Policy Matters Ohio

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Student Debt

Student borrowers: prey for predatory loan servicers

Victoria Jackson

Introduction

Higher education prepares students to get good jobs and benefits our communities by helping graduates make positive contributions to civic life and the economy. A college degree is increasingly becoming a requirement to earn a middle-class income. Unfortunately, attaining higher education often means assuming the burden of student debt, which diminishes the degree's benefits not only to the student, but also to the economy. Moreover, borrowers often face unscrupulous and sometimes illegal loan servicing and debt collection practices. The predatory repayment climate takes advantage of students desperate to repay their student debt This report highlights several aspects of student debt and repayment in Ohio:

- Ohioans have higher rates of indebtedness and default than residents of other states
- People of color, women, low-income people and seniors struggle most with debt
- Loan servicers, the entities that manage loans, engage in predatory practices that harm borrowers
- The Consumer Financial Protection Bureau fielded almost 1,500 student loan-related complaints from Ohio
- Over half those complaints were for "dealing with your loan servicer or lender"
- Collectors on contract with the Ohio Attorney General charge exorbitant fees and use problematic collections practices when pursuing public higher education debt

To protect Ohio students and ensure they can make ends meet once done with school, lawmakers should implement strong licensing and regulation on bank and nonbank loan servicers operating in Ohio. Ohio should require all servicers to apply for licenses in the state; create an ombudsman's office to track and analyze servicer operation and to address and resolve borrower complaints; and change laws that allow the attorney general's office to charge unlimited fees for their contracted debt collectors. More proactive monitoring and enforcement will better protect borrowers' rights.

Debt Burden

Over a million Ohioans have student loan debt. Ohioans borrow more and have higher rates of default than residents of most states. An analysis by the Institute for College Access and Success finds that Ohio's 2016 university graduates finished school with an average debt load of $30,351, the 14th highest in the nation. Sixty-four percent of the class of 2016 had debt, the 9th highest in the nation.[1] Ohioans have a total of $57.61 billion in outstanding student loan debt.[2] Ohio's rate of default is 13.6 percent, 2.1 points higher than the national average.[3] Most Ohioans who pursue education beyond high school use debt to finance their schooling. The debt they are left with affects us all.

When too many people have debt, they delay important purchases like houses and cars and generally have less money to spend. This hurts the economy. It can discourage business creation[4] and curtail retirement savings. Using several metrics, WalletHub analyzed all 25-to 34-year-olds with student debt and determined Ohio was the worst state based on level of indebtedness and earning opportunities.[5]

Contributors to debt

Cuts in state support for higher education and insufficient funding for need-based aid have contributed to increased student debt in Ohio. The state is ranked 45th least affordable for college because it takes a very large percentage of household income to afford the net price of college (tuition, fees, room and board minus financial aid). For example, the Institute for Research on Higher Education found on average, the lowest income families ($30,000 or less) would spend 81 percent of their income for one year of the net price of a public university and 38 percent for community college. For families making $48,000 to $75,000, 31 percent and 15 percent of annual income is needed for public university and community college, respectively. Even for families making above $110,000, 12 percent of income is needed for public university and 6 percent for community college.

[1] The Institute for College Access and Success, "State by State Data (The Institute for College Access and Success, September 2017), https://ticas.org/posd/map-state-data#

[2] "50 state snapshot of student debt A nationwide look at complaints about student loans", (Consumer Financial Protection Bureau, October 2017), https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_student-loans_50-state-snapshot_complaints.pdf

[3] U.S. Department of Education, "FY 2014 Cohort Default Rates by State/Territory National Calculated August 5, 2017,", https://www2.ed.gov/offices/OSFAP/defaultmanagement/staterates.pdf.

[4] Ryan Gorman, "How Student Loan Debt Is Dragging down the Economy," Business Insider, accessed October 3, 2017, http://www.businessinsider.com/3-charts-explain-the-effect-of-student-loans-on-the-economy-2015-5.

[5] Richie Bernardo, "2017's States with the Most and Least Student Debt," WalletHub, accessed October 3, 2017, https://wallethub.com/edu/best-and-worst-states-for-student-debt/7520/.

Policy Matters Ohio

Federal Budget Threat

Pell Grants and Subsidized Loans

The Pell Grant is a federal need-based grant that helps the lowest income student afford college. The House budget proposes cutting the Pell Grant by $4.6 billion for 2018.[6] [7] They also propose cutting funding by 78.5 billion over 10 years.[8] This equates to reducing the maximum Pell Grant from $5,920 to $4,860 or cutting the grant for 2 million students or 25 percent of all recipients.[9] Cuts to Pell funding would harm Ohio students and colleges. For the 2015-16 academic year, 221,494 students received Pell Grants at all Ohio colleges for a total of $800.8 million.

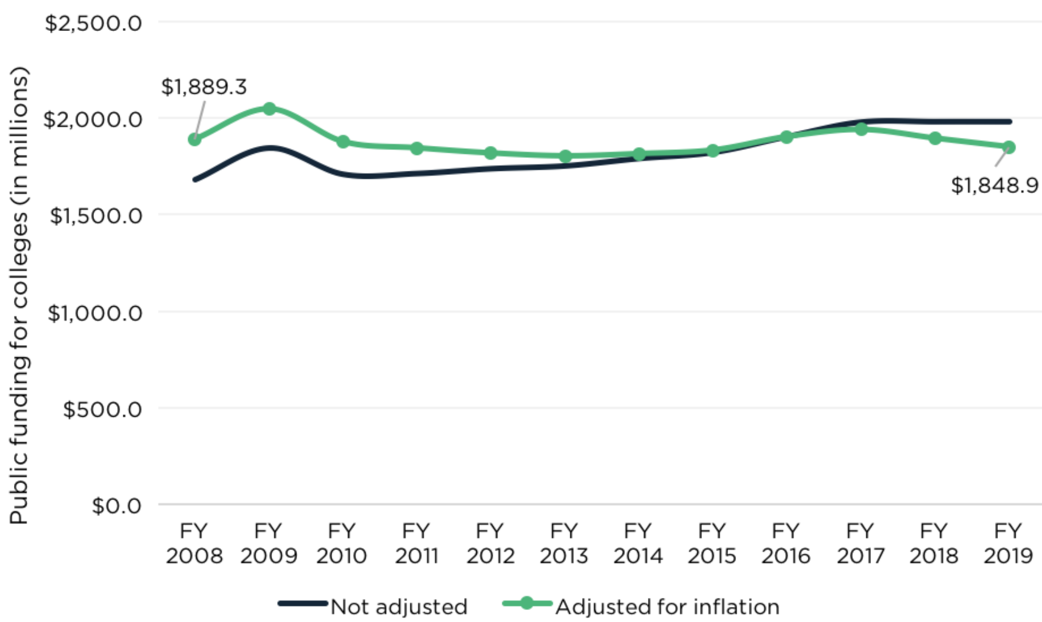
Both the Trump budget proposal and House budget propose eliminating subsidized student loans. These are need-based loans that do not accrue interest while a student is in school, for six months after they leave school, during active-duty military service, and for up to three years of unemployment or other economic hardship.[10] [11] They make debt more manageable by saving students thousands of dollars in interest. Eliminating these loans would increase debt owed. During the 2015-16 academic year, 242,240 students at Ohio colleges used these loans, which totaled $907.7 million.[12]

The keys to making college affordable are state investment in the public higher education system and large, targeted investments to make college more affordable for low-income students. Ohio lacks both. After the recession, Ohio policymakers cut funding for colleges. Since then, funding edged up, but not enough to meet needs. Adjusted for inflation, funding for 2019 will be less than in 2008 (see Figure 1).[13] Since the recession, the state spends $1,073 less per student adjusted for inflation.[14] When states underfund higher education, colleges pass the cost on to students.

