



Student Loan Ombudsman

Annual Report 2021



DISB Student Loan Ombudsman Annual Report 2021



Student loan debt in the United States is currently \$1.7 trillion.¹ The District of Columbia has the highest average student debt burden per capita in the nation at \$55,400 per borrower.² In response to this burden, the Bowser Administration and the Council of the District of Columbia enacted the Ombudsman Act of 2016 to help residents navigate the complex matrix of rules and options governing student loan repayment and servicing. The Act was also designed to educate the public on how to plan for college so as to reduce, if not avoid, incurring student loan debt.

Over the last year, the coronavirus (COVID-19) public health emergency caused financial difficulties for individuals and families across the nation and here at home in the District of Columbia. Among those most impacted financially by the pandemic were students trying to attend postsecondary school and residents already burdened by student loan debt. Moreover, as a result of the pandemic, we have seen the number of high school graduates around the nation going straight to college decrease by 22 percent in 2020 per the National Clearinghouse (largely due to decline in enrollment among lower-income and urban high school students).

The Bowser Administration understands the severe burden COVID-19 has placed on District residents seeking a college education and those who are struggling to address student loan debt as well as ongoing systemic discrimination. The Administration is committed to helping residents realize their dream of completing a postsecondary credential and manage, if not avoid, student loan debt.

To address the changing needs of residents as a result of the pandemic, the Department of Insurance, Securities and Banking Student Loan Ombudsman moved public outreach activities to virtual platforms. Also in FY 2020, the Ombudsman secured \$38 million in private student loan debt relief for District borrowers who were not covered by the CARES Act. In addition to these new efforts, the Ombudsman pursued numerous public policy initiatives, launched a new series of workshops and met one-on-one with District borrowers and families to address issues related to student loans and loan debt, reaching over twice the number of residents than the previous fiscal year.

At DISB, we remain committed to helping District residents navigate the complexities of student loan servicing to improve borrower outcomes and help make higher education achievable and affordable for all.

Sincerely,

Karima M. Woods
Commissioner

¹[federalreserve.gov/releases/g19/HIST/cc_hist_memo_levels.html](https://www.federalreserve.gov/releases/g19/HIST/cc_hist_memo_levels.html)
(August 6, 2021)

²educationdata.org/student-loan-debt-by-state#district-of-columbia

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 programs;**
- ▶ **Public Service Loan Forgiveness (PSLF) Program;**
- ▶ **Alternative funding sources and financing;**
- ▶ **Resolution of complaints with student loan servicers;**
- ▶ **Student loan consolidation; and**
- ▶ **Student loan default prevention and rehabilitation.**

The Ombudsman monitors developments in federal education policy to advocate for change in the best interest of District residents.

Public Policy

In addition to individualized consumer assistance, student loan servicer licensing and public outreach, the Ombudsman monitors developments in federal education policy to advocate for change in the best interest of District residents. During Fiscal Year 2020, the Ombudsman jointly authored three education policy letters in collaboration with advocates and regulators from across the nation. The letters advocated for support of automatic discharge of student loan debt for disabled persons; the expansion of the CARES Act provisions to include private loans, commercially-held Federal Family Education Loans, and Perkins Loans; the Extension of the CARES Act provisions beyond September 30, 2020, and broadening the protections to include all student loans.



Total and Permanent Disability Discharge

Title IV of the Higher Education Act of 1965 empowers the U.S. Department of Education (ED) to administer federal financial aid in the form of loans and grants, provides that the Secretary of Education shall discharge the loans of any borrower who is “permanently and totally disabled” or who is “unable to engage in any substantial gainful activity by reason of medically determinable physical or mental impairment that can be expected to result in death, has lasted for a continuous period of not less than 60 months, or can be expected to last for a continuous period of not less than 60 months.”³ This is an important safeguard meant to ensure that any borrower who is unable, due to disability, to work and earn the income needed to repay their loan is released from the obligation to do so. Although the Higher Education Act permits the Secretary to develop standards for total and permanent disability (TPD) eligibility, the law is clear that upon meeting those conditions, a qualifying borrower’s loans shall be discharged.⁴ But as implemented, the current TPD program does not serve the population it was intended to help. The application process is difficult and requires information already available to the Federal government through the Social Security Administration (SSA).

