January 2017

Snapshot of older consumers and student loan debt

Office for Older Americans

&

Office for Students and Young Consumers

Consumer Financial Protection Bureau

Table of contents

1. Introduction

The number of consumers age 60 and older with student loan debt has quadrupled over the last decade in the United States, and the average amount they owe has also dramatically increased.[1] In 2015, older consumers owed an estimated $66.7 billion in student loans. Although most student loan borrowers are young adults between the ages of 18 and 39, consumers age 60 and older are the fastest growing age-segment of the student loan market.

This trend is not only the result of borrowers carrying student debt later into life, but also the growing number of parents and grandparents financing their children's and grandchildren's college education.[2] Today, the majority of older student loan borrowers have loans that were used to finance their children's education. They may have taken out these loans directly or co-signed on a loan with the student as the primary borrower.

---

[1] In this report, we use the term "older" to refer to individuals or householders as either 60 and older or 62 and older, depending on the data source relied upon. For example, we generally refer to older consumers, borrowers, and householders as individuals age 60 and older when relying upon data from the Federal Reserve Bank of New York *Consumer Credit Panel /Equifax* and the Federal Reserve Board *Survey of Household Economics and Decisionmaking* and *Survey of Consumer Finances*. We refer to older consumers and borrowers as individuals age 62 and older when relying upon data from the CFPB's consumer complaints and Consumer Credit Panel. We refer to older consumers and borrowers as individuals age 65 and older when relying upon data from the 2016 Government Accountability Office report.

[2] For information on new student loan originations by borrower age, see the CFPB's Consumer Credit Trends data: http://www.consumerfinance.gov/data-research/consumer-credit-trends/student-loans/lending-borrower-age/

Older borrowers with delinquent or defaulted student loans may face unique financial challenges as they age. Complaints submitted by older student loan borrowers to the Consumer Financial Protection Bureau (CFPB or Bureau) illustrate that some consumers who are delinquent or in default on their loans experience problems with servicers and debt collectors that exacerbate their financial distress.

This Snapshot describes the increasing student loan debt that older consumers are carrying, as well as how the increased debt burden is impacting borrowers' later life financial security.[3] The Snapshot also describes complaints about student loans that older consumers have submitted to the CFPB from March 2012 to December 2016.

[3] The CFPB's Office for Older Americans and Office for Students and Young Consumers prepared this report. The Snapshot draws primarily upon a number of existing data sources from other federal entities, including the Bureau's own credit panel. Some sources rely on anonymized credit file information and others on survey responses. Readers should note that estimates drawn from survey data are subject to measurement error resulting, among other things, from reporting biases and question wording. In addition, survey data may be collected at the household level, as a result, estimates on student loans and other debts for older consumers may be affected by the assets and debts of others member of the household including spouses and children. Despite these significant methodological differences, these sources show similar trends and levels of debt by age group. For details about the data, see Appendix A.

2. More older Americans carry student loan debt than ever before

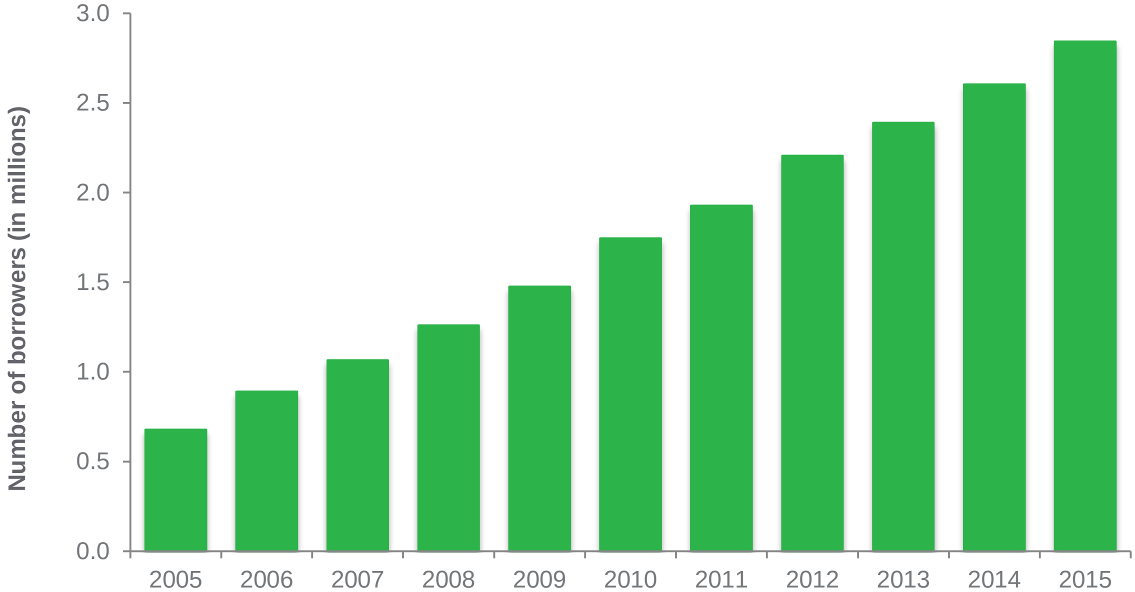
The number of older student loan borrowers has quadrupled since 2005