[6] "FY 2017 Omnibus Summary – Labor, Health and Human Services, and Education Appropriations" (House Appropriations Committee, May 1, 2017), http://bit.ly/2qlyx0V
[7] "Making Appropriations for Departments of Labor, Health and Human Services, and Education, and Related Agencies for the Fiscal Year Ending September 30, 2018, and for Other Purposes." (House Appropriations Committee, July 2017), http://bit.ly/2xKby48.
[8] "Concurrent Resolution on the Budget — Fiscal Year 2018" (House Budget Committee, July 21, 2017), http://bit.ly/2ieazIL
[9] Spiros Protopsaltis and Sharon Parrott, "Pell Grants — a Key Tool for Expanding College Access and Economic Opportunity — Need Strengthening, Not Cuts," July 27, 2017, http://bit.ly/2kT1nV6
[10] "Concurrent Resolution on the Budget — Fiscal Year 2018"
[11] "Budget of the U.S. Government A New Foundation for American Greatness Fiscal Year 2018" (Office of Management and Budget, May 2017), https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/budget.pdf
[12] U.S. Department of Education, "Title IV Program Volume Reports 2015-2016 Award Year Direct Loan Volume by School," Federal Student Aid, July 30, 2017, https://studentaid.ed.gov/about/data-center/student/title-iv
[13] Ohio Legislative Service Commission, "Table 2: State-Source GRF, LGF, PLF, LPEF Expenditures,* FY 1975 - FY 2019," https://www.lsc.ohio.gov/documents/reference/current/historicalexpendrevenue/table2.pdf.
[14] Mitchell, Leachman, and Masterson, August 22, 2017.

Figure 1

Public funding for colleges since 2008 adjusted for inflation



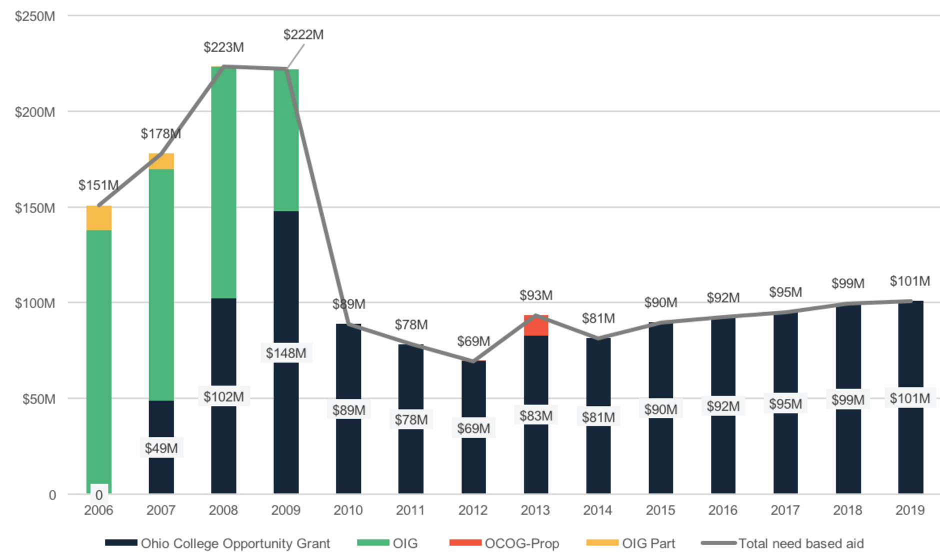
Source: Policy Matters Ohio based on Legislative Service Commission Table 2 - State - Source GRF, LPEF, and LGF Expenditure History

Ohio's measly funding for the state's only need-based grant, the Ohio College Opportunity Grant (OCOG), contributes to the high cost of college. In 2013-14, Ohio ranked last in the Midwest for availability of need-based aid.[15] OCOG funding is down $123 million from its peak of $223 million in 2008, not adjusted for inflation (see figure 2). OCOG helps the lowest-income Ohioans afford college, but the state has barred community college students, who are often low income, from OCOG, making them more reliant on loans.[16]

[15] "Investing in Ohio's Future. Now. A Postsecondary Education Access and Affordability Agenda for Ohio" (Philanthropy Ohio), https://www.philanthropyohio.org/sites/default/files/College%20Afordability_2.1lr_FINAL.pdf.
[16] Hannah Halbert and Ester Khaykin, "Post 2018-2019 Budget Bite: Affordable College" (Policy Matters Ohio, October 10, 2017), http://www.policymattersohio.org/research-policy/quality-ohio/revenue-budget/post-2018-2019-budget-bite-affordable-college.

Figure 2

State support for need-based financial aid by year.



Source: Policy Matters Ohio based on 2018-19 state budget, as enacted. FY 2017 actual OCOG spending. 2006-2016 are spending actuals reported in Catalogue of Budget Line Items. OIG actuals higher than appropriated because of phase-out spending. OIG-Part was need-based aid for part-time students in degree-seeking programs. OCOG-Prop is casino licensing fee revenue used on need-based aid for proprietary schools. Only included as a separate funding line in 2012-13 biennium budget, this added $10.6 million to total need-based aid funding that year. All unadjusted dollars. Considering inflation would make this worse. Excludes additional need-based aid support from federal sources.

For-profit colleges drive Ohio's debt and default problem. A Policy Matters report found these institutions have worse academic and career outcomes than public or non-profit colleges, but often cost more than public colleges and have a greater debt burden than public and private colleges.[17] A disproportionate number of defaults are from for-profit colleges,[18] which often target low-income people and veterans so they can profit from the financial aid these students use for education.

Borrower Distress

Borrower distress for student loans has increased and is higher than for other debt. Since the Great Recession, delinquency and default for mortgage, auto and credit card debt have dropped, but student loan rates remain high. The Federal Reserve Bank of New York found in 2015 that student loan debt had the highest 'greater than 90-days delinquency rate' at 11.6 percent — significantly higher than mortgages, home equity lines of credit, auto loans, and credit cards. Student loan delinquency rates are also understated because of high use of forbearance and deferment (postponing payment while interest still accrues), which obscures the distress of borrowers who would be delinquent without those options.[19] These levels of distress occur despite income-based repayment plans available for the vast majority of student loans. High rates of default and underuse of income-based repayment plans indicate that loan servicers are not working in the best interest of borrowers.

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[17] Hannah Halbert, "Risky Business: For-Profit Education in Ohio" (Policy Matters Ohio, May 25, 2017), http://www.policymattersohio.org/research-policy/quality-ohio/education-training/risky-business-for-profit-education-in-ohio.
[18] Adam Looney and Constantine Yannelis, "A Crisis in Student Loans? "How Changes in the Characteristics of Borrowers and in the Institutions They Attended Contributed to Rising Loan Defaults" (Brookings Institute, September 2015), https://www.brookings.edu/wp-content/uploads/2016/07/PDFLooneyTextFallBPEA.pdf.
[19] Federal Reserve Bank of New York, "Household Debt Grows Modestly," February 12, 2016, http://nyfed.org/2x0Hvkh.

Ohioans especially struggle to pay back their loans. The Ohio job market makes it difficult to repay.[20] Of Ohioans with student debt in 2014, an estimated 42.2 percent were "distressed," meaning they couldn't fully repay due to financial difficulties or problematic loan terms. In 2014, nearly 27 percent of borrowers were in serious delinquency, late on payments, and 15.7 percent were in default, delinquent for longer than 270 days for federal loans.[21]

Race, gender, class, age and debt

Race and debt

Structural racism in higher education, employment, lending, and wealth means people of color face even more struggles with student debt.[22] Borrowers of color have higher rates of distress (57.2 percent), delinquency (36.6 percent) and default (20.6 percent) than white borrowers (38.1 percent, 23.7 percent, and 14.4 percent, respectively).[23] [24] [25]

Because policies and lending practices kept African-American families from building up wealth, black students are more likely than other racial groups to borrow and to borrow more for their education.[26] On average, black college graduates borrow $23,400 versus $16,000 for white graduates (non-borrowers are included in those numbers). Disparities in income alone do not explain the gap because low- and moderate-income black students borrow nearly $8,000 more on average for education than similar income white students and these disparities persist at higher incomes levels too.[27] These disparities widen after graduation.[28] A black family headed by a person with a bachelor's degree still has 33 percent less wealth on average than a white family headed by someone without a high school diploma.[29]

