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CFPB's Private Student Loan Payment Report Serves as a Guide to Preemptively Revising Loan Payment Policies

The CFPB released its student loan ombudsman report analyzing complaints that the CFPB received from private student loan borrowers. In its second annual review of student loan practices, the CFPB reported that lenders make it hard for borrowers to pay off their loans early unless the recipients provide explicit instructions. With more than 3,800 complaints and other feedback from private student loan borrowers between October 1, 2012, and September 12, 2013, this is now a key area for enforcement.

Student debt totals approximately \$1.2 trillion and there are over 7 million student loan borrowers now in default of their debt. Considering the significance of these statistics, we anticipate that the CFPB will target and continue to attempt to influence this industry.

The most common complaints relate to payment processing pitfalls when consumers try to take control of their loans, including when borrowers attempt to pay off their loans early or pay them off in a certain sequence. In these circumstances, consumers complained about maximized late fees. Additionally, the report refers to servicing transfer surprises where paperwork is frequently lost, processing errors that result in late fees, and interruption of routine communications such as billing statements that are chronic problems with student loan companies.

According to the report, student loans are often sold back and forth, much like mortgages have been. Related to these transfers, consumers complained of lost paperwork and bank errors that result in late fees and other problems. The CFPB has taken regulatory action against the mortgage industry for engaging in the same pattern of behavior with similar outcomes for consumers and we expect similar enforcement actions against student loan lenders and servicers.

Using the CFPB's own examination procedures, [Brownstein Hyatt Farber Schreck's](#) CFPB Task Force proactively engages with clients in multiple states to assess a client's preparedness for a CFPB inquiry and to improve customer interfacing processes and existing compliance programs. Please contact a member of the CFPB Task Force to begin addressing these issues or with any questions before the CFPB targets you or one of your clients.

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This document is intended to provide you with general information regarding the CFPB's private student loan report. The contents of this document are not intended to provide specific legal advice. If you have any questions about the contents of this document or if you need legal advice as to an issue, please contact one of the attorneys listed or your regular Brownstein Hyatt Farber Schreck, LLP attorney. This communication may be considered advertising in some jurisdictions.