

California Department of
Financial Protection and Innovation

Annual Report of the Student Loan Ombudsman for 2023

As Required by the California Student Borrower
Bill of Rights Cal. Civ. Code § 1788.104(g)(6)

PROTECTING CONSUMERS
FOSTERING TRUST & INNOVATION

DFPI 
DEPARTMENT OF FINANCIAL
PROTECTION & INNOVATION



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PROTECTION & INNOVATION

Published August 2024

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August 2024

The Department of Financial Protection and Innovation (DFPI) is pleased to publish its 2023 Annual Report of the Student Loan Ombudsman, as required by Chapter 4 of the California Student Borrower Bill of Rights (Cal. Civ. Code section 1788.104). In 2020, Governor Gavin Newsom signed Assembly Bill 376, also known as the California Student Borrower Bill of Rights (Student Borrower Bill of Rights), into law.

The Student Borrower Bill of Rights established extensive protections and rights for Californians with student loans, as well as the Student Loan Servicing Ombudsperson (Ombudsperson) position within the DFPI. This report covers all DFPI activity coordinated by the Ombudsperson in the calendar year reporting cycle, January 1, 2023, through December 31, 2023, with information about student loan complaints, borrower inquiries, and other DFPI oversight activities. The report also includes information about the ongoing Back on Track campaign, including education and outreach activity of the Ombudsperson.

In 2023, the Ombudsperson and DFPI continued supporting borrowers through the many transitions, by working with them directly to help them resolve issues with their loans, student loan servicers, and Federal Student Aid (FSA) which is a division of the U.S Department of Education (ED). The Ombudsperson and DFPI continued conducting strategic education and outreach throughout the State of California. The Ombudsperson continued collaborating with other state agencies and federal regulators, including ED, to monitor updates, share information, and explore ways to better serve and protect Californians. The Ombudsperson continued establishing partnerships to promote the DFPI, Ombudsperson Office, and the new Student Loan Empowerment Network (SLE Network).

I hope you find the report informative and useful. Please do not hesitate to contact KC Mohseni, Chief Deputy Commissioner, with questions or concerns. The report can also be found on the [DFPI website](#).



Sincerely,

Clothilde V. Hewlett, Commissioner

Department of Financial Protection and Innovation

Executive Summary

After nearly four years of a federal student loan payment pause, millions of borrowers resumed student loan payments in the Fall of 2023. These borrowers faced daunting challenges in returning to repayment as millions were transferred to new student loan servicers during the payment pause, causing changes or discrepancies to their accounts, payment plans, and monthly payment amounts. Many borrowers left school during the payment pause and were entering repayment for the first time. Moreover, many borrowers reported they were simply not financially prepared to start repayment.

To alleviate some of the burden, ED announced a new Income-Driven Repayment (IDR) plan, the Saving on a Valuable Education (SAVE) plan. SAVE was promoted as the most affordable repayment plan and was available to borrowers with Direct loans, except those made to parent borrowers. Additionally, ED announced

the temporary on-ramp period from October 1, 2023, through September 30, 2024, which would prevent the worst consequences of missed, late, or partial payments, including negative credit reporting for delinquent payments for those who didn't immediately make payments.

Currently, there are approximately 4 million Californians who hold \$148 billion in federal student loan debt. Most of the debt in California is held by borrowers ages 35-49 years of age. However, there are approximately 800,000 Californians 50 years or older that hold \$35 billion in student loan debt. In November 2023, ED released nationwide data that revealed that more than half of the 1.48 million borrowers, aged 62 and older have loans more than 15 years old and that one in three is currently in default. This means that this vulnerable age group, which may be more financially insecure, is struggling to manage their debt and the longer they

hold the debt the higher risk of default they have. Current federal initiatives, the One-Time IDR Adjustment and Fresh Start programs, were created to help these borrowers. However, many borrowers are confused about or unaware of these programs.

Another borrower group which continues to be left out of current initiatives are Direct Parent Plus borrowers who take out federal loans for their children's undergraduate education. Parent Plus debt has continued to rise and nationwide there are almost 4 million borrowers with \$109 billion in Parent Plus loans. These loans have higher interest rates, no annual or aggregate limits, qualify for the least affordable IDR plans, and are ineligible for the new SAVE plan. In the past decade, more low-income families, especially Black and Latino/a parents, are disproportionately taking out Parent Plus loans to fund their children's education.

In 2022, the Ombudsperson formalized a student loan referral process with the Department of Justice and the Bureau of Private Postsecondary Education (BPPE) Office of Student Aid Relief (OSAR), as required by AB 376. In 2023, the Ombudsperson and the DFPI have continued to collaborate with both agencies to increase the effectiveness of the complaint process.

The annual report and data presented in this publication are unaudited and cover the Ombudsperson activities in the calen-

dar year reporting cycle, January 1, 2023, through December 31, 2023.

2023 Highlights

- The Ombudsperson facilitated more than \$1.39 million in borrower-reported Public Service Loan Forgiveness (PSLF).
- The Ombudsperson facilitated more than \$120,000 in other categories of borrower-reported federal student loan forgiveness.
- The DFPI Consumer Services Office (CSO) received 221 complaints related to student loan servicers, a 29 percent increase from 2022.
- The Office of Public Affairs participated in 41 student loan workshops, webinars, and conferences.
- The DFPI's Back on Track statewide communications campaign generated over 153 million impressions and 555,000 website visits through the Back on Track Campaign since the launch in 2022.
- The Office of Public Affairs launched the Student Loan Empowerment Project grant program.

The Student Borrower Bill of Rights

The Student Borrower Bill of Rights requires that servicers work in the best financial interest of borrowers and requires that they provide accurate information to borrowers about their repayment and forgiveness options. Additionally, it requires servicers to post, process, and credit student loan payments within certain timeframes, apply overpayments consistent with the best financial interest of the borrower, apply partial payments to minimize late fees and negative credit reporting, maintain records, timely process paperwork, and diligently oversee any service providers. The Student Borrower Bill of Rights provides a private right of action so borrowers can sue a servicer to recover or obtain actual damages, restitution, punitive damages, and attorney's fees for violations.

About the DFPI

The Department of Financial Protection and Innovation protects consumers, regulates financial services, and fosters responsible innovation. DFPI protects consumers and fosters trust by regulating companies and individuals offering financial products and services, including student loan-related products and services.

Under the [Student Loan Servicing Act](#) (SLSA), the DFPI has held licensing authority over certain student loan servicers

since 2016. To build on SLSA, in 2019, Assemblymember Mark Stone introduced Assembly Bill 376, the [California Student Borrower Bill of Rights](#). The Student Borrower Bill of Rights created a comprehensive legal framework with clear rules of the road for student loan servicers operating in California. Governor Newsom signed the Student Borrower Bill of Rights on September 25, 2020, and the law became effective on January 1, 2021. It is one of the most significant and strongest borrower protections in the nation.

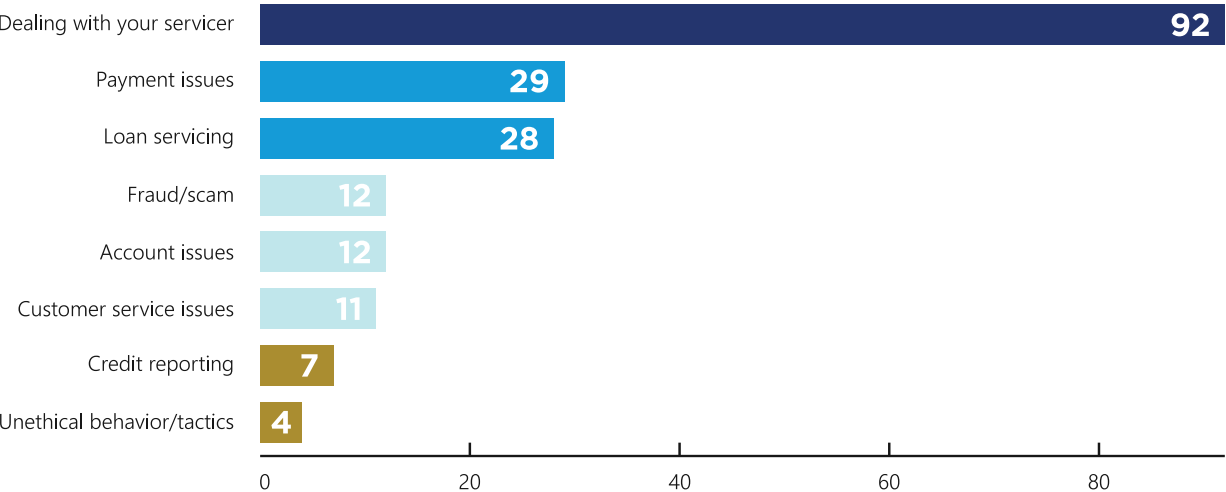
Chapter 4 of the Student Borrower Bill of Rights establishes the role of the Student Loan Servicing Ombudsperson (Ombudsperson) to work within the DFPI. The Ombudsperson works with different programs within the DFPI, including the Student Loan Servicing program, Consumer Services Office, Public Affairs, Legal, and Enforcement divisions to continue support for Californians navigating the ongoing policy developments in the student loan space.

The Ombudsperson meets routinely with Federal Student Aid, a division of ED, and state regulators to discuss policy changes, borrower trends, state initiatives, and obtain guidance and support from federal officials. The Ombudsperson monitors borrower complaints received and referred from Consumer Services Office (CSO) and serves as a liaison between CSO and student loan servicers as needed. This is the second year the Ombudsperson has occupied this role.

