



MURIEL BOWSER
MAYOR

July 27, 2020

The Honorable Phil Mendelson, Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, NW, Suite 504
Washington, DC 20004

Dear Chairman Mendelson:

Today, I am transmitting to the Council of the District of Columbia for its consideration, the "2020 Student Loan Ombudsman Annual Report" ("Report"). The purpose of the Report is to describe the role of the Student Loan Ombudsman in protecting and educating District student loan borrowers, share key successes attained during FY 2019, and provide helpful information and resources to residents dealing with the realities of student loan debt.

The District's Student Loan Ombudsman, established within the Department of Insurance, Securities and Banking ("Department"), plays a vital role in assisting District residents in navigating the student loan repayment landscape. The Department and the Ombudsman demonstrate a strong commitment to ensuring that District student loan borrowers have access to the tools and resources necessary to mitigate, and ultimately eliminate, their student debt. The Report is one of many outreach vehicles that the Ombudsman uses to ensure that District residents are aware of available services designed to help them understand and manage their student debt.

I am pleased with the accomplishments of the Department and the Ombudsman in protecting, educating, and empowering District student loan borrowers, and look forward to even greater successes in the future. Accordingly, I transmit the Report to the Council for its consideration.

Sincerely,

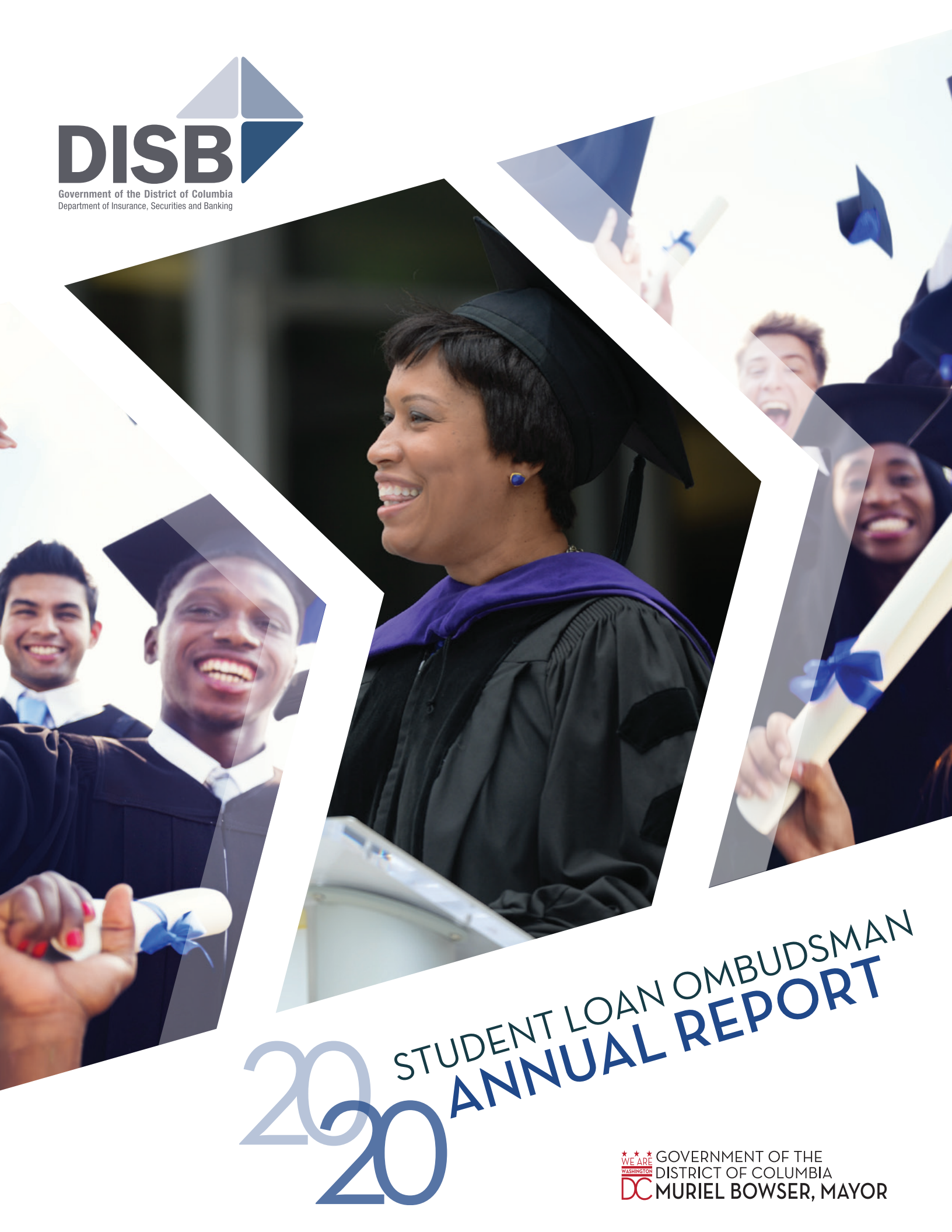
A handwritten signature in black ink, appearing to read "Muriel Bowser", written over the word "Sincerely,".

