Private Loans, Public Complaints

The CFPB's Consumer Complaint Database Gets Real Results for Student Borrowers

Florida PIRG Education Fund

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Executive Summary

The Consumer Financial Protection Bureau (CFPB) was established in 2010 in the wake of the worst financial crisis in decades. Its mission is to identify dangerous and unfair financial practices, to educate consumers about these practices, and to regulate the financial institutions that perpetuate them.

To help accomplish these goals, the CFPB has created and made available to the public the Consumer Complaint Database. The database tracks complaints made by consumers to the CFPB and how they are resolved. The Consumer Complaint Database enables the CFPB to identify financial practices that threaten to harm consumers and enables the public to evaluate both the performance of the financial industry and of the CFPB.

This report is the second of several that will review complaints to the CFPB nationally and on a state-by-state level. In this report we explore consumer complaints in the private student loan sector with the aim of uncovering patterns in the problems consumers are experiencing with their student loans.

Student consumers can obtain federal student loans, private student loans or both to pay for higher education. Private student loans (PSLs) are typically far more risky and expensive for consumers seeking a way to pay for college. Private student loans, like credit cards, generally offer variable interest rates that are higher for those borrowers with the least means. Repayment options are also severely limited. Federal student loans, by contrast, are typically subsidized at a fixed interest rate and offer repayment options like deferment, income-based repayment and loan forgiveness that can help the borrowers respond to job changes, job loss, illness or other changes in income.

PSLs accounted for about 7 percent of all student education loans taken out last year, and account for 15 percent of outstanding student loan debt in the United States. The current debt owed by consumers in the United States on their private student loans is estimated to be approximately $165 billion.

Since the Consumer Financial Protection Bureau began collecting data on private student loans in March 2012, the CFPB has recorded more than 4,300 complaints about problems with private student loans.*

* As of August 6, 2013

- Sallie Mae was by far the most complained-about private student loan firm. Sallie Mae is a behemoth in the PSL marketplace, with an estimated 50 percent market share. However, its share of total complaints to the CFPB was lower than its market share. The Pennsylvania Higher Education Assistance Authority (AES/PHEAA), which has purchased several private student loan portfolios and acts as the servicer for other private student lenders, ranked second. Wells Fargo, which is the second largest private student lender behind Sallie Mae, ranked third. Ten U S. private student lenders and servicers account for about 90 percent of all complaints to the CFPB.

- Repayment of loans (including fees, billing, deferment, forbearance, fraud and credit reporting) was by far the most common subject of complaints to the CFPB. Loan repayment was the subject of nearly 65 percent of complaints filed.

- Sallie Mae, the largest PSL lender, received the largest number of complaints in all three complaint categories that the CFPB tracks. The company received 1,983 complaints—more than the next nine companies combined, and 46 percent of all student complaints filed with the CFPB.

- In most cases, lenders and servicers that received high total numbers of

Figure ES-1. Most Complained-About Private Student Loan Firm (other than Sallie Mae) in Each State[1]

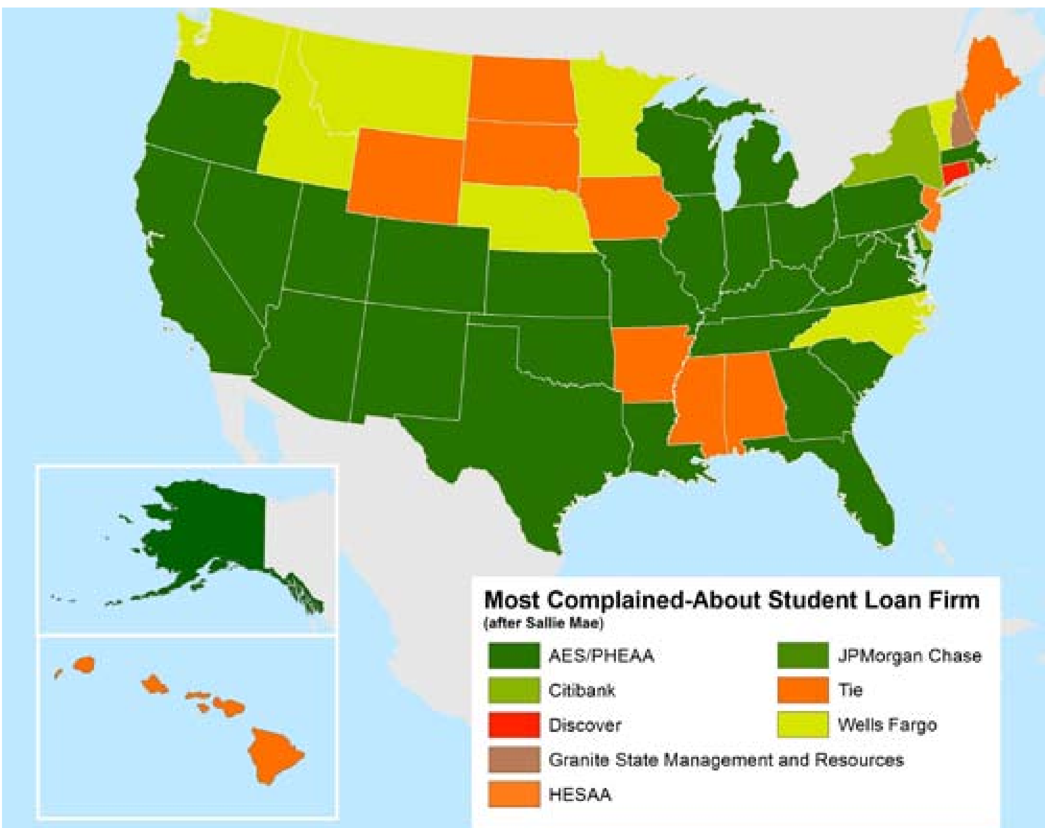
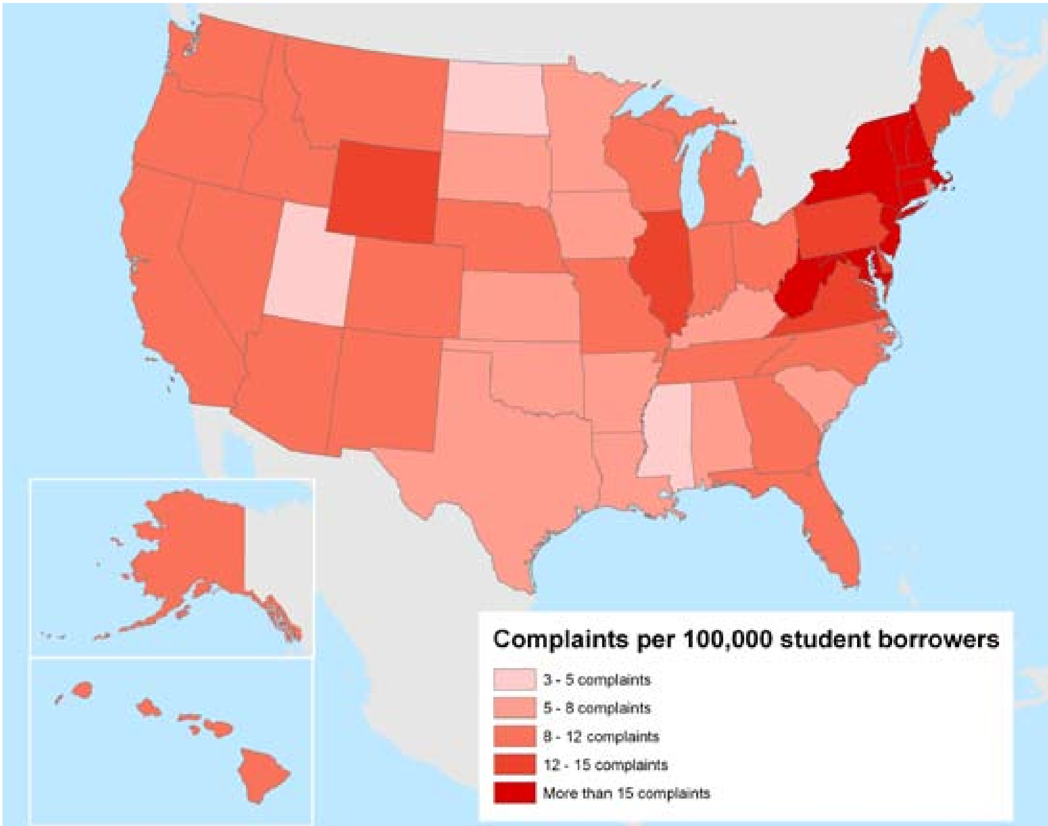


Figure ES-2. Complaints about Private Student Loans per 100,000 Student Borrowers, by State



complaints also ranked toward the top for complaints across all three issues tracked by the CFPB (issues related to getting loans, inability to pay and loan repayment). AES/PHEAA, for example, was second in both complaints about loan repayment and problems resulting from inability to pay (such as issues related to default, debt collection and bankruptcy), as well as second in complaints overall.

Complaints about private student loans vary by state, and state residents vary in their tendency to reach out to the CFPB.

- Sallie Mae was the most complained-about lender in 48 states. However, its size and dominance in the PSL market renders comparison to other lenders difficult.
- Excluding Sallie Mae, AES/PHEAA was the most complained-about private student loan firm in 28 states. Wells Fargo was the most complained-about company (other than Sallie Mae) in seven states, while Citibank was most complained-about in three and Discover in one.
- Student loan borrowers in Northeastern states are most likely to complain about PSLs, while borrowers in the Midwest and South are least likely. The District of Columbia had the highest complaint-to-borrower ratio,

followed by New Hampshire, Connecticut, Massachusetts, New York, Maryland and Vermont.

- The variation in the ratio of complaints to student borrowers by state may reflect differences in the propensity of residents of each state to rely on private student loans, or other factors, such as differing levels of awareness of the CFPB database on the part of that state's residents. States with higher average student loan debt tend to have borrowers who complain more frequently about private student lenders to the CFPB. Private student loans are disproportionately used by high-debt borrowers.

- The District of Columbia, Vermont, Massachusetts, Connecticut, Maryland, New York and New Jersey all ranked among the top 10 for complaints per 100,000 borrowers in both categories of issues that attracted large numbers of complaints to the CFPB (problems related to inability to pay and loan repayment). However, some states experienced large numbers of complaints in one category but not the other. Rhode Islanders were seventh most-likely to complain about problems resulting from an inability to pay, for example, but were 40th in complaints about loan repayment. Pennsylvanians were in the top 10 for complaints about loan repayment, but 22nd in complaints about problems resulting from inability to pay.

The CFPB is making a significant difference for student borrowers facing difficulty with their financial institutions.

- The CFPB has helped more than 330 consumers, or just under 8 percent, to receive monetary compensation to resolve their student loan complaints, with a median amount of monetary relief of $700 and maximum relief of over $75,000. More than 500 additional consumers, or 12 percent, have had their complaints closed with some form of non-monetary relief.

- Private student loan companies vary greatly in the degree to which they respond to consumer complaints with offers of monetary relief. Almost 15 percent of consumers complaining to Discover Financial received offers of monetary relief, compared with slightly fewer than 2 percent of complaints regarding Nelnet.

- About 20 percent of responses received from private student loan firms to complaints filed with the CFPB were deemed unsatisfactory by consumers and were subject to further dispute.

- Of companies with 10 or more overall complaints, the firm with the greatest proportion of disputed responses was First Associates Loan Servicing LLC, with 40 percent of complaint responses disputed by consumers. Of these same firms, PNC Bank had the highest proportion of complaints resolved without dispute, with less than 6 percent of complaint responses disputed.

The Consumer Financial Protection Bureau's Consumer Complaint Database is a key resource for consumer protection. To enhance the effectiveness of the CFPB in addressing consumer complaints:

- The CFPB should make the Consumer Complaint Database more user-friendly by adding, among other data, more narrative information and detailed information about consumer complaints, including how they were resolved, and the reasons for and outcomes of any disputes, with specific monetary relief amounts, if any, included. The CFPB should also conduct more frequent analyses of trends and give users the tools to undertake their own analyses of the data. In addition, the CFPB should make it easier for analysts to link the Consumer Complaint Database to other government databases.

- The CFPB should expand public awareness of how to file complaints and access the Consumer Complaint Database by working with regulators to disseminate information about the complaints process to consumers.

- The CFPB should develop free smartphone applications ("apps") for consumers to access information about how to complain about a firm and how to review complaints in the database.

- The CFPB should conduct surveys among consumers and companies involved in disputes, and continue to improve its own customer service capacity through the complaints system.

To improve the effectiveness of the CFPB, the agency should:

- Move quickly to implement strong consumer protection rules based on additional research into the opaque and heavily concentrated student loan market, in order to protect student loan borrowers from predatory practices.

- Where problems are identified, use the information gathered from the database, from supervisory and examination findings, and from other sources to require a high, uniform level of consumer protection, through guidance and rules, to protect consumers and ensure that responsible industry players can better compete with those who are using harmful practices.

- Press colleges and universities to certify the safety and quality of private student loans before encouraging their students to borrow.

Introduction

For many Americans aspiring to upward economic mobility, no financial product is as important as the one that enables them to get an education: a student loan.

