Student Loan Advocate Update: Where We Are & Where We’re Going

Stephanie Sampedro | Washington Student Achievement Council
WSAC’S MISSION

We advance educational opportunities and attainment in Washington State.

- Policy and research
- Savings and financial aid programs
- Access and support programs
- Consumer protection
WHERE DID THIS BEGIN?
WHY IS A STUDENT LOAN ADVOCATE NEEDED?

- Student loan borrowers are struggling
  - Since 2007, federal student loan debt has tripled, from about $500 billion to an estimated $1.6 trillion
  - 43 percent of student loans are considered in “distress”

- Protect borrowers
  - 2019 OIG report stated ED failed to adequately supervise the loan servicers and rarely penalized companies out of compliance
  - ED has not approved or denied a single Borrower Defense to Repayment application in a year.
    - There are over 179,000 applications pending
TOTAL FEDERAL AND NONFEDERAL LOANS IN 2017 DOLLARS SINCE 97-98
TRENDS.COLLEGEBOARD.ORG

Figure 6: Total Federal and Nonfederal Loans in 2017 Dollars by Type, 1997-98 to 2017-18
DISTRIBUTION OF BORROWERS AND DEBT BY OUTSTANDING BALANCE
TRENDS.COLLEGEBOARD.ORG

Figure 11: Distribution of Borrowers and Debt by Outstanding Balance, 2018
## STUDENT LOAN DEBT DISPARITIES

<table>
<thead>
<tr>
<th>Race/Ethnicity and Gender</th>
<th>Median Ratio of Original Balance Still Owed on Federal Loans, 12 Years after Beginning College</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>80%</td>
</tr>
<tr>
<td><strong>American Indian or Alaska Native</strong></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>N/A</td>
</tr>
<tr>
<td>Female</td>
<td>98%</td>
</tr>
<tr>
<td><strong>Asian</strong></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>45%</td>
</tr>
<tr>
<td>Female</td>
<td>47%</td>
</tr>
<tr>
<td><strong>Black or African American</strong></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>111%</td>
</tr>
<tr>
<td>Female</td>
<td>113%</td>
</tr>
<tr>
<td><strong>Hispanic or Latino</strong></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>79%</td>
</tr>
<tr>
<td>Female</td>
<td>86%</td>
</tr>
<tr>
<td><strong>White</strong></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>56%</td>
</tr>
<tr>
<td>Female</td>
<td>72%</td>
</tr>
<tr>
<td><strong>More than one race</strong></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>76%</td>
</tr>
<tr>
<td>Female</td>
<td>80%</td>
</tr>
</tbody>
</table>

### Age When Entering College

<table>
<thead>
<tr>
<th>Age When Entering College</th>
<th>Median Ratio of Original Balance Still Owed on Federal Loans, 12 Years after Beginning College</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 or younger</td>
<td>74%</td>
</tr>
<tr>
<td>19</td>
<td>73%</td>
</tr>
<tr>
<td>20-23</td>
<td>95%</td>
</tr>
<tr>
<td>24-29</td>
<td>99%</td>
</tr>
<tr>
<td>30 or older</td>
<td>97%</td>
</tr>
</tbody>
</table>

Source: Calculations from: U.S. Department of Education, National Center for Education Statistics, 2001-04 Beginning Postsecondary Students Longitudinal Study, Second Follow-up (IPEDS/COAPS). Data unavailable for Pacific Islander/Hispanic borrowers or American Indian or Asian male borrowers due to sample size or unstable estimates. Ratios include those who have fully paid off federal loans.

Demos, June 2019
STUDENT DEBT IS WIDENING THE RACIAL WEALTH GAP

Figure 1: 20 years after starting college typical Black borrower still owes 95% of debt, typical White student owes just 6%

Data Source: Authors’ calculations of Beginning Postsecondary Students (BPS) survey, BPS: 96/2001 cohort.

