upon review of an application, appeal rights, and decisions after appeal. Third, the servicer must refrain from completing a foreclosure sale until the review and appeal process has concluded. Finally, read in context with other RESPA rules (12 C.F.R. §§ 1024.38, 1024.39, 1024.40) servicers must engage in a systematic effort to solicit borrowers for loss mitigation beginning very early in the arrearage process, at the thirty-sixth day of the borrower’s delinquency.<sup>47</sup>

*Suggested approach in the student loan context.* Certain aspects of the RESPA loss mitigation review rules should be applied directly to the student loan context. A rule could easily require that servicers, at regular intervals, give delinquent student loan borrowers applications to be reviewed for all available payment options. These options could include income-driven plans, deferment, forbearance, and cancellation and discharge options.

Servicers should be required to include a loss mitigation application with each periodic statement sent to a delinquent borrower. Despite having received a prior review, a borrower should be able to submit a new application upon a change in circumstances. Written notices of decisions after reviews should include eligibility decisions for all options. An appeal should be able to challenge denial of any option. Finally, a borrower should be able to appeal a servicer decision at any time while a loan is outstanding. The RESPA mortgage rules stop appeal rights within ninety days of a scheduled foreclosure sale. Student loan servicing does not involve the recovery of possession of security property, such as a home. Therefore, the student loan borrower should be able to appeal servicer decisions after default and throughout the post-default collection process. A successful appeal of a servicer’s decision that led to improper declaration of a default should result in taking the loan out of default, even if the loan is subject to a collection action.

### **3. Dual Tracking**

*Issue.* Student loan servicers can impose the harsh consequences of a declaration of default on borrowers without facing any consequences for their deficient servicing.

*Approaches in the mortgage context.* All the major mortgage servicing protocols contain some prohibition against a servicer’s completing a foreclosure without first reviewing the borrower for loss mitigation options. The protocols attempt to restrict “dual tracking” by servicers. Dual tracking is the process of moving ahead with foreclosure while reviewing the borrower for loss mitigation options. The practice often results in a foreclosure sale before the loss mitigation review has been completed.

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<sup>47</sup> 12 C.F.R. § 1024.39(a).

Dual tracking remains a significant problem in all mortgage servicing programs despite the regulatory prohibitions against the practice. The federal agencies have lacked the capacity or the will to enforce dual tracking rules against mortgage servicers. The impact of unregulated dual tracking is severe. In non-judicial foreclosure states borrowers facing foreclosure cannot afford the expense of litigation necessary to stop an improper foreclosure. In judicial foreclosure states borrowers have the opportunity to raise non-compliance with mortgage servicing rules as a legal defense to foreclosure. However, few borrowers know how to file the appropriate legal papers in court in a timely fashion. The overwhelming majority of judicial foreclosures proceed by default.

*Suggested Approach in the Student Loan Context.* Student loan servicing does not involve an enforcement action with the finality of a mortgage foreclosure. However, placing a student loan in default has very significant consequences. Once in default, the borrower's debt can rise substantially with the addition of costs and fees. These fees can easily increase the debt by twenty or twenty-five percent. Declaring a default can ensure the loan is never paid off. In addition, default limits the borrower's eligibility for other more favorable payment arrangements. The credit reporting impact of default is severe. Most importantly, the borrower is exposed to debt collectors who have a financial incentive to assess fees against the borrower and can use an unparalleled set of non-judicial and judicial devices to extract payment from the borrower's income and assets.

Although "default" in the student loan context refers to a 270-day delinquency, student loan default status does not come about automatically with the passage of time. Servicers do not have unlimited discretion to declare a loan in default. For FFEL loans a default occurs only when the Secretary (or the servicer as the Secretary's agent) "finds it reasonable to conclude that the borrower and endorser, if any, no longer intend to honor the obligation to repay, provided that this failure persists for . . . 270 days for a loan repayment in monthly installments." 34 C.F.R. § 682.200. For direct loans default is defined as "[t]he failure of a borrower and endorser, if any, to make an installment payment when due, or to meet other terms of the promissory note, if the Secretary finds it reasonable to conclude that the borrower and endorser, if any, no longer intend to honor the obligation to repay, provided that this failure persists for 270 days." 34 C.F.R. § 685.102(b). Default requires a finding by the servicer that the borrower does not intend to honor the repayment obligation. The servicer should not make this finding unless it has reviewed the borrower for all payment options and found no alternatives to avoid default.

An appropriate analogy from the mortgage context would be to treat the declaration of default as the equivalent of a foreclosure sale. Servicing guidelines should require that servicers give borrowers a specific notice of intention to declare a default. The notice should include a full description of the consequences of default, the options to avoid default, and an application to be reviewed for all available options.

Dual tracking protections similar to those in 12 C.F.R. 1024.41(g) should apply to a student loan servicer's default declaration. In other words the servicer must not be permitted to treat a student loan as in default unless the servicer can establish that it exhausted all alternatives first. The servicer must have exercised due diligence to solicit applications from the borrower to be considered for payment alternatives. The servicer must have reviewed any applications

received for all available options and notified the borrower in writing of the review decision. Finally, the borrower must have had the opportunity to exercise appeal options.

There should be significant consequences if a servicer declares a default in violation of these duties. Upon a finding that the servicer declared a default improperly, the default should be revoked. This should occur regardless of where the loan happens to be in the collection process. Any fees and collection costs assessed based on an erroneous declaration of default must be removed from the account and the account adjusted appropriately.

#### **4. Requests for Information and Error Resolution**

*Issue.* Student loan borrowers have not had access to a clearly defined procedure for correcting servicer errors and requesting information about their accounts.

*Requests for Information and Error Resolution in the Mortgage Servicing Context.* The CFPB's mortgage servicing rules include detailed procedures for borrowers to seek correction of account errors and to request information related to their loans.<sup>48</sup> These rules define the allowed scope of borrower requests and establish exemptions, such as for duplicative requests. Both error requests and information requests may cover loss mitigation issues. The rules set out time frames for the servicer's response, whether this response is to correct the error, provide the requested information, or describe unsuccessful efforts to comply.

Several aspects of the new CFPB rules are particularly helpful for borrowers. These include: (1) the ability to request information about the identity of the loan owner, subject to an expedited response schedule; (2) a clear declaration in the rules that the servicer cannot charge fees in connection with a response to either type of notice; (3) the inclusion of a "reasonable efforts" requirement pertaining both to the duty to investigate to correct an error and the duty to find the requested information; (4) the right of the borrower to ask for the documents that the servicer relied upon in refusing to correct an error; and (5) the requirement that the servicer respond to a notice of error before conducting a foreclosure sale as long as the servicer receives the request at least seven days before the sale and the error involves a "dual tracking" violation. The latter provision is significant because it essentially obligates the servicer to postpone a scheduled foreclosure sale and comply with the error correction request.

*Application to Student Loans.* Requests to correct errors and to provide information about an account have obvious application in the student loan context. Student loan borrowers should be able to use a clearly defined procedure to correct errors in areas such as setting payments under an income-sensitive plan, applying payments, and assessing fees. Similarly, borrowers need to have a reliable system for obtaining information such as the type of program guidelines applicable to their loan, the available payment options, and data about their account history. Servicers and the loan owner should benefit from such a system as well.

The CFPB promulgated notice of error and request for information rules pursuant to its RESPA authority. A system for error correction and exchange of relevant account information is unquestionably a reasonable requirement for any loan servicing system. The Department of

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<sup>48</sup> 12 C.F.R. §§ 1024.35 and 1024.36.

Education should also incorporate a notice of error and request for information system into its servicing agreements.

## 5. Early Intervention

*Issue.* Student loan borrowers lack knowledge of payment options in early delinquency stages when they can make decisions that will prevent long-term default. A for-profit industry has developed that exploits this lack of information.

*Early Intervention and Borrower Solicitation in the Mortgage Context.* Nearly all major mortgage servicing protocols direct servicers to intervene early when a borrower begins to miss payments. Mortgage servicers must make efforts to contact borrowers at certain intervals after the initial missed payments. The guidelines usually specify methods of contact, such as by phone message, “live” contact (i.e., not by recorded message), and mail. Servicers are to ascertain reasons for the default and offer appropriate loss mitigation options.

The FHA Handbook, for example, requires that the servicer begin to contact borrowers at 17-20 days of delinquency.<sup>49</sup> The FHA servicer must send the borrower a letter soliciting loss mitigation contact at 45 days delinquency.<sup>50</sup> A brochure describing basic loss mitigation options must accompany the letter. By sixty days of delinquency the servicer must conduct a face-to-face meeting with the borrower or be able to document efforts to conduct such a meeting.<sup>51</sup> The FHA servicer must make monthly evaluations of the status of the defaulted borrower in loss mitigation review.<sup>52</sup> Servicers of Fannie Mae mortgages must begin sending loss mitigation applications to borrowers at 30 days delinquency and continue to do so in accordance with a schedule defined in the Fannie Mae Guide.<sup>53</sup>

The CFPB’s mortgage servicing rules also include an early intervention requirement.<sup>54</sup> Under the CFPB rules the servicer must make reasonable efforts to establish “live contact” with the borrower who is 35 days overdue on a payment. The communication must explore whether the borrower wants to be considered for loss mitigation options. When an installment is 45 days overdue, the servicer must send the borrower written information encouraging the borrower to contact the servicer.<sup>55</sup> The notice need contain only a bare minimum of information about potential options.<sup>56</sup> Additional CFPB rules require that servicers maintain continuity of contact with borrowers in default and have staff and systems in effect that competently process applications for loss mitigation.<sup>57</sup>

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<sup>49</sup> FHA Single Family Housing Policy Handbook Part III, ¶ A.2(h) (Early Default Intervention) effective Mar. 14, 2016.

<sup>50</sup> *Id.*

<sup>51</sup> *Id.*

<sup>52</sup> *Id.* at ¶ A.2 (i) (Loss Mitigation Review Process).

<sup>53</sup> Fannie Mae Single Family Servicing Guide at D2-04 (Sending a Borrower a Solicitation Package for a Workout Option) (version June 10, 2015).

<sup>54</sup> 12 C.F.R. § 1024.39 (a).

<sup>55</sup> 12 U.S.C. § 1024.39(b).

<sup>56</sup> The form notice that FHA requires servicers to send borrowers at 45 days delinquency is more helpful because it provides a more thorough description of available options.

<sup>57</sup> 12 U.S.C. § 1024.40.

*Application to Student Loans.* As described in Part One, Department of Education regulations applicable to FFEL loans set out minimal “due diligence” requirements for servicers to provide information about payment options to borrowers during periods of delinquency prior to default.<sup>58</sup> The Department must make clear that these guidelines apply to direct loans as well. The inclusion of a form application to be considered for available payment options will make the required solicitations more effective. The Fannie Mae guide, noted above, provides for this.

Similarly, the application for assistance should be subject to procedures for review for all available options similar to the CFPB servicing standard.<sup>59</sup> An appeal process similar to the RHS system would ensure appropriate review.

Finally, servicers should be barred from declaring a default of the student loan obligation unless they completed the solicitation and review. A declaration of default made without complying with these requirements should be subject to reversal.

One aspect of mortgage servicing that differs from student loan servicing is the foreclosure sale. Much mortgage servicing activity is aimed at reviewing borrowers for loss mitigation during the time before a foreclosure sale becomes imminent. An important goal in mortgage servicing is to use the early intervention procedures to produce loss mitigation results before the servicer has incurred the substantial costs associated with setting up a foreclosure sale. In recent years, large mortgage industry participants, such as Fannie Mae, sought to focus loss mitigation review on early stages of delinquency. This focus carried over into the CFPB’s servicing rules. The CFPB’s rules create substantial borrower protections early in the delinquency process. These protections diminish as the foreclosure sale becomes imminent.

While this approach in mortgage servicing has some merit, it ignores the reality that many homeowners do not seek loss mitigation assistance until a sale is imminent. Homeowners often believe they will find solutions before a sale is scheduled and reach out for assistance only late in the delinquency. Servicer misrepresentations sometimes encourage this complacency. In other instances a sense of shame or fear leads borrowers to avoid seeking assistance until the last minute. Regardless of the cause, this behavior is a reality that a servicing protocol cannot avoid.

In the student loan servicing context, there is no event quite like the foreclosure sale that should lead to a diminution of the servicer’s duty to solicit and review for payment options as a delinquency continues. Student loans in default should be subject to the same servicer duties as student loans prior to default. The same duties that apply to servicers before default must apply to debt collectors or anyone who communicates with the borrower on behalf of the loan owner after default.

## **6. Miscellaneous CFPB Mortgage Servicing Rules**

The Bureau’s Request for Information asked specifically about the applicability to student loan servicing of several other provisions of the CFPB’s mortgage servicing rules. These

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<sup>58</sup> 34 C.F.R. § 682.411 (c) – (e).

<sup>59</sup> 12 C.F.R. sec. 1024.41(c)(1)(i).

included the rules pertaining to notice of servicing transfers, payoff statements, prompt application of payments, and assessment of late fees. In these areas the CFPB mortgage servicing rules set out reasonable standards for servicer conduct. The CFPB mortgage servicing standards can be applied easily and with positive effect to student loan servicing.

*Transfer of Servicing Rule.* The CFPB rule requires a written notice to the borrower when servicing duties are transferred from one mortgage servicer to another.<sup>60</sup> This rule can be applied easily in the student loan servicing context. The CFPB rule requires a timely notice identifying the new servicer and provides protections against misapplied payments during the transition. Equally important are the requirements elsewhere in the CFPB's mortgage servicing rules that define a duty of the new servicer to acquire complete and accurate data from the prior servicer. The CFPB's rules require a transferor servicer to have policies and procedures reasonably designed to provide for the timely transfer of all information and documents in its possession or control to a transferee servicer in a manner that ensures the accuracy of the information and documents transferred.<sup>61</sup> A similar provision needs to be made applicable for student loan servicing transfers.

*Payoff Statements.* The CFPB's rule requires a mortgage servicer to respond within no later than seven business days to a request by a borrower (or the borrower's agent) for a loan payoff statement.<sup>62</sup> The payoff amount must be referenced to a specific date. This CFPB provision is subject to private enforcement and remedies under the TILA. Many states have enacted similar statutes applicable to mortgage servicers. State statutes providing more protections to borrowers, such as greater damages remedies or a shorter servicer response time, are not preempted.

Given the flexible nature of student loan payments, borrowers need a prompt and reliable means to obtain information about the status of their accounts. Along with periodic statements, discussed above, a requirement to provide a payoff statement upon request is appropriate in the student loan context.

*Prompt Application of Payments.* The CFPB's mortgage servicing rule requires servicers to credit payments to the borrower's account as of the day of receipt.<sup>63</sup> This rule is based on a 2008 Federal Reserve Board rule and has very limited exceptions. The CFPB's rule also addresses application of payments from suspense accounts, prohibiting servicers from delaying application due to an unpaid late fee.<sup>64</sup> The CFPB's rule also prohibits the pyramiding of late fees.<sup>65</sup> Specifically, the rule prohibits assessment of a late fee "attributable solely to failure of the consumer to pay a late fee or delinquency charge on an earlier payment."<sup>66</sup>

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<sup>60</sup> 12 C.F.R. § 1024.33(b), (c). This provision is privately enforceable by borrowers. 12 U.S.C. §§ 2605(f), 2614.

<sup>61</sup> 12 U.S.C. § 1024.38(b)(4). Additional requirements related to ensuring continuity for pending loss mitigation applications have been proposed in amendment § 1024.41(k), comments closed March 16, 2015.

<sup>62</sup> 12 C.F.R. § 1026.36(c), implementing 15 U.S.C. § 1639g (2010).

<sup>63</sup> 12 C.F.R. § 1026(c)(1).

<sup>64</sup> *Id.*

<sup>65</sup> 12 C.F.R. § 1026.36(c)(2).

<sup>66</sup> *Id.*

The CFPB's prompt application of payments rule should be applied to student loan servicers. In addition, regulators need to address application of student loan payments in a broader way. Because one student loan servicer often services multiple loans of one borrower, regulators must address the practice of crediting payments among loans so as to maximize fees and minimize payoff. This is particularly problematic when a borrower prepays.