Student Loan Borrower Complaints

In August 2023, the DFPI launched a new complaint portal to improve how consumers report complaints and how the DFPI tracks complaint data. The new portal captures product type, complaint type, age of the affected party and whether the affected party is a military servicemember. The 2023 Annual Report of the Student Loan Ombudsman discontinues previously reported complaint types and uses the new reporting structure¹.

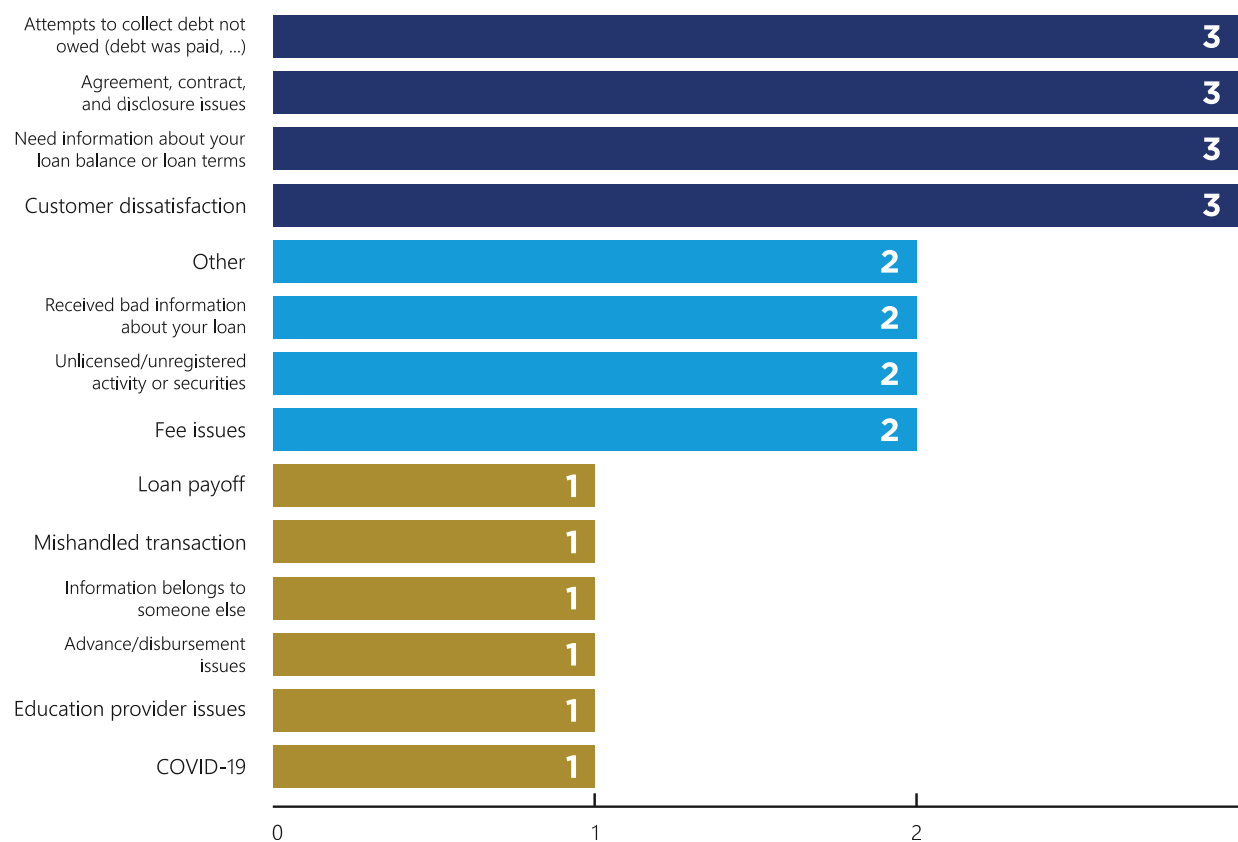
2023 Complaint Types



¹Product type and complaint (sub)types are subject to change as needs are identified.

Inconsistencies between some counts and percentages among the data included in the report are due to rounding.

2023 Complaint Types (continued from page 5)



In 2023, the DFPI received 221² complaints related to student loan servicers, a 29 percent increase from 2022. Of the 221 complaints, 41.6 percent were complaints related to “Dealing with your Servicer,” 13.1 percent were related to “Payment Issues,” and 12.7 percent were related to “Loan Servicing”.

In this analysis, “Dealing with your Servicer” refers to complaints “centered around the servicer’s actions or handling of the loan(s) or the quality of service provided to the borrower”. Of the 92 complaints categorized as “Dealing with your Servicer,” 38 percent of those were related

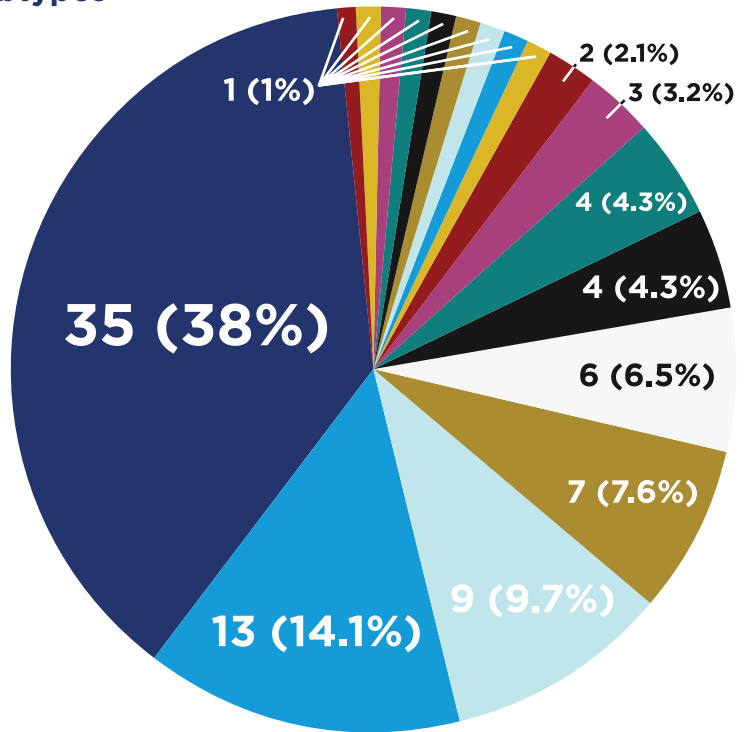
to the servicer not properly maintaining account records and 14.1 percent were related to the servicer not processing paperwork in a timely manner.

“Payment Issues” refers to issues “around financial hardship such as loss of income, reduced ability to repay, or financial hardship experienced by the borrower.” For this report, this extends to complications that arise during financial transactions such as debited funds early, overpayments, incorrect accounts, and fees. Of the 29 complaints categorized as “Payment Issues,” 79.3 percent of those were related to how payments were handled.

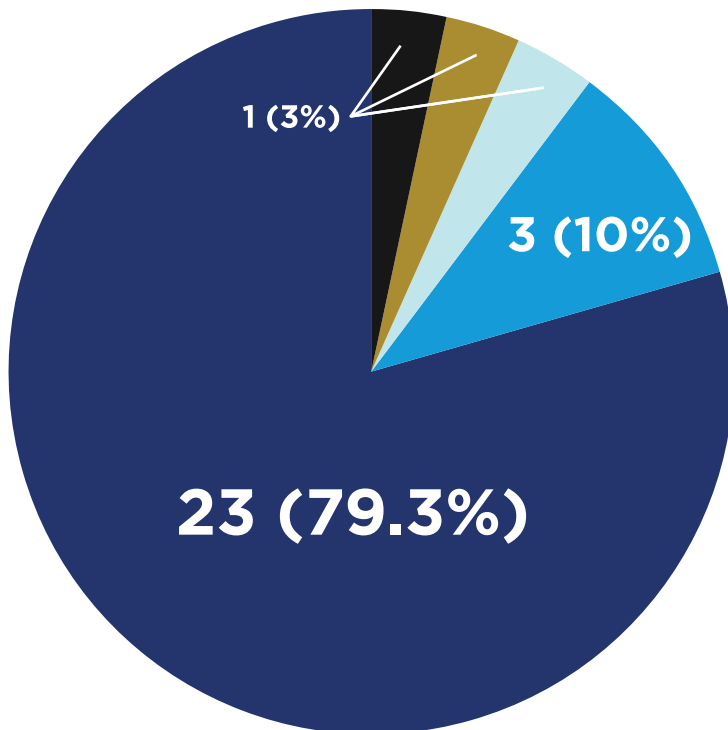
²A total of 99 complaints received through the legacy system were manually coded for a Complaint Type utilizing new system Complaint Type categories. Complaint types reported in this section are subject to change in the 2024 report.

Dealing With Your Servicer Subtypes

- Servicer did not properly maintain my student loan account records
- Servicer does not process paperwork in a timely manner
- Servicer is not responding to my requests or will not work with me
- Servicer provided incorrect information
- Servicer did not give me military/public service/disability benefits I am owed
- Servicer put my loan in the wrong repayment plan



Payment Issues Subtypes



- How payments are being handled
- Can't decrease my monthly payments
- Incorrect information on credit report
- Can't get flexible payment options
- Inaccurate, incomplete, or incorrect information



Other reported payment issues included being unable to decrease monthly payments, incorrect information on a credit report, being unable to secure flexible payments, and inaccurate, incomplete, or incorrect information.