In 2019, then-Secretary of Education Betsy DeVos and President Donald Trump rolled out a new plan to automatically discharge the debt of disabled veterans. However, the policy change did not go far enough. Thousands of persons identified by SSA as disabled were left out. On December 17, 2018, ED counted the total number of disabled borrowers (according to SSA records by state) who were identified for TPD discharge eligibility. ED notified 53,343 disabled borrowers, who were eligible for total and permanent disability discharge, of the application process; however, only 5,655 of those borrowers (about 10 percent) ultimately received a discharge.⁵

The response to ED’s request among District disabled residents was three percent lower than the national average. ED notified 1,477 District residents of the application for discharge based on TPD. Of those District residents notified, only 110 (or just over seven percent) completed the application process resulting in discharge. Procedural hurdles undermined the ability of eligible residents to receive the help the act was written to provide. The Trump Administration’s decision to provide relief for veterans presented the opportunity to call for additional relief for disabled Americans. On March 3, 2020, we joined our voices to ask the Secretary to protect all disabled Americans.

³Higher Education Act, 20 U.S.C. § 1087(a) (FFEL Program); see 20 U.S.C. §§ 1087e(a)(1) (Direct Loan Program), 1087dd(c)(1)(F) (Perkins Loan Program).

⁴See 20 U.S.C. §§ 1087(a) (FFEL Program), 1087e(a)(1) (Direct Loan Program), 1087dd(c)(1)(F) (Perkins Loan Program); see also 34 C.F.R. §§ 682.402(c) (FFEL Program), 685.213 (Direct Loan Program), 674.61(b) (Perkins Loan Program).

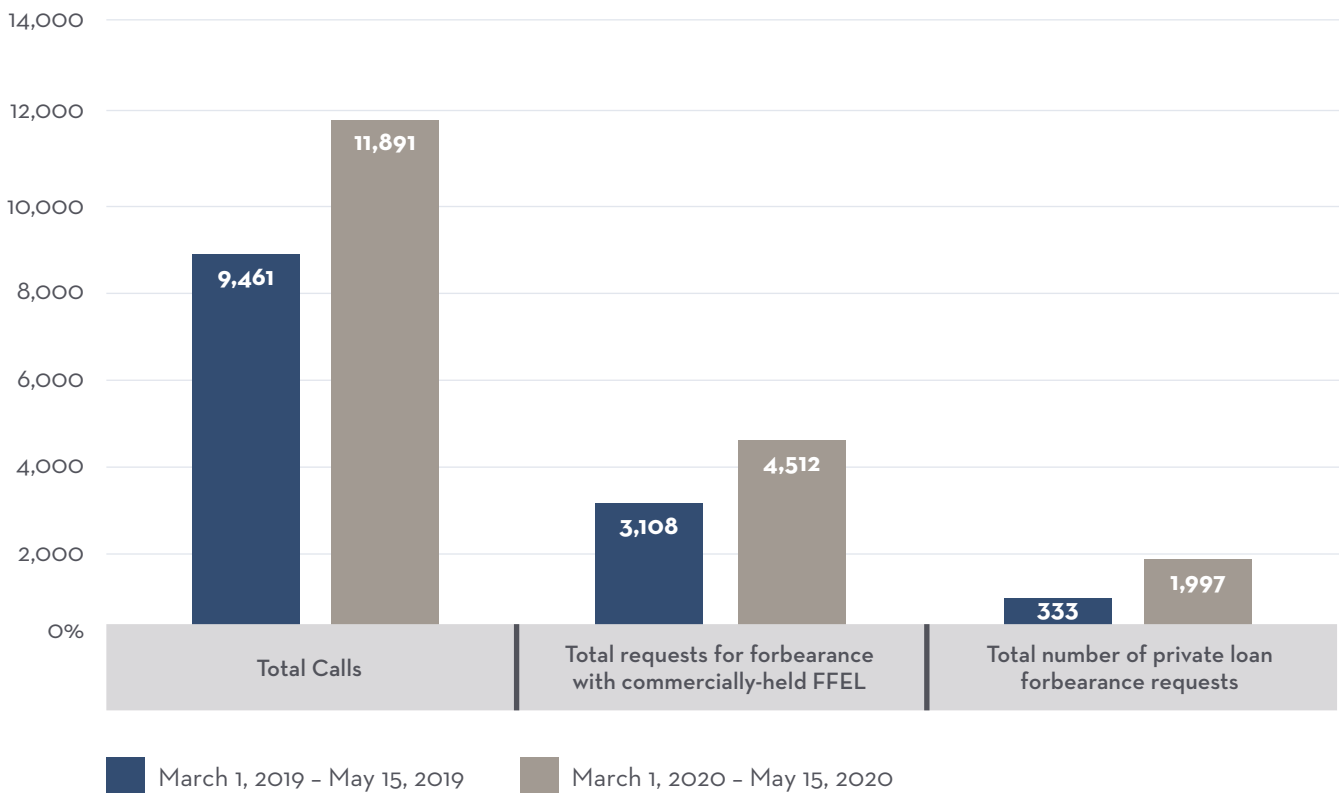
⁵Senator Patty Murray, “Questions Submitted By Senator Patty Murray,” *Senate HELP Committee*, (March 28, 2019): 82, [help.senate.gov/imo/media/doc/SenMurrayQFRresponses32819LHHShearing.pdf](https://www.help.senate.gov/imo/media/doc/SenMurrayQFRresponses32819LHHShearing.pdf)