Muriel Bowser

Enclosures



Government of the District of Columbia
Department of Insurance, Securities and Banking



2020 STUDENT LOAN OMBUDSMAN ANNUAL REPORT



A POSTSECONDARY
EDUCATION OPENS
THE DOOR to the
AMERICAN DREAM.

EMPOWERING STUDENTS AND FAMILIES



The Bowser Administration knows that higher education remains the best tool to fight intergenerational poverty and uplift communities. The evidence is clear—college graduates are more likely to own their own homes, raise children in two-parent families, and live longer, healthier lives. A postsecondary education opens the door to the American Dream.

The pursuit of the American Dream, however, comes at a cost. Between 2000 and 2017, total undergraduate enrollment in degree-granting postsecondary institutions increased by 27 percent, from 13.2 million to 16.8 million students. As a result of this increase, national student loan debt has doubled since the mid-2000s and stands at a staggering \$1.6 trillion nationally.¹

Against the backdrop of growing concern over education costs, the Bowser Administration and Council of the District of Columbia enacted the Student Loan Ombudsman Establishment and Servicing Regulation Amendment Act of 2016. This important legislation was designed to help District residents navigate student loan repayment and servicing, and plan for college while minimizing student loan debt.

The Department of Insurance, Securities and Banking (DISB) helps make higher education more available and affordable for District residents through its Student Loan Ombudsman—a position created by the Act.

The Ombudsman assists students, prospective students, borrowers and their families in important ways:

1. Helps families, prospective and transfer students identify alternate sources of funding to minimize, if not eliminate, the need for student loan debt.
2. Supports student loan borrowers by educating them on their rights and responsibilities including repayment options, availability of discharge, loan forgiveness, deferment, forbearance, delinquency and default.
3. Assists in the regulation of student loan servicers and the resolution of complaints from borrowers.

If you, or someone you know, needs assistance with student loan issues or postsecondary education planning, I encourage you to contact our Ombudsman.

Sincerely,

A handwritten signature in black ink, appearing to read 'Karima Woods'.

Karima Woods
Acting Commissioner

¹ [washingtonpost.com/business/2019/06/25/heres-what-trillion-student-loan-debt-is-doing-us-economy/](https://www.washingtonpost.com/business/2019/06/25/heres-what-trillion-student-loan-debt-is-doing-us-economy/) (June 25, 2019)