A college education is increasingly necessary for success in the global economy. While 12.4 percent of workers over age 25 without high school degrees were unemployed in 2012, only 4.5 percent of workers with a bachelor's degree were. Those with master's, doctoral and professional degrees had even lower unemployment rates. Those with associate's degrees had an unemployment rate of 6.2 percent, compared to 8.3 percent for those with just a high school education. College-educated workers also earned more: workers with bachelor's degrees earned 163 percent of the average salary of workers with only a high-school education.[2]

As states have cut college budgets, many students hoping to attend college have been forced to pay more. But they often lack clear information to help them fully understand total college costs, and may fall prey to troubling institutional or lending practices that could lead them to take on expensive private student loans (PSLs).

Choosing to pay for college through a private student loan is no better than paying for it on a credit card. Private student loans are generally more expensive and risky for consumers than more-common federal student loans, and dealing with private student lenders can be a tremendous hassle.

Take Helen (not her real name), for example, who wrote to the Consumer Financial Protection Bureau (CFPB) in response to the bureau's 2011 public request for information about private student loans and private student lenders. When she decided to go to graduate school, she took out GradAssist loans from Citibank for over $60,000, eventually settling in New York City after graduation to look for a job. Helen says she received loan terms stating that she had two six-month deferment opportunities available to her in case of unexpected financial difficulty. When the New York job market crashed and she applied to Citibank for her second deferment, Helen says customer service informed her that the bank had changed its policy the previous week, and that the original terms of her agreed-upon deferment no longer applied. Helen also reported that a Citibank representative had unilaterally changed the due date on one of her loans, causing her to fall further behind and eventually into default. "Citibank," concludes Helen, "has ruined my credit and perhaps my financial future."

John (also not his real name) remembered a similarly frustrating experience with the holders of his two private student loans. "Both of them have made countless errors in the administration of my loans," he wrote. It was only after taking out his PSLs from Access Group and Citibank, John said, that he realized that "many of their internal policies seem to be designed to force borrowers into missing payments." Access Group, for instance, allegedly lost the form John had submitted to sign up for automatic monthly payment, and customer service, he said, refused to help. "These companies," concluded John, "are preying on borrowers and need to be regulated or stopped."[3]

John and Helen are just two of the more than 2,000 people who responded to the CFPB's 2011 public request for information about private student loans. Among them were consumers who reported being harassed, misled or otherwise mistreated.

That outpouring of consumer dissatisfaction with private student loan firms underscores the need for a watchdog whose sole purpose is to look out for the interests of consumers in the financial marketplace, including student borrowers. Consumers need a watchdog with the power to investigate new lending schemes, work on consumers' behalf in disputes with financial services firms, and stop the most egregious anti-consumer practices.

Today, in the form of the CFPB, consumers have that watchdog. Created in 2010, the CFPB has already made a big difference for consumers in many areas of consumer financial protection. The agency has cracked down on illegal kickbacks from mortgage insurers to mortgage companies.[4] It has investigated abusive "overdraft protection" policies by banks that can result in consumers paying hundreds of dollars in fees for a single overdraft. It has exposed the sale of inaccurate credit scores to consumers that differ from the scores used by lenders to make credit decisions.[5] It has imposed nearly half a billion dollars in civil enforcement penalties and restitution to consumers for unfair practices by three large credit card companies.[6] And much more.

In this, the second of a series of analyses of the Consumer Complaint Database, we focus on complaints regarding student lending. An average of roughly 250 consumers each month have complained to the CFPB about problems with their private student loans. By reviewing patterns of consumer complaints, citizens can determine which companies in their region have been subject to the most complaints and which have been the most effective at resolving consumer complaints.

The consumer complaints reviewed in this report indicate that America is a long way from having a financial marketplace that serves consumers. America needs a strong CFPB.

The Consumer Financial Protection Bureau: A Watchdog for Consumers

The U.S. financial crisis of 2008 was the product of an under-regulated financial system run amok. Millions of consumers were lured into mortgages whose terms they could not understand and which they had little hope of ever being able to repay. Easy credit inflated the housing bubble which, when it collapsed, brought down the fortunes of millions of families as well as the broader economy.

The mortgage crisis highlighted the need for more stringent financial regulations and better consumer education. But the problem extended far beyond mortgages—for decades, consumers had increasingly fallen prey to a growing list of predatory financial practices, from payday loans to exorbitant credit card and bank fees to onerous private student loans—with little help from Washington, D.C.

The Private Student Loan Market and the Need for a Strong CFPB

Private student loans accounted for about 7 percent of all student education loans taken out last year, and account for about 15 percent of outstanding student loan debt in the United States.[7] The current debt owed by consumers in the United States on their private student loans is estimated to be approximately $165 billion.[8]

The private student loan market was considered the "Wild West" of student lending prior to the financial crash and recession of 2008. Then, as now, the cost of college outstripped the aid dollars that were available to students. Taking advantage of this dynamic, banks and lenders aggressively pushed their expensive, risky private student loan products in a largely unregulated environment that benefited them over the student consumer.

While some PSL borrowers assumed the maximum they could in federal student loans, and then took on a private loan, most did not. In 2008, a majority of PSL borrowers took out less in federal student loans than they could have. Of these borrowers, a full quarter took out no federal student aid whatsoever.[9]

In some cases, students signed on for private student loans without regard for their onerous terms and fees. But in large part, private student borrowers fell prey to a range of unsavory marketing tactics. For example, fly-by-night private student lenders engaged in "direct-to-consumer" marketing through television ads, mailings and the Internet, offering easy credit with just the click of a button.[10] Some lenders deliberately misled borrowers into believing that their private student loan products were superior to federal loans.[11]

In a major scandal uncovered by the New York Attorney General's office in 2007, banks offered inducements and kickbacks to college financial aid offices, which in turn pushed their PSL products to their students.[12] For-profit colleges pushed high-cost PSLs on their students in order to work around a federal rule meant to protect taxpayers from supporting low-quality schools with federal financial aid.[13] Some top lenders, when giving student loan advice to families, pushed their private loan products first over the availability of federal loans, and failed to mention the high fees and dubious terms of those private loans.[14] Lawmakers at the state and federal levels cracked down on some of these abusive tactics that thrived before the recession, such as collusion between college financial aid offices and banks. Other tactics like direct-to-consumer marketing disappeared, along with the lenders themselves, as the credit markets tightened up.

But the damage had been done. Hundreds of thousands of PSL borrowers who intended to better their lives instead faced a bleak future, hindered by unnecessarily deep debt. These borrowers ensnared in bad private student loans before the recession required action to better their circumstances. In 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act, which created the Consumer Financial Protection Bureau (CFPB), whose mission is to "make markets for consumer financial products and services work for Americans—whether they are applying for a mortgage, choosing among credit cards, or using any number of other consumer financial products."[15] The bureau started work on July 21, 2011.

Congress considered the need to protect young people in the student loan marketplace to be a very important part of the CFPB's mission.

- Congress established, within the CFPB, a statutory Office of the Student Loan Ombudsman, which specializes in helping young borrowers and students deal with the difficulties presented by private student loans and private student lenders.

- Congress designated just three non-bank sectors of the financial marketplace for special CFPB authority. In addition to its regulation and enforcement authority over all non-bank lenders, the CFPB was specifically empowered to supervise (or examine the books and activities at any time) payday lenders, non-bank mortgage companies and private student lenders of any size.[16]

The CFPB is a critical asset for consumers, educating the public about financial practices, enforcing consumer protection laws, and analyzing available data to keep track of current trends in the consumer marketplace.[17] To fulfill these roles, the CFPB maintains a strong connection with the public it serves.

That connection is crucial to student loan borrowers now more than ever, as the PSL market, which grew at a rapid pace before the recession, is expanding once again. Sallie Mae, Wells Fargo and Discover Financial are some of the PSL lenders that are experiencing strong market growth.[18] Hopeful college students still face the same basic market dynamic that existed before 2008, which is that college costs are outpacing the availability of low-cost government aid. Not only do Wall Street analysts expect the value of banks offering PSLs to skyrocket,[19] but experts predict that private student loan volume will outpace federal student loan volume by 2030.[20]

Even in a sluggish economic climate that may not seem conducive to aggressive PSL marketing, student consumers are still being misled into purchasing these products. The CFPB's own report on PSLs estimates that more than 54 percent of PSL borrowers did not maximize their federal loan aid before turning to private student loans.[21] Given the trends, the CFPB must make sure that stronger rules, and more checks and balances, are built into the system so that today's student borrowers are not participating in a market rigged against them as occurred prior to the financial crash in 2008.

The CFPB consumer complaints database not only enables the bureau to receive and act upon consumer complaints against financial institutions, but it also allows the bureau to identify systemic problems through analysis of the database that can be resolved through strong guidance and rules.

The Consumer Complaint Database: A Critical Part of the CFPB's Mission

The CFPB engages in many tasks as part of its mission to protect consumers. According to the agency's website, the CFPB:

- Writes rules, supervises companies, and enforces federal consumer financial protection laws;
- Restricts unfair, deceptive or abusive acts or practices;
- Takes consumer complaints;
- Promotes financial education;
- Researches consumer behavior;
- Monitors financial markets for new risks to consumers; and
- Enforces laws that outlaw discrimination and other unfair treatment in consumer finance.[22]

Collecting and responding to consumer complaints is a key part of the CFPB's mission, one that contributes to achieving several of the above goals. In particular, consumer complaints enable the CFPB to:

- **Learn about new threats to consumers:** The complaint process is designed to engage consumers when they believe that they have been wronged. The CFPB Office of Consumer Response "hears directly from consumers about the challenges they face in the marketplace, brings their concerns to the attention of companies, and assists in addressing their complaints."[23]
- **Identify trends in issues and potential unfair practices:** The CFPB can use the complaint data in aggregate to identify common issues or sectors where more enforcement is needed.
- **Hold financial services firms accountable:** Making complaint data available to the public and monitoring the remedial process increases the accountability of financial institutions.

Ideally, these institutions will be less likely to engage in unfair practices out of the fear that they will be held accountable by the public for any resulting increase in complaints. The complaint data also alert the agency about potential enforcement actions that may need to be taken.

How the Consumer Complaint Process Works

When a consumer believes that he or she has been subject to an unfair financial practice, he or she may file a complaint with the CFPB. Filing a complaint triggers a process through which the CFPB passes the complaint along to the relevant financial institution, and later follows up with the consumer to ensure the resolution was adequate.

The steps are as follows:[24]

- **Filing** – The consumer submits a complaint form via the CFPB's consumer complaint website (www.consumerfinance.gov/complaint) or by phone (at 855-411-2372). Consumers can track the progress of their complaint using a variety of tools, including e-mail updates.

- **Review and routing** – CFPB staff review the complaint and, if appropriate, send it to the relevant company (or, if the issue is outside of the CFPB's jurisdiction, to another government agency).

- **Company response** – The company that is the subject of the complaint responds to the consumer and the CFPB and proposes a resolution to the complaint. The consumer can then provide any response or feedback to the company and the CFPB.

- **Investigation** – CFPB staff review the complaint, the company's response and the consumer's feedback to prioritize any complaints for investigation or enforcement action.

- **Analysis and reporting** – The CFPB aggregates data about consumer complaints in its complaints database, analyzes those data for trends, and reports regularly to Congress and the public.

The Consumer Complaint Database

Maintaining the Consumer Complaint Database is a key part of the CFPB's mission. The database provides the agency, the media and consumers with the information needed to monitor trends in consumer complaints and industry's response to those complaints.

The CFPB's complaints program and the Consumer Complaint Database have gradually expanded in scope over the two years since the agency began collecting consumer complaints in July 2011. Initially, the CFPB received complaints about credit cards, and it has gradually added banks, student loans, credit reporting and other financial services to the complaints program. In July 2013, the agency began accepting complaints about debt collection practices.[25] The agency has also gradually expanded the amount of data available to the public through the database—in May 2013, for instance, the CFPB enabled complaints to be identified by state.

Complaints submitted to the CFPB include information on a variety of topics, including:

- The specific issue or problem the consumer had with that service,

- The company that provided the service,

- The date on which the complaint was

filed and state from which it was filed, and

- Several data points associated with the complaint's resolution (including the steps taken to respond to the complaint and whether the outcome was disputed by the consumer).

Because much of the data entered into the complaint database is public, consumers can sift through the data themselves, enabling them to make decisions with more information. Financial institutions can also use the data to maintain and improve their performance.

The CFPB also analyzes complaints in the database in order to spot systemic problems within a particular financial marketplace or with particular financial institutions, and to determine the bureau's possible course of action. In July 2012, CFPB chief Richard Cordray noted that, "the information we have been gathering is very valuable, as it helps to inform our supervisory exams, enforcement actions, and rulemaking. Indeed, Congress authorized us to develop our priorities out of this data, which reinforces its potential value to the broader public."[26]

The Bureau's commitment to public disclosure is what has enabled U.S. PIRG Education Fund to undertake this analysis. Other complaints databases offered through other federal agencies do not provide nearly the transparency and amount of accessible data of the CFPB database. Other federal agencies do not review consumer complaints regularly and communicate with both parties. That the CFPB uses the customer complaints to determine broader policy initiatives sets its Consumer Complaint Database apart. (See Appendix B for an overview of other federal consumer databases.)