## **7. Standards of Servicer Conduct Required by State Statutes and Regulations.**

In Item No. 8 the Bureau has asked for descriptions of standards required by, *inter alia*, various statutes that policymakers should consider when looking at options to improve student loan servicing. We would like to focus here on state laws pertaining to mortgage servicing. In the wake of the foreclosure crisis many states enacted statutes that regulate mortgage servicers' loss mitigation conduct. Some of these statutes set requirements that servicers certify compliance with loss mitigation review standards before they foreclose. In other instances the laws compel servicers to participate in mediations focused on loss mitigation before they proceed with a foreclosure.

Both types of laws are clear evidence of the failure of federal entities to regulate mortgage servicers. If federal agencies, including the GSEs, the Department of Treasury, and FHA had enforced their own loss mitigation rules, it is unlikely that states would have seen the need to implement these borrower protections against unnecessary foreclosures. The state laws, and particularly the mediation programs, stepped in to fill the gap in enforcement left at the federal level. Essentially, the mediation programs perform the loss mitigation review work that mortgage servicers should be doing on their own - and that federal entities have shown little interest in ensuring that servicers perform.

Perhaps the most extensive set of borrower protections against mortgage servicer misconduct in foreclosures appears in the California Homeowner Bill of Rights ("HBOR"), effective January 1, 2013. HBOR gives borrowers the right to enforce servicing requirements similar to those under the National Mortgage Settlement.<sup>67</sup> The statute sets a number of requirements that servicers must follow before they may complete a sale under California's non-judicial foreclosure statute. Under a California statute enacted a few years earlier, servicers could not record an initial notice of default to begin foreclosure unless they could certify that they had contacted or attempted to contact the borrower to review for loss mitigation. HBOR strengthened this provision by creating a private enforcement remedy.<sup>68</sup> In addition, servicers must now continue to offer loss mitigation reviews after they begin foreclosure.<sup>69</sup> If the borrower has submitted a complete application for loss mitigation, the servicer may not conduct a foreclosure sale without finalizing the review.<sup>70</sup> HBOR regulates the review procedures for loss mitigation

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<sup>67</sup> Cal. Civ. Code §§ 2924.12 and 2924.19 (2013).

<sup>68</sup> Cal. Civ. Code §§ 2923.5(a) and 2923.55(a) (2013).

<sup>69</sup> Cal. Civ. Code § 2924.9 (2013).

<sup>70</sup> Cal. Civ. Code § 2923.6(c) (2013).

applications<sup>71</sup> and prohibits foreclosure while the borrower is complying with an approved loss mitigation option.<sup>72</sup> The borrower may recover damages for “material” violations of these provisions.<sup>73</sup> The borrower may seek injunctive relief to stop a pending sale scheduled in violation of HBOR, but post sale remedies are limited to monetary relief.<sup>74</sup>

In addition to statutes, state banking agencies have also promulgated rules that regulate mortgage servicers. Like the California HBOR statute, these rules may set standards for loss mitigation review. The New York Department of Financial Services Banking Division has issued one of the more comprehensive sets of mortgage servicing regulations.<sup>75</sup> The New York rules address many of the topics outlined in the CFPB’s RFI, including crediting of payments, account statements, balance statements, and fees. One of the New York loss mitigation rules requires review for modifications and sets procedural requirements for these reviews.<sup>76</sup> The New York rules are not privately enforceable by borrowers, but they set a standard for unfair and deceptive servicing practices.

Finally, thirteen states, including the District of Columbia, have enacted statutes that require mortgage servicers to participate in some form of face-to-face conference or mediation with borrowers before foreclosing.<sup>77</sup> In addition, court systems have set up mediation programs throughout Illinois, Ohio, Pennsylvania, and New Jersey. Many of these state programs include requirements that servicers show that they complied with applicable protocols for loss mitigation review, including guidelines for HAMP and FHA and GSE servicing standards before they foreclose. Programs in Connecticut, New York, and Philadelphia have consistently seen high borrower participation rates and recorded impressive levels of successful outcomes for borrowers.<sup>78</sup> As with other state efforts to regulate mortgage servicers, the growth of these conference and mediation programs is a symptom of the absence of effective regulation of mortgage servicers at the federal level. The goal of these state programs is to have servicers

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<sup>71</sup> Cal. Civ. Code §§ 2924.10 and 2923.6 (2013).

<sup>72</sup> Cal. Civ. Code § 2924.11 (2013).

<sup>73</sup> Cal. Civ. Code §§ 2924.12(a), 2924.19(a) (2013) (the statute provides for treble actual damages or \$50,000 in statutory damages if servicer’s conduct was willful).

<sup>74</sup> *Id.*

<sup>75</sup> New York Dept. of Financial Services Banking Division Regulations Part 419, Servicing Mortgage Loans (Sept. 2013)

<http://www.dfs.ny.gov/legal/regulations/emergency/banking/ar419tx.htm> .

<sup>76</sup> *Id.* § 419.11.

<sup>77</sup> These are: Connecticut, Delaware, District of Columbia, Hawaii, Indiana, Maine, Maryland, Nevada, New York, Oregon, Rhode Island, Vermont, and Washington. For summaries of these programs see National Consumer Law Center, *Rebuilding America: How States Can Save Millions of Homes Through Foreclosure Mediation* (Feb. 2012), available at [www.nclc.org/images/pdf/foreclosure\\_mortgage/mediation/model-foreclosure-crisis-driven.pdf](http://www.nclc.org/images/pdf/foreclosure_mortgage/mediation/model-foreclosure-crisis-driven.pdf); Federal Reserve Bank of Boston, *State Foreclosure Prevention Efforts in New England: Mediation and Assistance* (Fed. Reserve Bank of Boston Research Report 11-3, Sept. 2011), available at <http://www.bos.frb.org/economic/neppc/researchreports/2011/neppcrr1103.pdf>;

<sup>78</sup> See Office of the Chief Court Administrator, *Report to the General Assembly, Connecticut Foreclosure Mediation Program* (Feb. 14, 2015); The Philadelphia Reinvestment Fund, *Philadelphia Residential Mortgage Foreclosure Diversion Program: Initial Report and Findings* (June 2011), available at [www.trfund.com/resource/downloads/policypubs/Foreclosure\\_Diversion\\_Initial\\_Report.pdf](http://www.trfund.com/resource/downloads/policypubs/Foreclosure_Diversion_Initial_Report.pdf); State of New York Unified Court System, *2014 Report of the Chief Administrator of the Courts* (Nov. 2014), available at [www.nycourts.gov/publications/pdfs/2014ForeclosureReport.pdf](http://www.nycourts.gov/publications/pdfs/2014ForeclosureReport.pdf).

perform tasks that they are contractually required to perform under their agreements with federal entities and with the owners of the loans.

The mortgage conference and mediation programs are clear proof of the benefit that flows from having third-party oversight of servicer conduct. Mediators are trained to know the different foreclosure alternatives available under various servicing guidelines. Having a party with this knowledge involved levels the playing field between servicer staff and individual borrowers. Mediation programs can require that servicers document and explain decisions. Most importantly, they can ensure that enforcement does not proceed without adherence to applicable servicing guidelines.

Earlier in these comments we highlighted the need for an effective appeal program in a servicing system. Like the RHS appeal system, these state and local mortgage foreclosure mediation programs are examples of procedures that ensure oversight and accountability of servicer conduct. Key elements include a form of competent third party oversight and the ability to make enforcement of the underlying debt obligation contingent upon compliance with servicing rules.

## **II. Requirements Related to Servicing in the Credit Card Market**

In January 2009, the first substantive federal regulations governing credit card practices were issued. A few months later, Congress enacted the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the Credit CARD Act), amending the Truth in Lending Act to add numerous substantive credit card protections.

Many complaints of private education loan borrowers today echo those of credit card borrowers prior to the protections of the 2009 CARD Act. Prior to the CARD Act, consumers with credit card debt faced many unfair servicing practices that hurt their ability to promptly pay down their balances and unfairly increased their costs. For example, credit card companies would allocate payments in a way that maximized interest to them, take too long to post payments, or charge unfair late fees. The CARD Act has saved consumers tens of billions in unfair charges, while reducing risk to the industry and preserving consumers' access to affordable credit. Student loan borrowers deserve the same protections as credit card borrowers now enjoy.

We refer to the analysis in the comments submitted by the Center for Responsible Lending for more detailed lessons from the CARD Act to apply to student loan servicing.

### **Part 3: Impact of Limits on Availability of Data**

#### **I. Producing Data on Servicer Performance**

As Item No. 12 the Bureau has asked for assessments of the extent to which “publicly available data sets in other consumer financial markets . . . [are] instructive as policymakers consider ways to better afford the public and regulators the ability to monitor trends in the

[student loan] market and assess consumer risks.” The inquiry specifically mentions the “OCC’s monthly mortgage metrics” as a potential point of reference.

We believe that the OCC’s quarterly metrics reports provide one useful model for making important servicer performance data available to the public and to regulators. We are not aware of any comparable data source for student loan servicing information. The OCC data focuses on first lien mortgages serviced by the eight largest national servicers. Like student loan servicing, mortgage servicing is concentrated in the hands of a few large institutions.

The OCC’s data falls into three basic categories. First, mortgage performance data shows percentages of all loans over time that are current and at various stages of delinquency and default. This data includes break-downs based on participation in government insurance programs, GSE ownership, and certain general borrower credit categories. Second, the data portrays “home retention actions” by servicers. This data shows national totals and national percentages of loans that are modified and how the modified loans perform over time. A helpful aspect of this data is the breakdown of how modified loans perform based on characteristics of the modifications. For example, the data provides solid evidence that a focus on the debt-to-income ratio of modified loans plays a key role in minimizing redefaults. The servicers provide details regarding dollar amounts of payment reductions and percentage reductions in payments based on various modification options. Thus, the data allows comparisons between the re-default rates of different payment modification models. Finally, the OCC data records “home forfeiture actions” by servicers. This includes information on raw numbers and percentages of foreclosures commenced and completed, as well as short sales and deeds in lieu of foreclosure transactions. The appendices of the OCC Report list loan modification data by state.

A major shortcoming of the published OCC mortgage metrics is the failure to include breakdowns of data by servicer. For more than four years the Treasury Department published monthly Making Home Affordable Program Performance Reports.<sup>79</sup> These reports named the major servicers participating in the HAMP loan modification program and gave details on each servicer’s performance. The same servicers who participate in the OCC mortgage metrics service participate in HAMP. Therefore there can be no credible argument that this type of servicer information must be shielded as “proprietary.” HUD publishes a similar set of data that details the loss mitigation performance of each servicer of FHA mortgage loans.<sup>80</sup> HUD’s data shows the number of each type of loss mitigation option each servicer approves over time. Both HUD and the GSEs require that servicers provide monthly reports regarding delinquent loans, including the status of all loss mitigation efforts, to the respective supervising entity.<sup>81</sup> Servicers of VA-insured loan must participate in a similar monthly reporting system.<sup>82</sup>

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<sup>79</sup> See e.g. sample HAMP Monthly Serving Report at <http://www.treasury.gov/initiatives/financial-stability/reports/Documents/March%202013%20MHA%20Report%20Final.pdf> .

<sup>80</sup> HUD Neighborhood Watch Survey at <https://entp.hud.gov/sfnw/public/> .

<sup>81</sup> Fannie Mae Single Family Servicing Guide § D2-4 (Reporting Delinquent Loan and Workout Options, effective 11/12/2014); FHA Single Family Housing Policy Handbook 4000.1 Part III A. 2 .vii (published June 2015, effective 3/14/2016).

<sup>82</sup> VA Loan Electronic Reporting Interface (VALERI) at [http://www.benefits.va.gov/homeloans/servicers\\_valeri.asp](http://www.benefits.va.gov/homeloans/servicers_valeri.asp).

Given the concentration of student loan servicing and the role of the United States in owning and guaranteeing student loans, it is crucial that a wide range of servicer-specific performance data be available to the public. This data should include information about delinquencies and defaults. It must also include data on all actions the servicers have taken to modify monthly payment amounts and how the monthly payments relate to current borrower income. Information on successes and failures of various payment arrangements is crucial to evaluation of their effectiveness. The OCC appears to have invested substantially in developing and monitoring its reporting system.<sup>83</sup> If the government invests in an effective student loan servicing reporting system and rigorously enforces reporting requirements, the outcome should be a better collection system that benefits all parties.

Finally, we would caution against reliance on an anecdotal borrower complaint system as a substitute for detailed data reporting from servicers. Many borrowers lack knowledge of servicing requirements and other legal duties of servicers. Moreover, a borrower has little incentive to formulate a complaint when the complaint system is not tied to a formal procedure that can grant relief to the borrower.

As economists from the Federal Reserve Bank of New York have written, “much is unknown about the student loan market. Relevant data are limited and, for the most part, anecdotal.”<sup>84</sup> The current gaps in both federal and private education loan data pose serious obstacles for policymakers and other stakeholders seeking to evaluate consumer risks related to student loan servicing.

More than two out of five (41%) outstanding student loan dollars are from private education loans and Federal Family Education Loans (FFEL) for which there are no servicer-level data, and in some cases no data at all, available on loan status, terms, or repayment plan. Even for Federal Direct Loans, key data are not available to evaluate the effectiveness of student loan servicers, such as the share of each servicer’s portfolio in delinquency, the share that goes into default, and the share of borrowers in income-driven repayment who successfully recertify their income each year.

There is also a need for annual data on borrowing behavior and outcomes broken out by the demographic characteristics of borrowers, such as by race and income. Those data, currently only available from sample surveys conducted every four to eight years, would help shed light on whether certain populations are experiencing a heavier burden of loan debt, being serviced differently, and/or experiencing disproportionately poor outcomes, such as delinquency and default.

Finally, more *school-level* data on federal loans would help policymakers identify if borrowers are being placed in forbearance or deferment when it is not in their best interest, either to delay defaults until after the period when schools are held accountable or because it is easier for the servicer to do so than to place them in a more appropriate repayment plan. We refer to the detailed analysis in comments submitted by The Institute for College Access and Success.

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<sup>83</sup> See OCC Mortgage Metrics Report Fourth Quarter 2014, p. 8 (March 2015).

<sup>84</sup> Federal Reserve Bank of New York. March 5, 2012. Blog Post. “Grading Student Loans.” <http://libertystreeteconomics.newyorkfed.org/2012/03/grading-student-loans.html>.

There is a striking lack of research on what works in servicing. To the extent research is being done, it appears to be mainly behind the scenes efforts by companies to gain competitive advantages. However, servicers do not publicly reveal this research either because they claim it is proprietary or because they claim that their contracts with the Department prohibit them from revealing this information. The proprietary model therefore creates a barrier to equal access to quality servicing.

The Obama Administration called for behaviorally designed pilot studies to test communication strategies. This is important, but the pilots should be expanded to test interventions beyond improved communication.

### **Conclusion**

As the Bureau continues to gather data and consider reform, we urge the Bureau to work with other government agencies to help ensure that borrowers are protected and able to access relief. President Obama emphasized the importance of interagency cooperation and coordination in his March 2015 Student Aid Bill of Rights.

The student loan programs work well for many students who are able to complete their educations and earn sufficient income after graduation to repay their debts within a reasonable period of time. Unfortunately, this scenario is becoming less common as borrowers get deeper into debt earlier in the process and do not know about available, if limited, options that could help them avoid problems down the road. Once these problems begin, collection costs and fees accrue so rapidly and aggressive collection efforts hit so hard that many borrowers never recover.

While the student loan programs are here to stay, there are ways to alleviate the burden for the most vulnerable and lower income borrowers. Our higher education system and economic productivity depend on how we resolve these issues. Access to higher education is key to help struggling families remain in the middle class and help those lower on the economic ladder to get ahead. Quality servicing is a key component of reform.

Thank you for your consideration of these comments.

# ATTACHMENT 1

Loan Number(s) [REDACTED]

\*\*\*\*\*AUTO\*\*3-DIGIT [REDACTED]

56930/148

[REDACTED]  
Roslindale, MA 02131- [REDACTED]  
[REDACTED]

Valued customer,

We are pleased to inform you that your outstanding loan balance has been decreased. Please read this letter carefully to make sure you understand the benefits and your continuing obligation to repay your remaining balance.

As you may have heard, ECMC has acquired a majority of the Corinthian College campuses. As a part of that transaction, the Consumer Financial Protection Bureau (CFPB) announced that certain current and former students will have the balance of their Genesis loans reduced. Though all of your loans may not be eligible, the loan(s) referenced above will receive the following benefits:

- Your principal balance has been reduced by \$525.2. Your new principal balance is \$787.8.
- Your current monthly payment remains \$44. You should continue to make this same monthly payment.
- If negative information was reported to credit reporting bureaus about the loan(s) referenced above, that information is being deleted from your credit report. However, if you fail to make the required payments in the future, we may provide that information to the credit reporting bureaus.
- You will not be sued in court, or threatened with legal action, in connection with collections on the loan(s) referenced above.

