

STATE OF MARYLAND  
OFFICE OF  
FINANCIAL REGULATION

MARYLAND DEPARTMENT OF LABOR  
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REPORT OF THE  
STUDENT LOAN OMBUDSMAN

For the Year Ending December 31, 2023

Presented to:

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Senate of Maryland  
State House, H-107  
Annapolis, MD 21401

The Honorable Adrienne A. Jones  
Speaker  
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Antonio P. Salazar  
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# Table of Contents

<b>OFFICE OF FINANCIAL REGULATION</b> .....	1
<b>MISSION</b> .....	1
<b>STUDENT LOAN OMBUDSMAN PROVISIONS</b> .....	1
<b>OMBUDSMAN’S MISSION</b> .....	3
<b>STUDENT LOAN BORROWER’S BILL OF RIGHTS</b> .....	4
<b>AN OVERVIEW OF STUDENT LOANS</b> .....	4
<b>Income Driven Repayment Plan Adjustment and SAVE</b> .....	5
<b>Return to Repayment</b> .....	6
<b>FEDERAL, STATE, AND LOCAL DEVELOPMENTS</b> .....	6
<b>Activity of the Department of Education</b> .....	6
- <i>Overview of Maryland Complaints</i> .....	7
- <i>Demographics and Geography of Borrower Complaints</i> .....	7
- <i>Complaints by Topic</i> .....	8
- <i>Servicing-Related Complaints</i> .....	9
- <i>Accountability for Harmed Borrowers</i> .....	11
- <i>One Time \$10,000 or \$20,000 Student Loan Debt Cancellation</i> .....	11
<b>Activity of the Consumer Financial Protection Bureau</b> .....	12
<b>Maryland Activity</b> .....	14
- <i>FFEL Outreach</i> .....	15
<b>PROCEDURES FOR PROCESSING BORROWERS’ COMPLAINTS AND STUDENT LOAN SERVICER DESIGNEE INFORMATION</b> .....	15
<b>Borrowers</b> .....	16
<b>Student Loan Servicers</b> .....	16
<b>STUDENT LOAN OMBUDSMAN EDUCATION AND OUTREACH</b> .....	16
<b>Response to change announcements by the U.S. Department of Education</b> .....	18
<b>ANALYSIS OF STUDENT LOAN INQUIRIES</b> .....	18
<b>RECOMMENDATIONS</b> .....	19
<b>STEPS FOR THE UPCOMING YEAR</b> .....	20
<b>Education and Outreach</b> .....	20
<b>Processes and Procedures</b> .....	22

## **OFFICE OF FINANCIAL REGULATION MISSION**

The Office of Financial Regulation (OFR or the “Office”), established in 1910, is Maryland’s consumer financial protection agency and financial services regulator. The Office's mission is to protect Marylanders through the operation of a modern financial regulatory system that promotes respect for consumers, safety and compliance, fair competition, responsible business innovation, and a strong state economy.

### **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 OFR for investigation;
- 4) Disseminating information about the Student Loan Ombudsman and about student 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.

Effective October 1, 2019, the Act was further enhanced by the provisions of HB 594/SB670 which prohibited 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 additions also require student loan servicers to respond to inquiries and complaints within 30 days of receipt, authorize the Ombudsman to refer complaints to the OFR, and grants enforcement authority to the OFR. Finally, they provided that any violation of the law is deemed an unfair, abusive, or deceptive trade practice under the Maryland Consumer Protection Act.

## **STUDENT LOAN OMBUDSMAN’S REPORT ON THE ESTABLISHMENT OF THE STUDENT LOAN OMBUDSMAN POSITION**

The Ombudsman is to report its findings and any recommendations annually to the General Assembly in accordance with § 2-1257 of the State Government Article. The Report is to 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 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 the State legislature about student loan issues and trends. That information is provided to the public, and complaint data and any recommendations, are provided 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 OFR 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:

[www.labor.maryland.gov/finance/consumers/frslombudcurriculum.pdf](http://www.labor.maryland.gov/finance/consumers/frslombudcurriculum.pdf).

## STUDENT LOAN BORROWER’S BILL OF RIGHTS

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. Although the Act contains 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 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:

[www.labor.maryland.gov/finance/consumers/frslbillofrights.pdf](http://www.labor.maryland.gov/finance/consumers/frslbillofrights.pdf) .

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

[www.labor.maryland.gov/finance/consumers/frslbillofrights.shtml](http://www.labor.maryland.gov/finance/consumers/frslbillofrights.shtml)

The Ombudsman also issued an Advisory announcing the publication, available at this link:

[www.labor.maryland.gov/finance/advisories/advisory-studentloanbillofrightsconsumer.pdf](http://www.labor.maryland.gov/finance/advisories/advisory-studentloanbillofrightsconsumer.pdf)

## AN OVERVIEW OF STUDENT LOANS

As of November 2023, student loan debt in the United States exceeded \$1.766 trillion; a level similar to the prior year. Approximately 92% (\$1.634 trillion) of that debt is federal debt financed by the U.S. Department of Education (ED) and the remaining 8% (\$132 billion) is considered private or institutional debt. Over the past 14 years, the market for student loan debt has expanded by 194.8% from \$600 billion in 2007 to \$1.766 trillion today while the number of borrowers in that time has increased by 51.7% from approximately 29 million to almost 44 million<sup>1,2</sup>.

