

# Learn More about Changes in the Student Loan Space, the CFPB's Institutional Lending Work and Tool Updates!

HEFWA | Higher Education Financial Wellness Summit July 2024



# Disclaimer

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# Disclaimer continued

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# About the CFPB

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The Consumer Financial Protection Bureau (CFPB) 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.

# Today's discussion

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- Welcome
- Office for Students and Young Consumers
  - Repay Student Debt and Paying for College background
- Existing Repay Student Debt Tool Demo
- Discuss current work updating the tool
- Research, monitoring and law enforcement work
- CFPB resources that can support you
- Q & A

# Office for Students and Young Consumers

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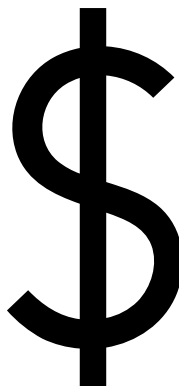
- Part of CFPB's Office of Consumer Populations
- Serves students and young adults
- Works to engage students before, during, and after pursuing higher education
- Engages in targeted efforts to identify, address, and raise awareness of key financial risks and analyze consumer financial protection policy that impact young consumers.

# For many college students, this is the first and most complex financial situation they'll ever be in.

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## Many funding sources

- Federal grants
- Federal loans (3 types)
- Military benefits
- State aid and loans
- School-funded aid
- Private scholarships
- Aid and loans from nonprofits
- Employer tuition assistance
- Entitlements
- Personal savings
- Help from family
- Childcare grants
- Tuition installment plans
- Work-study
- Other job(s)
- Private loans



## Varying expenses on varying timetables

- Tuition and fees
- Dorm and meal plan
- Loan fees
- Books and supplies
- Club dues
- Rent and utilities
- Cell phone
- Car/transit
- Laundry
- Socializing
- Childcare
- Parents' bills
- Computer
- Travel home
- Study abroad
- Work wardrobe
- Emergencies



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# Many student loan borrowers are in distress. More planning upfront may help.

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Evidence from the Federal Reserve Bank of Philadelphia Fall 2023 Consumer Survey Data:

22%

of borrowers anticipated missing at least one scheduled payment.

11%

Expected to miss all three payments in Q4 2023.

25%

experienced some degree of servicing frictions in October 2023.

56%

**Of borrowers who didn't make a full payment in Oct 2023 did so because they couldn't afford them.**

This data draws on two consumer surveys conducted by the Consumer Finance Institute (CFI) collected in Q4 2023. The first quarterly data set includes 5,000 student loan borrowers and those without student loans. The second data set includes more than 2,000 student loan borrowers. [www.philadelphiafed.org/-/media/frbp/assets/consumer-finance/reports/cfi-sl-1-payments-resumption.pdf](http://www.philadelphiafed.org/-/media/frbp/assets/consumer-finance/reports/cfi-sl-1-payments-resumption.pdf)



# Borrowing can be really expensive

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## Due to

- Loan fees
- Typical interest rates
  - At historic high
- Interest capitalization (interest on interest)
- Typical repayment periods
  - More than half on plans for 20+ years

## Every \$1 borrowed can cost \$2 (or more!) to repay.

Contributions from savings and income go farther than you may realize.

Remember to:

- Be sure to complete the FAFSA
- Take state and federal grants before taking out student loans
- Take out federal student loans before private loans because of IDR and other safeguards
- Consider using the Department of Education's net price calculator to estimate the true cost of school based on your financial situation.

[savingforcollege.com/article/student-loans-will-cost-you-double](https://savingforcollege.com/article/student-loans-will-cost-you-double)

# Grad Path helps students make decisions about where to go to school—and how to pay for it.

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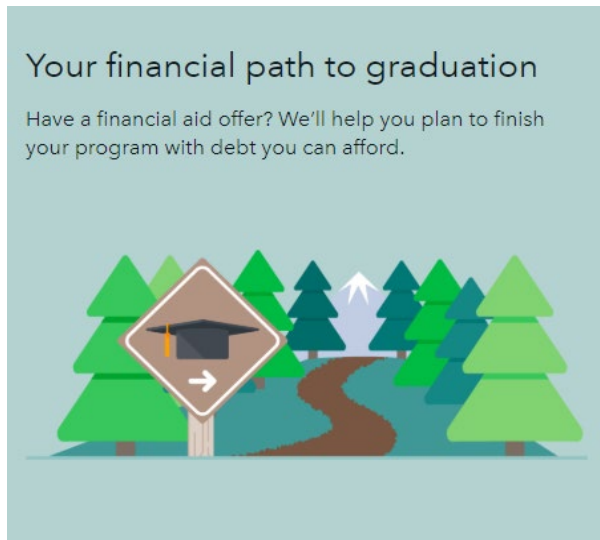
Your financial path to graduation

- Does my funding cover my costs?
- Can I afford the loans I'll need?
- Is this school worth it for me?