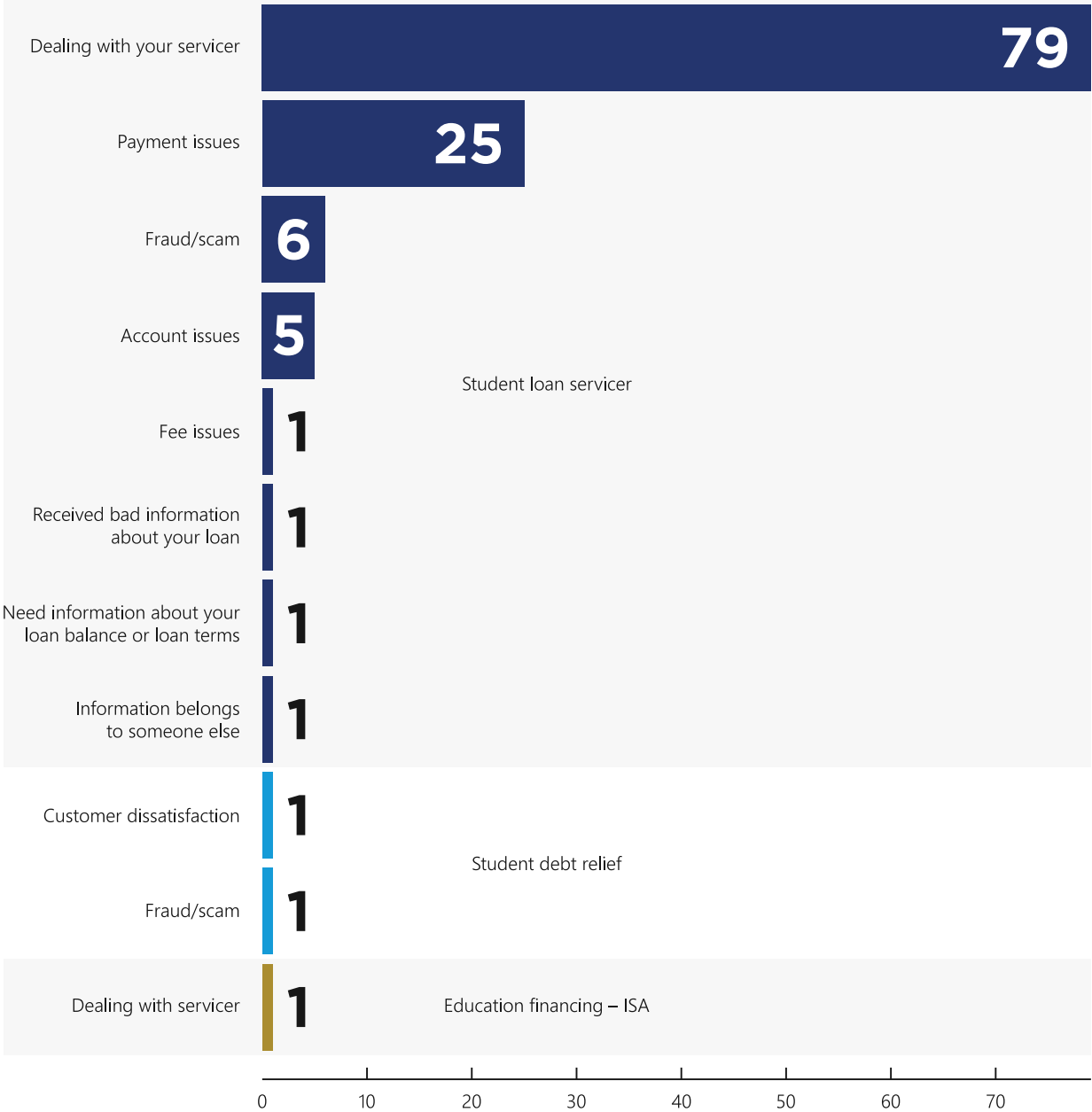
“Loan Servicing” refers to specific actions processed such as deferments and forbearances, late payments, loan transfers, debt consolidation, etc. Of the 28 complaints categorized as “Loan Servicing”, 53.6 percent were “servicer did not give me military/public service/disability benefits I am owed”. Other loan servicing issues includes repayment terms and inaccurate statements.

Product Types

With the implementation of DFPI’s new complaint portal in August 2023, DFPI now identifies the Product Type related to the complaint during business processing. Of the 122 complaints regarding student loan-related product types received through the new complaint portal, 119 complaints were related to Student Loan Servicer products, with 79 of those complaints focused on aspects of dealing with the servicer itself, and another 25 related to payment issues.

As new products type categories are added to the system for business processing needs, future reports may reflect new product type categories.

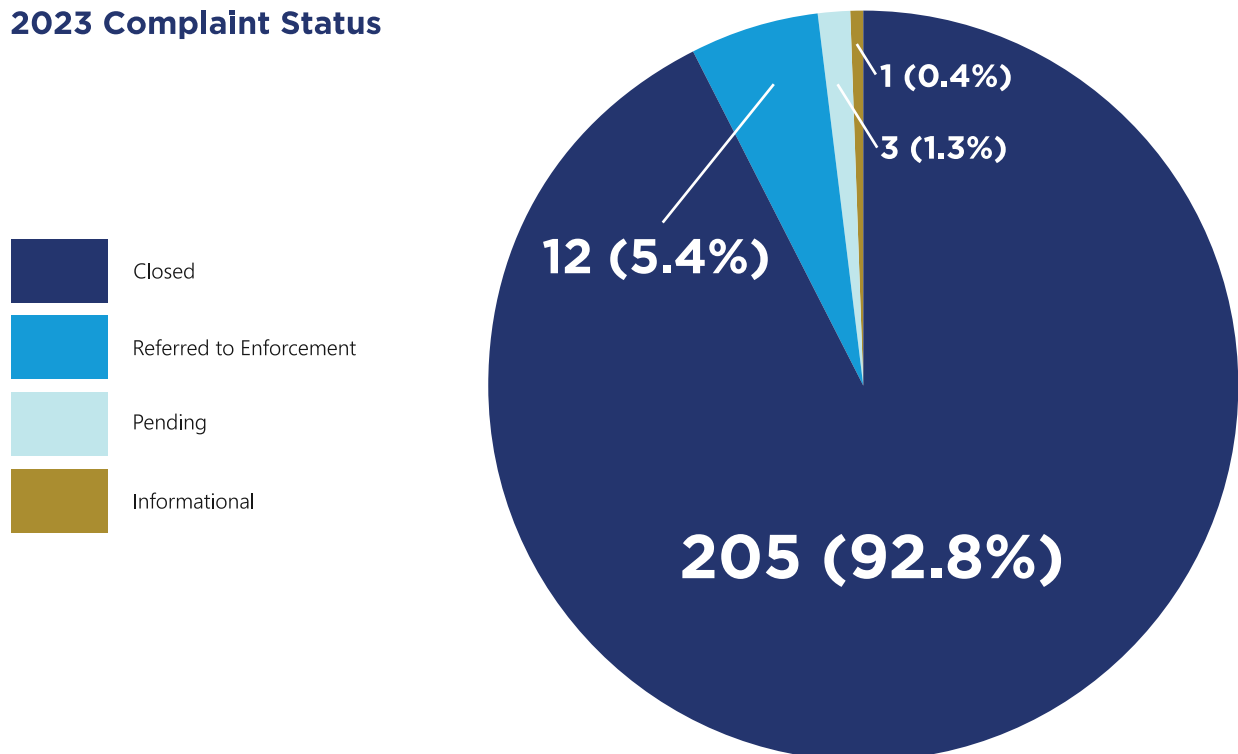
Product Types and Complaint Types



Complaint Outcomes

Of the 221 complaints in 2023, 92.8 percent (205) were closed, and 5.4 percent (12) were referred to the Enforcement Division. The remaining complaints were pending a response from the subject of the complaint, the consumer, or in an internal review as of December 31, 2023. Compared to 2022, there was a 47 percent increase in closed complaints, a 52 percent decrease in the number of cases referred to enforcement, and pending complaints decreased by 57 percent. Closed and abandoned complaints decreased by 94 percent. Positive outcomes can be attributed to the Federal Student Aid (FSA) Ombuds Office and FSA's vendor oversight guidelines, updated in December 2022, that eliminated the need for federal authorization forms allowing the DFPI to process more complaints, improve complaint processes, and make system enhancements.

2023 Complaint Status



The Closed category includes: Closed – Resolved, Closed – After Preliminary, Closed – Abandoned, Closed – Referred to Another Agency, Closed, Closed – Third Party Complaint, and Closed – No Action.

The Pending category includes: Pending – Rebuttal Response, Pending – Response from within DFPI, and Pending – Response from Subject.