Middle-class Latino and black borrowers struggle to repay their debt. A report from the Washington Center for Equitable Growth found zip codes with higher proportions of black and Latino families have the highest delinquency rates. Borrowers of color struggles the most with delinquency, because of higher unemployment rates and lower wealth.[30] White households in the middle of the income distribution ($37,201-61,328) have ten times the wealth ($86,100) of Latino middle-income families ($8,600) and eight times the wealth of Black middle-income households ($11,000).[31] Given the vast racial inequities and

[20] Amy Hanauer, "State of Working Ohio 2017" (Policy Matters Ohio, September 3, 2017).
[21] Demos. "Student Debt Stats by State of Residence, December 2014"
[22] Marshall Steinbaum and Kavya Vaghul, "How the Student Debt Crisis Affects African Americans and Latinos" (Washington Center for Equitable Growth, February 17, 2016),http://bit.ly/2xgz2u0.
[23] Demos. "Student Debt Stats by State of Residence, December 2014"
[24] Anthony P. Carnevale and Jeff Strohl, "Separate & Unequal How Higher Education Reinforces the Intergeneration Reproduction of White Racial Privilege," July 31, 2013, https://cew-7632.kxcdn.com/wp-content/uploads/SeparateUnequal.FR_.pdf.
[25] Devah Pager and Hana Shepherd, "The Sociology of Discrimination: Racial Discrimination in Employment, Housing, Credit, and Consumer Markets," Annual Review of Sociology 34 (2008): 181–209.
[26] Breno Braga, "Racial and Ethnic Differences in Family Student Loan Debt," Urban Institute, July 26, 2016, https://www.urban.org/research/publication/racial-and-ethnic-differences-family-student-loan-debt.
[27] Michal Grinstein-Weiss et al., "Racial Disparities in Education Debt Burden among Low- and Moderate-Income Households" (Brookings Institute, April 29, 2016), http://brook.gs/2ytsgUy
[28] Judith Scott-Clayton and Jing Li, "Black-White Disparity in Student Loan Debt More than Triples after Graduation" (Brookings Institute, October 20, 2016), http://brook.gs/2exo7D9.
[29] Darrick Hamilton et al., "Umbrellas Don't Make It Rain: Why Studying and Working Hard Isn't Enough for Black Americans" (The New School, Duke Center for Social Equity, Insight for Community Economic Development, April 2015), http://bit.ly/2yvOuG9.
[30] Marshall Steinbaum and Kavya Vaghul, "How the Student Debt Crisis Affects African Americans and Latinos" (Washington Center for Equitable Growth, February 17, 2016), http://bit.ly/2xgz2u0.
[31] Dedrick Asante-Muhammad et al., "The Road to Zero Wealth How the Racial Wealth Divide Is Hollowing Out America's Middle Class" (Prosperity Now and Institute for Policy Studies, September 2017), http://www.ips-dc.org/report-the-road-to-zero-wealth/.

discriminatory practices, it is so surprise Latino and Black borrowers struggle more to repay their student loans.

Gender and debt

Women comprise 56 percent of college students but owe nearly 66 percent of the $1.3 trillion nationwide student debt.[32] Women borrow more to get their degree and because of the gender pay gap cannot as easily repay it.[33] Even controlling for education, women make less than men across all racial groups.[34] As women and men move through repayment, the debt disparities increase. Women have higher default rates and more trouble covering other expenses while repaying loans. More than a third of all women, 57 percent of black women and 42 percent of Latina women reported struggling to afford essentials like rent or mortgage.[35]

Class and debt

For low-income students, who often struggle with everyday needs before and during school, college is an additional financial burden that many strain to afford. Low-income students need to rely on loans and after they leave school, have greater difficulty paying off debt. Recipients of Pell Grants, a federal grant for low-income students, are twice as likely to use loans for college than non-recipients and they borrow nearly $5,000 more.[36]

Borrowers with modest incomes after graduating are more likely to default. People making less than $25,000 have the highest default rate at 18.7 percent. Nationally, 51 percent of borrowers in default have less than $10,000 in loans. Those borrowers often did not complete degrees and thus have lower earnings. Low-income students are more likely to not complete their degree. Large loan balances are associated with higher incomes and advanced degree attainment.[37] Student debt delinquency is particularly high in the southeastern Appalachian counties. Other rural and urban counties also have high rates.[38]

Seniors and debt

As more borrowers carry debt into their older years and more parents and grandparents help finance their children's education, people 60 and over have become the fastest growing group of student loan borrowers.[39] From 2005 to 2015, the number of seniors with student debt quadrupled to 2.8 million with $66.7 billion in outstanding debt. For this group, 73 percent of borrowers report their loans are for a child's or grandchild's education and 27 percent say it is for themselves or their spouse. The amount owed per borrower increased to $23,500 from $12,100 over that decade. This group represents 6.4 percent of all borrowers.

Because many have stopped working, seniors face significant hardship paying loans. Nearly 40 percent of people over age 65 with federal student loans are in default — higher than any other age group. Growing numbers of seniors have their Social Security benefits garnished to pay for federal student loans, even though for 69 percent of beneficiaries over 65, Social

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[32] "Women's Student Debt Crisis in the United States," AAUW: Empowering Women Since 1881, accessed October 3, 2017, http://www.aauw.org/research/deeper-in-debt/.
[33] Jessica Schieder and Elise Gould, "'Women's Work' and the Gender Pay Gap: How Discrimination, Societal Norms, and Other Forces Affect Women's Occupational Choices—and Their Pay," July 20, 2016, http://bit.ly/2a2ym1Q.
[34] Eileen Patten, "Racial, Gender Wage Gaps Persist in U.S. despite Some Progress," Pew Research Center, July 1, 2016, http://www.pewresearch.org/fact-tank/2016/07/01/racial-gender-wage-gaps-persist-in-u-s-despite-some-progress/
[35] "Women's Student Debt Crisis in the United States," AAUW: Empowering Women Since 1881, accessed October 3, 2017, http://www.aauw.org/research/deeper-in-debt/.
[36] The Institute for College Access and Success, "Pell Grants Help Keep College Affordable for Millions of Americans," June 30, 2017, https://ticas.org/sites/default/files/pub_files/overall_pell_one-pager.pdf.
[37] Susan Dynarski, "Why Students with Smallest Debts Have the Larger Problem," The New York Times, August 31, 2015, sec. The Upshot, https://www.nytimes.com/2015/09/01/upshot/why-students-with-smallest-debts-need-the-greatest-help.html.
[38] Marshall Steinbaum and Kavya Vaghul, "Mapping Student Debt: A New Liability on the Nation's Balance Sheet," accessed October 5, 2017, http://www.mappingstudentdebt.org.
[39] Consumer Financial Protection Bureau, "Snapshot of Older Consumers and Student Loan Debt" (Consumer Financial Protection Bureau, January 5, 2017), http://bit.ly/2iNKljp.

Policy Matters Ohio

Security is their only income. Thirty-nine percent of seniors with student debt skip necessary health care needs compared to 25 percent of seniors without student debt. Seniors with student debt are struggling to meet their everyday needs.

Borrowers have rights

Borrowers have rights. They are outlined in federal and state consumer financial laws, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), and the Higher Education Act. In 2015, President Obama signed the "Student Aid Bill of Rights" directing federal agencies to make it easier for borrowers to pay back loans and protect them from abusive practices.[40] The Student Aid Bill of Rights has four tenets (see below). The bill of rights recognized how critical the repayment climate is to the affordability of loans.

Student Aid Bill of Rights

I. **Every student deserves access to a quality, affordable education at a college that's cutting costs and increasing learning;**

II. **Every student should be able to access the resources needed to pay for college;**

III. **Every borrower has the right to an affordable repayment plan; and**

IV. **Every borrower has the right to quality customer service, reliable information, and fair treatment, even if they struggle to repay their loans.**

The Student Aid Bill of Rights emphasizes expanding the most generous income-based repayment plans that cap monthly payments at 10 percent to all borrowers.