The CFPB published a special bulletin for current and former Corinthian students, which includes FAQs to help answer questions you might have related to the benefits you are receiving. A copy of the CFPB's bulletin is enclosed with this letter. If you have a complaint related to the collection of a student loan or another financial product or service, you can submit a complaint to the Bureau through its website, [www.consumerfinance.gov/complaint](http://www.consumerfinance.gov/complaint).

Should you have any questions that are not answered in the FAQs please feel free to reach out to the current servicer, Genesis Loan Servicing at 888-711-4307.

We look forward to continuing to serve you.

# ATTACHMENT 2

OG06 111106 1106 000123 000245 000001/000002 000000

**Invoice**

11/06/11



SALEM MA 01970-

MAKE CHECK PAYABLE TO:

SALLIE MAE - Department of  
Education Loan Services

AND SEND TO  
OUR PAYMENT ADDRESS:

PO BOX 740351  
ATLANTA GA 30374-0351

ACCOUNT NUMBER:

CURRENT PHONE IS: (978) 407-8050

Changed your address or phone number?

Please visit SallieMae.com to update your information.

Please detach and return with payment.

PAYMENT DUE DATE

IMMEDIATELY

PAST DUE AMOUNT

\$ 595.40

TOTAL AMOUNT DUE

\$ 756.75

**Your Loan is Seriously Delinquent  
Avoid Further Impact to Your Credit Rating  
Call Today to Discuss Payment Options**

**This is a serious situation. Your loan payment is 120 days past due.**  
Please call us today at 800-722-1300 to discuss payment options.  
Depending on your loan program, you may be eligible for payment options that:

- Reduce your monthly payment through income-sensitive, income-based or other repayment plans
- Suspend payments through deferment; for example, while you're in school, unemployed, or experiencing financial hardship
- Postpone your payment through forbearance

You may also consider loan consolidation.

If you default, your loan(s) becomes immediately due in full. Additional consequences of default include further damage to your credit rating and the default will be reported to all consumer reporting agencies. The U.S. Department of Education also may:

- offset your future state and federal income tax refunds,
- offset other future payments made to you by the federal government,
- garnish your wages, as permitted by law, and
- pursue litigation against you.

**Loan Information** Please refer to your most recent billing statement for details.

Loans listed below are the loans referred to in this letter.

LOAN DATE	ORIGINAL LOAN AMOUNT	OUTSTANDING PRINCIPAL	INTEREST RATE	LOAN PROGRAM
09/23/08	\$ 7,000.00	\$ 8,234.96	6.800	FFELP
09/26/08	5,500.00	5,998.52	6.000	FFELP



Account Number:

SALEM MA 01970-

Page 2

11/06/11

**Please take action to bring your account up to date. Call us toll free at 800-722-1300 to discuss the best option for you.**

We're here to help you Monday-Thursday, 8 a.m. to 9 p.m., and Friday, 8 a.m. to 5 p.m., ET.

Sincerely,  
Sallie Mae - Department of Education Loan Services

When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. When we use information from your check to make an electronic fund transfer, funds may be withdrawn from your account as soon as the same day we receive your payment, and you will not receive your check back from your financial institution.

Payments pursuant to a disputed sum or balance and/or regarding which you demand complete or partial satisfaction for a loan must be sent to Sallie Mae - Department of Education Loan Services, P. O. Box 9635, Wilkes-Barre, PA 18773-9635, with a description of the alleged dispute and the remedy sought. As provided in the underlying loan note(s), Sallie Mae reserves the right to accept the payment and deny the requested relief whether or not it returns or refunds such payments.

### Loan Information

Loans listed below are the loans referred to in this letter.

LOAN DATE	ORIGINAL LOAN AMOUNT	OUTSTANDING PRINCIPAL	INTEREST RATE	LOAN PROGRAM
	\$	\$		

**Sallie Mae®**, Inc.  
300 Continental Drive  
Newark, DE 19713  
TEL: 1-877-915-5398



000159-SLMCOLL-111611-0305\_15\_DP180-S

[REDACTED]  
Salem, MA 01970-[REDACTED]

November 15, 2011

Account: [REDACTED]

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**Notice of Impending Account Review on  
November 29, 2011**

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Dear [REDACTED]

Sallie Mae® has continued to try to work with you to resolve your debt. At this time we'll review your account referenced above on **November 29, 2011** and consider further collection and/or legal options. To avoid elevated collection activities, you must make acceptable payment arrangements prior to our review of your account.

**Your response may influence our decision.**

Unless you resolve your defaulted balance before November 29, 2011 we'll consider the following options:

- **Attorney Referral** - During the review process, we may consider whether to submit your account for further collection activity to an attorney that specializes in debt collection. If legal action is filed against you, you will be summoned to appear in court where Sallie Mae will seek to recover the maximum amount permitted by law. To avoid such litigation, please call us to discuss a possible settlement of your debt or repayment program that will fit your budget.
- **Collection Agency Referral** - When we review your account, another option we may consider is referring your account to a collection agency for additional collection activity.

We'd prefer to work directly with you to resolve your account ourselves, rather than referring your account to a third party. Sallie Mae account managers are available to help you resolve this today. Please take this opportunity to call us toll free at 1-877-915-5398.

Sincerely,

Kelli Thomas

Sr. Director Collections Recovery

9921111

Please send all correspondence to:  
Sallie Mae, Attn: Recovery  
300 Continental Dr., Newark, DE 19713

# SallieMae®

OFFICE HOURS: Eastern Time

Mon - Thur: 8:00 am - 9:00 pm E.T.  
Friday: 8:00 am - 5:00 pm E.T.  
Saturday: 8:00 am - 12:00 pm E.T.

November 2, 2011

Phone Number: 877-550-1388

112086-4

Salem MA 01970- [REDACTED]

Borrower: [REDACTED]  
Reference #: [REDACTED]  
Account #: [REDACTED]  
Total Current Balance: \$27409.19\*

\*NOTE: The Total Current Balance shown above may not include the amount you owe for all of your Sallie Mae loans. Please see reverse side for a list of loans and details that are included in Total Current Balance listed above.

### REPAYMENT PLAN OPTION

Dear [REDACTED]

As referenced in prior correspondence, your loan(s) has defaulted and as a result, it is your obligation to repay the balance in full immediately.

However, if you are unable to pay the balance in full right now, we are offering a monthly repayment plan – just pay \$1370.46, each month until the balance is paid in full.

To accept this option, simply make sure that we receive your first payment of \$1370.46 on or before November 12 2011 and continue to make your monthly payments as required. Once we receive your final monthly payment and your funds clear, we will stop all further collection efforts.

This offer expires on November 12 2011. However, under appropriate circumstances, we may be willing to extend this offer or adjust the monthly payment amount. Please contact us toll free at 877-550-1388 to discuss these options or to start making payments.

Sincerely,

Sallie Mae Recovery Department

PLEASE SEE REVERSE SIDE FOR IMPORTANT INFORMATION.  
✂ PLEASE RETURN THIS PORTION WITH YOUR PAYMENT. THANK YOU! ✂

IONAROW03 4

Please see reverse side if you would like to pay by credit card



ONAROW03  
PO Box 1022  
Wixom MI 48393-1022  
ADDRESS SERVICE REQUESTED

Borrower: [REDACTED]  
Reference #: [REDACTED]  
Total Current Balance: \$27409.19

Please check here if there is a new phone # or address change and enter information on reverse side.

112086-4 655174722

Salem MA 01970- [REDACTED]

SALLIE MAE INC.  
P.O. Box 480057  
Niles IL 60714-0057



Payments pursuant to a disputed sum or balance and/or regarding which you demand complete or partial satisfaction for a loan must be sent to: Sallie Mae, P.O. Box 480057, Niles IL, 60714, with a description of the alleged dispute and the remedy sought. As provided in the underlying loan note(s), Sallie Mae reserves the right to accept the payment and deny the requested relief whether or not it returns or refunds such payments.

When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. When we use information from your check to make an electronic fund transfer, funds may be withdrawn from your account as soon as the same day we receive your payment, and you will not receive your check back from your financial institution.

As of the date of this letter, you owe the Total Current Balance listed above, which includes the principal balance, interest accrued through today, and any outstanding late fees and other charges. Because interest accrues daily, you should call us for the final pay off amount and/or additional correspondence with updated balance information will be mailed to you at a later date.

Loan ID	Reference #	Principal Balance	Interest	Other Charges
0103	[REDACTED]	7775.12	580.90	01 24.55
0104		8625.44	679.13	62.84
0105		8897.78	700.82	62.61

**Total Current Balance: \$27409.19**

To authorize a payment through a third-party payment service using your credit card, please fill out the following and return in the enclosed envelope.

Check One:  Visa  MasterCard  American Express

For security purposes, please provide the 3-digit or 4-digit CVV (Customer Verification Value); if you are using an American Express card the 4-digit CVV can be found on the front-right section of your card above the account number. If you are using a Visa or MasterCard the 3-digit CVV can be found after the account number on the back side of your card.

Card Number

CVV#

Payment Amount \_\_\_\_\_ Expiration Date \_\_\_\_\_

Card Holder Name \_\_\_\_\_ Signature of Card Holder \_\_\_\_\_ Date \_\_\_\_\_

Address \_\_\_\_\_ City, State, Zip \_\_\_\_\_

Daytime Phone: \_\_\_\_\_ Evening Phone: \_\_\_\_\_

Make changes to your address and phone number below.

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Daytime Phone \_\_\_\_\_ Evening Phone \_\_\_\_\_

By providing your telephone number, you authorize Sallie Mae, its affiliates and/or agents to contact you at such number using any means of communication, regarding any current or future loans owned or serviced by Sallie Mae, its affiliates and/or agents.



Payments pursuant to a disputed sum or balance and/or regarding which you demand complete or partial satisfaction for a loan must be sent to: Sallie Mae, P.O. Box 480057, Niles IL, 60714, with a description of the alleged dispute and the remedy sought. As provided in the underlying loan note(s), Sallie Mae reserves the right to accept the payment and deny the requested relief whether or not it returns or refunds such payments.

When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. When we use information from your check to make an electronic fund transfer, funds may be withdrawn from your account as soon as the same day we receive your payment, and you will not receive your check back from your financial institution.

As of the date of this letter, you owe the Total Current Balance listed above, which includes the principal balance, interest accrued through today, and any outstanding late fees and other charges. Because interest accrues daily, you should call us for the final pay off amount and/or additional correspondence with updated balance information will be mailed to you at a later date.

Sallie Mae is required to file an IRS form 1099-C at the end of each year for each consumer loan regarding which it settles or forgives \$600 or more of the principal balance due on such loan. If Sallie Mae is required to file a form 1099-C in connection with the settlement or forgiveness of the above referenced loan(s), a copy of such form will also be mailed to you. The IRS may require the borrower or cosigner to pay income tax in connection with any amounts identified in such form 1099-C as having been forgiven and/or settled. Sallie Mae cannot provide you with tax or legal advice and encourages you to consult a tax professional for additional information.

Loan ID	Reference #	Principal Balance	Interest	Other Charges
0103	[REDACTED]	7775.12	549.38	24.55
0104		8625.44	642.33	62.84
0105		8897.78	662.74	62.61

**Total Current Balance: \$27302.79**

Please contact our office at **877-498-6318** to setup your payment arrangement prior to mailing in this coupon to ensure that your payment is applied to this limited offer.

To authorize a payment through a third-party payment service using your credit card, please fill out the following and return in the enclosed envelope.

Check One:  Visa     MasterCard     American Express

For security purposes, please provide the 3-digit or 4-digit CVV (Customer Verification Value); if you are using an American Express card the 4-digit CVV can be found on the front-right section of your card above the account number. If you are using a Visa or MasterCard the 3-digit CVV can be found after the account number on the back side of your card.

Card Number

CVV#

Payment Amount \_\_\_\_\_ Expiration Date \_\_\_\_\_

Card Holder Name \_\_\_\_\_ Signature of Card Holder \_\_\_\_\_ Date \_\_\_\_\_

Address \_\_\_\_\_ City, State, Zip \_\_\_\_\_

Daytime Phone: \_\_\_\_\_ Evening Phone: \_\_\_\_\_

Make changes to your address and phone number below.

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Daytime Phone \_\_\_\_\_ Evening Phone \_\_\_\_\_

By providing your telephone number, you authorize Sallie Mae, its affiliates and/or agents to contact you at such number using any means of communication, regarding any current or future loans owned or serviced by Sallie Mae, its affiliates and/or agents.

Please send all correspondence to:  
Sallie Mae, Attn: Recovery  
300 Continental Dr., Newark, DE 19713



OFFICE HOURS: Eastern Time

Mon - Thur: 8:00 am - 9:00 pm E.T.  
Friday: 8:00 am - 5:00 pm E.T.  
Saturday: 8:00 am - 12:00 pm E.T.

October 3, 2011

Phone Number: 877-614-1162

112086-1001

Salem MA 01970-

Borrower: [REDACTED]  
Reference #: [REDACTED]  
Account #: [REDACTED]  
Total Current Balance: \$27216.34\*

\*NOTE: The Total Current Balance shown above may not include the amount you owe for all of your Sallie Mae loans. Please see reverse side for a list of loans and details that are included in Total Current Balance listed above.

NOTICE OF DEFAULT

Dear [REDACTED]

Your loan(s) has defaulted. Please call us immediately to resolve your loan(s).

We will also attempt to contact the cosigner of the loan(s) regarding this obligation to help all responsible parties work together to resolve this debt.

Realize the following benefits by paying the balance in full:

- Your credit report will be updated to reflect a paid-in-full status, eliminating the need for escalated alternatives such as placement with a collection agency or legal firm.
- No more collection letters or calls regarding this loan(s)!

Please contact us at 877-614-1162 with any questions you may have regarding your outstanding balance on the loan(s) shown above, or to take advantage of other possible repayment solutions.

Sincerely,

Sallie Mae Recovery Department

IONAROW03 1001

PLEASE SEE REVERSE SIDE FOR IMPORTANT INFORMATION.  
✕ PLEASE RETURN THIS PORTION WITH YOUR PAYMENT. THANK YOU! ✕

Please see reverse side if you would like to pay by credit card



ONAROW03  
PO Box 1022  
Wixom MI 48393-1022  
ADDRESS SERVICE REQUESTED

Borrower: [REDACTED]  
Reference #: [REDACTED]  
Total Current Balance: \$27216.34

Please check here if there is a new phone # or address change and enter information on reverse side.

112086-1001 634774019

Salem MA 01970-

11291

SALLIE MAE INC.  
P.O. Box 480057  
Niles IL 60714-0057



Payments pursuant to a disputed sum or balance and/or regarding which you demand complete or partial satisfaction for a loan must be sent to: Sallie Mae, P.O. Box 480057, Niles IL, 60714, with a description of the alleged dispute and the remedy sought. As provided in the underlying loan note(s), Sallie Mae reserves the right to accept the payment and deny the requested relief whether or not it returns or refunds such payments.

When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. When we use information from your check to make an electronic fund transfer, funds may be withdrawn from your account as soon as the same day we receive your payment, and you will not receive your check back from your financial institution.

As of the date of this letter, you owe the Total Current Balance listed above, which includes the principal balance, interest accrued through today, and any outstanding late fees and other charges. Because interest accrues daily, you should call us for the final pay off amount and/or additional correspondence with updated balance information will be mailed to you at a later date.

Loan ID	Reference #	Principal Balance	Interest	Other Charges
0103		7775.12	523.77	24.55
0104		8625.44	612.43	62.84
0105		8897.78	631.80	62.61

**Total Current Balance: \$27216.34**

To authorize a payment through a third-party payment service using your credit card, please fill out the following and return in the enclosed envelope.

Check One:  Visa     MasterCard     American Express

For security purposes, please provide the 3-digit or 4-digit CVV (Customer Verification Value); if you are using an American Express card the 4-digit CVV can be found on the front-right section of your card above the account number. If you are using a Visa or MasterCard the 3-digit CVV can be found after the account number on the back side of your card.

