CFPB's Efforts Related to Student Finance

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SEP 16 2014

CFPB Sues For-Profit Corinthian Colleges for Predatory Lending Scheme

Bureau Seeks More than $500 Million In Relief For Borrowers of Corinthian's Private Student Loans

WASHINGTON, D.C. — Today, the Consumer Financial Protection Bureau (CFPB) sued for-profit college chain Corinthian Colleges, Inc. for its illegal predatory lending scheme. The Bureau alleges that Corinthian lured tens of thousands of students to take out private loans to cover expensive tuition costs by advertising bogus job prospects and career services. Corinthian then used illegal debt collection tactics to strong-arm students into paying back those loans while still in school. To protect current and past students of the Corinthian schools, the Bureau is seeking to halt these practices and is requesting the court to grant relief to the students who collectively have taken out more than $500 million in private student loans.

"For too many students, Corinthian has turned the American dream of higher education into an ongoing nightmare of debt and despair," said CFPB Director Richard Corday. "We believe Corinthian lured consumers into predatory loans by lying about their future job prospects, and then used illegal debt collection tactics to strong-arm students at school. We want to put an end to these predatory practices and get relief for the students who are bearing the weight of more than half a billion dollars in Corinthian's private student loans."

The complaint against Corinthian can be found at:
http://files.consumerfinance.gov/f/201409_cfpb_complaint_corinthian.pdf

Corinthian Colleges, Inc. is one of the largest for-profit, post-secondary education companies in the United States. The publicly traded company has more than 100 school campuses across the country. The company operates schools under the names Everest, Heald, and WyoTech. As of last March, the company had approximately 74,000 students.

In June, the U.S. Department of Education delayed Corinthian's access to federal student aid dollars because of reports of malfeasance. Since then, Corinthian has been scaling down its operations as part of an agreement with the Department of Education. However, Corinthian continues to enroll new students.

Today's CFPB lawsuit alleges a pervasive culture across the Everest, Heald, and WyoTech schools that allowed employees to routinely deceive and illegally harass private student loan borrowers. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFPB has the authority to take action against institutions engaging in unfair, deceptive, or abusive practices. Based on its investigation, the CFPB alleges that the schools made deceptive representations about career opportunities that induced prospective students to take out private student loans, and then used illegal

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tactics to collect on those loans. Today's lawsuit covers the period from July 21, 2011 to the present.

Lured Into Loans By Lies

Most students who attend Everest, Heald, and WyoTech schools come from economically disadvantaged backgrounds and many are the first in their families to seek an education beyond a high school diploma. According to internal Corinthian documents, most students lived in households with very low income. Today's lawsuit alleges that the schools owned by Corinthian Colleges, Inc. advertised their education as a gateway to good jobs and better careers. It alleges that throughout the Corinthian schools, consumers were lured into loans by lies, including:

- **Sham job placement rates:** The CFPB alleges that Corinthian's school representatives led students to think that when they graduated they were likely to land good jobs and sufficient salaries to repay their private student loans. But the CFPB believes that Corinthian inflated the job placement rates at its schools. Based on its investigation, the CFPB alleges that this included creating fictitious employers and reporting students as being placed at those fake employers.
- **One-day long "career":** According to the CFPB's investigation, Corinthian schools told students they would have promising career options with an Everest, Heald, or WyoTech degree. But Corinthian counted a "career" as a job that merely lasted one day, with the promise of a second day.
- **Pay for placement:** The CFPB also alleges that the Corinthian schools further inflated advertised job placement rates by paying employers to temporarily hire graduates. The schools did not inform students about these payments or that these jobs were temporary.
- **Craigslist career counseling:** According to the CFPB's investigation, the Corinthian schools promised students extensive and lasting career services that were not delivered. Students often had trouble contacting anyone in the career services office or getting any meaningful support. The limited career services included distributing generally available job postings from websites like Craigslist.

Predatory Loans

Tuition and fees for some Corinthian programs were more than five times the cost of similar programs at public colleges. In 2013, the Corinthian tuition and fees for an associate's degree was $33,000 to $43,000. The tuition and fees for a bachelor's degree at Corinthian cost $60,000 to $75,000.

The CFPB believes the Corinthian colleges deliberately inflated tuition prices to be higher than federal loan limits so that most students were forced to rely on additional sources of funding. The Corinthian schools then relied on deceptive statements regarding its education program to induce students into taking out its high-cost private student loans, known as "Genesis loans." Today's lawsuit alleges that under the Genesis loan program:

- **Interest rates were more than twice as expensive:** Corinthian sold its students predatory loans that typically had substantially higher interest rates than federal loans. In July 2011, the Genesis loan interest rate was about 15 percent with an origination fee of 6 percent. Meanwhile, the interest rate for federal student loans during that time was about 3 percent to 7 percent, with low or no origination fees.
- **Loans were likely to fail:** Corinthian expected that most of its students would ultimately default on their Genesis loans. In fact, more than 60 percent of

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Corinthian school students defaulted on their loans within three years. The Everest, Heald, and WyoTech schools did not tell students about these high default rates. Defaulting on private student loans can have grave consequences for consumers, including affecting a borrower's job prospects and making it difficult to get any kind of loan for years.

Strong-Armed by Illegal Debt Collection Tactics

Under the Genesis loan program, nearly all student borrowers were required to make monthly loan payments while attending school. This is unusual; federal loans and almost all other sources of private student loans do not require repayment until after graduation. This put pressure on Everest, Heald, and WyoTech students to come up with funding while attending school. Today's lawsuit alleges that Corinthian took advantage of this position of power to engage in aggressive debt collection tactics. The CFPB alleges that Corinthian's campus staff members received bonuses based in part on their success in collecting payments from students. The debt collection tactics included:

- **Pulling students out of class:** The CFPB's investigation revealed that Corinthian's efforts to collect payments included shaming students by pulling them out of class. Financial aid officers would inform instructors and other staff that students were past due on their Genesis loans. Corinthian schools also required students to meet with campus presidents to discuss the seriousness of the overdue loans. At one Corinthian campus, students and employees referred to one financial aid staff member as the "Grim Reaper" because the staff member so frequently pulled students out of class to collect debts.

