

Your Question:

A state board of education member asked if states have a student loan ombudsman.

Our Response:

As you know, the [federal student aid ombudsman group](#) is available to assist students in resolving disputes related to their federal student loans. Should students encounter problems with their private student loans, they are referred to the [Consumer Financial Protection Bureau](#). States are becoming increasingly interested in establishing their own student loan borrower protections. Because so few states have created student loan ombudsmen, and the policies are so new, it remains unclear what additional benefits a state level ombudsman provides beyond expanding resources for student loan borrowers.

However, states are establishing their ombudsmen in conjunction with two other borrower protections: a student loan borrower bill of rights and student loan servicer licensing requirements. When implemented with a state loan ombudsman, these policy solutions are intended to strengthen loan servicing regulations. The state examples reviewed in this response have all three of these policies in place. Education Commission of the States did not identify a state that has a student loan ombudsman but does not have the other two policies in place. Below, we have identified common elements of these three policies.

Student Loan Borrower Bill of Rights

Student loan borrower bills of rights often:

- address transparent pricing and terms;
- provide that the borrower not be subject to abusive products;
- provide for fair and responsible underwriting;
- outline fair reporting, payment processing and collection practices; and
- define quality customer service.

Student Loan Servicer License Regulations

Across the states reviewed here, the definitions of a student loan servicer closely adhere to the [Consumer Financial Protection Bureau's definition](#). The licensing policies often outline:

- exempted entities;
- license application requirements;
- prohibited actions and business practices;
- authority of the commissioner or ombudsman, including examination or investigation of documents and records; and
- circumstances under which a license may be renewed, suspended, revoked or terminated.

Student Loan Ombudsman

Student loan ombudsmen are established in a wide array of state agencies, and are funded with licensing fees.

Student loan ombudsmen are generally charged with:

- assisting with the enforcement of licensing regulations;
- receiving, reviewing and attempting to resolve complaints made by student loan borrowers about student loan servicers;

- collecting and analyzing data on complaints;
- helping borrowers understand their rights;
- helping borrowers understand the terms of their loans;
- monitoring the development and implementation of federal, state and local laws;
- disseminating information about services provided by the ombudsman;
- creating educational materials and courses for borrowers; and
- upon request, reviewing a borrower's loan history.

State Policy Examples

California's [Student Loan Servicing Act](#) was enacted in 2016. It established student loan servicer licensing requirements and charged the commissioner of business oversight with responsibilities similar to other states' ombudsmen. The act sets the application fee (\$100) for a student loan servicer license, and requires that applicants demonstrate a minimum net worth (\$250,000). A licensee must provide information about repayment and loan forgiveness options online and free of charge to borrowers; this information must be provided to borrowers via email or written correspondence annually. A licensee must also respond to a qualified written request within prescribed times.

Connecticut's Student Loan Bill of Rights ([HB 6915](#), 2015, enacted) directed the banking commissioner to designate a student loan ombudsman within the department of banking. The act includes reporting requirements and establishes a student loan ombudsman account to fund the act's provisions. The account will be funded by licensing and investigation fees collected pursuant to the act. Licensees are required to maintain student loan records for at least two years after the final payment on the loan.

In 2016, the **District of Columbia [amended](#)** the Department of Insurance and Securities Regulation Establishment Act to create a student loan ombudsman and regulate student loan servicers. The new ombudsman office is located in the office of insurance, securities and banking, and is charged with assisting in the enforcement of licensing provisions. The ombudsman was also tasked with creating a student loan borrower bill of rights and an education course. The subsequent bill of rights can be [found here](#).

Illinois enacted the **[Student Loan Servicing Rights Act](#)** in 2017. The act established a student loan bill of rights, a student loan ombudsman in the office of the attorney general, and student loan servicer licensing requirements. Fees are set in the act (\$1,000 for initial application, \$800 for a background investigation), and the application must be filed with the secretary of financial and professional regulation or the nationwide mortgage licensing system and registry.

In **New York**, **[A 8862](#)** (2017, pending) would establish a student loan borrower bill of rights, a student loan ombudsman in the department of financial services, and licensing regulations for student loan servicers. The bill includes reporting requirements. Additionally, Governor Cuomo included student loan borrower protections in his **[2018 State of the State agenda](#)**. The four-point agenda includes: appointing a student loan ombudsman; requiring colleges to provide truth in lending facts; increasing consumer protection standards; and prohibiting state agencies from suspending the professional licenses of borrower to fall behind or default on their loans.