Card Number

CVV#

---

Payment Amount \_\_\_\_\_ Expiration Date \_\_\_\_\_

---

Card Holder Name \_\_\_\_\_ Signature of Card Holder \_\_\_\_\_ Date \_\_\_\_\_

---

Address \_\_\_\_\_ City, State, Zip \_\_\_\_\_

---

Daytime Phone: \_\_\_\_\_ Evening Phone: \_\_\_\_\_

Make changes to your address and phone number below.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
City                      State                      Zip Code

---

Daytime Phone                      Evening Phone

By providing your telephone number, you authorize Sallie Mae, its affiliates and/or agents to contact you at such number using any means of communication, regarding any current or future loans owned or serviced by Sallie Mae, its affiliates and/or agents.

Confirmation

MESSAGE Notification

[REDACTED]

URGENT MESSAGE

for \$50 payment

15975

[REDACTED]

**DON'T DELAY!**

WE HAVE AN IMPORTANT MESSAGE FOR YOU

PRIORITY LEVEL - HIGH

DEAR [REDACTED]

WE HAVE AN IMPORTANT TELEPHONE MESSAGE FOR YOU.

TO RECEIVE YOUR MESSAGE:



CALL TOLL FREE:

1-877-809-8535



TO HEAR YOUR MESSAGE YOU WILL NEED TO CONFIRM THAT YOU ARE THE INTENDED RECIPIENT, PLEASE REFER TO ACCOUNT NUMBER: [REDACTED]

SINCERELY,  
SALLIE MAE  
4501 N SUPERIOR DR  
MUNCIE, IN 47303

# ATTACHMENT 3

## Incentivize High Quality Servicing and Create Real Competition

*Incentives matter, but are not enough to protect consumers*

### Priorities:

- Incentivize default prevention and high quality servicing
- Use performance measures tied to actual performance (the current system is too focused on satisfaction surveys)
- Open up competition beyond the same old players
- Allow borrowers to switch servicers
- Set up pilot projects to test different models



## Provide Real Relief for Borrowers and Information about Relief Options

*Borrowers are too often stuck in a never ending nightmare where they are continually sent back to complain to the same people that started the whole problem*

### Priorities:

- Require effective complaint resolution processes and make sure borrowers know how to use them
- Ensure that borrowers have private enforcement rights
- Develop clear and enforceable borrower servicing rights (the system must work for borrowers, not just for private profit)
- Provide easily accessible information for borrowers



## Punish Bad Actors

*Senator Elizabeth Warren questioning Federal Student Aid CBO William Leith in September 2014 said: "Let me get this straight: You break the law. You don't follow the rules. You treat the borrowers badly...and you all just renegotiated the contracts to make sure that across the portfolio [loan servicers] are going to make a little more money if nothing changes?"*

### Priorities:

- Engage in rigorous public enforcement, including sanctions, contract terminations and other penalties when servicers fail to comply with the law
- Avoid conflicts of interest by creating a single point of entry to the servicing system
- Provide public information about the results of audits, investigations and enforcement actions

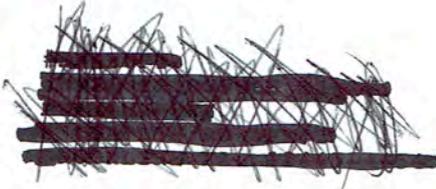
# ATTACHMENT 4



U.S. Department of Education  
Information about your federal student loan

P.O. Box 69184 Harrisburg, PA 17106-9184  
Toll-free 800-699-2908 \* Int'l 717-720-1985  
Fax 717-720-1628 \* TTY: Dial 711  
Monday-Friday 8am to 9pm ET  
[www.MyFedLoan.org](http://www.MyFedLoan.org)

JUNE 16, 2015



ACCT NUMBER:



**WE DENIED YOUR REQUEST FOR IBR  
YOU MAY STILL HAVE OPTIONS**

We reviewed your **Income-Based Repayment (IBR)** application and denied your request for the following reasons.

**MISSING INFORMATION - SUPPORTING DOCUMENTATION NEEDED:** You indicated that you are self-employed. Unfortunately, you did not provide documentation of your income. In order for us to continue processing your request, please send us the following items.

- (1) **A statement outlining the sources and amounts of all of your income**, along with documentation to support this (examples below):
  - a copy of your profit/loss statement
  - copies of your bank statements
  - copies of checks from each income source
  - a copy of your contracts for consulting work

**NOTE: The date on these documents must not be older than 90 days from the date you signed the form.**

- (2) **Proof of your self-employment** (examples below):
  - an official statement from your accountant that confirms your self-employment
  - a copy of the Articles of Incorporation for your business venture
  - a copy of the Business Charter showing your involvement
  - an approval letter for a taxpayer identification number (EIN)

Notes:

(1) If you see just **MISSING INFORMATION** next to your denial reason, we encourage you to reapply within 30 days of the date on this letter through one of the following methods.

- The easiest and quickest way is online.
  - Sign in to [StudentLoans.gov](http://StudentLoans.gov)
  - Select **Repayment** from the left hand side navigation bar
  - Click **Complete IBR/Pay As You Earn/ICR Repayment Plan Request**
- Or carefully complete and return the enclosed application with all required documentation

(2) If you see **NOT ELIGIBLE** next to your denial reason, please provide any additional evidence or information to us that you believe will entitle you to qualify.

REPLY TO THIS LETTER OR CONTACT US AT 800-699-2908 TO NOTIFY



## **ELIGIBILITY CRITERIA FOR AN INCOME-BASED REPAYMENT PLAN**

You may qualify to repay your loans under the IBR Plan if you have eligible loans and have a partial financial hardship.

### **Partial Financial Hardship**

You are considered to have a partial financial hardship if the annual amount due on all of your eligible loans, as calculated under a standard repayment plan with a 10-year repayment period, is more than 15% of the difference between your adjusted gross income (AGI) and 150% of the poverty guideline amount for your family size and state. If you are married and file a joint federal tax return with your spouse, your AGI includes both your income and your spouse's income. In addition, if you file a joint federal tax return and your spouse has eligible loans, those loans can be considered when determining if you have a partial financial hardship.

### **Eligible Loans**

- Direct Subsidized Loans
- Direct Unsubsidized Loans
- Direct Consolidation Loans that did not repay a parent PLUS loan
- Direct student PLUS Loans made to graduate or professional students
- Federal Family Education Loan (FFEL) Stafford Loans (subsidized and unsubsidized)
- FFEL student PLUS loans made to graduate and professional students
- FFEL SLS Loans
- FFEL Consolidation loans that did not repay a parent PLUS loan

The following loans are not eligible: Direct PLUS Consolidation Loans, Direct parent PLUS Loans, FFEL parent PLUS Loans, Direct Consolidation Loans or FFEL Consolidation Loans that repaid a parent PLUS loan, and loans on which you are in default.

To enroll in the IBR Plan, you must complete the appropriate form and provide a copy of your most recently filed federal income tax form or alternative documentation of your AGI if you are not required to file federal income taxes or if your situation has changed since you last filed federal income taxes.

# ATTACHMENT 5



U.S. Department of Education  
Information about your federal student loan

P.O. Box 69184 Harrisburg, PA 17106-9184  
Toll-free 800-699-2908 \* Int'l 717-720-1985  
Fax 717-720-1628 \* TTY: Dial 711  
Monday-Friday 8am to 9pm ET  
[www.MyFedLoan.org](http://www.MyFedLoan.org)

JUNE 02, 2015



ACCT NUMBER:



**YOUR CONSOLIDATION REQUEST IS ALMOST COMPLETE!**

We are in the process of completing the consolidation of your student loans. Please review the enclosed summary which details the loans that are being included in your Direct Consolidation Loan as well as the repayment plan selected for your new loan.

**IMPORTANT:** If you forgot to include any loans on your application or wish to remove any loans from the consolidation, please contact us IMMEDIATELY. After your Consolidation Loan is disbursed, you will need to submit a Request to Add Loans form for any loans that were not included.

To cancel your consolidation application, visit [MyFedLoan.org](http://MyFedLoan.org) and sign into Account Access, your online account management tool. You have 10 business days from the date of this letter to cancel your application. After the consolidation process is complete, we are not able to "unconsolidate" your new Direct Consolidation Loan.

If you were notified that you're required to choose an Income-Driven Repayment (IDR) plan in order to consolidate one or more of your loans, and we have not received your complete IDR plan request form, the affected loans are listed as "Loans not to be Consolidated" on the next page. We still need your complete IDR plan request form, including your income documentation, in order to consolidate these loans. You can submit these documents electronically by signing in to [StudentLoans.gov](http://StudentLoans.gov) at any time.

**What Happens Next?**

After the consolidation process is complete, we will provide you with detailed information about your new Direct Consolidation Loan and monthly payment amount.



## Consolidation Loan Details

### Loans to be Consolidated

Existing Account Number	Disbursement Date	Loan Holder Name	Balance	Interest Rate	Portion
XXXXXX [REDACTED]	01/20/2006	PHEAA	\$20,469.15	3.500%	UNSUBSIDIZED
XXXXXX [REDACTED]	01/20/2006	PHEAA	\$9,663.27	3.500%	SUBSIDIZED
Unknown	02/15/2010	DEPT OF ED/GREAT LAK	\$12,420.51	6.800%	UNSUBSIDIZED
Unknown	10/05/2010	DEPT OF ED/GREAT LAK	\$11,802.96	6.800%	UNSUBSIDIZED

### Loans Not to be Consolidated - Not Applicable

#### Student Loan Debt Summary

Included in Consolidation	\$54,355.89
Not Included in Consolidation	\$0.00
<b>Total</b>	<b>\$54,355.89</b>

### Repayment Plan Information

When you completed your consolidation application, you were able to select the repayment plan that best works for you. If you requested a specific plan, we made every effort to honor your request.

→ Repayment Plan You Selected: [Lowest Payment]

If we were not able to provide you with the plan you selected, it was either because  
 (1) you did not provide us with the necessary income documentation to determine your eligibility; or,  
 (2) your loans or income made you ineligible for the plan you selected.

If we were not able to provide you with the plan you requested, or if you did not request a plan at all, we selected the repayment plan below for your Direct Consolidation Loan.

→ Repayment Plan For Your Direct Consolidation Loan: [Income- Contingent Repayment]

### Other Repayment Plan Options

We want to make sure that you are aware of all of the available plans for your new Consolidation Loan. Review your options below to get an idea of the difference in payment amounts and total amount to be repaid for each of the plans.

Please keep in mind that we are **estimating** your payment amount and term for each of the plans, so the repayment details you receive may be different from the estimates in this letter. When your loan is disbursed, we will determine your repayment terms considering all of your account details at that time, and send you confirmation of your repayment plan details.

**Good to Know:** You can request to change your repayment plan at any time!

[ Total Loan Amount: \$54,355.89  
 Consolidation Interest Rate: 5.000%  
 Your Adjusted Gross Income\*: \$37,662.00  
 Your Family Size: 01  
 Spouse's Debt: N/A ]

JUNE 02, 2015

\*If an amount is listed, it represents your most recently reported adjusted gross income, unless you indicated that your income has changed or you currently have no taxable income. If you reported that you have no taxable income, we will use \$0 when calculating your estimated payment amounts.

Repayment Plan	Number of Payments	Initial Payment	Max Payment	Total Interest to be Repaid	Total to be Repaid
Standard	300	\$317.76	\$317.76	\$40,967.05	\$95,322.94
Graduated	300	\$230.82	\$504.87	\$49,287.14	\$103,643.03
Extended Fixed	300	\$317.76	\$317.76	\$40,967.05	\$95,322.94
Extended Graduated	300	\$230.82	\$504.87	\$49,287.14	\$103,643.03
Pay As You Earn	Not Eligible				
Income- Based Repayment	Unknown				
Income-Contingent Repayment	TBD	\$426.52	TBD	TBD	TBD

#### Additional Repayment Plan Eligibility Information

You are not eligible for the plan listed as 'Not Eligible' based on the loan or income requirements for that specific plan. For more information regarding the eligibility criteria for each of these plans, visit [MyFedLoan.org/paymentplans](http://MyFedLoan.org/paymentplans).

We were not able to determine your repayment plan details for the plan listed as 'Unknown' because we did not have all of the necessary information or still need additional time to review your income information to determine if you are eligible for the repayment plan listed. We need at least your adjusted gross income and family size to provide you with the plan details. For Pay As You Earn, we also need to collect loan details for any loans you may have paid in full prior to your consolidation before we can determine your eligibility. If you are interested in one of these plans, visit [MyFedLoan.org/paymentplans](http://MyFedLoan.org/paymentplans) and compare your estimated monthly payment for each plan.

## **ELIGIBILITY CRITERIA FOR AN INCOME-BASED REPAYMENT PLAN**

You may qualify to repay your loans under the IBR Plan if you have eligible loans and have a partial financial hardship.

### **Partial Financial Hardship**

You are considered to have a partial financial hardship if the annual amount due on all of your eligible loans, as calculated under a standard repayment plan with a 10-year repayment period, is more than 15% of the difference between your adjusted gross income (AGI) and 150% of the poverty guideline amount for your family size and state. If you are married and file a joint federal tax return with your spouse, your AGI includes both your income and your spouse's income. In addition, if you file a joint federal tax return and your spouse has eligible loans, those loans can be considered when determining if you have a partial financial hardship.

### **Eligible Loans**

- Direct Subsidized Loans
- Direct Unsubsidized Loans
- Direct Consolidation Loans that did not repay a parent PLUS loan
- Direct student PLUS Loans made to graduate or professional students
- Federal Family Education Loan (FFEL) Stafford Loans (subsidized and unsubsidized)
- FFEL student PLUS loans made to graduate and professional students
- FFEL SLS Loans
- FFEL Consolidation loans that did not repay a parent PLUS loan

The following loans are not eligible: Direct PLUS Consolidation Loans, Direct parent PLUS Loans, FFEL parent PLUS Loans, Direct Consolidation Loans or FFEL Consolidation Loans that repaid a parent PLUS loan, and loans on which you are in default.

To enroll in the IBR Plan, you must complete the appropriate form and provide a copy of your most recently filed federal income tax form or alternative documentation of your AGI if you are not required to file federal income taxes or if your situation has changed since you last filed federal income taxes.

# ATTACHMENT 6



PO BOX 9635  
WILKES-BARRE, PA 18773-9635

(800) 722-1300

Dear [REDACTED]

Account Number: [REDACTED]

We're pleased to service your education loan(s) on behalf of the Department of Education. Please note that you're scheduled to begin repayment on the loan(s) listed below.

Payments should be sent to your loan provider: Department of Education, P.O. Box 740351, Atlanta, GA 30374-0351.

And any correspondence can be sent to your loan servicer: Navient - Department of Education Loan Services, P.O. Box 9635, Wilkes-Barre, PA 18773-9635.

Unable to start making payments now? Call us immediately at 800-722-1300 so that we can assist you in finding a repayment option that may be available such as deferment, forbearance, loan consolidation or other repayment plans. In the event of a default (past due payments), options are available through loan rehabilitation and federal loan consolidation. Find more information online at Navient.com, MappingYourFuture.org, and Ombudsman.ed.gov.

### LOAN INFORMATION

LOAN DATE	LOAN AMOUNT	INTEREST RATE	PROGRAM
05/15/15	\$ 59,090.96	5.875	DLSUBCONS
05/15/15	\$177,040.88	5.875	DLUSUBCONS

Loans with variable interest rates will have a "type" listed below in italics after the listed interest rate. These "types" mean:

**INTEREST RATE TYPES 1-9:** The rate listed is the current rate on your loan. The rate is variable and changes each year on July 1. An increase in the rate may increase your payment amount or your number of payments. The variable rate for subsidized loans is based on the 91-day U.S. Treasury Bill (T-Bill). The variable rate for PLUS and SLS loans is based on the 52-week T-Bill. \* Both T-Bill rates are based on the last auction held prior to June 1. The interest rate is calculated as follows:

- |  |  |  |
|--|--|--|
| 1. Applicable T-Bill + 3.25%, never to exceed 12%. | 5. Applicable T-Bill + 3.10%, never to exceed 7%.    | 9. During school, grace and deferment, the rate is the applicable T-Bill + 2.5%; otherwise, the rate is the applicable T-Bill + 3.10%. The rate will never exceed 8.25%. |
| 2. Applicable T-Bill + 3.10%, never to exceed 9%.  | 6. Applicable T-Bill + 3.10%, never to exceed 8%.    |  |
| 3. Applicable T-Bill + 3.10%, never to exceed 11%. | 7. Applicable T-Bill + 3.10%, never to exceed 8.25%. |  |
| 4. Applicable T-Bill + 3.10%, never to exceed 10%. | 8. Applicable T-Bill + 3.25%, never to exceed 10%.   |  |

**INTEREST RATE TYPE 10:** The annual interest rate is 8% during the first four years of repayment. Any periods of deferment or forbearance do not extend the time during which 8% is charged. A variable rate, as described above in INTEREST RATE TYPES 1-9, is charged beginning the fifth year of repayment until your loan is paid in full and is calculated as follows: Applicable T-Bill + 3.25%, never to exceed 10%.

