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THE TREASURY, CFPB AND DOE ANNOUNCE STUDENT LOAN INITIATIVES

Building on their September 2015 Joint Statement of Principles on Student Loan Servicing, which sets forth a framework to standardize student loan servicing practices for federal and private student loans, the Department of Treasury, Department of Education ("DOE") and the Consumer Financial Protection Bureau ("CFPB") announced on April 28th a series of initiatives affecting student loans, including developing guidance on how student loans appear on credit reports and new student loan servicing disclosure requirements.

In connection with this announcement, the CFPB issued a Request for Information on draft student loan servicing disclosures that the CFPB calls "Payback Playbooks." The CFPB developed three potential Payback Playbooks that servicers of federal or private student loans would be required to send to borrowers. The Playbooks are designed to assist student loan borrowers when selecting between alternative repayment plans, which will be personalized in a Playbook based on a borrower's information such as income and family size. Playbooks A and B present three personalized repayment options to borrowers: (i) their current repayment arrangement, (ii) one alternative repayment arrangement with an amortizing payment schedule and (iii) one income-driven repayment plan. Each repayment plan option describes the plan, the monthly payment amount and if monthly payments will change overtime. Playbooks A and B are directed toward current borrowers and are identical except for the income information and estimated payment amount under the income-driven repayment plan.

Playbook C discloses a single income-driven repayment plan to the borrower and is designed for borrowers who are at risk of default. A borrower will be considered at risk of default if the borrower misses multiple monthly payments, has not completed a program or study or meets other criteria predictive of future financial distress.

The CFPB is seeking comments on the Payback Playbooks from an array of stakeholders, including, but not limited to, consumers, civil rights' group, institutions of higher education and the financial services industry. Among other things, the CFPB asked about (i) the most effective communication channels for the Playbooks (*e.g.*, periodic loan statements, emails, online payment portals or standalone written communication), (ii) the Playbooks' presentation of the advantages and disadvantages of each repayment option and

(iii) the appropriate audience for the Playbooks (*e.g.*, current borrowers or borrowers at risk of default). Comments are due on June 12th. The DOE plans to review the comments and finalize the disclosure requirements for student loan servicers.

The agencies also announced that they will develop guidance for servicers and lenders on student loan credit reporting. The agencies aim to ensure that student loan repayment activity is reported fairly, consistently and accurately. Other student loan initiatives announced on April 28th include: (i) enrolling more borrowers into income-driven repayment plans; (ii) launching an online resource to help borrowers find the best repayment option; (iii) issuing new standards for student loan servicers to provide accurate and actionable information to borrowers, adhere to minimum customer service standards and hold servicers accountable for fixing errors and resolving problems; (iv) improving student loan counseling for students; and (v) collecting data on student loan repayment to share with other federal agencies.

With the student loan initiative announcement, the agencies refocus on the estimated \$1.3 trillion student loan debt generally instead of private student loans specifically. The agencies believe that income-based repayment plans, increased disclosures to borrowers and minimum servicing requirements are keys to preventing defaults on student loans. □

✧ *Michael Tomkies and Susan Manship Seaman*

Darrell L. Dreher
ddreher@dltlaw.com

Elizabeth L. Anstaett
eanstaett@dltlaw.com

Margaret M. Stolar
mstolar@dltlaw.com

Robin R. De Leo
robin@dreher-la.com

Susan M. Seaman
sseaman@dltlaw.com

2750 HUNTINGTON CENTER
41 S. HIGH STREET
COLUMBUS, OHIO 43215
TELEPHONE: (614) 628-8000 FACSIMILE: (614) 628-1600
WWW.DLTLAW.COM

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Michael C. Tomkies
mtomkies@dltlaw.com

Charles V. Gall
cgall@dltlaw.com

Judith M. Scheiderer
jscheiderer@dltlaw.com

Susan L. Ostrander
sostrander@dltlaw.com

Emily C. Barlage
ebarlage@dltlaw.com