

December 31, 2020

The Honorable William C. "Bill" Ferguson IV.
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 Ferguson 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) The 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, 2020**

Presented to:

The Honorable William C. "Bill" Ferguson IV
President
Senate of Maryland
State House, H-107
Annapolis, MD 21401

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Speaker
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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 Office’s mission 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 FI § 2-104.1 specify certain activities that are 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. A description of the 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 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.labor.maryland.gov/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.

On October 22, 2020, the Ombudsman published a Student Loan Borrower’s Bill of Rights (“BOR”) for Maryland residents. The BOR is based on the 2018 Act and 2019 legislation that enhanced it. The Ombudsman realized that although the Act contained many protections for student loan borrowers, there was a need to better communicate the rights and responsibilities it contained to student loan borrowers. The BOR is a document that provides guidance to Maryland residents who are repaying student loans by succinctly describing, in plain language, the protections to which borrowers’ are entitled as well as the clearly stating the standards that student loan servicers must meet related to responsiveness, payment allocation, record retention, and reporting to credit bureaus. The BOR is intended to serve as tool for student loan borrowers to use in their interactions with their loan servicers and can be accessed at the following link:

<http://www.labor.maryland.gov/finance/consumers/frslbillofrights.pdf> .

In addition, the Ombudsman also created a specific BOR page on the OCFR website at:

<http://www.labor.maryland.gov/finance/consumers/frslbillofrights.shtml>

and issued an Advisory announcing the publication at this link:

<https://www.dllr.state.md.us/finance/advisories/advisory-studentloanbillofrightsconsumer.pdf>

AN OVERVIEW OF STUDENT LOANS

As of November 2020, student loan debt in the United States exceeded \$1.699 trillion. Approximately 90.9% (\$1.545 trillion) of that debt is federal debt financed by the U.S. Department of Education and the remaining 9.1% (\$132.0 billion) is considered private or institutional debt. Over the past 12 years, the market for student loan debt has expanded by 183.1% from \$600 billion in 2007 to \$1.699 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 60.8% from \$18,000 in 2007 to \$28,950 in 2019**.

The class of 2019 owed 0.9% less debt on average than last year’s average debt of \$29,200 reflecting the flattening of the student debt growth curve for borrowers over the last few years. Nationally, more than six in ten seniors (62%) of college seniors graduated from public or non-profit schools in 2019 with student loan debt.

State averages for student debt load at graduation range from a low of \$17,950 in Utah to a high of \$39,400 in New Hampshire. In Maryland, 53% (versus 55% last year) of students graduated with debt from

* Source: The Federal Reserve Bank of New York’s Center for Microeconomic Data *Quarterly Report on Household Debt and Credit*, (3rd Quarter, November 2020) and G19 Consumer Credit Series.

* Source: The Federal Reserve Bank of St. Louis, Student Loans Owned & Securitized, Outstanding, (3rd Quarter, November 2020)

** Source: The Institute for College Access and Success: 15th Annual Report on Student Debt and the Class of 2019 (October 2020)

attending a third level educational institution and on average, students graduated with \$30,303 in debt, an increase in 3.9% over the prior year and an increase of 9.3% over the last two years**. Maryland's students' debt level and percentage of students graduating with debt rank 20th and 34st, respectively, among the states.

As a result of those levels, student loan debt remains 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 U.S. student loan delinquency (or default) rate over the prior four fiscal years has averaged approximately 10.7% (90+ days delinquent) and remains higher than the delinquency rates for other types of household debt*. The default rate as of November 2020 decreased to 6.5% likely reflecting the financial relief provided by the Coronavirus Aid, Relief, and Economic ("CARES") Act enacted in March of this year (see relevant details below) which helped federal student loan borrowers avoid payment delinquency and protected their credit records from the reporting of skipped or deferred payments by the U.S. Department of Education.

Concerns continue that this debt burden on borrowers could constrain current and future consumer consumption and limit economic growth because 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 continue to be voiced about 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 in the CFPB section on page 5, has reported in its Annual Reports on issues it identified relating to the servicing of student loans.

COVID-19 Impact and the CARES Act

The COVID-19 pandemic ("pandemic"), an ongoing pandemic of coronavirus disease 2019 (COVID-19) caused by the transmission of severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) which was first identified in December 2019. The outbreak was declared a Public Health Emergency of International Concern in January 2020 and a pandemic in March 2020 by the World Health Organization.