The average federal loan balance in 2023 is \$37,718 while the total balance (including private student loan debt) is estimated to be as high as \$40,499. Black and African American college graduates owe an average of \$25,000 more in student loan debt than White college graduates. Women owe 66% of all student loan debt. State averages for student debt load at graduation range from a low of \$29,083 in North Dakota to a high of \$54,668 in Washington DC, while the average student loan debt in Maryland is \$43,345, a level that is up slightly from the previous year. Maryland’s students’ debt level and percentage of students graduating with debt rank 25th and

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<sup>1</sup> The Federal Reserve Bank of New York’s Center for Microeconomic Data *Quarterly Report on Household Debt and Credit*, (2<sup>nd</sup> Quarter, August 2023)

<sup>2</sup> G19 Consumer Credit Series. The Federal Reserve Bank of St. Louis, Student Loans Owned & Securitized, Outstanding, (September 8, 2023)

31st, respectively, among the states. Maryland has approximately 837,600 student loan borrowers who combined have a total of \$35.9 billion in student loan debt. This represents 13.6% of state residents, 50.5 % of whom are under the age of 35.<sup>3</sup>

Student loan debt remains the second highest consumer debt category in the U.S. behind mortgage debt and continues to be higher than both credit card debt and auto loans. In addition, historically, the average U.S. student loan delinquency/default rate (90+ days delinquent) for the three years prior to the student loan payment pause in 2020 was 11.2%, which was higher than the delinquency rates for other types of household debt.<sup>4</sup> In August of 2023, before borrowers returned to repayment, that delinquency/default rate decreased to under 1%, reflecting the financial relief provided to borrowers by the payment pause. As that relief expired, the rate may return to its historic levels.

In addition to the overall debt burden of student loans, concerns continue to be voiced by consumer advocacy groups 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 making payments.

The Student Loan Ombudsman in the Federal Student Aid (FSA) office at the ED received complaints from borrowers regarding federal student loans from October 1, 2022 through September 30, 2023. A review of these findings is described in the FSA section of this Report (see, pages 6-10).

The Student Loan Ombudsman in the Consumer Financial Protection Bureau (CFPB or "Bureau") reviewed servicers' practices and has reported on issues it identified relating to the servicing of federal and private student loans in its Annual Reports. A review of these findings is described in the CFPB section of this Report (see, pages 11 and 12).

### **Income Driven Repayment Plan Adjustment and SAVE**

In July of 2023, ED published new federal regulations detailing two new programs (i) a waiver and account adjustment process which will increase the number of individuals eligible for debt cancellation based on total years in an income driven repayment (IDR) plan and provide credit accordingly as well as (ii) a new IDR program (called Saving on Valuable Education or SAVE).<sup>5</sup>

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<sup>3</sup> Hanson, Melanie. "Student Loan Debt Statistics" EducationData.org, July 16, 2023, August 20, 2023, September 3, 2023 <https://educationdata.org/student-loan-debt-statistics>

<sup>4</sup> The Federal Reserve Bank of New York's Center for Microeconomic Data *Quarterly Report on Household Debt and Credit*, (2<sup>nd</sup> Quarter, August 2023)

<sup>5</sup> 88 Fed. Reg. 43820 (Jul. 10, 2023) (to be codified at 34 C.F.R. § 682, 685). 88 FR 43820.

The IDR waiver and account adjustment will provide full or partial cancellation to Maryland borrowers who have been in repayment for 20 to 25 years; however, to be eligible, the borrower must have Direct Loans. If the borrower has Federal Family Education Loan (FFEL) Program loans, they are not eligible for the forgiveness associated with the IDR waiver and account adjustment. The FFEL Program ended July 1, 2010, but many borrowers with older FFEL loans that might otherwise qualify for the IDR account adjustment will be unable to receive relief under the IDR waiver and account adjustment. In order to qualify for the IDR waiver and account adjustment, borrowers with FFEL loans must have consolidated their loans to Direct Loans by December 31, 2023. On December 18, 2023, the Department of Education extended that deadline to April 30, 2024.

Borrowers also must have a Direct Loan or must have consolidated to a Direct Loan to get access to the ED's new IDR program SAVE. The SAVE Plan decreases monthly payments by increasing the income exemption from 150% to 225% of the poverty line. Additionally, the SAVE Plan eliminates 100% of remaining monthly interest for both subsidized and unsubsidized loans after the borrower makes a scheduled payment. Once the borrower makes the monthly payment, the loan balance does not grow due to unpaid interest that accrued since the last payment.

### **Return to Repayment**

The student loan payment pause ended August 31, 2023. The Ombudsman has heard from borrowers and advocates that hold times have been lengthy when borrowers try to reach servicers. Additionally, borrowers report inaccurate payment information. Recent complaints to the FSA Student Loan Ombudsman, the CFPB Student Loan Ombudsman, and the Maryland Ombudsman (all discussed below) have focused on issues with return to repayment. Several borrowers who spoke with the Maryland Ombudsman reported receiving incorrect payment amounts because the wrong formula was used to calculate the payments for their enrollment in the SAVE plan.

## **FEDERAL, STATE, AND LOCAL DEVELOPMENTS**

### **Activity of the Department of Education**

The FSA office at ED is the federal agency responsible for overseeing student loan servicers. The FSA Ombudsman accepts and investigates complaints regarding federal student loans. The FSA Ombudsman is in close communication with the Maryland Ombudsman to troubleshoot individual issues as well as relay information about widespread problems with federal student loans. The FSA Ombudsman has provided their complaint information for Maryland to contribute to this report.