ROLE OF OMBUDSMAN

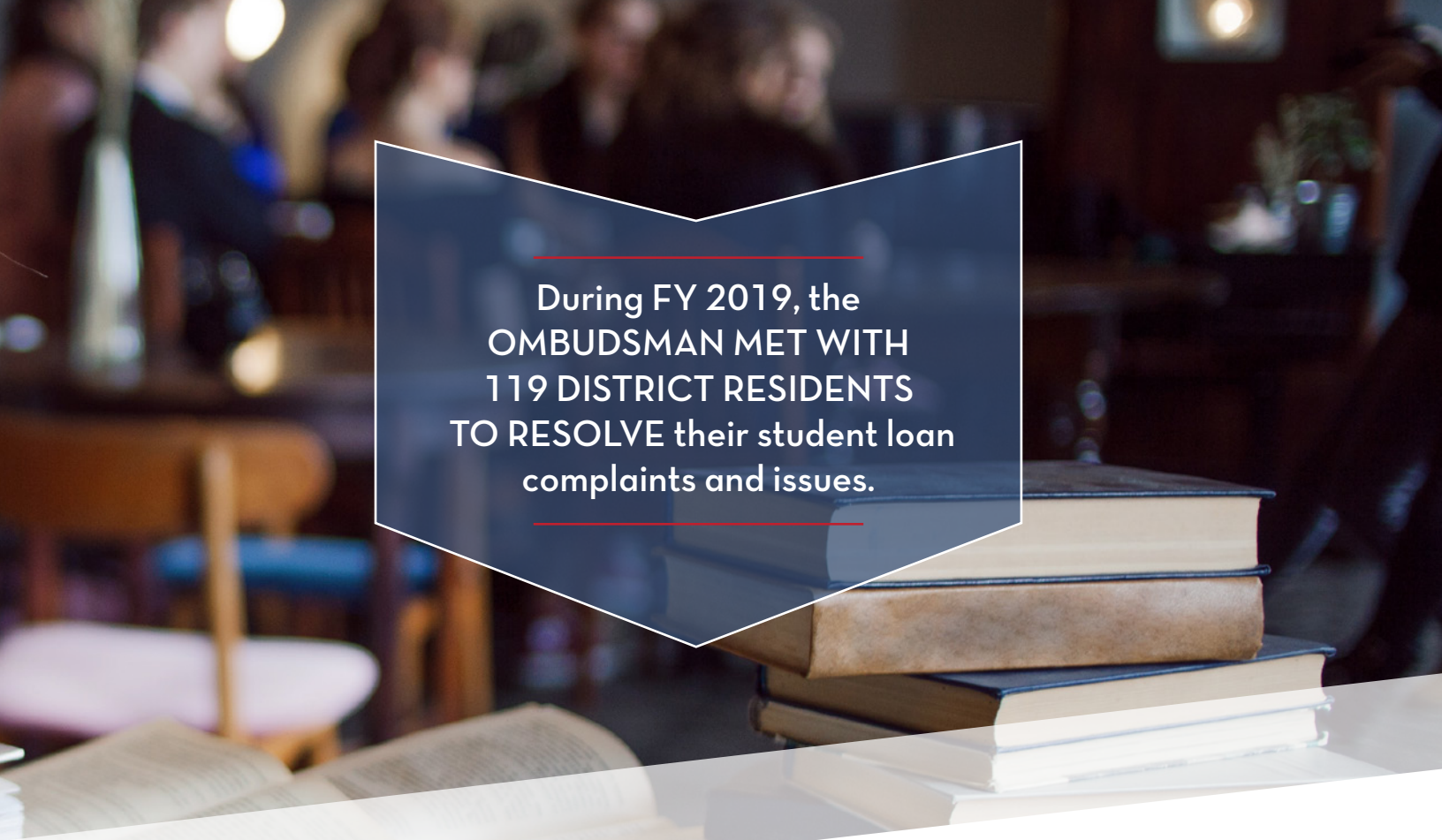
The District of Columbia enacted the Student Loan Ombudsman Establishment and Servicing Regulation Amendment Act of 2016 on February 18, 2017. Under the Act, student loan servicers of non-federally awarded student education loans for District of Columbia residents must be licensed by the Department of Insurance, Securities and Banking (DISB).

The Act also established the Student Loan Ombudsman, whose primary responsibilities are to:

- ◆ Assist in the regulation of student loan servicers;
- ◆ Provide student loan education;
- ◆ Conduct outreach activities to assist District residents who are preparing for college or have student loan debt; and
- ◆ Work with District borrowers to resolve complaints with their student loan servicer.

The Ombudsman is an unbiased and confidential resource who reviews the concerns of District borrowers and student loan servicers to promote collaborative solutions. The Ombudsman may not represent borrowers or make decisions about specific loan forgiveness or repayment plans. The Ombudsman may provide information and guidance on issues related to student debt that include:

- ◆ Sources of college funding
- ◆ Student loan repayment program
- ◆ Public Service Loan Forgiveness (PSLF) Program
- ◆ Alternative funding sources and financing
- ◆ Resolution of complaints with student loan servicers
- ◆ Student loan consolidation
- ◆ Student loan default prevention and rehabilitation



During FY 2019, the
OMBUDSMAN MET WITH
119 DISTRICT RESIDENTS
TO RESOLVE their student loan
complaints and issues.