The Consumer Complaint Database is updated nightly and includes a breakdown of complaints by financial sector. The CFPB also publishes quarterly summaries of patterns in consumer complaints.

Figure 1. Screenshot of the CFPB's Consumer Complaint Database

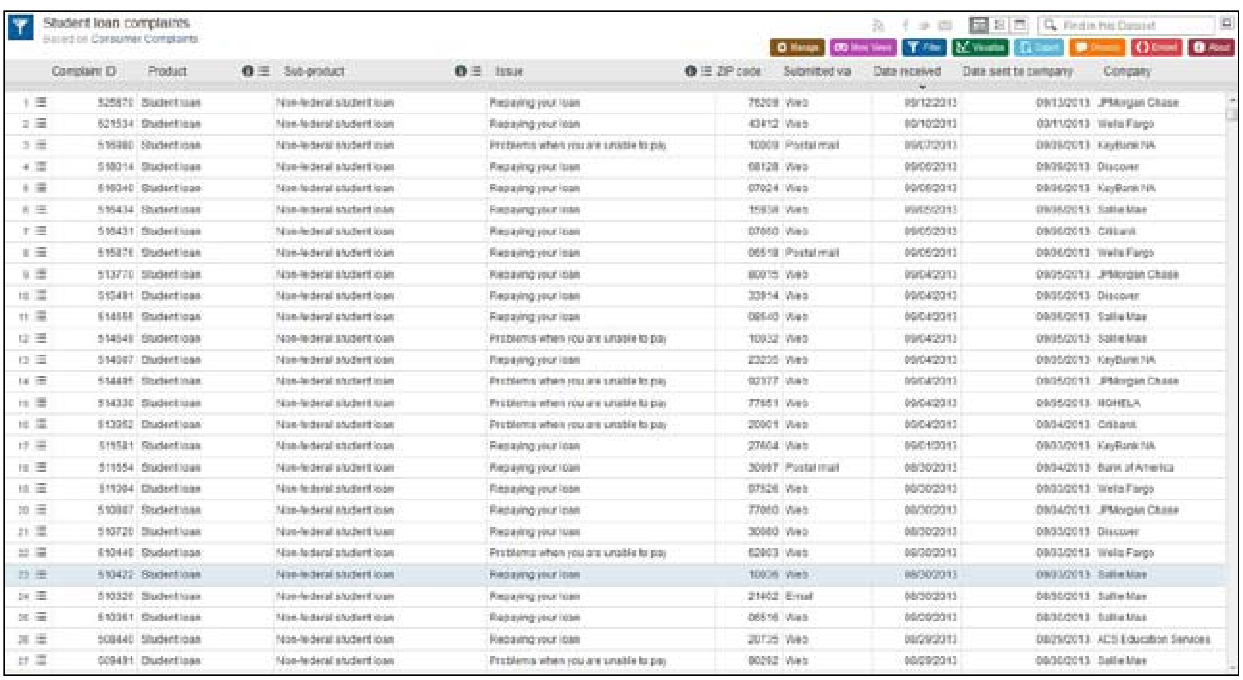
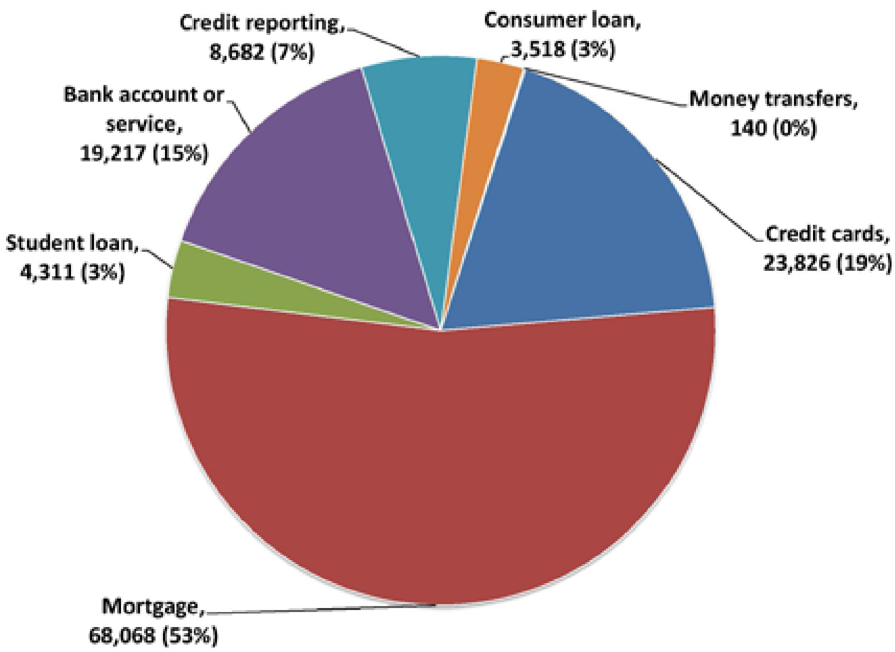


Figure 2. Overall Complaints Received by the CFPB by Issue[28]



As of August 6, 2013, the CFPB had published data[27] on approximately 128,000 complaints. Of these complaints, roughly 4,300 were related to student loans. More than half of all complaints related to mortgages, with credit cards, credit reports and consumer loans also attracting thousands of complaints each.

This report is the second in a series of reports tracking trends in consumer complaints to the CFPB. Each report will review a specific sector of the financial services industry. In this second report, we focus on a vital issue of importance to many Americans: student loans.

Consumer Complaints about Private Student Loans

The Consumer Financial Protection Bureau has received responses to roughly 4,300 complaints about private student lenders since it began accepting those complaints in March 2012. The CFPB's Consumer Complaint Database provides a rich source of information about the types of student loan services that most frequently cause problems for consumers, as well as which companies in which states are the most frequent subjects of consumer dissatisfaction.

Complaints by Loan Type and Issue

The Consumer Financial Protection Bureau has limited rule-making jurisdiction over the largest sector of the student loan market: federally backed student loans. In March 2013, the CFPB proposed a rule to supervise federal and private student loan servicers handling over one million borrower accounts, which applies to the seven largest federal and private student loan servicers.[29] However, this authority is unrelated to the CFPB complaints system. Complaints about federal student loans are received by the Department of Education's Federal Student Aid Ombudsman Group. As a result, 99.4 percent of complaints handled by the CFPB concern non-federal private student loans, which make up only 7 percent of the overall student loan market.[30]

Given the opaque and varied nature of the private student loan marketplace, PSL borrowers often do not know if their complaint is with a lender, or a servicer retained by their lender to handle the loan in repayment. In addition, some firms engage in both the issuance of private student loans and in servicing loans made by themselves and other firms. The CFPB Consumer Complaint Database does not differentiate between complaints made about student lenders and student loan servicers, meaning that both types of firms are represented in the data presented below. (See Appendix C for an overview of key players in the private student loan market.)

The CFPB accepts consumer complaints in three categories of issues related to student loan activity (see Figure 3):

- **Getting loans** (including confusing terms, rates, denial, confusing advertising or marketing, sales tactics or pressure, financial aid services and recruiting): 162 complaints (4 percent).

- **Problems related to inability to pay** (including default, debt collection and bankruptcy): 1,334 complaints (31 percent).

- **Repaying loans** (including fees, billing, deferment, forbearance, fraud and credit reporting): 2,815 complaints (65 percent).[31]

Complaints by Company

The CFPB database also enables consumers to compare the number of complaints filed against private student loan firms in their area—providing a window into consumers' level of overall satisfaction with student loan services.

Total Complaints

Table 1 (next page) ranks the 10 most complained-about firms by absolute number of complaints. The company receiving the highest number of complaints was Sallie Mae, which is, at around 50 percent of overall market share, by far the largest provider of private student loans, as well as a prominent servicer for other private student loan providers. Sallie Mae, however, received 46 percent of all consumer complaints to the CFPB about PSLs, a lower percentage than would be expected given its total share of the PSL market. Pennsylvania-based loan manager AES/PHEAA, Wells Fargo Bank, Citibank, and JPMorgan Chase rounded out the top five for total complaints.

The top 10 lenders and servicers by overall number of complaints received 90 percent of all consumer complaints filed with the CFPB.

Responses to Complaints

The CFPB tracks how companies respond to complaints by consumers, and whether consumers disputed the companies' responses.

Figure 3. Breakdown of Complaints by Issue

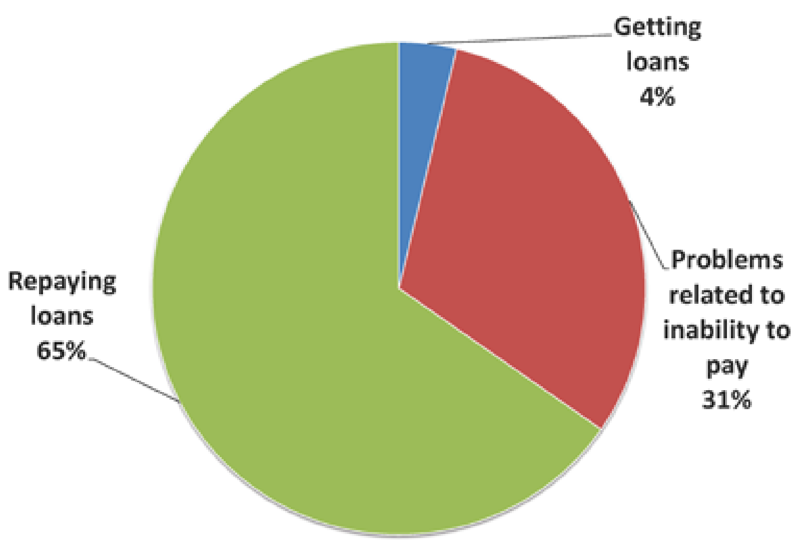


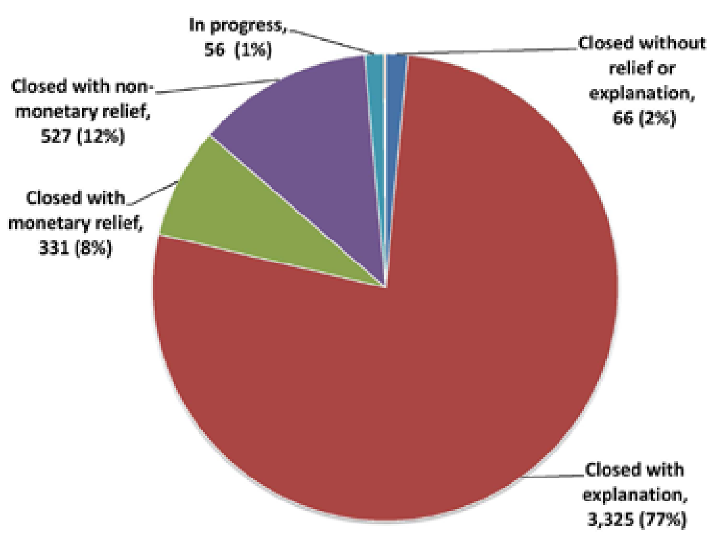
Table 1. Top 10 Private Student Loan Firms by Total Number of Complaints

Rank	Company	Complaints	Percent of Complaints
1	Sallie Mae	1,983	46.0%
2	AES/PHEAA	503	11.7%
3	Wells Fargo	330	7.7%
4	Citibank	268	6.2%
5	JPMorgan Chase	239	5.5%
6	Discover	177	4.1%
7	KeyBank NA	167	3.9%
8	ACS Education Services	155	3.6%
9	Nelnet	55	1.3%
10	Bank of America	36	0.8%
	Total	**3,913**	**90.8%**

Over 77 percent of all complaints to the CFPB regarding student loans were resolved with an explanation from the bank to the consumer. In just under 8 percent of cases, consumers received some form of monetary relief from their lending institution. From October 1, 2012, to March 31, 2013, the CFPB helped consumers receive median monetary relief of $700 per complaint, with a maximum amount of monetary relief of more than $75,000.[32]

Just over 12 percent of all complaints were closed with non-monetary relief—for example, modifying collection proceedings or providing assistance with documentation. Since June 2012, when the CFPB

Figure 4. Responses to Consumer Complaints to the CFPB about Student Loans[33]



began tracking non-monetary relief as a separate category, more than 500 consumers have had their complaints resolved with some form of non-monetary relief. (See Figure 4.)

Private student lenders vary greatly in the degree to which they extend monetary relief to customers who complain. Of the companies receiving the greatest number of complaints, Discover (14 percent of 177 complaints) and Sallie Mae (12 percent of 1,983 complaints) were the most likely to extend monetary relief.[34] Wells Fargo, by contrast, responded with monetary relief to six of its 330 complaints—a monetary relief rate of about 1.8 percent. AES/PHEAA granted monetary relief to seven of 503 consumers, a relief rate of approximately 1.4 percent. U.S. Bancorp (35 complaints) and RBS Citizens (31 complaints) granted no monetary relief to any of their complainants. (See Table 2.)

