Maryland
DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER OF FINANCIAL REGULATION
500 NORTH CALVERT STREET; SUITE 402
BALTIMORE, MARYLAND 21202
ANTONIO P. SALAZAR, COMMISSIONER

December 31, 2019

The Honorable Thomas V. "Mike" Miller, Jr.
President
Senate of Maryland
State House, H-107
Annapolis MD 21401

The Honorable Adrienne A. Jones
Speaker
Maryland House of Delegates
State House, H-101
Annapolis MD 21401

Re: Report required by Financial Institutions Article § 2-104.1(f)(2) (MSAR #11712)

Dear President Miller and Speaker Jones:

As required by the Financial Consumer Protection Act of 2018, effective October 1, 2018, and codified in pertinent part at Financial Institutions Article § 2-104.1 et. seq., the Commissioner of Financial Regulation designated me to serve as Maryland's Student Loan Ombudsman. The Student Loan Ombudsman serves as a liaison between student loan borrowers and student loan servicers. According to Financial Institutions Article § 2-104.1(f)(2), on or before January 1 of each year, the Ombudsman is to provide a report with findings and recommendations to the General Assembly in accordance with § 2-1257 of the State Government Article. This year's Ombudsman's report will include:

(1) Information about the establishment of the student loan ombudsman position including the development of policies and procedures for coordinating complaint reviews, receiving student loan servicer designee information, and other Ombudsman's activities throughout the year;
(2) A discussion of federal, state and local developments affecting student loan servicing;
(3) The Ombudsman's findings, analysis and recommendations regarding complaint data and data trends; and
(4) A discussion as to whether there are any statutory changes needed to ensure that the student loan servicing industry is fair, transparent and equitable for Maryland borrowers.

The attached report is respectfully submitted for your information and consideration.

Sincerely,

Sean J. McEvoy

Sean J. McEvoy
Student Loan Ombudsman

cc: Office of the Governor
Tiffany P. Robinson, Secretary, Department of Labor
Antonio P. Salazar, Commissioner of Financial Regulation
Sarah Albert, Department of Legislative Services (5 copies)

STATE OF MARYLAND

OFFICE OF THE COMMISSIONER OF FINANCIAL REGULATION

DEPARTMENT OF LABOR
500 N. CALVERT STREET, SUITE 402
BALTIMORE, MARYLAND 21202

REPORT OF THE STUDENT LOAN OMBUDSMAN FOR THE YEAR ENDING December 31, 2019

Presented to:

The Honorable Thomas V. "Mike"' Miller, Jr.
President
Senate of Maryland
State House, H-107
Annapolis, MD 21401

The Honorable Adrienne A. Jones
Speaker
Maryland House of Delegates
State House, H-101
Annapolis, MD 21401

Antonio P. Salazar
Commissioner of Financial Regulation

Sean J. McEvoy
Student Loan Ombudsman

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OFFICE OF THE COMMISSIONER OF FINANCIAL REGULATION MISSION

The Office of the Commissioner of Financial Regulation ("OCFR" or "Office") supervises the activities of the financial services industry in Maryland under its regulatory authority and through periodic on-site examinations and off-site monitoring programs. The mission of the Office is to ensure that the citizens of Maryland are able to conduct their financial transactions through safe, sound, and well-managed institutions that comply with Maryland law, including various consumer protection provisions, while providing a flexible, yet sound regulatory environment that promotes fair competition, encourages innovative business development, and supports the economy of Maryland.

STUDENT LOAN OMBUDSMAN PROVISIONS

The Financial Consumer Protection Act of 2018, effective October 1, 2018, and codified in pertinent part at Financial Institutions Article § 2-104.1 et. seq. (the "Act"), provides that the Commissioner of Financial Regulation (the "Commissioner") shall designate an individual to serve as the Student Loan Ombudsman (the "Student Loan Ombudsman" or the "Ombudsman"). The Student Loan Ombudsman is to serve as a liaison between student loan borrowers and student loan servicers.

