

Annual Report of the

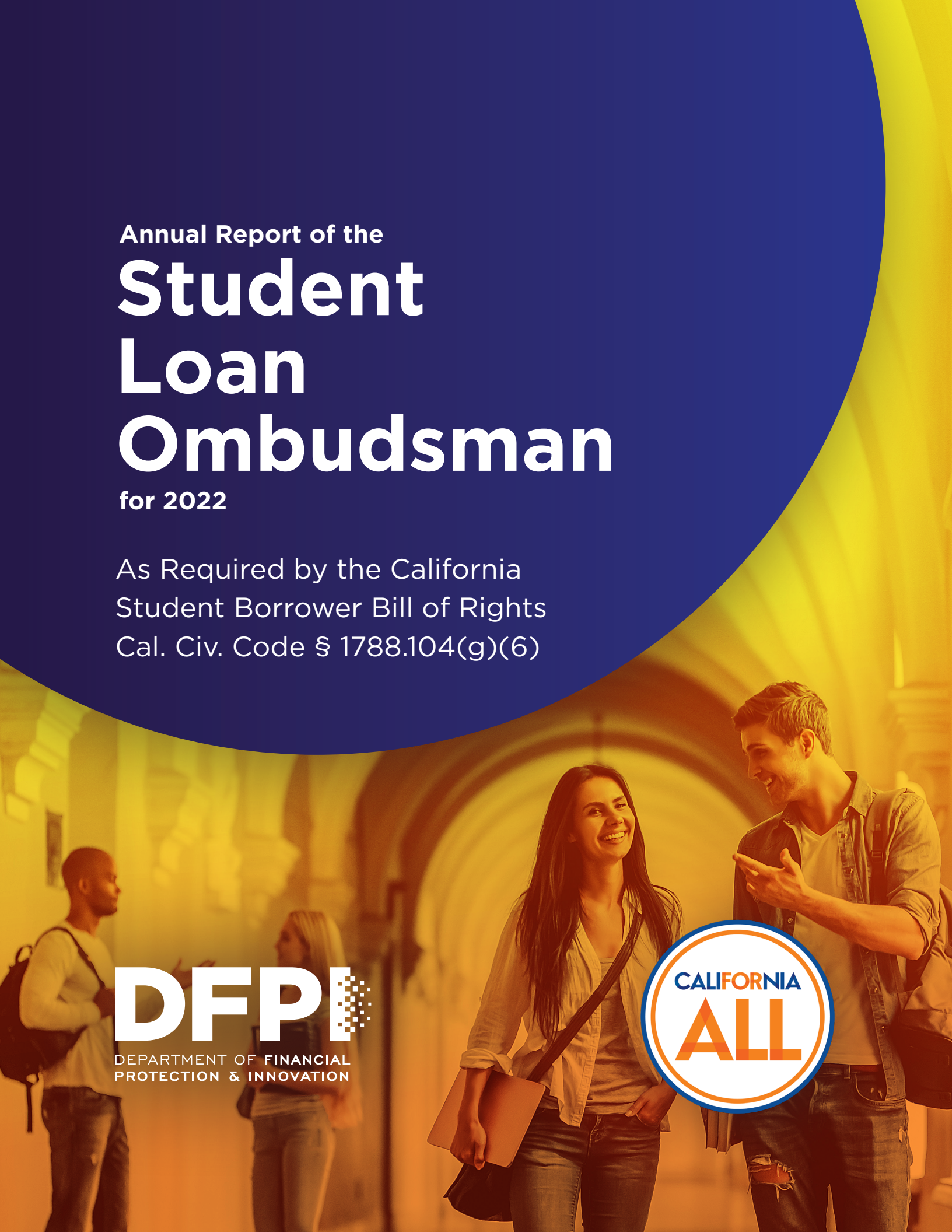
Student Loan Ombudsman

for 2022

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

DFPI

DEPARTMENT OF FINANCIAL
PROTECTION & INNOVATION





DEPARTMENT OF FINANCIAL
PROTECTION & INNOVATION

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Lourdes M. Castro Ramírez, Secretary
Business, Consumer Services and Housing Agency

Clothilde V. Hewlett, Commissioner
Department of Financial Protection and Innovation

Suzanne Martindale, Senior Deputy Commissioner, Consumer Financial Protection Division
Department of Financial Protection and Innovation

Celina Damian, Student Loan Servicing Ombudsperson
Department of Financial Protection and Innovation

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July 2023

The Department of Financial Protection and Innovation (DFPI) is pleased to publish its first 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 establishes a comprehensive framework of rights and protections for Californians with student loans. It also establishes a Student Loan Servicing Ombudsperson (Ombudsperson) position within the DFPI whose statutory duties include tracking complaints, providing information to the public, coordinating with state and federal agencies, and issuing an annual report summarizing activities to implement the Student Borrower Bill of Rights. Pursuant to the Student Borrower Bill of Rights, this report covers all DFPI activity coordinated by the Ombudsperson in the calendar year reporting cycle, January 1, 2022, through December 31, 2022, with information about student loan complaints, borrower inquiries, and other DFPI oversight activities.

The report also contains a summary of activities related to the DFPI's Back on Track communications outreach campaign. Thanks to Governor Newsom and the Legislature's generous one-time appropriation in the 2022-2023 budget for the DFPI to increase outreach and support to Californians with student loans, the Back on Track campaign was launched in 2022. The goal of the campaign was to provide information and resources to Californians on changes in federal policy in anticipation of the COVID-19 emergency pause on federal student loans coming to an end in 2023 and the Public Service Loan Forgiveness waiver program. As of December 31, 2022, campaign activities generated over 129 million impressions and 382,000 clicks, 312,000 visits to the Back on Track website, and outreach to over 10,000 webinar viewers.

With the U.S. Supreme Court's decision to strike down the Biden Administration's One-Time Debt Relief program, millions of borrowers returning to repayment October 2023, the new Income-Driven Repayment Saving on a Valuable Education (SAVE) plan, and the many regulatory changes to Public Service Loan Forgiveness and other programs, borrowers will be faced with many uncertainties and challenges in the next year. The DFPI and the Ombudsperson will continue to identify emerging issues, conduct strategic outreach, and help borrowers obtain clear, actionable, and personalized information while continuing to build partnerships with grassroots organizations, state regulators, and federal agencies.

I hope you find the report informative and useful. Please do not hesitate to contact our Deputy Commissioner of Legislation, Nicole Hisatomi, with questions or concerns. She can be reached at (916) 539-0181 or at nicole.hisatomi@dfpi.ca.gov. The report also can be found on the DFPI website.



Sincerely,

Clothilde V. Hewlett, Commissioner
Department of Financial Protection and Innovation

Executive Summary

The Department of Financial Protection and Innovation (DFPI) 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. The DFPI has held licensing authority over certain student loan servicers since 2016, thanks to the passage of the California Student Loan Servicing Act; however, it is primarily a licensing law and contains limited enforcement tools. In 2019, Assemblymember Mark Stone introduced Assembly Bill 376, the California Student Borrower Bill of Rights, to build upon the Student Loan Servicing Act and create 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.

The Student Borrower Bill of Rights establishes additional requirements for student loan servicers to help ensure that Californians with student loans can meaningfully access affordable repayment and loan cancellation benefits. The Student Borrower Bill of Rights requires that servicers do not take unreasonable advantage of a borrower's lack of understanding and work in the best financial interest of borrowers. It requires servicers to train customer service staff on special benefits afforded under federal law for Californians with military status, elder status, and disability status as well as those working in public service. 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 third party 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 failure to comply with the law.

Chapter 4 of the Student Borrower Bill of Rights establishes the role of the Student Loan Servicing Ombudsperson (Ombudsperson) to work within the DFPI and perform the following duties: review and analyze complaints from student loan borrowers, refer complaints to the appropriate unit within DFPI, and compile and analyze data on complaints. The Ombudsperson is also required to issue an annual report to the Legislature detailing activities related to Student Borrower Bill of Rights implementation as well as any other relevant data analysis on outstanding issues facing Californians with student loans.

This report covers activities related to the implementation of Student Borrower Bill of Rights provisions throughout 2022, including the types of complaints and inquiries received and referred by the DFPI, along with information on the Back on Track education and outreach activities in 2022. To provide additional context on DFPI's oversight of the student loan industry, the report contains information on the activities of the DFPI's Student

Loan Servicing program, including examinations, licensing activity, staffing, and licensees' 2022 year-end loan portfolio data broken down by type and repayment status. The report includes a summary of regulatory activities to clarify minimum requirements for alternative education financing products and information on notable enforcement trends and actions related to student loans.

2022 Highlights

- The Ombudsperson fielded 980 borrower inquiries, helping borrowers obtain over \$650,000 in PSLF student loan discharges.
- DFPI's Consumer Services Office (CSO) received and processed 171 complaints against student loan servicers and lenders.
- The DFPI conducted outreach webinars reaching more than 10,000 Californians on federal initiatives including the Public Service Loan Forgiveness (PSLF) waiver program and the One-Time Student Debt Relief program (see Appendix A for more information about federal policy updates).
- The Back on Track communications and outreach campaign generated over 129 million impressions and 382,000 clicks and 312,000 visits to the Back on Track website.

Role of the Student Loan Servicing Ombudsperson

The Ombudsperson position was filled in December 2021. To meet the statutory requirements of the Student Borrower Bill of Rights, the Ombudsperson works with different programs within DFPI, including the Student Loan Servicing program, Consumer Services Office, Communications and Outreach, Legal, and Enforcement divisions to develop and implement processes to support Californians navigating ongoing policy developments in the student loan space.