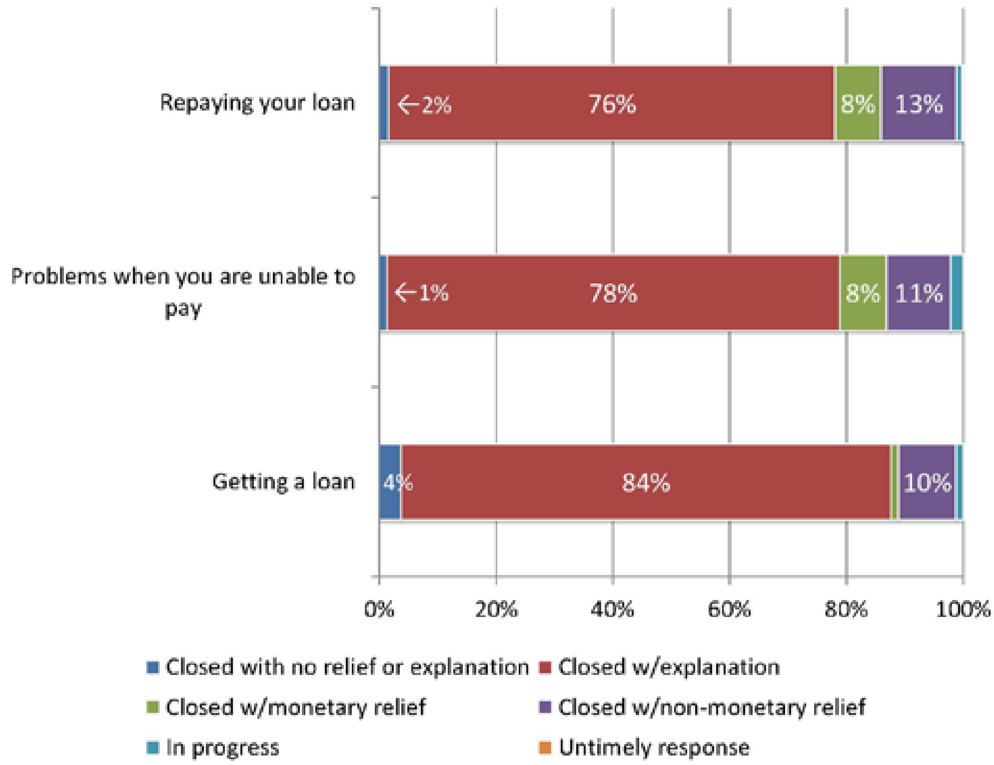
There is little variation in lender response by issue type. Problems with missing payments resulted in an explanation to the consumer 78 percent of the time, while problems with loan repayment resulted in an explanation in 76 percent of cases. (See Figure 5.)

The only significant difference in

Table 2. Percentage of Complaints Granted Monetary Relief by Company[35]

Rank	Company	Closed with Monetary Relief	Total Complaints	Percent with Monetary Relief
1	First Associates Loan Servicing LLC	2	10	20.0%
2	Bank of America	7	36	19.4%
3	Discover	25	177	14.1%
4	Sallie Mae	240	1,983	12.1%
5	PNC Bank	2	17	11.8%
6	Loan To Learn	2	22	9.1%
7	SunTrust Bank	1	16	6.3%
8	Citibank	16	268	6.0%
9	KeyBank NA	9	167	5.4%
10	HESAA	1	25	4.0%
11	JPMorgan Chase	6	239	2.5%
12	Wells Fargo	6	330	1.8%
12	Nelnet	1	55	1.8%
14	AES/PHEAA	7	503	1.4%
15	ACS Education Services	2	155	1.3%
16	U.S. Bancorp	0	35	0.0%
16	RBS Citizens	0	31	0.0%
16	First Marblehead Education Resources	0	29	0.0%
16	Expert Global Solutions, Inc.	0	27	0.0%
16	Access Group	0	24	0.0%
16	MOHELA	0	17	0.0%
16	Iowa Student Loan	0	12	0.0%

Figure 5. Variations in Response to Consumer Complaints by Issue



complaint resolution by issue type was that a lower percentage of complaints about initial loan acquisition were resolved with monetary relief from the private student loan firm to the consumer than other types of complaints. Consumers who complain about not getting a loan could be expected to be less likely to receive monetary relief than those whose complaints are based on an existing relationship with private student loan firm.

Disputed Responses

In about one out of every five cases, a consumer is sufficiently dissatisfied with a private student loan firm's response to the complaint that he or she disputes it via the CFPB. The lenders and servicers with the most consumer-disputed responses were Sallie Mae with 362 disputes, AES/PHEAA with 78 disputes and Wells Fargo with 75 disputes. These three firms also had the largest number of complaints overall.

The ratio of disputed cases to overall complaints offers an alternative measure of consumer dissatisfaction that helps control for absolute number of complaints. Table 3 ranks lenders by dispute-to-complaint ratio.

JPMorgan Chase, Citibank, Wells Fargo, ACS Education Services, KeyBank NA and RBS Citizens had their consumers file disputes at higher-than-average rates. Sallie Mae, AES/PHEAA and Discover had consumers file disputes at lower-than-aver-

Table 3. Highest Percentage of Disputed Responses among Most Complained-About Firms[36]

Rank	Company	Disputed	Total Complaints	Percent Disputed
1	First Associates Loan Servicing LLC	4	10	40.0%
2	Loan To Learn	8	22	36.4%
3	Access Group	8	24	33.3%
4	RBS Citizens	10	31	32.3%
5	KeyBank NA	44	167	26.3%
6	Expert Global Solutions, Inc.	7	27	25.9%
7	Iowa Student Loan	3	12	25.0%
8	ACS Education Services	36	155	23.2%
9	Wells Fargo	75	330	22.7%
10	Citibank	56	268	20.9%
11	JPMorgan Chase	49	239	20.5%
12	Nelnet	11	55	20.0%
13	SunTrust Bank	3	16	18.8%
14	Sallie Mae	362	1,983	18.3%
15	MOHELA	3	17	17.6%
16	First Marblehead Education Resources	5	29	17.2%
17	U.S. Bancorp	6	35	17.1%
18	HESAA	4	25	16.0%
19	AES/PHEAA	78	503	15.5%
20	Bank of America	5	36	13.9%
21	Discover	21	177	11.9%
22	PNC Bank	1	17	5.9%

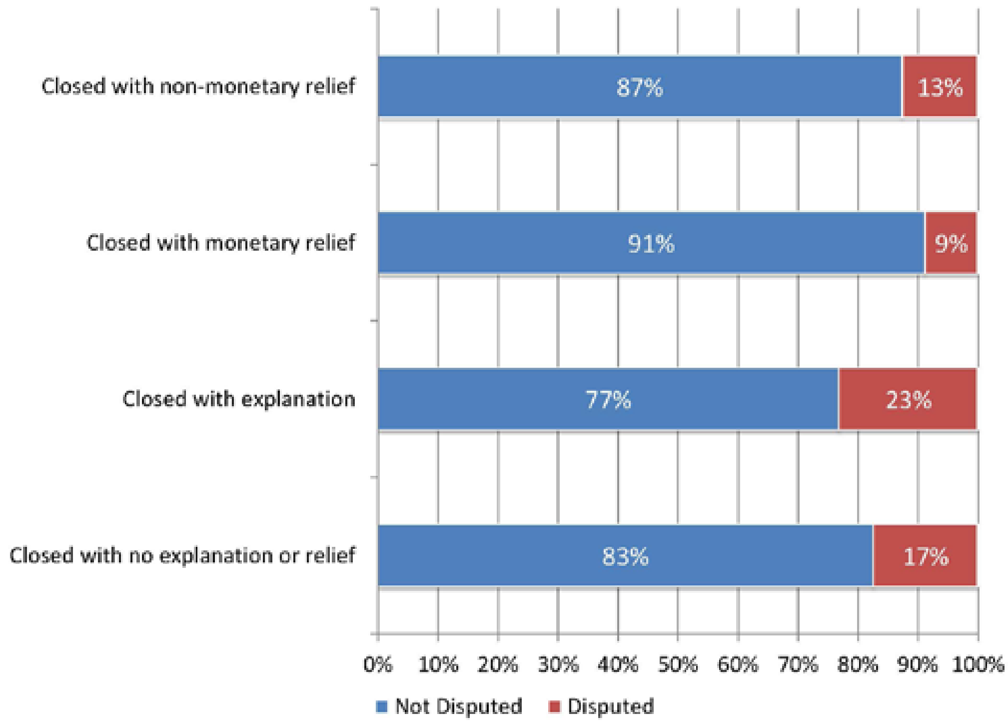
age rates. First Associates Loan Servicing LLC had customers dispute responses most frequently, with 40 percent of its responses disputed by consumers.[37]

Consumers disputed fewer responses that involved monetary relief than other responses. Only about one in 11 consumers who were offered monetary relief disputed the response to their complaint, compared with nearly one in four consumers whose complaints were closed with only an explanation. (See Figure 6, next page.)

Complaints by State

The number of complaints about private student loan firms varies greatly from state to state, even when adjusted for the number of borrowers taking out student loans in each state. The CFPB tracks complaints by the consumer's state of residence, not the location of the private student loan firm or the state where the consumer attended college. So, while these data shed light on which states have the borrowers most likely

Figure 6. Percentage of Responses Disputed by Response Type



to complain, they are an imperfect metric of the behavior of firms doing business in various states.

Unsurprisingly, the most populous states tended to generate the greatest number of total complaints. The states from which the most complaints were filed were New York with 442 complaints, California with 413 complaints, Pennsylvania with 267 complaints, Florida with 255 complaints, and Illinois with 181 complaints. (See Figure 7.)

To account for the different sizes of the student loan markets in the states, we also compared the number of complaints filed by borrowers in each state with the number of student loan borrowers in each state.

The states with the highest ratios of complaints to borrowers for CFPB-regulated firms are the District of Columbia, New Hampshire, Connecticut, New York, Maryland and Vermont, each with between 17 and 37 complaints per 100,000 borrowers. The states with the lowest ratios of complaints to borrowers are North Dakota, Utah and Mississippi. (See Figure 8.)

The geographic distribution of states with the highest ratios of complaints to borrowers shows a strong regional trend. With the exception of West Virginia, the top 13 states by complaint-to-borrower ratio are all located in the Northeast, from New England to the Middle Atlantic states of Pennsylvania, Maryland and Delaware. The Mountain West and West Coast largely occupy the middle of the complaint-borrower distribution, while student loan borrowers from the Midwest and South tend to complain least frequently about private student loans. Of the 10 states with student loan borrowers least likely to complain to the CFPB, six are located in the South. Texas is a particular outlier, ranking second-highest for number of borrowers overall but 43rd in complaint-to-borrower ratio.

However, the variation in the frequency of complaints about private student loans

