

Contacts:

Deanne Loonin (dloonin@nclc.org) or
Jan Kruse (jkruse@nclc.org), 617-542-8010

Advocates Applaud CFPB's New Report on Private Student Loan Complaints

BOSTON—Today, the Consumer Financial Protection Bureau (CFPB) Student Loan Ombudsman released a [report](#) on private student loan complaints, focusing on the ways in which many borrowers are unable to get relief from burdensome private student loan debt. The report highlights the volume of complaints received from private student loan borrowers and the unfortunate parallels with deficiencies in the mortgage servicing industry.

“The issues brought to light in the CFPB report mirror the problems we see every day with our low-income clients,” said Deanne Loonin, project director of the National Consumer Law Center’s [Student Loan Borrower Assistance Project](#). “We applaud the CFPB for emphasizing the importance to the economy and society of providing relief for financially distressed student borrowers.”

The report lists the major categories of complaints, including the barriers borrowers face in communicating with lenders to negotiate repayment or other relief, inability to refinance, and quick default triggers that leave many borrowers who are current on their student loan obligations out of luck due to problems with credit cards or other debts. The report also focuses on the many problems borrowers have voiced regarding debt collection practices, particularly when private student loan debt collectors exploit the confusion many borrowers face over federal vs. private student loans. “Based on our experience, borrowers rarely understand the difference between private and government loans,” said Loonin.

Loonin commended the CFPB for calling on lenders to act creatively to help borrowers restructure their debt and to provide other relief. “We urge regulators to examine guidance on relief options and to focus on ways to provide sufficient flexibility to lenders to provide real relief,” she said. “Loan modifications that enable a student to make payments on a loan rather than completely defaulting are in both the borrowers’ 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. In addition to industry initiatives, we urge Congress to accept the CFPB’s challenge and identify opportunities to spur the availability of loan modification and refinance options for student loan borrowers. Congress must also restore bankruptcy rights to student loan borrowers,” noted Loonin.

This is a critical time for policymakers. Student borrowers who were harmed by irresponsible private student lenders need relief and steps must be taken to ensure that the private student loan market that emerges from the credit crisis is fair and efficient. “We hope that Congress and regulators carefully review this important report,” said Loonin.

###

Since 1969, the nonprofit National Consumer Law Center[®] (NCLC[®]) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the United States. 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 loan debt burdens, and make loan repayment more manageable. Visit: www.nclc.org and www.studentloanborrowerassistance.org.