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NAFCU | Your Direct Connection to Advocacy, Education & Compliance

June 10, 2016

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

RE: Response to Request for Information regarding Student Loan Borrower Communications

Dear Ms. Jackson:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally insured credit unions, I am writing to you regarding the request for input on the communications from Student Loan Servicers to Student Loan Borrowers. *See* 81 FR 26529 (May 3, 2016). CFPB recently released the student loan "Payback Playbook", a set of prototype disclosures intended to highlight a path towards affordable repayment for student loan borrowers. NAFCU understands that the Payback Playbook would be made available to borrowers with federal student loans on their monthly bills, in regular email communications from their student loan servicers, or when they log into their student loan accounts. NAFCU appreciates the Consumer Financial Protection Bureau's (CFPB) initiative to study the student lending and student loan servicing market to ensure that our nation's students have informed and transparent access to financial services and resources. However, NAFCU believes that since the private student lending market is fundamentally different from the federal student loan servicing market, the application of a similar "Payback Playbook" model from private lenders would not appropriately educate consumers about the best repayment plans and options available.

General Comments

On March 10, 2015, the President signed a Presidential Memorandum titled the "Student Aid Bill of Rights," which directed the CFPB along with other executive agencies to take a number of steps to improve student loan borrowers' experience in repayment, with a focus on improving student loan servicing. The memorandum requires the agencies to issue a report to the President "after assessing the potential applicability of consumer protections in the mortgage and credit card markets to student loans, [on] recommendations for statutory or regulatory changes in this area, including, where appropriate, strong servicing standards." *See* 80 FR 13475 (Mar. 10, 2015). NAFCU and our members support the CFPB's efforts to provide better information to students, such as its "Know Before You Owe: Student Loans Project" that seeks to provide student borrowers more information prior to taking out a loan. In general, NAFCU believes that students should have access to transparent information about a variety of safe and vital financial services, specifically student loans to pay for their education. However, premature regulations on student lenders and student loan services may negatively harm the ability of well-regulated credit unions to serve this important student demographic.

The Bureau estimates that about a quarter of student loan borrowers are either delinquent or in default. *See* 81 FR 26530. However, as of December 2015, the Call Report data collected by the National Credit Union Administration (NCUA) indicates that only 1.2% of all student loans originated by federally insured credit unions were delinquent. As credit unions are proven responsible actors in the student lending market, NAFCU would urge the Bureau to exempt credit unions from any future rulemakings in the student lending market.

Private Student Loan Servicers Should Be Treated Differently Than Federal Servicers

While NAFCU supports the CFPB's acute attention to this market, NAFCU and our members would caution the Bureau against adopting a similar "Student Loan Payback Playbook," for private student lenders. We believe that such a move would have the unintended consequence of confusing student borrowers and reducing access to credit for student borrowers. Unlike the federal student loan market, the private student lending market is much more dynamic in the types of repayment plans and options, especially if the student has loans from multiple lenders. A similar simplified "Payback Playbook" may require servicers to present student repayment options that actually are not in the individual student's best interest and may omit options such as debt consolidation.

As the Bureau acknowledges, with the costs of tuition at the highest level in history, student loans are much larger than in the past. This makes access to credit for students that much more vital, but it also increases the risk that financial institutions must incur to make student loans. NAFCU cautions the CFPB against proposing any drastic regulations in this market that could have the unintended consequence of increasing the regulatory burden for credit unions and thereby reducing student borrowers' access to lower-cost credit from safe and reliable credit unions.

Credit Unions Have a Strong Track Record of Providing Sound Student Loans

As not-for-profit, member-focused financial institutions, credit unions are uniquely situated to meet the needs of student consumers, since credit unions have a long track record of providing exemplary financial services with low fees and competitive rates. The structure of credit unions allows each institution to pass their earnings directly to their student members – not stockholders – in the form of lower interest rates and fees, particularly on private student loans. NAFCU would urge that in any potential rulemaking the CFPB first consider the unique business model of credit unions as member-owned cooperatives. In the CFPB's annual report from 2013 and 2014, the Bureau does not cite any credit unions among problematic student lenders illustrating the fact that credit unions have strong relationship with their members throughout the lending process. Credit unions are more likely to work with those borrowers that have financial difficulties to find a solution that works for them, which leads to credit unions in general having much lower default and delinquency rates than most other private student lenders.

Conclusion

NAFCU appreciates the opportunity to share our thoughts on how the CFPB can improve the transparency and efficiency of the student loan servicing market. As the Bureau continues its study of the student loan servicing market, NAFCU and our members hope to be a resource for CFPB staff to share our insights and experiences in the student lending markets. Should you have any questions or concern, or if you would like to discuss this issue further, please feel free to contact me at amonterrubio@nafcu.org or (703) 842-2212.

Sincerely,

Alexander Monterrubio
Director of Regulatory Affairs