The number of consumers age 60 and older with outstanding student loan debt quadrupled from 2005 to 2015, increasing from about 700,000 to 2.8 million (FIGURE 1).[4] During this period, the share of all student loan borrowers that are age 60 and older increased from 2.7 percent to 6.4 percent.[5]

[4] *See* Federal Reserve Bank of New York, *2016 Student Loan Update*, https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/xls/sl_update_2016.xlsx (last visited Dec. 29, 2016)(Referred to as *2016 FRBNY Credit Panel*). For details about the data, see Appendix A.

[5] *Id*. In addition, a larger share of the population age 60 and older owed student loan debt in 2015 than in 2005. The estimated 700,000 student loan borrowers age 60 and older in 2005 represent approximately 1.4 percent of the 47.8 million adults age 60 and older in the United States. The estimated 2.8 million student loan borrowers age 60 and older in 2015 represent 4.2 percent of the 67 million adults age 60 and

FIGURE 1: NUMBER OF CONSUMERS AGE 60 AND OLDER WITH STUDENT LOAN DEBT (2005-2015)



Source: Federal Reserve Bank of New York Consumer Credit Panel / Equifax

older. For population estimates, *see* U.S. Census Bureau, American Community Survey 1-Year Estimates, Table S0102 Population 60 years and over in the United States, https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_15_1YR_S0102&prodType=table (last visited Dec. 29, 2016).

Older borrowers owe larger student loan balances than a decade ago

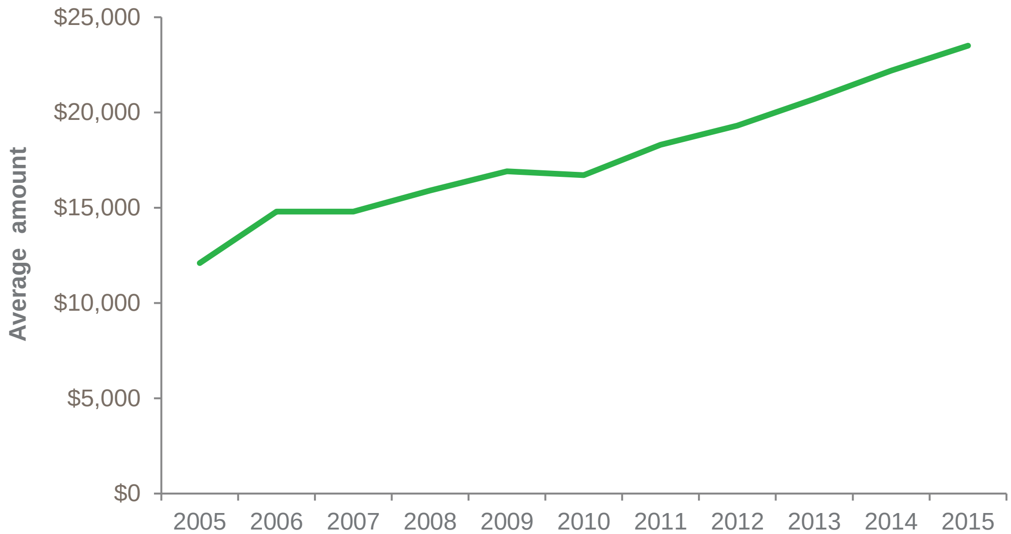
Older consumers owe a significantly larger amount of student loan debt than they did a decade ago.[6] The average amount of student loan debt owed by borrowers age 60 and older roughly doubled from 2005 to 2015, increasing from $12,100 to $23,500 (FIGURE 2).[7] As of 2015, borrowers age 60 and older owed a total $66.7 billion in outstanding student loan debt.[8]

[6] *See 2016 FRBNY Credit Panel*, *supra* note 4.

[7] *Id.* The amount of debt older consumers owe for their education and the education of others is likely to be understated by these trends. Our analysis shows that older consumers have also borrowed for their education and the education of others using home equity loans, credit cards, or other loans. CFPB analysis of the Federal Reserve Board, *2014 Survey of Household Economics and Decisionmaking*, http://www.federalreserve.gov/communitydev/shed_data.htm (last visited Dec. 29, 2016)(Referred to as *2014 SHED*). For details about the data, see Appendix A.