**INTEREST RATE TYPE 11:** A variable rate, as described above in INTEREST RATE TYPES 1-9, is calculated as follows: During school, grace and deferment, the rate is the applicable T-Bill + 1.7%; otherwise, the rate is the applicable T-Bill + 2.3%. The rate will never exceed 8.25%.

**INTEREST RATE TYPE 12:** A variable rate, as described above in INTEREST RATE TYPES 1-9, except the rate for these PLUS loans is based on the 91-day T-Bill. The rate is calculated as follows: Applicable T-Bill + 3.1%, never to exceed 9%.

\*Effective July 1, 2001, the variable interest rate for SLS and PLUS loans that are currently tied to the 52-week Treasury bill will be based on the weekly average of the one-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the last calendar week ending on or before June 25.

### Amount to be Paid (for the loan(s) listed below)

		<b>Total Principal Amount to be Paid:</b>	<b>\$236,131.84</b>
<b>Unpaid Principal Balance (includes previous capitalized interest):</b>	<b>\$236,131.84</b>	<b>Estimated Amount of Accrued Interest to be Paid During Repayment (assuming payments are made as scheduled):</b>	<b>+ \$268,217.36</b>
<b>Accrued Unpaid Interest to be Capitalized with this Disclosure:</b>	<b>+ \$0.00</b>	<b>Estimated Total Amount to be Paid Over the Life of the Loan:</b>	<b>\$504,349.20</b>
<b>Total Principal Amount to be Paid (assuming the above interest capitalizes):</b>	<b>\$236,131.84</b>	<b>Interest Paid as of the Date of this Disclosure:</b>	<b>\$0.00</b>

### Payment Schedule

Your repayment period for the loans listed below officially begins on 05/15/15 and your first payment is due 07/03/15 (the same day applies for each monthly payment). Please use the payment schedule below and note it has added the new loan payment(s) with any loan payment(s) you may already be making:

NUMBER OF PAYMENTS	PAYMENT AMOUNT	DUE DATE
360	1,400.97	07/03/15



# ATTACHMENT 7



Persis Yu &lt;pyu@nclc.org&gt;

---

**Fw: Your Sallie Mae Statement is Available**

1 message

Mon, Mar 3, 2014 at 1:49 PM

To: "[REDACTED]" &lt;pyu@nclc.org&gt;

Sent from Yahoo! Mail on Android

---

**From:** Sallie Mae <CustomerService@salliemae.com>; [REDACTED]**Subject:** Your Sallie Mae Statement is Available**Sent:** Fri, Feb 28, 2014 8:34:25 AM

Dear [REDACTED]

Your monthly statement is now available. Please log in to your account at [SallieMae.com](http://SallieMae.com) to view and pay your bill.

<b>Amount Due:</b> \$88.03
<b>Due Date:</b> 03/22/14

At [SallieMae.com](http://SallieMae.com), you have secure access to your Sallie Mae-serviced loan(s) any time and any place. You can:

- Make online payments for free
- Learn about managing future payments
- Enroll in automatic debit
- And more!

As your saving, planning, and paying for education partner, we appreciate the opportunity to serve you.

Sincerely,

Sallie Mae Customer Service

*Please do not respond to this automated message. Emails sent to this address are not monitored.*

Please note you'll need Adobe Reader 5.0 or higher to view your document. Click [here](#) to download the latest version for free.



Persis Yu &lt;pyu@nclc.org&gt;

---

**Fw: Your Sallie Mae Statement is Available**

2 messages

Thu, Apr 24, 2014 at 1:21 PM

To: "[REDACTED]" &lt;pyu@nclc.org&gt;

[Sent from Yahoo Mail on Android](#)

---

**From:** Sallie Mae <[CustomerService@salliemae.com](mailto:CustomerService@salliemae.com)>;**To:** [REDACTED]**Subject:** Your Sallie Mae Statement is Available**Sent:** Thu, Apr 24, 2014 10:04:25 AM

Dear [REDACTED]

Your monthly statement is now available. Please log in to your account at [SallieMae.com](http://SallieMae.com) to view and pay your bill.

<b>Amount Due:</b>	<b>\$88.03</b>
<b>Due Date:</b>	<b>05/22/14</b>

At [SallieMae.com](http://SallieMae.com), you have secure access to your Sallie Mae-serviced loan(s) any time and any place. You can:

- Make online payments for free
- Learn about managing future payments
- Enroll in automatic debit
- And more!

As your saving, planning, and paying for education partner, we appreciate the opportunity to serve you.

Sincerely,

Sallie Mae Customer Service

*Please do not respond to this automated message. Emails sent to this address are not monitored.*

Please note you'll need Adobe Reader 5.0 or higher to view your document. Click [here](#) to download the latest version for free.

# ATTACHMENT 8

# Direct Loans

William D. Ford Federal Direct Loan Program

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

10/24/2012

Borrower Account Number: [REDACTED]

Dear Borrower,

Thank you for participating in the Direct Consolidation Loan Program.

**Please Review the Enclosed Summary Sheet**

Enclosed is a "Direct Consolidation Loan Summary Sheet" that lists the underlying loans that will be included in your Direct Consolidation Loan. We have also enclosed a fact sheet, "How to Read Your Direct Consolidation Loan Summary Sheet," that will answer any questions that you have regarding this summary.

We encourage you to carefully review the enclosed material. Once your Direct Consolidation Loan is complete, you will not be able to "unconsolidate" any portion of the loan. If you find any errors (incorrect information, missing loans etc.) or wish to discontinue the consolidation process, please call us immediately at the telephone number provided on the back of this Notice.

**We Will Consolidate Your Loans in 15 Days**

If we do not hear from you within 15 days of the date of this letter, we will assume the information given is correct and will proceed with the consolidation.

**Repayment Plan Selection**

Our records indicate that you have selected the following repayment plan:

Repayment Plan: INCOME BASED REPAY

Due to the repayment plan eligibility requirements, the repayment plan shown above may not be the plan you selected on your application. If you choose to change from the repayment plan you have been placed on, you may do so at any time.

There are several repayment plans available for Direct Consolidation Loans.

If you are consolidating defaulted loans, you were notified earlier that you are required to repay your new consolidation loan under the Income Contingent Repayment (ICR) Plan.

# Direct Consolidation Loan Summary Sheet

## SECTION 1 - LOANS ELIGIBLE FOR THIS CONSOLIDATION

10/24/2012

Loan #	Loan Holder Account #	Loan Holder Name	Loan Type	Current Balance	Current Interest Rate	Disbursement Date
1	[REDACTED]	DCS - U S DEPT OF EDUCATION	Sub	\$1,227.19	3.19%	6/18/1998
2	[REDACTED]	DCS - U S DEPT OF EDUCATION	Sub	\$217.32	3.19%	3/16/1998
3	[REDACTED]	DCS - U S DEPT OF EDUCATION	Unsub	\$2,032.82	2.36%	10/19/1999
4	[REDACTED]	DCS - U S DEPT OF EDUCATION	Unsub	\$2,609.97	2.36%	1/13/2000
5	[REDACTED]	DCS - U S DEPT OF EDUCATION	Sub	\$3,312.45	2.36%	10/19/1999

### Your Total Education Loan Indebtedness Summary

Total Included In This Consolidation	\$9,399.75
Total Not Included In This Consolidation	\$ .00
<b>Grand Total All Loans</b>	<b>\$9,399.75</b>

### Direct Consolidation Loan Summary Sheet

#### SECTION 2 - ESTIMATES OF YOUR DIRECT CONSOLIDATION LOAN REPAYMENT OPTIONS

(3) AGI:	\$2,967.12
(3) Family Size:	1
(5) Spouse Indebtedness	\$ .00

Repayment Plan	Loan Amount	# of Payments	Interest Rate	Initial Payment	Max Payment	Total Interest	Total Repaid
STANDARD	\$9,399.75	144	2.5000%	\$75.62	\$75.62	\$1,489.31	\$10,889.06
GRADUATED	\$9,399.75	144	2.5000%	\$50.00	\$113.43	\$1,596.99	\$10,996.74
(2) EXTENDED	\$ .00	0	0.0000%	\$ .00	\$ .00	\$ .00	\$ .00
FIXED OPTION	\$ .00	0	0.0000%	\$ .00	\$ .00	\$ .00	\$ .00
GRADUATED OPTION	\$ .00	0	0.0000%	\$ .00	\$ .00	\$ .00	\$ .00
(3) INCOME CONTINGENT REPAYMENT (ICR)	\$9,399.75	300	2.5000%	\$ .00	\$ .00	\$8,147.78	\$17,547.53
(3) INCOME BASED REPAYMENT (IBR)	\$9,399.75	300	2.5000%	\$ .00	\$ .00	\$8,147.78	\$17,547.53

(2) To qualify for the Extended Plan - Fixed and Graduated Monthly Payment Options, the sum of your estimated new Direct Consolidation Loan and other Direct Loans must be greater than \$30,000.  
 (3) ICR and IBR estimates are based on your Adjusted Gross Income (AGI) and family size that you provided. If this information was not supplied, the amounts will show as \$0.00.

LCL52V03

*If I haven't paid off 25 yrs loan would be ok*

OVPL- 121111 1111 000255 000766 000001/000004 000000

Account Number: [REDACTED]

Dear [REDACTED]:

11/09/12

We're pleased to service your education loan(s) on behalf of the U.S. Department of Education. Please find your standard repayment schedule, which provides equal monthly payments of principal and interest for the term of your Loan(s), to be enclosed.

To help make payments more manageable, we offer several repayment options that may be available to you.

**Graduated Repayment**

On an eligible Federal Family Education Loan Program Loan(s), you can have reduced payments for two, three or four years (and up to five years for a Federal Consolidation Loan) with full payments of principal and interest for the remaining repayment term. On eligible Federal Direct Loan Program (FDLP) Loans, payments will initially be reduced and then increase over a period of time (every two years) until the loan is paid off.

**Extended Repayment**

If you did not have an outstanding federal student loan(s) as of October 7, 1998, or paid off your outstanding loan(s) before receiving a new loan after October 7, 1998 and your FDLP or FFELP loan balance exceeds \$30,000, then you're eligible for the 25-year extended repayment plan. If you are eligible for this plan, you can elect to have your payments calculated using the standard repayment method or the graduated repayment method.

**Income-Contingent Repayment (only applicable to FDLP loans)**

This plan allows you to base your monthly payment amount on your adjusted gross income, family size, and the total amount of your loan(s). Parent PLUS Loans are ineligible for this repayment plan.

**Income-Based Repayment**

If you meet the federal definition of partial financial hardship, you may qualify for a reduction in your monthly payment under this plan. The reduction is based on a federal formula that considers your income, state of residence, and your family size.

**Deferment Options**

If you're a Graduate PLUS Loan borrower and your school has certified your in-school status as at least half time, your Graduate PLUS loan will be automatically placed in an In-School Deferment. If your loan was first disbursed on or after July 1, 2008, you'll also receive a six-month post-enrollment deferment. While in these deferments, payments are not required.

PHONE (800) 722-1300

FAX (866) 266-0178

TDD/TTY (877) 713-3833

Para comunicarse en Español con 'Atencion al Cliente',  
llame gratis al 1-800-722-1300, y marque el numero correspondiente.

H311 SYSTEM 0001

LET11

If you're a Parent PLUS loan borrower you may be able to defer making payments:

- While the student on whose behalf the loan was made is enrolled in school at least half time and during a six-month post-enrollment period. These deferment options, available upon your request, are only available if your Parent PLUS loan(s) was first disbursed on or after July 1, 2008.
- Or, while you're enrolled at least half time in school.

Keep in mind, you have the option to end a deferment and begin making payments at any time.

**Interested in any of these options?**

Simply log in to your account at SallieMae.com where you can download a form to change repayment plans. At any time during your repayment period you can request to change from one repayment plan to another. You can also check the status of your loan(s), choose a payment method such as online billing or automatic debit, update your email address and account information, and even request deferment or forbearance.

For your convenience, we've simplified repayment by combining your U.S. Department of Education-owned federal loans into one bill to give you one monthly payment.\*

It's important to make your loan payments on time to establish good repayment habits, build good credit, and earn and retain repayment benefits on eligible loans. And remember, there are no penalties if you choose to prepay your loan(s).

**Questions?** You're welcome to visit us online at SallieMae.com, or call us toll free at 800-722-1300. We're here to help you Monday - Thursday 8 a.m. to 9 p.m., and Friday 8 a.m. to 8 p.m., ET.

We appreciate the opportunity to serve you.

Sincerely,

Sallie Mae - Department of Education Loan Services

\*Terms and conditions for each loan program continue to apply.

11/09/12

Dear [REDACTED]

Account Number: [REDACTED]

We're pleased to service your education loan(s) on behalf of the Department of Education. Please note that you're scheduled to begin repayment on the loan(s) listed below.

**Payments should be sent to your loan provider:** Department of Education, P.O. Box 740351, Atlanta, GA 30374-0351

**And any correspondence can be sent to your loan servicer:** Sallie Mae - Department of Education Loan Services, P.O. Box 9635, Wilkes-Barre, PA 18773-9635.

Unable to start making payments now? Call us immediately at 800-722-1300 so that we can assist you in finding a repayment option that may be available such as deferment, forbearance, loan consolidation or other repayment plans.

In the event of default (past due payments), options are available through loan rehabilitation and federal loan consolidation. Find more information online at SallieMae.com/PlanningWisely, MappingYourFuture.org and Ombudsman.ed.gov.

**Loan Information**

LOAN DATE	LOAN AMOUNT	INTEREST RATE	PROGRAM
11/08/12	\$ 4,756.73	2.500	DLSUBCONS

LOAN DATE	LOAN AMOUNT	INTEREST RATE	PROGRAM
11/08/12	\$ 4,642.58	2.500	DLUSUBCONS

Loans with variable interest rates will have a "type" listed above in italics after the listed interest rate. These "types" mean:

**INTEREST RATE TYPES 1-9:** The rate listed is the current rate on your loan. The rate is variable and changes each year on July 1. An increase in the rate may increase your payment amount or your number of payments. The variable rate for subsidized loans is based on the 91-day U.S. Treasury Bill (T-Bill). The variable rate for PLUS and SLS loans is based on the 52-week T-Bill.\* Both T-Bill rates are based on the last auction held prior to June 1. The interest rate is calculated as follows:

- |  |  |  |
|--|--|--|
| 1. Applicable T-Bill + 3.25%, never to exceed 12%. | 5. Applicable T-Bill + 3.10%, never to exceed 7%.    | 9. During school, grace and deferment, the rate is the applicable T-Bill + 2.5%; otherwise, the rate is the applicable T-Bill + 3.10%. The rate will never exceed 8.25%. |
| 2. Applicable T-Bill + 3.10%, never to exceed 9%.  | 6. Applicable T-Bill + 3.10%, never to exceed 8%.    |  |
| 3. Applicable T-Bill + 3.10%, never to exceed 11%. | 7. Applicable T-Bill + 3.10%, never to exceed 8.25%. |  |
| 4. Applicable T-Bill + 3.10%, never to exceed 10%. | 8. Applicable T-Bill + 3.25%, never to exceed 10%.   |  |

**INTEREST RATE TYPE 10:** The annual interest rate is 8% during the first four years of repayment. Any periods of deferment or forbearance do not extend the time during which 8% is charged. A variable rate, as described above in INTEREST RATE TYPES 1-9, is charged beginning the fifth year of repayment until your loan is paid in full and is calculated as follows: Applicable T-Bill + 3.25%, never to exceed 10%.

**INTEREST RATE TYPE 11:** A variable rate, as described above in INTEREST RATE TYPES 1-9, is calculated as follows: During school, grace and deferment, the rate is the applicable T-Bill + 1.7%; otherwise, the rate is the applicable T-Bill + 2.3%. The rate will never exceed 8.25%.