The Ombudsperson is required to confer with the Department of Justice and the Bureau for Private Postsecondary Education's (BPPE) Office of Student Assistance and Relief (OSAR) regarding student loan complaints and the proper referral pro-

cesses for those complaints. The California Department of Justice (DOJ), led by the Attorney General, is California's top law enforcement office. The DOJ investigates allegations of fraud and abuse against Californians and is a key DFPI ally on student loan-related matters.

For example, in 2022, the Department of Justice was part of a multi-state settlement against Navient, one of the largest student loan servicers. The settlement included \$95 million in restitution for student loan borrowers and \$1.7 billion in private student loan debt cancellation, including \$11.5 million in direct restitution and approximately \$261 million in debt cancellation for California borrowers.

The BPPE licenses and regulates private postsecondary educational institutions in California and can take enforcement action and revoke a license of non-compliant institutions. A borrower who has been defrauded by an institution may also apply for federal Borrower Defense Discharge with the assistance of BPPE's Office of Student Aid Relief (OSAR) and request a tuition reimbursement from the Student Tuition Recovery Fund (STRF).

In early 2022, the Ombudsperson met with enforcement representatives from the Department of Justice and BPPE to discuss complaint criteria and previously established procedures for the interagency referral process. In order to properly track and review any potential enforcement cases, the referral process for both agencies was updated. Complaints alleging fraud or abuse are automatically referred to the Department of Justice's Public Inquiry Unit at oag.ca.gov/report. Complaints received against any of BPPE's accredited private postsecondary educational institutions in California are automatically referred to BPPE at enforcement@dca.ca.gov. In certain instances, complaints with multiple issues may be processed by the DFPI and also referred out to the appropriate agency. These procedures were reviewed by DFPI's Legal and Consumer Services Office divisions that also process complaints.

The Ombudsperson serves as a liaison and point of contact for the Department of Justice and BPPE enforcement units and periodically receive requests for information or updates on pending enforcement cases. If necessary, the Ombudsperson coordinates and participates in meetings. In addition to monitoring complaints filed against student loan servicers and communicating with student loan servicers to help facilitate process, the Ombudsperson fields general inquiries about student loans and works directly with borrowers to help them understand their options and rights.

The Student Borrower Bill of Rights also requires that the Ombudsperson provides information to the public, student loan borrowers, agencies, legislators, and external partners regarding the problems and concerns of student loan borrowers and to make recommendations for resolving those problems and concerns. In early 2022, the Ombudsperson contacted more than 50 state, federal, nonprofit organizations, and advocacy groups to highlight key student loan updates and share DFPI initiatives and resources. Between January and March 2022, the Ombudsperson held more than 20 meetings with external partners, including the Student Borrower Protection Center (SBPC), the National Council of Higher Education Resources (NCHER), American Federation of Teachers (AFT), CA4EJ (California for

Economic Justice), San Francisco Office of Financial Empowerment, and California Student Aid Commission (CSAC).

The Ombudsperson participates in monthly Federal student Aid (FSA) and state regulator meetings where regulators and advocates discuss policy changes, borrower trends, state initiatives, provide feedback, and obtain guidance from federal officials. Monthly meetings are held with the Department of Education's (ED) FSA Ombudsman Office to receive additional guidance and review borrower complaints or inquiries. The Ombudsperson also participates in bi-monthly State Student Loan Ombudsman and Ombudsman Roundtable meetings with other state ombudspersons and regulators who work directly with borrowers. During these meetings, states analyze policy changes, issues, and challenges facing borrowers and discuss ways to help borrowers access forgiveness and relief programs.



Student Loan Borrower Complaints

As California's financial regulator, the DFPI is responsible for ensuring servicer compliance with applicable state laws, including the Student Borrower Bill of Rights. The DFPI encourages student loan borrowers to file complaints if they believe a servicer has violated state law, acted improperly, or if they believe a company or person is conducting unlicensed or unregistered activity that falls within the DFPI's jurisdiction. The DFPI has a process through which borrowers can submit complaints against student loan servicers. Complaints can be submitted to the DFPI via the complaint portal, by mail, or referred by the Ombudsperson. The DFPI's Consumer Services Office receives and processes these complaints via a DOCQNET system and ensures that servicers respond in a timely manner.

In 2022, DFPI'S Complaint Review Committee within the Enforcement Division released updated formal internal guidance on complaint handling of formerly unregulated financial service providers, including student loan servicers. The updated guidance includes procedures for referral to DFPI's Enforcement Division, which then investigates possible fraud, unlicensed activity, or otherwise warrants action. Complaints may also be referred to the California Attorney General's Office from the DFPI's Enforcement Division or Consumer Services Office, if warranted.

The Consumer Services Office has established procedures for complaints that fall outside the DFPI's jurisdiction and must be referred to other enforcement or state

agencies. In certain instances, borrower complaints may not meet the criteria for a complaint against a servicer and may be referred from the Consumer Services Office to the Ombudsperson. In those instances, the Ombudsperson will contact the borrower to obtain additional information or provide guidance to the borrower.

All student loan servicer complaints that are received by the DFPI are tracked and reviewed by the Ombudsperson, who ensures that servicers are responding appropriately, addressing complainant issues, and acting lawfully. Additionally, the Ombudsperson ensures that complaints are referred to appropriate agencies for follow-up or resolution. The Ombudsperson meets with the Consumer Services Office staff monthly to discuss complaint trends, loan servicer issues, and resolving specific complaints.

Improving the Complaint Process

Complaints may be closed out as resolved, abandoned, referred to Enforcement, referred to another agency, withdrawn, referred to program as informational, no action or pending response from subject, consumer, or pending review. In analyzing complaint outcomes, the Department found that there was a high percentage of abandoned complaints that were closed. Most complaints were deemed abandoned

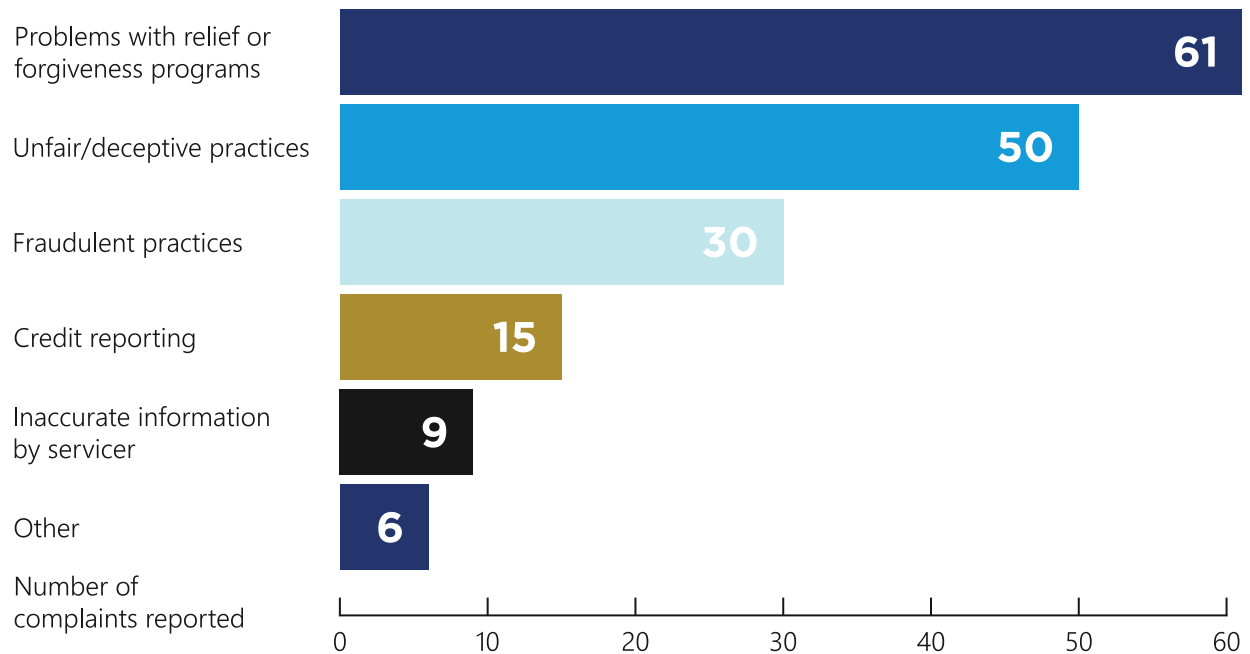
because consumers failed to return third-party authorization forms.

In 2021, student loan servicers and the ED required authorization forms to be used by DFPI when processing complaints. The forms were confusing and cumbersome, and many times were not returned by consumers. In order to mitigate the number of abandoned complaints, the Ombudsperson worked with the Consumer Services Office, FSA Ombudsman Office, and student loan servicers to find an alternative to the required forms. In December 2022, the FSA Ombuds Office and FSA's Vendor Oversight Team issued updated guidelines that required servicers to respond to borrower complaints from federal, state, or local government agencies in a timely manner without requiring additional authorization forms. This allowed for the DFPI to eliminate the use of the federal authorization forms and revert to using DFPI complaint forms. As a result, the DFPI immediately saw a decrease in abandoned complaints.