[8] *Id.* The costs for attending public and private college have increased significantly during the last decade thus increasing the need for borrowing for consumers of all ages. *See* U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics, Fast Facts*, https://nces.ed.gov/fastfacts/display.asp?id=76 (last visited Dec. 29, 2016).

FIGURE 2: AVERAGE AMOUNT OF STUDENT LOAN DEBT FOR BORROWERS AGE 60 AND OLDER (2005-2015)



Source: Federal Reserve Bank of New York Consumer Credit Panel / Equifax.
Average amounts reported are for consumers with student loans.

Surveys show that older student loan borrowers often owe other types of debts in addition to their student loans.[9] In 2013, for example, 63 percent of older student loan borrowers also owed mortgage debt, 67 percent owed credit card debt, and 45 percent owed auto loan debt.[10]

---

[9] CFPB analysis of Federal Reserve Board, *2013 Survey of Consumer Finances*, http://www.federalreserve.gov/econresdata/scf/scfindex.htm (last visited Dec. 29, 2016) (Referred to as *2013 SCF*). For details about the data, see Appendix A.

[10] *Id.* In addition, a recent report from the Urban Institute shows that in 2014, 72 percent of consumers age 63 to 67 with student loans had other debts, and 67 percent of consumers age 68 to 72 with student loans had other debts. *See* Wei Li & Laurie Goodman, *Americans' Debt Styles by Age and over Time*, Urban Institute (Nov. 2015), *available at* http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000514-Americans-Debt-Styles-by-Age-and-over-Time.pdf .

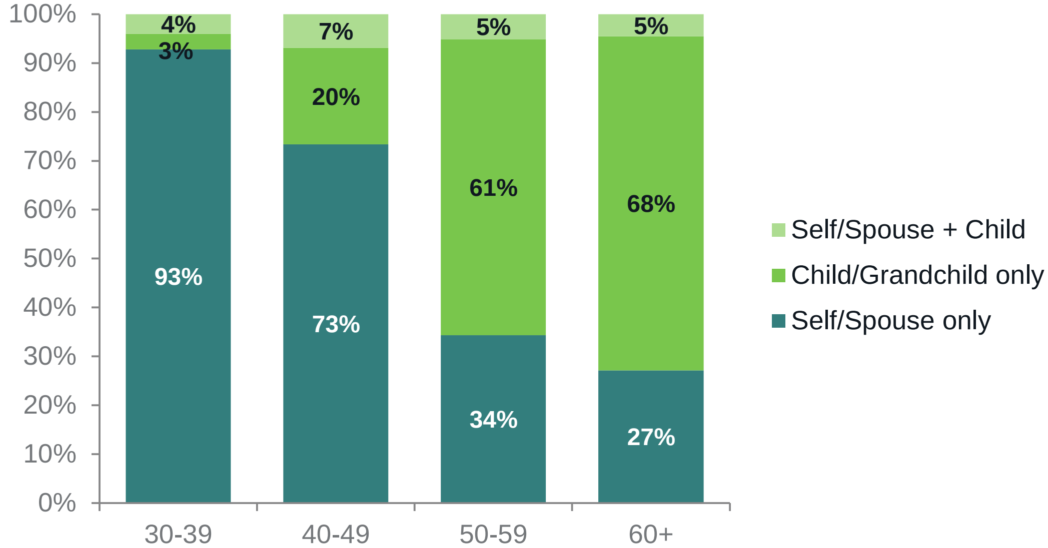
The majority of older borrowers' student loans are for their children's education

The Bureau's analysis of survey data shows that in 2014, 73 percent of student loan borrowers age 60 and older report that their student debt is owed for a child's and/or grandchild's education (FIGURE 3).[11] In contrast, 27 percent of student loan borrowers report that their student loan debt is for their own or their spouses' education.[12]

[11] *See 2014 SHED, supra* note 7. Respondents were asked: "(1) Do you currently owe any money used to pay for your own education, your spouse's education, or your child or grandchild's education? Please include any loans on which you are the co-signer that were used to pay for education. (2) For each of the categories of people below, is the money you owe for their education a student loan?" *See* Federal Reserve Board, *Survey of Household Economics & Decisionmaking Questionnaire* (2014), at 19, *available at* https://www.federalreserve.gov/communitydev/files/shed_2014questionnaire.pdf.

[12] *Id.*

FIGURE 3: BENEFICIARIES OF STUDENT LOAN DEBT OWED BY CONSUMERS BY AGE GROUP (2014)



Source: Federal Reserve Board Survey of Survey of Household Economics and Decisionmaking 2014.