**INTEREST RATE TYPE 12:** A variable rate, as described above in INTEREST RATE TYPES 1-9, except the rate for these PLUS loans is based on the 91-day T-Bill. The rate is calculated as follows: Applicable T-Bill + 3.1%, never to exceed 9%.

\*Effective July 1, 2001, the variable interest rate for SLS and PLUS loans that are currently tied to the 52-week Treasury Bill will be based on the weekly average of the one-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the last calendar week ending on or before June 26.

**Amount to be Paid** (for the loan(s) listed above)

Unpaid Principal Balance (includes previous capitalized interest):	\$ 9,399.31	Total Principal Amount to be Paid:	\$ 9,399.31
Accrued Unpaid Interest to be Capitalized with this Disclosure:	+ \$ 0.00	Estimated Amount of Accrued Interest to be Paid During Repayment (assuming payments are made as scheduled):	+ \$ 1,495.73
Total Principal Amount to be Paid (assuming the above interest capitalizes):	\$ 9,399.31	Estimated Total Amount to be Paid Over the Life of the Loan:	\$ 10,895.04
		Interest Paid as of the Date of This Disclosure:	\$ 0.00

**Payment Schedule**

Your repayment period for the loans listed above officially begins on 11/08/12 and your first payment is due 12/19/12 (the same day applies for each monthly payment). Please use the payment schedule below and note it has added the new loan payment(s) with any loan payment(s) you may already be making:

NUMBER OF PAYMENTS	PAYMENT AMOUNT	DUE DATE
144	\$ 75.66	12/19/12

NUMBER OF PAYMENTS	PAYMENT AMOUNT	DUE DATE
	\$	

## Your Rights and Responsibilities

Your education loan(s) is a serious and binding legal obligation. It's important that you understand your rights and responsibilities concerning this loan(s). Please read this section carefully and keep it handy for future reference.

### Rights

- 1) **You have the right to apply for deferment.** If you think you're eligible for deferment and are in need of one, please contact us for a deferment form and refer to Item 2 and 3 for available deferment categories. **ELIGIBILITY VARIES FOR EACH DEFERMENT CATEGORY DEPENDING ON THE TYPE OF LOAN YOU HAVE AND OTHER SPECIFIC REQUIREMENTS.**
- 2) **You may be eligible for deferment if you're (for PLUS borrowers, the dependent for whom you borrowed):**
  - At least a half-time student and not still paying any education loan you received before July 1, 1987 for an enrollment period that began prior to July 1, 1987.
  - Pursuing rehabilitation training.
  - Participating full-time in an eligible graduate fellowship.
- 3) **You could also be eligible for deferment if you're:**
  - Unemployed,
  - Temporarily totally disabled (or if your spouse or a dependent is disabled and needs care),
  - Pregnant or caring for your newborn (or just adopted a child),
  - A mother with a preschool-aged child and entering or re-entering the work force,
  - Serving in the Armed Forces, Public Health Services, or the National Oceanic and Atmospheric Administration Corps,
  - A full-time volunteer under the Domestic Volunteer Service program or Peace Corps,
  - Participating in an eligible internship or residency program,
  - Teaching in a teacher-shortage area,
  - Experiencing economic hardship, or
  - A tax-exempt volunteer.
- 4) **If you have a subsidized loan (excluding Direct Loans), you have the right to have the interest on your education loan subsidized (paid) by the federal government** during the time you're in-school, grace and deferment. If you have a subsidized direct loan with the first disbursement made on or after July 1, 2012, and before July 1, 2014, you'll be responsible for the interest that accrues during the six-month grace period.
- 5) You have the right to prepay (pay early) all or part of your loan(s) without penalty.

---

### Responsibilities

- 1) **You must notify us at once if you:**
  - Change your address,
  - Legally change your name, or
  - Do anything that changes your deferment eligibility.
- 2) **You're responsible for repaying your education loan(s),** as you agreed to do when you signed your Promissory Note, and may face legal action if you fail to do so.
- 3) **You're responsible for keeping your loan(s) current,** and may incur a collection charge if you fail to do so. Your loan(s) will be in default if you fail to make regular, scheduled payments for 270 days. The consequences of default include:
  - Your default will be reported to all consumer reporting agencies, which may adversely affect your ability to obtain other credit.
  - The provider of your loan may institute a civil suit against you to compel repayment.
  - The Department of Education may instruct the IRS to take any federal income tax refunds due to you.
  - Funds may be withheld from your paychecks to pay for any amounts you owe.
  - You'll lose your eligibility for future education loans, and all benefits on your current loans, including federal subsidies and deferments.
  - Information about your default may be reported to your school(s).
- 4) **For all federal loans except subsidized loans:\*** You're responsible for paying all the interest that accrues on this loan(s), including the interest that accrues during in-school, grace and deferment periods. We encourage you to pay this interest as it accrues. If the interest is not paid as it accrues, it'll be capitalized (added to the principal balance) when you enter repayment and at the end of deferment periods.  
\*For subsidized direct loans where the first disbursement is made on or after July 1, 2012, and before July 1, 2014, you'll be responsible for the interest that accrues during the six-month grace period.

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### Definitions and Special Facts You Need to Know

**Interest** - The cost of your loan, expressed as a percent of the loan principal. The interest increases the total amount you'll pay back.

**Subsidized Interest** - Interest that is paid by the federal government during in-school, grace and deferment periods on subsidized loans with the exception that interest is not paid by the federal government during the grace period for subsidized direct loans first disbursed on or after July 1, 2012, and before July 1, 2014.

**Capitalized Interest** - Interest on your loan that is added to the principal balance. Interest is capitalized at certain intervals if it accrues and is not paid by you or subsidized by the government. Capitalized interest will increase your monthly loan payments.

**Deferment** - A time when we authorize you to postpone your loan payments. Reasons to qualify for deferment are listed in the Rights section, in Items 2 and 3.

**Forbearance** - A time when we authorize you to postpone your loan payments. You may qualify if you're experiencing temporary financial hardship due to poor health or other personal reasons and interest must be paid as it's accruing during this period or it'll be capitalized at certain intervals.

**Grace** - A six to twelve month period of time after you leave school before your loan enters repayment.

**Payment Schedule Changes** - If you do not make payments according to schedule, we can adjust the schedule and, if appropriate, add unpaid accrued interest to your loan balance.

*We have the right to contact your school (or for PLUS loans, your dependents's school) at any time to obtain enrollment information, verify addresses or other information.*

# ATTACHMENT 9



U.S. Department of Education  
Information about your federal student loan



February 5, 2014

#BWNKPXF

#630159088

MALDEN MA 02148

Hi [redacted]

**You're headed down the wrong path with your student loans.** But it's not too late to change course.

If you can, please make a payment equal to the past due amount on the back of this letter. If you're unable to, let's work together to find a solution. Here are some options:

- Change to a repayment plan based on your income. It could reduce your monthly payment to as low as \$0.
- Postpone your payments with a deferment or forbearance and resolve your past due payments.
- Explore loan forgiveness.
- Consider loan consolidation.

For additional information, read the enclosed *Know Your Repayment Options* or call us.

**Doing Nothing Only Makes It Worse**

Your delinquent loans may have already been reported to national credit bureaus. If you don't take action and the loans default, the default will be reported to all national credit bureaus and your defaulted loans will be transferred to either the loan guarantor or the U.S. Department of Education for collection. Collection action may include garnishing your wages, seizing tax refunds and other payments made by the government, and legal action to collect the loans.

Give us a call and let us help you get on the right path.

Sincerely,

Great Lakes Borrower Services

**Contact Us for Help or Make a Payment**

[mygreatlakes.org](http://mygreatlakes.org)

Access account information, make payments, visit the Knowledge Center, or email us.

(800) 236-4300 or (608) 246-1700  
TTY: 711  
Monday - Friday 7:00 am - 9:00 pm CT

*You can self-serve 24/7 online or by phone. Some calls may be monitored or recorded for quality assurance purposes.*

Your Great Lakes ID [redacted]

*Payment address only. Please include your Great Lakes ID.*  
Great Lakes  
PO Box 530229  
Atlanta, GA 30353-0229

# ATTACHMENT 10

P.O. Box 2036  
Monterey Park, CA 91754  
RETURN SERVICE REQUESTED

Do not send cash.  
Make checks payable to: U.S. Department of Education  
Show your social security number on your check  
Return this portion with your payment

~~December 23, 2014~~

Current Creditor: U.S. Department of Education  
Balance Due: \$15797.39  
Ti Number: [REDACTED]

[REDACTED] CTI  
[REDACTED]  
Worcester, MA 01605 [REDACTED]

Send Payment To:  
National Payment Center  
U.S. Department of Education  
P.O. Box 105028  
Atlanta, GA 30348-5028



4 [REDACTED]

----- To Ensure Proper Credit Detach and Return With Full Payment to Creditor -----

This letter is notice that your delinquent account has been referred to Collection Technology Inc., a professional collection agency contracted by The U.S. Department of Education (ED).

The U.S. Department of Education informed you that unless satisfactory arrangements were made for the repayment of this account, it would be referred to a collection agency as authorized by 31 USC § 3718.

To avoid further collection activity, your student loan must be paid in full. If you cannot pay this account in full, you may be eligible for other resolution options available according to federal regulations. Contact us today to discuss your options. We intend on using all collection activities authorized until this account is paid in full or other arrangements are made for repayment. Should you fail to pay this account in full or make arrangements for repayment, Collection Technology Inc. will review your account and make recommendations to the U.S. Department of Education for the most effective collection method allowable under federal statute.

Remit your balance or payments to the address listed below:  
National Payment Center  
U.S. Department of Education  
P.O. Box 105028  
Atlanta, GA 30348-5028

ONLY mail correspondence and inquiries to this address and telephone number listed below:  
CTI  
P.O. Box 2036  
Monterey Park, CA 91754  
(800) 620-4284

**This is an attempt to collect a debt by a debt collector and any information obtained will be used for that purpose.**

If you do not dispute the validity of this debt or any portion thereof, within thirty (30) days after receiving this first letter, we will assume the debt is valid. If you dispute the validity of this debt, or any portion thereof, in writing, within the thirty (30) day period, we will obtain verification of the debt or a copy of a judgment and will mail a copy of such verification or judgment to you. At your request, in writing, within the thirty (30) day period, we will provide you with the name and address of the original creditor, if different from the current creditor. The demands for payment in this letter do not reduce your rights to dispute this debt, or any portion thereof, and/or to request verification within the thirty (30) day period as set forth above.

Federal law protects you from unfair debt collection practices. Complaints may be lodged with: the U.S. Department of Education, Atlanta Service Center, Atlanta Federal Center Tower, 61 Forsyth St., SW, RM 18T39-A, Atlanta, Georgia 30303.

\*\*\*\*IMPORTANT INFORMATION ON THE BACK OF THIS NOTICE\*\*\*\*

# ATTACHMENT 11

US Department of Education  
Direct Loan Servicing Center  
PO Box 5202  
Greenville, TX 75403-5202

**Direct  
Loans**  
William D. Ford Federal Direct Loan Program

MAY 26, 2012



[REDACTED]  
[REDACTED]  
BETHESDA MD 20817-[REDACTED]

Account Number: [REDACTED]

Dear [REDACTED]:

You have continually failed to make your monthly payments, have not responded to our previous notices, and your loan payments are seriously delinquent. Because you have failed to meet the terms of your Promissory Note, we are requiring immediate full repayment of your Direct Loan(s) at this time.

This means YOU MUST IMMEDIATELY REPAY THE TOTAL DUE shown below. We must receive this amount within 30 days of the postmark date of this notice.

Principal Balance Due: \$20,416.29

Interest Due: \$669.22

Late Charges Due: \$.00

**TOTAL DUE: \$21,193.90**

Send check or money order (with your account number written on it) for the total due to:

U.S. Department of Education  
P.O. Box 530260  
Atlanta, GA 30353-0260

This is your last chance to avoid default. If we do not receive the entire unpaid balance of your loan(s) within 30 days of the postmark of this notice, your loan(s) will be placed in default. The following actions may also occur:

Your credit rating will be damaged.

Your wages may be garnished.

Your federal income tax refund may be withheld.

The U.S. Department of Justice may take legal action against you.

If you want to take this last opportunity to arrange a forbearance, deferment, or change repayment plan to avoid defaulting on your loan(s) or if you have questions, please call the toll-free telephone number below.

Sincerely,

Direct Loan Servicing Center

P.O. Box 5609 | Greenville, TX 75403-5609 | T 1-800-848-0979 | Fax 1-800-848-0984 | TTY 1-800-848-0983 | [www.myedaccount.com](http://www.myedaccount.com)

# ATTACHMENT 12



START HERE  
GO FURTHER  
FEDERAL STUDENT AID

## National Student Loan Data System (NSLDS) for Stu

NSLDS is a repository of information from many sources. Changes to the data are made by those sources. Collecting the data into one central location such as NSLDS gives you convenience and saves you time. If for any reason you disagree with the information reported to NSLDS, please contact one or more of the sources of your data listed on the detail pages on this site. The Department is also available as a resource at 1-800-4FEDAID if you need additional assistance. Your comments and corrections will help improve the services NSLDS provides.



Defaulted

Aid Summary for

Your enrollment status is GRADUATED , effective 02/25/2010.



MyStudentData  
Download

## Loans

	Type of Loan	Loan Amount	Loan Date	Disbursed Amount	Canceled Amount	Outstanding Principal	Outstanding Interest
1	STAFFORD UNSUBSIDIZED †	\$355	09/18/2009	\$356	\$0	\$412	\$24
2	STAFFORD UNSUBSIDIZED †	\$1,180	05/19/2009	\$1,180	\$0	\$1,384	\$81
3	STAFFORD UNSUBSIDIZED †	\$4,000	05/19/2009	\$4,000	\$0	\$4,690	\$273
4	STAFFORD SUBSIDIZED †	\$3,500	05/19/2009	\$3,500	\$0	\$3,789	\$152
<b>Total STAFFORD UNSUBSIDIZED</b>						<b>\$6,486</b>	<b>\$378</b>
<b>Total STAFFORD SUBSIDIZED</b>						<b>\$3,789</b>	<b>\$152</b>
<b>Total All Loans</b>						<b>\$10,275</b>	<b>\$530</b>

## Grants

Pell Lifetime Eligibility Used: 100.010%

	Award Year	Type Of Grant:	School	Disbursed Amount
1	2009 - 2010	FEDERAL PELL GRANT	EVEREST INSTITUTE	\$2,675
2	2008 - 2009	FEDERAL PELL GRANT	EVEREST INSTITUTE	\$2,366
<b>Total All Grants</b>				<b>\$5,041</b>

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START HERE  
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FEDERAL STUDENT AID

## National Student Loan Data System (NSLDS) for Stu

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Detail Loan Information for

Your enrollment status is GRADUATED, effective 02/25/2010.

Type of Loan: 1 STAFFORD UNSUBSIDIZED

Loan obtained while attending the EVERESTINSTITUTE

Date Entered Repayment: 08/26/2010

Loan Period Begin Date: 04/30/2009

Loan Period End Date: 12/29/2009



MyStudentData  
Download

## Amounts and Dates

Loan Amount	Outstanding Principal Balance	Outstanding Principal Balance As of Date	Outstanding Interest Balance	Outstanding Interest Balance As of Date	Interest Rate Type	Interest Rate	Canceled Amount	Canceled Date
\$355	\$412	02/12/2015	\$24	02/12/2015	FIXED	6.80%	\$0	

## Disbursement(s) and Status(es)

Disbursement Date	Disbursement Amount	Loan Status	Status Description	Status Effective Date
10/05/2009	\$178	DF	DEFAULTED, UNRESOLVED	07/30/2013
09/25/2009	\$178	RP	IN REPAYMENT	10/02/2012
		FB	FORBEARANCE	11/02/2011
		RP	IN REPAYMENT	10/03/2011
		FB	FORBEARANCE	11/02/2010
		RP	IN REPAYMENT	10/09/2010
		FB	FORBEARANCE	10/02/2010
		RP	IN REPAYMENT	08/26/2010
		IG	IN GRACE PERIOD	02/26/2010
		IA	LOAN ORIGINATED	09/18/2009

## Servicer/Lender/Guaranty Agency/ED Servicer Information

Contact Type	Contact
Current Lender:	U.S. DEPT OF EDUCATION/2009-2010 LPCP 830 FIRST ST. NE WASHINGTON DC 202020000
Current ED Servicer:	DEBT MANAGEMENT AND COLLECTIONS SYSTEM U.S. DEPARTMENT OF EDUCATION P.O. BOX 5609 GREENVILLE TX 75403

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GO FURTHER  
FEDERAL STUDENT AID

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Detail Loan Information for

Your enrollment status is GRADUATED, effective 02/25/2010.