- **Putting education in jeopardy:** According to the CFPB's investigation, the Corinthian colleges jeopardized students' academic experience by denying them education until they paid up. They blocked students' access to school computer terminals and other academic resources. The Corinthian schools also prevented students from attending and registering for class, and from receiving their books for their next classes.

- **Withholding diplomas:** According to the CFPB investigation, Corinthian schools informed students that they could not participate in the graduation ceremony or would have their certificate withheld if they were not current on their Genesis loan in-school payments. In many cases, financial aid staff threatened that if students did not become current on their loans, they could not graduate or start their externships. Some former students stated that Corinthian schools continue to withhold their certificates because they are unable to make payments on their Genesis loans.

Halting Illegal Conduct and Obtaining Relief for Private Student Loan Borrowers

Today's lawsuit seeks, among other things, compensation for the tens of thousands of students who took out Genesis loans. The CFPB estimates that from July 2011 through March 2014, students took out approximately 130,000 private student loans to pay tuition and fees at Everest, Heald, or WyoTech colleges. Some of these loans have been paid back in part or in full; the total outstanding balance of these loans is in excess of $569 million.

The CFPB is seeking redress for all the private student loans made since July 21, 2011, including those that have been paid off. In its lawsuit, the CFPB is also seeking to keep

Corinthian from continuing the illegal conduct described above, and to prevent new students from being harmed.

Today the CFPB is also publishing a special notice for current and former Corinthian students to help them navigate their options in this time of uncertainty, including information on loan discharge options.

The CFPB Notice for Current and Former Corinthian Students can be found at: http://files.consumerfinance.gov/f/201409_cfpb_notice-for-current-and-former-corinthian-students.pdf

The CFPB estimates that there is approximately $1.2 trillion in outstanding student loan debt, with more than 7 million Americans in default on more than $100 billion in balances. Students and their families can find help on how to tackle their student debt on the CFPB's website.

The Bureau's complaint is not a finding or ruling that the defendant has actually violated the law.

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.

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FEB 26 2014

CFPB Sues For-Profit College Chain ITT For Predatory Lending

ITT Pushed Consumers into High-Cost Student Loans Likely to Fail

WASHINGTON, D.C. — Today the Consumer Financial Protection Bureau (CFPB) filed a lawsuit against ITT Educational Services, Inc., accusing the for-profit college chain of predatory student lending. The CFPB alleges that ITT exploited its students and pushed them into high-cost private student loans that were very likely to end in default. The CFPB is seeking restitution for victims, a civil fine, and an injunction against the company.

"ITT marketed itself as improving consumers' lives but it was really just improving its bottom line," said CFPB Director Richard Cordray. "We believe ITT used high-pressure tactics to push many consumers into expensive loans destined to default. Today's action should serve as a warning to the for-profit college industry that we will be vigilant about protecting students against predatory lending tactics."

Like the mortgage market in the lead-up to the financial crisis, the for-profit college industry may be experiencing misaligned incentives. These colleges benefit when students take out large amounts of loans, regardless of the students' long-term success. The CFPB is concerned that some of these corporations may be employing practices to coax consumers into taking out more federal and private student loans. Today's announcement is the Bureau's first public enforcement action against a company in the for-profit college industry.

ITT Educational Services, Inc. is an Indiana-based for-profit provider of post-secondary technical education. Tens of thousands of students are enrolled online or at one of ITT's roughly 150 institutions in nearly 40 states. ITT's tuition costs are among the highest in the country in the for-profit industry. Earning an associate's degree at ITT can cost more than $44,000. Bachelor's degree programs can cost $88,000. That is significantly higher than the cost of similar degrees at a community college or a public four-year institution.

Most of ITT's students borrow large sums to pay the high tuition costs and the majority of this money is borrowed from federal student loan programs. But private student loans also provide critical revenue for ITT. Because most ITT students' federal aid does not cover the full cost of an ITT program, most students face a "tuition gap" requiring them to find other sources of funding.

The CFPB's lawsuit alleges that ITT encouraged new students to enroll at ITT by providing them funding for this tuition gap with a zero-interest loan called "Temporary Credit." This loan typically had to be paid in full at the end of the student's first academic year. But ITT knew from the outset that many students would not be able to repay their Temporary Credit balances or fund their next year's tuition gap.

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The CFPB lawsuit alleges that between July 2011 and December 2011, ITT pushed its students into repaying their Temporary Credit and funding their second-year tuition gaps through high-cost private student loan programs. Students were left in the dark about the fact that taking out these high-cost loans would be required to continue their studies. However, ITT's CEO revealed in investor calls that converting the temporary loans to long-term loans was the company's "plan all along."

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFPB has the authority to take action against institutions engaging in unfair, deceptive, or abusive practices. Specifically, in today's lawsuit, the Bureau alleges the following conduct by ITT:

- **Pressured into predatory loans:** ITT used its financial aid staff to rush students through an automated application process without affording them a fair opportunity to understand the loan obligations involved. In some cases, students did not even know they had a private student loan until they started getting collection calls. The loans were high-cost. For borrowers with credit scores under 600, for example, the costs of the private student loans included 10 percent origination fees and interest rates as high as 16.25 percent.
- **Credits not transferable:** ITT was accredited by a national organization that accredits many for-profit schools, but the credits that students earned typically did not transfer to local community colleges or other nonprofit schools such as public or private colleges. ITT used the prospect of expulsion and the loss of the money already spent during the student's first year to coerce students into taking out the private loans.
- **Misleading future job prospects:** The Bureau believes that ITT's representations led students to think that when they graduated they were likely to land good jobs and enough salary to repay their private student loans. In this way, ITT exploited student expectations while it knew that a majority of students would default.
- **Loans likely to fail:** ITT knew that most of its students would ultimately default on their private student loans; it projected a default rate for its students of 64 percent. Defaulting on private student loans can have grave consequences for consumers. It can make it difficult to get any kind of loan for years and even affect a borrower's job prospects. And, because private student loans are difficult to discharge in bankruptcy, the debt can be very difficult to recover from.

The complaint against ITT can be found at:
http://files.consumerfinance.gov/f/201402_cfpb_complaint_ITT.pdf

The Bureau's complaint is not a finding or ruling that the defendant has actually violated the law.

To assist student loan borrowers who may be in delinquency or default, the CFPB recently launched an updated version of the Repay Student Debt interactive tool.