The Act and subsequent amendments to § 2-104.1 specify certain activities to be undertaken by the Student Loan Ombudsman, among them:

1. Receiving and processing, in consultation with the Commissioner, complaints about student education loan servicing;
2. Referring matters that are deemed abusive, unfair, deceptive, or fraudulent to the Office of the Attorney General for civil enforcement or criminal prosecution;
3. Referring complaints of violations of student education loan servicing standards to the OCFR for investigation;
4. Disseminating information about the Student Loan Ombudsman and about student education loans and servicing;
5. Analyzing and monitoring the development and implementation of federal, State, and local laws, regulations, and policies on student loan borrowers;
6. Disclosing the complaint data the Student Loan Ombudsman compiles and analyzes;
7. Making certain recommendations and a yearly report to the General Assembly; and
8. On or before October 1, 2019, establishing, in consultation with the Commissioner, a student loan borrower education course.

STUDENT LOAN OMBUDSMAN'S REPORT ON THE ESTABLISHMENT OF THE STUDENT LOAN OMBUDSMAN POSITION

The Ombudsman is to report its findings and any recommendations to the General Assembly in accordance with § 2-1257 of the State Government Article. This Report will include:

1. Information about the establishment of the student loan ombudsman position including developing policies and procedures for coordinating complaint reviews, receiving student loan servicer designee information, and other Ombudsman's activities throughout the year;
2. A discussion of federal, state and local developments affecting student loan servicing;
3. The Ombudsman's findings, analysis and recommendations regarding complaint data and data trends; and
4. A discussion as to whether there are any statutory changes needed to ensure that the student loan servicing industry is fair, transparent and equitable for Maryland borrowers.

OMBUDSMAN'S MISSION

Pursuant to the Act, the Student Loan Ombudsman was designated by the Commissioner and commenced service in October, 2018. The Act requires the Ombudsman to monitor student loan servicing activity in Maryland and sets forth various duties of the Ombudsman.

The Ombudsman's primary function is to provide student loan borrowers with a state-level office that can assist them in resolving their complaints about student loan servicers ("servicers"). The Ombudsman provides information about student loan processes and acts as a liaison between student loan borrowers and student loan servicers to attempt to facilitate solutions to problems and to have mistakes corrected. In addition to serving student loan borrowers, the Ombudsman gathers information about the state of student loan servicing in Maryland in order to inform the public and legislature about student loan issues and trends. That information is provided to the public and compiled complaint data and any recommendations are provide to the General Assembly in the Ombudsman's annual report. If the complaints identify potential violations of law or unfair, deceptive, or fraudulent actions, the Ombudsman may refer them to the OCFR or Maryland Office of the Attorney General for investigation and civil enforcement or criminal prosecution.

The Act also requires student loan servicers operating in Maryland to: (a) designate an individual to represent the student loan servicer in communications with the Ombudsman, and (b) provide the designee's name, phone number, and e-mail address to the Ombudsman. Finally, as required by the Act, the Ombudsman established, in consultation with the Commissioner, a student loan borrower education course that can be accessed through the Ombudsman's webpage at:

http://www.dllr.state.md.us/finance/consumers/frslombudcurriculum.pdf.

On May 13, 2019 Governor Larry Hogan signed into law HB 594/SB670 which further enhanced the Act. The new provisions prohibit student loan servicers from engaging in certain conduct, including, among other things, any of the following:

- Employing any scheme, device, or artifice to mislead a student loan borrower;
- Engaging in any unfair, abusive, or deceptive trade practice; or
- Knowingly misapplying or refusing to correct a misapplication of payments; or
- Failing to apply non-conforming payments as directed by the borrower.

The law also requires student loan servicers to respond to inquiries and complaints within 30 days of receipt, authorizes the Ombudsman to refer complaints to the OCFR, and grants enforcement authority to the OCFR. Finally, any violation of the new law is an unfair, abusive, or deceptive trade practice under the Maryland Consumer Protection Act. The effective date of the new provisions was October 1, 2019.

AN OVERVIEW OF STUDENT LOANS

As of November 2019, student loan debt in the United States exceeded $1.50 trillion, a 3.4% increase on last year. Approximately 92% ($1.38 trillion) of that debt is federal debt financed by the U.S. Department of Education and the remaining 8% ($120.0 billion) is considered private or institutional debt. Over the past 12 years, the market for student loan debt has expanded by 150% from $600 billion in 2007 to $1.50 trillion today while the number of borrowers in that time has increased by 51.7% from approximately 29 million to more than 44 million. The average federal loan debt at graduation per student borrower has also increased by 62.2% from $18,000 in 2007 to $29,200 in 2018*.

State averages for student debt load at graduation range from a low of $19,750 in Utah to a high of $38,650 in Connecticut. In Maryland, 55% of students graduate with debt from attending a third level educational institution and on average, Maryland students graduate with $29,178 in debt, an increase in 5.4% over the prior year**. Maryland's students' debt level and percentage of students graduating with debt rank 25th and 31st, respectively, among the states.