Figure 7. Total Student Loan Complaints by State

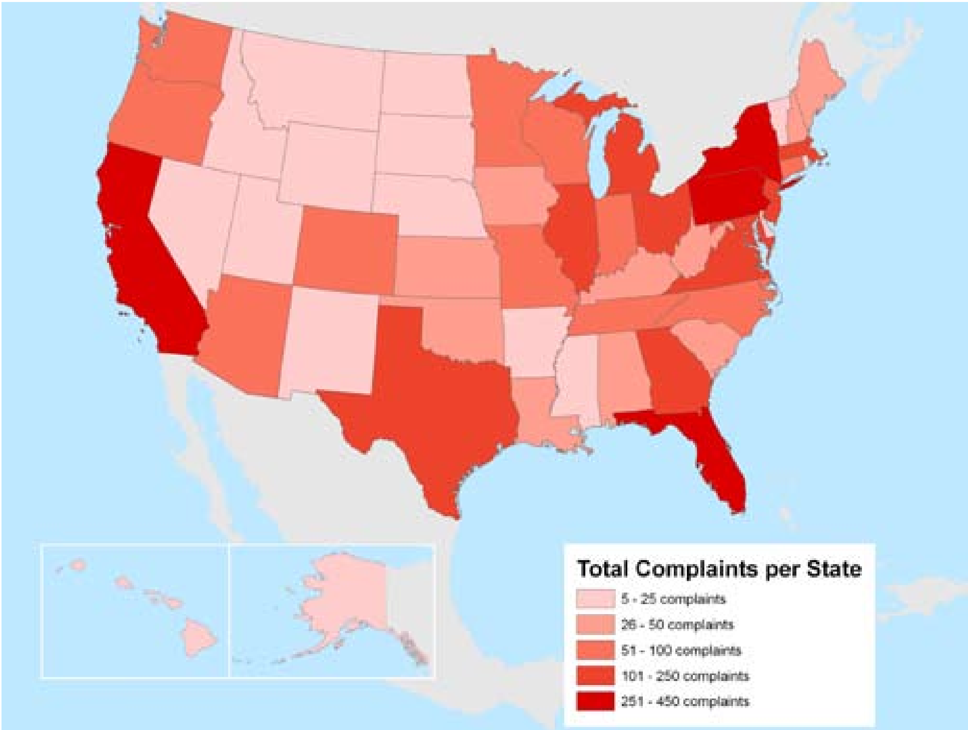
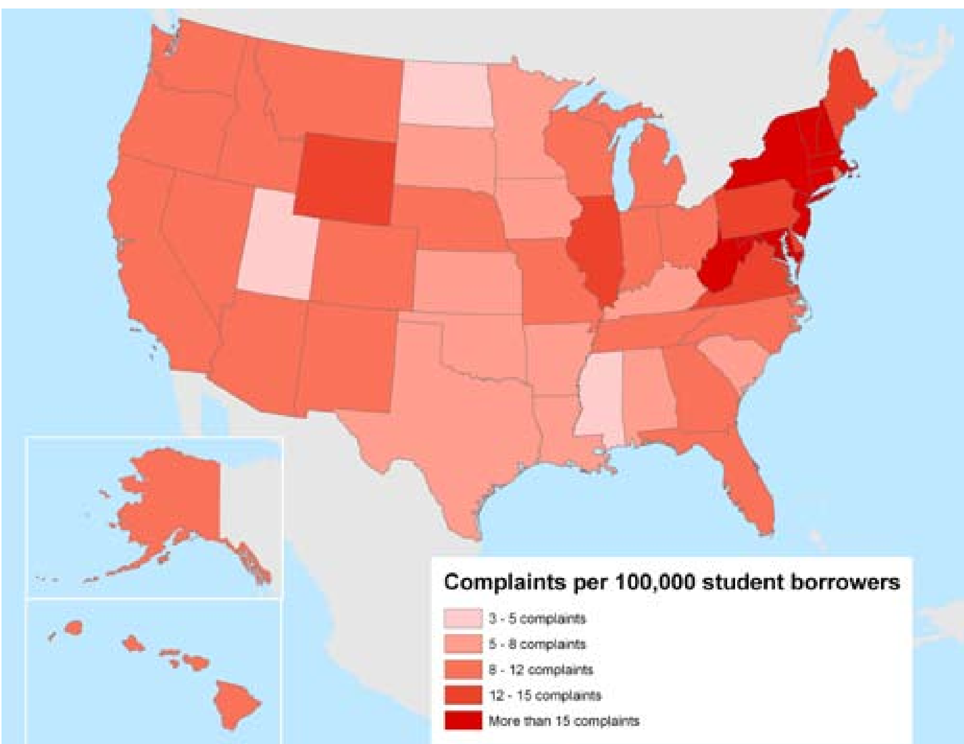


Figure 8. Student Loan Complaints per 100,000 Borrowers



among states may be driven more by variations in dependence on private student loans than by differences in borrowers' propensity to complain. Reliable, state-by-state data on the number of private student loan borrowers are not available. However, a comparison of student loan debt per borrower by state suggests that the states where student debt is highest are often those with the greatest volume of complaints to the CFPB.[38]

To analyze the relationship between student loan debt and complaints-to-borrowers ratio, we plotted average student loan debt per borrower by state against each state's complaint-to-borrower ratio. The line of best fit demonstrates a positive correlation between average student loan debt by state and the frequency of complaints about private student lenders to the CFPB.

States with low levels of average student loan debt tended to have residents who complained less frequently to the CFPB about problems with private student loans. Residents of South Dakota, North Dakota and Utah, for example, with three of the lowest four average student loan burdens in the nation, were also among the five states whose student borrowers were least likely to complain to the CFPB. Maryland, New York and Massachusetts, by contrast, had among the 10 highest student debt burdens and the residents most likely to complain to the CFPB about private student loans.

These findings are consistent with the CFPB's finding that private student loans are disproportionately used by high-debt borrowers. The agency found that four out of five borrowers with student loan debt in excess of $40,000 who graduated around the time of the financial crisis had used private student loans.[40] However, it is also possible that other factors—such as variations in awareness of the CFPB complaint process—may also contribute to differences in the frequency of complaints among residents of various states.

Figure 9. Student Loan Debt Correlates Positively with Complaint Frequency[39]

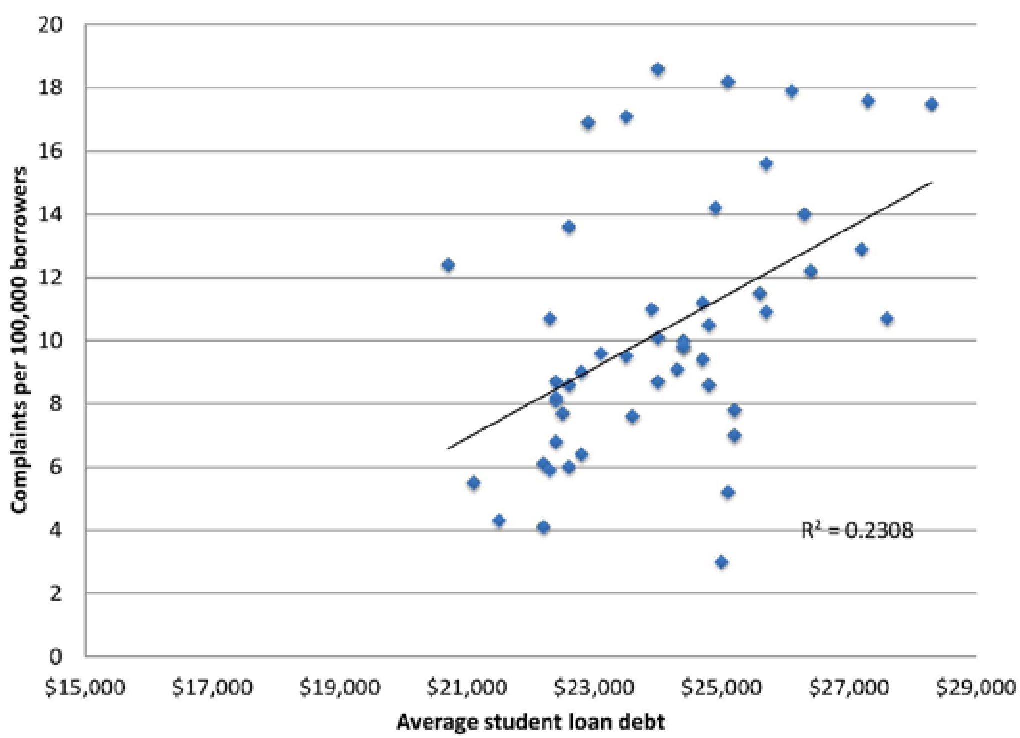


Table 4. Complaints per 100,000 Borrowers by State by Issue[41]

Issues Related to Inability to Pay			Loan Repayment		
Rank	State	Complaints per 100,000	Rank	State	Complaints per 100,000
1	NH	8.6	1	DC	29.4
2	DC	7.2	2	CT	12.6
3	WV	6.6	3	MA	12.3
4	VT	6.4	4	NY	12.3
5	MD	6.0	5	MD	11.3
6	NJ	5.2	6	WY	10.9
7	RI	5.1	7	VT	10.7
8	MA	5.0	8	PA	10.4
9	CT	4.9	9	VA	10.1
10	NY	4.8	10	NJ	9.7
11	ME	4.7	11	NH	9.5
12	NV	4.7	12	WV	9.4
13	DE	4.6	13	NM	9.1
14	MI	4.1	14	ME	8.9
15	FL	4.0	15	MT	8.4
16	IL	4.0	16	DE	8.3
17	AK	3.9	17	IL	7.8
18	ID	3.9	18	OH	7.6
19	GA	3.7	19	WA	7.2
20	HI	3.4	20	FL	7.2
21	IN	3.4	21	NE	7.1
22	WA	3.4	22	NC	6.8
23	CA	3.4	23	CA	6.8
24	PA	3.4	24	AK	6.6
25	VA	3.4	25	GA	6.5
26	AZ	3.3	26	AZ	6.3

Issues Related to Inability to Pay			Loan Repayment		
Rank	State	Complaints per 100,000	Rank	State	Complaints per 100,000
27	OR	3.2	27	OR	6.2
28	OH	3.0	28	CO	6.2
29	CO	3.0	29	HI	6.0
30	TN	2.7	30	MO	6.0
31	AL	2.6	31	WI	5.8
32	LA	2.5	32	MN	5.7
33	MO	2.5	33	MI	5.5
34	TX	2.4	34	AL	5.2
35	SC	2.4	35	TN	5.1
36	KS	2.3	36	KS	5.1
37	WI	2.1	37	ID	4.9
38	IA	2.1	38	SC	4.6
39	OK	2.0	39	AR	4.5
40	NC	2.0	40	RI	4.3
41	AR	1.9	41	ND	4.3
42	MN	1.7	42	IN	4.3
43	SD	1.6	43	KY	4.0
44	NE	1.6	44	OK	4.0
45	WY	1.6	45	NV	3.9
46	MT	1.5	46	TX	3.8
47	KY	1.5	47	IA	3.8
48	MS	1.3	48	SD	3.2
49	UT	1.0	49	UT	2.7
50	NM	0.5	50	LA	2.5
51	ND	0.0	51	MS	1.6

The District of Columbia, Vermont, Massachusetts, Connecticut, Maryland, New York and New Jersey all ranked in the top 10 for complaint-to-borrower ratio for both categories of issues: problems when you are unable to pay and loan repayment.

Some states, however, received a high number of complaints in one category but not the other. Rhode Islanders were seventh-most-likely to complain about problems with missing payments, for example, but were 40th in frequency of complaints about

Table 5. Complaints about Sallie Mae by State

State	Sallie Mae Complaints	State	Sallie Mae Complaints	State	Sallie Mae Complaints	State	Sallie Mae Complaints
AK	3	ID	10	MT	6	RI	10
AL	27	IL	98	NC	45	SC	17
AR	13	IN	38	ND	2	SD	4
AZ	31	KS	20	NE	6	TN	22
CA	187	KY	17	NH	16	TX	83
CO	32	LA	14	NJ	81	UT	9
CT	48	MA	88	NM	7	VA	71
DC	17	MD	58	NV	15	VT	7
DE	10	ME	15	NY	170	WA	40
FL	127	MI	55	OH	87	WI	18
GA	61	MN	13	OK	12	WV	19
HI	7	MO	37	OR	22	WY	3
IA	9	MS	8	PA	126		

Figure 10. Complaints about Sallie Mae by State

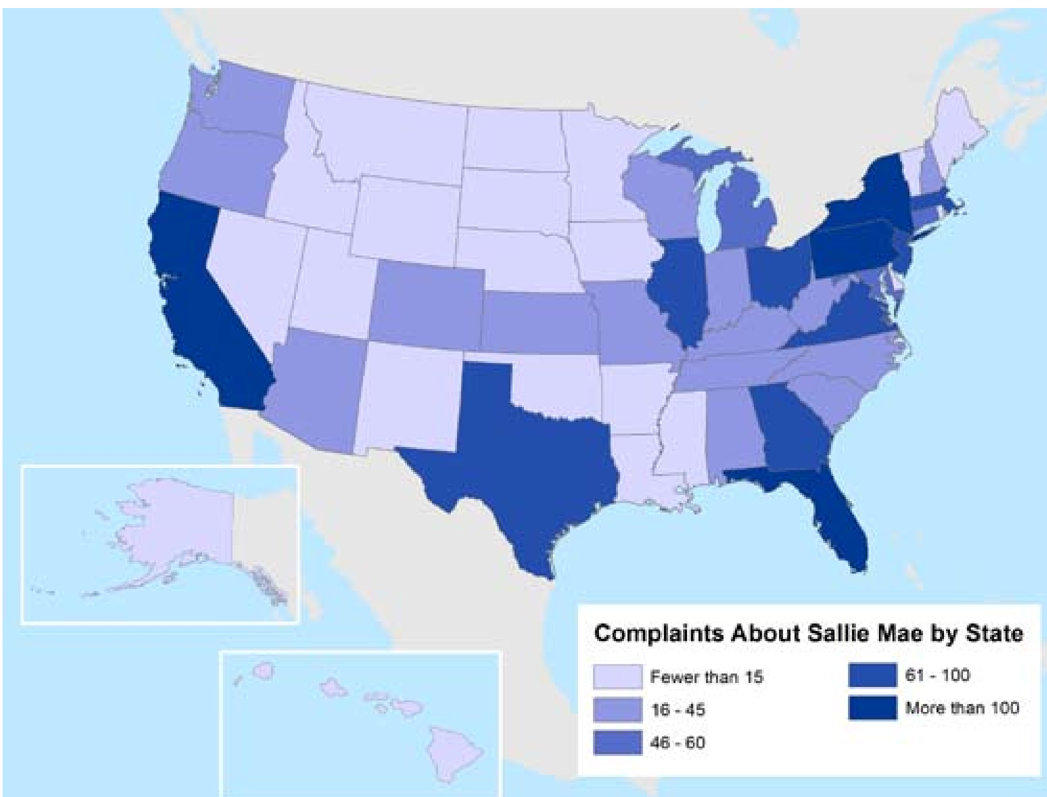
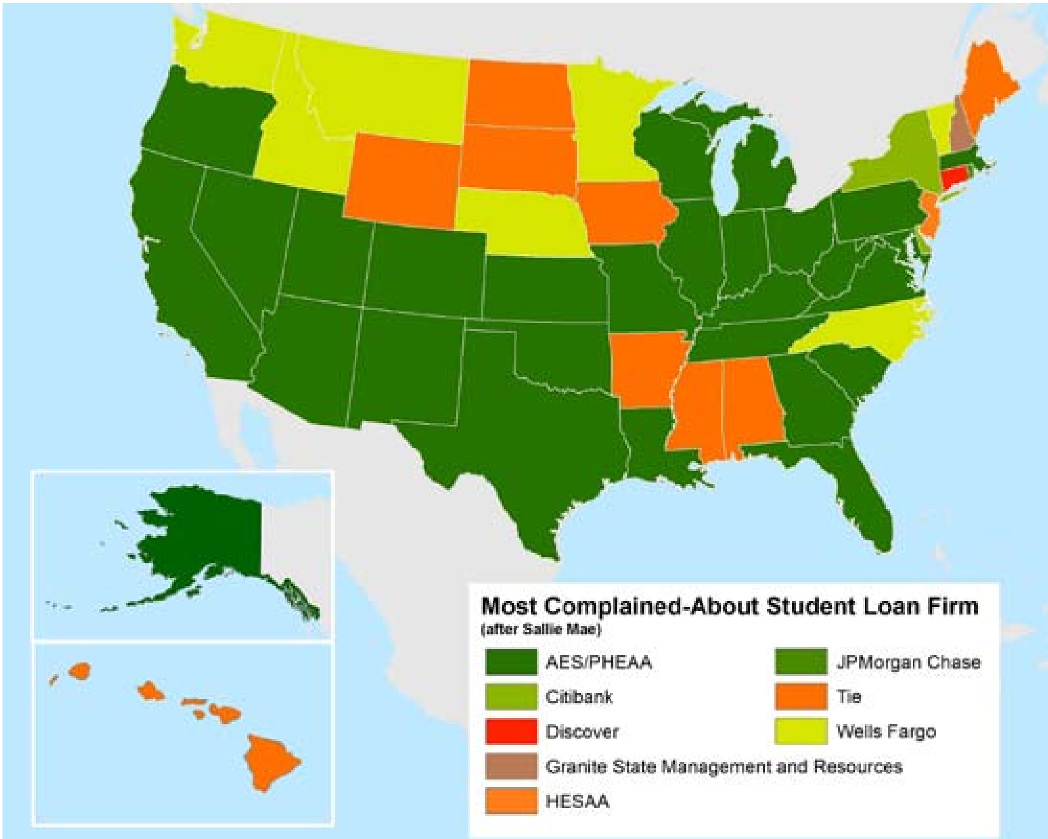