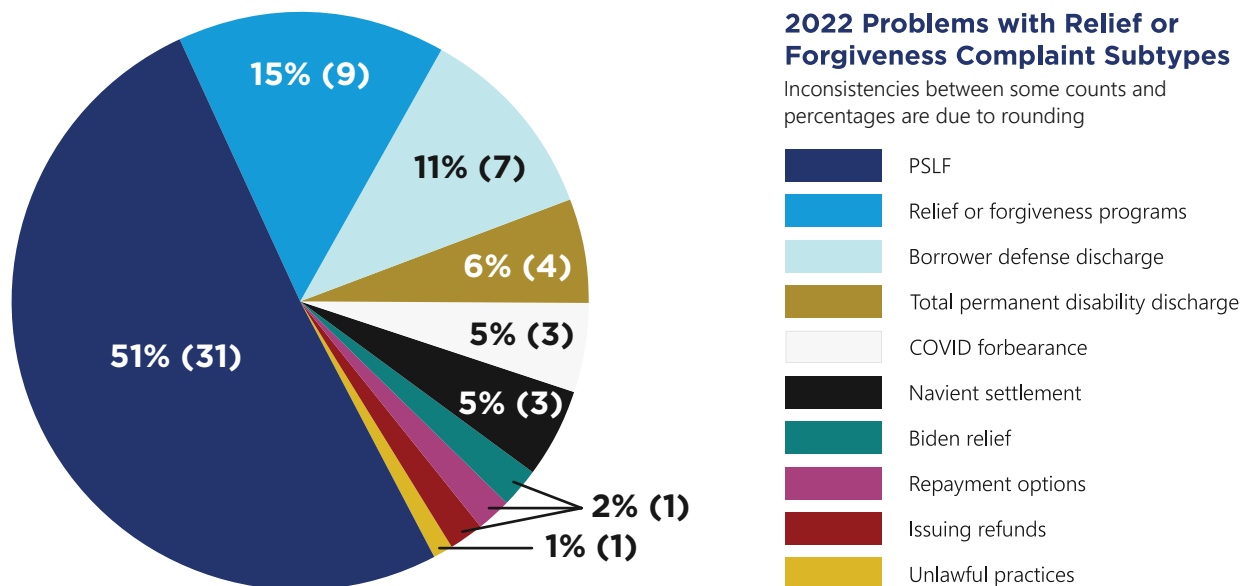
In 2022, the DFPI received 171¹ student loan servicer complaints. Of the 171 complaints received, 36 percent (61) of the complaint types were regarding problems with relief or forgiveness programs, 29 percent (50) were related to unfair or deceptive practices, and 18 percent (30) were related to fraudulent practices.

¹DFPI is expected to implement a new consumer complaint portal and database in 2023. Complaint type categories are subject to change. Data as of December 31, 2022.

2022 Student Loan Servicer Complaints



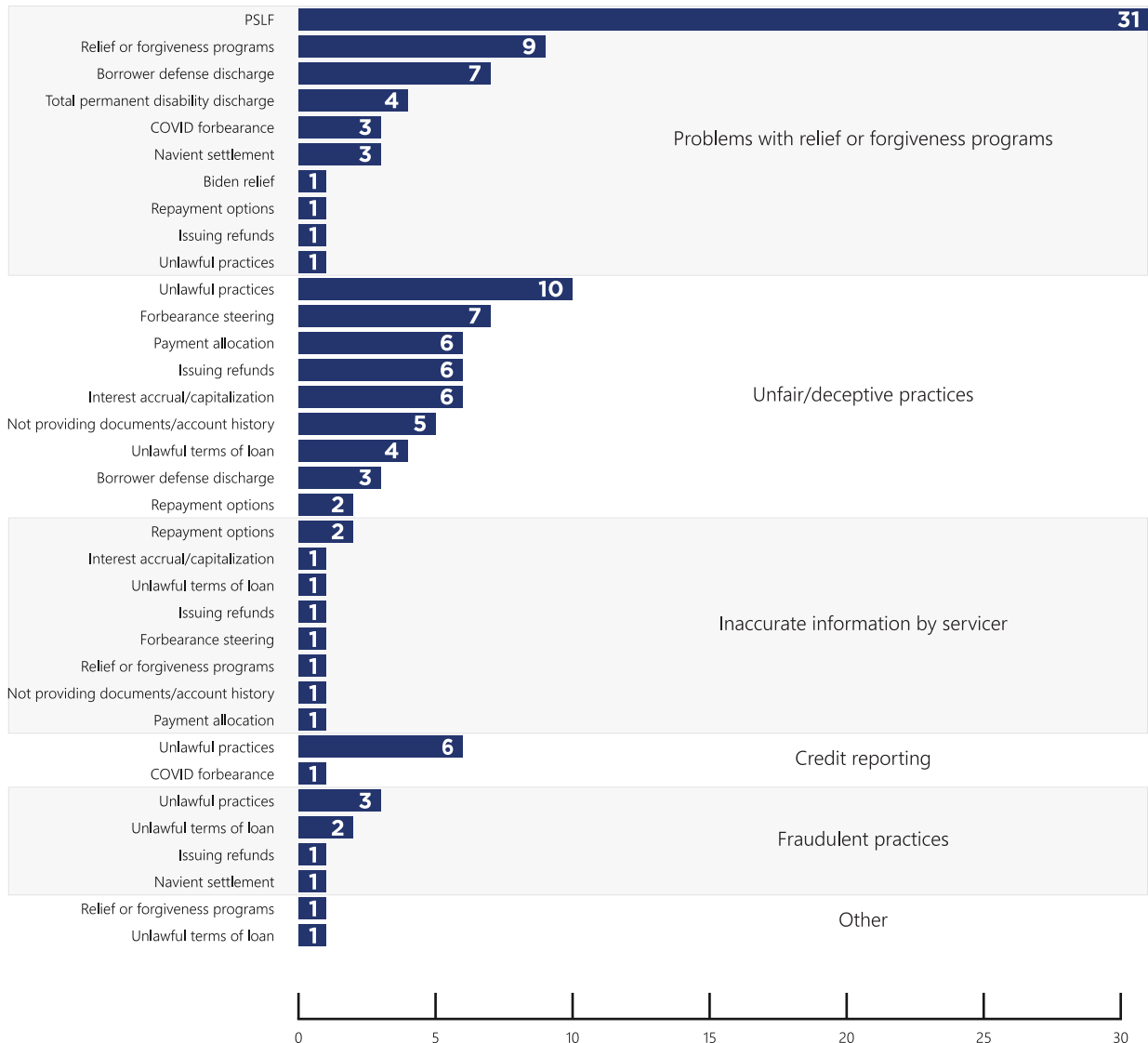
Of the 61 complaints categorized as “Problems with Relief or Forgiveness Programs,” 51 percent (31) focused on PSLF and 15 percent (9) focused on General Relief or Forgiveness (see Appendix A for more information about federal policy updates). The influx can be attributed to the PSLF waiver program ending October 31, 2022, and the focused PSLF outreach campaign conducted between May and October of 2022 by the DFPI, which provided visibility to the waiver program. A breakdown of the 61 “Problems with Relief or Forgiveness” complaints are shown in the graph below:



Complaint Subtypes

DFPI illustrates complaint details using a complaint subtype category. Of the 135 complaints with subtypes, 45 percent (61) were related to Problems with Relief or Forgiveness Programs as stated above, and 36 percent (49) of complaints focused on Unfair and Deceptive Practices. In fact, 81 percent of complaints with subtypes were processed under the CCFPL law. The CCFPL strengthened consumer protections by expanding the ability of the Department to improve accountability and transparency in the California financial system and promote nondiscriminatory access to responsible, affordable credit, among other purposes.