The CFPB also recently finalized a rule allowing it to supervise certain nonbank servicers of federal and private student loans. The rule takes effect on March 1.

CFPB takes complaints about student loans. To submit a complaint, consumers can:

- Go online at consumerfinance.gov/complaint
- Call the toll-free phone number at 1-855-411-CFPB (2372) or TTY/TDD phone number at 1-855-729-CFPB (2372)
- Fax the CFPB at 1-855-237-2392

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- Mail a letter to: Consumer Financial Protection Bureau, P.O. Box 4503, Iowa City, Iowa 52244

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Students and young Americans

Mid-year update on student loan complaints

Our mid-year report analyzes student loan complaints submitted by consumers since the 2013 annual report and analyze issues related to co-signing a private student loan. Read the report, the consumer advisory, and sample letters for borrowers and co-signers.

A closer look at the trillion

While there's been a lot of discussion about changes to federal student loan interest rates on new loans, many of you have asked: what's happening with the trillion that's already been borrowed? We took a closer look and here's what we found.

Check out our advice for consumers trying to get ahead on their loans.

Paying for College

From start to finish, we can help you make informed financial decisions about paying for college.

Get started

Repay student debt

While we can't give you advice for your exact situation, we can point you in the right direction.

Know your options

Submit a student loan complaint

We'll forward your issue to the company, give you a tracking number, and keep you updated on the status of your complaint.

Submit now

STUDENT BANKING AND CREDIT CARDS

Banking on campus

Last year, we asked consumers, schools, and industry for their thoughts on financial products marketed on college campuses and hosted a forum. Read our initial findings and watch a video of the event. We also issued a consumer advisory to help students better understand their options when it comes to managing their scholarships and student loans.

On March 26, we presented to the Department of Education's negotiated rulemaking committee. Here's what we discussed.

College credit card agreement database

We collect information on agreements between universities and credit card issuers. Check out the database. We also released a report to Congress highlighting trends in credit cards on college campuses.

Managing your college money

Choosing your first bank account is an important decision. Unlike that first school ID photo, your first banking relationship could last long after you graduate. Making a smart decision now will mean fewer surprise fees that can add up later.

STUDENT LOAN REPORTS

Student loan affordability

On May 8th, we published a report discussing comments we received and outlining options policymakers and market participants should consider to help student borrowers manage their debt.

Read what we heard and see the comments we received.

Annual report of the CFPB student loan ombudsman 2013

Based on complaints, comments, and other input, we explain how some borrowers face obstacles when repaying their private student loans.

Check out last year's report and a snapshot of complaints from earlier this year.

Private student loans

With the Secretary of Education, we submitted a report to Congress. Thousands of consumers gave us their comments.

Public service and student debt

We're asking public service organizations to help tackle student debt by signing the pledge.

Check out our report, toolkit for employers and our guide for borrowers.

LEVELING THE PLAYING FIELD

Know Before You Owe

In partnership with the Department of Education, we've developed a financial aid shopping sheet to improve the way schools communicate financial aid offers. More than 1,500 colleges have agreed to use the shopping sheet.

What we heard – We released a prototype and received feedback from the public.

Does your college help you know before you owe?

Military education accountability

We're working with the Departments of Education, Defense, and Veterans Affairs to take steps to ensure that servicemembers, veterans and their families can get the information they need about the schools where they spend their education benefits.

Student loan servicing and the military – Servicemembers face unique challenges when paying back student debt.

Public service and student debt

We're asking public service organizations to help tackle student debt by signing the pledge.

Check out our report, toolkit for employers and our guide for borrowers.

Read more about the CFPB's work for students on our blog

Speeches, Op-eds, and testimony

Written Testimony before the Senate Budget Committee - Rohit Chopra, 6/4/2014

Remarks before the Federal Reserve of St Louis - Rohit Chopra, 11/18/2013

Remarks at the CFPB Banking on Campus Forum - Richard Cordray, 9/30/2013

Student debt swells, federal loans now top a trillion - Rohit Chopra, 7/13/2013

Testimony before the Senate Committee on Banking, Housing, and Urban Affairs - Rohit Chopra, 6/25/2013

Student debt domino effect? - Rohit Chopra, 5/09/2013

Prepared remarks for a press call on proposed rule on student loan servicers - Richard Cordray, 3/14/2013

Debt déjà vu for students - Rohit Chopra, 10/25/2012

Congressional Forum on Student Loans in Chicago, IL - Rohit Chopra, 8/27/2012

Written testimony at a Senate hearing on private student loans - Rohit Chopra, 7/24/2012

Prepared Remarks for a Press Call about the "Financial Aid Shopping Sheet" - Richard Cordray, 7/23/2012

Prepared Remarks for the Private Student Loan Report Press Call - Richard Cordray, 7/19/2012

Too Big to Fail: Student debt hits a trillion - Rohit Chopra, 3/21/2012

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Paying for College

Get help to make informed financial decisions about how to pay for college. Start by comparing financial aid offers or understanding student loan repayment options.

Welcome!

It's more important than ever for students and former students to make smart decisions about financing their college education. Whether you're attending college soon, are a current student, or already have student loans, we've put together some tools and resources to help you make the best decisions for you.

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STUDENT FINANCIAL GUIDES

For many people, how to pay for a college education is one of the first major financial decisions they'll make. These guides cover some of the big decisions you'll face and will help you understand your options for financing your college education.

Student loans

If you're considering student loans to help you pay for school, you're not alone – many students need loans to cover their full cost of attendance. If you have to take out student loans, comparing your options can help you find the student loan best suited for your needs. More about student loans.

Still need to apply for financial aid?
Visit fafsa.gov

Student banking

Unlike that first school ID photo, your first banking relationship could last long after you graduate. Making a smart decision now will mean fewer surprise fees that can add up later. More about managing your money.

COMPARE FINANCIAL AID OFFERS

As part of our Know Before You Owe project, we worked with the Department of Education to create a Financial Aid Shopping Sheet. Now that thousands of colleges are adopting this clear and comparable form, we've built a tool that complements the shopping sheet to help students make comparisons tailored to their individual circumstances.

Compare costs

Still researching schools?
Check out College Scorecard

REPAY STUDENT DEBT

Paying off student debt can be confusing. We'll walk you through how to optimize paying off your student loans, even if you're behind.