Type of Loan: 2 STAFFORD UNSUBSIDIZED

Loan obtained while attending the EVEREST INSTITUTE

Date Entered Repayment: 08/26/2010

Loan Period Begin Date: 04/30/2009

Loan Period End Date: 12/29/2009



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## Amounts and Dates

Loan Amount	Outstanding Principal Balance	Outstanding Principal Balance As of Date	Outstanding Interest Balance	Outstanding Interest Balance As of Date	Interest Rate Type	Interest Rate	Canceled Amount	Canceled Date
\$1,180	\$1,384	02/12/2015	\$81	02/12/2015	FIXED	6.80%	\$0	

## Disbursement(s) and Status(es)

Disbursement Date	Disbursement Amount	Loan Status	Status Description	Status Effective Date
10/05/2009	\$590	DF	DEFAULTED, UNRESOLVED	07/30/2013
06/04/2009	\$590	RP	IN REPAYMENT	10/02/2012
		FB	FORBEARANCE	11/02/2011
		RP	IN REPAYMENT	10/03/2011
		FB	FORBEARANCE	11/02/2010
		RP	IN REPAYMENT	10/09/2010
		FB	FORBEARANCE	10/02/2010
		RP	IN REPAYMENT	08/26/2010
		IG	IN GRACE PERIOD	02/26/2010
		IA	LOAN ORIGINATED	05/19/2009

## Servicer/Lender/Guaranty Agency/ED Servicer Information

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Current Lender:	U.S. DEPT OF EDUCATION/2009-2010 LPCP 830 FIRST ST. NE WASHINGTON DC 202020000
Current ED Servicer:	DEBT MANAGEMENT AND COLLECTIONS SYSTEM U.S. DEPARTMENT OF EDUCATION P.O. BOX 5609 GREENVILLE TX 75403

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Detail Loan Information for [REDACTED]

Your enrollment status is GRADUATED , effective 02/25/2010.

Type of Loan: 3 STAFFORD UNSUBSIDIZED

Loan obtained while attending the EVEREST INSTITUTE

Date Entered Repayment: 08/26/2010

Loan Period Begin Date: 04/30/2009

Loan Period End Date: 12/29/2009



MyStudentData  
Download

#### Amounts and Dates

Loan Amount	Outstanding Principal Balance	Outstanding Principal Balance As of Date	Outstanding Interest Balance	Outstanding Interest Balance As of Date	Interest Rate Type	Interest Rate	Canceled Amount	Canceled Date
\$4,000	\$4,690	02/12/2015	\$273	02/12/2015	FIXED	6.80%	\$0	

#### Disbursement(s) and Status(es)

Disbursement Date	Disbursement Amount	Loan Status	Status Description	Status Effective Date
10/05/2009	\$2,000	DF	DEFAULTED, UNRESOLVED	07/30/2013
06/04/2009	\$2,000	RP	IN REPAYMENT	10/02/2012
		FB	FORBEARANCE	11/02/2011
		RP	IN REPAYMENT	10/03/2011
		FB	FORBEARANCE	11/02/2010
		RP	IN REPAYMENT	10/09/2010
		FB	FORBEARANCE	10/02/2010
		RP	IN REPAYMENT	08/26/2010
		IG	IN GRACE PERIOD	02/26/2010
		IA	LOAN ORIGINATED	05/19/2009

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Contact Type	Contact
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FEDERAL STUDENT AID

## National Student Loan Data System (NSLDS) for Stu

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Detail Loan Information for [REDACTED]

Your enrollment status is GRADUATED , effective 02/25/2010.

Type of Loan: 4 STAFFORD SUBSIDIZED

Loan obtained while attending the EVERESTINSTITUTE

Date Entered Repayment: 08/26/2010

Loan Period Begin Date: 04/30/2009

Loan Period End Date: 12/29/2009



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## Amounts and Dates

Loan Amount	Outstanding Principal Balance	Outstanding Principal Balance As of Date	Outstanding Interest Balance	Outstanding Interest Balance As of Date	Interest Rate Type	Interest Rate	Canceled Amount	Canceled Date
\$3,500	\$3,789	02/12/2015	\$152	02/12/2015	FXED	6.00%	\$0	

## Disbursement(s) and Status(es)

Disbursement Date	Disbursement Amount	Loan Status	Status Description	Status Effective Date
10/05/2009	\$1,750	DF	DEFAULTED, UNRESOLVED	07/30/2013
06/04/2009	\$1,750	RP	IN REPAYMENT	10/02/2012
		FB	FORBEARANCE	11/02/2011
		RP	IN REPAYMENT	10/03/2011
		FB	FORBEARANCE	11/02/2010
		RP	IN REPAYMENT	10/09/2010
		FB	FORBEARANCE	10/02/2010
		RP	IN REPAYMENT	08/26/2010
		IG	IN GRACE PERIOD	02/26/2010
		IA	LOAN ORIGINATED	05/19/2009

## Servicer/Lender/Guaranty Agency/ED Servicer Information

Contact Type	Contact
Current Lender:	U.S. DEPT OF EDUCATION/2009-2010 LPCP 830 FIRST ST. NE WASHINGTON DC 202020000
Current ED Servicer:	DEBT MANAGEMENT AND COLLECTIONS SYSTEM U.S. DEPARTMENT OF EDUCATION P.O. BOX 5609 GREENVILLE TX 75403

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# ATTACHMENT 13

OVFL- 121120 1120 000269 000847 000001/000004 000000

Account Number: [REDACTED]

Dear [REDACTED]

11/19/12

We're pleased to have been selected by the U.S. Department of Education to service your student loan(s). In response to your request to postpone your student loan payments, we've enclosed a deferment form. Carefully read the entire form and follow the steps below.

1. If you have loans disbursed prior to July 1, 1993, you're not eligible for this deferment. Pay close attention to Sections 4 (Instructions), 5 (Definitions) and 6 (Eligibility Criteria).
2. **You must enter the date you wish to begin deferring payments in Section 2.** Your deferment will not be processed without a valid requested begin date. Do not choose a date more than 30 days in the future and don't leave this item blank.
3. Sign and date Section 3.
4. Send the completed form and copies of all required documentation, including pay statement(s) (one month's worth of income) issued within the past 60 days and student loan bills (one bill showing the monthly payment amount and loan balance) to the above address.

Until we approve your completed form, you're responsible for making your regular monthly payments. If you're currently enrolled in automatic debit, we must receive your completed deferment form at least 15 days prior to your next scheduled payment due date to ensure your automatic withdrawal is canceled. Otherwise the payment extraction for that month will occur. Please allow 10 business days from the time you mail this form for processing.

If you're past due on your loan payments, it's especially important you return this completed form to us immediately. Collection activities will continue against you until we've received and approved the deferment.

Please make sure that you fill out the form completely before mailing. Incorrect or incomplete information will delay the processing of your deferment. We'll notify you if you don't qualify for deferment. Otherwise, you can verify the dates of your approved deferment online at [SallieMae.com](http://SallieMae.com) or by calling us toll free at 800-722-1300. We're here to help you Monday - Thursday 8 a.m. to 9 p.m., and Friday 8 a.m. to 8 p.m., ET.

We appreciate the opportunity to serve you.

Sincerely,

Sallie Mae - Department of Education Loan Services

# ATTACHMENT 14



BOSTON HEADQUARTERS  
7 Winthrop Square, Boston, MA 02110-1245  
Phone: 617-542-8010 • Fax: 617-542-8028

WASHINGTON OFFICE  
1001 Connecticut Avenue NW, Suite 510, Washington, DC 20036  
Phone: 202-452-6265 • Fax: 202-463-9462

[www.nclc.org](http://www.nclc.org)



May 5, 2015

SENT VIA EMAIL

The Honorable Arne Duncan  
Secretary of Education  
U.S. Department of Education

Re: Debt Relief for Corinthian Colleges Borrowers

Dear Secretary Duncan:

We are concerned about the lack of clear information regarding debt relief for borrowers who attended Corinthian Colleges. To help address this problem, we understand that the Department is in the process of creating a system for borrowers to raise defense to repayment (DTR) claims. While this is critical, it is also important to emphasize the other more accessible, fair and efficient relief options that should be offered to these borrowers.

These other options, including the Department's discretionary authority to forgive student loan debts in the Higher Education Act (HEA) and Federal Claims Collection Act, are most appropriate in this urgent Corinthian situation. We summarize these options in the chart and materials in Attachment A.

There will certainly be instances where borrowers who attended other unscrupulous schools do not qualify for a statutory discharge. These borrowers should have access to a fair and accessible DTR process. The Corinthian situation, however, is unique due to the breadth and consistency of state and federal government findings of wrongdoing. In these circumstances, it is not appropriate or efficient to require each individual to submit additional evidence to "prove" his or her claim.

It is short-sighted to rush to create a DTR process, especially if this leads to a process that is too burdensome for most borrowers to use and obtain relief. We urge the Department to instead use its discretionary compromise authority to provide broad relief for Corinthian borrowers who do not otherwise qualify for statutory discharges.

For non-Corinthian borrowers, the Department should also act soon to create a fair and efficient DTR process, but this should be done in an open and transparent manner. The process should be consistent with the underlying purpose of the HEA to facilitate equal access to affordable quality education, and provide broad debt relief for borrowers who were subjected to illegal or deceptive practices.

Secretary Duncan

May 5, 2015

Page 2

In the meantime, we are very concerned that in some cases servicers and FSA are denying DTR claims on the basis that no such DTR relief exists. We have included two letters as Attachment B, one from FSA and one from Navient, each denying a borrower's comprehensive application for DTR relief. These borrowers are clients of New York Legal Assistance Group.

While other debt relief options already have existing processes, such as statutory discharges, we are also concerned that servicers are providing inaccurate information to borrowers. For example, one borrower told a California legal aid office that although she had completed her program at Corinthian in early April, Navient told her that she was eligible for discharge. Navient explained that all borrowers who were enrolled within 120 days prior to closure were eligible, which is clearly incorrect.

We are also starting to receive referrals from borrowers who tell us that their servicers are advising them to contact the National Consumer Law Center with questions about possible closed school discharges or other relief. This is a huge problem given our limited resources and inability to provide individualized legal advice. It is also outrageous given that it is the servicers' duty to counsel customers on all options. We have self-help information on our web site and we also represent a limited number of low-income borrowers, but this does not in any way replace the servicers' responsibility to provide accurate information to borrowers on the full range of possible relief options.

Thank you for considering our concerns. We hope the Department will use its discretionary authority to provide badly needed debt relief to Corinthian borrowers. Please contact us if you would like to discuss these issues further.

Sincerely,



DEANNE LOONIN



ROBYN SMITH

# **Attachment A**

**OPTIONS WITH EXISTING APPLICATION AND APPROVAL PROCESS**

<p><b>Closed School</b></p> <p><b>Full Discharge</b></p> <p><b>Authority:</b> 20 USC § 1087(c)        34 C.F.R. § 685.214</p>	<b>OR</b>	<p><b>False Certification</b></p> <p><b>Full Discharge</b>        (Different categories)</p> <p><b>Authority:</b> 20 USC §        1087(c) 34 C.F.R. § 685.215</p>	<b>OR</b>	<p><b>Unpaid Refund</b></p> <p><b>Full or Partial Discharge</b></p> <p><b>Authority:</b> 20 USC § 1087(c)        34 C.F.R. § 685.216</p>
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**LIMITED ELIGIBILITY:** The Department’s regulations and guidance restrict these debt relief options to borrowers who meet limited eligibility criteria.

**NOTICE:** The Department should send notice to borrowers who are potentially eligible for these discharges, including borrowers who attended schools many years ago.



**Borrowers who do not qualify must instead seek relief through the following options:**



**OPTIONS WITH NO EXISTING APPLICATION AND APPROVAL PROCESS**

<p><b>Discretionary Compromise        and Settlement</b></p> <p><b>Full or Partial Discharge</b></p> <p><b>Authority:</b> 20 USC § 1082(a) (6) (HEA)        and 34 CFR § 30.70(h) OR 31 USC §        3711(a)(2) (Federal Claims Collection        Act)</p> <p><b>Limits:</b> Rarely Used</p>	<b>OR</b>	<p><b>Defense to Repayment Based on        Acts or Omissions of the School</b></p> <p><b>Full or Partial Discharge</b></p> <p><b>Authority:</b> 20 USC § 1087e(h);        34 C.F.R. § 685.206(c); MPN</p> <p><b>Limits:</b> Not clear how to get this relief</p>
--	-----------	--

\*Borrowers may be eligible for more than one of these options. There may also be state programs providing relief in some states and borrowers may litigate claims in court and seek relief.

**These two options will be the only federal relief available for borrowers harmed by predatory schools and who do not qualify for other discharges:**

- 1. COMPROMISE AND SETTLEMENT OF DEBTS:** When government investigations have revealed that a school has engaged in illegal, unfair or deceptive practices in violation of state or federal laws, the Secretary can and should use his broad compromise and settlement authority to cancel loans of harmed students. There are two alternative statutes that provide the Secretary with this authority:
  - The Higher Education Act grants the Secretary broad authority to “compromise, waive or release any right, claim, or demand, however acquired...” 20 U.S.C. § 1082(a)(6). The regulations further authorize the Secretary to “compromise a [student loan] debt, or suspend or terminate collection of a debt, in any amount...” 34 C.F.R. § 30.70(h); **OR**
  - The Federal Claims Collection Act allows the Secretary to compromise and settle claims of up to \$100,000 (excluding interest) “ or such higher amount as the Attorney General may . . . prescribe . . .” 31 U.S.C. § 3711(a)(2). The vast majority of federal loans to Corinthian students should be under \$100,000. The Secretary could also seek the Department of Justice’s permission to cancel higher value debts.

When the Department and/or other government agencies, such as state attorneys general, have determined that a school has engaged in illegal practices and harmed many students, the Department should automatically cancel the loans of all borrowers who the government agencies conclude were likely harmed.

- 2. DEFENSE TO REPAYMENT (DTR):** Borrowers may assert, as a defense to loan repayment, claims they have against the school based on its misconduct. The Department should create a DTR process for cases that lack any government investigative findings that a school has violated state or federal law. The process should include simple forms that allow borrowers to submit evidence to prove their claims. To avoid imposing high evidentiary burdens impossible for borrowers to meet, the Department should accept a borrower’s testimony as sufficient evidence to establish a claim. These claims should be granted unless the Department has evidence that specifically contradicts the borrower’s testimony or other evidence.

## **RECOMMENDATIONS FOR CORINTHIAN STUDENTS**

Given the extensive government findings of Corinthian’s illegal and deceptive acts over the years, it is essential that the Department create a process that uses these findings and does not require individual borrowers to “prove” individual claims. Among other problems, such a process would be unnecessary, inefficient, and complicated, likely requiring the borrower to obtain assistance of an attorney familiar with the intricacies of state law. Although many Corinthian borrowers have submitted petitions requesting “defense to repayment” relief, the Department should instead use the compromise authority (#1 above) to resolve these petitions.

Regardless of which option a borrower uses, the process must be fair, accessible, transparent and efficient. This means at a minimum creating a process that provides complete debt relief without placing impossible burdens on borrowers. The government must avoid creating a case-by-case process with burdensome evidentiary standards whenever there are government agency findings of illegal practices. This will also be less expensive for taxpayers.

# **Attachment B**



April 10, 2015

Mr. Jason Glick  
New York Legal Assistance Group  
7 Hanover Square  
Floor 18  
New York, NY 10004-4027

Debt No.:

[REDACTED]

Account No.:

[REDACTED]

Dear Mr. Glick:

Thank you for your correspondence concerning Ms. [REDACTED]'s student loan account with the U.S. Department of Education, Federal Student Aid.

Mr. [REDACTED] believes that she should not be held responsible for repaying this debt. Most schools that participate in the student aid programs must be accredited by a nationally recognized accrediting agency and must be legally authorized by their state licensing agencies to provide instruction. It is the school's accrediting agency that is responsible for evaluating the school's curriculum, admissions standards, and administrative practices, not the Department. The Department uses specific legislative and regulatory criteria to evaluate only whether a school is capable of administering the Department's student aid programs. In the event of dissatisfaction with any part of the educational process, students should seek redress through the available avenues such as the accrediting association or state agency that grants licenses to schools.

