



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

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Commissioner

District of Columbia Student Loan Borrower's Bill of Rights

Effective September 8, 2017, the District of Columbia Department of Insurance, Securities and Banking began licensing student loan servicers operating in the District of Columbia. Pursuant to the Student Loan Ombudsman Establishment and Servicing Regulation Amendment Act of 2016, (D.C. Code § 31-106.01.(c)(10)), DISB is issuing the District of Columbia Student Loan Borrower's Bill of Rights.

Student loan borrowers in the District of Columbia deserve a loan repayment process built on fairness, professionalism, and transparency. This bill of rights sets out the basic principles and protections that borrowers can rely on as they work to reduce their student debt. Beyond that, student loan servicers in the District are expected to uphold these key tenets with respect to all student loan borrowers and each student loan they service.

Every District student loan borrower has the right to:

Article 1: Transparent Pricing and Terms

- *Transparent Rate* – Servicers must comply with the federal Truth-in-Lending Act and its implementing regulations. Disclose the Annual Percentage Rate (APR) as the all-in annualized price of the financing, and the annualized interest rate if one is used.
- *No Hidden Fees* – All upfront and scheduled charges must be disclosed.
- *Plain-English Terms* – All key terms should be described in an easy-to-understand manner, including the loan amount, total amount provided after deducting fees or charges, payment amount and frequency, total monthly payment amount if payment frequency is other than monthly, collateral requirements, and any prepayment charges.
- *Clear Comparison* – All pricing and other key terms should be presented clearly and prominently, in writing, to the borrower when the loan offer or repayment plan is summarized for the borrower.

Article 2: Receive Non-Abusive Products

- *No Debt Traps* – If the borrower is unable to repay an existing loan, servicers should not extend new credit unless due diligence indicates that the borrower's situation has changed, enabling them to repay the new loan.

- *No “Double Dipping”* – Do not double-charge the borrower. When refinancing or modifying a loan with a fixed-fee as the primary financing charge, do not charge fees on the borrower’s outstanding principal unless there is a tangible cost benefit to the borrower.
- *Appropriate Products* – Loan product design should match loan product use. If presenting a loan product as designed for one use, do not encourage borrowing behavior contrary to that use.

Article 3: Fair and Responsible Underwriting

- *Believe in the Borrower* – Offer financing only with high confidence that the borrower can repay its entire debt burden without defaulting or re-borrowing. Repayment plans should be designed to maximize borrower ability to repay in a timely manner.
- *Alignment of Interests* – Servicers and lenders should not make loans that the borrower cannot truly afford, even if the lender or servicer can find a way to be repaid. Servicers should not generate unreasonable profits from late fees, and similar charges.
- *Right-sized Financing* – Size loans to meet the borrower’s need, rather than to maximize the servicer’s revenue. Seek to offer the borrower the size of loan that they need, rather than offering the largest amount they could qualify for.
- *Responsible Credit Reporting* – Report loan repayment information to major credit bureaus and consult credit data when underwriting a loan. Such reporting enables other lenders to responsibly underwrite the borrower and helps the borrower build a credit profile that may facilitate access to more affordable loans in the future. Servicers and lenders should inform the borrower and any guarantors if they intend to report loan repayment performance to guarantors’ credit bureaus only in certain circumstances, such as after a default.

Article 4: Fair Collection Practices

- *Fair Treatment* – Servicers should abide by the spirit of the Fair Debt Collection Practices Act and provide borrowers similar protections as described in that Act. All payments shall be applied to the borrower’s account in accordance with the terms of applicable law or the contract governing servicing.
- *Responsible Oversight* – Diligently vet and oversee the collections practices of third-party collectors and debt buyers. Do not work with collectors or debt buyers who fail to treat borrowers fairly.
- *Accurate Information* – Servicers, lenders and debt collectors shall maintain and communicate accurate, current, and complete information about a borrower’s loan.

Article 5: Quality Customer Service

- *Responsive Complaint Management* – If a complaint is submitted, a confirmation of receipt should be provided in writing, within five days when possible. Every complaint should be researched and resolved in a timely manner.
- *Easy Accessibility* – Servicers should take proactive steps to inform borrowers of relevant organizational changes that could affect loan repayment or consumer interactions with

the servicer, including changes to the servicer's location or contact information, or the transfer of the borrower's account.

- *Non-Discrimination* – Borrowers shall not be discriminated against based on race, color, religion, national origin, sex, marital status, age, sexual orientation or identity, or any other protected classification.

Should you have any questions regarding this matter, please contact the District of Columbia's Student Loan Ombudsman by calling 202-727-8000.