As a result, student loan debt is now the second highest consumer debt category in the United States behind mortgage debt, and is higher than both credit cards debt and auto loans. The student loan delinquency (or default) rate over the last 4 years has averaged around 10.7% (90+ days delinquent) and remains higher than the delinquency rates for other types of household debt*.

Economists are concerned that this debt burden on borrowers could constrain current and future consumer consumption and limit economic growth as significant levels of student loan debt negatively impact personal credit scores and borrowers' ability to access other types of debt such as mortgages, auto loans, and credit card debt which are utilized in the formation of households.

In addition to the overall debt burden of student loans, concerns have been raised from various sources over the quality of the servicing of such loans. The most significant concerns that have been raised involve the borrowers' inability to obtain accurate information about their loans and about their options for repayment, particularly if they encounter difficulty in making payments. The Student Loan Ombudsman in the Consumer Financial Protection Bureau ("CFPB" or "Bureau") reviewed servicers' practices and, as described below, has reported in its Annual Reports on issues it identified relating to the servicing of student loans.

* Source: The Federal Reserve Bank of New York's Center for Microeconomic Data *Quarterly Report on Household Debt and Credit*, (3rd Quarter November 2019).
** Source: The Institute for College Access and Success: 14th Annual Report on Student Debt and the Class of 2018 (September 2019)

FEDERAL, STATE, AND LOCAL DEVELOPMENTS

Activity of the Consumer Financial Protection Bureau

The Dodd-Frank Wall Street Reform and Consumer Protection Act established a student loan ombudsman within the CFPB. Since 2011 the CFPB Ombudsman has investigated complaints regarding student loan servicers and acted as an impartial liaison between borrowers and the student loan industry.

The 2016 and 2017 CFPB Ombudsman's annual reports found that the majority of borrowers' complaints were related to difficulties dealing with their servicers. Complaints identified in the CFPB Ombudsman's reports include: difficulty repaying a loan, difficulty with credit reporting, difficulty with getting a loan, egregious and deceptive behavior on the part of servicers, including misapplying payments, putting students in forbearance, not directing students towards the proper repayment plan, and other misdirection that has led to confusion and oftentimes inability for the borrower to repay their loans.

As of the time of this report, Wendy Kamenshine serves as the CFPB Ombudsman and Bob Cameron serves as the CFPB Private Education Loan Ombudsman. Mr. Cameron issued his 2019 Annual Report in October, and since the CFPB Ombudsman did not issue a report for 2018, combined the two reporting periods into that one report. The report contains a brief analysis of inquiry data but it did not identify an extensive list of complaints that were handled by the Office as had been reported in the CFPB Ombudsman's reports of 2016 and 2017 because the Bureau no longer has an operating Memorandum of Understanding (MOU) with the U.S. Department of Education. However, the CFPB Ombudsman did report that the Bureau handled 11,000 and 9,500 complaints (combined federal and private loans) in 2018 and 2019, respectively. Of those complaints 244 (2.2%) and 216 (2.3%), respectively, came from Maryland. The report also added that over the two year reporting period, it handled an additional 4,600 student loan debt collection related complaints (2,400 in 2018 and 2,200 in 2019).

The CFPB Ombudsman's report noted that there has been a significant increase in the number of complaints against student loan debt relief companies. The Report can be found at the following link:

https://files.consumerfinance.gov/f/documents/cfpb_annual-report_private-education-loan-ombudsman_2019.pdf

The CFPB continued its enforcement activity against student loan servicers and other student loan related companies during the past year. Specifically, an important case continues and several new cases were commenced.

As mentioned in last year's Ombudsman's Annual Report, in September 2017, the CFPB brought an enforcement action against certain trusts holding securitized student loans. CFPB alleged that the trusts violated consumer financial protection laws in connection with the collection of the outstanding student loan balances. The case, Consumer Financial Protection Bureau v. The National Collegiate Student Loan Master Trust, was brought in the United States District Court for the District of Delaware. The defendants in that case are a group of 15 Delaware statutory trusts and involve more than 800,000 student loans that were originally made to students by private banks. In November, 2018, a decision by the Court questioned whether the trusts were subject to the CFPB's jurisdiction and permitted many parties to the securitization process, including the insurers of the loans and the loan sub-servicers, to intervene in the case. Proceedings in that case are continuing.