Relief for Private Education Loans

In response to the economic collapse caused by the coronavirus (COVID-19) public health emergency, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted on March 27, 2020. Among its provisions, the CARES Act extended administrative forbearance on federal student loans owned by the federal government as well as the cessation of collection efforts on delinquent and defaulted loans, automatic debits, wage garnishment and treasury offsets. Notwithstanding public outcry, the CARES Act did not include 11 percent of federal student loans and all private loans,⁶ leaving millions of student loan borrowers without any debt relief in the middle of the worst pandemic in a hundred years.

In response, the Ombudsman joined a coalition of state regulators from across the nation to form the joint private loan initiative. The goal of the initiative was to secure the same relief provided by the CARES Act for District residents owing private student loans, Perkins, and commercially-held Federal Family Education Loans (FFEL). On May 1, 2020, the coalition announced that 20 private education lenders agreed to participate in the initiative. Other lenders agreed to review borrower requests for forbearance in response to the public health emergency on a case-by-case basis without joining the initiative.

District Residents Seeking Relief on Private Loans



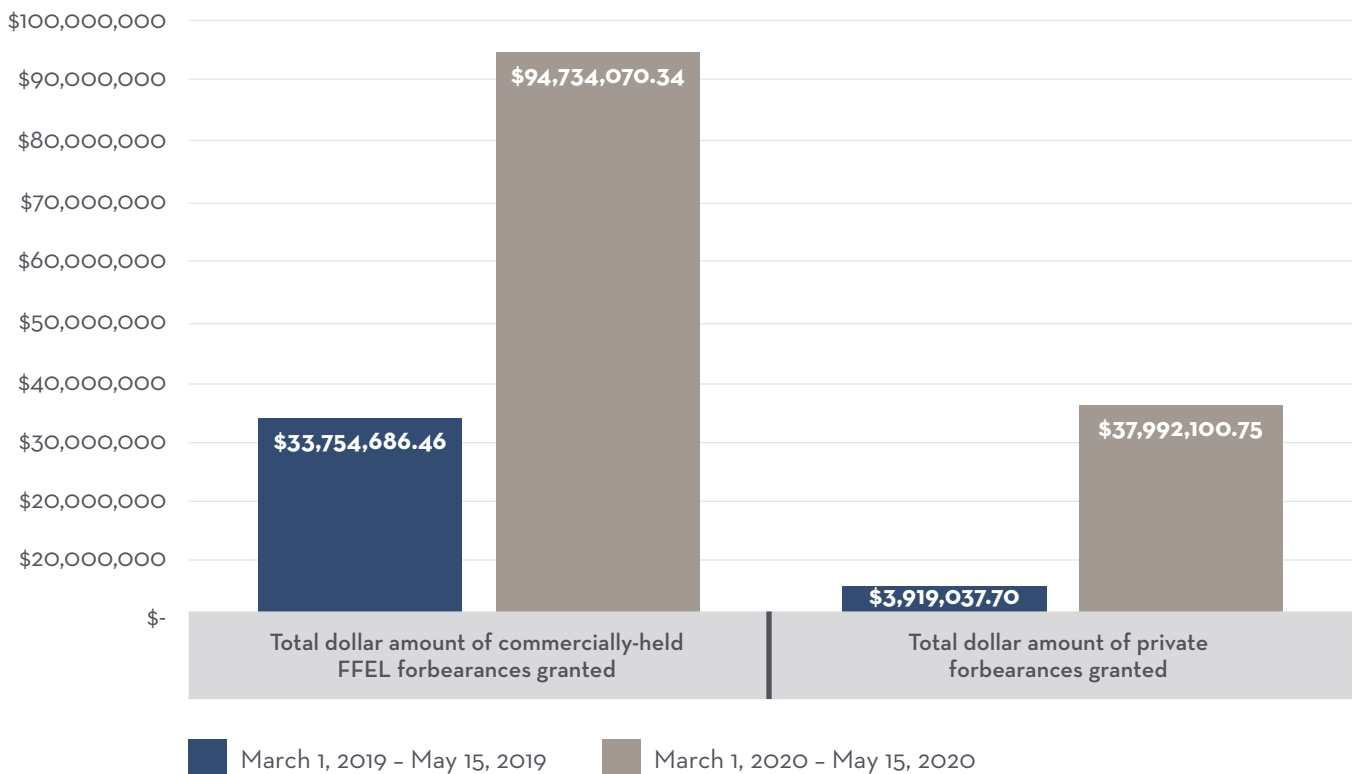
⁶bipartisanpolicy.org/blog/millions-of-student-loan-borrowers-left-out-of-cares-act-relief/#:~:text=One%20major%20shortfall%20with%20the,benefits%20under%20the%20CARES%20Act.

On June 11, 2020, the coalition asked participating lenders for data comparing year-over-year activity for the period of March 1 through May 15, 2020 (when the initiative was announced). Sixteen lenders provided data in response to our request. The data showed that, as a result of the initiative, the total call volume to private education loan servicers from District residents seeking relief increased by 11.36 percent. The total number of forbearance requests on commercially-held FFEL loans increased by 18.42 percent compared to the same time period in 2019. And the total number of private loan forbearance requests increased by 71.41 percent compared to 2019.