Figure 11. Most Complained-About Private Student Loan Firm (other than Sallie Mae) by State



loan repayment. Pennsylvanians were in the top 10 for frequency of complaints about loan repayment, but 22nd in complaints about missing payments. Borrowers from Nevada were 12th-most-likely to complain about missing payments, but 45th in complaints about loan repayment.

Most Complained-About Firms by State

Sallie Mae was the most complained-about private student loan firm in every state except Minnesota and Alaska due to its dominant share of the private student loan market. Figure 10 breaks out the number of complaints about Sallie Mae by state.

Excluding Sallie Mae, AES/PHEAA was the most complained-about private student loan firm in 28 states. Wells Fargo was the most complained-about company in seven states (Idaho, Minnesota, Montana, North Carolina, Nebraska, Vermont and Washington), while Citibank led in three (the District of Columbia, New York and Delaware), and Discover was the most complained-about lender in Connecticut. There were nine states in which two or more private student loan firms tied for the greatest overall number of complaints. (See Figure 11 and Table 6, next page.)

Table 6. Most Complained-About Private Student Loan Firm (After Sallie Mae) by State

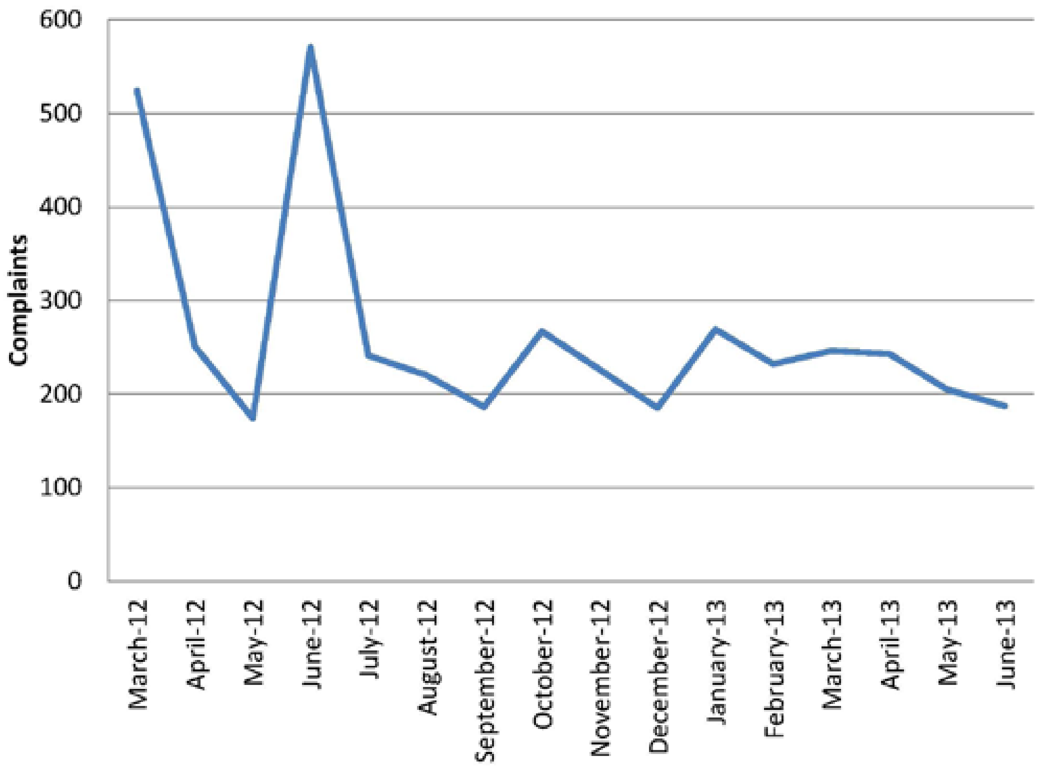
State	Second-Most Complained-About Private Student Loan Firm[42]
AK	AES/PHEAA[43]
AL	AES/PHEAA/ Citibank (tie)
AR	AES/PHEAA/ MOHELA (tie)
AZ	AES/PHEAA
CA	AES/PHEAA
CO	AES/PHEAA
CT	Discover
DC	Citibank
DE	Citibank
FL	AES/PHEAA
GA	AES/PHEAA
HI	AES/PHEAA/ JPMorgan Chase (tie)
IA	AES/PHEAA/ Iowa Student Loan (tie)
ID	Wells Fargo
IL	AES/PHEAA
IN	AES/PHEAA
KS	AES/PHEAA
KY	AES/PHEAA
LA	AES/PHEAA
MA	AES/PHEAA
MD	AES/PHEAA
ME	ACS Education Services/Citibank (tie)
MI	AES/PHEAA
MN	Wells Fargo[44]
MO	AES/PHEAA
MS	AES/PHEAA/ Wells Fargo/Nelnet (tie)

State	Second-Most Complained-About Private Student Loan Firm[42]
MT	Wells Fargo
NC	Wells Fargo
ND	ACS/Iowa Student Loan/ Wells Fargo (tie)
NE	Wells Fargo
NH	Granite State Management and Resources
NJ	HESAA
NM	AES/PHEAA
NV	AES/PHEAA
NY	Citibank
OH	AES/PHEAA
OK	AES/PHEAA
OR	AES/PHEAA
PA	AES/PHEAA
RI	JPMorgan Chase
SC	AES/PHEAA
SD	Discover/Great Lakes/ Wells Fargo (tie)
TN	AES/PHEAA
TX	AES/PHEAA
UT	AES/PHEAA
VA	AES/PHEAA
VT	Wells Fargo
WA	Wells Fargo
WI	AES/PHEAA
WV	AES/PHEAA
WY	ACS Education Services/ AES/PHEAA/Citibank/ Nelnet/Wells Fargo (tie)

Trends in Complaints over Time

Consumers have filed an average of 264 complaints about private student loans per month since the CFPB began accepting complaints about student loans in March 2012. A large spike in complaints on June 15, 2012, may be attributable to the CFPB's publication of comments resulting from its public request for information on student loan complaints two days earlier.[45] During the first part of 2013, the level of consumer complaints about private student loan firms has been largely consistent, at about 225 complaints per month. (See Figure 12.)

Figure 12. Consumer Complaints about Student Loans over Time



Conclusions and Recommendations

The Consumer Financial Protection Bureau's Consumer Complaint Database provides a rich source of information about the issues facing consumers in the financial marketplace. An analysis of the Consumer Complaint Database for complaints about private student loans reveals that:

- More than 4,300 complaints—an average of more than 250 complaints per month—have been processed by the CFPB regarding private student loans.

- Ten U.S. firms account for more than 90 percent of consumer complaints.

- Repayment of loans is the issue that generates the most complaints, followed by difficulties regarding making payments. Only 4 percent of consumer complaints to the CFPB concern initial loan acquisition.

- The CFPB helped about 8 percent of consumers receive monetary relief, while private student loan firms responded to an additional 12 percent of complaints with non-monetary relief. Companies responded to more than three-quarters of all complaints with an explanation to the consumer.

- Consumers dispute about one out of every five responses to their student loan complaints by private student loan firms.

- The geographic distribution of complaint frequency tends to follow broadly regional patterns, with borrowers from the Northeast most likely to complain and borrowers from the Midwest and South least likely. There is also a positive correlation between average student loan burden by state and the likelihood of state residents to complain to the CFPB about private student loans.

The Consumer Complaint Database is an essential tool in the effort to protect consumers from deceptive and abusive practices in the financial marketplace.

To improve the quality of the Consumer Complaint Database, the CFPB should:

- Make the database more user-friendly by:

  - o Adding more detailed information to the database, such as actual complaint narratives, detailed complaint categories and subcategories, complaint resolution details, consumer dispute details, and data regarding membership in classes protected from discrimination by law. Expansion of complaint-level details should include more information about amounts and types of monetary and non-monetary relief. Software and other techniques should be used to protect consumer privacy by giving consumers the right not to provide details and by taking steps to prevent the release of personally-identifiable information or the re-identification of consumers. It is critical that the bureau achieve the disclosure of more individual complaint details while simultaneously making every reasonable effort to protect personal data.

  - o Adding features such as clear definitions of terms and instructions.

  - o Providing regular trend analyses and monthly detailed reports on complaint resolutions and disputes.

  - o Simplifying the interfaces that allow users to summarize complaint database reports in graphical and printable formats.

- Publicize information about the CFPB complaints process in forums that are likely to be seen by consumers of private student loans. The agency should develop more outreach mechanisms for consumer education about the database and its services for consumers, including through the distribution of educational materials to be distributed on and off-line, through more events outside Washington, D.C., and through non-profit organizations.

- Survey financial institutions and borrowers with both resolved and unresolved complaints in order to better hone the effectiveness of the CFPB database.

- Develop free smartphone applications (apps) for consumers to access information about how to complain about a firm and how to review complaints in the database.

To improve the effectiveness of the CFPB, the agency should:

- Expand the Consumer Complaint Database to include discrete complaint categories for high-cost credit products such as payday and auto title loans, and prepaid cards.

- Continue to use the information gathered from the Consumer Complaint Database, from supervisory and examination findings, and from other sources to require a high, uniform level of consumer protection through guidance and rules in order to protect consumers and ensure that responsible industry players can better compete with those who are using harmful practices.

- Move quickly to implement strong consumer protection rules based on consumer complaints and findings from recent reports to protect consumers from unfair overdraft practices and high-cost direct deposit advance bank loans and payday loans.

- Move quickly to complete the mandatory arbitration studies required before it can proceed to banning or effectively regulating the use of pre-dispute mandatory arbitration in consumer financial contracts.

To protect private student loan borrowers, the bureau should:

- Require private student loan certification, so that lenders are required to certify borrower requests for private student loans through college financial aid offices. This system would be mandatory, in contrast to the "self-certification" process that exists now, through which a lender must receive certification from the student to confirm the total cost of attendance and the financial aid package she has been awarded. It will alert the college that the student has a private student loan, so that the college can check that the borrower has maximized her federal aid before taking on the riskier private student loan and, accordingly, allow the college to provide appropriate counseling.

- Work with the Department of Education and others to collect and report detailed annual data on private education loan usage and terms at the institutional, state and national level.

- Gather and report data on private education loans practices including the types of loans granted, lenders and other entities involved, and how those loans are delivered.

- Launch a secret shopper program to directly observe and record compliance on behalf of PSL borrowers. This could be done through spot checks of loan application/loan origination practices and through CFPB secret shoppers following up on complaints from borrowers to see how servicing problems are handled.

- Work directly with private student lenders to offer more loan repayment and modification options to borrowers, including a bankruptcy option.