In 2019, the CFPB announced two settlements with student loan servicers. In May the Bureau announced a settlement with Conduent Education Services, LLC (CES – formally ACS Education Services). CFPB found that CES engaged in unfair practices that violated the Consumer Financial Protection Act of 2010 by failing to adjust in a timely manner principal balances of student loans made under the Federal Family Education Loan Program for circumstances such as deferment, forbearance or the borrowers' entrance into an Income-Based Repayment program. As a result, some borrowers paid off loans with inaccurate balances, and some borrowers were unable to consolidate their loans while they waited, sometimes for months and years, for CES to adjust their principal balances. The consent order required that CES make proper adjustments to the principal balances of the relevant loans or otherwise make restitution to borrowers or any third parties who paid off such loans and also required CES to pay a $3.9 million fine.

In June, 2019, the Bureau also announced a settlement with Student CU Connect CUSO, LLC (CUSO), a company set up to hold and manage private loans for students at ITT Technical Institute (ITT), which filed for bankruptcy and ceased operations in 2016. The Bureau filed a complaint and a proposed stipulated judgment alleging that CUSO provided substantial assistance to ITT in engaging in unfair acts and practices. The Bureau's complaint alleges that CUSO was actively involved in the creation and the implementation of the CUSO loan program. The complaint also alleges that ITT induced its students to take out the loans by a variety of means, and that CUSO knew or was reckless in not knowing that many student borrowers did not understand the terms and conditions of the CUSO loans and could not afford them. Under the terms of the proposed stipulated judgment, CUSO must stop collecting on all outstanding CUSO loans, discharge all outstanding CUSO loans, and ask all consumer reporting agencies to which CUSO furnished information to delete trade lines relating to CUSO loans. The order also requires CUSO to provide notice to all consumers with outstanding CUSO loans that their debt has been discharged and is no longer owed and that CUSO is seeking to have the relevant trade lines deleted. The total amount of loan forgiveness for former ITT students is currently estimated to be $168 million of which over $6 million of debt relief was obtained by the Maryland Attorney General's office for 582 former Maryland students.

Reflecting ongoing concerns about potential wrongdoing and misrepresentation by student loan debt relief companies, the CFPB in October 2019 filed a complaint and sought a temporary restraining order and preliminary injunction in federal court in the Central District of California against Consumer Advocacy Center Inc., d/b/a Premier Student Loan Center (Premier); True Count Staffing Inc.; and Prime Consulting LLC. The CFPB alleges that Premier, along with its company co-defendants, violated the Consumer Financial Protection Act of 2010 (CFPA) and the Telemarketing Sales Rule (TSR). CFPB alleges that the debt relief companies operate as a common enterprise, have engaged in deceptive practices and charged unlawful advance fees in connection with the marketing and sale of student loan debt relief services to consumers. The court granted the request and has scheduled a hearing for a preliminary injunction. The Bureau's complaint seeks an injunction against the defendants, as well as damages, redress to consumers, disgorgement of ill-gotten gains, and the imposition of a civil money penalty. The case is currently ongoing.

A listing of the CFPB's enforcement actions can be found at:

https://www.consumerfinance.gov/policy-compliance/enforcement/actions/

U.S. Department of Education Preemption Determinations

The U.S. Department of Education ("ED") is the agency responsible for selecting and overseeing student loan servicers. On December 30, 2015, as part of the Office's review of whether student loan servicers were subject to Maryland's collection agency licensing and supervision provisions, OCFR staff sent a letter to ED requesting comments and thoughts on Maryland licensing business entities servicing governmental student loan debt. In response to that inquiry, ED's Office of the General Counsel provided a letter on January 21, 2016 stating that State supervision would not be preempted by federal law and that such supervision would not conflict with ED's contracts with its student loan services as those contracts already provide for general compliance with state and federal law.

In early 2018, ED published a notice in the Federal Register stating that "State regulation of the servicing of Direct Loans impedes uniquely Federal interests" and that "a requirement that Federal student loan servicers comply with 50 different State-level regulatory regimes would significantly undermine the purpose of the Direct Loan Program to establish a uniform, streamlined, and simplified lending program managed at the Federal level." As part of this pronouncement, ED's Office of the General Counsel reversed its statements made in the January 21st letter to the Commissioner and now supports ED's position of preemption. Following the issuance, the Conference of State Bank Supervisors ("CSBS"), the nationwide organization of banking regulators for the 50 states (of which OCFR is a member), opposed ED's position of preemption and argued that only Congress can make the decision on preemption. The issue of whether federal law pre-empts of state licensing and regulation of student loan servicers is also at the heart of several lawsuits involving various state agencies as briefly discussed below. The Ombudsman will continue to monitor and report on any further developments on this topic.