Borrowers have a right to affordable monthly payments

People with federal and private student loans can lower their monthly payments if they experience financial hardship. For people with private loans, several larger banks offer options for alternative repayment. By law, the vast majority of borrowers with federal student loans have the right to income-driven repayment plans. The U.S. Department of Education (DOE) offers several income-driven repayment plans for people with federal loans. Eligibility is based on income and family size. These plans cap monthly payments at 10 to 20 percent of discretionary income (gross income minus 150 percent of the poverty line). These plans increase the number of years for repayment to 20 or 25 years, more than the standard 10-year plan. After 20 or 25 years of payments, borrowers can have loans forgiven. Most new borrowers are eligible for the most generous plan that caps monthly payments at 10 percent of discretionary income and forgives balances after 20 years. The majority of participants in income-based repayment (70 percent) and Pay As You Earn (83 percent) had adjusted gross incomes less than $20,000.[41] These programs are especially critical for people who struggle financially. Loan payments can be as low as $0 per month.[42]

[40] The White House President Barack Obama, "FACT SHEET: A Student Aid Bill of Rights: Taking Action to Ensure Strong Consumer Protections for Student Loan Borrowers," Whitehouse.gov, March 10, 2015, http://bit.ly/2igenml
[41] U.S. Government Accountability Office, "FEDERAL STUDENT LOANS Education Could Do More to Help Ensure Borrowers Are Aware of Repayment and Forgiveness Options" (US GAO, August 2015), https://www.gao.gov/assets/680/672136.pdf.
[42] U.S. Department of Education, "Income-Driven Plans," Federal Student Aid, June 30, 2017, http://bit.ly/1Hb7B4J.

Data from the U.S. Department of Education shows that people in income-driven repayment have lower delinquency than people in the standard 10-year plans. Pay As You Earn participants have the lowest delinquency – 2.3 percent – compared to 25.1 percent for people in standard 10-year repayment.[43] Unfortunately, many eligible people do not participate, according to the U.S. Government Accountability Office. The Department of Treasury estimates as of September 2012, only 19 of the 51 percent of borrowers with Direct Loans who qualified for income-driven repayment plans participated, primarily because the DOE had not notified them of their eligibility. DOE has been working to reach more people in these plans and enrollment has increased significantly.[44]

Public Service Loan Forgiveness

Borrowers with qualifying federal Direct Loans or Direct Consolidation loans who work in public service have a right to public service loan forgiveness, an option that allows borrowers in qualifying full-time public service jobs to have the balance of their loans forgiven after 10 years of on time payments. The standard repayment plan is 10 years. Public service loan forgiveness in concert with income-driven repayment allows public service workers with lower wages to have manageable payments without extending repayment beyond 10 years. An estimated $4 million Direct Loan borrowers work in public service. Many public service careers require higher education like teachers, clinical social workers, public interest lawyers, nurses and first responders. They often pay less than private sector jobs requiring the same level of education. Nearly two-thirds of people certified in Public Service Loan Forgiveness make under $50,000 a year.[45] Because of the lower salaries, debt is less manageable for people in these careers. PSLF allow people in careers that serve our communities to not be overburdened by student debt.

Federal Budget Threats

Public service loan forgiveness

The House budget resolution and Trump budget propose eliminating the Public Service Loan Forgiveness Program for borrowers who take out their first loan after July 2018.[46] Ending this program would make it harder for Ohioans in public service careers to repay their student loans.

Very few borrowers eligible for Public Service Loan Forgiveness take advantage of it. As of September 2014, nearly 147,000 borrowers were certified in PSLF; however, the U.S. Government Accountability Office (GAO) estimates that close to 650,000 borrowers should be eligible. The report attributes low uptake to loan servicer practices that impede successful entry: poor communication about the program and eligibility, mishandling or untimely processing of certification documents, and misleading information about eligibility.[47] Our

[43] Consumer Financial Protection Bureau, "Student Loan Servicing" (Consumer Financial Protection Bureau, September 2015), http://files.consumerfinance.gov/f/201509_cfpb_student-loan-servicing-report.pdf.
[44] U.S. Government Accountability Office, "Federal Student Loans Education Could Improve Direct Loan Program Customer Service and Oversight" (United States Government Accountability Office, May 2016), https://www.gao.gov/assets/680/677159.pdf.
[45] "Staying on Track While Giving Back: The Cost of Student Loan Servicing Breakdowns for People Serving Their Communities" (Consumer Financial Protection Bureau, June 22, 2017), http://bit.ly/2wZShax.
[46] "Budget of the U.S. Government A New Foundation for American Greatness Fiscal Year 2018" (Office of Management and Budget, May 2017), https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/budget.pdf
[47] U.S. Government Accountability Office, "FEDERAL STUDENT LOANS Education Could Do More to Help Ensure Borrowers Are Aware of Repayment and Forgiveness Options" (US GAO, August 2015), https://www.gao.gov/assets/680/672136.pdf.

communities benefit from having highly skilled public service workers. PSLF allows dedicated, skilled people to afford careers in public service.

Predatory loan servicing practices

Loans servicers collect payments on a loan, advise borrowers on resources and benefits to better manage their federal student loan obligations, respond to inquiries, and perform other related tasks on behalf of the U.S. Department of Education.[48] For non-federal loans, banks and other companies manage loans for borrowers.

Federal student loans, administered by DOE, account for 90 percent of all loans issued. The department also contracts with and monitors performance of student loan servicers that handle billing and other services.[49] There are three categories of federally contracted servicers: Title IV Additional Servicers (TIVAS), not-for-profit Direct Loan servicers, and ACS Education Solutions.[50] Each category has its own contract detailing metrics to measure performance, payment and a method for allocating new loans.[51] DOE outlines how servicers conduct business, but provides them with broad latitude. Loan servicers are paid a monthly rate for each account they service based on the status of the account.

Loan servicing contracts can dis-incentivize practices that help borrowers
Performance-based contracts are intended to improve customer service and reduce delinquency and default.[52] Servicers compete to be awarded additional loans. The allocation is based on their performance metrics score. Certain types of loans are assigned to specific servicers: new consolidation loans to TIVAS servicers and Public Service loan forgiveness loans to FedLoan Servicing.[53] GAO reports have found that servicers do not reliably tell borrowers about new consolidation loans and public service forgiveness because these loans are only serviced by certain servicers they are dis-incentivized from telling borrowers about these options because they are not compensated for the loss of an account transferred to another servicer. An analysis by two loan servicers found the payment structure for delinquent borrowers incentivizes focusing on chronically late payers instead of truly distressed borrowers nearing default.[54] Table 1 provides an overview of the payment structure for servicers. Servicers have also been found to steer borrowers to forbearance instead of income-driven repayment plans because debt can balloon under forbearance lengthening the repayment period. Under income-driven repayment there can be interest subsidies and forgiveness after 20 or 25 years of making payment. Forbearance does not have those benefits.

[48] U.S. Department of Education, "Loan Servicing Contracts," Federal Student Aid, July 30, 2017, http://bit.ly/2hKxNw2.
[49] U.S. Government Accountability Office, "Federal Student Loans Education Could Improve Direct Loan Program Customer Service and Oversight" (United States Government Accountability Office, May 2016), https://www.gao.gov/assets/680/677159.pdf.
[50] The TIVAS servicers are Great Lakes Educational Loan Services, Navient, (Sallie Mae), Nelnet, and Pennsylvania Higher Education Assistance Agency (includes American Education Services and FedLoan Servicing). The not-for-profit servicers are CornerStone, Granite State-GSMR, HESC/EdFinancial Services and OSLA servicing. ACS Education solutions services campus based loans, private education loans, and Federal Family Education Loan Program loans. As of 2010, the FFEL program was ended and all loans are now originated by the federal government
[51] U.S. Department of Education, "Loan Servicing Contracts," Federal Student Aid, July 30, 2017, http://bit.ly/2hKxNw2.
[52] U.S. Government Accountability Office, "Federal Student Loans Education Could Improve Direct Loan Program Customer Service and Oversight" (United States Government Accountability Office, May 2016), https://www.gao.gov/assets/680/677159.pdf.
[53] "Public Service Loan Forgiveness Questions and Answers," Federal Student Aid, August 2, 2017, http://bit.ly/2ysNTV8.
[54] U.S. Government Accountability Office, "Federal Student Loans Education Could Improve Direct Loan Program Customer Service and Oversight" (United States Government Accountability Office, May 2016), https://www.gao.gov/assets/680/677159.pdf.

