

Prepared Remarks of CFPB Director Richard Cordray at the Public Service Student Loan Forgiveness Event

Raleigh, N.C.

By [Richard Cordray](#) - JUN 22, 2017

Thank you. I am pleased to be here today to update you on the Consumer Financial Protection Bureau's work to protect the millions of Americans who carry student debt. My special thanks go to Attorney General Stein for joining with us in standing up for students and student loan borrowers in North Carolina. We know our young people are bearing a heavy burden, yet this issue touches Americans of all ages. In particular, we want to discuss an important federal program that was created to recognize those who serve our communities by providing them with deserved debt relief on their student loans.

Public service workers are the teachers we depend on to educate our children; the men and women in uniform who serve in our armed forces; the nurses, doctors, and social workers we trust to take care of our families; the prosecutors and public defenders who safeguard our justice system; and the police, firefighters, and other first responders who are the everyday heroes who keep us safe. They also include Peace Corps volunteers and members of AmeriCorps, who learn essential skills that may translate into a lifetime of service. We estimate that one-quarter of the U.S. workforce is currently employed by a public service employer.

But student loan borrowers who want to serve our communities have been caught in the crossfire of two economic trends - the need to earn an advanced degree for a career in these fields, and the rising costs involved in securing those credentials. In recognition of these unique challenges, Congress created the Public Service Loan Forgiveness program in 2007. This 10-year path to debt forgiveness was designed to encourage people to enter public service careers, despite the increasing burdens of student loan debt. Many of these jobs, including teaching, social work, law enforcement, and public health, traditionally pay more modest wages than private-sector jobs that require similar levels of education.

More than 500,000 people have signaled their intention so far to pursue debt relief under this program. According to the Department of Education, almost two-thirds of them earn less than \$50,000 per year. And 86 percent earn less than \$75,000 per year. Many are in public service careers, such as military service or social work, with no real private sector equivalent.

In October of this year, the first eligible borrowers will be able to start receiving benefits from the Public Service Loan Forgiveness program. Today, I will discuss a new report from the Consumer Bureau spotlighting complaints about certain practices of student loan servicers that hamper borrowers seeking help through this program. I will describe updated supervision guidelines in this area. And I will talk about a campaign the Bureau is launching to help teachers, first responders, and other public servants stay on track for federal loan forgiveness.

Our new report focuses on first-hand accounts by borrowers in public service positions about the problems that stand between them and the loan forgiveness they intend to pursue. We analyzed consumer complaints for the year from March 2016 through February 2017, reflecting student loan servicing practices that borrowers say delay or deny access to promised debt relief.

To get on track for the Public Service Loan Forgiveness Program, borrowers must meet certain criteria. They need to have a qualifying loan; be enrolled in a qualifying repayment

plan, such as an income-driven repayment plan; and make 120 on-time payments while working for a qualified public service employer. Student loan servicers are responsible for administering each of these requirements. What this means is that those in public service positions who want to qualify for this program are depending on their servicer to help them follow through. Borrowers need clear, accurate information. And they need the servicer to properly evaluate their employment status and their applications for payment plans.

But borrowers reported that servicers are giving them the runaround in ways that can hamstring their progress. They complained about servicers providing incorrect or inadequate information about their eligibility for loan forgiveness. And they said they do not receive timely or accurate information about eligibility for this program, even when they identified themselves as public service workers. This can stall their progress toward the debt relief they have earned, and can lead to months or even years of unnecessary payments that can cost thousands of dollars and extend their time in debt.

To stay enrolled in a qualifying repayment plan and stay on track, borrowers must recertify their income and family size each year. When they submit their recertification application on time, they can remain on their repayment plan until the servicer processes the application. But many borrowers reported processing delays and errors on their application that cause them to miss out on payments that should have gone toward loan forgiveness. Some borrowers complained that their servicers put them into forbearance, which stops their payments or lowers their monthly payment, but only temporarily. This can prevent them from making any payments that qualify for loan forgiveness.

To make sure that these borrowers are on course, they complete a form (with help from the employer) to submit to the servicer to get an update on the number of qualified payments a borrower has made. We heard from some borrowers who believe that they are fulfilling the program's requirements, yet receive inaccurate denial letters from their servicer when they try to track their progress toward loan forgiveness. Borrowers complain that they do not know how to take action to correct a mistake because their servicer does not explain the reason for the denial. As a result, qualified payments may be miscounted and not given proper credit.