Stalling Dreams - IASP
STUDENT DEBT VS. CONSUMER DEBT

Colorado’s First Return on Investment Report
COMPLAINTS BY LIFE CYCLE PHASE
2017 FSA FEEDBACK SYSTEM ANNUAL REPORT

Complaints by Life Cycle Phase

- Applying or Reapplying for Aid: 4,071 (28%)
- Receiving Aid: 5,033 (35%)
- Repaying: 3,198 (22%)
- In Default: 2,153 (15%)
TOP 10 OVERALL COMPLAINT SUBCATEGORIES
2017 FSA FEEDBACK SYSTEM ANNUAL REPORT

Top 10 Overall Complaint Subcategories

- Student Eligibility: 2551
- Loan Accuracy: 1121
- Loan Discharge, Cancellation, or Forgiveness: 1114
- Loan Repayment Plan: 960
- School Quality of Education: 684
- Completing the FAFSA: 654
- Loan Payment Amount: 614
- Public Service Loan Forgiveness (PSLF) Program: 540
- School Closure: 515
- Credit Reporting: 500
TOP 10 SERVICING-RELATED COMPLAINTS

2017 FSA FEEDBACK SYSTEM ANNUAL REPORT

Top 10 Servicing-related Complaint Subcategories

- Loan Repayment Plan: 636
- Loan Discharge, Cancellation, or Forgiveness: 590
- Loan Accuracy: 516
- Public Service Loan Forgiveness (PSLF) Program: 457
- Credit Reporting: 318
- Loan Payment Amount: 311
- Total and Permanent Disability (TPD) Discharge: 216
- Loan Consolidation: 124
- Loan Capitalized Interest: 120
- Loan Forbearance or Deferment: 94
STUDENT DEBT IN WASHINGTON

750,000+ student loan borrowers

$25.5 billion outstanding student debt

$33,842 average student debt

96,589 borrowers in delinquency

$2.57 billion in delinquency

36% increase in senior citizens w/debt
WASHINGTON STUDENT LOAN BILL OF RIGHTS

- Senate Bill 6029
- Establishes Student Loan Advocate at WSAC
- Student loan servicers must be licensed with DFI
- Schools must notify borrowers about the Advocate
- Allows DFI & AGO to enforce state consumer protection laws
- Third party modification companies must abide by state laws
WHERE ARE WE NOW?
ADVOCATE ROLE

Complaints
- Compile and analyze data on borrower complaints – Ex. Forgiveness/discharge
- Work with loan servicers to resolve complaints
- Work with AGO & DFI

Education
- Rights and responsibilities
- Promote Advocate as resource to help borrowers, schools, servicers & lenders
- Take any reasonable action to assist borrowers

Advocacy
- Provide info on borrower concerns to public, agencies, legislators, others
- Recommend policy for resolving borrower issues and concerns
- Analyze and monitor laws, rules, regulations and policies relating to student loans at all levels

Washington Student Achievement Council
## BORROWER REQUESTS (DECEMBER – PRESENT)

<table>
<thead>
<tr>
<th>Open requests</th>
<th>Closed requests</th>
<th>Total received</th>
</tr>
</thead>
<tbody>
<tr>
<td>184</td>
<td>157</td>
<td>341</td>
</tr>
</tbody>
</table>

### Reasons for closed requests

<table>
<thead>
<tr>
<th>Reason</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information provided</td>
<td>Non-WA Resident Referral</td>
</tr>
<tr>
<td>Referral to other Department/Agency</td>
<td>Issue unrelated to student loans</td>
</tr>
<tr>
<td>No further assistance can be given</td>
<td>Borrower/other agency resolved issue</td>
</tr>
</tbody>
</table>
SERVICER TRENDS

Complaints per servicer

- EdFinancial
- GSMR
- FedLoan
- Great Lakes
- MOHELA
- Navient
- Nelnet
- Cornerstone
- OSLA
- Sallie Mae

Complaints per servicer
BORROWER INQUIRY TRENDS

Top Borrower Complaint subjects

- Discharge/Forgiveness
- Closed School Discharge
- Third Party Modification Co.
- AI Seattle
- PSLF
- Borrower Defense to Repayment
COMPLAINT TRENDS

Discharge / Forgiveness – 90 cases

- PSLF, Teacher Loan Forgiveness
- Disability discharge
- Closed School Discharge
- Borrower Defense to Repayment
- Many, many more

AI Seattle – 64 cases

- Closed School Discharge
- Private loan collections
- Issues with transcripts
COMPLAINT TRENDS

Public Service Loan Forgiveness – 41 Cases

• Wrong loan type
• Servicer miscounting eligible payments
• TEPSLF
  • $10.6M/$700M forgiven (1.5%)
  • 262/38,460 applicants forgiven (0.7%)

Third Party Modification Companies – 18 cases

• Borrower pays a company for loan “forgiveness” or to get a lower monthly payment
• Borrower is overwhelmed by repayment process and uninformed
• Companies often cause harm and charge high fees
EDUCATION

- Facilitated loan repayment workshops at seven campuses across the state from Bellingham to Walla Walla to Spokane.