The Coronavirus Aid, Relief, and Economic ("CARES") Act, passed by Congress and signed into law by the President on March 27, 2020, provides, amongst other measures, federal student loan relief to student loan borrowers and was made retroactive to a March 13, 2020 emergency declaration by the President. The CARES Act and a subsequent Presidential executive order on August 8, 2020 extended the temporary suspension of payments ("forbearance") and a 0% interest period for most federal student loans until December 31, 2020 ("Period"). Other provisions of the CARES Act included:

- Suspended payments in Income Driven Repayment (IDR) plans during the period would still count towards IDR forgiveness and would also be given credit toward Public Service Loan Forgiveness ("PSLF") as if the borrower had made on time payments. The borrower would have to already have a Direct Loan, be in a qualified repayment plan and be working full-time for a qualifying employer.

* Source: The Federal Reserve Bank of New York's Center for Microeconomic Data *Quarterly Report on Household Debt and Credit*, (3rd Quarter, November 2020) and G19 Consumer Credit Series.

** Source: The Institute for College Access and Success: 15th Annual Report on Student Debt and the Class of 2019 (October 2020)

- Borrowers who wanted to continue making payments, like those seeking PSLF or those enrolled in a repayment plan with a manageable monthly payment, could still do so and the full amount of their payment would be applied to the principal amount of their loan once all interest accrued prior to the March 13, 2020 announcement was paid.
- Borrowers who wanted to continue making payments, like those seeking PSLF or those enrolled in a repayment plan with a manageable monthly payment, could still do so and the full amount of their payment would be applied to the principal amount of their loan once all interest accrued prior to the March 13, 2020 announcement was paid.
- Suspension of collection actions and wage garnishments for the period by the U.S. Department of Education including notification by letter to the borrower's employer's human resources department. In addition, any wages inadvertently garnished during the period would be refunded.
- Student loan servicers were instructed to halt all proactive collection activities, including making phone calls to borrowers and issuing collection letters and billing statements.
- Borrowers with defaulted student loans would not have their federal tax refund or their Social Security payment (including disability benefit) withheld for the period.

The CARES Act helped federal student loan borrowers to avoid payment delinquency and protected their credit records from the reporting of skipped or deferred payments by the U.S. Department of Education, however the Act did not provide relief to private student loans (including some FFEL and Perkins loans owned by private lenders). As a result the U.S. student loan delinquency (or default) rate decreased from a prior four-year annual average of 10.7% to 6.5 % in November of this year. The Ombudsman's response to the COVID 19 pandemic and CARES Act is described in detail in the Education and Outreach section of this report on Page 14.

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, Robert G. Cameron serves as the CFPB Private Education Loan Ombudsman. Mr. Cameron issued Annual Reports in October of 2019 and 2020. Since the CFPB Ombudsman did not issue an Annual Report in 2018, Mr. Cameron combined the two reporting periods into his 2019 report. Both the 2019 and 2020 reports contain a brief analysis of inquiry data but they did not contain the listing of complaints that were handled by the Office as had been reported in the CFPB

Ombudsman's prior reports of 2016 and 2017 because the Bureau no longer had an operating Memorandum of Understanding (MOU) with the U.S. Department of Education.

In his 2020 Annual Report, the Mr. Cameron reported that the Bureau handled 6,950 complaints, a 26.8% decrease on the prior year. 5,014 (72%) were federal loan based complaints and 1,936 (28%) were private loans based complaints. Of those complaints, 123 (2.5%) and 73 (3.8%), respectively, came from Maryland residents. The CFPB Ombudsman attributed the decrease in complaints over the last two years to a number of factors including: borrower education and outreach by federal and state agencies, regulators, and consumer advocates, as well as the continued maturation of student loan servicers' compliance and complaint monitoring systems and their internal consumer advocate and ombudsman offices, and the relief provided to borrowers by the CARES Act in March 2020.

The CFPB Ombudsman also noted that in January 2020 it entered in a new information sharing MOU with the U.S. Department of Education that allows the Department to access the Bureau's complaint database as well as to certain data analytics for federal backed loans. The 2019 and 2020 Reports can be found at the following links:

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

https://files.consumerfinance.gov/f/documents/cfpb_annual-report_private-education-loan-ombudsman_2020.pdf

The CFPB continued its enforcement activity against student loan servicers and other student loan related companies during the past year. 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, ("NCSLMT") 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. The case is significant and has ramifications for Maryland borrowers. A report published by the Student Borrower Protection Center in March 2020 claims that NCSLMT owns more than 15,000 separate student loans totaling \$190 million. In addition, it claims, based on Maryland court filings, that NCSLMT has filed 1,257 cases against Maryland borrowers over the last five years (2014 to 2019), more than half of which are borrower's in majority-minority zip codes. The report also claims that many of these filings are unlawful due to the lack of evidence or documentation that the creditors have a legal right to collect on these debts and that the trust practices predatory collection practices including abuse of the courts. In May, 2020, the Court rejected a proposed stipulation of judgement that the CFPB believed it had worked out with the defendants based on interpreting Delaware Trust law requiring that any settlements be approved by the Owner Trustee. The Court determined that CFPB should have negotiated directly through the Owner Trustee and not with the owners directly. Since the consent judgement was denied, the case is still in litigation.