# Grad Path

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**We built a tool based on our research that equips students to turn financial aid offers into plans to pay for school.**



Grad Path provides students and families with:

- An interactive plan that can be saved and revised
- Simple explanations of jargon and financial concepts
- Money saving tips
- Running total of uncovered costs
- Projected debt and information to help decide if it's affordable
- Apples-to-apples comparisons of multiple aid offers
- Suggested next steps

[consumerfinance.gov/gradpath](https://consumerfinance.gov/gradpath)

New America's report *Decoding the Cost of College* elucidated the challenges posed by financial aid offers. We also conducted our own research with students, parents, and college access advisers.

# Grad Path Tool Updates

# Demo of existing tool

# Goals of current work

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## Current tool

- Requires a lot of data entry
- Lengthy explanations of financial concepts

NEW! Updates made to current tool to simplify Grad Path so students can:

- Quickly get a meaningful output
- Estimate how much they'll owe and if they can afford to repay their debt
- Understand the cost of college, without wordy explanations and complex terminology
- Compare the cost of different programs quickly with minimal data entry



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# Next steps

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- Continue upgrades to the prototype
- Conduct additional testing
  - With internal users, upcoming first year students
- Refine the design and content
- Estimated release: fall 2024
- Solicit feedback after the release and make improvements

# Tuition Payment Plan report & Department of Education new regulations on transcript withholding



# Tuition Payment Plans in Higher Education

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CONSUMER FINANCIAL PROTECTION BUREAU | SEPTEMBER 2023

## Tuition Payment Plans in Higher Education



- While tuition payment plans are generally marketed as alternatives to loans, many tuition payment plans should be understood as a type of loan, generally offered by a college.
- These products are often risky for consumers.
- In addition to the report, we published raw data that includes information about specific colleges and universities by state.

<https://www.consumerfinance.gov/data-research/research-reports/tuition-payment-plans-in-higher-education/>

# Tuition Payment Plans in Higher Education - cont'd (1)

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- Typically, these plans allow students to spread the cost of tuition and other educational expenses across several payments over the course of a single semester or term.
- Tuition payment plans vary and may be paid in as few as two to four installments or in many installments stretching beyond the length of one year.
- School-provided payment plans may be managed by the schools or administered by third-party payment processors (e.g., Nelnet, Transact, or TouchNet).

# Tuition Payment Plans in Higher Education cont'd (2)

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## **Confusing and Inconsistent Disclosures**

Unlike private education loans, which are subject to a common set of disclosure requirements, tuition payment plan terms and conditions vary based on the structure of the loan.