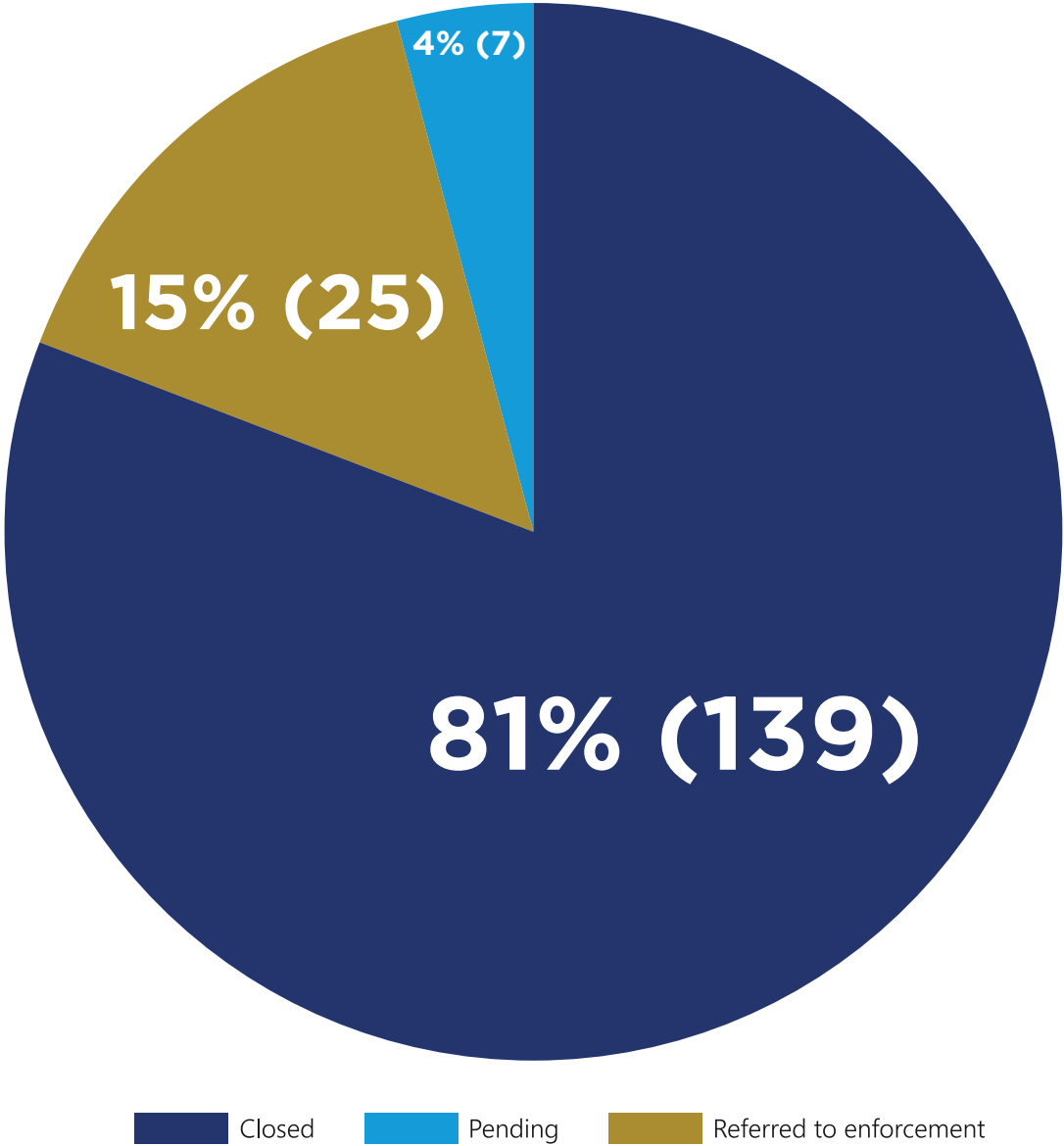
2022 Complaint Subtypes



Complaint Outcomes

Of the 171 complaints in 2022, 81 percent (139) were closed and 15 percent (25) of the complaints were referred to enforcement. The remaining complaints were pending a response from the subject of the complaint, the consumer, or in an internal review as of December 31, 2022.

2022 Student Loan Servicer Complaint Status



*The Closed Category includes Closed, Closed - Abandoned, Closed - Referred to Another Agency, Closed - Withdrawn, Closed - Referred to Program as Informational, Closed - After Preliminary Review, Closed - After Investigation statuses.
**Pending includes Pending Response from Consumer and Subject and general Pending Review statuses.

Student Loan Borrower Inquiries

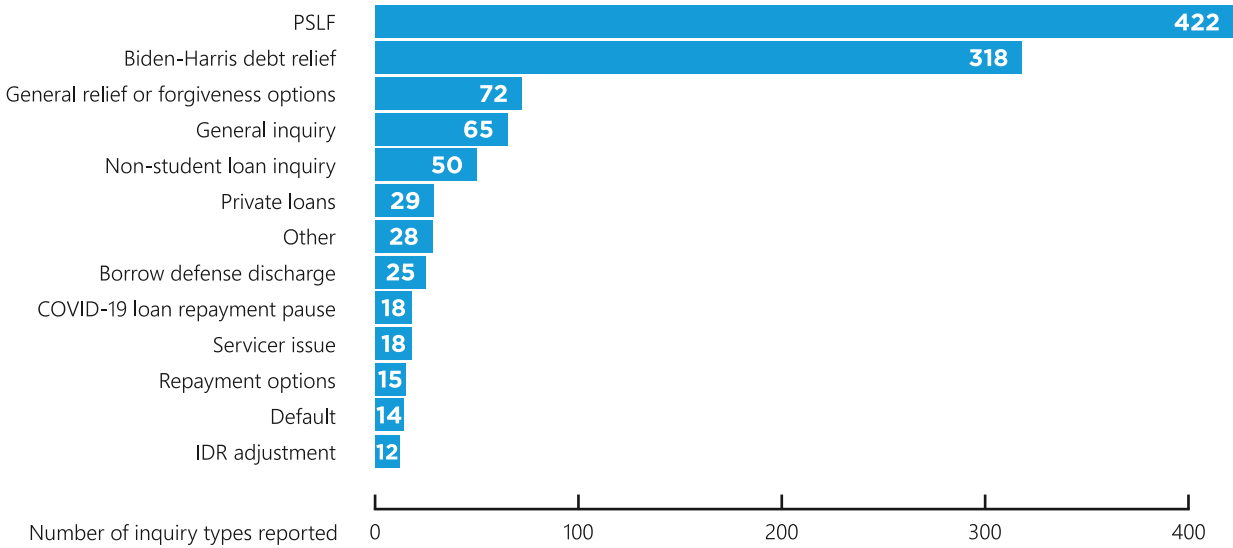
In addition to formal complaints received and processed by the Consumer Services Office, the Ombudsperson also responds to inquiries from Californians who have questions about their student loans, forgiveness programs, repayment plans, or other options. Inquiries are received through the Ombudsperson's direct email address (celina.damian@dfpi.ca.gov), through the DFPI's Education & Outreach general email address (outreach@dfpi.ca.gov), the Back on Track webpage inquiry field, the Consumer Services Office's general inbox (ask.dfpi@dfpi.ca.gov), or direct referrals from Consumer Services Office analysts.

In 2022, the Ombudsperson processed a total of 1,086 borrower inquiries from 980

unique borrowers. Inquiries containing multiple questions or inquiry types are treated as separate inquiries in the figure below. Sixty-eight percent of inquiries received were regarding the PSLF program and the Biden-Harris Administration Student Loan Debt Relief program (see Appendix A for more information about federal policy updates).

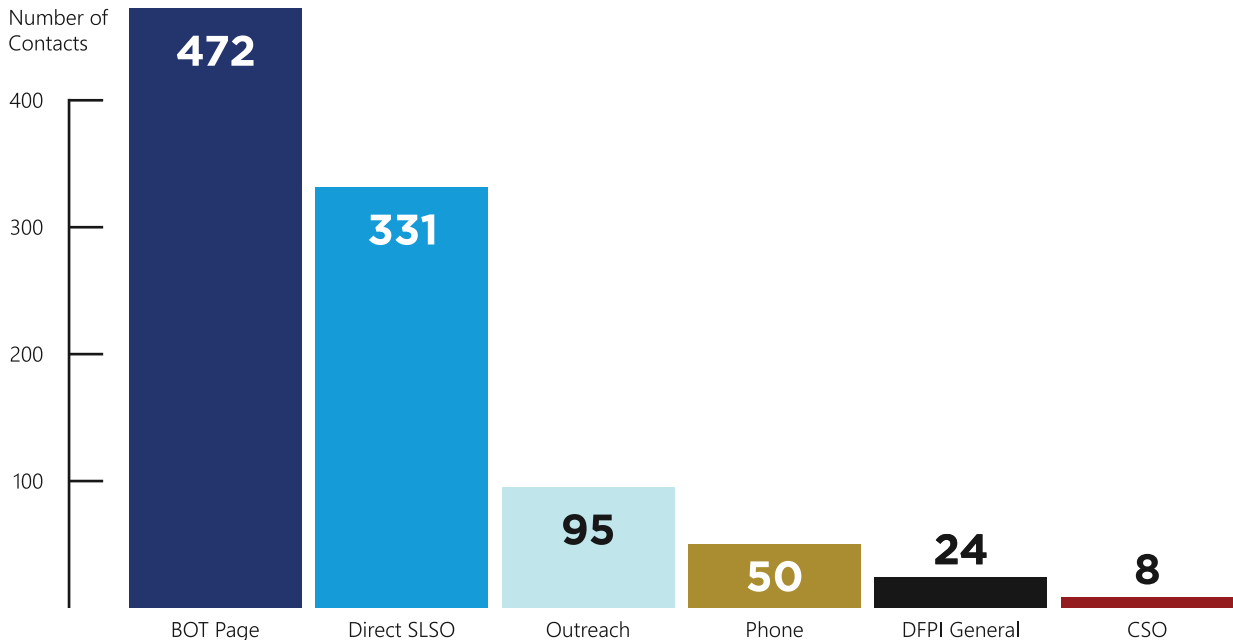
The graph on page 12 shows the inquiry types received:

2022 Student Loan Borrower Inquiries



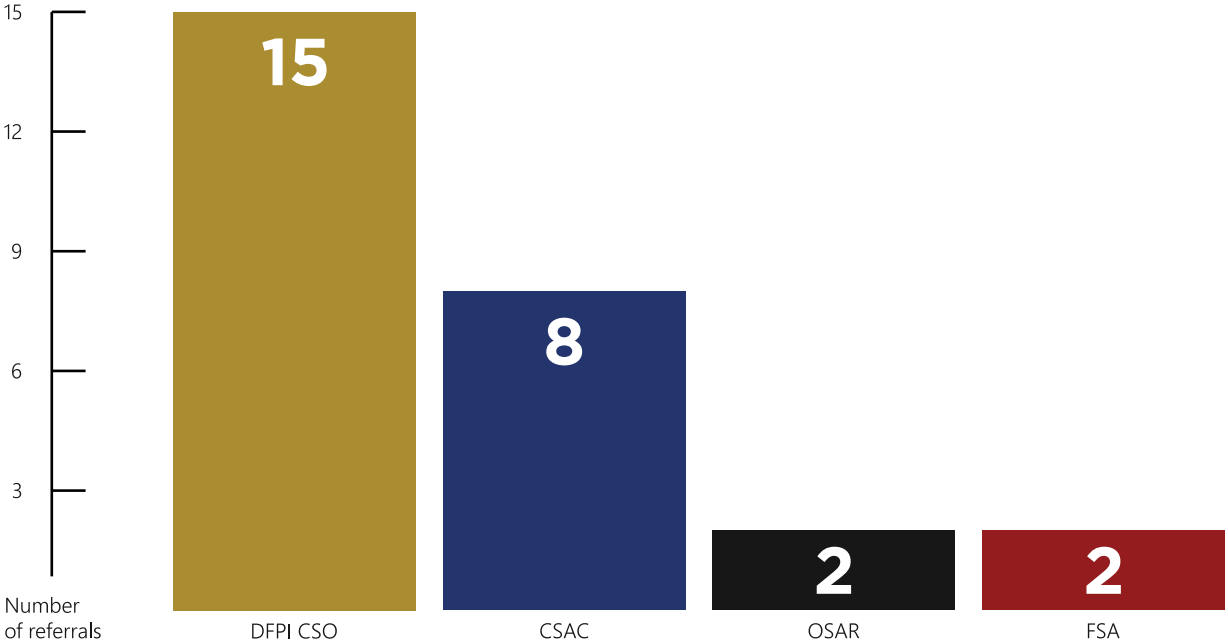
Of the 980 unique borrowers that inquired throughout the year, most inquiries came from the Back on Track webpage or the Ombudsperson email inbox. Other forms of contact included the DFPI outreach email inbox, the general Ask DFPI email inbox, telephone calls, or direct referrals from Consumer Services Office analysts.

2022 Inquiry Contact Method



While the majority of inquiries received are answered directly by the Ombudsperson, some are referred out to CSO or other agency for formal complaint filing or resolution. Out of the 980 unique borrowers that contacted the Ombudsperson in 2022, 27 were referred out. Of those, 15 were referred to the DFPI’s CSO, eight to the CSAC, two to OSAR, and two to the FSA:

2022 Inquiries Referred Out



Back on Track Campaign

The DFPI received one-time funding of \$2.75 million from the 2022-23 State Budget to conduct a statewide communications campaign to provide information and resources to California student loan borrowers. The campaign included bilingual resources in English and Spanish. The DFPI selected two contractors to help create and execute the campaign in three phases:

1. Statewide communications outreach campaign to inform student loan borrowers of DFPI resources, student loan updates and deadlines, and borrower rights.
2. Digital messaging campaign and creative portfolio, which included the [Back on Track webpage](#) and digital images and videos for website and social media distribution.
3. Paid advertising campaign to reach Californians with student loans on targeted radio stations, print media, and outdoor advertising. The campaign also included paid digital advertising, which included search engine optimization (SEO) and targeted placement on websites and social media platforms.

The Back on Track campaign launched in August 2022. The campaign consisted of key messaging related to DFPI resources, federal repayment restart, the Biden Administration One-Time Debt Relief program, Public Service Loan Forgiveness waiver program, student debt relief scams, and how to file student loan related complaints and inquiries. As of December 31, 2022, campaign performance results included:

- Campaign Activity: Generated more than 129 million impressions and 382,000 clicks.
- Website Activity: Paid digital advertising generated more than 312,000 website visits and continues to draw engagement with nearly 184,000 conversions with an average time on page of 2:51 minutes. More than 79 percent of website visits came from new visitors and 21 percent from returning visitors.
- Social Media Placements: Generated more than 21.5 million impressions and 23,000 clicks on TikTok, Snapchat,

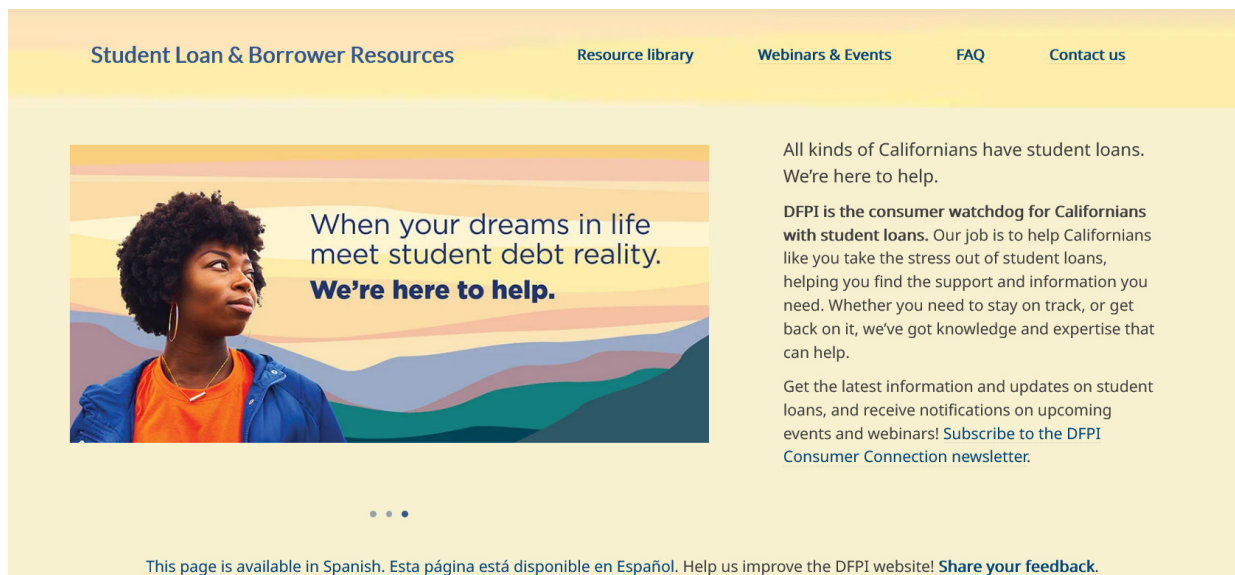
LinkedIn, Twitter, Reddit, and Facebook/Instagram.

- Digital Pre-Roll Placements: Generated 31.9 million views and listens on Spotify, YouTube, and Hulu.
- Spanish Language Activity: Included in the data described above, paid Spanish language advertising generated a total of 11 million impressions and 42,000 clicks to the Spanish Back-OnTrack campaign landing page.

The Back on Track campaign is still on-going with outreach activities and paid advertising continuing into the 2023 calendar year.

Back on Track Webpage

The Communications and Outreach Division and the Ombudsperson partnered with a contractor to create the [Back on Track webpage](#). The page provides borrowers with information on critical deadlines, repayment options, resources, and borrower rights,



Student Loan & Borrower Resources Resource library Webinars & Events FAQ Contact us

When your dreams in life meet student debt reality.
We're here to help.

All kinds of Californians have student loans. We're 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, helping you find the support and information you need. Whether you need to stay on track, or get back on it, we've got knowledge and expertise that can help.

Get the latest information and updates on student loans, and receive notifications on upcoming events and webinars! [Subscribe to the DFPI Consumer Connection newsletter.](#)

... ..

This page is available in Spanish. Esta página está disponible en Español. Help us improve the DFPI website! [Share your feedback.](#)

specifically the Student Borrower Bill of Rights, and links to webinars on the [DFPI YouTube channel](#). Borrowers can submit specific questions directly to the Ombudsperson through the webpage. The webpage also includes a FAQ (frequently asked questions) resource to help users determine which resources they need to help them with their specific concerns. The webpage is available in English and Spanish.

DFPI Outreach

In early 2022, the DFPI Education and Outreach Team and Ombudsperson established the Student Loan Outreach Working Group. The group consisted of DFPI staff, external partners from approximately 40 California state agencies and nonprofit organizations including the California Department of Justice, Office of Student Aid Relief (OSAR), California Federation of Teachers, CalNonprofits, Student Borrower Protection Center, NextGen, Public Counsel, and Bay Area Legal Aid among others. The goal of the working group was to discuss and develop outreach events for California student loan borrowers. The working group met on a monthly basis to discuss DFPI resources, student loan updates, and possible webinar topics and planning.

The first DFPI Student Loan Resource Kickoff Webinar was held on February 2, 2022. The webinar showcased the DFPI, announced the launch of the DFPI Back on Track campaign,

Date	Webinar	Attendees
Feb 2	Student Borrower Resources – Kickoff Meeting	152
Mar 29	Get Help with Your Student Loan!	27
Apr 26	Student Loan Borrower Updates and More!	329
May 31	Public Service Loan Forgiveness (PSLF) Workshop	799
Aug 24	Student Loan Updates and Repayment Options	711
Sep 21	Understanding Student Loans and Applying for Loan Forgiveness	428
Oct 19	Student Loan Workshop Webinar	95

and introduced DFPI staff to the public. DFPI partners also showcased their resources as trusted partners. The webinar was the first of 10 webinars held in 2022 as part of the DFPI’s Californians with Student Loans Webinar Series.

Date	Webinar	Attendees
Oct 26	Applying for Student Debt Relief	68
Nov 16	Student Loan Scams and Updates	17
Dec 21	Student Loan Updates 2023	42

All of the DFPI student loan borrower webinars are posted to DFPI’s YouTube channel. In 2022, DFPI’s student loan borrower webinar recordings were viewed a total of 10,532 times. The most viewed webinar was the May 31, 2022, Public Service Loan Forgiveness (PSLF) Workshop with almost 6,000 views.