The CFPB Ombudsman's report this year once again notes that there has been a significant increase in the number of complaints against student loan debt relief companies. Reflecting their ongoing concerns about potential wrongdoing and misrepresentation by student loan debt relief companies due to a significant increase in borrower's complaints, the Bureau, over the last two years, has filed complaints and proposed stipulated judgements against several companies throughout the United States. In 2020, it announced additional enforcement actions against four student loan relief companies, three of which are described here

to illustrate the nature of the wrongdoing, and one enforcement action against a student loan trust (see details below).

As mentioned in last year's report, the Bureau 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). Under the TSR, it is illegal to request or receive any fees for debt-relief services sold through telemarketing before the terms of the debt are altered or settled and the borrower has made at least one payment pursuant to the new arrangement.

CFPB alleges that the debt relief companies operated 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 requested relief 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. In August, 2020 a partial settlements were reached between Prime Consulting, LLC and the CFPB, jointly with the states of California, Minnesota and North Carolina. Prime Consulting, LLC. will pay each of the states \$90,000 and pay the CFPB \$1 in fines. The settlement leaves Consumer Advocacy Center Inc. and True Count Staffing still in the ongoing case.

In May 2020, the CFPB filed a proposed stipulated final judgment to resolve its allegations in its lawsuit against California mortgage lender Chou Team Realty, LLC, (dba Monster Loans), and several individuals and related companies, including Thomas Chou and Sean Cowell. The CFPB alleged that Chou and Cowell were among the leaders of a scheme to use Monster Loans' account with a major credit bureau to violate the Fair Credit Reporting Act (FCRA) by unlawfully obtaining 19 million consumer reports for their associated student loan debt-relief companies, which in turn used the consumer reports to deceptively market their services nationwide and then charged consumers illegal advance fees for debt relief services, thus also violating the TSR. The proposed settlement would impose an \$18 million redress judgment against Monster Loans, ban Monster Loans, Chou, and Cowell from the debt-relief industry, and impose a total \$450,001 civil money penalty against them. The full amount of redress was suspended because of defendants' limited ability to pay more based on sworn financial statements.

In a similar case in July 2020, the CFPB settled with Timemark, Inc., a Florida based company that provides debt-relief services to consumers with federal student-loan debt, and with its owners and officers. The CFPB's complaint, filed in federal district court for the Southern District of Florida, alleged that from 2016 through October 2019, the defendants used telemarketing campaigns to convince more than 7,300 consumers to pay up to \$699 in fees to file paperwork to reduce or eliminate their monthly payments for their federal student loans, through loan consolidation, forgiveness, or income-driven repayment plans despite the fact that the U.S. Department of Education already offers these options to student loan borrowers for free. The Bureau alleges that the defendants violated the TSR because they requested and received payments from consumers within a few days, or at the latest, within 30 days of their enrollment—before the terms of the debts were altered. The proposed order memorializing the settlement will permanently ban the defendants from providing debt-relief services and impose a judgment totaling approximately \$3.8 million in consumer redress and civil money penalties. The full amount of redress was suspended because of defendants' limited ability to pay more based on sworn financial statements.

In September 2020, the CFPB filed a proposed stipulated judgment against PEAKS Trust 2009-1, along with Deutsche Bank National Trust Company, Deutsche Bank Trust Company Delaware, and Deutsche Bank Trust Company Americas, in their capacity as trustees to PEAKS Trust 2009-1 (collectively, “PEAKS”). In its complaint, filed in the District Court for the Southern District of Indiana, the Bureau alleged that PEAKS provided substantial assistance to ITT Educational Services, Inc. (ITT) in engaging in unfair acts and practices in violation of the Consumer Financial Protection Act of 2010. The CFPB claimed that PEAKS owned and managed private loans for students at ITT Technical Institute and that PEAKS allegedly knew or was reckless in not knowing that many student borrowers did not understand the terms and conditions of those loans, could not afford them, or in some cases did not even know they had them. The proposed judgment will require PEAKS to forgive all of its outstanding loans—approximately \$330 million in debt—for about 35,000 borrowers who currently have outstanding principal balances. Forty-seven states’ Attorneys General, including Maryland plus the District of Columbia also settled with PEAKS and over 1,100 former ITT students from Maryland are expected to receive \$9.4 million in financial relief.