## **Snowballing Fees and Interest**

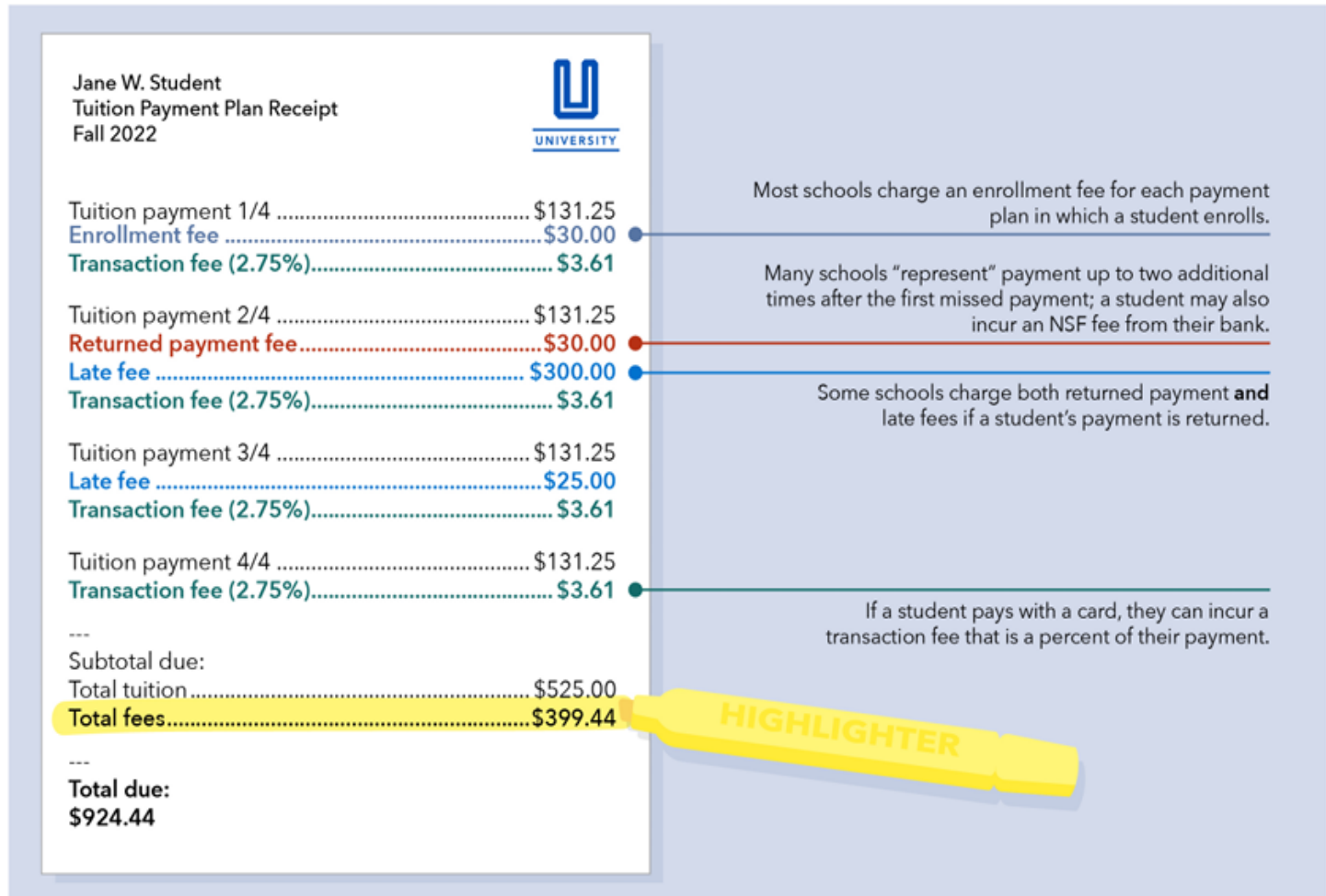
May impose hundreds of dollars in fees if a single payment is missed, due to the stacking of late and returned payment fees.



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# Tuition Payment Plans in Higher Education cont'd (3)

**Figure 4:  
Fee Stacking  
Example**



# Tuition Payment Plans in Higher Education cont'd (4)

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## **Borrowers Sign Away Legal Rights**

Some payment plan contracts and agreements include terms and conditions that appear to waive borrowers' legal protections, limit how consumers can enforce their rights, or misrepresent the rights or protections available to consumers under existing law.

## **Coercive Debt Collection Practices**

Debt collection practices can include: transcript withholding, registration holds, removal of students from classes, revocation of meal plans, and eviction from campus housing.

# Transcript withholding and schools as lenders

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MARCH 15, 2024

## FACT SHEET: Biden-Harris Administration Takes New Action to Crack Down on Junk Fees in Higher Education

- **Preventing Schools from Withholding Student's**

**Transcripts:** Recently issued final [regulations](#) also restrict colleges from withholding course credits paid for with Federal money. Previously, institutions of higher education could withhold transcripts from students until their accounts were fully paid. Withholding transcripts can keep students from transferring to another institution, enrolling in another program upon graduation, and securing a job. Under the Department's new rule, colleges will no longer be allowed to withhold transcripts over unpaid debts if the student paid for some of their courses with Federal student loans or other Federal financial aid.

- **Holding Schools Accountable as Lenders.** CFPB

clearly communicated to institutions that when they act as lenders by offering tuition payment plans and other credit to students, they will be held accountable if they violate federal consumer financial protection laws. A recent CFPB report found some colleges charging late fees over \$200, using troubling debt collection practices including transcript withholding, removal from campus meal plans, and providing unclear and inconsistent product disclosures.

<https://www.whitehouse.gov/briefing-room/statements-releases/2024/03/15/fact-sheet-biden-harris-administration-takes-new-action-to-crack-down-on-junk-fees-in-higher-education/>

# CFPB resources that can support you



# Submitting a complaint online



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## Submit a complaint

Each week we send more than 10,000 complaints about financial products and services to companies for response. If another agency would be better able to assist, we'll send it to them and let you know.

**Most companies respond within 15 days.**



See how the complaint process works

Watch this short video to find out what to include in your complaint and what will happen after you submit.



### HAVE A QUESTION? ¿PREGUNTAS?

If you can't submit online (7-10 minutes), you can submit over the phone (25-30 minutes). More than 180 languages are available.

Call: [\(855\) 411-2372](tel:(855)411-2372)

TTY/TDD: [\(855\) 729-2372](tel:(855)729-2372)

8 a.m. to 8 p.m. ET, Monday through Friday  
([except federal holidays](#)).