U.S. Department of Education NextGen System

ED plans to introduce a new technology platform, called Next Generation Financial Services Environment ("NextGen"), which it says will integrate the entire student-loan process - from submitting the Free Application for Federal Student Aid ("FAFSA") through to payment, processing, and service - into a single website. In describing the system, the ED stated that NextGen is an effort to improve the Department's engagement with borrowers, reduce the volume of borrowers that default, improve customer service to delinquent borrowers, and lower overall delinquency levels. The federal government awarded a $577 million contract to Accenture to build the platform in April 2019 and the Ombudsman will continue to monitor and report on the roll-out of the NextGen system.

Maryland Activity

In January 2019, the Maryland Higher Education Commission ("MHEC") announced that it awarded $9 million in student loan debt relief tax credits to 9,494 state residents with student loan debt for the 2018 tax year. This was an increase of 80% over the $5 million in tax credits issued in the prior year. Applications are submitted from July 1st to September 15th of each year.

In June 2019, Governor Hogan announced the launch of the SmartWork's Student Loan Repayment Plan ("SLRP"), a student debt relief program for qualified Maryland state employees which was created by an Executive Order in 2018. SLRP offers state employees working in specified shortage areas—such as nurses, correctional officers, police, and IT workers—the opportunity to receive state assistance with student loan debt. Current state employees in eligible job classifications who are paying down their children's student loans may also qualify for this benefit, for children age 25 and younger. The maximum benefit is $20,000 over a ten-year period.

In November 2019 Maryland's Attorney General filed an amicus brief with the U.S. District Court for the District of Columbia in support of public service workers who were promised federal student loan debt forgiveness in exchange for 10 years of public service. The amicus supports the plaintiffs in *Weingarten et al v. U.S. Dept. of Educ. et al*, who, after serving 10 years in public service, were denied debt relief due to the U.S. Department of Education's mismanagement of the program.

According to these public service borrowers and federal government reports, the U.S. Department of Education has committed pervasive errors in administering the Public Service Loan Forgiveness (PSLF) program. The PSLF allows borrowers who pay down their loans while working for 10 years in qualifying public service jobs (federal, state and local government, teachers, law enforcement officers, members of the military, etc.) to have the remainder of their federal direct student loans forgiven.

The first PSLF borrowers became eligible for forgiveness in October 2017. Since then, 90,962 people have applied for loan discharge pursuant to PSLF, but only 845 (1%) have received it. In the brief, the attorneys general stressed the importance of the PSLF programs and asked the Court to review and consider borrowers' specific allegations, including whether they should have the opportunity to prove their case.

In addition to Maryland, the brief was signed by the attorneys general of California, Colorado, Connecticut, the District of Columbia, Delaware, Idaho, Illinois, Kentucky, Maine, Massachusetts, Michigan, Minnesota, Nevada, New Mexico, North Carolina, Oregon, Vermont, Virginia, Washington, and Wisconsin. The Ombudsman will continue to monitor and report on any developments with the PSLF program.

Other State Activity

California, Colorado, Connecticut, the District of Columbia, Illinois, Maine, New Jersey, New York and Washington have established various provisions for registering or licensing student loan servicers. Additionally, student loan ombudsman positions have been established in California, Connecticut, the District of Columbia, Illinois, Virginia, New Jersey, Nevada and Washington (which created a position of "advocate" with authority similar to others state's ombudsmen). In addition, Colorado and Maine recently enacted laws that established an ombudsman positions which became effective in August 2019 and January 2020 respectively. Both states also require the licensing of student loan servicers. The Ombudsman has been in communication on an ongoing basis throughout the year with many of the various state's ombudsmen in order to stay abreast of potential developments and initiatives and to exchange advice and information

Several states have attempted to enforce their licensing statutes in the face of ED's preemption stance and litigation has ensued. For example, in 2017, the District of Columbia enacted a law providing for the establishment of an ombudsman and establishing a licensing scheme for student loan servicers. Thereafter, Student Loan Servicing Alliance, on behalf of student loan servicers, filed suit to block implementation of the law. The U.S. District Court for the District of Columbia issued a decision in the case on November 21, 2018 and it held that federal law pre-empted the District of Columbia's licensing scheme inasmuch as licensing related to federal student loans, but not federally insured, commercial owned student loans or purely private student loans. As part of the decision, the District of Columbia was enjoined from enforcing the licensing of servicers with respect to the servicing of their federal student loans.

