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# AMERICANS FOR FINANCIAL REFORM

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## **AFR Statement at CFPB Field Hearing on Student Loan Servicing**

Thank you to the CFPB for holding this hearing on such an important topic today. Over 40 million Americans have student debt, and as many deal with this debt, they rely on loan servicers for information about their loans, to obtain a deferment or forbearance, or to enroll in an alternative repayment program.

Unfortunately, as we have also seen in the mortgage market, far too many borrowers have unsatisfactory experiences with their servicers, ranging from unfair treatment to being subject to illegal practices by servicers as they pay back their loans. The CFPB itself has found that student loan servicers were harming borrowers by doing things like allocating payments so as to maximize late fees, deceiving borrowers by misrepresenting minimum payments, charging illegal late fees, not being upfront with consumers about protections they have under bankruptcy laws, making illegal debt collection calls, and failing to provide accurate tax information.

The CFPB should use the authority that it has to make sure that borrowers are treated fairly, and that they get the information they need to take advantage of any repayment plans available to them. This means that abusive, profit-increasing practices that are banned in other consumer debt industries, but are still used by companies that collect payments on private student loans, must be curbed.

Incompetent servicing practices truly harm borrowers. Too many people are getting squeezed by practices like servicers misapplying payments. To help borrowers to the fullest extent possible, the CFPB should act now with the authority it does have to help borrowers, but also needs to be creative moving forward to figure out which interventions will best help in this industry.