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# CFPB Details Concerns Over Tuition Payment Plan Practices at Higher Education Institutions

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On September 14, 2023, the Consumer Financial Protection Bureau (CFPB) released a **report on financial risks to students associated with school-issued tuition payment plans.** Although the report acknowledges that many tuition payment plans are free of interest, the bureau cautions that inadequate disclosures, opaque product terms and collection practices create the potential for harm to students. The report, which draws its findings from the CFPB's review of payment plan terms from nearly 450 higher education institutions, represents one more step in the bureau's **initiative to examine and oversee institutional lending and servicing practices**.

## Using real-life school examples, the bureau identifies a number of origination and servicing practices it believes put students at financial risk

In its review of actual tuition payment plans offered by higher education institutions, the bureau details and highlights numerous practices it believes create risk of financial harm to students. Specifically, the bureau calls out the following practices:

#### Forced enrollment

The bureau identifies situations where it believes students are forced to enroll in payment plans, such as where alternative financial aid is delayed. This creates, according to the bureau, a situation where the student is held "captive" to the school's payment plan, because the student has already enrolled in the school and is therefore not free to choose among other financing vehicles.

#### Location of disclosures

The bureau finds that material terms and conditions pertaining to tuition payment plans can be strewn across multiple enrollment documents, which makes it difficult for students to understand the full terms of the payment plans. These material terms are not always redisclosed to the student at the time they enter into the payment plan.

#### Late payment penalties

The report concludes that students are assessed significant penalties when they miss payments, noting further that late fees and returned payment fees can be assessed on the same transaction. The bureau raises concerns about penalty default interest rates on otherwise no-interest payment plans.

#### Waivers of rights

The bureau describes a host of payment plans with language requiring the student to give up certain legal rights upon entering into the payment plan – such as a waiver of the right to litigate, discharge the debt or retain counsel, along with forced arbitration.

**Withholding benefits**

Although the bureau has previously warned institutions against withholding transcripts from students who are delinquent on their loans, the bureau says a significant number of schools continue this practice. The bureau also found instances in which schools remove delinquent students from class and withhold other benefits, such as meal plans or housing.

**Marketing**

The bureau cautions schools about positioning payment plans as an alternative to student loans, or describing them as something other than a "loan."

## What to expect?

The CFPB's report goes into great detail about practices of concern, even if it stops short of declaring those practices illegal, unfair, deceptive or abusive. The bureau's report also is heavily footnoted with references to payment plans from specific higher education institutions and is accompanied by a detailed spreadsheet with the list of institutions reviewed – and whether the institution engages in a particular practice identified in the report.

Institutions should review the report, determine if they are specifically highlighted and examine the accompanying data to see how the bureau is characterizing their practices. Institutions also may do well to review the terms of their payment plans – as well as their operations for offering and administering the payment plans – in light of the myriad practices highlighted as concerning to the bureau.



## Key Contacts


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