<https://www.consumerfinance.gov/complaint/>



# CFPB student loan portal

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## Student loans

Whether you are preparing for college, attending school, or already repaying your student loans, we have tools and resources to help you make the best decisions for you.



### 📌 You may qualify for as much as \$20,000 in federal student debt cancellation

Due to a court order, the [Department of Education is not accepting applications at this time](#) [🔗](#). [Subscribe and check back here for updates](#) [🔗](#).

Borrowers who have federally-held loans and meet income limits can apply for up to \$10,000 in student debt cancellation—or up to \$20,000 if they received a Pell Grant in college. Payments and interest on federally-held student loans are currently paused. Check out the [Department of Education's website for the latest information](#) [🔗](#).

[Avoid scams—do not pay for loan forgiveness](#)

[Ver página en español](#)

### About us

We're the Consumer Financial Protection Bureau (CFPB), a U.S. government agency that makes sure banks, lenders, and other financial companies treat you fairly.

[Learn how the CFPB can help you](#)

**STILL HAVE A QUESTION?**

<https://www.consumerfinance.gov/consumer-tools/student-loans/>

# Paying for college

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Our paying for college portal provides tips for every step of the student financial aid journey from saving for college, paying for college and repaying student loan debt.



## Understand your financial aid offer

Not sure what your offer means for your future? This tool helps you make a plan to pay for costs that your offer doesn't cover. If you're looking at student loans, it helps you decide how much you can afford to borrow. We also break down confusing jargon, give money saving tips, and point out pitfalls to be aware of.

[Turn your financial aid offer into a plan to pay for school](#)



## Repay your student loans

Get to know your rights and responsibilities as a student loan holder. Investigate options for your specific situation, including income-based repayment and consolidation loans.

[Learn more about repaying student debt](#)



## Explore federal student loan cancellation and forgiveness

Get information and answers to frequently asked questions about student loan forgiveness programs and one-time federal student loan cancellation.

[Learn about your options for student loan forgiveness](#)

[consumerfinance.gov/paying-for-college/](https://consumerfinance.gov/paying-for-college/)



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# Repay Student Debt

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[consumerfinance.gov/paying-for-college/repay-student-debt](https://consumerfinance.gov/paying-for-college/repay-student-debt)

## Find advice for your student loans

This page offers guidance using basic information about your student loans. Learn about your options and find a strategy that works for your situation.



Let's get started. Select the situation that best describes where you are with your loans.



I've missed a payment or my payment is too high

Show +



My loan is in default or collections

Show +



I'm starting to pay and want to maximize every dollar

Show +

# Want to learn more? Check out our guides

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Tailored guides for:







- Public service employees,
- Servicemembers and Veterans
- Peace Corps volunteers
- AmeriCorps members
- First responders, and
- Teachers

## Public service loan forgiveness

Public service organizations can help student loan borrowers who are serving their communities but may be struggling to pay their loans. We have tools and resources to help you navigate through the public service loan forgiveness process.

### Guides for public service employees

Share these guides with your employees. We also have tips for your employees to [make sure they are on track for loan forgiveness.](#)

DESCRIPTION	ACTIONS
Servicemembers	<a href="#">Download PDF</a> 
Peace Corps volunteers	<a href="#">Download PDF</a> 
AmeriCorps volunteers	<a href="#">Download PDF</a> 
First responders Includes firefighters, police officers, nurses, and other emergency service employees.	<a href="#">Download PDF</a> 
Teachers	<a href="#">Download PDF</a> 
Other public service employees Includes employees of any state, local, or tribal government, and of certain nonprofit agencies.	<a href="#">Download PDF</a> 

[www.consumerfinance.gov/consumer-tools/educator-tools/students/loan-forgiveness/](http://www.consumerfinance.gov/consumer-tools/educator-tools/students/loan-forgiveness/)

# CFPB Financial inTuition Podcast

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## Financial inTuition Podcast

Learn tips and strategies on how to make more informed financial decisions around managing money, saving and paying for higher education, and repaying student loan debt.




<https://www.consumerfinance.gov/practitioner-resources/students/financial-intuition/>




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# Order CFPB Publications



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## CFPB Bulk Publications

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The mission of the Consumer Financial Protection Bureau is to make markets for consumer financial products and services work for consumers by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.

You may download publications by clicking on each title. Adobe Acrobat Reader is required to view the publications and is available for download at: <http://get.adobe.com/reader>

In most cases, you may order up to 200 free copies of each publication. All publications are free from the CFPB. If you need larger quantities, contact [aroybal@gpo.gov](mailto:aroybal@gpo.gov)

For single copies or small quantities, place your order for [pueblo.gpo.gov](http://pueblo.gpo.gov).

Please allow 3-4 weeks for delivery.

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# Q&A

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**[www.consumerfinance.gov](http://www.consumerfinance.gov)**

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