STUDENT LOAN SERVICERS

In FY 2019, the Department licensed 43 Student Loan Servicers, of which 19 were renewals from FY 2018.

STUDENT LOAN COMPLAINTS

The Department investigates complaints submitted against student loan servicers by District borrowers and provides timely resolutions to issues raised. During FY 2019, the Ombudsman met with 119 District residents to resolve their student loan complaints and issues.

TYPE OF COMPLAINT	NUMBER OF COMPLAINTS
Public Service Loan Forgiveness	115
Cannot or struggling to repay my loan	45
Dealing with servicer or lender	36
Wage garnishment	4
Fraud	2
TOTAL COMPLAINTS	202

As the figures in the chart above illustrate, borrowers chiefly reported problems related to keeping up with their student debt and qualifying for PSLF.



The PSLF Program
FORGIVES A REMAINING LOAN
BALANCE AFTER BORROWER
WORKING FULL TIME FOR
QUALIFYING EMPLOYER MAKES
120 MONTHLY PAYMENTS.

PUBLIC SERVICE LOAN FORGIVENESS

Public Service Loan Forgiveness (PSLF) is a program that forgives the remaining balance of a direct loan after the borrower makes 120 timely monthly payments. The payments must be made under a qualifying repayment plan while the borrower is working full time for a qualifying employer.

Qualifying employers include:

- ◆ Government organizations at any level (federal, state, local or tribal);
- ◆ Not-for-profit organizations that are tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC); and

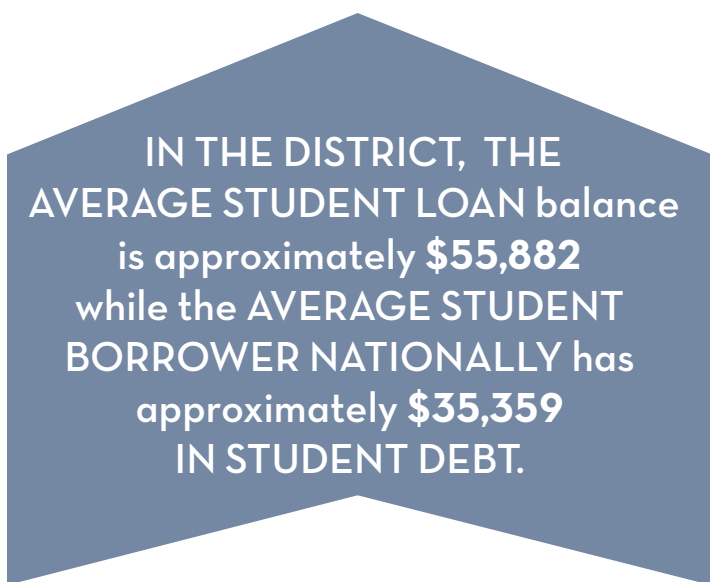
- ◆ Other types of not-for-profit organizations that are not tax-exempt under IRC Section 501(c)(3), if their primary purpose is to provide certain types of qualifying public services.

As part of the complaint resolution process, the Ombudsman confirms the borrower has met the eligibility criteria to participate in the PSLF program, and that PSLF payments are properly credited. If the borrower does not meet the eligibility criteria or is out of compliance with the requirements of the PSLF program, the Ombudsman can help. The Ombudsman will assist the borrower by engaging the loan servicer or employer and facilitating the steps necessary to come into compliance.

OMBUDSMAN SUPPORT

Student loan debt has dramatically increased in recent years because more borrowers are borrowing, and at higher loan amounts. This debt increase is due, in large part, to rising tuition costs and declines in student aid. The increased demand for college education, which jumped by 27 percent—from 13.2 million undergraduates in 2000 to 16.8 million undergraduates in 2017—has also contributed to the problem.² Today, 45 million Americans collectively owe \$1.6 trillion in student loan debt, making student loan debt the second largest class of consumer debt behind mortgages.³

Student loan borrowers rely on student loan servicers to manage all aspects of their loans. In Washington, DC, the average student loan balance is approximately \$55,882, while the average student borrower nationally has approximately \$35,359 in student debt. That means that roughly one in four American adults are paying off student loans. The District of Columbia now ranks first in the nation as having the most indebted student loan borrowers.