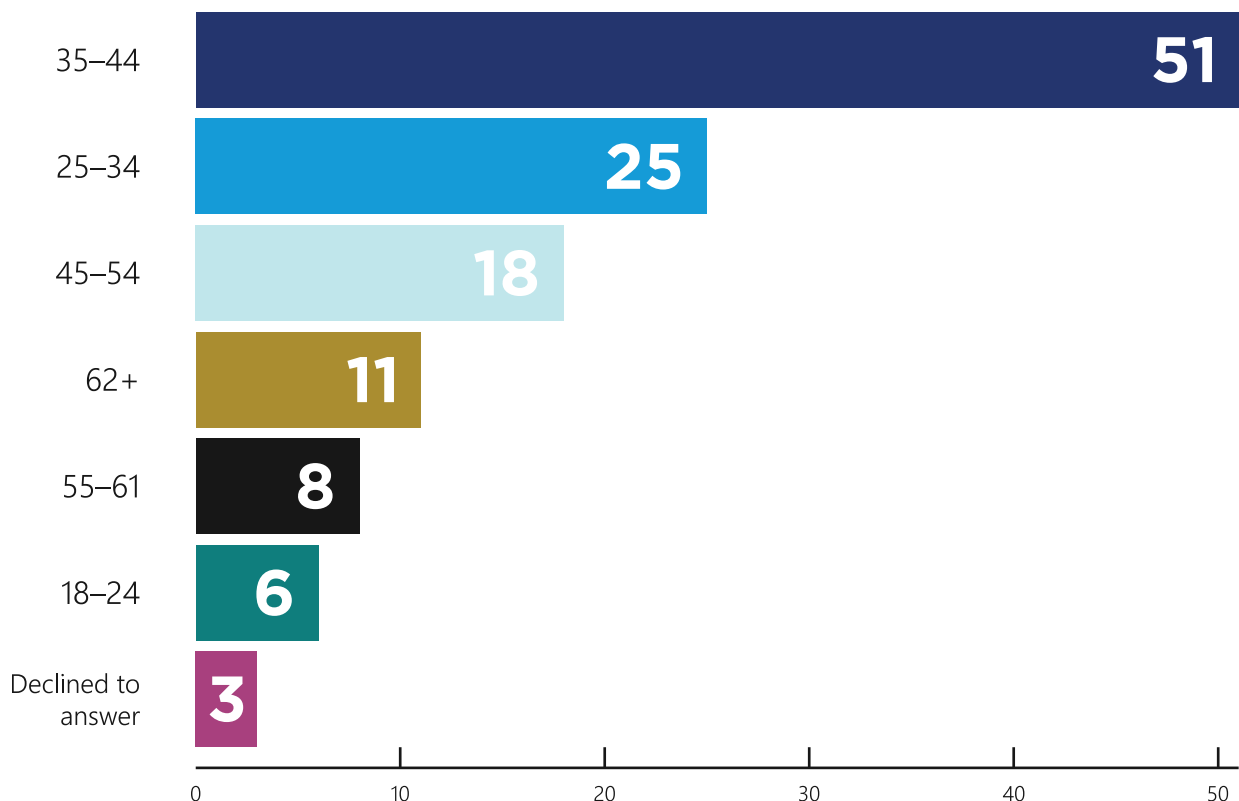
Organizations

Of the 221 complaints received by DFPI, 80.5 percent (178) pertained to five organizations. The Missouri Higher Education Loan Authority (MOHELA) accounted for 37.1 percent of complaints and Nelnet Servicing, LLC, accounted for 18.1 percent. Eight complainants had between 2 and 7 complaints, while 14 complainants had 1 complaint each. One complainant had a non-applicable subject. The top three complaint types for MOHELA related to dealing with the servicer, loan servicing, and payment issues. The top three complaint types for Nelnet Servicing, LLC related to dealing with the servicer, payment issues, account issues, and credit reporting.

Age of Affected Party

Of the 122 complaints submitted through the new portal since August 2023 51 of the affected parties were between 35-44 years old and 25 were between 25-34 years old. This aligns with previously reported findings by the Federal Student Loan Portfolio (Office of Federal Student Aid, 2024)³.

Age of Affected Party



³The office of Federal Student Aid. (2023). *Income-Driven Portfolio by Age*. Enterprise Data Warehouse.

Military Servicemembers

With the new portal launch in 2023, the DFPI now collects information about a complainant's military affiliation, whether they were on active duty, and their military branch, to gain deeper insights into military servicemembers experiences. Only four complainants were military servicemembers. None of the four complainants reported military branch.

Student Loan Borrower Inquiries

In addition to formal complaints received and processed by the Consumer Services Office, the Ombudsperson also engages with Californians by responding to questions about student loans, student loan forgiveness programs, repayment plans, and new initiatives. In 2023, the Ombudsperson processed a total of 634 borrower inquiries from 625 unique borrowers, representing a 42 percent decrease in inquiries and a 36 percent decrease in unique borrowers from 2022. Inquiries containing multiple questions or inquiry types were treated as separate inquiries in the graph below. Twenty-two percent (137) of inquiries received were regarding the Public Service Loan (PSLF) program and 14 percent (91) were general inquiries.

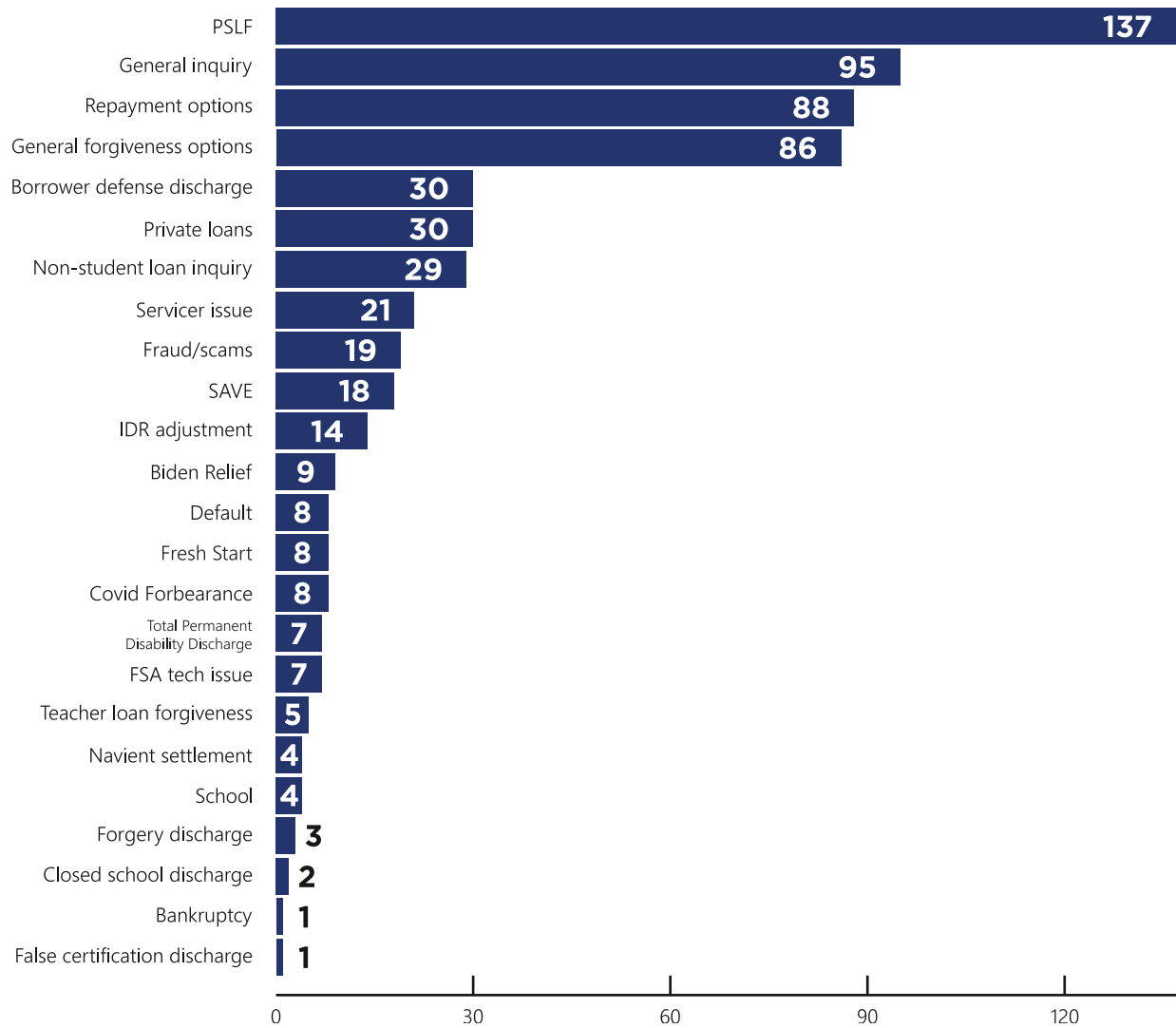
Approximately one third of inquiries (224) were related to relief and forgiveness pro-

grams, such as the PSLF, Borrower Defense Discharge, and Biden Administration relief programs. Only new inquiries are reported. The Ombudsperson also fielded numerous follow-up contacts from initial inquiries that were received in 2022.

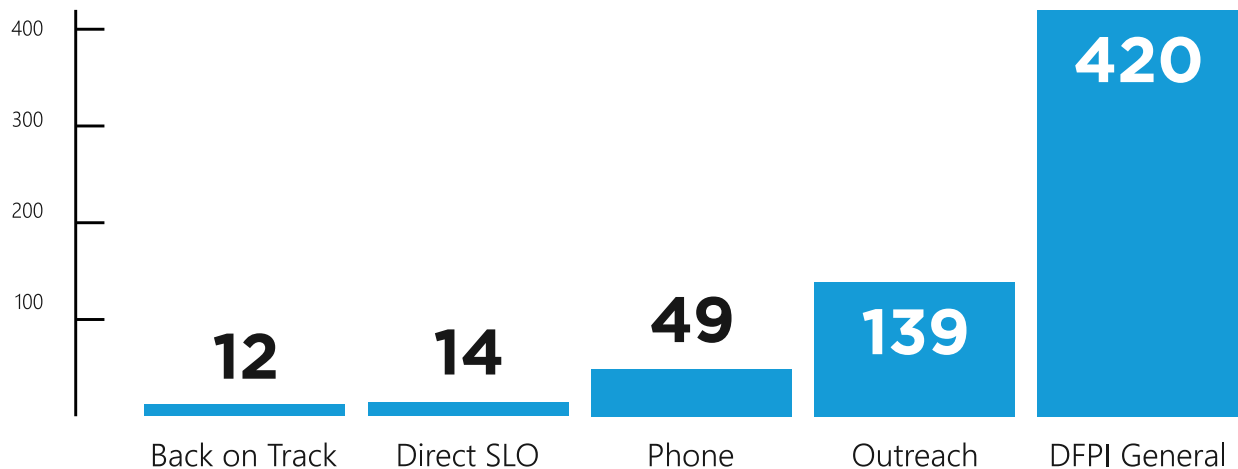
Inquiry Contact Method

Most of the 2023 inquiries came from DFPI's Back on Track webpage or the Ombudsperson email inbox. Other inquiries included the DFPI Outreach email inbox, DFPI Public Affairs email inbox, DFPI Consumer Services Office email inbox, and telephone calls.