Legislative Webinars

On August 3, 2022, the DFPI hosted a Student Loan Legislative Webinar for State of California Legislative Staff. Panelists included Celina Damian, DFPI Ombudsperson; Daniel Emmons, DFPI Multimedia and Grants Director; Bonnie Latreille, FSA Student Loan Ombudsman; and Andrew Bronstein, Senior Advisor to the FSA Student Loan Ombudsman. The goal of the event was to educate staff about the DFPI’s work, answer questions about their own student loans, and demonstrate the importance of state-federal coordination to help Californians with student loans. The webinar included information about the DFPI and the Back on Track campaign, borrower protections in California, and important federal student loan updates including the PSLF waiver and payment restart.

In August 2022, the DFPI joined the California Student Debt Challenge. In partnership with student loan advocates, Student Debt Crisis Center (SDCC), Student Borrower Protection Center (SBPC), California Attorney General’s Office, and the City and County of San Francisco, the DFPI pledged to educate public service employers and help eligible borrowers understand the PSLF waiver, steps to apply, and program eligibility. As part of

the challenge, the DFPI participated in a series of eight Legislative webinars hosted by Assemblymembers and Senators from districts throughout California.

In October 2022, the DFPI was invited to participate in a virtual Federal Student Debt Relief Briefing hosted by U.S. Senator Alex Padilla. The briefing was held on October 26, 2022, with participation from the ED Deputy Assistant Secretary Claire Viall, DFPI Commissioner Cloey Hewlett, and DFPI Ombudsperson Celina Damian. A press release for the event was issued on October 26, 2022.

Date	Webinar	Attendees
Aug 3	Student Loan Legislative Brief	76
Oct 10	Student Loan Workshop webinar w/ Sen. Bauer-Kahan	22
Oct 11	Student Loan Workshop webinar w/ Asm. Cooper & Sen. Cortese	125
Oct 11	Student Loan Workshop webinar w/ Sen. Portantino	271
Oct 18	Student Loan Workshop webinar w/ Sen. Limon, Asm. Bloom, Asm. Reyes	128
Oct 24	Student Loan Workshop webinar w/ Sen. Min, Asm. Petrie-Norris, Asm. Ward	228
Oct 26	Federal Student Debt Relief Briefing w/ U.S. Senator Alex Padilla	140
Oct 27	Student Loan Workshop webinar w/ Asm. Calderon	54
Nov 14	Student Loan Workshop webinar w/ Asm. Santiago	41

In total, more than 1,000 participants attended a student loan legislative webinar in 2022.

Student Loan Servicing Ombudsperson Outreach Activities

In addition to stakeholder meetings and DFPI Education and Outreach events, throughout 2022 the Ombudsperson participated in additional outreach workshops and events. The

Ombudsperson provided information on student loans, federal updates, and borrower rights and DFPI resources. Participants included current and prospective student loan borrowers, and professionals that work directly with borrowers and community members.

2022 Ombudsperson Outreach Events		
Date	Webinar	Attendees
Feb 16	PSLF Webinar	Cal NonProfits
Feb 25	Taller de Proteccion Contra el Fraude de Prestamos Estudiantiles (Student Loan Fraud Protection Workshop)	California Department of Education and Consulate General of Mexico-Sacramento
Feb 25	Student Loans: Know Your Rights	Ventura Community Development Corporation
July 13	OSAR Partners BiAnnual Roundtable	BPPE-OSAR
July 22	Student Loan and PSLF Webinar	Barrio Logan College Institute (BLCI)
Aug 24	FDIC- Credit Builder Workshop	FDIC and Los Angeles Alliance for Economic Inclusion
Sep 6	PSLF Webinar	San Diego Community College District
Sep 8	Student Loans and PSLF Waiver	Cal NonProfits
Sep 22	Asesoría Financiera del Consulado de Mexico en Fresno (Financial Resources of the Mexican Consulate in Fresno)	Consulate General of Mexico-Fresno
Sep 28	Student Loan 101: What Borrowers Should Know	One Treasure Island
Sep 29	How Student Debt Affects Home-Buyers	Rural Community Assistance Corporation (RCAC)
Oct 6	Parent Workshop- Understanding Student Loans	Parent University-Natomas Unified School District
Oct 14	2022 Financial Capability Summit	Los Angeles County Consumer & Business Affairs

2022 Ombudsperson Outreach Events

Date	Webinar	Attendees
Oct 18	Student Loan Webinar	California Community Action Partnership Association (CALCAPA)
Oct 27	Family Financial Well-Being Collaborative Student Loan Presentation	Ventura Community Development Corporation
Oct 27	Home Smart Workshop-Student Loan Forgiveness Programs	Ventura Community Development Corporation
Nov 18	DFPI Presentation	CAL-SOAP Consortium
Nov 28	Update on Student Loan Forgiveness	CSAC Commission
Dec 16	How Student Debt Affect Home-Buyers	Rural Community Assistance Corporation (RCAC)

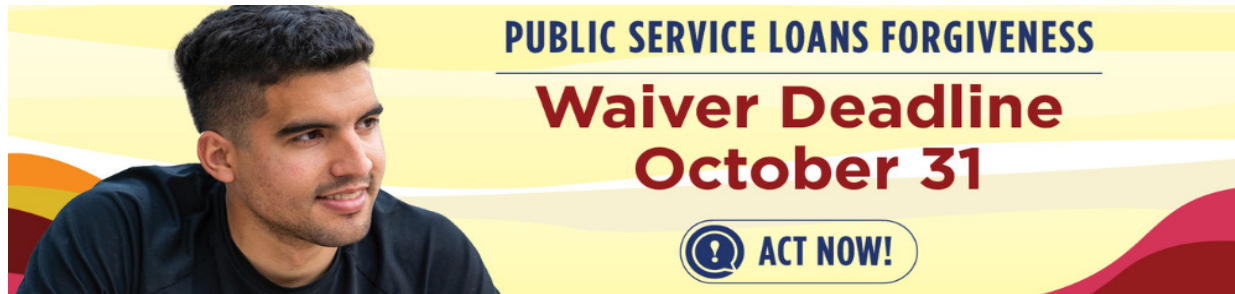
In 2022, the Ombudsperson conducted English and Spanish student loan related media interviews with NBC/Telemundo San Diego and Univision Sacramento. The Ombudsperson was also interviewed by the Daily Californian regarding the Biden-Harris Administration Student Loan Debt Relief program.

State Employee Outreach

Early in the Back on Track campaign, the DFPI recognized the importance of engaging State of California employees to educate them about their rights and protections and made it a priority to be the main resource and provide tools to access information. Additionally, as a PSLF qualifying employer with more than 200,000 employees in more than 200 state agencies, it was essential that state workers did not miss out on the opportunity of the PSLF waiver and other initiatives (see Appendix A for more information about federal policy updates).

As part of this effort, the DFPI collaborated with the California Department of Human Resources (CalHR) to disseminate information to state employees. In June 2022, CalHR posted a PSLF waiver banner with a link to the DFPI's Back on Track webpage on their main landing page. The CalHR webpage users include job seekers, current State of California

employees, including supervisors, managers, human resources professionals, and retirees.



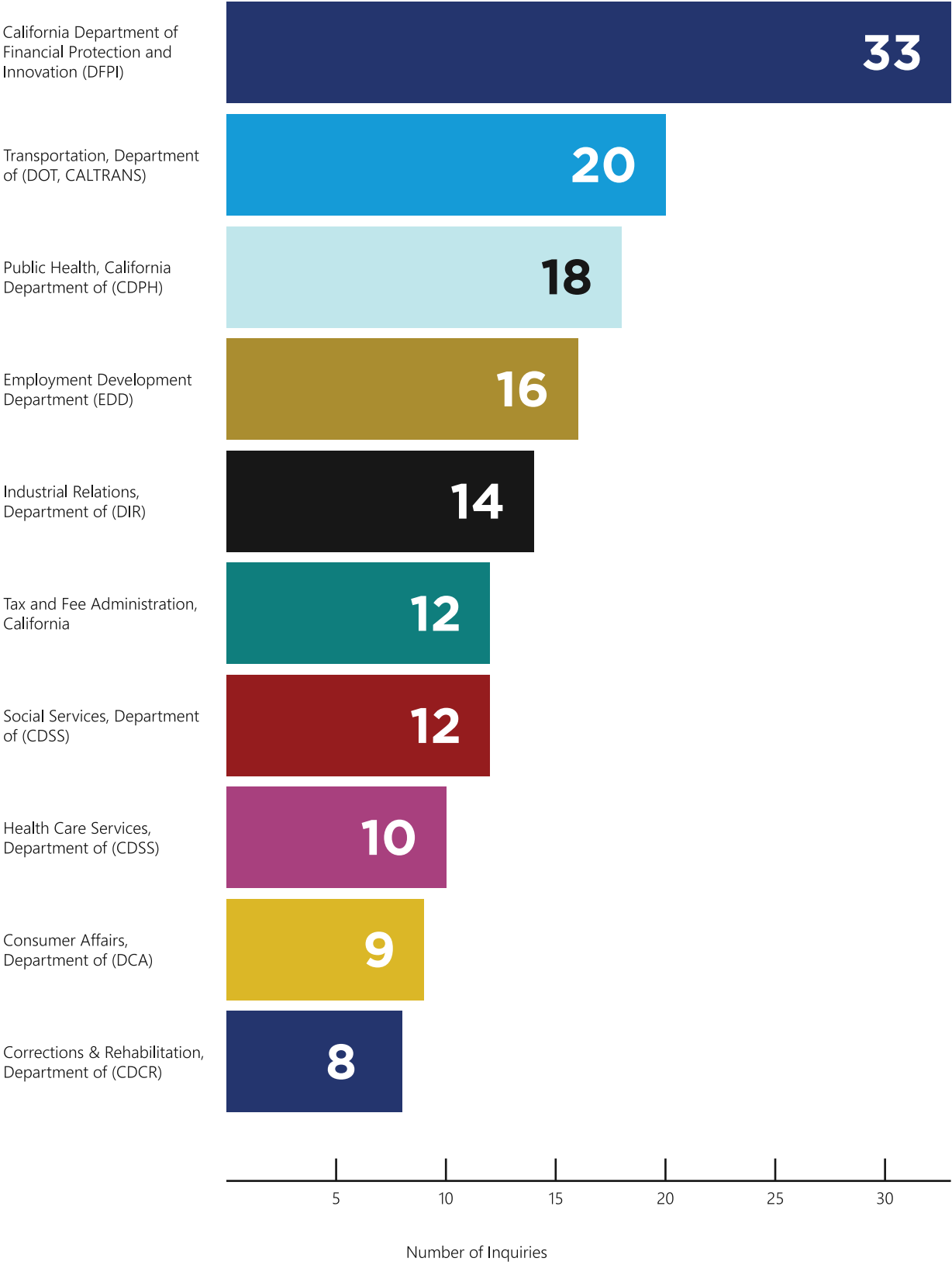
The DFPI also collaborated with the California State Controller’s Office (SCO) to place DFPI and PSLF Waiver information on all State of California employee’s October 2022 pay warrants.