IN THE DISTRICT, THE
AVERAGE STUDENT LOAN balance
is approximately **\$55,882**
while the AVERAGE STUDENT
BORROWER NATIONALLY has
approximately **\$35,359**
IN STUDENT DEBT.

SOURCES AND STRATEGIES FOR COLLEGE FUNDING

In addition to helping District borrowers address existing student loan debt, the Ombudsman is committed to reducing reliance on student loans among District residents planning to attend college. The Ombudsman engages in outreach activities in partnership with agencies, community groups, and schools to provide students and families with an array of strategies and resources they may use to plan for college. Students and families are encouraged to begin the planning process long before the 11th and 12th grade years.

Ombudsman outreach activities help aspiring students and families plan for college:

1. The Ombudsman provides an overview of ways to pay for college and provides: assistance completing the Free Application for Federal Student Aid (FAFSA); guidance in understanding the types of aid available through FAFSA including Pell Grant, the Federal Work-Study Program, the William D. Ford Federal Direct Loan Program; help decoding financial aid award letters; estimates on expected family contribution and costs of attendance; information about institutional, state, and third party scholarship awards and grants and their prospects for renewal; and guidance as to how these many factors may influence final college selection.
2. The Ombudsman provides information on savings plans for college including the 529 Plans, UGMA/UTMA savings plans, Coverdell Education Savings Account, Lifetime Learning Credit, and ways that families may use savings plans to reduce tax liability while taking affirmative steps to avoid future student loan debt.

² nces.ed.gov/programs/coe/indicator_cha.asp (May 2019)

³ Board of Governors of the Federal Reserve System (U.S.)

ADDITIONAL TAX BENEFITS FOR EDUCATION

3. The Ombudsman also helps students and families navigate the financial aspects of the college admissions process. This support includes recommendations for maximizing college credit in high school through Advanced Placement testing, the College-Level Examination Program, and International Baccalaureate Program.
 4. The Ombudsman also supports adult learners returning to college by guiding them through the process of converting life experience into college credit, and transferring credits to avoid paying for additional classes.
- ◆ The Coverdell Education Savings Account allows up to \$2,000 a year to be put aside for a student's education expenses (elementary, secondary or college).
 - ◆ The District of Columbia Qualified Tuition 529 Plan allows families to withdraw money without paying any tax on accumulated gains, if the money is spent on college costs. DC taxpayers receive a tax deduction for money deposited in the plan, up to \$8,000 per year for married couples who are filing jointly.
 - ◆ Student loan interest can be deducted for student loans taken for an individual, spouse or dependent. This benefit applies to all loans (not just federal student loans) used to pay for higher education expenses.

STUDENT LOAN TAX DEDUCTIONS


Understanding ever changing student loan tax laws can be difficult for a non-accountant. The Internal Revenue Code (IRC) provides tax benefits for education. The tax benefit may be used to recover a percentage of tuition cost and/or loan interest when filing an income tax return. The IRC provides the following tax credits to help offset the cost (tuition, books, fees, supplies, equipment) of a college or career school by reducing the amount of taxable income:

- ◆ Subject to income limits, the American Opportunity Credit allows families to claim up to \$2,500 per student per year for the first four years of school as the student works toward a degree or similar credential.
- ◆ The Lifetime Learning Credit, also subject to income limits, allows families to claim up to \$2,000 per student per year for any college or career school tuition and fees, as well as for books, supplies and equipment that were required for a course and had to be purchased from the school.

STUDENT LOAN OMBUDSMAN OUTREACH

Many District borrowers do not know who to turn to when they experience student loan hardship or need to enroll in a student loan repayment plan. The Student Loan Ombudsman is a resource that every District borrower can access.

During FY 2019, the Ombudsman met with 202 residents to share available resources for funding, PSLF, student loan repayment plan enrollment and student loan consolidation. Types of residents included high school students, millennial college graduates, parents, professionals, veterans, teachers, elderly residents and District employees who are working diligently to get ahead while struggling to keep up with monthly student loan payments.