Inquiry Types



Inquiry Contact Method



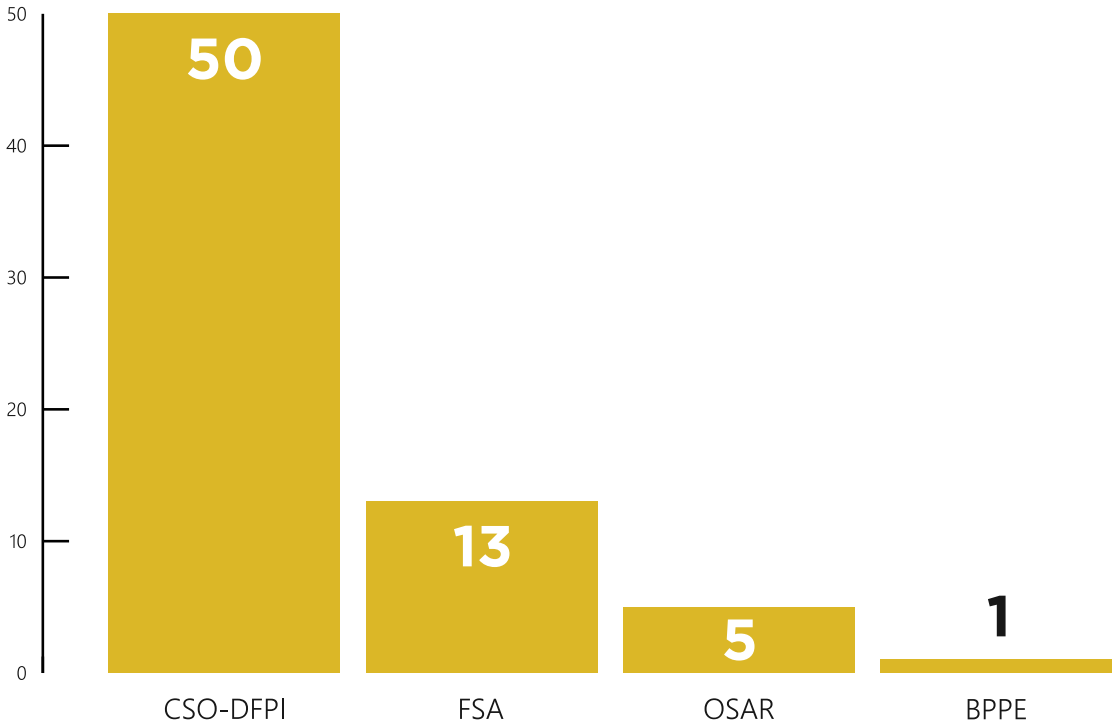
Referred Inquiries

While most inquiries received were answered directly by the Ombudsperson, some were referred to either DFPI’s Consumer Services Office (CSO) or another agency for formal complaint filing or resolution. Of the 634 borrower inquiries in 2023, 68 were referred out. Of those, 49 were referred internally to CSO for suspected servicer or school violations and for consumers to obtain account/loan information, 13 to Federal Student Aid (FSA) for student financial assistance, five to Office of Student Assistance and Relief (OSAR) for Student Loan Recovery and transcripts or veteran services, and one to the Bureau of Private and Postsecondary Education (BPPE)’s Investigations Unit for a private institution complaint⁴.

In addition to tracking inquiries and complaints, the Ombudsperson began tracking self-reported forgiveness from borrowers. In 2023, the Ombudsperson facilitated \$1.39 million (12 individuals) in loan forgiveness through the Public Service Loan Forgiveness (PSLF) program and more than \$120,000 (2 individuals) in loan forgiveness through qualification under the Total/Permanent Disability (TPD) program and Income-Driven Repayment (IDR) plans.

Approximately one third of inquiries (224) were related to relief and forgiveness programs, such as the PSLF, Borrower Defense Discharge, and Biden Administration relief programs. Only new inquiries are reported. The Ombudsperson also fielded numerous follow-up contacts from initial inquiries that were received in 2022.

Referred Inquiries



⁴OSAR and BPPE are reported separately to highlight consumer assistance needs.

Back on Track Campaign

In August 2022, the DFPI launched the Back on Track statewide communications campaign which was funded by a one-time appropriation of \$2.75 million in the 2022-2023 California state budget. The campaign was executed in three phases and consisted of messaging related to DPFI resources, federal repayment restart, the Biden Administration One-Time Debt Relief program, Public Service Loan Forgiveness waiver program, and student debt relief scams. The campaign included resources in English and Spanish.

During the past two years, student loan borrowers have experienced unprecedented regulatory changes, uncertainties, and challenges within the federal loan landscape. In August 2022, ED announced the Biden Administration's One-Time Debt Relief of up to \$20,000 for certain borrowers. After the relief announcement, 26 million borrowers submitted applications for debt relief. However,

in June 2023, the U.S. Supreme Court blocked the debt relief initiative delivering a staggering blow to millions who were counting on the debt relief. Additionally, ED announced the end of the COVID-19 emergency payment pause.

Following the announcement of the U.S. Supreme Court to block the Biden Administration One-Time Debt Relief program and the final payment pause extension, the campaign relaunched. The campaign focused on contextual targeting to capture people engaged in the topic and to lookalike audiences, an industry term that describes a customized advertising audience that can be used to reach people that are similar to current customers. The goal was to educate student borrowers about the new payment restart deadline, payment options (including SAVE), resources, and their right to file complaints against their servicers.

Curious about the new Saving on a Valuable Education (SAVE) Plan?

We're here to help.

BACK ON TRACK

DFPI.CA.gov/BackOnTrack



Take control of your student loans!

Repayment begins October 1st.

BACK ON TRACK

DFPI.CA.gov/BackOnTrack



Confused about repayment plan options?

DFPI can help!

BACK ON TRACK

DFPI.CA.gov/BackOnTrack



 **Meta**

A new strategy employed in the campaign was to use social media influencers to engage new audiences on Instagram and TikTok. The influencer campaign consisted of nine micro- and macro-influencers that shared DFPI content in a digestible and relatable manner. The campaign included a thorough vetting process which included using influencer management tools to research potential influencers and ensure that their audience aligned with the campaign’s target audience and geographical area. Once contracted, the Ombudsperson and Public Affairs Division worked closely with the contractor to ensure that influencer messages were accurate and consistent. Click the social media handles on the right to view examples.

Some of the key campaign messages included:

- **DFPI is Here to Help:** DFPI is the consumer watchdog for Californians with student loans. Our job is to help Californians like you take the stress out of student loans and to help you find the support and info you need, quickly and simply. Whether you need to stay on track or get back on it, we’ve got knowledge and expertise that can help.
- **Get #BackonTrack:** Know Your LOAN, Know Your RIGHTS, Know Your OPTIONS.

The influencer campaign was remarkably successful in reaching its targeted audi-

Content Creators



@60secondscholar



@angelicasong



@chicanoeats



@gradlifegrind



@johnsfinancetips



@kevinlangue



@scott.frenzel



@tawnyaschultz



ence and increasing awareness of DFPI’s resources and current federal student loan initiatives.

Key highlights of the influencer campaign included:

- 1,239,819 Total TikTok and Instagram views
- 86,040 Video Views/Impressions

The campaign concluded in September 2023, and since the launch in 2022, generated more than 153 million impressions and 771,000 clicks. Digital advertising from this campaign generated more than 555,000 website visits and drew significant engagement, with nearly 56,000 users seeking out additional website content beyond the initial landing page.

Student Loan Outreach

Targeted Outreach

In 2023, the DFPI Targeted Outreach Team continued their efforts to reach Californians with student loans. Those efforts were expanded through new partnerships and strengthening current partnerships with external partners, nonprofit organizations, and advocacy organizations. To enhance those efforts, DFPI hired a Partnerships Manager to focus on developing partnerships and events with community-based organizations. The Partnerships

Manager works in the Office of Public Affairs in tandem with the Ombudsper-son and the Targeted Outreach Team to support the Back on Track campaign.

In March 2023, the DFPI partnered with Federal Student Aid (FSA) and Bureau of Private Postsecondary Education (BPPE) Office of Student Aid Relief (OSAR), to conduct its first 2023 student loan worksh-ops. The DFPI offered four workshops on the return to repayment and PSLF.