Get started

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Student Loans: Choosing a loan that's right for you

Why Is it important?

If you're considering student loans to help you pay for school, you're not alone - many students need loans to cover their full cost of attendance. In 2010, 67% of bachelor's degree recipients used loans to pay for their education. But the more money you borrow now, the higher your monthly loan payments will be after you graduate.

If you have to take out student loans, comparing your options can help you find the student loan best suited for your needs.

Key Questions

I have to borrow money for school. What are my options?

If you have to take out student loans, you essentially have two choices: federal student loans and private loans.

For most borrowers, federal student loans are the best option. When you start to pay back your federal loans, the interest rate will be fixed, which will help you predict your payments after graduation. And in some cases, the federal government will pay the interest on your loans while you are in school - these loans are called subsidized loans.

Other student loans are generally private student loans. The most common private student loans are offered by banks. Their interest rates are often variable, which means your interest rates and payments could go up over time. Private loans can also be more expensive - rates have been as high as 16% over the past couple of years. And when it is time to repay, private loans don't offer as many options to reduce or postpone payments.

For most people, federal student loans are a better deal than private student loans, so you'll want to take advantage of federal options first.

What if my grants and federal loans don't cover the cost of attendance?

If your grants and federal loans are not enough to cover the cost of your education, you should consider the following options:

- Search for scholarships. Look for state and local grants and scholarships using one of the many free scholarship search options available. Servicemembers, veterans, and their families may be eligible for GI Bill benefits and/or military tuition assistance.
- Cut costs. Consider getting one or more roommates or a part-time job, possibly through Federal Work-Study.
- See what your family can contribute. Your parents may be able to get tax credits for their contributions. Parents can also explore the federal Direct PLUS Loan program.
- Shop around for a private loan. Remember that these loans generally have higher interest rates and less repayment flexibility compared to federal student loans. You generally should turn to private loans only after you have explored all other grant, scholarship, and federal loan options. If you can show you have a very high credit rating, you may find an affordable private student loan, though you will likely need a co-signer, who will be legally obligated to repay the loan if you can't or don't. Look for the one with the lowest interest rate and flexible repayment options.

What should I consider when shopping for a private loan?

First, make sure you need a private student loan. These loans generally are not as affordable as federal student loans and offer little repayment flexibility.

Here are some factors to consider:

- Talk to your school's financial aid office to get a form certifying that you need additional aid to cover the cost of attendance - most lenders require it.
- Shop for lower interest rates and loans that offer flexibility if you have trouble making payments.
- Some private lenders may advertise very low interest rates - remember that only borrowers with the best credit will qualify for these rates. Your rate could be much higher.
- In 2011, over 90% of private student loans required a co-signer, so make sure you have someone like a parent or another relative lined up. Your co-signer will be legally obligated to repay the loan if you can't or don't. You may want to consider loans that offer "201cco-signer release" after a number of on-time payments.

what are the options?

	Federal Loans	Private Loans
WHAT YOU NEED TO KNOW	Take advantage of your federal loan options before seeking private loans. Federal student loans almost always cost less and are easier to repay.	Private loans are generally more costly than federal loans and offer little flexibility if you are having trouble making your payments.
BENEFITS	Many federal student loans are subsidized and have fixed interest rates. Most students are eligible, and repayment terms are flexible.	You can borrow larger amounts. If you shop around and can show ability to repay, you may be able to find low interest rates.
RISKS	The amount of money you can borrow is limited, and a portion of your wages and tax	Your interest rate and monthly payment could change with little warning, and you

Federal Loans	Private Loans
refunds could be taken by the government if you neglect repayment responsibilities.	have fewer options for when and how much you repay.

DETAILED COMPARISON OF FEDERAL AND PRIVATE LOANS

	Federal Loans	Private Loans
HOW TO REPAY	6-month grace period for undergraduates Flexible monthly payments based on income or financial hardship, and possible debt forgiveness for teaching, military service, and other public service work	6-month grace period for most loans Very limited flexibility for those with financial need or hardship
INTEREST RATES	Rates are fixed The Subsidized Direct and Perkins Loans have no interest while you're in school Interest rates range from 3.86% to 6.41%, depending on the loan program There is a 4% loan fee on PLUS loans and 1% fee for other Direct Loans.	Rates are often variable - they can change over time You are charged interest while you are in school Interest rates range depending on your credit and other factors May charge various fees, like an origination fee.
WHO IS ELIGIBLE	Almost everyone is eligible for federal loans; those with financial need will qualify for lower rates	Lenders decide eligibility based on your credit and other factors, and you will likely need a co-signer
LOAN LIMITS	Varies, depending on who you are and the type of loan, but cannot exceed your college costs Generally, undergraduates can max out at $5,500-12,000 per year, and graduate students at $8,000-20,500 per year More info at studentaid.ed.gov	Varies, depending on your credit and other factors, but generally, you should not borrow more than your college costs

Federal Loan Options

Federal student loans almost always cost less and are easier to repay than private loans. You must complete the Free Application for Federal Student Aid (FAFSA) to be eligible for federal student loans.

Perkins Loans

Subsidized with a fixed 5% interest rate, administered through your school, and awarded based on financial need

If you are eligible, you should take this loan first

Direct Loans

Either subsidized or unsubsidized

Everyone is eligible for the Unsubsidized Direct Loan, and Subsidized Direct Loans are awarded based on financial need

Parent or Grad PLUS Loans

Available to graduate students and parents

Parents with PLUS loans are responsible for repaying those loans

Private Loan Options

There are many different private loan options, with different interest rates and costs. Generally, private student loans have higher costs than federal student loans and require a co-signer.

Borrowing beyond your federal loans could mean high levels of debt. Make sure you have explored all other options including applying for additional scholarships, cutting costs, or getting a part-time job before taking out a private loan. If you are still deciding where to go to school, consider all your options, including finding a low-cost school.

However if you need a private student loan, you should know that there are some unexpected places to look for deals. It's important to shop around and compare different loan offers.

State Agency Loans

Loans offered by states to residents, or for students attending school in the state

Ask your school's financial aid office for more information about "state sponsored alternative loans"

Traditional Bank Loans

These loans come from commercial banks. You may be more familiar with their checking or savings accounts

Talk to your parent or someone you trust about this option because you will likely need a co-signer

School Loans

Some schools have their own loan program for students, which tend to have fixed rates

Ask your school's financial aid office for more information

ASK CFPB!