TAX BENEFITS
can be used to
RECOUP SOME OF
THE MONEY SPENT
on tuition or
loan interest.

To provide District residents in all eight wards with student loan education and awareness, the Ombudsman collaborated with District agencies and programs including:

- ◆ College Bound
- ◆ DC College Savings Plan
- ◆ Department of Behavioral Health
- ◆ Department of Consumer and Regulatory Affairs
- ◆ Department of General Services
- ◆ Department of Human Resources
- ◆ Department of Youth Rehabilitation Services
- ◆ District of Columbia Housing Authority
- ◆ District of Columbia Public Schools
- ◆ Mayor's Office of Community Relations and Services
- ◆ Mayor's Office on Latino Affairs
- ◆ Metropolitan Police Department
- ◆ Office of the Attorney General for the District of Columbia
- ◆ Office of the Deputy Mayor for Education
- ◆ Office of the Inspector General

- ◆ Office of the State Superintendent of Education
- ◆ University of the District of Columbia

The Ombudsman holds regular office hours during which students, parents and borrowers can meet one-on-one to discuss options for paying for college, concerns they may have with servicers, or their student loan debt.

**In 2019, THE OMBUDSMAN
held 28 EDUCATION FAIRS
that reached a total of
394 PARTICIPANTS.**



INFORMATION ON STUDENT LOAN DEBT

FEDERAL STUDENT LOAN DEBT INFORMATION

Student loan debt information can be found at nslds.ed.gov. The National Student Loan Data System (NSLDS) is the U.S. Department of Education's central database that keeps track of federal student loan debt. NSLDS stores all loan information, so it can be accessed at any time.

STUDENT LOAN OMBUDSMAN OFFICE DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

1050 First Street NE, Suite 801
Washington, DC 20002
202-727-8000
DCLoanHelp@dc.gov
disb.dc.gov/studentloanhelp

U.S. DEPARTMENT OF EDUCATION FEDERAL STUDENT AID INFORMATION CENTER

P.O. Box 84
Washington, DC 20011-0084
800-4-FED-AID (800-433-3243)
(TTY: 800-730-8913)
StudentAid.gov

U.S. CONSUMER FINANCIAL PROTECTION BUREAU

P.O. Box 4503
Iowa City, IA 52244
855-411-CFPB (2372)
consumerfinance.gov

Submit a student loan complaint to the CFPB at:
consumerfinance.gov/complaint/#student-loan

If you have a complaint with your lender or servicer that you are not able to resolve, contact the Department's Student Loan Ombudsman at [disb.complaints@dc.gov](mailto:complaints@dc.gov). You may also contact the Federal Student Aid Ombudsman at 1-877-557-2575 or studentaid.gov/repay-loans/disputes/prepare.

STUDENT LOAN TIPS

- ◆ Sign up for auto-debit, which will lower the interest rate and provide significant savings over the lifetime of the loan;
- ◆ Create a budget that includes the student loan payment and stick to it;
- ◆ Take advantage of tax deductions on interest paid for the tax year;
- ◆ Seek student loan forgiveness and repayment options;
- ◆ Avoid taking on additional major debt while paying down student loans;
- ◆ Monitor proposed changes in legislation and the law that may impact loans; and
- ◆ Research loans by checking the National Student Loan Data System (NSLDS) to find your federal student loan history; and, review your credit report to identify private loans.

TOOLS FOR PROSPECTIVE STUDENTS

- ◆ For information on available scholarships, visit disb.dc.gov/page/college-planning-and-funding.
- ◆ Access important tools when planning for college at disb.dc.gov/page/tools-aspiring-college-students-and-families

DISB MISSION

The mission of the Department of Insurance, Securities, and Banking is three-fold:

- (1) cultivate a regulatory environment that protects consumers and attracts and retains financial services firms to the District;
- (2) empower and educate residents on financial matters; and
- (3) provide financing for District small businesses.



DEPARTMENT OF INSURANCE, SECURITIES AND BANKING
Karima Woods, Acting Commissioner

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WE ARE
WASHINGTON
DC GOVERNMENT OF THE
DISTRICT OF COLUMBIA
MURIEL BOWSER, MAYOR