The settlement with PEAKS marks the third settlement by the Bureau related to ITT’s private loan programs. As reported last year in the Ombudsman’s annual report, in June 2019, the CFPB announced a settlement with Student CU Connect CUSO, LLC (CUSO), another entity that had been established to hold and manage a separate portfolio of private loans for ITT students. Under that settlement, CUSO was required to discharge approximately \$168 million in loans. The combined settlements with CUSO and PEAKS provide nearly \$500 million in private student-loan debt-relief to former ITT students and permanently put an end to the collection of the loans originated under these two private loan programs established by ITT. A listing of the CFPB’s enforcement actions can be found at:

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

Activity of the Federal Trade Commission

In a case similar to the student debt relief cases taken by the CFPB, the Federal Trade Commission (“FTC”) in September 2020, settled with Arete Financial Group, a California based company that provided debt-relief services to federal student-loan borrowers, and with several other related companies and their owners and officers (collectively “Arete”). The FTC alleged, in a 2019 complaint filed with U.S. District Court for the Central District of California, that Arete pretended to be affiliated with the U.S. Department of Education and deceptively promised loan forgiveness, consolidation, and repayment programs to reduce or eliminate monthly payments and principal balances to student loan borrowers. It also alleged that Arete charged illegal upfront fees and made false promises to consumers struggling with student loan debt thus violating the TSR. The settlement bans Arete from providing student loan debt relief services, prohibits them from violating the TSR, and includes a monetary judgment of \$43.3 million, which was partially suspended due to an inability to pay. Arete agreed to pay at least \$835,000 to settle the FTC allegations.

Activity of the U.S. Department of Education

- *Preemption Determinations*

The U.S. Department of Education (“ED”) is the federal 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 servicers 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 has largely been determined in favor of the ED in several lawsuits involving various state agencies as briefly discussed in the "Other State Activity" section on page 12. The Ombudsman will continue to monitor and report on any further developments on this topic.

U.S. Department of Education

- *NextGen System*

ED has proposed to introduce a new technology platform, called the Next Generation Financial Services Environment ("NextGen") initiative, which involves the eventual transition from nine different student loan servicers operating on four different technology platforms to five servicers operating on one centralized servicing platform. ED expects that the Next Gen initiative will modernize the technology and operational infrastructure of the federal financial aid system that the Department currently uses. ED also expects that the changes will result in an improved customer experience, including improvements to its on-line presence and outreach capabilities.

In June 2020, the ED's Office of Federal Student Aid (FSA) announced that it signed servicing contracts with five companies to take over the servicing of FSA's more than 68 million student loan customers as part of the next step in its launch of NextGen. The five companies who were awarded contracts included: Edfinancial Services LLC, F.H. Cann & Associates LLC, MAXIMUS Federal Services Inc., Missouri Higher Education Loan Authority ("MOHELA"), and Texas Guaranteed Student Loan Corporation ("Trellis Company"). Existing servicers including Navient, Nelnet, FedLoan Servicing and Great Lakes Higher Education were not awarded contracts. ED also announced, at that time, that it expected the new service contracts would commence in December 2020 when the current contracts were set to expire. Private student loans (including some Federal Family Education Loan Program and Perkins loans owned by private lenders) will not be impacted by the Education Department's servicing changes.

In August, however, the FSA's Chief Operating Officer in the agency's [blog post](#), reversed its timeline and stated that the existing contracts would now be extended through 2021 and 2022****. The blog post did not provide any reasoning for the change of the timeline and it is thought that the extension was implemented in order to avoid the complications that can be expected to occur as the CARES Act provisions expire and borrowers begin repayment of their federal student loans.

****Source = "We're Taking Steps to Improve Federal Loan Servicing", HOMEROOM- The Official Blog of the U.S. Department of Education (August 4th 2020).

Some servicers have expressed their dissatisfaction with the ED's contract decisions and in October 2020, Cornerstone Financial (operated by the Utah Higher Education Assistance Agency -"UHEAA"), a company which had been included in the contract extension, terminated its loan servicing contract with ED due to financial losses. ED has indicated that it would transfer the contract, which services over 1 million student loan borrowers, to FedLoan Servicing (operated by the Pennsylvania Higher Education Assistance Agency - "PHEAA"). The Ombudsman has not been able to confirm to date if any Maryland borrowers will be affected by this decision but will continue to monitor developments to see if other servicers follow suit and if so assess ways to protect and inform Maryland borrowers.

U.S. Department of Education

- *Student Loan Forgiveness*

The lack of federal student loan forgiveness by ED continues to be an issue for student loan borrowers particularly around Borrower's Defense regulations and the Public Service Loan Forgiveness program. Numerous lawsuits throughout the country, over the last number of years, and their subsequent judgements are beginning to bring some clarity and in some cases are settling certain issues.