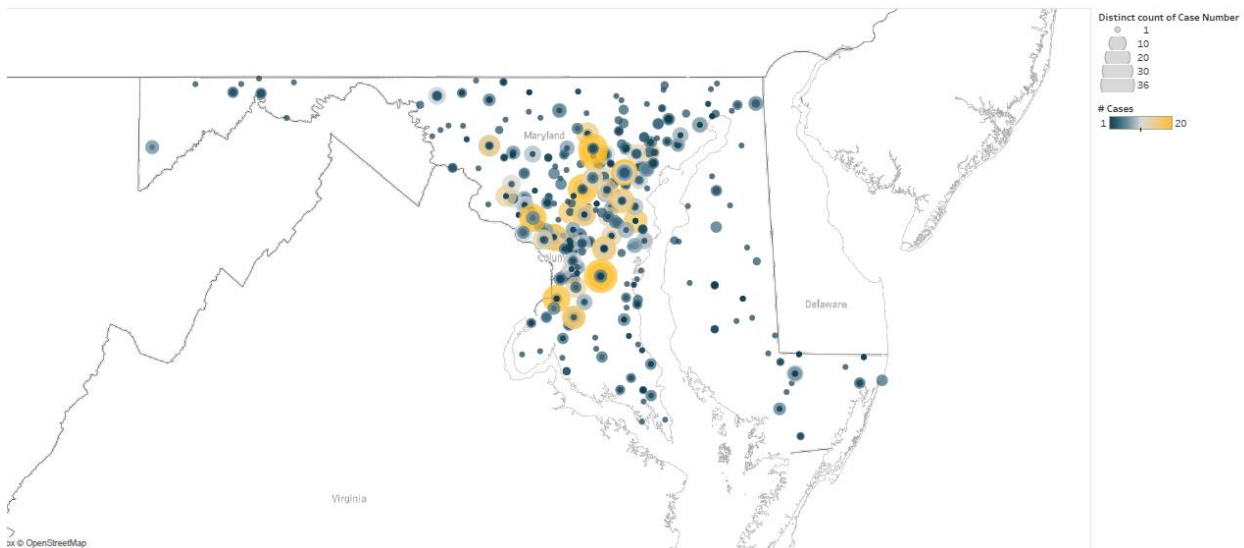
- *Overview of Maryland Complaints*

During FY 2023, FSA received 2,722 complaints from Maryland residents who sought to manage their federal student aid. This volume compared closely to the number of complaints from Maryland residents received in FY 2022 (2,663 complaints). Complaints from Maryland residents with a military affiliation accounted for eight percent of the total; this share was two percentage points higher than the share of Military complaints submitted across America.<sup>6</sup>

- *Demographics and Geography of Borrower Complaints*

During the fiscal year, borrowers reached out to FSA from across Maryland. Complaints from the top ten cities accounted for 39 percent of the total.

**Figure 1: Maryland FSA Complaints by Geographic Location**



<sup>6</sup> Military affiliation includes servicemembers (active duty, national guard, and reserves), veterans, and their family members.

**Table 1: Number of Maryland Complaints by City from the Top 10 by Volume**

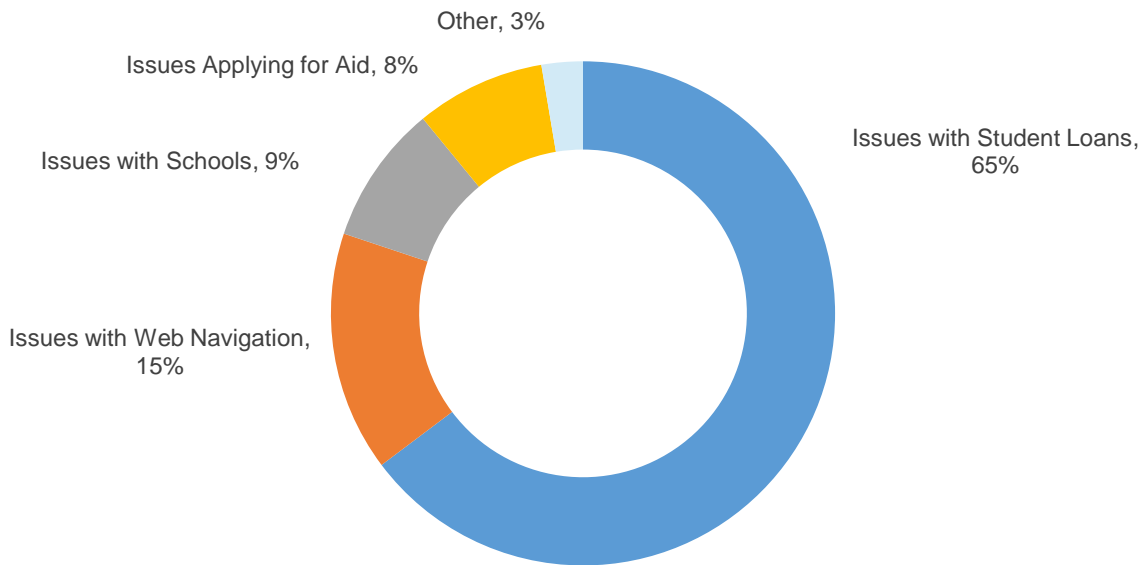
School	No. of Complaints
Baltimore	339
Silver Spring	130
Upper Marlboro	87
Bowie	83
Rockville	71
Frederick	68
Laurel	67
Waldorf	66
Columbia	61
Hyattsville	50
Gaithersburg	50

**- *Complaints by Topic***

FSA received complaints from Marylanders across all stages of the student aid lifecycle. The most common topic concerned 1,762 complaints (65 percent) about student loan repayment. Maryland residents were seven percentage points more likely to complain about student loan repayment than the United States overall (58 percent).

Residents also submitted 419 complaints (15 percent) involving problems with web navigation, 243 complaints (9 percent) from individuals reporting problems with their school, and 226 complaints (8 percent) from individuals navigating the student aid application process.