Other issues stand between borrowers and the loan forgiveness they are seeking. As a benefit, public service employers may offer assistance to their workers in the form of a monthly stipend that goes automatically toward the employee's student loan payment. But some borrowers told us that servicers may take actions that inadvertently deny them credit for payments. This can go on for years before they are notified that their payments are not counting towards loan forgiveness.

These are serious issues with grave repercussions. For instance, we heard from a nurse who described a series of servicing breakdowns that left her with additional years of unnecessary student loan payments - in part because her servicer never told her she had been bumped off track. To get ahead of her debt, she opted into a program where her employer paid extra toward her loans, putting them in "paid-ahead status." But then her servicer stopped counting her monthly payments, even though she made them on time and for the right amount. The borrower was not aware that her payments were no longer being counted toward loan forgiveness, which cost her part of her eligible public service. She told us: "I find it outrageous and disheartening that by default, overpaying your bill each month would result in...disqualifying payments. This results in three years of additional payments, which is real money."

Borrowers working in public service should not miss out on key consumer benefits because their student loan servicer failed to comply with the law. So today, we are updating our exam procedures to guide how examiners assess risks to consumers and review servicers' compliance with the law when they administer this program. Our examiners will scrutinize whether servicers are telling consumers what they need to do to qualify for loan forgiveness. We will also be checking whether servicers accurately calculate the number of qualifying payments to make sure that borrowers get their full benefits. And we will note whether servicers properly evaluate the borrower's eligibility and progress toward loan forgiveness.

We are also moving forward with a campaign to help student loan borrowers who are working in public service positions gain access to these benefits and make sure they are on track for loan forgiveness. We call it "Certify Your Service." We have published new guides specifically for first responders and teachers. These guides offer information about the programs that are available, things to consider based on each individual's circumstances, and how to get started. They complement guides we have devised for servicemembers, members of the Peace Corps and AmeriCorps, and other public service employees. We have also updated our tools for employers to help their employees get started in the Public Service Loan Forgiveness program.

For borrowers trying to navigate the process, we are providing tips to help them make progress toward loan forgiveness. First, borrowers need to be sure they have the right type of loan. Only federal Direct Loans qualify under the Public Service Loan Forgiveness program. Those with other types of federal loans may be able to roll them into a Direct Consolidation Loan to become eligible. Borrowers should also make sure they are in the right payment plan. Income-driven repayment plans may lower monthly payments and maximize the amount forgiven. But some repayment plans, such as extended repayment plans, do not count toward public service loan forgiveness. Borrowers should be sure to certify that they work in public service to help track their progress through an employer certification form. And finally, to stay on track, they should keep a copy for their records, follow up with the loan servicer, and update the form each year.

If borrowers working in public service have a problem with their student loan, they can submit complaints to the Consumer Bureau and get a timely response. The filing of complaints also helps inform our ongoing oversight of these companies. For example, much of the information we are presenting today is known to us largely because of what we have heard directly from consumers through our complaint process.

We want every eligible consumer to be able to take advantage of the benefits of the Public Service Loan Forgiveness program without having to worry about servicing breakdowns that can cause them to lose out on months of qualifying payments. For borrowers that qualify, this program is intended to offer the peace of mind to direct their energy and expertise toward strengthening their communities. It is meant to provide them with breathing room to buy homes and start families while still satisfying their debts. Many of these borrowers work for relatively modest wages in low-income areas where their help is desperately needed, as teachers, public defenders, social workers, and nurses. Some have moved to underserved communities or turned down private sector jobs that would have paid them more. All of them are serving our country in important ways, and we deeply respect them for that.

Hardly anyone has ever been as passionate about public service as Sargent Shriver, the founder of the Peace Corps. He once said: "What can change the world today is the same thing that has changed it in the past - an idea and the service of dedicated, committed individuals to that idea." I have recommended his biography to many who have come to work with us at the Consumer Bureau, and we try very hard to imbibe that same spirit in all the work we do.

America has an immense reservoir of dedicated women and men who have shown that they are ready and willing to commit their energy, time, and effort to public service professions. Because higher education is more important now than ever before in doing those jobs, they deserve to know everything they can about their options to make it more obtainable and affordable. When slipshod student loan servicer practices make things even harder for borrowers who are already struggling to repay their debt, the financial fallout can be severe. Our potential leaders of tomorrow should not be forced to forgo their public service careers just to make ends meet. If they cannot follow their dreams to serve, we all will suffer the consequences. Thank you.

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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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