In 2018, the Pennsylvania Higher Education Assistance Agency ("PHEAA"), a large student loan servicer sued Connecticut's banking commissioner, its department of banking and ED also in the U.S. District Court for the District of Columbia to overturn that State's regulatory efforts to require that student loan servicers provide certain required documentation or risk losing their ability to operate in the state.

Since 90% of student loans are federal student loans, the impact of the decision in either case would be significant. The Ombudsman and Office are evaluating the implications of these cases with respect to Maryland law. The Ombudsman will continue to monitor and report on developments in this area.

PROCEDURES FOR PROCESSING BORROWERS COMPLAINTS AND STUDENT LOAN SERVICER DESIGNEE INFORMATION

The Ombudsman's dedicated website serves a number of functions for both borrowers and student loan servicers. Both parties can access their own dedicated pages via separate portals.

Borrowers

1) A resource page provides information to borrowers on how the Ombudsman can assist as well as general information and advice to help them understand their rights.
2) Borrowers can contact the Ombudsman directly through a dedicated phone line or email.
3) Borrowers can file a complaint by filling out a Student Loan Ombudsman Complaint Form and submitting it to the Ombudsman via email, mail or fax with their supporting documentation.
4) The Ombudsman and Financial Examiners will review all filed complaints.
5) Student loan servicers will be contacted by the Ombudsman to investigate the Borrower's complaint.
6) Customers will receive status updates, be asked to provide additional information and be informed of student loan servicer responses. Letters acknowledging receipt of the complaint and a final findings letter will be issued to Borrowers.

Student Loan Servicers

1) A dedicated resource page provides information, including an informational bulletin, to student loan servicers explaining how to comply with the Act.
2) Student loan servicers can contact the Ombudsman directly via phone or email.
3) Student loan servicers can complete their designee form and submit it electronically via email or mail.
4) Completed designee forms are entered into the OFCR database for use by the Ombudsman and Financial Examiners.
5) Student loan servicers will receive confirmation of their filing via email acknowledgement.

STUDENT LOAN OMBUDSMAN EDUCATION AND OUTREACH

The Ombudsman undertook a number of activities throughout the year to inform and educate Maryland student loan borrowers of their consumer rights and responsibilities under State law as well as explain and provide additional state and federal resources that were available. Stakeholder outreach with non-profit financial education service providers was also undertaken to provide education and training on the authority of the Ombudsman and to hear directly from those organizations about their clients' experiences with student loan servicer businesses in Maryland. These initiatives included:

1) Completion of the Ombudsman's brochure both in collateral form and electronically on-line for distribution to stakeholders, strategic partners and the public. The brochure can be found at the following link:
   http://labor.maryland.gov/finance/consumers/frslombudbrochure.pdf

2) Completion and publication in conjunction with the Commissioner, the Ombudsman's student loan borrower education course called the "Student Loan Educational Toolkit" on the ombudsman's resource web page in October 2019. The course can be found at the following link: http://labor.maryland.gov/finance/consumers/frslombudcurriculum.pdf

3) An upgrade of the Student Loan Servicer Designee form so that it can be submitted electronically via the Ombudsman web site. The upgraded form can be found at the following link: https://iprod.dllr.state.md.us/form/FinRegStudentLoan

4) Identification of and engagement with important strategic partners and stakeholder groups, as well as the public, through seminars, presentations and attendance of financial education symposiums and conferences to increase awareness of the ombudsman role, services and responsibilities. Partners include no profit financial educational practitioners such as: MD Cash Campaign of Maryland, the Maryland Volunteer Lawyers Service, and CAFÉ Montgomery. The Ombudsman is also a member of the Maryland Consumer Rights Coalition's, Student Debt Coalition working group and attended meetings of the General Assembly's Financial Education & Capability Commission. These events also provided an opportunity to solicit feedback from those organizations about their clients' experiences with student loan servicer businesses in Maryland.