**Figure 2: All Maryland Complaints Received by Stage of Federal Aid Lifecycle**



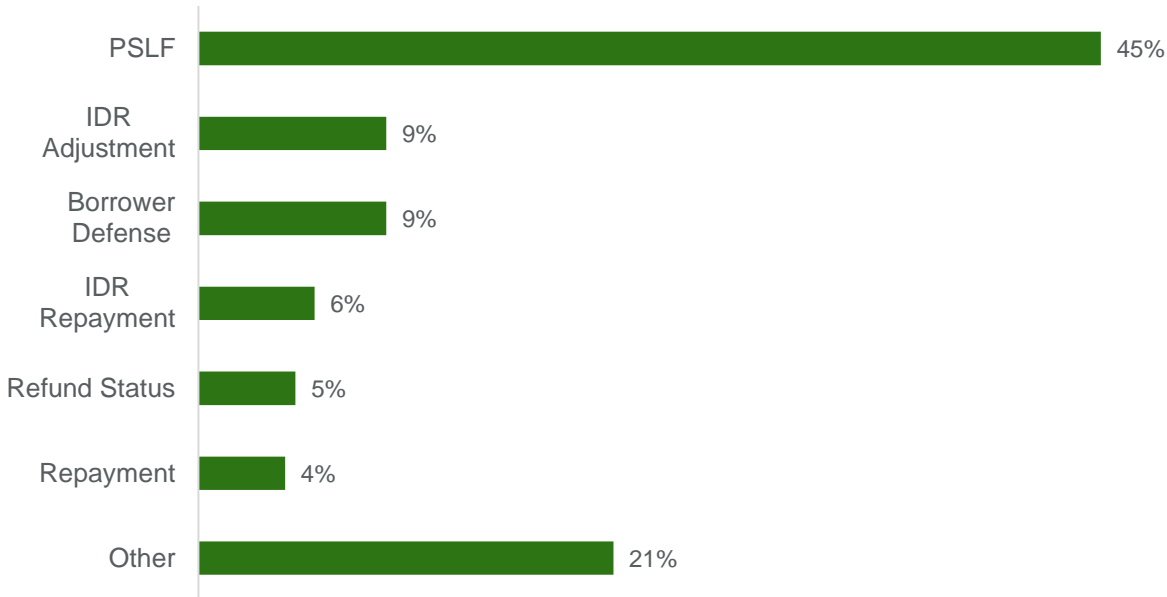
**- Servicing-Related Complaints**

The Office of the Ombudsman review of 276 complaints related to student loans from Maryland borrowers demonstrates that they most commonly contacted FSA for assistance navigating forgiveness and discharge opportunities. Nearly half of the identified complaints (45 percent) concerned Public Service Loan Forgiveness (PSLF). Residents of Maryland were significantly more likely to complain about PSLF than the USA overall. In contrast, PSLF complaints made up nearly one-third (32 percent) of complaints nationally. Borrowers also submitted complaints about expected discharges under borrower defense to repayment (9 percent), and concerns related to the IDR account adjustment (9 percent).

Finally, borrowers contacted FSA about repayment issues related to the end of the COVID-19 payment pause, including six percent about IDR repayment and four percent concerning general repayment. Maryland borrowers who sought to enroll in the new Saving on a Valuable Education (SAVE) Plan to manage their loans complained about processing delays, difficulty contacting servicers and higher than expected payment amounts. One resident wrote:

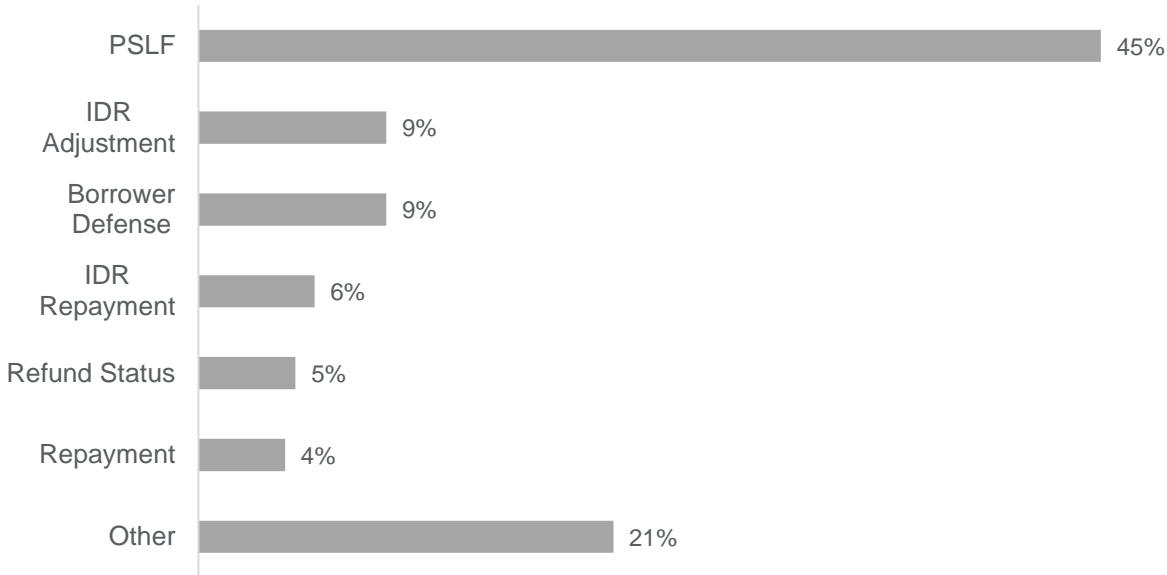
Aidvantage has refused to process my IDR Payment Plan. I have submitted all the requested documents, but they have refused to process the plan for me. I have tried to call them with no luck and no response to correspondence. My IDR payment plan should be \$109.93 but I saw \$676.71 as payment due on Aidvantage website. I don't have that kind of money at this time, that's why I applied for the SAVE Repayment Plan.

**Figure 3: Maryland Complaints About Student Loans by Topic**



The PSLF waiver period ended early in the fiscal year but concerns about the administration of the waiver policies continued throughout the year. Among Maryland residents, 30 percent complained about pending applications, followed by 27 percent concerning Qualifying Monthly Payment (QMP) counts. Maryland borrowers also complained about unexpected Employer Certification Form (ECF) denials (14 percent), problems documenting qualifying employment (7 percent), or receiving a refund after forgiveness (7 percent).