We regret that the school Ms. [REDACTED] attended did not provide the job placement services promised at the time of enrollment. However, Ms. [REDACTED]'s enrollment contract with the school is distinct from and separate from the loan contracts (promissory notes). The federal government did not guarantee Ms. [REDACTED]'s enrollment contract. Misrepresentations by the school regarding the school's educational program or its financial or administrative capability, including the school's placement services or the quality of the school's facilities, faculty, or equipment do not relieve Ms. [REDACTED] of the obligation to repay funds advanced by the lender on the student loans. Because the defaulted loans in question are supported by the promissory notes Ms. [REDACTED] signed, they are legally binding. Ms. [REDACTED] is responsible for repayment of this debt.

Page 2 – Mr. Jason Glick

Ms. [REDACTED] states that this debt has had an adverse effect on her credit report. Congress requires that delinquent and defaulted loans borrowed under the student loan programs administered by the Department be reported to national credit bureaus. The length of time a notation report remains on a borrower's record depends on the credit bureau's policy and applicable laws. Ms. [REDACTED] should contact the appropriate credit bureau for an explanation of its policy with regard to her credit record.

Ms. [REDACTED]'s financial situation makes it difficult for her to repay this debt. The legislation for the loan programs administered by the Department does not provide for a borrower to receive cancellation or reduction of his or her loan because of financial hardship.

Please note that although Ms. [REDACTED] has been making regular payments, she has not established a formal repayment agreement. If Ms. [REDACTED] is not making payments in accordance with an approved repayment plan, she may be subject to enforced collection actions including wage garnishment and lawsuit.

FMS Investment Corporation is currently administering Ms. [REDACTED]'s account with the Department. This agency is responsible for collecting this debt. For further information regarding her account and her repayment options, Ms. [REDACTED] should contact FMS Investment Corporation at 1-877-291-8405.

For more information, Ms. [REDACTED] may also visit our Web site at [www.myeddebt.com](http://www.myeddebt.com).

We hope this information will be helpful to you.

Sincerely,

Default Resolution Group  
Servicing Center

Office of the Customer Advocate  
PO Box 4200  
Wilkes-Barre, PA 18773-4200

April 24, 2015

New York Legal Assistance Group  
Attn: Jason Glick  
7 Hanover Square  
New York, NY 10004

**RE: Ms. [REDACTED]  
Student Loan Account # [REDACTED]**

Dear Mr. Glick:

Thank you for your recent letter on behalf of Ms. [REDACTED] with her concerns regarding her student loan account. I hope you find the following information helpful.

While Navient truly empathizes with Ms. [REDACTED]'s situation, we are unable to forgive the balance on Ms. [REDACTED]'s Federal Stafford Loans. Regulations governing the Federal Family Education Loan Program only provide for forgiveness of a student loan in the cases of death, total and permanent disability, and in some cases of school closure. The student loan payment and collection process is governed exclusively by the Higher Education Act and specifically preempts state laws that interfere with its purpose of requiring borrowers to repay their student loans in full.

Navient believes in a three-step process for securing funding needs for college. First, students should take advantage of scholarships, grants, and other sources of free money. Second, students should exhaust their options for federal student loans. Finally, students should evaluate private student loans to fill in any remaining gaps in their educational funding needs. We are not able to respond to any information or guidance provided by a customer's school, financial aid advisor, or other financial advisor. Ms. [REDACTED] will need to contact her state licensing or accrediting agencies for further assistance.

To assist customers with loan repayment, there are several alternatives available, including deferment, forbearance, and repayment options. These are listed below.

**Deferment:**

A deferment is a temporary suspension of payment. Customers must meet certain criteria, as defined by federal regulations, to be eligible for deferment. Available types of deferment include In School, Unemployment, and Hardship. During deferment, the federal government pays accrued interest on "subsidized" loans; if they are "unsubsidized" loans, interest is not paid by the federal government. Unpaid unsubsidized interest may be capitalized (added to the principal balance) at the end of a deferment. Depending on the year the loans were disbursed, other deferments may be available.

██████████  
April 24, 2015

Page 2

**Forbearance:**

Forbearance allows customers to temporarily suspend payments. During this time, interest on the loans continues to accrue. If unpaid, this interest may be capitalized. Capitalized interest will result in an increase in the principal balance. Customers can apply for additional periods of forbearance, up to a maximum of five years.

**Student Loan Debt Burden Forbearance:**

A Student Loan Debt Burden Forbearance may be granted if a customer is currently obligated to make payments on Title IV loans and the amount of those payments each month is equal to or greater than 20 percent of the customer's gross monthly income. Proof of income is required.

**Repayment Options:**

**Grad Choice:** Graduated repayment options let customers make temporary reduced payments. This program allows for reduced payments for up to four years, after which standard payments of principal and interest are required. Ms. ██████████ is currently enrolled in this option.

**Extended Repayment Account:** Extended Repayment allows customers to extend the repayment term up to 25 years. The payment amount is recalculated and reduced based on the extended repayment term. Customers may be eligible to select Grad Choice with Extended Repayment.

**Income-Sensitive Repayment (ISR):** This option is based on payment of a percentage of the customer's gross monthly income. Specifically, customers may designate between 4 and 25 percent of their gross monthly income from employment and other sources. Customers can make income-sensitive payments for up to five years. Proof of income and annual recertification are required.

**Income-Based Repayment (IBR):** Eligibility for IBR is determined by the customer's adjusted gross income and family size. This information, along with the Poverty Guidelines, is used in a federal formula to determine the monthly payment. Proof of income is required, and customers need to recertify every year. After 25 years, if the entire loan balance is not repaid, the customer may be eligible for loan forgiveness.

I am sorry this is not the outcome you were seeking. You're welcome to call me directly at 888-545-4199, x889088, with any questions you may have concerning this issue.

Sincerely,



Jessica B. Paltanavich  
Office of the Customer Advocate  
Navient

# ATTACHMENT 15



## Legal Aid Foundation of Los Angeles

### East Los Angeles Office

5228 Whittier Boulevard  
Los Angeles, CA 90022  
Phone: (213) 640-3883  
Fax: (213) 640-3911  
www.lafla.org

### Other Office Locations:

Long Beach Office, 601 Pacific Avenue, Long Beach, CA 90802 T: (562) 435-3501  
Santa Monica Office, 1640 5<sup>th</sup> Street, Suite 124, Santa Monica, CA 90401 T: (310) 899-6200  
South Los Angeles Office, 7000 S. Broadway, Los Angeles, CA 90003 T: (213) 640-3988  
West Office, 1102 Crenshaw Boulevard, Los Angeles, CA 90019 T: (323) 801-7989

Writer's Direct Line (213) 640-3906  
Writer's Email: rsmith@lafla.org

Our File Number 14-1236324

April 13, 2015

FedLoan Servicing  
P.O. Box 69184  
Harrisburg, PA 17106-9184

Re: Request for Reconsideration of Denial of Closed School Discharge Application  
[REDACTED] - Acct. Number [REDACTED]

Dear Sir or Madam:

The Legal Aid Foundation of Los Angeles is representing Ms. [REDACTED] with respect to her closed school student loan discharge application. I have enclosed a U.S. Department of Education authorization form signed by Ms. [REDACTED], as the FedLoan Servicing form is not available online without logging into an electronic account. **Please submit any response to this letter and/or any decision on the enclosed false certification discharge application to me at the above address.**

Ms. [REDACTED] obtained her federal student loans to attend Career Colleges of America ("CCA"). She started her program on April 30, 2012 and was scheduled to complete on April 11, 2014. (See the Enrollment Agreement, attached as Exhibit A.) She was unable to complete her program because CCA closed on January 10, 2014. (See Exhibit B.)

Thus, on April 14, 2014, Ms. [REDACTED] submitted a Loan Discharge Application: School Closure to FedLoan Servicing. (See Exhibit C.) FedLoan Servicing denied this application on the grounds that she had enrolled in a similar program at another school. (See Exhibit D.)

I have enclosed a new Loan Discharge Application on Ms. [REDACTED] behalf. In addition, I have enclosed a letter from her current school, West Coast Ultrasound Institute, confirming that it did not accept any credits from any previous school, including CCA. (See Exhibit E.) Because she did not transfer any credits to her new school, Ms. [REDACTED] meets the requirements for a discharge under the federal regulations and the Higher Education Act. She requests that you grant her application based on these facts.

FedLoan Servicing - [REDACTED] Discharge Appl.

April 13, 2015

Page 2

I also request that FedLoan Servicing cease all collection action on Ms. [REDACTED] student loans while her false certification discharge application is pending.

Thank you for your assistance with this matter. Please feel free to call me if you have any questions.

Sincerely,



Robyn C. Smith  
Staff Attorney

Encls.

Cc: [REDACTED]





## WEST COAST ULTRASOUND INSTITUTE

February 11, 2015

RE: Enrollment Verification Letter/ [REDACTED] / XXX-XX-[REDACTED]

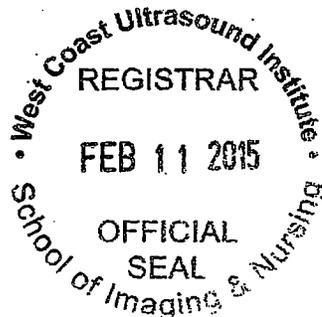
To Whom It May Concern:

This letter is being written to verify the current full-time enrollment of our student [REDACTED] in the **Associate of Occupational Science in Diagnostic Medical Sonography Program** at West Coast Ultrasound Institute, located in Ontario, CA. Jasmin began the program on March 31, 2014 she registered for Fundamentals of Health Science, Behavior Science, Math and English no credits were transferred from any previous school.

If you require any further information, please do not hesitate to contact my office at (909) 483-3808.

Sincerely,

  
Michelle Rico  
Registrar



[Faint, illegible text]



Business, Consumer Services and Housing Agency— Governor Edmund G. Brown, Jr.

**Bureau for Private Postsecondary Education**  
2535 Capitol Oaks Drive, Suite 400, Sacramento, CA 95833  
P.O. Box 980818, West Sacramento, CA 95798-0818  
P (916) 431-6959 F (916) 263-1897 www.bppe.ca.gov



## **Update – Career Colleges of America**

### Information:

The Bureau for Private Postsecondary Education received notification on January 24, 2014, that Career Colleges of American (CCA) has officially closed its three campuses. To obtain copies of your student records, contact CCA at 310-287-9901.

### **Loan Discharge**

If you have Federal loans, you may be eligible for a discharge. Loan discharge is not automatic with the closure of a school. You **MUST** send an application for loan discharge to the holder of your loan. Please note, if the school is not officially closed by the U.S. Department of Education (USDE) before you submit a loan discharge application, your application may be denied. It is important that you call the USDE (contact information is listed below) to ensure the school is listed as closed before you send your application. Please be mindful that it may take some time for the USDE to officially close the school.

You can find the loan discharge form and other important information at:  
<https://www.myeddebt.com/borrower/>

For ANY federal government loan questions you may contact the United States Department of Education at 800-4FED-AID (433-3243).

For Non-Federal Loans, contact the holders of your loan to inquire about what relief may be available to you concerning these loans.

### **Student Transfer**

If you transferred to a new school, and the school is requiring you to repeat classes to complete your program, the Student Tuition Recovery Fund (STRF) may cover the cost of the classes.

### **Student Tuition Recovery Fund**

*Student Tuition Recovery Fund* - Students enrolled at the time of school closure (or within 60 days of the school's closure) may be eligible for reimbursement through STRF. The STRF exists to relieve or mitigate economic losses suffered by a student in an educational program at a qualifying institution if the student was a California resident (or was enrolled in a residency program.)

The student of a closed school must have:

- prepaid the tuition,
- paid the STRF assessment, and
- suffered loss

Applicable STRF Regulation is 76020 - Student Tuition Recovery Fund (STRF). Students who have exhausted all other possible ways to recover lost tuition expenses may file a STRF claim application. You may download a STRF claim application (Español) from our website. If you have questions regarding eligibility you may contact the Bureau's STRF Unit at (888) 370-7589, press 5 when prompted, or email questions to [STRF@dca.ca.gov](mailto:STRF@dca.ca.gov) .

# ATTACHMENT 16



SEPTEMBER 15, 2010

[REDACTED]  
[REDACTED]  
FORT LAUDERDALE FL [REDACTED]

DEBT ID	APPLICATION TYPE	SCHOOL NAME
[REDACTED]	DISQUALIFYING STATUS APPL	KEISER UNIVERSITY
[REDACTED]	DISQUALIFYING STATUS APPL	KEISER UNIVERSITY
[REDACTED]	DISQUALIFYING STATUS APPL	KEISER UNIVERSITY
[REDACTED]	DISQUALIFYING STATUS APPL	KEISER UNIVERSITY
[REDACTED]	DISQUALIFYING STATUS APPL	KEISER UNIVERSITY
[REDACTED]	DISQUALIFYING STATUS APPL	KEISER UNIVERSITY
[REDACTED]	DISQUALIFYING STATUS APPL	KEISER UNIVERSITY
[REDACTED]	DISQUALIFYING STATUS APPL	KEISER UNIVERSITY
[REDACTED]	DISQUALIFYING STATUS APPL	KEISER UNIVERSITY
[REDACTED]	DISQUALIFYING STATUS APPL	KEISER UNIVERSITY

This letter acknowledges receipt of your sworn statement requesting discharge of your student loan(s). After a thorough review of your application, the U.S. Department of Education (ED) has denied your request for discharge for the following reason(s):

Schools are required only to certify that student borrowers have sufficient ability to benefit from the training offered. Employment in the field of study, however, is not guaranteed, and the student's inability to find employment in the field of study may not be used as a condition of repayment.

You failed to provide documentation to support your claim of a disqualifying status you had at the time the school certified or originated your loan and that the school was made aware of it at the time of enrollment.

Student borrowers who had a physical, mental, or legal status or condition at the time of enrollment that would have prevented the student from satisfying the requirements for employment in his or her field of study may be eligible for false certification loan discharge. The legal status must be long term and unchangeable. The exemptions from disqualification for employment screening (435.07) that you sent to this office includes: felonies committed more than 3 years prior to the date of disqualification. Your legal status is therefore not long term and unchangeable.

It is the responsibility of the applicant to provide evidence that, at the time of enrollment, a status existed that by reason of a State regulation, barred his or her employment in the field of study. Such evidence includes:

- 1) Documentation demonstrating a status or condition based on a physical or mental condition, age, or criminal record that would bar employment in the field of study;
- 2) A copy of a State statute or regulation that provided that the condition or status would prevent satisfaction of the requirements of the State in which the student resided for performance of the occupation for which the program of instruction was designed to prepare the student; and
- 3) Evidence that the condition or status in question existed at the time of enrollment, that the school was aware of it, and that you were told by the school it would not be a hindrance to you in seeking employment after graduation from the school.

The concept of the disqualifying status regulation, 34 C.F.R. § 682.402(e)(13)(iii), is that certain training programs are so narrowly focused on a specific occupation that, for persons who are legally disqualified from employment in that occupation (long term), such programs provide no benefit of any kind, either in terms of transferable educational credit or transferable occupational skills.

To be eligible for federal student aid, including loans, non-degree educational "training" must "prepare a student for gainful employment in a recognized occupation," defining "recognized occupation" as one which is "listed in an 'occupational division' of the latest edition of the Dictionary of Occupational Titles, published by the U.S. Department of Labor."

You have not shown evidence that you have been denied employment based on your stated disqualifying status.

The Department's role in the various student loan programs is to make funds available to students to defray the cost of an education. The Department does not set the curriculum or guarantee the quality of education delivered. The selection of the school is the responsibility of the student.

Finally, the promissory note signed in the process of procuring the loans is independent of the enrollment agreement made with the school. Repayment is not contingent upon the student's satisfaction with the training, services, equipment, or placement facilities. For these reasons, the Department considers these loans to be an outstanding, legal obligation.

This determination covers only the loan(s) held by the U.S. Department of Education, listed above. The Department has made no determination regarding loans held by guarantee agencies, servicers, lenders, or educational institutions. If you believe that you may be eligible for discharge of other loans, you should contact the holder of the loans.

You are responsible for paying any outstanding balance due on your loan(s). Please call 800-621-3115 to make arrangements for repayment of the loan(s).

Operations Services Processing Division