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CFPB Report Finds Servicemembers Continue To Face Roadblocks From Student Loan Servicers

Servicers Still Failing to Provide Legal Protections to Military Borrowers

WASHINGTON, D.C. – Today the Consumer Financial Protection Bureau released a report outlining the continued challenges faced by servicemembers when they contact student loan servicers to invoke the military rights and protections earned through their service. The report, “Overseas & Underserved: Student Loan Servicing and the Cost to Our Men and Women in Uniform,” highlights servicers’ continued mistakes handling servicemembers’ student loan repayments, resulting in improper denials of legal benefits, negative credit reporting, and shoddy follow-through on legal protections for military families. Complaints also include frustrations from grieving parents seeking to discharge a co-signed loan following the death of their child.

“We continue to receive complaints from military student loan borrowers detailing a range of breakdowns and roadblocks,” said CFPB Director Richard Cordray. “Our deployed servicemembers should be able to focus on their military mission and spend

precious free time talking with loved ones, not wrangling over problems with student loan servicers.”

Congress enacted laws and instituted programs to grant additional protections to servicemembers with student loan debt. For example, the Servicemembers Civil Relief Act (SCRA) includes an interest rate cap for men and women in uniform who acquired student loan debt before they went on active duty. And, among other protections, there are special loan deferment programs, Department of Defense Student Loan Repayment Programs, and loan forgiveness on certain federal loans for public service. In addition, some private student lenders advertise that they offer loan discharge, military deferment, and other protections for military families.

In 2012, the CFPB released the inaugural report, [“The Next Front? Student Loan Servicing and the Cost to Our Men and Women in Uniform,”](#) outlining the unique servicing obstacles reported by servicemembers. The report emphasized complaints from military borrowers, including those in combat zones, who were wrongly denied interest-rate protections they were entitled to under the law. The CFPB has handled more than 1,300 complaints from military borrowers related to the servicing or collection of student loans since the publication of the last report. Today’s report makes it clear that servicemembers continue to struggle to obtain the rights, protections, and programs afforded by their military service. It also describes how general servicing issues become even more difficult as a result of the realities of military life. Specifically, the report found:

- **Servicemembers still struggling to obtain SCRA protections:** Servicemembers continue to report difficulties in obtaining the SCRA interest rate cap of 6 percent, despite action by federal law enforcement officials last year against one servicer. The report documents how servicers fail to process SCRA related requests in a timely manner and do not clearly convey information about the application process and its requirements. One servicemember reported, “I have contacted the company trying to get them to apply the mandate of the Servicemember [sic] Civil Relief Act. My last communication with them was three days ago during which I was told I’d be receiving a document via email. As of this complaint I have yet to receive it... I can’t continue to fight this when my attention should be on matters that will literally involve life or death decisions.”

- **Active-duty servicemembers’ loans sent to collections due to servicer errors:** Military deferment

is an option afforded to some active-duty servicemembers that allows for a postponement of monthly student loan payments. The report documents how student loan servicers' failures to adequately inform servicemembers and process completed requests can lead to surprise delinquencies, defaults, and debt collection efforts. The Bureau has received complaints from servicemembers who believed they had successfully enrolled in a deferment plan, only to return home to discover that their servicer had failed to defer the loan, which was instead put in default and sent to collections.

- **Disabled veterans and families of deceased servicemembers encounter frustrations:** There are protections available for some disabled veterans, whose service-related wounds are so severe that they qualify for a discharge of their remaining federal student loan debts. Military borrowers have submitted complaints documenting problems obtaining loan discharges on the basis of severe disability. In some cases when a loan discharge was processed, servicemembers saw their credit scores plummet as a result of servicers improperly reporting the loan as defaulted instead of discharged. Parents of deceased borrowers also report disgust and dismay with servicers of private student loans, after unsuccessful attempts to discharge debts they co-signed for their child.

The report is available at:

consumerfinance.gov/reports/overseas-underserved-student-loan-servicing-and-the-cost-to-our-men-and-women-in-uniform/

In May, the CFPB launched a [public inquiry](#) into student loan servicing practices affecting borrowers, including servicemembers. The issues that the Bureau is seeking information on include industry practices that create repayment challenges, hurdles for distressed borrowers, and the economic incentives that may affect the quality of service. The comment period is open until July 13, 2015.

In an effort to educate military consumers and the advisors seeking to assist them, the CFPB has developed a [guide for servicemembers with student loans](#) with information on the various student loan repayment options.

Frequently asked questions commonly posed by military student loan borrowers may be found at [Ask CFPB](#).

Servicemembers can also use the CFPB's online web tool, [Repay Student Debt](#), to navigate their options.

More information about how the CFPB is helping servicemembers is available at:

consumerfinance.gov/servicemembers

More information about how the CFPB is helping students is available at:

consumerfinance.gov/students

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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.