**Figure 4: Maryland PSLF Complaints by Subtopic**



A common theme observed from Maryland PSLF applications pertained to backlogs or inaction on their pending applications. One Maryland applicant described frustrating delays accessing the program:

I completed my PSLF application on 7/29/2022 and STILL have yet to move along in the process. MOHELA said that they didn't get my PSLF application and that I needed to consolidate my loans. My loans have been consolidated since 2017. Now MOHELA is saying that it's going to take 90 days for them to get my loans transferred over from Nelnet when I've already been waiting 1 year!

In addition, some borrowers also complained of the potential impacts of administrative errors made by their servicer. For example, one borrower reported that another borrower was sent their student loan documents in error:

I submitted my PSLF through MOHELA via fax, as required. However, whoever processed the form entered my email... I know of this because the owner of the [other email] account has forwarded me my documents. I was able to get in contact from a representative from MOHELA who told me that my email is correct in the system, and that only someone from the PLSF department can fix the issue. Unfortunately, there is no way to access anyone from the PLSF department. I need a way to get the attention of MOHELA so that my personal information isn't sent to a stranger, and I can receive updates on the status of my application.

- ***Accountability for Harmed Borrowers***

On October 30, 2023, ED announced it was withholding payments to the servicer MOHELA on the basis that it failed to meet basic obligations including failing to send billing notices.<sup>7</sup> In response to identifying this error, ED withheld \$7.2 million in payment due to MOHELA for October and directed MOHELA to place all affected borrowers in forbearance until the issue is resolved. Any months these borrowers are in forbearance will count as credit towards loan forgiveness through PSLF and IDR plans.

- ***One Time \$10,000 or \$20,000 Student Loan Debt Cancellation***

In June of 2023, the Supreme Court ruled that the forgiveness contemplated by the Biden Administration was not authorized under the HEROS Act. In [Biden v. Nebraska](#), which was decided 6-3, the court struck down the administration's student loan forgiveness program and agreed with the six challenging states that they had standing to sue. ED is now working through a negotiated rulemaking process that may again include cancellation options.

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<sup>7</sup> <https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers>

## **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. The CFPB Ombudsman accepts and investigates complaints regarding federal and private student loan issues and acts as an impartial liaison between borrowers and the student loan industry.

The CFPB issues reports annually that address federal and private student loan servicing. In the 2023 Annual Report, the Ombudsman reported that the Bureau handled 9,284 complaints, a 10% increase over the prior year. Of those complaints, 75% were federal loan-based and 25% were private loan-based. The increase in complaints from the previous year was driven by an increase in the number and share of complaints about federal student loans, which had increased compared to the previous year, while the number and share of complaints about private student loans had decreased. The 2023, 2022, 2021, and 2020 Reports can be found at the following links, respectively:

[https://files.consumerfinance.gov/f/documents/cfpb\\_annual-education-loan-ombudsman-report\\_2023.pdf](https://files.consumerfinance.gov/f/documents/cfpb_annual-education-loan-ombudsman-report_2023.pdf)

[https://files.consumerfinance.gov/f/documents/cfpb\\_education-loan-ombudsman\\_report\\_2022-10.pdf](https://files.consumerfinance.gov/f/documents/cfpb_education-loan-ombudsman_report_2022-10.pdf)

[https://files.consumerfinance.gov/f/documents/cfpb\\_education-loan-ombudsman-annual-report\\_2021.pdf](https://files.consumerfinance.gov/f/documents/cfpb_education-loan-ombudsman-annual-report_2021.pdf)

[https://files.consumerfinance.gov/f/documents/cfpb\\_annual-report\\_private-education-loan-ombudsman\\_2020.pdf](https://files.consumerfinance.gov/f/documents/cfpb_annual-report_private-education-loan-ombudsman_2020.pdf)

The 2023 Ombudsman's annual report found, as in prior years, that the majority of borrowers' complaints were related to difficulties dealing with their servicers. Complaints identified in the CFPB Ombudsman's reports include: receiving bad information about a loan and having problems with how payments are handled. The CFPB Ombudsman also noted in the report that the top five servicers in 2023 with the most federal student loan complaints were MOHELA (2,046 complaints), EdFinancial Services (961 complaints), NelNet, Inc. (873 complaints), Maximus Education (696 complaints), and AES/PHEAA (462 complaints). The CFPB Ombudsman also noted that the top five servicers with the most private student loan complaints were Navient (646 complaints), SLM Corporation (250 complaints), NelNet, Inc. (170 complaints), AES/PHEAA (108 complaints) and Discover Bank (74 complaints).

The Ombudsman's complaint data nationally aligned with data for Maryland. Of the 253 complaints received from Maryland borrowers, 208 were complaints related to difficulties dealing with their servicers. The top five servicers in 2023 with the most student loan complaints in Maryland were MOHELA (97 complaints), Nelnet, Inc. (35 complaints), Maximus Education (32 complaints), Navient Solutions, LLC (30 complaints), and EdFinancial Services (23 complaints).

Complaints by Maryland borrowers made up 2.7% of the nationwide complaint data. This represents an increase in complaints from Maryland residents compared to last year, but a decrease in the percentage of the total complaints compared to last year.

The 2023 Ombudsman’s annual report noted that hold times for reaching customer service at federal student loan servicers are so long that many borrowers give up. The hold times impact borrowers’ ability to address questions and errors on their accounts. In addition, some borrowers reported that once they got through to customer service representatives, they received inaccurate information. The report noted complaints about incorrectly calculated repayment amounts, lost or inaccurate payment histories, and lost refunds. Borrowers also submitted complaints about incorrect payment amounts under SAVE.