Table 1	
Monthly payment amount to servicer loans per borrower	
Borrower status	**Rate per borrower**
In School	$1.05
In Grace Period	$1.68
In Repayment	$2.85
Service Member	$2.85
Deferment	$1.68
Forbearance	$1.05
Delinquent 6-30 Days	$2.11
Delinquent 31-90 Days	$1.46
Delinquent 91-150 Days	$1.35
Delinquent 151-270 Days	$1.23
Delinquent 271-360 Days	$0.45
Delinquent 361 or More Days	$0.45

Source: U.S Government Accountability Office FEDERAL STUDENT LOANS Education Could Improve Direct Loan Program Customer Service and Oversight

Predatory loan servicing practices

Loan servicers are supposed to help borrowers pay their loans though the most affordable plans and avoid delinquency and default. Servicers are often different than the lender. For example, federal student loans originated by the U.S. DOE can be serviced by at least seven different organizations. Borrowers do not choose their loan servicers. A 2014 report from the Consumer Financial Protection Bureau (CFPB) found systemic illegal practices in the student loan servicing industry. Since this report, several federal agencies have improved servicing but widespread problems remain. The current U.S. Department of Education Secretary Betsy DeVos is rolling back many of these protections.

The Obama administration implemented safeguards in response to systemic wrongdoing by loan servicers administering repayment services. The policies required servicers to properly process payments, provide borrowers with accurate and timely information, help borrowers enter income-driven repayment plans and help them avoid default. In April 2017, the U.S. DOE began dismantling protections for student loan borrowers, making it harder for people to repay.[55]

The CFPB was created after the financial crisis to protect consumers from unfair, deceptive, or abusive practices and to take action against companies that break the law. The CFPB has been steadfast in its support for student borrowers by helping them resolve complaints with loan servicers, suing poor performing loan servicers, and shutting down student debt relief scams. The CFPB also analyzed complaints and other data to identity systemic abuses in student loan servicing and debt collection.

[55] Danielle Douglas-Gabriel, "DeVos Dials Back Consumer Protections for Student Loan Borrowers - The Washington Post," The Washington Post, April 11, 2017, http://wapo.st/2zeRTWg.

The CFPB has the authority to supervise federal and private student loan serving activities of large banks and nonbanks for compliance with federal consumer law. The CFPB examined the practices of student loan services to determine compliance with the Dodd-Frank Act. The fall 2014 *Supervisory Highlights* from the CFPB found six industry-wide illegal practices.[56]

Predatory Loan Servicing Practices

Six most common industry-wide illegal loans servicing practices

1. **Allocating partial payments to maximize late fees.**[57] Monthly loan payments are often the sum of minimum payment of multiple loans. Some servicers allocated partial payments to ensure the minimum payment was not met on any loan so as to trigger late fees on more loans than necessary.

2. **Misrepresentations about required minimum payments on billing statements.** Inflating the minimum payment due or including interest charges on deferred debt in the minimum payment due for loans not in deferment.

3. **Charging improper late fees.** One or more servicer charged late fees on payments received during the grace period and not subject to a late fee.

4. **Failure to provide accurate tax information.** Consumers can deduct up to $2,500 in interest paid on student loans from federal taxable income. At least one servicer did not provide borrowers with appropriate tax forms or tell consumers they made no deductible interest payments. Those borrowers could not use the student loan interest deduction on their taxes up to $2,500.

5. **Misrepresentations about discharging student loans in bankruptcy.** Servicers under supervision told consumers that student loans are never dischargeable in bankruptcy. Bankruptcy is an option for people with student debt if they affirmatively assert and prove “undue hardship” in a court.

6. **Making illegal debt collection calls at inconvenient times.** One servicer made automated calls to delinquent borrowers in the early morning and late at night.

Source: Policy Matters Ohio based on CFPB Fall 2014 Supervisory Highlights

These illegal practices harm people with student debt by increasing debt owed, barring people from their right to tax advantages, and deterring very financially distressed borrowers from pursuing bankruptcy. These predatory practices jeopardize the financial and personal well-being of student borrowers.

Additional issues

The CFPB tracks complaints for special groups like seniors. Analysis of complaints for older borrowers indicates problems with income-driven repayment plans for seniors on fixed incomes and with improper processing of paperwork and payments that leads to garnishment of Social Security benefits.[58]

[56] “Supervisory Highlights Fall 2014” (Consumer Financial Protection Bureau), accessed October 10, 2017, http://bit.ly/1wDGIze.
[57] ibid.
[58] Consumer Financial Protection Bureau, “Snapshot of Older Consumers and Student Loan Debt” (Consumer Financial Protection Bureau, January 5, 2017), http://bit.ly/2iNKIjp.

One CFPB analysis identified inconsistent and inadequate servicer call center hours as a hindrance. One call center is open 24 hours a day, seven days a week but others only answer during business hours. Borrowers who have a servicer with limited hours report greater difficulty paying back loans and addressing problems.[59]

Consumer Financial Protection Bureau sued Navient

In January 2017, CFPB sued Navient, the nation's largest service of federal and private student loans, for failing borrowers at every stage of repayment. Navient, formerly part of Sallie Mae, has subsidiaries Navient Solutions servicing loans and Pioneer Credit Recovery doing debt collection. Navient denied borrowers repayment rights[60] and is accused of several illegal practices that make it more difficult and costly to repay loans:

Navient's Predatory Practices
Navient's illegal loan servicing practices
1. **Failing to correctly apply payments.** Navient does not follow instructions from borrowers for how payments should be applied.
2. **Steering struggling borrowers toward paying more than necessary.** Borrowers with financial hardship have a right under federal law to apply for an affordable repayment plan. Navient deliberately steers borrowers into forbearance, which increases repayment term and adds additional interest. From January 2010 to March 2015, the company added up to $4 billion in interest charges to the principal balances of borrowers enrolled in multiple, consecutive forbearances.
3. **Obscured information needed to maintain lower payments.** Borrowers enrolled in income-driven repayment plans must recertify their income and family size every year. Navient's communications with borrowers provided incomplete information about deadlines and renewal. Failure to recertify on time can result in lost protections including interest subsides and progress towards loan forgiveness.
4. **Deceived private student borrowers about requirements to release their co-signer from the loan.** To release a cosigner, a borrower must make a certain number of consecutive, on-time payments. Navient denied cosigner releases to borrowers who prepaid and were authorized to skip upcoming payments.
5. **Harmed the credit of disabled borrowers, including severely injured veterans.** Permanently disabled borrowers and veterans whose disability is tied to military service have a right to Total and Permanent Disability discharge. Navient reported to credit agencies that borrowers who used this option defaulted on their loans instead of having them discharged, which could harm their credit.
Source: Policy Matters Ohio based on CFPB Sues Nation's Largest Student Loan Company Navient for Failing Borrowers at Every Stage of Repayment

Ohio Borrower complaints against loan servicers

The CFPB has received tens of thousands of complaints from student borrowers through their Consumer Complaints Database. They find widespread abuses. A CFPB analysis of complaints

[59] U.S. GAO, "Federal Student Loans Education Could Improve Direct Loan Program Customer Service and Oversight" (US GAO, May 2016), https://www.gao.gov/assets/680/677159.pdf

[60] "CFPB Sues Nation's Largest Student Loan Company Navient for Failing Borrowers at Every Stage of Repayment," CFPB, accessed October 10, 2017, http://bit.ly/2lsrtga.

from March 2016 to February 2017 found issues including problems with payment processing, billing, customer service, borrower communications, income driven repayment plan enrollment, public service loan forgiveness enrollment, and co-signer release. The complaints were against more than 320 companies, including loan servicers, debt collectors, private student lenders and companies marketing debt relief. Nationally, the individual companies with the most complaints for federal student loans were Navient, AES/PHEAA, Nelnet, Great Lakes and ACS Education Solutions.[61]