- *Borrower's Defense Regulations*

Following the collapse of Corinthian Colleges in the mid 2010's - a predatory, for-profit chain of colleges that left tens of thousands of students across the U.S. in need of debt relief, ED was required, by Congressional mandate (via the Higher Education Act), to issue "borrower defense" regulations that would provide critical protections for student-borrowers who had been misled or defrauded by predatory schools and an efficient pathway to get relief from their federal student loans. The mandate also required that ED issue regulations that would also ensure that financially troubled schools provide financial protection to the government to ensure that in the event of their failure, taxpayers would not be left financially responsible.

In 2016 ED issued the mandated regulations, but by mid-2017, two weeks before they were to go into effect, had delayed their introduction. A coalition of 20 attorneys general, including Maryland's Attorney General, sued ED over the delay and in 2018, a judge in the U.S. District Court for the District of Columbia found the delay unlawful and ordered the 2016 borrower defense regulations to go into effect. In November 2019, ED issued alternative replacement borrower defense regulations that went into effect in July 2020. Consumer advocates and some states' attorneys general believe that these alternative regulations put the interests of predatory schools ahead of student protections and creates a process designed to thwart relief for defrauded students and shield predatory schools from being held accountable.

In July 2020, Maryland's Attorney General joined a coalition of 23 attorneys general and filed a lawsuit in the U.S. District Court for the Northern District of California against ED challenging their action to repeal the 2016 "borrower defense" regulations and replace them. The filing argues that the issuance of the new regulations violates the Administrative Procedure Act (APA) and asks the court to vacate them.

In filing this lawsuit, Maryland joins the attorneys general of California, Colorado, Connecticut, Delaware, the District of Columbia, Hawaii, Illinois, Maine, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, New Mexico, New York, North Carolina, Oregon, Pennsylvania, Rhode Island, Vermont, Virginia, and Wisconsin. The outcome of the lawsuit will impact approximately 170,000 Borrower Defense applications many of whom have already have been denied relief by ED which continues to issue blanket denials without specific explanations for their rejection of the application. Maryland's Attorney General estimates that there are 1,900 Maryland student loan borrowers who were impacted by Corinthian and other for profit schools and who would benefit by having their applications accepted by ED. The Ombudsman will continue to monitor and report on any developments.

- **Public Service Loan Forgiveness**

As reported in the 2019 Ombudsman Annual Report, the case of *Weingarten et al v. U.S. Dept. of Educ. et al*, was filed by certain public service workers who, after serving 10 years in public service, were denied debt relief by the ED. Maryland's Attorney General, along with 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 have joined in filing an amicus brief supporting the plaintiffs.

According to the public service borrower plaintiffs and federal government reports, the ED 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.

According to a report released in August 2020 by the American Federation of Teachers (AFT) and the Student Borrower Protection Center (SBPC) entitled "[*Broken Promises: Employer Certification Failure*](#)", the ED rejected 28,535 forgiveness requests based on Employer Certification Forms completed by Maryland student loan borrowers. The case is currently ongoing and survived a motion to dismiss by the ED in June 2020. The Ombudsman will continue to monitor and report on any developments with the PSLF program.

Maryland Activity

In January 2020, the Maryland Higher Education Commission ("MHEC") announced that it awarded \$9 million in student loan debt relief tax credits to 9,600 state residents with student loan debt for the 2019 tax year. Over the last three years' \$23 million in student loan debt relief tax credits have been issued to Maryland residents. Applications for the tax credits may be submitted from July 1st to September 15th of each year.

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, continued in operation. 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 2020, 815 state employees applied to the program. 668 were approved to participate with 49 pending approval. 282 of the successful applicants received their first payment with the average payment of \$1,790 per applicant and will be eligible for a second payment of up to \$2,000 on January 1, 2022.

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, Colorado, Connecticut, the District of Columbia, Illinois, Maine, New Jersey, Nevada, Virginia, and Washington (which created a position of “advocate” with authority similar to others state’s ombudsmen). 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.

In September 2020, California signed into a law a student loan borrower’s bill of rights that established statewide industry standards for student loan servicers and consumer protections specifically for student loan borrowers. Several other states including Connecticut and Illinois have also passed their own variations of a bill of rights to protect their respective citizens.