While the number of borrowers impacted is significant, the dollar value of the loans placed in forbearance paints a more telling story of the student debt crisis in the District. As a result of the initiative, nearly \$97 million in commercially-held FFEL forbearances were granted, which amounts to an increase in 47.45 percent over the same time period in 2019. Similarly, nearly \$38 million in private loan forbearances were granted, which amounts to an 81.29 percent increase from the previous year.

As a result of the joint loan initiative, thousands of Washingtonians left out of the CARES Act relief received desperately needed relief.

Dollar Value of Loans in Forbearance



CARES Act Extension

On August 6, 2020, Ombudsmen from several states joined forces in a letter asking Secretary of Education Betsy DeVos to use her authority to extend the protections accorded to borrowers under the CARES Act from the original expiration date of September 30, 2020, to September 30, 2021. In addition to the extension of the CARES Act protections, the Ombudsmen also requested expansion of the relief to include all federal loan borrowers and the streamlining of access to income-driven repayment plans. On August 8, 2020, two days after the Ombudsmen's letter, a presidential Executive Order suspended loan payments on federally held student loans through December 31, 2020. We believe our advocacy on behalf of borrowers in the District and across the country, in collaboration with student loan advocates and regulators in other jurisdictions, made a difference.



Student Loan Servicers

In FY 2020, the Department licensed 45 Student Loan Servicers, 42 of whom were renewals from FY 2019.

Student Loan Complaints

The Department investigates complaints submitted against student loan servicers by District borrowers and provides timely resolutions to issues raised. During FY 2020, the Ombudsman met with 72 District residents to resolve their student loan complaints and issues.

TYPE OF COMPLAINT	NUMBER OF COMPLAINTS
Public Service Loan Forgiveness	21
Repayment Modification	43
Total and Permanent Disability Discharge	2
Wage Garnishment	4
Fraud	2
TOTAL COMPLAINTS	72

As the figures in the chart above illustrate, borrowers chiefly reported problems related to managing student debt repayment and qualifying for Public Service Loan Forgiveness.



