Consumer Financial Protection Bureau

The CFPB's Work to Support and Protect Students and Student Loan Borrowers

The CFPB helps students and student loan borrowers by uncovering and addressing illegal and harmful practices in consumer financial products, particularly student loan servicing and lending. The CFPB's role has been particularly important as student loan borrowers have navigated changes to the federal student loan program.

In October 2023, millions of federal student loan borrowers had a payment due on their loans for the first time since March 2020. Many of those borrowers had never interacted with the federal student loan repayment system, and others may have been unaware of their options or were experiencing difficulties working with servicers. Consumer complaints related to federal student loans and their servicers spiked as borrowers reentered repayment and remain high.

Highlights of the CFPB's work to support students and student loan borrowers include:

Anticipating, Monitoring, and Addressing Consumer Risks as Payments on Federally Held Student Loans Resumed

- The CFPB has closely monitored student loan servicers since borrowers returned to repayment. A January 2024 issue spotlight published by the CFPB observed that borrowers are encountering long hold times when trying to reach their student loan servicer, experiencing significant delays in application processing times for income-driven repayment plans, and receiving inaccurate billing statements and disclosures.

- In March 2024, the CFPB published a consumer advisory detailing important steps borrowers needed to take to maximize their benefits under the Department of Education's one-time account adjustment. This opportunity gave borrowers with commercially held Federal Family Education Loan Program loans and other federal loans a chance to have their debts cancelled by becoming a part of the Direct Loan program. Even if borrowers didn't qualify immediately for cancellation, the Income Driven Repayment account adjustment would provide additional credit toward cancellation and could lower borrowers' monthly payments.

Taking Enforcement Actions Against Entities That Target Students and Student Loan Borrowers

- In October 2024, the CFPB sued student lender Climb Credit and its investor 1/0 ("one zero"). The CFPB alleges that the defendants misrepresented to borrowers that it had vetted its partner schools for "outcomes and value," made false claims about graduates' hiring rates and salaries and failed to accurately disclose finance charges and APRs.

- In October 2024, the Court entered stipulated final judgments against the National Collegiate Student Loan Trusts (NCSLTs) and Pennsylvania Higher Education Assistance Agency (PHEAA) for years of servicing failures. The NCSLTs purchase and securitize student loans, and PHEAA services those loans. The CFPB alleges that the defendants failed to respond to borrowers seeking relief from student loan payments, including during the COVID-19 national emergency. Under the stipulated final judgments, PHEAA and NCSLTs have to pay nearly $3 million in redress to consumers. PHEAA will have to pay a $1.75 million fine, and the NCSLTs will pay a $400,000 fine. The move by the CFPB follows a May 2024 action against PHEAA, which is commonly known as American Education Services or AES—one of the nation's largest servicers of private student loans. The CFPB alleges that AES failed to maintain policies and procedures to determine when a loan was discharged in bankruptcy and illegally collected and furnished inaccurate information on discharged loans.

- In September 2024, the CFPB announced an action against the student loan servicer Navient for its years of lawbreaking. As a result of the order entered in the CFPB's lawsuit, Navient is permanently banned from seeking to participate in federal student loan servicing activities. The company is also forbidden from directly servicing or acquiring most loans under the Federal Family Education Loan Program. These bans largely remove Navient from a market where it, among other illegal actions, steered numerous student loan borrowers into costly repayment options.

- In April 2024, the CFPB issued an order against BloomTech and its CEO, Austen Allred, for deceiving students about the cost of loans and making false claims about graduates' hiring rates. The order permanently bans BloomTech from all consumer-lending activities and bans Allred from any student-lending activities for ten years. The CFPB also ordered BloomTech and Allred to cease collecting payments on income share loans for graduates who did not have a qualifying job, eliminate finance charges for certain agreements, and allow students the option to withdraw without penalty. BloomTech and Allred must also pay a fine of more than $164,000.

Shining a Light on Junk Fees Associated with Campus Banking Products

- In December 2023, the CFPB published a report on the terms and fees associated with banking products that financial institutions and colleges partner on to offer to students. The report highlights that many college-sponsored financial products have higher fees and worse terms and conditions compared to typical market products. It identifies college-sponsored deposit accounts with fees above prevailing market rates, which institutions are required to consider under Department of Education rules designed to protect students' interests. The CFPB will continue to examine these practices and identify possible violations of federal consumer financial law.

Increasing Scrutiny of University-Based Student Lenders that Make Private Student Loans

- Congress granted the CFPB authority to conduct supervisory examinations of lenders that offer private education loans—which includes institution-based lenders, such as for-profit colleges that extend private loans directly to students. In 2022, CFPB examiners focused on reviewing practices relating to institutional student loans, including placing enrollment restrictions, withholding transcripts, improperly accelerating payments, failing to issue refunds, and maintaining improper lending relationships.

- The CFPB subsequently reported on the findings of examinations of institutional lenders. CFPB found that certain lenders' blanket policies of withholding students' transcripts as a debt collection tactic was an abusive practice. Because transcript withholding can preclude students from completing their degrees or obtaining employment, the CFPB had previously noted that the practice "can undermine rather than enhance a student's likelihood of repaying."

- In September 2023, the CFPB issued a report finding that students face risks when entering into agreements with colleges to spread the upfront cost of tuition into several, interest-free loan payments. Many plans have inconsistent disclosures and confusing repayment terms, putting students at risk of missing payments, incurring late fees, and accumulating debt.