Ohio CFPB Complaints
Similar outcomes can be found in Ohio where the CFPB received 1,458 complaints between March 5, 2012 and Jul 15, 2017.[62] Ohio's student debt complaints were analyzed to find top companies for complaints and the most common complaints. Table 3 lists the number of complaints by the top eight companies. The category "Banks" in Table 2 includes several national banks that lend and service student loans.[63]

Table 2

CFPB Student Loan Complaints, top eight companies

Company	Number of complaints	Dates
Navient (Sallie Mae)	738	3/5/12 - 7/5/17
Banks	202	3/5/2012 - 6/13/17
AES/PHEAA	172	3/6/12 - 6/29/17
SLM Corporation (Sallie Mae)	57	6/11/13 – 6/24/17
ACS Education Solutions	28	3/15/12 - 4/6/17
Great Lakes	27	12/3/13 - 6/23/17
Nelnet	25	10/21/15 - 3/6/17

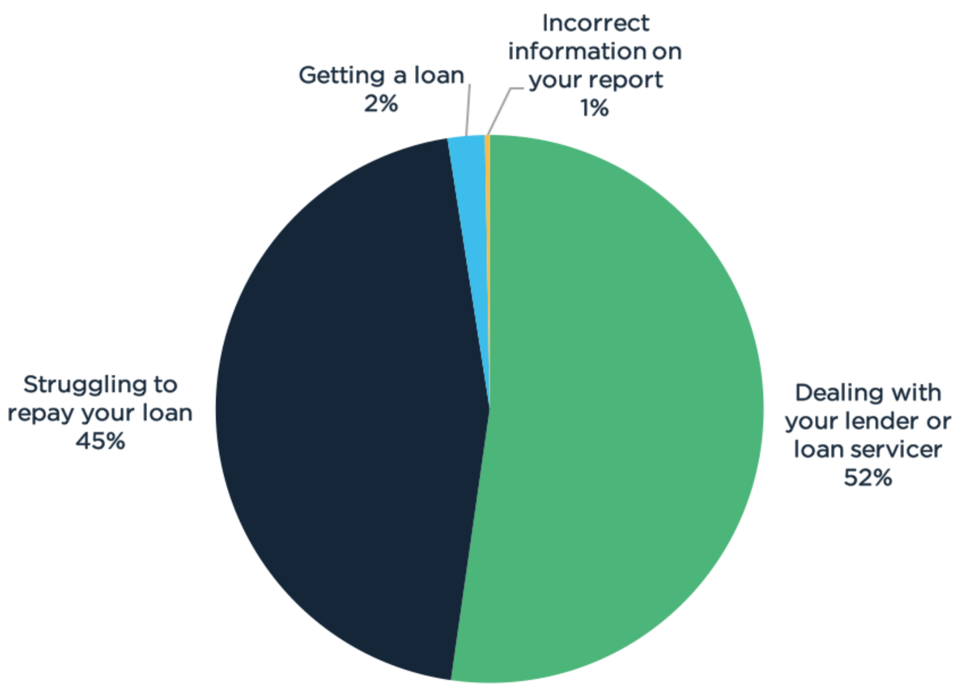
Source: Policy Matters Ohio based CFPB Consumer Complaints Database

The Complaints Database allows respondents to select their problem from a group of issues. The majority of the 1,458 complaints were for dealing with a lender or loan servicer (52 percent). Figure 3 shows the main complaints for student loans.[64]

[61] These complaints are only reflective of the people who submitted complaints and not the entirety of people with student loans
[62] Consumer Financial Protection Bureau, "Consumer Complaints Database," Consumer Financial Protection Bureau, accessed October 10, 2017, https://data.consumerfinance.gov/dataset/Consumer-Complaints/s6ew-h6mp.
[63] Bank of America, National Association, Citibank, N.A., Discover Bank, JPMorgan Chase & Co., KeyCorp, PNC Bank N.A., Suntrust Bank, INC., U.S. Bancorp, Wells Fargo & Company, HSBC North America Holdings INC.
[64] Issues are based on issues indicated by respondent. Similar categories of issues have been grouped for the purpose of the analysis

Figure 3

CFPB Ohio student loan complaints by issue



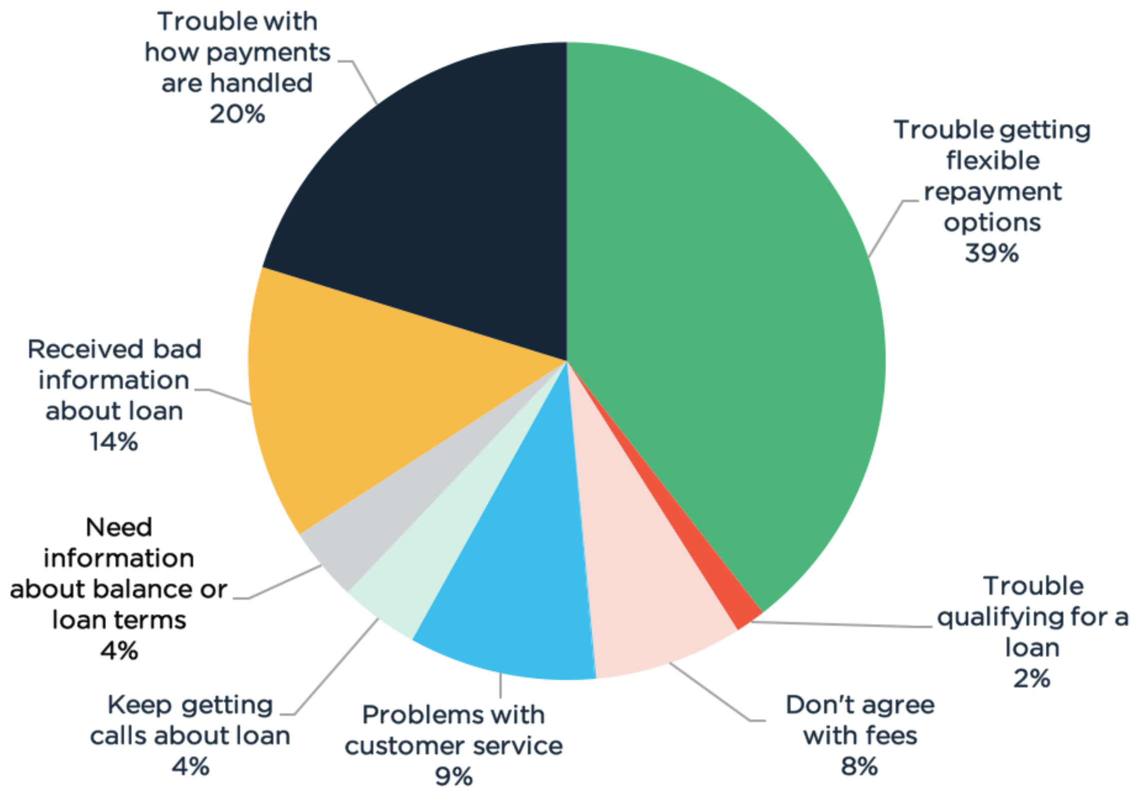
Source: Policy Matters Ohio based on CFPB Consumer Complaints Database. Product student loans complaint issues.

Respondents are also asked to select a sub-issue from a pre-selected list. These complaints align with findings from CFPB and other government agency reports on loan servicing. Figure 4 below provides a more detailed view of complaint sub-issues for Ohio.

Policy Matters Ohio

Figure 4

CFPB student loan sub-issue complaints for Ohio



Source: Policy Matters based on CFPB Consumer Complaints Database. Product student loans complaint sub issues.

With the state's high rates of debt and distress, Ohioans with student debt are especially harmed by illegal loan servicing practices. Borrowers rely on loan servicers for all communication about loans, payments, and information and assistance on affordable repayment options. When servicers abuse their authority and take advantage of borrowers, financial harm is done.

In September 2017, the Department of Education ended its partnership with the CFPB to oversee student loan servicing complaints. Two Memoranda of Understanding detailing how the agencies would share information to assist borrowers with complaints about student loan servicing will be terminated by October 2017.[65] The CFPB has been a steadfast advocate for borrowers dealing with predatory loan servicing. Curtailing its ability to access information will harm borrowers and let servicers off the hook. The Trump administration is making it easier for loan servicers to deny the rights of borrowers and harder for borrowers to pay back their debt.