Targeted Outreach Workshops		
Workshop Date	Workshop Title	Attendance
March 3	Student Loan Forgiveness: Borrower Defense, Closed School Discharge, and California Pathways for Relief	95

Targeted Outreach Workshops

Workshop Date	Workshop Title	Attendance
April 19	How To Pay for College	31
June 6	Student Loans: About Public Service Loan Forgiveness, Income-Driven Repayment and Fresh Start Webinar	70
December 6	Understanding the Public Service Loan Forgiveness Program	187

In August 2023, the Ombudsperson presented at the California Business, Consumer Services and Housing Agency’s Townhall Meeting to discuss DFPI priorities, outreach efforts, and ongoing partnerships and initiatives of the Ombudsperson Office.

Legislative Webinars

Building on the partnership with the Student Debt Crisis Center (SDCC), and Student Borrower Protection Center (SBPC) that began in 2022, the DFPI continued its participation in four Legislative webinars to inform Californians and prepare them for repayment restart. In October, the Ombudsperson participated in an in-person student loan workshop at the California State Capitol in Sacramento.

Legislative Webinars

Webinar Date	Webinar Title	Attendance
August 9	Student Loan Webinar – Assemblymember Pacheco (AD64)	195
August 22	Student Loan Webinar – Senator Monique Limón (SD19)	349
October 17	Student Loan Workshop – California State Capitol	40
December 6	Student Loan Workshop – Speaker of the Assembly Robert Rivas (AD29)	150

Ombudsperson Outreach

One of the most successful outreach campaigns of 2023 resulted from a partnership between the DFPI and The Institute of Student Loan Advisors (TISLA). TISLA is a nonprofit advocacy organization that provides free student loan assistance to borrowers nationwide and has been a partner to the Ombudsperson since the creation of the DFPI’s student loan program. Through a grant provided to TISLA by the Rose Foundation, DFPI hosted a five-webinar student loan series starting in July 2023. Additional webinars are expected in 2024. The webinars are posted on the [DFPI YouTube channel](#) and have had more than 7,000 total views.

TISLA Webinars		
Webinar Date	Webinar Title	Attendance
July 12	Understanding the One-time IDR Adjustment	105
August 16	Preparing for the Restart of Student Loan Payments	109
September 13	Managing Defaulted Student Loans and Taking Advantage of the Fresh Start Program	234
October 18	Understanding the Public Service Loan Forgiveness (PSLF)	2179
November 15	Understanding Your Rights as a Student Loan Borrower	105

In partnership with other state and local organizations, the Ombudsperson participated in the following outreach events for current and prospective borrowers. These events were conducted virtually and in-person.

Ombudsperson Outreach Events			
Event Date	Event Title	Event Host	Event Type
February 4	Steps To College Fair Bilingual & Binational University Fair	Consulate General of Mexico & CSAC	In-person

Ombudsperson Outreach Events

Event Date	Event Title	Event Host	Event Type
February 23	Student Loan Debt Crisis: 2023 Updates	Los Angeles County Center for Financial Empowerment	Webinar
March 1	Paying For College – Spanish	Barrio Logan College Institute (BLCI)	In-person
March 2	Paying For College – English	Barrio Logan College Institute (BLCI)	Webinar
April 3	Student Loan Literacy – Parent University	San Jose SOAP	Webinar
May 23	Strategies for Paying for College and Staying Debt Free – English & Spanish	San Diego Office of Child & Youth Success	In-person
June 15	Paying for College and Staying Debt Free	San Diego Urban League	Webinar
June 28	How to Pay for College – Spanish	Haven Neighborhood Services	In-person
July 12	How to Pay for College – English	Haven Neighborhood Services	In-person
July 24	Student Loan Updates	Reality Changers	In-person
September 7	Repayment Restart & PSLF: What You Need to Know Now	CalNonProfits	Webinar
September 23	Annual Financial Wellness Conference – Navigating College Financing	Central City Neighborhood Partners	In-person
October 9	Paying for College	Barrio Logan College Institute (BLCI)	Webinar
October 10	Student Loan Presentation	One Treasure Island	In-person
October 11	Paying for College – Spanish	Barrio Logan College Institute (BLCI)	In-person

Ombudsperson Outreach Events

Event Date	Event Title	Event Host	Event Type
October 24	Student Loan Presentation	Jamboree Housing	Webinar
October 26	Understanding Federal Student Loan Repayment and Federal Student Loan Forgiveness	Los Angeles City Youth Council	Webinar
November 2	Repaying Student Loan Workshop – Spanish	Academy of Financial Education	Webinar
November 4	Demystifying Student Debt	Young Invincibles	Webinar
November 15	How to Pay for College	Haven Neighborhood Services	In-person
November 16	Student Loan Webinar	California Community College Chancellor's Office	Webinar
November 16	How to Pay for College – Spanish	Haven Neighborhood Services	In-person
November 28	Student Loans – Spanish	Haven Neighborhood Services & Children and Women Access	Webinar
December 13	Student Loan Veteran's Workshop	Haven Neighborhood Services	Webinar

Conference Participation

The Ombudsperson participated as a panelist or led a workshop at the following conferences:

Conference Date	Conference Title	Panel/ Workshop Title	Conference Location
August 24	Los Angeles County 2023 Financial Capability Summit	Student Loan Debt – Quick Overview of Recent Developments	Los Angeles, CA

Conference Participation			
Conference Date	Conference Title	Panel/ Workshop Title	Conference Location
September 19	2023 North American Collection Agency Regulatory Association (NACARA) Annual Conference & Training Event	Student Loan Debt Panel	Denver, CO
September 23	Central City Neighborhood Partners (CCNP) 6th Annual Financial Wellness Conference	Navigating College Financing	Los Angeles, CA
November 8	2023 California College Affordability Summit	Helping California Students Reduce Student Loan Debt and Understanding Their Rights and Resources	Riverside, CA

Media Relations and Publications

In 2023, the Ombudsperson contributed quarterly articles to the DFPI’s Consumer Connection newsletter, a monthly newsletter that provides updates and information about consumer-related topics and events. Student loan related topics included 2023 student loan updates, preparing for return to repayment, options for Parent Plus borrowers, loan consolidation, PSLF, and the One-Time IDR Adjustment.

In July, the Ombudsperson was part of a FORUM panel discussion on KQED Radio discussing [“What’s Next for Student Loan Borrowers?”](#)

In July, the Ombudsperson was interviewed by CAP Radio for an article [“Student loan payments restart this fall — here’s what to know, paths to loan forgiveness.”](#)

In November, the Ombudsperson published their first editorial in Comstock’s Magazine, [“The Student Loan Pause Is Over. So What Are Your Options?”](#)

Throughout 2023, the Ombudsperson conducted regular student loan related media interviews in English and Spanish with NBC/Telemundo San Diego, Univision Sacramento, and the Sacramento Bee.

Student Loan Empowerment Project

In the 2022-2023 fiscal year, the State of California Budget provided \$10 million in one-time funding from the General Fund for Student Loan Borrower Assistance ([SB154](#)), of which \$7.25 million of the funding was designated to create a grant program, which was named the Student Loan Empowerment Project (SLE Project). The SLE Project grant program was created to connect student loan borrowers in California to a network of community-based organizations and legal aid groups that provide free and individualized education, case management, and assistance with student loan issues. In 2022, DFPI's Multimedia and Grants Unit, the Ombudsperson, Targeted Outreach Team, the Deputy Commissioner of Consumer Financial Protection, and the Deputy Commissioner of Public Affairs began

development of the program. A 6-member SLE Project steering committee was created to help in the development and implementation of the program. The steering committee is composed of individuals from student loan advocacy and consumer organizations, California State Assembly Subcommittee 3 – Education and Finance members, and local county representatives.

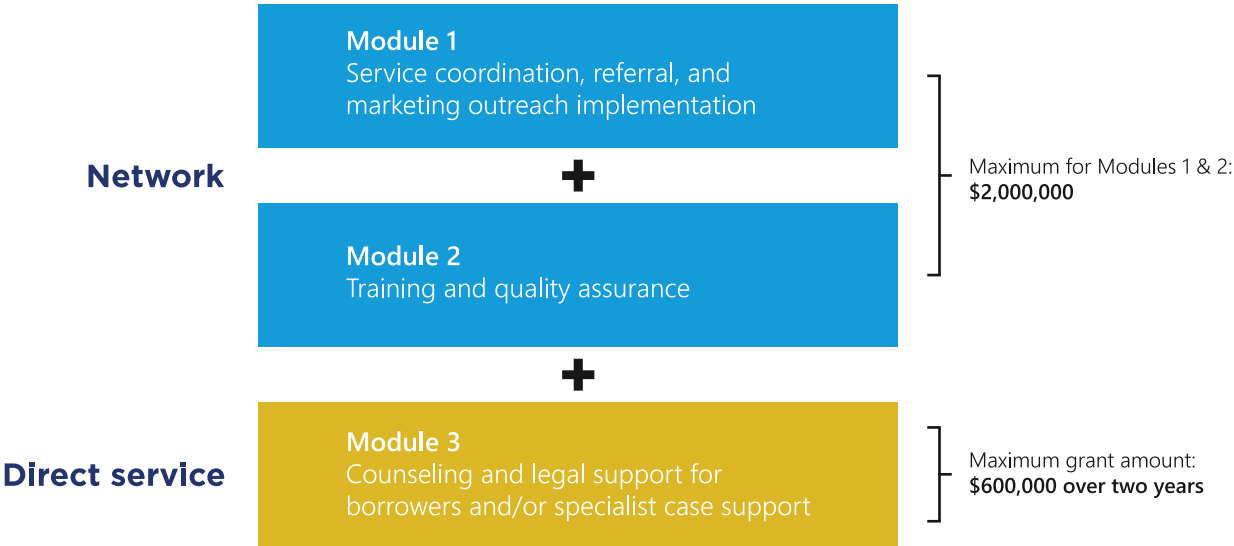
In early 2023, steering committee members met to discuss the framework and goals of the program, application guidelines, and timelines. The goals of the SLE Project are to empower inclusive community-based services, delivered by trusted local organizations, to those who need it and to ensure that individuals with student loans receive consistent high-quality

information and support with the wide range of borrower needs, including complex cases. Outreach and marketing activities were coordinated and conducted by the DFPI.