The CFPB Ombudsman noted complaints that relate to loan forgiveness. Several loan cancellation programs, including IDR and PSLF, require borrowers to make a certain number of payments to qualify for cancellation. Borrowers submitted complaints that their servicers’ records include incomplete or incorrect payment histories, which can make it difficult and, in some cases, impossible for borrowers to access protections to which they are legally entitled. When a loan is transferred, transferring servicers send data about the loan and payment history to the receiving servicer and these transfers create difficulties when the loan information is inaccurate or the payment history is incomplete.

During the period covered by the Ombudsman’s report, one in four complaints to the CFPB about student loan issues were related to private student loan debt, which is disproportionate to the amount of debt they represent (8%). In cases where a school commits fraud, it is often the borrower’s contractual right to assert a claim against the loan holder based upon the fraud and to seek a discharge of that loan. Complaints, however, have indicated that various private loan servicers provide inaccurate or misleading information about borrowers’ rights, either dissuading the borrower from pursuing these claims or functionally limiting their ability to do so.

On March 13, 2023, the CFPB issued a bulletin regarding collection attempts by servicers of certain student loans after they had been discharged in bankruptcy.<sup>8</sup> As the bulletin explains, after a debtor files for bankruptcy, the discharge order releases a debtor from personal liability for all debts unless they are exempted. Some student loans—including federal student loans and private student loans that meet the definition of a “qualified education loan”—are not discharged by the general discharge order.<sup>9</sup> But some private student loans do not meet the definition of a “qualified education loan.” This includes loans made to attend schools or programs whose borrowers may

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<sup>8</sup> Consumer Financial Protection Bureau, Bulletin 2023-01: Unfair Billing and Collection Practices After Bankruptcy Discharges of Certain Student Loan Debts, (Mar. 16, 2023), [https://files.consumerfinance.gov/f/documents/cfpb\\_unfair-billing-collection-bankruptcy-student-loan-debt\\_2023-01.pdf](https://files.consumerfinance.gov/f/documents/cfpb_unfair-billing-collection-bankruptcy-student-loan-debt_2023-01.pdf).

<sup>9</sup> The Bankruptcy Code requires borrowers with these obligations to demonstrate that the debt would impose an undue hardship through an adversarial proceeding.

not access Title IV aid as well as loans made in excess of the cost of attendance. These loans are covered by a general discharge order and a borrower is released from all personal liability for the loan once such an order is issued.

## **Maryland Activity**

During its 2023 session, the Maryland Student Loan Ombudsman provided testimony to the Maryland Legislature on bills that would impact borrowers.

Those bills include:

[HB0384](#) Institutions of Higher Education - Transcripts - Prohibition on Punitive Measures.<sup>10</sup> The new law prohibits an institution of higher education from refusing to provide a current or former student with a transcript or taking other punitive measures regarding a student's transcript request because the student owes a debt to the institution of higher education.

[HB0680](#) Income Tax - Student Loan Debt Relief Tax Credit – Alterations.<sup>11</sup> The new law increases the total amount of credits against the State income tax that the Maryland Higher Education Commission may approve in a taxable year for certain individuals with certain student loan debt amounts. Further it requires the Commission to reserve a certain amount of the tax credits that the Commission is authorized to approve for certain graduates. It extends, from two years to three years, the period of time that an individual who claims the credit has to prove that they used the credit to repay the individual's student loan debt.

Additionally, the Ombudsman supported [HB0913](#) Financial Institutions - Student Financing Companies - Required Registration and Reporting.<sup>12</sup> The new law requires student financing companies to register with the Commissioner of Financial Regulation before providing services in the State and requires a student financing company to renew its registration on an annual basis. Further, the new law authorizes the Commissioner to adopt registration procedures for student financing companies, which may include certain fees and requires student financing companies to annually report information, that will be made public, to the Commissioner beginning March 15, 2024.

Since the passage of HB913, the Ombudsman has been planning for its implementation. The law went into effect October 1, 2023 and the Ombudsman issued an advisory to student loan companies to prepare them for the registration and reporting required by March 15, 2024. Additionally, the Ombudsman is preparing to update the website with recent law and regulatory changes from the ED. Finally, the Ombudsman began planning to create materials that Maryland State agencies, nonprofits, and others can use to inform staff about PSLF.

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<sup>10</sup> Codified at Md. Education Code Ann. § 15–118

<sup>11</sup> Codified at Md. Tax – General Code Ann. § 10–740 and Education Code Ann. § 18-206

<sup>12</sup> Codified at Md. Financial Institutions Code Ann. § 12-1101 *et. seq*



In FY 2023, the Ombudsman began offering video chat appointments when such appointments are helpful to borrowers. Throughout FY 2023, the Ombudsman continued to assist student loan borrowers with their inquiries and remained engaged with ED and counterparts in other states on developments regarding student loan account transfers, return to repayment after the pandemic-related payment pause for federal loans, and the PSLF issues. The Ombudsman presented to four different stakeholder groups about student loans, repayment options, and the role of the Ombudsman's Office in Maryland. The stakeholder groups included legal advocates, financial aid administrators, consumer representatives, and members of the Financial Education and Capability Commission. The Ombudsman also participated in the Commissioner's quarterly listening sessions with Maryland statewide consumer advocacy leaders to keep them apprised of student loan industry developments.

**- *FFEL Outreach***

In November of 2023, the Ombudsman sent letters to servicers to ask: (1) How many Maryland borrowers serviced by each company have FFEL Program loans. (2) How many of the borrowers identified in Question 1 would be eligible for full or partial forgiveness if they consolidated their existing FFEL indebtedness to Direct Loans before December 31, 2023. (3) What efforts, if any, has the servicer undertaken to notify potentially eligible borrowers of their ability to consolidate to Direct Loans, the potential benefits of that consolidation, and the December 31, 2023 deadline.