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 Connecticut seeking to overturn that State’s regulatory efforts to require that student loan servicers provide certain loan documentation or risk losing their ability to operate in the state. Connecticut was seeking the records as part of an “examination” of PHEAA’s loan servicing activities in the state. ED which had hired PHEAA to service federal student loans, instructed PHEAA to withhold the requested records claiming that disclosing those records would violate both its contract with Education and the Privacy Act, 5 U.S.C. § 552a. Since 90% of student loans are federal student loans, the impact of the decision in either case would be significant. In May 2020, the U.S. District Court of Connecticut ruled in favor of PHEAA and determined that Connecticut’s banking commissioner and its department of banking, as ED contends, are preempted by federal law from obtaining the records of federal student loan borrowers. The Court, however, found that state authority over the servicing of private (*i.e.*, non-federal) loans and related records are not preempted by federal law. As a result of this decision and the DC case mentioned above, federal preemption of state authority over federal student loans has consistently been upheld just as courts have recognized that states may regulate the servicing of private (*i.e.*, non-federal) loans.

Two other recent court decisions were of note this year in two different states: [*Kevin Jared Rosenberg v. New York State Higher Education Services et al*](#) in New York and [*Byron Patterson McDaniel, Jr, Laura Paige McDaniel, v Navient Solutions, LLC*](#) in Colorado. Both courts ruled that student loan debt could be discharged in bankruptcy.

In New York in January 2020, the U.S. Bankruptcy Court in Poughkeepsie, N.Y., ruled that over \$221,000 of student loan debt was dischargeable under Chapter 7 bankruptcy laws despite the fact that the borrower was not disabled or unemployable. The court ruled that the case met the legal standards of the *Brunner* test, which requires borrowers seeking bankruptcy relief from their student debt to show they cannot maintain a minimal standard of living, their circumstances are likely to continue for a significant period and they have made good-faith efforts at repayment. Since this ruling rejects much of the case law that had historically made the discharge of student loan debt extremely difficult it may signify a significant development in making student loan debt easier to discharge if it withstands the appeal that has been filed by the servicer. That said bankruptcy court opinions get appealed to the District Court and in turn to the Circuit and Supreme Courts and so the case may have a long process to go through before a final decision will be reached.

In Colorado in September 2020, the U.S. Court of Appeals for the 10th Circuit ruled that \$220,000 of private student loan debt was dischargeable under Chapter 13 bankruptcy laws. The court ruled that an educational loan does not constitute an obligation to repay funds as an education benefit and that the borrower did not have to prove “undue hardship” because the borrower used certain student loans known as “Tuition Answer Loans” to fund living expenses while attending college. Although the decision only applies to the 10th Circuit and so is not governing law in other circuit courts, those other courts can look to the 10th for instructive guidance. The Ombudsman and Office are evaluating the implications of these cases with respect to Maryland law and 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 over the last two years 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 "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 these listening events.
- 6) Publication of the BOR for Maryland residents that clearly recites the rights of student loan borrowers who are repaying student loans. The BOR succinctly describes the protections to

which borrowers' are entitled as well as the obligations of student loan servicers. Protections cited in the BOR also includes standards that student loan servicers must meet related to responsiveness, payment allocation, record retention, and reporting to credit bureaus. A PDF copy of the BOR can be accessed at the following link:

<http://www.labor.maryland.gov/finance/consumers/frsbillofrights.pdf> while the BOR webpage can be found at this link on the Office website:

<http://www.labor.maryland.gov/finance/consumers/frsbillofrights.shtml>.

The Ombudsman promoted the BOR via email blasts to consumer stakeholder groups as well as through social media posts on the Maryland Department of Labor's Facebook page. In addition, the Ombudsman, in collaboration with the University of Maryland Alumni Association, included links and information to the BOR and Ombudsman's web pages on the Alumni Association's digital "Gold Digest" and "MD Digest" newsletters which were published in the 4th quarter of this year. The Ombudsman will continue to publicize the BOR over the coming year because of its importance as an educational tool for borrowers.

Response to the COVID-19 Impact and the CARES Act

At the onset of the COVID-19 pandemic, the Ombudsman and the Office undertook a number of actions and initiatives in order that were designed to maintain service to consumers and stakeholders during the lockdown and institution of remote work protocols. The most significant step taken was that the Office, following the Governor's emergency executive order and consistent with Department of Labor direction, on March 16, 2020 implemented a policy of mandatory teleworking for all Office staff. The remote work directive was to continue for an indefinite time period. The Ombudsman and the Office successfully implemented their contingency plans and continued to accept and process student loan borrower's complaints without interruption throughout the transition and afterwards to the present. In addition the Ombudsman:

- On March 26, 2020, issued an Advisory on the CARES Act for student loan borrowers describing the relief measures and providing resource and contact information.
- On May 7, 2020, revised and issued an Advisory warning borrowers to be aware of student loan scams such organizations misrepresenting their ability to get loan forgiveness and charging upfront fees.
- Created, in conjunction with the Office, a dedicated COVID 19 web page providing resource and contact information for borrowers.
- Responded to a media inquiry regarding student loan issues.
- On May 18, 2020 issued an Advisory on Credit Reporting Agency's ("CRA's") credit scores and inaccurate reporting of financial info. The Advisory was issued as a result of correspondence initiated with the CRA's by the Office and the Ombudsman upon receipt of media reports that federal student loan borrowers experienced significant drops in their credit scores due to inaccurate financial reporting to three main CRA's by a student loan servicer. The Ombudsman and the Office, in coordination with the Attorney General's office, contacted the CRA's to inform them of the Ombudsman's and the Office's expectations that student loan servicers, as well as any loan servicer, must accurately report their credit information and that CRA's should ensure that the information that they receive on borrowers is accurate. Maryland was one of the first states to issue an Advisory stating the Ombudsman's financial reporting expectations on the matter.
- In collaboration with the Office created a downloadable ["COVID-19 Financial Relief Guide for Marylanders"](#) guide which was posted on the Office's website and was shared with the general

public and with unemployment insurance claimants via social media as well as with community nonprofits and government partners by email. The Guide includes information for consumers on student loan relief, foreclosure prevention, mortgage relief, auto and personal loan relief, and debt collection and garnishment, as well as links to nonprofit resources, the Office, and other regulatory agencies.

- Participated in CASHMD webinar in May 2020 to update consumers on the impact of the CARES act and their rights.
- On October 22, 2020 issued an Advisory announcing the publication of the BOR. The Advisory described the protections to which borrowers were entitled as well as the obligations of student loan servicers.
- Will issue an Advisory at the end of the year notifying borrowers of the sunset of the CARES Act on December 31st, 2020.

Despite the limitations on in-person activities due to the pandemic, the Ombudsman also participated in a number of outreach events during the fiscal year. These included three Stakeholder Advocate Conference Calls conference calls with the Commissioner and senior Office staff to discuss potential areas of concern and to solicit feedback. The Ombudsman also participated in virtual meetings with housing counseling, legal service, and community development groups to share the newest information about COVID-19 policies and resources.

The Ombudsman remains in regular contact with his counterparts in other states to stay apprised of developments and to participate in discussions with student loan servicers. Of particular concern were student loan borrowers who had private educational loans that did not benefit from the CARES Act and may also be facing financial hardship due to the pandemic.

As the year ends, the Ombudsman will continue to monitor and to provide timely content and updates to help student loan borrowers protect and manage their finances during the coronavirus pandemic. Going forward the Ombudsman expects inquiries to increase in FY 2021 as federal relief measures expire and borrowers will be required to begin repayment of their student loans. The election of a new President has created expectations that the new administration will initiate some form of student loan forgiveness either through Presidential Executive Order or legislation passed by Congress. For example, President-elect Biden has called for \$10,000 in student loan debt forgiveness for each borrower. There is also an expectation that the new administration will review ED's past policies, regulations and decisions that occurred under the prior administration and changes may positively impact borrowers.

ANALYSIS OF STUDENT LOAN INQUIRIES

In the 27 months since the Ombudsman's position was established 65 student loan servicers have provided their designee information and six Private Student Loan Servicers are licensed as debt collectors. In addition, the Office has received 39 individual inquiries from student loan borrowers from all parts of the State during the past 27 months. Inquiries decreased by 22.7% from 22 last year to 17 this year and mirrors the decrease in inquiries also experienced by the CFPB over the last year. Although there is no definitive proof, it is suspected that the financial relief provided by the CARES Act has temporarily dampened demand for assistance. That demand is expected to increase as the provisions in the Act expire at the end of this year.

32 of the inquiries were related to student loan servicers, five were related to debt collection businesses, while the remaining two inquiries were related to educational institutions. 37 inquiries were

resolved while two are still currently under investigation. No inquiries were referred to the Attorney General's Office this year.

As was the case in 2019, the nature of the complaints from borrowers continued to vary 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.

72% (28) of the inquiries from complainants were directed at three student loan servicers: (a) Navient Solutions, LLC (11), (b) Pennsylvania Higher Education Assistance Agency (PHEAA and its affiliated entities FedLoan and American Education Services) (10), and (c) NelNet Servicing, LLC (7). This level is not surprising as these three servicers are also the largest companies in the industry.

Approximately three quarters (74.3%) of all inquiries were from Montgomery (7), Prince George's (7), Baltimore City (5), Anne Arundel (5), Baltimore (3) and Charles (2) Counties. This representation is not entirely unexpected as the first five districts contain the highest population densities in the State.