[65] Andrew Kreighbaum, "Education Dept. Rebukes CFPB for Overreach, Kills Information-Sharing Agreement," September 5, 2017, https://www.insidehighered.com/news/2017/09/05/education-dept-rebukes-cfpb-overreach-kills-information-sharing-agreement.

Debt Collection

Borrowers who face financial hardship may become delinquent or default on their debt. When borrowers are severely delinquent or default, their debt may be passed on to a debt collector. Ohioans with debt to public colleges are harmed by collection practices of the Ohio Attorney General's Office and allowed by the Ohio Revised Code.

Predatory debt collections practices in Ohio

The Attorney General's Office has an obligation to collect all debts owed to the state, including Federal Perkins Loans, tuition, fees, or institutional loans. The Office adds fees to delinquent debt for both itself and the outside collectors and law firms it hires. Generally, in Ohio, collection costs may not be added to consumer debt; however, the attorney general and its contracted law firms have been adding collection fees to student loans, which can cause the debt to balloon. State law allows the Office to charge an 11 percent fee for itself on debts it is collecting and an unlimited fee for collectors and law firms that collect debt on behalf of the attorney general. Delinquent debt can also accumulate late fees charged by public colleges. These practices are particularly egregious because student loan debt is difficult to discharge in bankruptcy.

An assessment of 114 cases in Franklin County from The Ohio State University by the Columbus Dispatch found widespread problems in collection of student loan debt. The problems range from poor notification of a lawsuit, wrongful suits and very old debts. In 94 cases, collectors charged borrowers collection fees greater than 40 percent.[66]

Lawyer Scott Torguson from Ohio Legal Aid sued a Columbus law firm on behalf of Ohioans charged outrageous collection fees on old student debt. Torguson is quoted in *The Columbus Dispatch* saying collection practices of law firms hired by the state may violate the federal Fair Debt Collection Practices Act.[67]

In response to the findings, Attorney General Mike DeWine said, "What you all uncovered is certainly disturbing".[68] His office convened stakeholders to review debt collection practices. Despite his comments, the AG's Office still supported a bill that that codifies the practice of allowing unlimited collection fees to be charged by the attorney's general for contracted debt collectors.[69]

In December 2016, the Ohio General Assembly passed Senate Bill 227, codifying the high collection fees the AG's office is adding to student debt. The bill allows the AG's Office to add unlimited fees to a student's debt, in addition to the principal, interest, and late fees the person owes. The bill caps the fees the attorney general can charge at 11 percent.[70] Lawmakers should not allow the AG's office and law firms to take advantage of indebted Ohioans. No other Ohio consumer debt collector is allowed to add these sorts of fees.

Predatory debt collection practices nationally

Nationally, the CFPB has found wrongdoing among companies who collect student debt. Some agencies attempt to collect debt without having a clear chain of ownership, or collect on debt that is not owed. The CFPB also found companies often threaten borrowers.

[66] "Student Debt Can Balloon with Little Notice," The Columbus Dispatch, August 20, 2016, http://bit.ly/2x1sUoX.
[67] ibid.
[68] ibid.
[69] ibid
[70] Bethany Boyd, "Am. Sub. S.B. 227 131st General Assembly (As Passed by the General Assembly)" (Legislative Service Commission), accessed September 29, 2017, https://www.legislature.ohio.gov/legislation/legislation-documents?id=GA131-SB-227.

Borrowers who default and have loans moved to collections report difficulty using their guaranteed federal rights to rehabilitate their debt. The Higher Education Act outlines two ways a borrower can rehabilitate debt: making nine on time monthly payments, which can be a low as $5 a month or refinancing defaulted debt with a new Direct Consolidation Loan. Borrowers report difficulty transitioning debt from collectors back to a loan servicer and into an income-driven repayment plan. Most of the challenges arise due to debt collector practices that delay the rehabilitation process. For borrowers in default, loan rehabilitation is very important because they can reenter repayment and be eligible for federal protections like income-based repayment, interest subsidies, and progress towards loan forgiveness.[71]

In September 2017, CFPB took action against National Collegiate Student Loan Trusts and their collector, Transworld Systems, Inc., for illegal student loan debt collection lawsuits. These companies fraudulently sued people for private student loans they could not prove were owed and debt past the statute of limitation for suing. The National Collegiate Student Loan Trust is a one of 15 Delaware statutory trusts that hold 800,000 private student loans they securitized and sold to investors. To collect on the debt, the trust contracts with debt collectors like Transworld Systems Inc., a nationwide debt collector, to complete documents. Transworld then hires lawyers across the country to sue people with student debt on behalf of the trust. The CFPB complaint states the trust violated federal consumer law with over 2,000 lawsuits that lacked proper documentation required to sue, and thus failed to prove the consumer owed the debt. Additionally, the trust filed false and misleading affidavits claiming witnesses had knowledge of the consumers' debt. In 486 cases the trust sued for debt after the statute of limitations expired.[72]

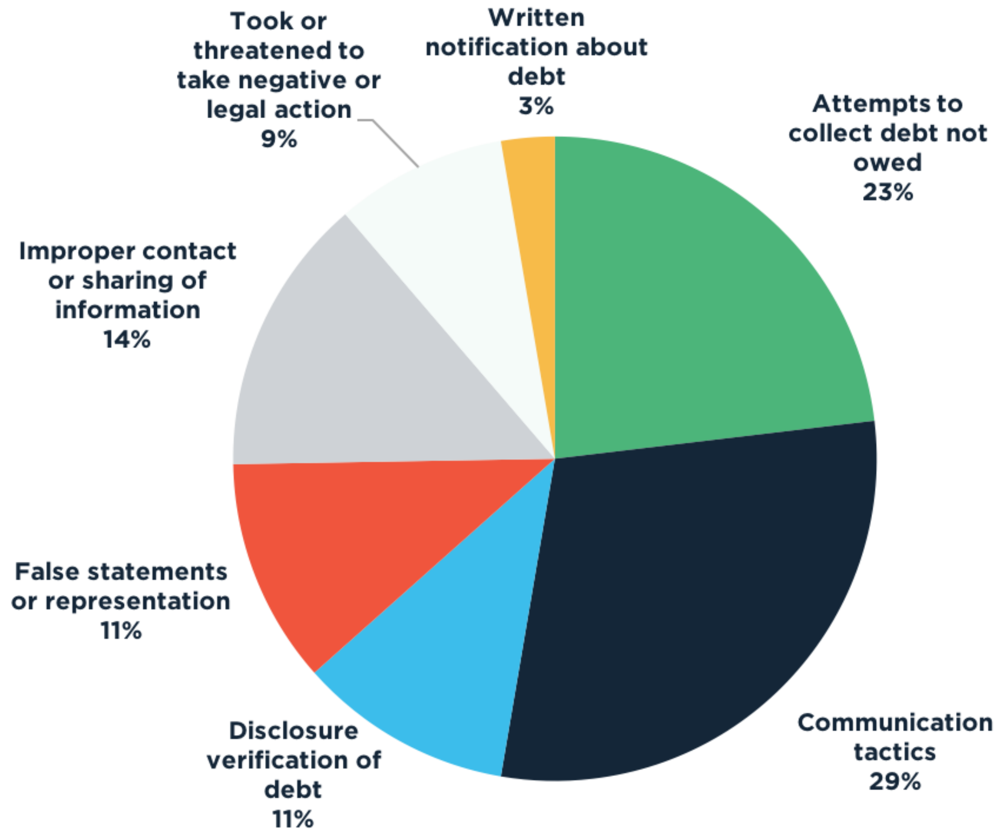
CFPB's complaints database received 21 student loan complaints and 10 debt collection complaints about Transworld from Ohio borrowers. The top six companies for federal and private student loan debt complaints in Ohio are Navient, AES/PHEAA, Expert Global Solutions, Inc., Transworld Systems, Inc., Allied Interstate LLC, ad Weltman, Weinberg, & Reiss.[73]

There are a range of issues included in the 201 complaints against companies for debt collection of student loans from (see figure 5). The largest number of complaints were for communication tactics (29 percent), which includes repeated phone calls and abusive language (see figure 5).[74]

[71] Consumer Financial Protection Bureau, "Annual Report of the CFPB Student Loan Ombudsman" (Consumer Financial Protection Bureau, October 2016), http://bit.ly/2kJFtCh.
[72] Consumer Financial Protection Bureau, "CFPB Takes Action Against National Collegiate Student Loan Trusts, Transworld Systems for Illegal Student Loan Debt Collection Lawsuits," Consumer Financial Protection Bureau, September 18, 2017, http://bit.ly/2fuNpDs
[73] Consumer Financial Protection Bureau, "Consumer Complaints Database," Consumer Financial Protection Bureau, accessed October 10, 2017, https://data.consumerfinance.gov/dataset/Consumer-Complaints/s6ew-h6mp.
[74] ibid.