Methodology

The Consumer Financial Protection Bureau (CFPB) maintains a database of complaints submitted by consumers about banks and other financial institutions. The database is available for download online at www.consumerfinance.gov/complaintdatabase/. Our analysis of the student loans sector focuses on the distribution of complaints by state, by company, and by "issue". It includes complaints posted to the database through August 6, 2013.

Normalizing Complaints by State

To allow for comparisons across states of different sizes, we normalized the number of complaints filed in each state by computing the ratio of complaints to the number of student borrowers by state. Data on the number of student borrowers by state were from Federal Reserve Bank of New York, *Household Debt and Credit Report*, First Quarter 2013. Note that the data on the number of student borrowers include both those consumers using federally backed and private student loans, only the latter of which are regulated by the CFPB. As a result, variations by state in the propensity of student borrowers to complain about private student loans to the CFPB may reflect variations in the share of student borrowers in the private student loan market rather than true variations in the propensity of private student borrowers to complain.

Appendix A: Detailed Data Tables for Complaints Regarding Private Student Loans

Table A-1. Private Student Loan Companies by Total Number of Complaints by Issue (includes lenders with more than five complaints)

Company	Getting a Loan	Problems When You Are Unable to Pay	Repaying Loans	Total	Percent of Total Complaints
Sallie Mae	70	642	1,271	1,983	46.0%
AES/PHEAA	8	165	330	503	11.7%
Wells Fargo	22	95	213	330	7.7%
Citibank	12	64	192	268	6.2%
JPMorgan Chase	8	93	138	239	5.5%
Discover	13	25	139	177	4.1%
KeyBank NA	4	52	111	167	3.9%
ACS Education Services	1	23	131	155	3.6%
Nelnet	2	13	40	55	1.3%
Bank of America	3	9	24	36	0.8%
U.S. Bancorp	0	8	27	35	0.8%
RBS Citizens	1	15	15	31	0.7%
First Marblehead Education Resources	0	17	12	29	0.7%
Expert Global Solutions, Inc.	0	19	8	27	0.6%
Higher Education Student Assistance Authority (HESAA)	1	8	16	25	0.6%
Access Group	2	13	9	24	0.6%
Loan To Learn	0	9	13	22	0.5%
MOHELA	0	3	14	17	0.4%
PNC Bank	0	6	11	17	0.4%
SunTrust Bank	5	3	8	16	0.4%
Iowa Student Loan	0	3	9	12	0.3%
First Associates Loan Servicing LLC	0	3	7	10	0.2%
Great Lakes	0	0	9	9	0.2%
Heartland Payment Systems	1	3	4	8	0.2%
Granite State Management & Resources	0	1	6	7	0.2%
New York State Higher Education Services Corporation (HESC)	0	3	4	7	0.2%
Texas Higher Education Coordinating Board	1	1	5	7	0.2%
Weltman, Weinberg & Reis	0	7	0	7	0.2%
Genesis Lending	2	1	3	6	0.1%
Rhode Island Student Loan Authority	0	1	5	6	0.1%

Table A-2. Complaints by State with Complaint-to-Borrower Ratio

State	Complaints	Student Loan Borrowers 2012	Complaints per 100,000 Borrowers	Percent of National Complaints
AK	8	76,200	10.5	0.2%
AL	39	498,400	7.8	0.9%
AR	21	308,200	6.8	0.5%
AZ	75	748,600	10.0	1.8%
CA	413	3,780,900	10.9	9.7%
CO	70	744,200	9.4	1.6%
CT	85	466,600	18.2	2.0%
DC	47	125,800	37.4	1.1%
DE	14	108,300	12.9	0.3%
FL	255	2,208,900	11.5	6.0%
GA	136	1,269,700	10.7	3.2%
HI	11	116,100	9.5	0.3%
IA	29	479,300	6.1	0.7%
ID	18	206,100	8.7	0.4%
IL	196	1,611,700	12.2	4.6%
IN	73	905,700	8.1	1.7%
KS	30	394,800	7.6	0.7%
KY	31	526,000	5.9	0.7%
LA	27	519,600	5.2	0.6%
MA	173	967,400	17.9	4.1%
MD	135	769,900	17.5	3.2%
ME	26	191,100	13.6	0.6%
MI	135	1,375,200	9.8	3.2%
MN	71	924,600	7.7	1.7%
MO	71	814,400	8.7	1.7%
MS	11	371,000	3.0	0.3%
MT	14	131,300	10.7	0.3%
NC	93	1,021,900	9.1	2.2%
ND	5	115,700	4.3	0.1%
NE	22	254,400	8.6	0.5%
NH	39	209,800	18.6	0.9%
NJ	181	1,162,100	15.6	4.3%
NM	21	219,800	9.6	0.5%
NV	23	256,200	9.0	0.5%
NY	442	2,513,800	17.6	10.4%
OH	196	1,745,900	11.2	4.6%
OK	27	453,600	6.0	0.6%
OR	52	528,100	9.8	1.2%
PA	267	1,880,700	14.2	6.3%
RI	14	138,600	10.1	0.3%
SC	41	584,000	7.0	1.0%
SD	7	126,800	5.5	0.2%
TN	60	701,200	8.6	1.4%
TX	186	2,892,700	6.4	4.4%
UT	12	295,800	4.1	0.3%
VA	137	978,500	14.0	3.2%
VT	16	93,600	17.1	0.4%
WA	84	760,800	11.0	2.0%
WI	62	752,500	8.2	1.5%
WV	36	213,300	16.9	0.8%
WY	8	64,300	12.4	0.2%
TOTAL	**4,245**	**38,604,100**	**11.0**	**100.0%**

Table A-3. Complaints per 100,000 Student Loan Borrowers by State, Ranked

Rank	State	Complaints per 100,000 Student Borrowers	Rank	State	Complaints per 100,000 Student Borrowers
1	DC	37.4	27	NM	9.6
2	NH	18.6	28	HI	9.5
3	CT	18.2	29	CO	9.4
4	MA	17.9	30	NC	9.1
5	NY	17.6	31	NV	9.0
6	MD	17.5	32	ID	8.7
7	VT	17.1	33	MO	8.7
8	WV	16.9	34	NE	8.6
9	NJ	15.6	35	TN	8.6
10	PA	14.2	36	WI	8.2
11	VA	14.0	37	IN	8.1
12	ME	13.6	38	AL	7.8
13	DE	12.9	39	MN	7.7
14	WY	12.4	40	KS	7.6
15	IL	12.2	41	SC	7.0
16	FL	11.5	42	AR	6.8
17	OH	11.2	43	TX	6.4
18	WA	11.0	44	IA	6.1
19	CA	10.9	45	OK	6.0
20	GA	10.7	46	KY	5.9
21	MT	10.7	47	SD	5.5
22	AK	10.5	48	LA	5.2
23	RI	10.1	49	ND	4.3
24	AZ	10.0	50	UT	4.1
25	OR	9.8	51	MS	3.0
26	MI	9.8			

Table A-4. Student Loan Debt per Borrower by State[46]

State	Student Loan Debt per Borrower
AK	$24,800
AL	$25,200
AR	$22,400
AZ	$24,400
CA	$25,700
CO	$24,700
CT	$25,100
DC	$41,200
DE	$27,200
FL	$25,600
GA	$27,600
HI	$23,500
IA	$22,200
ID	$22,400
IL	$26,400
IN	$22,400
KS	$23,600
KY	$22,300
LA	$25,100
MA	$26,100
MD	$28,300
ME	$22,600
MI	$24,400
MN	$22,500
MO	$24,000
MS	$25,000

State	Student Loan Debt per Borrower
MT	$22,300
NC	$24,300
ND	$21,500
NE	$22,600
NH	$24,000
NJ	$25,700
NM	$23,100
NV	$22,800
NY	$27,300
OH	$24,700
OK	$22,600
OR	$24,400
PA	$24,900
RI	$24,000
SC	$25,200
SD	$21,100
TN	$24,800
TX	$22,800
UT	$22,200
VA	$26,300
VT	$23,500
WA	$23,900
WI	$22,400
WV	$22,900
WY	$20,700

Appendix B: Searchable Public Databases of Complaints to Government Agencies

The CFPB's searchable complaint database is the newest of a set of federal government complaint databases that help consumers make better economic and safety choices by reviewing others' experiences and searching for problems or product recalls. The transparency also helps firms improve their products and services. Here is information on how to contact the CFPB and some of the other public databases maintained by government agencies. U.S. PIRG Education Fund visited each of the other databases and a quick overview of their contents and ease of use is below. A more detailed review can be found at **www.uspirgedfund.org/issues/usf/consumer-tips**.

CFPB's Searchable Financial Services Complaint Database: The CFPB Consumer Complaint Database discloses data associated with financial institutions and their practices, providing consumers with recent and comprehensive information to make responsible decisions concerning their finances and enhancing the market's ability to operate efficiently and transparently. The Bureau provides public access to an electronic database that contains individual fields for each unique complaint. In short, this allows consumer complaints to be easily accessible in a data-rich form. The CFPB's goal is to improve the transparency and efficiency of the monetary market and further empower the American consumer.

- The database can be viewed at: **www.consumerfinance.gov/complaintdatabase/**.
- Consumers may submit complaints to the CFPB at **www.consumerfinance.gov/complaint/**.

Consumer complaints can also be made by phone (855) 411-2372, fax (855) 237-2392, postal mail (1700 G Street, NW Washington, D.C. 20552), and/or e-mail (**info@consumerfinance.gov**).

Safercar.gov: The National Highway Traffic Safety Administration (NHTSA) was established in 1970 to direct highway safety and consumer programs and is dedicated to excellence in motor vehicle and highway safety. Safercar.gov, established online in 1994, allows consumers to identify and report problems or file a complaint about their vehicle, tires, equipment or car seats by phone, by filling out a PDF for email, or electronically on the agency's website. All information to file a complaint or search the database can be found at on the website's home page, **www.safercar.gov.** Logging onto the website, consumers can quickly and easily navigate to see other complaints (**www.odi.nhtsa.dot.gov/owners/SearchComplaints**) as well as find the link to file their own complaint and access investigations, complaints or recall reports (**www.odi.nhtsa.dot.gov/owners/SearchVehicles**). The database can also be exported (downloaded) for further analysis at **www.odi.nhtsa.dot.gov/downloads/.**

U.S. PIRG Education Fund's Overall Review: This user website is generally easy to navigate and accessible for the average consumer. The homepage clearly gives the consumer specific tabs on the homepage labeled "vehicle shoppers," "vehicle owners," "vehicle manufacturers," and "parents central" for general navigation. Also included on the homepage are direct links (on the right side of the page by the scroll bar) to file a complaint, search for recalls and previous complaints, and get help with a car seat. The actual process of filing a complaint is straightforward and is broken down in such a way that is not time consuming.

Saferproducts.gov: The United States Consumer Product Safety Commission (CPSC), created in 1972 through the Consumer Product Safety Act, is an independent agency of the United States government. It has authority to investigate and recall 15,000 different types of consumer products ranging from toasters and dishwashers to bicycles, clothing, cribs and children's toys. In 2008 the Consumer Product Safety Improvement Act was passed; the new law established authority for a searchable public consumer products database that went live in 2011.

The home page for the website is: www.saferproducts.gov. Complaints may be filed at: **www.saferproducts.gov/CPSRMSPublic/Incidents/ReportIncident.aspx.** At the main page (**www.saferproducts.gov/Search/default.aspx**) consumers and researchers can view incident reports or recalls or both, by category, or can export the database for additional analysis.

U.S. PIRG Education Fund's Overall Review: When searching recalls on saferproducts.gov, consumers are easily able to search directly for what they're looking for. The website is broken down into easily identifiable sections; whether the consumer is seeking to file a report, or review reports and recalls, the site offers links to each popular section on the homepage for consumers. Although the actual database of consumer reports and recalls is somewhat difficult to download, understand and read, the average consumer isn't looking for details on specific products through use of the full database. The average consumer will instead use the easy to use online search engine, which includes photos and icons for complaint categories, and specific tabs and links to navigate to the pages of the site they wish to view.

Air Travel Consumer Report: The United States Department of Transportation (DOT) is a federal Cabinet department of the United States government concerned with transportation, including air travel. The Air Travel Consumer Report is a monthly product of the Department of Transportation's Office of Aviation Enforcement and Proceedings (OAEP). The report is designed to assist consumers with information on the quality of services provided by the airlines.

The home page for the U.S. DOT is **www.dot.gov.** The link for filing complaints is: **www.dot.gov/airconsumer/file-consumer-complaint**. The link for reviewing monthly reports is **www.dot.gov/airconsumer/air-travel-consumer-reports**. The DOT maintains a fact sheet of air travel tips for consumers available here: **www.dot.gov/airconsumer/air-travel-tips**.

U.S. PIRG Education Fund's Overall Review: Air travel complaint reports are issued monthly. Unlike the other databases, which can be searched and downloaded, the DOT air travel database is summarized into monthly reports in PDF format. It includes information on air travel problems including on-time arrivals, lost luggage disputes and bumping complaints. U.S. PIRG Education Fund has on several occasions urged the DOT to make these data more user-friendly to consumers and researchers. The DOT does maintain other pages of downloadable information, but not for air travel complaints.