RECOMMENDATIONS

Due to the paucity of complaints, the Ombudsman has still not yet received sufficient complaint data to evaluate the industry and the effects of the 2019 HB 594/SB670 or to make any meaningful conclusions about statutory or regulatory changes that would help student loan borrower resolve problems or concerns or help ensure that the student education loan servicing industry is fair, transparent, and equitable. The Ombudsman expects that inquiries next year should increase as the CARES Act expires and the new administration changes the rules around student loans. The data derived from those inquiries may provide sufficient information to evaluate the industry. Instead, in light of the election results, the Ombudsman recommends allowing additional time to pass before any changes to or additional requirements are imposed on the Office or the industry.

The Ombudsman expects that the election of Joe Biden as President in November and the subsequent installation of a new administration, including leadership changes at the ED, will bring substantial changes that will benefit student loan borrowers. President-elect Biden has promoted student debt relief during his campaign and has indicated that he is prepared to provide \$10,000 in loan forgiveness for each student with federal debt. Hence the Ombudsman is not making any legislative recommendations in this Report and will wait to see what initiatives that the administration and ED takes to assist student loan borrowers over the coming year.

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 65 points of contact obtained by the Ombudsman since the position was established over two years ago. In light of the fact that Ombudsman has collected contact information from all known servicers of student loans and has not experienced any difficulty in communicating with such servicers, the Ombudsman is satisfied that servicers are being responsive at this time.

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, where appropriate, to protect the rights of borrowers, as we did earlier in the year (see Page 15). The Ombudsman expects over the next

year to undertake greater outreach efforts with the State's university and college alumni associations to promote the Office and in particular the Maryland Student Loan Borrower's Bill of Rights.

ADDITIONAL STEPS FOR THE UPCOMING YEAR

In last year's Annual Report the Ombudsman described various steps in the areas of (i) Education and Outreach and (ii) Processes and Procedures that would be pursued in 2020. The steps and actions taken during the past year as well as some of the additional steps that are expected to be taken in the upcoming year are described below.

Education and Outreach

- 1) Contact the state's university and community college alumni associations to collaborate on further outreach initiatives.

Action: In 2020, the Ombudsman identified and contacted the State's university alumni associations. In addition, the Ombudsman, in collaboration with the University of Maryland Alumni Association, included links and information to the BOR and Ombudsman's web pages on the Alumni Association's digital newsletters which were published in the 4th quarter of this year. The Ombudsman also issued an email blast to university alumni associations promoting the publication of the BOR. The state's community college alumni associations were also identified.

In 2021, the Ombudsman plans to (a) deepen engagement with the State's university alumni associations and (b) expand his reach by also contacting the state's community college alumni associations in the upcoming year to create an expanded contact list that can be used to promote the Ombudsman's activities and disseminate information about student loans and the servicing of student loans.

- 2) Continue to identify appropriate stakeholders and strategic partners in an effort to promote the work of the Ombudsman and leverage their networks.

Action: Although no specific new stakeholders or strategic partners were identified during the year, the Ombudsman will continue to seek out opportunities to collaborate with appropriate new and existing partners over the coming year.

- 3) Continue to monitor and update the Ombudsman's website when appropriate.

Action: The Ombudsman's website pages were reviewed and links and information was updated in the last quarter of this year. In addition, as previously described, the Ombudsman issued a number of Advisories during the year (see Page 13 for a more detailed description). The Ombudsman expects to review the website again and on an ongoing basis in 2021

- 4) Create a dedicated webpage containing interactive educational modules that accompany the student loan educational curriculum.

Action: This step is still under consideration. The Ombudsman is exploring the feasibility of upgrading the educational curriculum as described above in 2022.

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.

Action: During the year, Financial Examiners, who assist the Ombudsman, participated and completed pilot training for the State Examination System (SES), a multi-state consumer complaint processing technology platform being developed by the Conference of State Bank Supervisors (CSBS). The pilot training is part of the Agency's eventual transition from its current database reporting system that it uses to manage inquiries (including student loan borrowers) to the new SES system. The Financial Examiners provided user feedback to CSBS to assist with system improvements and will continue with additional training early in 2021. The Office, including the Ombudsman, intends to implement utilization of the SES in 2021

- 2) Upgrade the Student Loan Ombudsman Complaint Form so that it can be submitted electronically through the Ombudsman's website.

Action: The Student Loan Ombudsman Complaint Form was modified to permit submission as an electronic PDF form. The Ombudsman is exploring the feasibility of additional modifications to the form in order to allow data from the complaint to be imported directly from the Ombudsman's web page to the Office's consumer complaint database.