***BOTH COVID19 AND THE FLU CAN SPREAD WHEN PEOPLE ARE IN CLOSE CONTACT. DURING THE HOLIDAYS, BOTH CAN BE PREVENTED IF YOU WEAR A MASK, WASH YOUR HANDS, AND STAY HOME WHEN YOU'RE SICK. *APPLIED FOR PUBLIC SERVICE LOAN FORGIVENESS IN THE PAST AND GOT DENIED? YOU MAY BENEFIT FROM THE PSLF WAIVER. 10/31/22 WAIVER DEADLINE. INFO AT DFPI.CA.GOV/BACKONTRACK**

Finally, the DFPI collaborated to send an informational email to thousands of employees through the CalHR training email list. In response to the high demand of information and inquiries from state workers, the DFPI hosted a Student Loan Resources for California Government Workers webinar on October 20, 2022. The webinar included information on Student Borrower Bill of Rights, student loan basics, the PSLF waiver, updates on the Biden Student Loan Debt Relief Plan, and the final extension of the student loan repayment pause. The event became one of the most successful DFPI events with a total of 5,000 state employees registered and 3,777 participating live. During the one-hour workshop, a total of 1,402 questions were submitted by participants and almost 200 inquiries were received by the Ombudsperson in the days following the event.

The top 10 State Agencies account for 58 percent of State of California employee inquiries. Given DFPI employee exposure to the Student Loan Services support services and number of inquiries, a higher Department count is expected. The graph on page 22 highlights the top 10 Departments:

2022 Top State Agencies Identified per Inquiry



Student Loan Empowerment Project

To promote and enhance the economic security of student loan borrowers in California, the 2022-2023 State of California Budget provided for \$7.25 million in one-time funding to the DFPI to establish a targeted grant program that will connect borrowers to community-based organizations and legal aid groups that provide free individualized financial coaching or direct legal services to Californians with student loans. The grantees will help Californians manage their student loans, access federal repayment and forgiveness benefits, or lower their debt balances. The grant program, named the Student Loan Empowerment Project, is expected to launch in mid-2023.

The Student Loan Empowerment Project program is being developed by the Communications and Outreach Division with input and recommendations from the Ombudsperson and the Senior Deputy Commissioner of Consumer Financial Protection. A Student Loan Empowerment Project Steering Committee will also be formed and will consist of at least four members who will provide critical advice into the development of key program components, including program goals, guidelines, an inclusive grant application and review process as well as messaging and promotion of the program. The Student Loan Empowerment Project Steering Committee will ensure the program reflects the diversity of student loan borrowers. The DFPI Deputy Commissioner of Communications serves as the Committee Chair. Promotion of the program started in late 2022 as part of the Back on Track communications and outreach campaign and has garnered much interest.

Student Loan Servicing Program Supervisory Activities

The DFPI’s Student Loan Servicing (SLS) program, under the Student Loan Servicing Act of 2016, 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 borrower outreach program in coordination with the Student Loan Servicing Ombudsperson, the Consumer Services Office, Enforcement, and other relevant DFPI teams.

The SLS program licensees are now required to comply with the additional requirements set forth in the Student Borrower Bill of Rights, effective January 1, 2021. 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.

The following table provides licensee counts from inception to year-end 2022.

Number of Licensees Approved and Exams Conducted by Calendar Year					
	2018	2019	2020	2021	2022
Number of Licensees	27	30	36	40	41
Number of Exams Conducted	6	13	19	12	19

Number of Positions Authorized and Filled: The SLS Program has a total of four authorized positions, all of which are currently filled. This includes one Program Manager and three Senior Financial Institutions Examiners.

California-Specific Portfolio Numbers: The following table shows the number of borrower relationships and dollar amounts for major student loan types and statuses as of December 31, 2022.

California Student Loan Servicing Portfolio Numbers

Traditional Student Loan Portfolio						
	Private Loans	Federal Direct Loans	FFELP Loans**	Perkins Loans***	Other	Total
Borrower Relationships	366,642	3,337,514	527,450	103,536	24,467	4,359,609
Dollars Outstanding*	\$8,237,307	\$126,233,055	\$12,111,307	\$124,442	\$219,383	\$146,925,495

*Dollars Outstanding in Thousands (000s)

**Federal Family Education Loan Program (FFELP) Loans include 210,648 (\$3,082,146) Federal Student Aid (FSA)-owned and 316,802 (\$9,029,162) Commercially owned loans

***Perkins Loans include 35,295 (\$71,892) FSA-owned and 68,241 (\$52,551) Commercially owned loans

Borrower Information by Status								
	In School	Grace	Regular Repayment	Forbearance	Income Driven Repayment	Modified Terms	Deferment	Default
Borrower Relationships	631,610	137,898	509,138	2,060,805	128,684	16,508	996,371	49,784
Dollars Outstanding*	\$10,420,255	\$2,611,117	\$13,141,685	\$73,844,302	\$5,502,589	\$547,486	\$44,015,612	\$462,733

*Dollar Amount in Thousands (000s)

Currently, the SLS Program is reviewing servicers for compliance with the Student Borrower Bill of Rights during the regularly scheduled examination process, to help ensure that all servicers have made corrective actions to their policies, procedures, and practices where needed.

Beginning in 2022, the SLS Program began collecting information on alternative education financing products, such as Income Sharing Agreements (ISAs) and Retail Installment Credits (RICs). As illustrated in the chart below, these alternative products represent a smaller share of the student loan universe but are expected to increase in usage over time. The SLS Program intends to regulate these products as student loans with borrower protection in mind.

Non-Traditional Student Loan Portfolio				
	Income Sharing Agreement	Installment Contracts	Other	Total
Number of Relationships or Recipients	4,789	40,238	227	45,254
Dollars Outstanding/ Remaining Amount to Reach Cap*	\$95,349	\$214,195	\$574	\$310,118

*Dollars Outstanding/Remaining Amount to Reach Cap in Thousands (000s)

Results and Outcomes of Examinations: The SLS Program completed 16 examinations of student loan servicers in 2022. Licensees are examined on regular intervals, not to exceed 36 months between examinations. Of the 41 approved licensees, seven have headquarters in California, and the remaining 34 are out-of-state. Of the 16 examinations conducted, violations were found in nine of the examinations, 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

The DFPI took steps in 2022 to provide regulatory clarity regarding the status of alternative educational financing products as student loans. Such products include, but are not limited to, Income Share Agreements (ISAs) and Retail Installment Contracts (RICs). These products are typically used to provide educational financing for employment skill boot camps or specialized certification programs and function as educational loans. The increasing popularity of these products, and related enforcement activity, has demonstrated the need for expanded oversight and additional clarity to the industry on their appropriate use. The inclusion of these products under the DFPI's regulatory oversight will help protect California consumers from potentially predatory practices utilized to circumvent existing rules. It is the DFPI's intent to create and maintain a clear regulatory framework for alternative

financing products that will allow for more licensed servicers and provide a level playing field for consumers.

The DFPI published a Notice of Rule-making Action on September 9, 2022, which included new regulations providing clarity on the status of ISAs and RICs as student loans under California law. The initial comment period for this action closed on October 28, 2022. Comments were received from five entities ranging from nonprofit organizations to ISA industry groups. The Notice of Modifications to Proposed Regulations based on received comments was published on January 6, 2023, with a comment deadline of January 26, 2023. The regulations are currently pending final approval.

Enforcement Activities

As part of DFPI's commitment to protect Californians with student loans, the DFPI's Enforcement Division has ramped up its oversight of student loan servicers and other companies that offer services or provide education financing to student loan borrowers. 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 DFPI brought forward enforcement actions related to student loan issues under multiple laws, leveraging authority under the Student Loan Servicing Act as well as the DFPI's general consumer protection authorities under the California Consumer Financial Protection Law (CCFPL).