The SLE Project was created as a coordinated network. Two partner organizations receive a maximum of \$2 million to provide network support services to all grantees. One network partner provides service coordination and referral services. They establish and manage a statewide toll-free telephone number, website, and email address for borrowers. They coordinate information sharing and build intra-network relationships. They also coordinate student loan borrower intake and referral services and develop and maintain a database to track referrals and service outcomes. The other network partner implements an ongoing and consistent training program for service partner grantees across the network. They identify and promote best practices and

share updates on policies, regulations, etc. They also maintain data and outcomes to measure and monitor the progress of the program.

The remaining grantees receive up to \$5.25 million (maximum individual grants of \$600,000 over two years) to provide direct services to Californians with student loans. One group of direct service partners provide community-based individualized education and counseling or legal services to borrowers. This counseling will be in the areas of repayment options, loan forgiveness, cancellation, discharge programs, consolidation, deferment, and forbearance options. They help resolve issues with loan servicers and lenders and assist borrowers in getting out of default to prevent wage garnishments, social security offsets, and tax intercepts. They provide referrals to additional services and resources. The other group of direct service partners provide specialized support and guidance to service providers



with complex cases. They conduct general case reviews with direct service providers.

The SLE Project [grant application](#) was launched on September 7, 2023. The original deadline for SLE Project applications was October 18, 2023, and was subsequently extended to November 3, 2023. DFPI created a [SLE Project webpage](#) with information about the program, the application process, and Frequently Asked Questions (FAQ) to assist applicants. A link

to the application through the California Grant Portal is provided on this page.

A series of 10 online Q&A sessions were held by the Multimedia and Grants Unit for interested applicants to learn about the program, application guidelines, and to answer their questions. Each online session was attended by up to 20 organizations. In total, the DFPI received 6 applications for network grants and 40 applications for direct service grants.



Student Loan Servicing Program Supervisory Activities

DFPI's Student Loan Servicing (SLS) program, under the Student Loan Servicing Act of 2016 (The Act) licenses and regulates student loan servicers engaged with California consumers. The Act became operative on July 1, 2018. The SLS program carries out its oversight duties by performing detailed licensing reviews, regulatory examinations of licensees, and contributes to the DFPI's overarching student loan program in coordination with the Ombudsperson, Consumer Services Office, Enforcement Division, and other DFPI teams.

The SLS program licensees are also required to comply with the additional requirements set forth in the Student Borrower Bill of Rights, effective January 1, 2021, as well as general compliance

with the CCFPL, which prohibits unlawful, unfair, deceptive and abusive acts and practices. The DFPI includes information about SLS program supervisory activities to provide the public with helpful information regarding the DFPI's role in licensing and supervising companies that service student loans in California.

Licensees Approved and Exams

The next table provides licensee counts from inception to year-end 2023.

Number of Licensees Approved and Exams Conducted by Calendar Year

	2018	2019	2020	2021	2022	2023
Number of Licensees	27	30	36	40	41	44
Number of Exams Conducted	6	13	19	12	19	12

California Student Loan Servicing Portfolio

The tables below show the number of borrower relationships and dollar amounts for major student loan types and statuses as of December 31, 2023.

Traditional Student Loan Portfolio

	Private Loans	Federal Direct Loans	FFELP Loans**	Perkins Loans***	Other	Total
Borrower Relationships	337,566	3,304,883	471,070	94,500	19,474	4,227,493
Dollars Outstanding*	\$9,295,929,644	\$125,619,271,799	\$11,131,123,046	\$229,659,473	\$218,094,669	\$146,494,078,631

*Dollars outstanding in thousands (000s).

** Federal Family Education Loan Program (FFELP) loans include 206,281 (\$3,414,885,320) Federal Student Aid (FSA) owned and 264,389 (\$7,716,237,726) commercially owned loans.

***Perkins Loans include 47,905 (\$96,773,066) FSA-owned and 46,595 (\$132,886,407) commercially owned loans.

Borrower Information by Status

	In School	Grace	Regular Repayment	Forbearance	Income Driven Repayment	Modified Terms	Deferment	Default
Borrower Relationships	623,437	140,851	1,873,771	263,107	884,983	15,244	564,696	431,416
Dollars Outstanding*	\$12,047,038,571	\$2,868,045,963	\$44,183,183,022	\$11,521,609,008	\$50,255,480,527	\$487,372,492	\$25,110,369,563	\$2,084,871,175

*Dollars outstanding in thousands (000s).

**The significant increase in borrowers' status in Regular Repayment and Income Driven Repayment could be attributed to return to repayment in October 2023.

Non-Traditional Student Loan Portfolio

	Income Sharing Agreement	Installment Contracts	Other	Total
Number of Relationships or Recipients	5,790	46,682	1,751	54,223
Dollars Outstanding/ Remaining Amount to Reach Cap*	\$120,460,383	\$260,572,523	\$10,750,654	\$391,783,560

*Dollars outstanding/remaining amount to reach cap in thousands (000s).

Rules and Outcomes of Examinations

The SLS Program completed nine examinations of student loan servicers in 2023. Licensees are examined at regular intervals, not to exceed 36 months between examinations. Of the 44 approved licensees, eight have headquarters in California and the remaining 36 are out-of-state. Of the nine examinations completed, violations were found in seven, which resulted in either a corrective action from the licensee or a referral to DFPI's Enforcement Division for administrative action and/or penalties.

Regulatory Activities

In 2023, the DFPI advanced one student loan related regulatory package under the CCFPL.

New Registration and Reporting Requirements

This package, currently pending final approval by the Office of Administrative Law, will leverage CCFPL authority to create registration and reporting requirements for four previously unregistered products and services in California: 1) income-based advances, including “earned wage access” (EWA) products, 2) private postsecondary education financing, 3) debt settlement, and 4) student debt relief. This regulation will bring new oversight specifically to the private student finance market, which is currently subject to lesser oversight compared to federally-held student loans.

Enforcement Activities

In 2023, the DFPI continued its commitment to protecting Californians with student loans by strengthening its oversight of student loan servicers, debt relief companies, and companies that provide alternative educational financial products. These alternative financing products include retail installment contracts (RICs), deferred tuition agreements (DTAs), and income share agreements (ISAs) offered or serviced by private or for-profit colleges, such as coding bootcamps, trade schools, or other education finance providers. The Enforcement Division works closely with the Ombudsperson and other DFPI programs to identify bad actors and monitor any potential Student Loan Servicing Act and Student Borrower Bill of Rights violations or unlicensed servicers. The Ombudsperson monitors student borrower complaints and violations reported through inquiries and reports these to the Enforcement Division on a quarterly basis.

The DFPI brought forward enforcement actions related to student loan issues under multiple laws, leveraging authority under the Student Loan Servicing Act (SLSA) and the DFPI's general consumer protection authorities under the California Consumer Financial Protection Law (CCFPL).

DFPI v. Prehired

The DFPI was the only state regulator that joined the Consumer Financial Protection Bureau (CFPB) and 10 state attorneys general in a \$4.2 million civil settlement against Prehired, LLC (Prehired) in Delaware bankruptcy court. The DFPI secured a key legal victory for California consumers by relying on Title X of the Dodd-Frank Act to establish predicate violations of the CCFPL and secure access to the CFPB's victim restitution fund. Prehired and its related entities administered ISAs

to finance students' tuition for "tech sales boot camps." Prehired deceptively buried terms that required students to pay even if they never got a job and, in many cases, unilaterally increased their required minimum monthly payments without any evidence they had secured employment or experienced an increase in income. Under the settlement, eligible consumers can qualify for a full tuition refund. There were 80 known Californians impacted with losses of \$476,263.

Debt Relief Services in Student Financing

The DFPI achieved a settlement against unlicensed California-based EDU Doc Support LLC (EDU), for rescission and refunds for student borrowers. These victims were marketed student loan forgiveness and student loan modification services via unsolicited telephone calls where representatives claimed they could assist consumers in obtaining student loan relief. The settlement cited violations of the Telemarketing Sales Rule (TSR). The DFPI ordered EDU to desist and refrain from unlicensed student loan debt relief servicing business, in violation of the SLSA, and desist and refrain from engaging in unlawful, unfair, deceptive, and abusive

student loan debt relief practices under the CCFPL and the federal Telemarketing Sales Rule (TSR). EDU was also ordered to rescind all debt relief, debt management, or debt consulting service agreements, and provide refunds to California consumers.

DFPI v. Flockjay

In 2023, DFPI issued a Desist and Refrain Order and entered into a Settlement Agreement with Flockjay, a private post-secondary educational institution that purports to train jobseekers to work as sales development representatives at technology companies, for not providing proper notices to students. To finance the cost of attendance for its online courses, Flockjay offered Deferred Tuition Agreements (DTAs) to its students contingent on the student's future earnings. Students committed to paying Flockjay a fixed amount each month toward the cost of attending Flockjay's online courses. The DFPI found that the DTAs offered by Flockjay to California consumers did not contain proper notices in violation of the Education Code and Flockjay did not register with the Bureau of Private Postsecondary Education (BPPE).