As a result of the letter by the Ombudsman, one servicer sent emails or letters to 11,481 Marylanders with FFEL Program loans informing them of the opportunity for consolidation and potential forgiveness. Another servicer informed the Ombudsman that they serviced loans for 35,592 Marylanders with FFEL Program loans and posted a notice on their website about the consolidation opportunity. The Ombudsman then obtained contact information for those 35,592 borrowers and initiated outreach. The Ombudsman emailed 34,314 of those borrowers to inform them of the opportunity for consolidation and potential forgiveness. While the Ombudsman was preparing a mailing to the remaining FFEL loan holders, the Ombudsman learned the Federal Department of Education would be extending the deadline to consolidate until April 30, 2024. The mailing is now planned for January of 2024. Additionally, several Ombudspersons in other states learned of the success of this outreach and are now attempting their own efforts.

**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 electronic form, email, mail or fax along 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 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, or via email or mail.
- 4) Completed designee forms are entered into the OFR database for use by the Ombudsman and Financial Examiners.
- 5) Student loan servicers receive confirmation of their filing via email acknowledgement.

## **STUDENT LOAN OMBUDSMAN EDUCATION AND OUTREACH**

The Ombudsman undertook a variety of activities since the position was established in 2018 to inform and educate Maryland student loan borrowers of their rights and responsibilities under State law as well as explain and identify 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:  
[www.labor.maryland.gov/finance/consumers/frslombudbrochure.pdf](http://www.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. Since it was published, the course has been viewed an average of 43 times per month. The course can be found at the following link:  
[www.labor.maryland.gov/finance/consumers/frslombudcurriculum.pdf](http://www.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://iproduct.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 at financial education symposiums and conferences, both in person and virtually, to increase awareness of the ombudsman role, services, and responsibilities. Partners include not-for-profit financial educational practitioners such as: CASH Campaign of Maryland, the Maryland Volunteer Lawyers Service, the Maryland Center for Collegiate Financial Wellness, National Coalition of 100 Black Women, and CAFÉ Montgomery. The Ombudsman is also a member of the Economic Action Maryland (formerly known as the Maryland Consumer Rights Coalition) 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, in "Listening Sessions with the Commissioner" at different locations throughout the State and as well as virtually. The sessions bring together 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) Issuance of advisories and social media posts for student loan borrowers related to

important topics and changes that impacted them including changes made to federal student loans programs, federal student loan account transfers, and student loan scams. In addition, the Ombudsman updated borrowers with important updates as the student loan pause ended and payments resumed.

- 7) 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:

[www.labor.maryland.gov/finance/consumers/frs1billofrights.pdf](http://www.labor.maryland.gov/finance/consumers/frs1billofrights.pdf)

The BOR webpage can be found at this link on the Office website:

[www.labor.maryland.gov/finance/consumers/frs1billofrights.shtml](http://www.labor.maryland.gov/finance/consumers/frs1billofrights.shtml)

The Ombudsman promoted the federal changes as well as 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. The Ombudsman will continue with education and outreach efforts to inform borrowers of changes that occur.

### **Response to change announcements by the U.S. Department of Education**

The Ombudsman remains in regular contact with her counterparts in other states to stay apprised of developments at ED and to participate in discussions with student loan servicers. 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 in the coming year.

## **ANALYSIS OF STUDENT LOAN INQUIRIES**

Since the Ombudsman's position was established 82 student loan servicers have provided their designee information and ten Private Student Loan Servicers are licensed as debt collectors. This year, the Office has received 43 complaints and 18 inquiries for a total of 61 individual inquiries from student loan borrowers from all parts of the State. This year total inquiries increased by 33% from last year (46 to 61). The increase is similar in rate to the increase in inquiries experienced by the CFPB and FSA. As borrowers returned to repayment that activity tied to an increased demand for assistance, particularly as borrowers began engaging with their servicers and reviewing their payment or forgiveness options.

Nearly all of this year's 43 complaints were related to student loan servicers, there was one complaint related to debt collection businesses, and one related to educational institutions. In addition to 43 complaints, the Office also received 18 inquiries, most of which were from FFEL

program loan holders with questions about how to access forgiveness options under the IDR waiver and account adjustment. The Ombudsman explained how to consolidate Direct Loans to potentially qualify for forgiveness. These inquiries resulted in the outreach letter to servicers and then borrowers with FFEL Program loans described earlier in this report. After the subsequent email to Maryland borrowers, the Ombudsman assisted an additional 386 borrowers who reached out with additional questions about the consolidation process.

As was the case in prior years, the nature of the complaints from borrowers continued to vary in difficulty from complaints about the student loan servicer's actions or inactions (misapplied payments, billing errors, inaccurate interest rate calculations, principal, and interest rate errors) to difficulty communicating with the student loan servicer, as well as inappropriate collection activities, and finally issues with credit reports.

Of the complaints, 76% (36) of the inquiries were directed at five student loan servicers: (a) Higher Education Loan Authority of Missouri (aka MOHELA) (15), (b) Navient Solutions, LLC (9), (c) Maximus Education, LLC) (4), (d) Nelnet Servicing, LLC (2) and (e) EdFinancial Servicers, LLC (2). These complaint levels align with the size of the companies that hold the majority of federal student debt.

## **RECOMMENDATIONS**

With data collected from ED, the CFPB, and Maryland Complaints, the Ombudsman believes borrowers in Maryland would be well served by additional outreach about how to access PSLF. The Ombudsman is working on materials that state and local agencies as well as non-profit organizations can use to inform employees about how to access student loan forgiveness. Many student borrowers in Maryland are unaware or unsure of how to access PSLF. Ideally borrowers would be made aware of PSLF at the start of their employment as well as the particulars of how to qualify for this forgiveness. A number of complaints this year made to ED, the CFPB, to the Maryland Ombudsman indicate issues with inaccurate PSLF payment counts. For some borrowers, the issues with those payment counts possibly could have been resolved or issues could have been identified earlier if the borrower had begun submitting annual employment verification and reviewing payment counts earlier in the process. Consequently, greater awareness of the PSLF program and its requirements would improve borrower experiences.