With the many federal student loan relief

programs announced in 2022, borrowers saw a dramatic increase in fraudulent activity by companies offering loan forgiveness or other student loan related services. Typically, these debt relief companies promise loan forgiveness or special access to federal programs for an illegal, upfront fee or by requiring borrowers to subscribe to a service for a monthly fee. Student debt relief companies typically market their services to low-income individuals who are struggling to manage their student loans and who may not be aware they can receive free assistance from their loan servicers. They falsely advertise their affiliation with the ED in order to cheat borrowers out of thousands of dollars.

The DFPI continued its focus of protecting students attending private postsecondary educational institutions and holding

companies accountable to ensure that students enter into financial contracts without false and misleading terms. With the rise of online colleges and non-traditional schools, there has also been a rise in alternate forms of financing. Many times, these students may not have access to federal financial aid and must turn to a riskier type of private financing which may leave them deeper in debt and with few statutory protections. The DFPI will continue to investigate lenders and schools that engage in unfair and deceptive practices and pose a higher financial risk to students.

The DFPI's student loan related enforcement actions in 2022 primarily involved student debt relief companies and private postsecondary education financing companies and fell into two primary categories: 1) actions against student debt relief companies, and 2) private postsecondary institutions that provide financing to students.

Student Debt Relief

The DFPI issued multiple actions that continued its focus on companies offering student debt relief, utilizing violations of the telemarketing laws among other strategies as demonstrated by the following cases:

DocuPros

A debt relief company based in San Diego, California that engaged in unlicensed student loan debt relief servicing activities. As part of a settlement with the DFPI, the company and its owner were ordered to desist and refrain from violations of the Student Loan Servicing Act, the Telemarketing Sales Rule (TSR), and the CCFPL. The company and its owner were further ordered to pay \$40,000 in penalties, rescind all debt relief, debt management, or debt consulting service agreements, and refund all fees collected from California consumers.

Student Loan Advocates Consulting Services Inc.

A debt relief company based in Torrance, California engaged in student loan debt relief servicing activities. The company and its owner agreed to desist and refrain from violating the CCFPL and TSR. The company and the owner were further ordered to pay \$5,000 in penalties and refund all fees collected from California consumers.

Students First

A California-based student debt relief company that marketed its student loan document preparation assistance services through direct mailings, phone calls, and from its website. 106 California consumers enrolled in Students First's Debt Relief

Services paying up-front servicing fees between \$199.75-\$799.00. From May 14, 2021, to April 8, 2022, Students First received \$52,408.74 in fees for its Debt Relief Services from California consumers. The settlement required the company to pay a \$5,000 penalty, stop violating the Telemarketing Sales Rule (TSR) and the CCFPL, and rescind the students' contracts.

Private Postsecondary Education Financing

National Laser Institute, LLC and EDVISIO, Inc.

The DFPI entered into a consent order with National Laser Institute, a school that offered financing to its students containing a deceptive contract provision erroneously claiming that the financing was a "qualified educational loan" subject to the limitations on discharge ability in bankruptcy. Additionally, the DFPI entered into a separate consent order with EDVISIO, Inc., the school's service provider, which designed and created the deceptive financing contract for the school.



Conclusion

The DFPI's implementation of the Student Borrower Bill of Rights in 2022, through the activities discussed above, has proven successful in reaching hundreds of thousands of Californians with student loans with information and resources to help them manage their loans. The DFPI anticipates that its work on student loan issues will continue to expand as the COVID-19 emergency pause on federal student loan payments comes to an end and millions of people are confronted with resuming payments.

Nationwide, the student loan debt amount is more than \$1.75 trillion and is now the second highest consumer category after mortgages. In California, there are nearly four million Californians who owe \$156 billion in federal and private student loans. Prior to the Student Borrower Bill of Rights, borrowers with federal student

loans had some repayment protections established by the Higher Education Act of 1965. However, there is no industrywide consumer financial protection framework at the federal level to regulate the student loan servicers in charge of implementing those protections. Borrowers are faced with navigating a complex and confusing repayment system and a student loan market plagued with predatory practices. Additionally, student borrowers with private loans do not have repayment protections under federal law to help them manage their loans. Poor servicing practices can add to the overall cost of loans and cause borrowers to slide into default.

Research shows that the student loan debt burden falls disproportionately on women, low-income, first generation, and Black borrowers. In California, the

default rate, or rate of borrowers who are currently at least 90 days delinquent, is 7.1 percent. Defaulting on student loans can have severe consequences including wage, tax, or social security garnishment, notification to credit bureaus, and possible legal action. Defaulted borrowers tend to have a lower student loan balance with a median loan balance of \$15,307 and are higher among those who attended private-for-profit colleges, those who don't complete a degree or certificate, and for Black and Latino borrowers. The ripple effects of student debt are substantial and student loan debt negatively impacts a borrower's financial future and their ability to buy a home, choose a career, and save for retirement among other things. For these reasons, the DFPI's work to help Californians with student loans remains

all the more urgent.

With the U.S. Supreme Court's decision to strike down the Biden's Administration One-Time Debt Relief program, millions of borrowers returning to repayment October 2023, the new Income-Driven Repayment SAVE plan, and the many regulatory changes to Public Service Loan Forgiveness and other programs, borrowers will be faced with many uncertainties and challenges in the coming years. The DFPI and the Ombudsperson will continue to identify emerging issues, conduct strategic outreach, and help borrowers obtain clear, actionable, and personalized information while continuing to build partnerships with grassroots organizations, state regulators, and federal agencies.

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 2022:

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.

On November 22, 2022, the eighth payment pause extension was announced in response to a court ruling that blocked

the implementation of the Biden-Harris Administration Debt Relief measure. FSA announced that payments would resume 60 days after the FSA is permitted to implement the program or the litigation is resolved. In May 2023, as part of debt ceiling agreement between President Biden and House Speaker Kevin McCarthy, 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.

Public Service Loan Forgiveness (PSLF) Waiver

The Public Service Loan Forgiveness (PSLF) program was created in 2007 to

encourage individuals to enter and remain in public service. Under PSLF rules, if a borrower makes 120 qualifying payments, they may have the remaining balance of their loans forgiven. Due to lack of servicer oversight, mismanagement of the program, and complex program rules, in 2017 there was a 98 percent denial rate. On October 6, 2021, the ED announced the limited PSLF waiver program. The waiver allowed borrowers to receive credit for past periods of repayment that would otherwise not qualify for PSLF. It also suspended other traditional PSLF rules allowing borrowers to obtain forgiveness or get closer to forgiveness. The waiver application period expired October 31, 2022.

Biden-Harris Administration One-Time Debt Relief

On August 24, 2022, the ED announced up to \$20,000 in loan cancellation to borrowers with ED loans. Pell Grant recipients would be eligible for up to \$20,000 and non-Pell Grant recipients could receive up to \$10,000 in debt cancellation. Borrowers were eligible if they met certain income requirements and applied for the relief. The application went live on the FSA's webpage on October 11, 2022.

In response to the announcement, several legal challenges were immediately brought against the ED and the Biden-Harris Administration to block the relief

program, but applications continued being accepted. On November 10, 2022, a federal judge in Texas blocked the Biden administration debt relief program and on November 14, a federal appeals court issued a nationwide injunction. The ED immediately stopped taking applications until further notice but announced that 26 million people had submitted applications for the program, and it had already approved 16 million of those applications for relief. On June 30, 2023, the U.S. Supreme Court struck down the Biden Administration's Debt Relief plan. As a result, the Biden Administration announced it would take alternative steps to provide debt relief for borrowers including the implementation of a new Income-Driven Repayment SAVE plan.

Income Driven Repayment (IDR) Adjustment

On April 19, 2022, the 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, the ED would give borrowers 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.

Borrower Defense Discharge (BDD)

The Borrower Defense Discharge (Borrower Defense to Repayment) program allows federal borrowers to seek cancellation of their William D. Ford Direct Loan (Direct Loan) program loans if their institution engaged in certain misconduct. Although the program had been previously available to borrowers, the ED announced it would adopt a streamlined approach for providing full relief to borrowers with approved borrower defense claims, including borrowers with previously approved claims who received only partial loan forgiveness. In 2022, the ED announced that it would approve 100 percent of the discharges of federal loans for the following institutions:

- Corinthian Colleges, Inc.: Group discharge for students (1995–2015).
- DeVry University: Full discharge of borrower defense claims (2008–2015).
- ITT Technical Institute, Nursing Program: Full discharge for students (Jan 2005–Sep 2016).
- Kaplan Career Institute, Kenmore Square

Campus Medical Assistant and Medical Billing & Coding Programs: Full discharge of borrower defense claims (Jul 2010–Feb 2012).

- Marinello Schools of Beauty: Group discharge for students (Jan 2009–Feb 2016).
- Minnesota School of Business/Globe University: Full discharge for students who attended the criminal justice program and settlement of 2021 bankruptcy cases.
- Westwood College: Full discharge of borrower defense claims (2002–2015).
- The ED and plaintiffs in the class action case of *Sweet v. Cardona* (formerly *Sweet v. DeVos*) agreed to a settlement and final approval was granted on November 16, 2022. Under the settlement, approximately 200,000 borrowers will receive \$6 billion in federal student loan cancellation.

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
ED	U.S. Department of Education
FSA	Federal Student Aid
FTC	Federal Trade Commission
IDR	Income Driven Repayment
ISA	Income Share Agreement
NCP	New Covered Persons Program (DFPI)
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
SLS	Student Loan Servicing Program (DFPI)
TSR	Telemarketing Sales Rule
UDAAP	Unlawful, Unfair, Deceptive, or Abusive Acts and Practices



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