Figure 5

CFPB debt collection complaints for student loans by issue for Ohio



Source: Policy Matters based on CFPB Consumer Complaints Database. Product debt collection issues for Ohio
Description of issues:
- *Attempt to collect debt not owed (debt was paid, discharged in bankruptcy, result of identity theft, or owed by a deceased family member)*
- *Improper contact or sharing of information (contacted employer, contacted borrower after being asked not to)*
- *False statement or representation (trying to collect wrong amount, impersonated lawyer or government official)*
- *Disclosure verification of debt*
- *Took or threated to take negative or legal action (threatened to sue, arrest borrower, seize property, deport borrower, collect exempt funds, damage borrower's credit)*
- *Written notification about debt (borrower didn't receive and didn't know they could dispute debt)*

The National Collegiate Student Loan Trusts and Transworld Systems fraud is indicative of the deceitful and abusive practices of debt collection firms. These systemic problems do not stop with the trust or Transworld Systems, Inc. As long as laws are lax and enforcement is weak, for-profit companies will take advantage of financially distressed borrowers.

Recommendations

Ohio lawmakers have the power to do several things to reduce indebtedness such as increasing state support for public college and universities and increasing need-based aid. Lawmakers have been unwilling to properly fund higher education, so Ohio is the 45th least affordable state for college. This results in Ohio having some of the worst student debt outcomes in the nation. Given their unwillingness to help reduce how much debt Ohioans need for a degree or certificate, lawmakers should at least implement laws and regulations to protect the increasing number of Ohioans burdened by student loan debt.

The state of Ohio needs to implement regulations on the student loan servicing industry to protect Ohioans from abuse that harms them financially and ripples across the state economy. Borrowers need protection from bank and non-bank loan servicers, predatory debt collection practices, and student debt relief scams. States are not preempted by the federal government when setting regulation for loans servicers.

Student loan servicing

States can take additional steps to protect residents from predatory loan servicing practices. Several states have begun to implement regulations to create a fairer system. Federal law requires that loan servicers abide by state rules, regulations, and laws. Connecticut, California, Illinois and Washington D.C. have stepped up to defend borrowers. Connecticut's Student Loan Bill of Rights is the most comprehensive and the following loan servicing recommendation are based on their regulatory legislation.[75]

Lawmakers should establish regulations to bar loan servicers form engaging in predatory practices and create an ombudsman's office to collect, analyze and address borrower complaints against servicers. Additionally, the state should work with higher education institutions to improve the information provided to students about debt and repayment.

The state should license all bank and non-bank loan servicers that operate in Ohio and bar them from predatory practices. Regulations should include prohibitions on:

- Directly or indirectly defrauding or misleading student loan borrowers
- Misrepresenting or omitting the amount, nature or terms of a fee or payment due or claimed to be due on a student loan, the terms and conditions of the loan agreement or the borrower's obligations under the loan
- Obtaining property by fraud or misrepresentation
- Misapplying payments to the outstanding balance of a student loan
- Providing inaccurate information to a credit bureau, which harms borrower's credit
- Failing to report a borrower's favorable and unfavorable payment history to a nationally recognized credit bureau at least once a year if loan servicers regularly report information to a credit bureau;
- Refusing to communicate with a borrowers' authorized representative who provides a written proof signed by the borrower
- Limited call center hours; regulations should require a certain number of weekday minimum hours and at least one weekend day

An ombudsman's office for people with student debt and co-signers should be created to directly address complaints and provide information. The duties would include:

[75] "An Act Concerning A Student Loan Bill of Rights," Pub. L. No. 6915 (2015), http://bit.ly/2x0qXc8.

- Reviewing and resolving borrower complaints
- Compiling and analyzing complaints
- Helping student loan borrowers understand their rights and responsibilities under the terms of student education loans
- Analyzing and monitoring development and implementation of federal, state and local laws, regulations and policies on student loan borrowers and recommend changes
- Reviewing the complete student education loan history for any student loan borrower who has provided written consent
- Disseminating information on the availability of the Student Loan Ombudsman to assist current and potential student loan borrowers, public institutions of higher education, student loan servicers and any other participant in student lending; and
- Taking any other actions necessary to fulfill the duties of the Student Loan Ombudsman as set forth in this subsection.

Implementing these regulations and processes would ease some hardship and create a fairer repayment climate for people with student debt. Additionally, it would allow the state to better monitor loan servicers and take action against poor performing companies.

Debt collection

To protect Ohioans with student debt in collections, lawmakers must first amend the law that allows the attorney general office to charge on behalf of its contracted law firms unlimited fees on debt owed to the state. The fees should be capped at no more than the 11 percent allowed the attorney general's office to collect for itself. It is also very important that students are given complete and accurate information every time they take out a long with a college or incurring other debt with a college.

The attorney general's office also issued a series of recommendations from the Student Debt Advisory group the office convened, which includes public colleges and universities, two students, an accounts receivable company, and two lawmakers. The recommendations address financial literacy education, institutional debt certification practices, and debt collection.[76] Recommendations include:

- Institutions should notify students that past-due debts will be transferred to the attorney general's office. Institutions should also alert students to increased collection costs once their debt is certified to the office.
- The attorney general's Office should work with institutions to develop an improved system for document sharing. The office and institutions should work together to develop more complete document sharing to ensure efficient imaging and sharing of documents among the office, institutions, third-party vendors, and special counsel.
- When possible, all of an individual's student debts should be consolidated into a single packet of accounts, serviced by one agency. Efforts should be made to ensure that students do not receive duplicate letters or phone calls from multiple collectors.
- Institutional late fees and penalties should not be included in the calculation of interest and collection costs. Many institutions assess their own internal late fees or interest to past- due debts. It is recommended that any late fees or penalties certified to the attorney general's office be separated from principal and not be included for purposes of the interest and collection costs calculation. These fees and interest should not accrue additional interest or collection costs while held by the office.
- Debtors should receive appropriate notice of collection costs. The attorney general should modify its collection letters to provide clear notice to all student debtors that

[76] "Ohio Attorney General's Student Loan Debt Advisory Group" (Ohio Attorney General's Office, June 2017), http://bit.ly/2ztaHCj.

collection costs will increase with third-party vendors and special counsel collection efforts.
- Customer service should be a permanent part of the request for qualifications process. For years, the attorney general has used customer service in its special counsel and third-party vendor selection process. This should permanently remain the case.
- The attorney general's office should continue to conduct regular performance reviews of third-party vendors and special counsel to ensure that they consistently follow the collection standards prescribed by the attorney general's office.
- The attorney general's office should produce reports on its student debt portfolio that include number of portfolios, number of accounts for various types of debt, and total debt.

Because lawmakers have underfunded higher education Ohioans must take on more debt than their peers in other states. Now lawmakers can help these overburdened Ohioans by developing a system to address the problem. The state can protect people weighed down by student debt from abusive loan servicing and debt collection practices. Additionally, financial literacy should be available to all people starting higher education and for existing borrowers. When Ohioans with student debt are harmed by poor servicer and debt collector practices, it ripples throughout the state economy. They may delay buying homes or cars, spend less on consumer goods or fall behind on other bills. Assisting student borrowers is in the best interest of all Ohioans. It's time policymakers make sure that once a student finishes college, their biggest concern will be finding the right job, not paying down their debt.

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