

Student Loan Servicing Risks Top CFPB Concerns for Servicemembers, Veterans

October 3, 2024

On September 24, 2024, the Consumer Financial Protection Bureau (CFPB) Office of Servicemember Affairs released its 2023 annual report highlighting complaint trends submitted by active-duty servicemembers, veterans and military families. While the report identifies and analyzes complaint trends among servicemembers, the CFPB utilized the report to continue its emphasis on concerns about the student loan servicing space – specifically with respect to call center access and transcript withholding practices.

Student loan servicing and higher education issues heightened for servicemembers due to unique job demands

The report analyzed unique issues concerning student loan servicing and higher education institutions withholding transcripts as particularly challenging for the military community.

In July 2024, the CFPB described how excessive wait times at student loan servicers could constitute an unfair or abusive practice. Picking up this theme, the CFPB's servicemember report found issues for servicemembers and their families regarding attempts to contact their student loan servicers – including reports of long hold times, frequent disconnections and not receiving callbacks. These issues were heightened when servicemembers were stationed overseas in different time zones, and also impacted those who work in secure areas without access to their personal phone. In addition, servicemember complaints suggested that online servicer self-help tools did not provide the assistance sought. For example, servicemembers complained that they could not update information related to their income-driven repayment plans (IDRs), which provide eligible servicemembers the opportunity to reduce their monthly payments based on their income and family size.

The CFPB's report also raised an issue with the practice of institutions withholding transcripts –an issue the CFPB has criticized for more than two years and determined to be potentially abusive. The report states that transcript withholding can impact a servicemember's ability to receive a promotion, participate in certain programs or pursue additional educational opportunities. For servicemembers in the process of transitioning off of active duty, not being able to provide a copy of an official transcript may impact their ability to find a new job in the civilian sector.

Looking ahead

To address the issues raised in the report, the CFPB recommends that student loan servicers and educational institutions:

- Consider ways to streamline and automatically apply payment options and forgiveness programs for eligible servicemembers and veterans.
- Ensure online tools are reliably accessible and can meet servicemembers' unique needs.
- Offer additional protections to ensure that transcript withholding does not negatively impact military families.

Although issues about student loan servicing made up just a fraction of servicemember complaints submitted to the CFPB, the CFPB's focus on student loan servicer practices in the report suggests that it will continue scrutinizing the practices not only of stand-alone servicers, but also the servicing practices of institutional servicing operations.

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