The return to repayment has been challenging for servicers to manage the volume of calls. Borrowers who experience hours long wait times and confusion about how to access repayment and forgiveness options have been frustrated. ED withholding payment from MOHELA in response to their failure to adequately provide billing and information to borrowers is notable, but the servicing issues likely extend beyond MOHELA. ED's new IDR waiver and account adjustment could provide substantial relief to borrowers who have been in repayment for decades, but the Ombudsman is aware that many borrowers have had difficulty in learning how to access

the program. The Ombudsman will continue to monitor the return to repayment as well as rulemaking on the federal level to determine if state law changes are warranted.

The Ombudsman recommends that the Maryland General Assembly consider student debt legislation that increases awareness of the PSLF program.

## **STEPS FOR THE UPCOMING YEAR**

During the coming year, the Ombudsman will continue to monitor developments at local, State, and Federal levels and will coordinate with ED, the CFPB, and Office of the Attorney General, where appropriate, to protect the rights of borrowers. The Ombudsman will finalize changes to the website with useful information including how to apply for PSLF and guidance for employers filling out the certification document. In addition, the Ombudsman will engage in outreach upon the conclusion of the negotiated rulemaking that is expected to result in new regulations that will impact Marylanders in IDR. Additionally, the “Fresh Start” initiative, as well as student loan scam activity in the state are of continued importance to borrowers in Maryland and will be monitored by the Ombudsman.

In prior Annual Reports, the Ombudsman described various steps that would be pursued in the upcoming year in the areas of (i) Education and Outreach and (ii) Processes and Procedures. 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) Ensure outreach is effective and further outreach initiatives.

**Status:** The Ombudsman reviewed and updated outreach data lists to ensure that contacts are kept up to date. In addition, the Ombudsman sent emails to contacts in the last quarter to make them aware of potential scam activity related to return to repayment and forgiveness options. In 2023, the Ombudsman notified contacts and made social media posts about the outcome of the Supreme Court ruling on the one time forgiveness and alerted borrowers to the existence of the Ombudsman’s “Return to Repayment” fact sheet as well as the FSA’s toolkit which provided information for borrowers on how to prepare for repayment after August 30, 2023.

**Action:** In 2024, the Ombudsman plans to renew engagement with the State’s university and community alumni associations in order to promote the Ombudsman’s activities and disseminate information about student loans and the servicing of student loans. The Ombudsman plans to meet with stakeholders to solicit feedback and update the outreach strategy and ensure effectiveness.

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

**Status:** In 2023, the Ombudsman again worked with the Maryland Center for Collegiate Financial Wellness to inform borrowers of the IDR account adjustment and waiver.

**Action:** The Ombudsman will continue to seek out opportunities to collaborate with appropriate new and existing partners over the coming year. The Ombudsman is exploring partnerships to reach older adults who carry student loan debt.

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

**Status:** The Ombudsman’s website pages were reviewed and a significant update is expected in early 2024.

**Action:** The Ombudsman’s website pages will be reviewed, and links and information will continue to be updated on an annual and, as needed, basis each year.

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

**Status:** The Ombudsman, with Office staff assistance, created a dedicated web page with interactive educational modules to accompany the student loan educational curriculum.

**Action:** The Ombudsman will review the modules in the education program and update them in 2024 to reflect recent changes ED has made to its programs, particularly those centered on student loan forgiveness.

- 5) Undertake outreach in 2024 to Maryland borrowers and stakeholders to increase awareness and educate them on ED’s “Fresh Start” initiative which seeks to provide a reset for federal loan borrowers and to warn them about potential scammers who may seek to take advantage of borrowers during this initiative.

**Status:** The Ombudsman, with assistance from Office staff, will expand outreach and messaging in the 1<sup>st</sup> Quarter of 2024 to share changes at the federal level and expanded repayment options. The Ombudsman will also explore outreach collaboration opportunities with ED.

**Action:** The Ombudsman will continue outreach activities and expand efforts in FY2024.

- 6) Seek further opportunities to collaborate with ED and other states on issues of mutual interest, particularly on potential student loan scam activity in Maryland.

**Status:** The Ombudsman meets monthly with ED staff to discuss the concerns Maryland borrowers are experiencing and continues to look for areas to collaborate.

**Action:** Since the ED Ombudsman is a Maryland resident, the Maryland Ombudsman and the Ombudsman at ED are discussing opportunities for outreach which are planned for 2024. The Maryland Ombudsman will continue to meet with other states' counterparts throughout the year.

### **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.

**Status:** The Financial Examiners who assist the Ombudsman continue using the State Examination System (SES) and have completed all required training to use the system. The Assistant Director of the Office's Consumer Services Unit continues to be a member of the SES Consumer Complaints Subcommittee, the members of which have significant input in both the development of, and the policies governing, new features and improvements in the SES system. Members of the Subcommittee also make policy recommendations and provide feedback on system updates and improvements, as well as onboarding and training.

**Action:** The Office, including the Ombudsman, has explored other technology applications in an effort to continue to upgrade and enhance the current Office database. The Ombudsman's will continue to examine innovative ways to engage with borrowers that may be integrated into the Office's FY25 strategic plans.

- 2) Monitor student loan complaints and identify education debt relief related complaints and refer any matter that may be deemed as abusive, unfair, deceptive, or fraudulent to the Commissioner's Enforcement Unit for further investigation and potential civil enforcement or criminal prosecution.

**Status:** The Ombudsman will continue to review complaints relating to these activities as well as discuss actions taken by Ombudsman counterparts in other states.