MyEdDebt.com: The U.S. Department of Education, at the urging of the National Consumer Law Center, has recently improved the borrower complaint process by allowing access to a centralized complaint system.[47] This has been a crucial step forward for defaulted borrowers who previously could not find the complaints section when visiting the Federal Student Aid website, nor were given specific guidance with the most common concerns.

U.S. PIRG Education Fund's Overall Suggestions: Using the CFPB's complaints database as a model, we recommend that the Department of Education also create a searchable database to track all federal borrower complaints, outside of those who are in default. Additionally, the department should make aggregated complaint data public. Tracking the data will help borrowers and advocates, but most importantly could be used by the agency to drive oversight and compliance actions.

Appendix C: A Partial List of the Lenders and Servicers Mentioned in This Report

The private student loan marketplace is complex and not easy to understand. Both for-profit banks and non-profit state agencies make private loans; many prominent for-profit players have left the marketplace in the wake of the credit crisis of 2008; and loan servicing activity is often contracted out to third parties. Below is a partial list of private student lenders and servicers that demonstrates this variation.

ACS Education Services – ACS Education Services is a subsidiary of Xerox Corporation. It services federal student loans as well as private student loans on behalf of other lenders. The list of clients on its website includes: Access Loans, Brazos MedFund, Platinum & A+ Funds Loans, JPMorgan Chase, Chela Cal Edge, CLC Premier Loans, Coopers & Lybrand, EFG Platinum & Select Loans, Education Finance Partners, Davidson College, Goal Financial, GCO Private Loans, Global Loan Program, Key Bank Private Loans, MEFA Loans, MEGA Loans, Med One/Op One, PNC Resource Loans, Stanford Loans, Student Maximizer, Grove City Loans, TERI Loans, Penn Guaranteed Loans, Univ. of the Pacific Loans, FUEL Loans, JPMorgan Chase Private Loans and PREP Loans.

AES/PHEAA – American Education Services is a non-profit organization set up by the Pennsylvania Higher Education Assistance Agency (PHEAA). Proceeds are used to support state aid programs and educational access and outreach. The organization guarantees and services a large federal student loan portfolio. In addition, it owns several private student loan portfolios and provides private student loan servicing to other lenders. Some clients include: Key, Ally Bank, American University Antigua Medical, BAN Health Professional Loan, Bank of America, Chase, Citibank, Citizens, ADEAL and ADEALB (guaranteed by Hemar Insurance Corporation of America), Educational Investment Finance Corporation, FAQS, FCDB, Guaranteed Access to Education Loan (GATE loans), Health Education Assistance Loans, New York State Higher Education Services Corporation, MyRichUncle, National Collegiate Trust, PNC Bank, Rocky Vista College, SunTrust, Union Federal Savings Bank and Xpress Loans.

Bank of America – Bank of America is a national bank that left the private student loan business in 2009. It still services its old federal student loan portfolio.

Citibank/Citigroup – Citibank is a national bank that has almost completely left student lending. It sold 80 percent of its private student loan business to Discover in 2010 and 2011 and no longer offers private student loan products. It sold most of its federal student loan portfolio to Sallie Mae in 2010.

Discover – Discover is a national bank that is making a big push to grow its student loan business. It bought a $4.2 billion student loan portfolio from Citigroup in 2010, and another $2.5 billion from Citigroup in 2011. It is now the nation's third largest private student lender, behind Sallie Mae and Wells Fargo.

Granite State Management and Resources – GSM&R is a non-profit organization set up by the state of New Hampshire to service federal student loans and to service the private student loan product made by the non-profit New Hampshire Higher Education Assistance Foundation and the non-profit New Hampshire Higher Education Loan Corporation (NHHELCO), respectively. Proceeds are used to support state aid programs and educational access and outreach. This year, NHHELCO will begin to offer its private student loan product nationwide.

HESAA – The New Jersey Higher Education Student Assistance Authority is a non-profit organization set up by the state of New Jersey to service federal student loans. In addition, it offers a private student loan product to students and families. Proceeds are used to support state aid programs and educational access and outreach.

JPMorgan Chase – JPMorgan Chase is a national bank that announced it is leaving the private student loan business in October 2013.

KeyBank NA – KeyBank left the private student loan market in 2008.

Nelnet – Nelnet is a student loan servicer and originator. It services federal student loans on behalf of 50 third-party companies, including "national and regional banks, credit unions, and various state and non-profit secondary markets," according to its most recent filing with the Securities and Exchange Commission.[48] Nelnet is not affiliated with SunTrust Bank, Union Federal Savings Bank or Wells Fargo, but it does receive revenue from these banks through its private student loan referral service. In addition, it originates and services private student loans through Firstmark Services, on behalf of 20 "third-party servicing customers," according to the SEC filing. For instance, the private student loan product IDAPP, made on behalf of the Illinois Student Aid Commission, is serviced by Firstmark.

Sallie Mae Corporation – Sallie Mae is the nation's highest-profile student lender. It is closely affiliated with the federal student loan program as a lender and servicer. In addition, it runs a consumer banking business that offers private student loans separate from the government loan products. It also services private student loan products for about 1,000 credit unions. This year, Sallie Mae announced that it will split into two companies, one which will focus on federal student loan servicing, and the other that will grow its banking and private student loan business. It is the largest private student lender, with a 51 percent market share.

Wells Fargo – Wells Fargo is a national bank that is increasing its market share in the private student loan market. In 2012 its portfolio grew by 6 percent. It is the nation's second-largest private student lender behind Sallie Mae.

Notes

1 Sallie Mae was the most complained about lender in every state other than Alaska and Minnesota.

2 United States Department of Labor, Bureau of Labor Statistics, *Earnings and Unemployment Rates by Educational Attainment*, May 2013.

3 Consumer Financial Protection Bureau, *Request for Information Regarding Private Education Loans and Private Educational Lenders*, *Docket ID CFPB -2011-0037*, 18 January 2012.

4 Consumer Financial Protection Bureau, *The CFPB Takes Action Against Mortgage Insurers to End Kickbacks to Lenders* (press release), 4 April 2013.

5 Consumer Financial Protection Bureau, *Analysis of Differences between Consumer- and Creditor-Purchased Credit Scores*, September 2012.

6 In 2012, CFPB announced enforcement actions against three credit card companies: Discover Bank ($200 million in restitution to consumers and $14 million in penalties to the CFPB and FDIC), American Express ($85 million in restitution and $27.5 million in penalties to the CFPB and other agencies) and Capital One ($140 million in restitution and $25 million in penalties). In 2013, as of the time of publication, the CFPB had announced a credit card enforcement action against JPMorgan Chase ($309 million in restitution and $80 million in penalties to the CFPB and the OCC). See Consumer Financial Protection Bureau, *Administrative Adjudication*, accessed at www.consumerfinance.gov/administrativeadjudication/, 7 October 2013.

7 Consumer Financial Protection Bureau, *Private Student Loans: Report to the Senate Committee on Banking, Housing, and Urban Affairs, the Senate Committee on Health, Education, Labor, and Pensions, the House of Representatives Committee on Financial Services, and the House of Representatives Committee on Education and the Workforce*, 29 August 2012.

8 Consumer Financial Protection Bureau, *Mid-year Snapshot of Private Student Loan Complaints*, July 2013.

9 The Project on Student Debt, *Student Loans: Facts and Trends*, July 2011.

10 Holly K. Hacker, "Private Loans for College Often Mask True Cost to Students," *Dallas Morning News*, 27 January January 2008.

11 Jennifer Pae, *Letter to the Federal Trade Commission on behalf of the United States Student Association*, 18 September 2006, accessible online at www.newamerica.net/files/FTC%20Complaint.pdf.

12 The Associated Press, "New York AG Alleges Student Loan Corruption," 3 March 2007.

13 Diane Loonin, National Consumer Law Center, *Piling it On: The Growth of Proprietary School Loans and the Consequences for Students*, January 2011.

14 Student Lending Analytics, "I Called to Find Out about Getting a Student Loan …", *Student Lending Analytics Blog*, 21 September 2009.

15 Consumer Financial Protection Bureau, *About Us*, accessed at www.consumerfinance.gov/the-bureau/, 23 July 2013.

16 The CFPB, as it has done for consumer reporting agencies (credit bureaus) and debt collectors, and is in the process of doing for student loan servicing companies, can also designate by rule the "larger market participants" in other sectors for supervision and examination. Prior to the CFPB's establishment, only banks and credit unions were subject to federal supervision and examination.

17 See note 15.

18 The Institute for College Access and Success, *Risky Private Student Lending on the Rise Again*, 22 December 2011, accessed at www.ticas.org/files/pub/Private_Student_Lending_on_the_Rise.pdf.

19 John Hechinger and Janet Lorin, "Sallie Mae Split Marks Bet on Abused Private Student Loans," *Bloomberg News*, 31 May 2013.

20 FinAid.org, *Private Student Loans*, accessed at www.finaid.org/loans/privatestudentloans.phtml, 2 October 2013.

21 Consumer Financial Protection Bureau, *Report on Private Student Loans*, August 2012.

22 See note 15.

23 Consumer Financial Protection Bureau, *Consumer Response: A Snapshot of Complaints Received*, March 2013.

24 Ibid.; Consumer Financial Protection Bureau, *Submit a Complaint*, accessed at www.consumerfinance.gov/complaint/, 23 July 2013.

25 Consumer Financial Protection Bureau, *New Ways to Combat Harmful Debt Collection Practices*, 10 July 2013.

26 Richard Cordray, Consumer Financial Protection Bureau, *Remarks by Richard Cordray Director of the Consumer Financial Protection Bureau: Press Briefing on Consumer Complaint Database*, 19 June 2012.

27 Through June 30, 2013, the CFPB reports having handled approximately 6,000 complaints from consumers regarding private student loans, of which roughly 21 percent were forwarded to another agency for follow-up, 4 percent were incomplete, and 3 percent were pending. Complaints are also excluded from the database that are duplicative or that name the wrong company. Complaints are added to the database once a company has responded or after the complaint has been held by the company without response for 15 days. As of August 6, 2013, there were 4,311 records in the Consumer Complaint Database related to student loans. Sources: Consumer Financial Protection Bureau, *Consumer Response: A Snapshot of Complaints Received*, July 2013; Consumer Financial Protection Bureau, *Consumer Complaint Database: Technical Documentation*, accessed at www.consumerfinance.gov/complaintdatabase/technical-documentation/, 31 July 2013.

28 As of 6 August 2013.

29 Consumer Financial Protection Bureau, *CFPB Proposes Rule to Oversee Nonbank Student Loan Servicers* (press release), 14 March 2013.

30 See note 7.

31 Category descriptions from Consumer Financial Protection Bureau, *Consumer Complaint Database Breakdown*, March 2013.

32 See note 8.

33 The CFPB changed the way it categorized resolutions in mid-2012 to provide greater detail. Previously, the CFPB had characterized resolutions as "closed with relief" or "closed without relief," with "relief" defined as equivalent to "monetary relief." To account for the frequent practice by companies of offering non-monetary forms of relief, the CFPB changed its categorization to include four categories: "closed with monetary relief," "closed with non-monetary relief," "closed without relief," and "closed." To capture the full history of CFPB activity, complaints listed in the former "closed with relief" category are included in the "closed with monetary relief" category, while those in the former "closed without relief" category are included in the "closed with explanation" category. The "closed with non-monetary relief" category only includes those since June 2012. Complaints categorized as "closed" are described here as "closed with no relief or explanation" for the sake of clarity. See Consumer Financial Protection Bureau, *Semi-Annual Report of the Consumer Financial Protection Bureau: July 1, 2012 – December 31, 2012*, March 2013.

34 As measured by percentage of cases granted monetary relief.

35 Includes only lenders with 10 or more overall complaints.

36 Includes only lenders with 10 or more overall complaints.

37 Includes only lenders with 10 or more overall complaints.

38 A state-by-state breakdown of debt levels is available in the appendix.

39 Does not include the District of Columbia, which is an outlier both in average student debt and in complaints-to-borrowers ratio. Federal Reserve Bank of New York, *Household Debt and Credit Report*, First Quarter 2013.

40 See note 8.

41 There were too few complaints about getting a loan to afford meaningful comparisons among states.

42 Sallie Mae data has been deliberately omitted from this table in order to better take regional variation into account. Sallie Mae was the most-complained-about lender in 48 states. It was second-most-complained about in Minnesota and tied with AES/PHEAA in Alaska.

43 AES/PHEAA is tied with Sallie Mae for the highest number of complaints in Alaska, at three complaints per lender.

44 Wells Fargo has, at 21, more complaints from consumers in Minnesota than any other lender, including Sallie Mae.

45 Consumer Financial Protection Bureau, *CFPB Publishes Private Student Loan Borrower Comments* (press release), 13 June 2012.

46 Federal Reserve Bank of New York, *Household Debt and Credit Report*, First Quarter 2013.

47 National Consumer Law Center, *Borrowers on Hold: 2013 Update*, 14 March 2013.

48 U.S. Securities and Exchange Commission, *Nelnet, Inc. Form 10K*, 31 December 2012.