What's the difference between subsidized and unsubsidized student loans?

The government pays the interest on subsidized loans while you are in school. You pay the interest on unsubsidized loans. Subsidized loans are awarded to students based on financial need.

What happened to Stafford Loans?

These are now called Federal Direct Loans.

How often do student loan rates change?

Congress has the authority to change federal student loan rates, but once you agree to a federal student loan, your interest rate remains the same until you have paid it off.

Interest rates on private student loans are set by the lender that makes the loan and depend on the lender's evaluation of your creditworthiness. Some private loans have variable interest rates, which mean your payment amount could change over time.

Should I use a credit card to cover my education costs?

Don't replace student loan debt with credit card debt - it can be a much more expensive way to finance your education. Credit cards do not provide the flexible repayment terms or borrower protections offered by federal student loans.

What if I can't repay my private student loan?

Contact the company that services your student loan immediately. You might be able to temporarily suspend your payments or work out a temporarily reduced payment. Ask your servicer if it has a program for "forbearance" or "deferment." Learn more about your options to repay your student debt.

Take action

1 Fill out the FAFSA

You must complete this form to be eligible for any federal student loans or grants. Submit the FAFSA as early as possible. Find your FAFSA deadlines online.

Even if you are not sure you'll be eligible for any federal aid, you still need the FAFSA - schools often award scholarships and other grant aid using FAFSA information.

If you are having trouble filling out the form, contact the Department of Education.

2 Explore all your federal loan options first

If you need to borrow to pay for school, federal student loans almost always cost less than private student loans and have more protections when it's time for repayment. If you are choosing between schools, compare each school's aid offer.

3 Shop around if your aid package doesn't cover the full cost of college

Talk to your school's financial aid office about alternative scholarships or loan options. You may want to ask your parent to consider taking out a PLUS loan. And if you decide a private student loan is your best option, make sure you understand the terms and costs.

This page works better on a desktop, but you can continue anyway. ×

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‹ Paying for College

Compare financial aid

Compare college costs and financial aid offers to see how they might impact you down the road. Just researching schools? Check out College Scorecard.

Get started | Student financial guides | Compare financial aid offers | Repay student debt

About this tool

COMPARE SCHOOLS

Compare college costs and financial aid offers.

Add some information about the schools you're considering to see the financial impact down the road. If you don't have a financial aid offer, we'll show you where to find cost info for each school.

Get started

You can compare up to 3 schools.

	School 1	School 2	School 3
FIRST YEAR COSTS			
Cost of attendance	$0	$0	$0
FIRST YEAR FINANCIAL AID OFFER			
Money for school	$0	$0	$0
Compare first year costs	School 1	School 2	School 3

	School 1		School 2		School 3	
Edit the contribution amounts above and see how it affects the breakdown	Total first year costs:	$0	Total first year costs:	$0	Total first year costs:	$0
	Contributions, scholarships, and grants:	$0	Contributions, scholarships, and grants:	$0	Contributions, scholarships, and grants:	$0
	Federal Loans	$0	Federal Loans	$0	Federal Loans	$0
	Private Loans	$0	Private Loans	$0	Private Loans	$0
	Left to pay:	$0	**Left to pay:**	$0	**Left to pay:**	$0

AFTER SCHOOL

	School 1	School 2	School 3
Debt at graduation	$0	$0	$0
Monthly payments Per month for 10 years to cover your total borrowing	 $0 per month 0% of your monthly salary	 $0 per month 0% of your monthly salary	 $0 per month 0% of your monthly salary
Debt burden	None	None	None

SCHOOL INDICATORS (SOURCE)

	School 1	School 2	School 3
Graduation rate Percentage of full-time students who graduate within 6 years or 3 years for undergraduate and associates programs, respectively.			
Loan Default Rate Percentage of borrowers who have defaulted on their loan after entering repayment.			
Median Borrowing Families typically borrow this amount in federal loans for a student's undergraduate study. This shows the Federal loan payment over 10 years for this amount. Your borrowing may be different.			

FEEDBACK

What do you think about Paying for College? We're always looking to make our tools and resources better for you. Tell us how!

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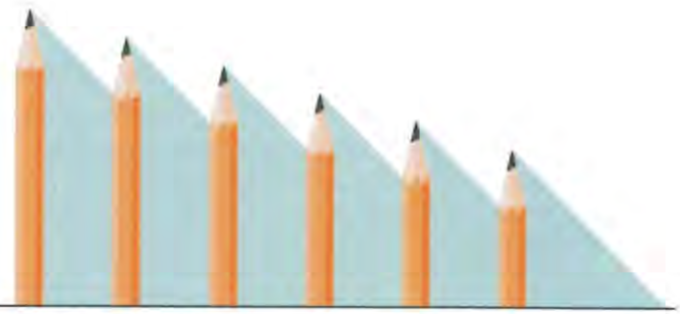
❮ Paying for College

Repay student debt

Paying off student debt can be confusing. Walk through your options and optimize how to pay off your loans.



KNOW YOUR OPTIONS

Before you start, it will be helpful to have a list of your loans, as well as the required monthly payment amounts. If you don't have this information, don't worry.

While we can't give you advice for your exact situation, we hope it can point you in the right direction and help you learn about some of your options.

FEDERAL, PRIVATE (NON-FEDERAL), OR BOTH?

Are your student loans federal or private (non-federal), or a mixture of both?

> If you aren't sure what kind of loans you have, visit the National Student Loan Database System for Students and select "Financial Aid Review" for a list of all federal loans made to you. Click each individual loan to see who the servicer is for that loan (this is the company that collects payments from you). It's very important to know your servicer. This might be a different company from the original lender. Remember, that system shows only your federal student loans, not your private student loans.

Federal loans

- Typically have names such as Stafford, Grad PLUS, Direct, or Perkins

Private (non-federal) loans

- Are often issued by a bank, a credit union, your school, or another lending institution;
- They might use names like "private" or "alternative"; and
- Can be issued by a non-profit or state agency.

If you're not sure whether you have non-federal loans, contact your school's financial aid office since they may have this information on file.