5) Attendance, in conjunction with the Commissioner, of four "Listening Sessions with the Commissioner" at different locations, throughout the State. The sessions brought the Commissioner and senior Office staff together with regional stakeholder groups to exchange information and discuss consumer or financial trends in Maryland. The role, authority and services of the ombudsman were explained to the attendees at the quarterly listening events.

ANALYSIS OF STUDENT LOAN INQUIRIES

In the 15 months since the Ombudsman's position was established 59 student loan servicers have provided their designee information. In addition, the Office has received 22 individual inquiries from student loan borrowers from all parts of the State. 19 of those inquiries were related to student loan servicers while the 3 remaining inquiries were related to debt collectors. 16 inquiries were resolved while 6 are still currently under investigation. 1 inquiry was referred to the Attorney General's Office due to potential fraudulent lending behavior by a now defunct educational institution which was revealed when a student loan servicer tried to collect on a federal student loan allegedly held by the complainant. The Attorney General's Office continues to monitor and provide appropriate assistance to the complainant who has sought legal recourse through their own attorney.

The nature of the complaints from borrowers varied from purported difficulty with the student loan servicer (misapplied payments, billing errors, inaccurate interest rate calculations, principal and interest rate errors) to difficulty communicating with the student loan servicer, as well as allegedly inappropriate collection activities, and finally issues with credit reports. Overall, to date, the Ombudsman did not find fault with the student loan servicers' actions in handling the inquiries from these student loan borrowers.

68% (15) of the inquiries from complainants were directed at three student loan servicers: (a) Pennsylvania Higher Education Assistance Agency (PHEAA and its affiliated entities FedLoan and American Education Services), (b) Navient Solutions, LLC. and (c) NelNet Servicing, LLC. Each servicer generated 5 inquiries each. This is not surprising as these three servicers are also the largest companies in the industry.

Approximately two thirds (64%) of the total inquiries were from Montgomery (6), Baltimore (3), Prince George's (3), and Anne Arundel (2) Counties. This mix is not unexpected as these are counties are the largest in the State.

RECOMMENDATIONS

Since appointment, the Ombudsman has been focused primarily on developing the baseline operational structure within the Office to enable the Ombudsman to meet the statutory mandates contained in the Act, including development of an educational curriculum and disseminating information about the availability of the Ombudsman to the public and stakeholders. The Ombudsman established a mechanism for student loan servicers to name contact designees and the industry reacted positively to that requirement as evidenced by the 59 points of contact obtained by the Ombudsman. In light of the fact that Ombudsman has collected contact information from all known servicers of student loans and has not experienced difficulty in communicating with such servicers, the Ombudsman does not recommend, at this time, that such servicers be required to register with or be licensed by the State. Moreover, since the Ombudsman has not yet received sufficient complaint data or had sufficient time to evaluate the industry and the effect of the 2019 HB 594/SB670 (Student Loan Servicers – Unfair, Abusive or Deceptive Trade Practices effective 10/1/19) to make any meaningful conclusions about statutory or regulatory changes that would help resolve student loan borrower problems or concerns or help ensure that the student education loan servicing industry is fair, transparent, and equitable, the Ombudsman is not making any legislative recommendations in this Report. Instead, the Ombudsman recommends allowing at least another year to pass before any additional changes to or additional requirements are imposed on the Office or the industry.

During the coming year, the Ombudsman will continue to monitor developments at local, State and Federal levels and will coordinate with the Office of the Attorney General to evaluate the effect of the newly imposed servicing standards. Finally, it is expected that over the upcoming fiscal year, as outreach efforts continue and as knowledge of the Office spreads amongst stakeholders and consumers, that additional data will be gathered and analyzed that may, with any conclusions derived from effects of national developments and the 2019 servicing standards, warrant the making of recommendations in next year's Annual Report

ADDITIONAL STEPS FOR THE UPCOMING FISCAL YEAR

Education and Outreach

1) Create a dedicated webpage containing interactive educational modules that accompany the student loan educational curriculum.
2) Contact the state's university and community college alumni associations to collaborate on further outreach initiatives.
3) Continue to identify appropriate stakeholders and strategic partners in an effort to promote the work of the Ombudsman and leverage their networks.
4) Monitor and update the Ombudsman's website when appropriate.

Processes and Procedures

1) Continue to monitor and refine internal processes and procedures to improve efficiencies in service delivery to both borrowers and student loan servicers.
2) Upgrade the Student Loan Ombudsman Complaint Form so that it can be submitted electronically through the Ombudsman's website.