- Some survey results:
  - 94% said they learned how to **identify a student loan scam**
  - 93% said they now understand their **rights as a borrower**
  - 93% said they have a better understanding of **how repayment works**
  - 91% said they know where to **make a complaint** about their student loans
WORKSHOP FEEDBACK

Resource discovery & awareness
- I became more aware of financial details and scams
- I knew almost none of this
- Understanding where to go to view your loans and choose a payment plan

Borrower Rights
- Knowing that I have rights as a borrower

Repayment options
- The breakdown of payment plans
- Clear steps on repayment
- Learning about IDR plans & forgiveness

Fear & uncertainty
- I was really quite scared about loans and this presentation helped alleviate those fears a little

Individualized support
- I appreciate knowing that I can call if I have questions or concerns
- One-on-one appointment

Borrowers need more
- More time
- Organize more of these workshops
- Have a “Stephanie” in Spokane

Washington Student Achievement Council
ADVOCACY

- Represent borrower interests to servicer
- 2020 legislative report
- New state loan refinancing program
- FSA Ombudsman caucus
- National Consumer Law Center
- WA Legal Aid
UPS & DOWNS THUS FAR

Wins
- AI Seattle school closure support
- Tuition Options
- Statewide workshops

Challenges
- AI Seattle closure issues ongoing
- NSLDS access
- Third party authorization
- Inconsistencies in servicer documentation
WHERE WE’RE GOING
COMPLAINT PORTAL WILL BE LIVE!

Welcome to the Washington State Student Complaint Portal

Before you submit a complaint through the Washington State Student Complaint Portal, please consider the following:

- Have you exhausted your school’s complaint/appeals process?
- Is your complaint regarding a FERPA violation?
- Is your complaint regarding funds administered by the U.S. Department of Veterans Affairs?

Didn’t find your answer?

SUBMIT A COMPLAINT

Be advised that copies of complaints will be made available to the school involved and may be made available to other federal, state, or private agencies, and—upon request—to members of the public.
EDUCATION COURSE MODULES

Finding loan info  Repayment plans  Forgiveness, Refund, & Discharge

Identifying student loan scams  How to make a complaint  Student debt & other financial decisions

Service members and veterans  State-based tuition recovery  Federal consumer info & warnings
TARGETED PARTNERSHIPS

Reducing debt burden

Veterans
Women's organizations
Communities of color
State employees
National service
AFT
## EDUCATION POLICY INTERSECTIONS

| College access | • 12th year campaign  
               | • GEAR UP |
|---------------|---------------------|
| Affordability | • Reducing the need to borrow  
                 | • Award letter & loan literacy |
| Adult Re-engagement | • Roadmap goal of 70% of WA adults ages 25-44, will have a postsecondary credential  
                           | • Launching College and Career Compass tool |
| Consumer Protection | • Work closely with other WSAC teams & state agencies |
| Transitions | • “Connect and align the work of educational programs to support student transitions from secondary and postsecondary education to the workforce” |
| Societal benefit | • “Economic and social benefit of postsecondary education” |
2020 LEGISLATIVE REPORT & POLICY IDEAS

- Implementation of the Student Loan Bill of Rights
- Effectiveness of the Advocate
- Types of complaints received & how they are resolved
- Other data on outstanding student loan issues faced by borrowers
- Make recommendations for resolving these issues and concerns
  - WA partial “forgiveness” for public sector work
  - Partial “forgiveness” for borrowers who were denied PSLF
  - Require all servicers to tell borrowers if they are currently eligible for PSLF if they ask
  - Loan relief for struggling borrowers
  - Study of the effectiveness of debt letters
  - ISAs are not the solution to the student debt problem
QUESTIONS?

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