Federal   Non-Federal   Both

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OCT 28 2014

CFPB Supervision Report Highlights Risky Practices in Student Loan Servicing

Examiners Also Uncover Violations of Mortgage Servicing Laws

WASHINGTON, D.C. - The Consumer Financial Protection Bureau (CFPB) today issued a report highlighting illegal actions uncovered by the Bureau's supervision of the student loan servicing market. Bureau examiners found that companies engaged in illegal practices like charging unfair late fees and harassing debt collection calls. Bureau examiners also found that some mortgage servicers failed to provide critical consumer protections required by the new CFPB servicing rules that took effect earlier this year.

"Students are already struggling with crushing amounts of loan debt," said CFPB Director Richard Cordray. "Student borrowers deserve better than illegal practices as they work to pay back their loans. All borrowers should be treated fairly by loan servicers, and through our supervision program, we intend to hold them accountable for how they treat borrowers."

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the CFPB has authority to supervise banks with over $10 billion in assets and certain nonbanks. Those nonbanks include mortgage companies, private student loan lenders, and payday lenders, as well as nonbanks the Bureau defines through rulemaking as "larger participants." To date, the Bureau has issued rules to supervise the larger participants in the debt collection, consumer reporting, international money transfer, and student loan servicing markets.

Today's report, which is the fifth edition of Supervisory Highlights, generally covers supervisory activities between March and June 2014. The report highlights problems in two specific markets: student loan servicing and mortgage servicing. Servicers are companies that collect payments on a loan, respond to customer service inquiries, and perform other administrative tasks associated with maintaining a loan. Further, loan servicers disburse loans, process deferments and forbearances, and maintain loan records. Servicers are also responsible for working with struggling borrowers to find repayment options.

Student Loan Servicing

More than 40 million Americans with student debt depend on student loan servicers to serve as their primary point of contact about their loans. When facing unemployment or other financial hardship, borrowers contact student loan servicers in order to enroll in alternative repayment plans, obtain deferments or forbearances, or request a modification of loan terms. While supervising for compliance with federal consumer financial laws, Bureau examiners found that one or more student loan servicers were:

- **Allocating payments to maximize late fees:** Typically, servicers handle multiple student loans for each borrower in one combined account. Servicers allow borrowers to make a single payment for all of the loans, and then the

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servicer allocates the payment among the borrower's loans to satisfy the monthly payment for each loan. Where the borrower made a payment that was less than the total amount due, CFPB examiners found that one or more servicers allocated the amount proportionally to each loan. That resulted in borrowers getting charged a minimum late fee on all of their loans and all of their loans becoming delinquent. Supervision cited these fee-maximizing practices as unfair under the Dodd-Frank Act.

- **Misrepresenting minimum payments:** CFPB examiners found that one or more servicers inflated the minimum payment that was due on periodic statements and online account statements. These inflated numbers included amounts that were in deferment and not actually due, which CFPB examiners found to be deceptive.
- **Charging illegal late fees:** CFPB examiners found one or more servicers were unfairly charging late fees when payments were received during the grace period. Like many other types of loans, many student loan contracts have grace periods after the due date. If a payment is received after the due date, but during the grace period, the promissory note stated that late fees would not be charged. Supervision identified charging late fees during the grace period as unfair and deceptive under the Dodd-Frank Act.
- **Failing to provide accurate tax information:** CFPB examiners found cases where student loan servicers failed to provide consumers with information essential for deducting student loan interest payments on their tax filings. The servicers impeded borrowers from accessing this information and misrepresented information on the consumers' online account statements. This practice may have caused some consumers to lose up to $2,500 in tax deductions. Examiners found this failure to provide accurate information to be unfair and deceptive under the Dodd-Frank Act.
- **Misleading consumers about bankruptcy protections:** CFPB examiners found that some servicers told consumers student loans are not dischargeable in bankruptcy. While student loans are more difficult to discharge in bankruptcy than most other types of loan, it is possible if the borrower affirmatively asserts and proves "undue hardship" in a court. Servicer communications with borrowers asserted or implied that student loans were never dischargeable. Examiners identified communications of this nature as deceptive under the Dodd-Frank Act.
- **Making illegal debt collection calls to consumers, at inconvenient times:** Examiners found that one or more student loan servicers routinely made debt collection calls to delinquent borrowers early in the morning or late at night. For example, examiners identified more than 5,000 calls made at inconvenient times during a 45-day period, which included 48 calls made to one consumer. Supervision found these phone calls to be unfair under the Dodd-Frank Act.

Mortgage Servicing

In the wake of the financial crisis, mortgage servicing problems have plagued borrowers and caused many to lose their homes to illegal foreclosures. In January 2014, new CFPB mortgage servicing rules took effect to protect homeowners from servicing surprises and runarounds. The new rules implemented strong protections for struggling borrowers. The CFPB has also issued two supervisory bulletins warning mortgage servicers about servicing transfer violations. While supervising for compliance with federal law, Bureau examiners found that some servicers:

- **Failed to oversee service providers:** Institutions contract with service providers for a number of reasons. They may use service providers to develop and market additional products or services or to provide expertise. The Bureau's

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servicing rules specifically require servicers to have policies and procedures to oversee servicer providers. When institutions do not oversee their activities, service providers that are unfamiliar with consumer financial protection laws can harm consumers.

- **Unfairly delayed permanent loan modifications:** Before finalizing a permanent loan modification, a servicer may first require a borrower to complete a trial modification. Once the borrower has successfully completed the trial modification, the servicer should then covert it into a permanent loan modification. Where there were delays in this conversion, examiners found that consumers were harmed because they did not promptly receive the benefits of the terms of the permanent modification.

- **Deceived consumers about status of permanent loan modifications:** Examiners found that one or more servicers sent certain borrowers permanent modification agreements, which they signed and returned. The servicers, however, did not execute them. Instead, after a significant period of time, the servicers sent borrowers updated agreements with materially different terms. These misrepresentations about the available terms affected the borrowers' payments, whether they would accept the modification, and how they could budget based on their expected payment.

Examiners also found problems in other markets. Some consumer reporting agencies had weak systems in place to track and resolve consumer complaints. At least one debt collector was imposing illegal fees on consumers and threatening consumers with litigation it did not intend to pursue. The CFPB expects all entities under its supervision to respond to customer complaints and identify major issues and trends that may pose broader risks to their customers.