Conclusion

The DFPI's student loan program experienced significant growth in 2023. In its second year of implementation, the DFPI has expanded its reach to Californians through a combination of partnerships, outreach, and direct borrower assistance. Additionally, it has increased its student loan servicer oversight and expanded its authority to other education financing products. The DFPI has continued to make student loan borrowers a priority and use its enforcement authority with loan servicers.

Since the Supreme Court struck down President Biden's plan to forgive up to \$20,000 of student debt per borrower in 2023, student loans have become [the fastest growing household debt](#) in the United States.

Both older student loan borrowers and parent borrowers are being negatively impacted by student loan debt and are facing social security garnishment, delayed retirement, and the inability to generate generational wealth. DFPI will continue its work to help the most vulnerable borrowers, Parent Plus borrowers, and every Californian with student loans to navigate the federal student loan changes and take full advantage of current initiatives.

DFPI created the Student Loan Empowerment Network comprised of grantee organizations through the SLE Project grant program. This network will provide resources to borrowers state-wide. Unlike any other in the nation, the network will assist borrowers as they navigate more changes in the student loan landscape in the coming years.

Appendix A: Federal Student Loan Updates

The U.S. Department of Education (ED) under the Biden Administration and Education Secretary Cardona announced the following initiatives for federal student loan borrowers in 2023:

COVID-19 Loan Payment Pause

In March 2020, in response to the COVID-19 Pandemic, the Office of Federal Student Aid (FSA) announced relief for federal student loan borrowers by suspending student loan payments, halting collections on defaulted loans, and implementing a 0 percent interest rate for all ED-owned federal student loans. In May 2023, it was announced that there would be no further payment pause extensions and that student loan interest would resume on September 1, 2023, and

payments would be due starting October 2023. Additionally, ED announced that in order to help borrowers successfully return to repayment, they created a temporary on-ramp period from October 1, 2023, through Sept. 30, 2024. Borrowers who were eligible for the payment pause are eligible for on-ramp. During the on-ramp period, payments are still due, and interest will continue to accrue. However, ED will not report borrowers as delinquent. This initiative prevents the worst consequences of missed, late, or partial payments, including negative credit reporting for delinquent payments for twelve months.

In December 2023, ED reported that [only 60 percent of the 22 million borrowers with payments due in October 2023](#)

[made those payments by mid-November.](#)

More than 4 million of these borrowers owed payments for the first time. Millions more were not making payments prior to the payment pause because they were delinquent or obtained a deferment or forbearance.

Saving on a Valuable Education

In August 2023, the Biden Administration announced a new income-driven repayment (IDR) plan, the Saving on a Valuable Education (SAVE) plan. IDR plans calculate monthly payments based on a borrower's income and family size – not their loan balance – and forgives remaining balances after a certain number of years. The benefits of the SAVE plan include increasing the income exemption from 150 percent to 225 percent of the poverty line, therefore significantly decreasing a borrower's monthly payment. Many borrowers may see a monthly payment of \$0.

Another significant benefit of SAVE is that it eliminates 100 percent of remaining monthly interest for both subsidized and unsubsidized loans after a borrower makes a full scheduled payment. This means that a borrower's loan balance won't continue to grow due to unpaid interest. The SAVE plan also excludes spousal income for borrowers who are married and file taxes separately and removes the need for a spouse to cosign the IDR application.

Additional SAVE benefits will be rolled out in July 2024. These developments are subject to delay and change, depending on the outcome of pending litigation in federal courts.

Income-Driven Repayment Plans

In August 2023, ED announced significant changes to IDR plans. These changes include:

- **Auto-fill tax information from the IRS:** When a borrower applies for or recertifies their IDR plan, they can request approval for the secure disclosure of tax information, so they can automatically access their latest IRS tax return.
- **Automatic reenrollment for IDR plans:** If a borrower agrees to the secure disclosure of their tax information, ED and the loan servicer will automatically recertify their enrollment in IDR and adjust the monthly payment amount once a year.
- **Interest capitalization changes:** As of July 1, 2023, unpaid interest on your loans won't be added to your principal when you leave any IDR plan, except the Income-Based Repayment (IBR) Plan where capitalization is required by statute.
- **User-friendly application process:** The redesigned IDR application will allow borrowers to enroll in IDR in 10

minutes or less, save their progress, and track their application via their StudentAid.gov account.

Income Driven Repayment Adjustment

On April 19, 2022, ED announced it would be taking action to correct past administration failures and the practice of forbearance steering by conducting a one-time adjustment of IDR-qualifying payments to borrowers' accounts. As part of the initiative, ED would automatically review borrower's accounts and give borrowers with Direct loans credit for any months in repayment and certain months in forbearance and deferment which do not typically qualify for forgiveness programs. The adjustment would bring borrowers closer to IDR forgiveness and those who have reached 240 or 300 months (as applicable) worth of payments would see immediate forgiveness. FSA announced that the adjustment would be applied to most borrowers' accounts in 2024. Since this initiative only applied to borrowers with Direct loans, FSA encouraged states to conduct outreach to borrowers with non-direct loans to encourage them to consolidate into Direct loans and receive the maximum benefit. These borrowers included those with Federal Family Education Loans (FFEL) Loans, Perkins Loans, and Health Educational Assistance Loans (HEAL). The original deadline for these borrowers to consolidate was December 31, 2023, but was subsequently extended to April 30, 2024 and June 30, 2024.

Borrower Defense Discharge

The Borrower Defense Discharge (BDD) program allows federal borrowers to seek cancellation of their William D. Ford Direct Loan program (Direct loan) loans if their institution engaged in certain misconduct. In July 2023, ED announced new borrower defense regulations which established a strong framework for borrowers to raise a defense to repayment if their institution misleads or manipulates them. Claims may be based on one of six categories of actionable circumstances: 1) substantial misrepresentation, 2) substantial omission of fact, 3) breach of contract, 4) aggressive and deceptive recruitment, 5) judgments, or 6) final secretarial actions. ED announced that the 2023 regulation guaranteed full relief to all applicants whose cases were approved and that it would apply to all claims pending on or received on or after July 1, 2023.

In August 2023, a federal court issued an injunction delaying the effective date of the updated BDD regulations. As a result, the Department announced that it would not adjudicate any borrower defense applications unless and until the effective date is reinstated. While the injunction is in effect, borrowers would still be able to apply online for borrower defense relief. The Department would continue to adjudicate borrower defense applications using an earlier version of the regulations.

In 2023, ED announced that it would approve 100 percent of the discharges of

federal loans for the following institutions:

- **CollegeAmerica Colorado Campuses:** \$130 million in group discharge for students (2006-2020)
- **Ashford University (now known as University of Arizona Global Campus):** \$72 million in group discharge for students (2009-2020)
- **University of Phoenix:** \$37 million in group discharge for students (2012-2014)

In addition to the individual discharges, litigation continued in the class action case of Sweet v. Cardona (formerly Sweet v. DeVos). In 2022, ED and plaintiffs agreed to a settlement and approximately 200,000 borrowers will receive \$6 billion in federal student loan cancellation. In January 2023, three of the affected schools, Lincoln Tech, Keiser/Everglades, and American National University, filed notices of appeal to the Ninth Circuit Court of Appeals and moved the district court to

stay the settlement pending their appeal. In February 2023, the district court denied the motion, but the schools subsequently filed notices of appeal to the Ninth Circuit Court of Appeals. In March 2023, the Ninth Circuit denied the schools' motion to stay the settlement and ordered the settlement relief to proceed.

Borrowers awaiting discharge by the Sweet v. Cardona settlement, were automatically placed on borrower defense forbearance at the end of the COVID-19 Loan Payment Pause in September 2023. Additionally, affected borrowers would be reimbursed for any accrual of interest until the settlement relief.

Under the Settlement Agreement, ED was required to discharge eligible loans for class members in the automatic relief group by January 28, 2024. However, throughout 2023, members of the automatic relief group that received notices of discharges were not receiving the discharges and further motions were filed in early 2023.

Appendix B: Key to Acronyms

BBPE	Bureau for Private Postsecondary Education
BDD	Borrower Defense Discharge
CCFPL	California Consumer Financial Protection Law
CFP	Consumer Financial Protection Division (DFPI)
CFPB	Consumer Financial Protection Bureau
CSAC	California Student Aid Commission
CSO	Consumer Services Office (DFPI)
DCLA	Debt Collection Licensing Act
DFPI	Department of Financial Protection and Innovation California
DOJ	Department of Justice
DTA	Deferred Tuition Agreements
ED	U.S. Department of Education
FFEL	Federal Family Education Loan
FSA	Federal Student Aid
FTC	Federal Trade Commission
HEAL	Health Educational Assistance Loan
IDR	Income Driven Repayment
ISA	Income Share Agreement
MOHELA	Missouri Higher Education Loan Authority
OSAR	Office of Student Assistance and Relief
PSLF	Public Service Loan Forgiveness
RIC	Retail Installment Contract
SAVE	Saving on a Valuable Education
SBPC	Student Borrower Protection Center
SDCC	Student Debt Crisis Center
SLE Project	Student Loan Empowerment Project
SLE Network	Student Loan Empowerment Network
SLS	Student Loan Servicing Program (DFPI)
SLSA	Student Loan Servicing Act
TISLA	The Institute of Student Loan Advisors
TSR	Telemarketing Sales Rule
UUDAAP	Unlawful, Unfair, Deceptive, or Abusive Acts and Practices

Notes

1. The DFPI will continue to refine its complaint type categories and subtypes per system enhancements.
2. The office of Federal Student Aid. (2023). Income-Driven Portfolio by Age. Enterprise Data Warehouse.



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