Student Loan Market

Financial Empowerment Roundtable

February 20, 2019

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The Student Loan Market
Nationwide growth in student debt

$1 trillion in growth in a decade

Source: Federal Reserve Board

protectborrowers.org
Market expanding, balances climbing

Source: Federal Reserve Bank of New York
Increasing burden on household balance sheets

Change in household debt (2008-2018)

- Mortgage: 58%
- HE Revolving: -38%
- Auto Loan: 4%
- Credit Card: 152%
- Student Loan: -2%
- Other: 8%
- Total:

Source: Federal Reserve Bank of New York (2018 Q4)
protectborrowers.org
Student loan delinquency rates remain stubbornly high

Percent of Total Balance Outstanding 90+ Days Delinquent by Loan Type

Source: Federal Reserve Bank of New York
Share of student loan market, in billions

- Direct Loan, $1,104.0
- FFELP Loan, $295.0
- Perkins Loan, $7.6
- Private Loan, $113.0

Source: Federal Reserve Board; US Dept. of Education (2016)
For-Profit Schools are only a small part of the market

Direct Loan Originations by School Sector

Source: US Dept. of Education
Student loan default rates across the country

Source: Mapping Student Debt, Washington Center for Equitable Growth
Student loan defaults and home foreclosures

Source: New York Fed Consumer Credit Panel/Equifax; FSA Data Center
protectborrowers.org
The Role of Student Loan Servicers
Duties of servicers

A loan servicer will help you manage the repayment of your federal student loans—for free.
– Dept. of Education

• Apply payments across borrower’s account

• Enroll borrower in alternative repayment plans (income-driven repayment, graduated, etc.)

• Report payment data to credit bureaus

• Send monthly bills

• Advise borrowers about repayment options

• Track eligibility for loan forgiveness

• Process loan discharge requests
But servicers are failing...

Report: Student loan servicers mishandle paperwork, discourage alternative payment plans

Report: Troops still facing hassles with student loans

Student Loan Debt A Growing Problem
California

Report: Troops still facing hassles with student loans

Student Loan Servicers Faulted for Some Student Loan Problems
Your Money Adviser

Student Loan Complaints Skyrocket 325%

The number of people defaulting on federal student loans is climbing

Thousands of Grads File Complaints About Dealing With Private Student Loan Companies

Servicing issues may hamper U.S. student-loan forgiveness for thousands

Student Loan Company Accused of Mismanaging Debt Forgiveness Program

The New York Times
DealBook/Business & Policy

Regulator Says
Lawsuits across the country

California v. Navient
Washington v. Navient
Massachusetts v. PHEAA
CFPB v. Navient
Illinois v. Navient
Massachusetts v. ACS
AFT v. Navient
Mississippi v. Navient
Pennsylvania v. Navient
New York v. ACS
Dept. of Education Inspector General – Servicers lack oversight

“Nearly 92 percent… [of FSA monthly call review reports] included at least 1 instance of the servicer representative not sufficiently informing borrowers about available repayment options.”

“Through September 30, 2017, 61 percent . . . [of] reports on FSA’s oversight activities identified instances of servicer noncompliance with Federal loan servicing requirements. These reports disclosed noncompliance by all nine servicers…”

“[After identifying noncompliance], rarely did FSA require the servicer to conduct a full file review. FSA also rarely penalized servicers for recurring noncompliance.”
The Role of States
We could change the cost of college tomorrow.

It wouldn’t change the fate of 44 million Americans crippled by student debt today.
States mitigating the burden of student debt

- ND Veterinary Loan Repayment Program
- New Law Brings Free College to CA Students
- Memphis has pledged to help its city employees pay off their student loans
- Get On Your Feet Loan Forgiveness Program
States mitigating the burden of servicing failures
Thank You