Today's report aims to share information that all industry participants can use to ensure their operations remain in compliance with federal consumer financial law. In all cases where CFPB examiners find problems, they alert the company to their concerns and outline necessary remedial measures. When appropriate, the CFPB opens investigations for potential enforcement actions.

Today's edition Supervisory Highlights is available at:
http://files.consumerfinance.gov/f/201410_cfpb_supervisory-highlights_fall-2014.pdf

The CFPB estimates that there is $1.2 trillion in outstanding student loan debt, with more than 7 million Americans in default. Student loan borrowers who are struggling with student debt can use the CFPB's Repay Student Debt tool to navigate their options. Earlier this month, the CFPB also published a sample letter for private student loan borrowers to seek an affordable payment plan.

###

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OCT 16 2014

Annual report of the CFPB student loan ombudsman 2014

The Dodd-Frank Wall Street Reform and Consumer Protection Act established a student loan ombudsman within the Consumer Financial Protection Bureau. Pursuant to the Act, this annual report analyzes complaints submitted by consumers with student loans from October 1, 2013, through September 30, 2014. The largest subset of private student loan complaints we handled relate to the lack of repayment options and flexibility in times of distress.

Read our 2014 annual report of the CFPB student loan ombudsman.

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FOR SERVICEMEMBERS

Tackling student loan debt

1. Lower the interest rate for all your loans

If you are serving on active duty, you're eligible to have your interest rate lowered to six percent on all student loans (both federal and private) taken out before your active-duty service. You can submit your request up to 180 days after leaving active duty, and the lower interest rates will be applied retroactively for the entire period of your active-duty service.

Next steps

Inform your student loan servicer(s) that you'd like to lower your interest rate under the Servicemembers Civil Relief Act (SCRA). You'll need to write to your servicer and send a copy of your orders.

2. Manage your federal student loans

You can take steps to lower your monthly payment today and may qualify for Public Service Loan Forgiveness (PSLF) after 120 qualifying monthly payments (ten years). All active duty servicemembers may be eligible. To get started you need to have qualifying loan, sign up for a qualifying payment plan and certify you have a public service employer.

Next steps and tips

- **Make sure you have a qualifying loan.** Only federal Direct Loans are qualifying loans for Public Service Loan Forgiveness. Learn more about your loans at **nslds.ed.gov.**
- **Enroll in a qualifying payment plan.** Income-Based Repayment (IBR) is the best payment plan for many borrowers. IBR sets a low monthly payment based on your income, allowing you to make progress toward 120 on-time qualifying payments and loan forgiveness. To get started, enroll online **studentloans.gov** or contact your student loan servicer.
- **Certify that you work for a qualified public service employer.** Contact your student loan servicer to get the Employment Certification for Public Service Loan Forgiveness form to qualify for loan forgiveness. You'll need your employer to complete and sign section three.
- **If you have newer loans, you may be able to lower your monthly payment even further.** Pay As You Earn (PAYE) is a different payment plan that offers lower monthly payments than IBR. Eligible borrowers must have at least one new loan made after October 1, 2011 and have no federal loans from before October 1, 2007. Learn more at **studentloans.gov.**

Ask your servicer about other options for your federal loans

Reduce your interest rate to zero. While you are serving in an "area of hostility" that qualifies you for special combat pay, you may not have to pay interest on Direct Loans made on or after October 1, 2008, for up to 60 months.

Cancel your Perkins loans. Perkins Loan borrowers serving in an "area of hostility" for more than 365 days may be eligible to have their loan balance reduced for each qualifying year of service. Contact your servicer to apply.

Be wary of military deferment. Military deferment may be available for some servicemembers if you're on active duty or in the National Guard during certain qualifying times. But be aware, if you have an unsubsidized loan, the unpaid interest will cause your total debt to grow.

Want loan forgiveness but have federal loans that don't qualify?

Consider consolidating. Borrowers with older federal loans may be able to take out a new Direct Consolidation Loan in order to be eligible for Public Service Loan Forgiveness.

Be careful. While this option may make sense for borrowers with very high levels of student debt, if you're on active duty and your student loan interest rate is higher than six percent, you may lose eligibility for your interest rate reduction under the SCRA.

3. Manage your private student loans

If you're having trouble making ends meet and you're serving on active duty, you may be eligible to postpone private student loan payments through deferment or forbearance options. Be aware that while the terms of alternative payment plans will vary, the interest on your loans will continue to grow even after you stop making payments.

Know your options

For most servicemembers, it's better to pay your private student loans if you can. If you can't afford to repay your loans while you're on active duty, ask your servicer about interest-only payments instead of deferment or forbearance. This will stop your loans from growing and may still provide you with some short-term relief.

Run into trouble?

Submit a complaint. Have an issue with your servicer or debt collector? We'll forward your complaint to the company and work to get a response from them. Visit cfpb.gov/complaint or call **855-411-CFPB (2372).**

Contact your Judge Advocate General (JAG). A JAG can help if you need legal services. Find a JAG at **legalassistance.law.af.mil.**

Still have questions? Ask CFPB has over 1,000 questions and answers in plain language. Visit **consumerfinance.gov/askcfpb.**

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MAY 13 2014

Statement by CFPB's Holly Petraeus on DOJ, FDIC Enforcement Actions Against Sallie Mae

BY HOLLY PETRAEUS

WASHINGTON, D.C. – Today, the U.S. Department of Justice announced an enforcement action against Sallie Mae (also known as Sallie Mae Bank and Navient Solutions), the largest servicer of federal and private student loans, which was found to be systematically violating the legal rights of U.S. servicemembers. The Federal Deposit Insurance Corporation (FDIC) also reached a settlement with the companies that addresses allegations of student loan servicing misconduct. Sallie Mae is ordered to pay $96.6 million in restitution and penalties.

Holly Petraeus, Consumer Financial Protection Bureau Assistant Director, Office of Servicemember Affairs, issued the following statement:

"I commend Attorney General Eric Holder, FDIC Chairman Martin Gruenberg, and the staff at the Department of Justice and FDIC for taking action to protect student loan borrowers.