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 assists the borrower by engaging the loan servicer or employer and facilitating the steps necessary to come into compliance.

Ombudsman Support

The services and resources provided by the Student Loan Ombudsman to District residents are more important than ever before. Student loan debt has dramatically increased in recent years because of increased 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.⁷ Today, 45 million Americans have student loan debt, making it the second largest class of consumer debt behind mortgages.⁸

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⁷nces.ed.gov/programs/coe/indicator_cha.asp (May 2019)

⁸Board of Governors of the Federal Reserve System (U.S.)

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. The Ombudsman encourages students and families to begin planning for college long before the 11th and 12th grade years to secure the funding necessary to avoid student loans.

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, and 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 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.
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.

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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.**

Additional Tax Benefits for Education

- ▶ **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; and**
- ▶ **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 Ombudsman Outreach

Many District borrowers and aspiring college students do not know who to turn to when they have questions about receiving or repaying student loans or identifying alternative funding sources to plan for college and avoid student loan debt. The Student Loan Ombudsman is a resource that every District resident struggling with student loan debt or postsecondary education can access for assistance and guidance.

During FY 2020, in response to the public health emergency, the Ombudsman pivoted from in-person to virtual meeting platforms to conduct 22 outreach programs attended by 1,400 residents. The Ombudsman shared important information related to identifying and pursuing resources for college funding, Public Service Loan Forgiveness, student loan repayment strategies, options for debt cancellation, and default assistance and loan consolidation options among other topics.

DISB held the first Summer Higher Education Series from July 28, 2020 to August 11, 2020. This series was a three-week virtual program created in collaboration with the DC Tuition Assistance Grant Program, the Education Opportunity Center and a number of regional universities to address the major concerns facing parents and aspiring first-year college students preparing for fall 2020:

1. What will the fall term look like?
2. Financial Aid & Your Student Account; and
3. Being a Successful Virtual Student.

The three-week program was a resounding success with more than 300 engaged participants striving to remain on track for the fall 2020 school year.

The Ombudsman also began holding monthly virtual student debt management workshops in collaboration with Housing Counseling Services for potential first-time homebuyers. The student debt management workshops educate consumers on strategies they can employ to structure and repay their student loan debt. The goal is to improve debt to income ratios and enhance their abilities to qualify for mortgages and ultimately realize their dreams of home-ownership.

Collaboration

The Ombudsman collaborates with District agencies, non-profits, colleges and universities including:

- ▶ **College Bound**
- ▶ **Consumer Financial Protection Bureau**
- ▶ **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**
- ▶ **The Thurgood Marshall College Fund**
- ▶ **United Negro College Fund**
- ▶ **University of the District of Columbia**

In response to the COVID-19 public health emergency, the Ombudsman holds regular virtual 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, and their student loan debt.

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;**
- ▶ **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; and**
- ▶ **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.



Webinars

Student Loan Ombudsman educational webinars are available for review on the following topics:

- ▶ **Sources of college funding;**
- ▶ **Student loan repayment programs;**
- ▶ **Public Service Loan Forgiveness (PSLF) Program;**
- ▶ **Resolution of complaints with student loan servicers;**
- ▶ **Student loan consolidation; and**
- ▶ **Student loan default prevention.**

Visit the Student Loan Ombudsman webinar page at: disb.dc.gov/page/student-loan-ombudsman-webinars.

Information on Student Loan Debt

Federal Student Loan Debt Information

Student loan debt information can be found at studentaid.gov.

Student Loan Ombudsman Office

Department of Insurance, Securities and Banking

1050 First Street NE, Suite 801

Washington, DC 20002

P. 202-727-8000 | E. 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

P. 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

P. 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. You may also contact the Federal Student Aid Ombudsman at 1-877-557-2575 or studentaid.gov/feedback-ombudsman/disputes/prepare.




**DEPARTMENT OF INSURANCE,
SECURITIES AND BANKING**

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 **GOVERNMENT OF THE
DISTRICT OF COLUMBIA
MURIEL BOWSER, MAYOR**