"I have been concerned for some time about the way that military personnel are treated by their student loan servicers. The men and women serving this country should receive quality customer service and the legal protections afforded to them. Instead, Sallie Mae gave servicemembers the runaround and denied them the interest-rate reduction required by law. This behavior is unacceptable. And it's particularly troubling from a company that benefits so generously from federal contracts.

"The dedicated staff of the Department of Justice's Civil Rights Division has initiated a number of enforcement actions in recent years to pursue those who don't fulfill their legal obligations under the Servicemembers Civil Relief Act (SCRA). I applaud their actions, which have put millions of dollars back in the pockets of servicemembers.

"Today's action should serve as warning not just to the student loan servicing industry, but to all institutions that provide or service loans to the military. Federal agencies will be vigilant about holding all financial institutions accountable for providing the protections that our servicemembers have earned through their selfless service to our nation."

Background

A 2012 report from the CFPB found that servicemembers faced serious hurdles in accessing their student loan benefits, including the provisions of the SCRA which caps the interest rate on pre-existing student loans and other consumer credit products at 6 percent while the servicemember is on active duty. Servicers were not providing them with clear and accurate information about their loan repayment options. The CFPB has heard from military borrowers, including those in combat zones, who were denied

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interest-rate protections because they failed to resubmit unnecessary paperwork. These kinds of obstacles prevent servicemembers from taking advantage of the full range of protections they have earned through their service to this country.

The CFPB has partnered with the Department of Defense to create better awareness of the rights and options for servicemember student loan borrowers. The CFPB also developed a guide for servicemembers who have student loans. The guide contains clear information on the various ways student loans can be repaid. The Bureau began accepting student loan complaints in March 2012. Servicemembers who have an issue with their servicers should submit a complaint to the CFPB.

To submit a complaint, consumers can:

- Go online at consumerfinance.gov/complaint
- Call the toll-free phone number at 1-855-411-CFPB (2372) or TTY/TDD phone number at 1-855-729-CFPB (2372)
- Fax the CFPB at 1-855-237-2392
- Mail a letter to: Consumer Financial Protection Bureau, P.O. Box 4503, Iowa City, Iowa 52244
- Additionally, through "Ask CFPB," consumers can get clear, unbiased answers to their questions at consumerfinance.gov/askcfpb or by calling 1-855-411-CFPB (2372).

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Veterans: Take advantage of student loan forgiveness, but don't let it damage your credit

BY HOLLY PETRAEUS AND ROHIT CHOPRA

For some veterans, their time in uniform caused a severe service-connected disability. This dramatically impacts their life after transition out of the military.

For 100-percent service-disabled veterans who have student debt, the Department of Education offers a valuable benefit to help them avoid financial distress – the chance to have their loans discharged (forgiven). Under federal law, veterans can seek federal student loan forgiveness if they receive a 100 percent disability rating by the Department of Veterans Affairs (VA). Private student lenders are not required to offer this benefit, but some do on a case-by-case basis, so be sure to ask.

We encourage all consumers to check their credit report regularly, but we want to especially encourage veterans who use this benefit to be sure that their student loan servicer (the company that collects payments) is providing correct information about their loan discharge to credit bureaus (the companies that compile and sell credit reports).

We continue to hear from veterans and servicemembers about the unique servicing obstacles they face as they seek to pay off student loan debt. We are concerned that, in some circumstances, when veterans are able to discharge their student loans due to their disability, they may experience damage to their credit report if their student loan servicer provides incorrect information to the credit bureaus. These mistakes, if uncorrected, can result in a negative entry on their credit report that makes it harder and more expensive for these disabled veterans to get credit, buy a car or take out a mortgage.

For example, one service-disabled veteran submitted a complaint to us describing how his credit score fell by 150 points as a result of this type of error. His score went from a nearly perfect "super prime" credit score to a much lower score simply because he received loan forgiveness.

> I can't get anyone to listen to me! I am a 100 percent disabled Veteran who has had his credit score ruined by a broken credit scoring system. I had my student loans...discharged...in August 2013...I went from 800 to 650 in less than 2 months. I am fighting to survive because a company from my own country is killing me.

Consumers are harmed when companies furnish inaccurate information to credit reporting agencies. An error in a credit report could make a big difference in whether someone receives a loan, qualifies for a low interest rate, or even gets offered a job. These credit-reporting problems, if uncorrected, can hurt veterans in this situation for decades.

For example, here's what could happen if a veteran tried to buy a home after a credit reporting error caused similar damage to her credit profile and score and this damage went uncorrected. If she used a VA home loan to buy a $216,000 home, she could pay more than $45,000 in additional interest charges over the life of her mortgage (depending on the length and terms of the mortgage), since this error would cause her to qualify for a much more expensive loan.

Here are two important reminders for service-disabled veterans who have discharged their federal student loans:

1. **Check your credit report.**

If you received loan forgiveness due to your service-connected disability, your credit report should not state that you still owe the debt. Other borrowers who receive a disability discharge are monitored for three years by the Department of Education. But if you received a discharge based on VA documentation, you don't have to worry about this step and your credit report should show that you no longer owe the loan, not that it was "assigned to government" for monitoring. And remember, you can check your credit report for free.

If you have discharged older federal loans made by banks, pay even closer attention.

Most federal loans taken out before 2010 – loans generally made by banks and other private entities but guaranteed by the federal government – require your lender to update the information on your credit report after your loan has been discharged. Even though no new loans are issued under this program, there are still millions of borrowers repaying this type of loan. Veterans who have discharged these loans should be sure to check their credit report regularly, since the rules regarding disability discharge changed in 2013.

2. If something doesn't seem right, contact the credit reporting company and dispute the error.

Understanding how discharged loans show up on your credit report can be complicated. If you file a dispute and it still doesn't get corrected, submit a complaint with us and we'll work to get you a response from the company. You can call us at (855) 411-2372 or submit a complaint online.

Last year, we put companies on notice that they must investigate disputed information in a credit report, and that we will take appropriate action, as needed. We will also continue to closely monitor complaints from veterans and other disabled student loan borrowers to make sure student loan servicers are furnishing correct information to the credit bureaus about disability discharges. All financial services providers that serve veterans should redouble their efforts to ensure that veterans are not penalized for receiving the benefits they earned and deserve for their sacrifices.

Holly Petraeus is Assistant Director of the Office of Servicemember Affairs and Rohit Chopra is the CFPB's Student Loan Ombudsman.

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