Older consumers borrow both federal and private student loans to finance their education and the education of their children. According to the U.S. Government Accountability Office (GAO), in 2015, nearly 870,000 borrowers age 65 and older owed federal student loans.[13] Approximately 210,000 of these individuals were borrowers who owe loans under the Parent PLUS Loan program, the only federal program available to parents to borrow for the undergraduate education of their children.[14]

---

[13] *See* GAO, *Social Security Offsets: Improvements to Program Design Could Better Assist Older Student Loan Borrowers with Obtaining Permitted Relief* (Dec. 2016), *available at* http://www.gao.gov/assets/690/681722.pdf (Referred to as *2016 GAO*).

[14] *Id*. For a general description of the federal PLUS loan program, which also includes Direct PLUS Loans to eligible graduate and professional students, *see* U.S. Department of Education, *Plus Loans*, https://studentaid.ed.gov/sa/types/loans/plus#eligibility (last visited Dec. 29, 2016).

Over half of consumers who are co-signers are age 55 and older

Unlike federal student loans, private student loan lenders routinely require that a student jointly apply for a loan with a co-signer or co-borrower.[15] Loan co-signers or co-borrowers are held responsible for repaying the loan along with the primary borrower.[16] Student borrowers often turn to their parents and grandparents to co-sign their private student loans.[17] The Bureau estimates that 27 percent of individuals who are co-signers on one or more outstanding student loans are age 62 and older, and 57 percent of all individuals who are co-signers are age 55 and older.[18]

---

[15] *See* CFPB and U.S. Department of Education, *Private Student Loans* (Aug. 2012), *available at* http://files.consumerfinance.gov/f/201207_cfpb_Reports_Private-Student-Loans.pdf (finding that by 2011, 90.5 percent of the dollar volume of educational loans originated by lenders was co-signed, compared to 55 percent in 2005).

[16] For federal student loans made through the PLUS loan program, borrowers with adverse credit histories may be required to add a third-party endorser to the loan. An endorser has made a promise to repay the loan should a borrower fail to do so. *See* U.S. Dept. of Education, Federal Student Aid, *PLUS Loans*, https://studentaid.ed.gov/sa/types/loans/plus (last visited Dec. 29, 2016).

[17] Analysis of CFPB's Consumer Credit Panel data. In 2014, approximately one percent of all consumers age 62 and older (or 536,000 consumers) had one or more trade lines indicating that they were a non-student borrower who co-signed a loan with a student-borrower. This measure does not include loans reported with "joint contractual responsibility." Some co-signed loans may be reported this way, but do not differentiate between student-borrowers and non-student borrowers who co-sign a loan with a student borrower.

[18] *Id*. For details about the data, see Appendix 1.

3. Many student loan borrowers face financial challenges as they age

Many older borrowers are behind on their student loan payments

Late and missed payments by older borrowers have increased since 2005. The proportion of delinquent student loan debt held by borrowers age 60 and older increased from 7.4 percent to 12.5 percent from 2005 to 2012.[19]

Nearly 40 percent of federal student loan borrowers age 65 and older are in default. Older borrowers who carry student debt later into their lives often struggle to repay or have defaulted on their loans.[20] Borrowers with outstanding loans are increasingly likely to be in

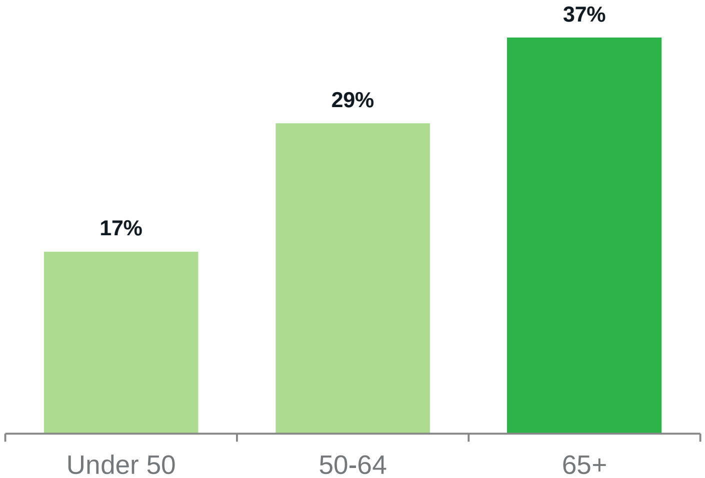
---

[19] *See* Federal Reserve Bank of New York, *Student Loan Debt by Age Group* (Mar. 2013), https://www.newyorkfed.org/studentloandebt/index.html (last visited Dec. 29, 2016) (delinquency is defined as being late by 90 or more days).

[20] *See 2016 GAO*, *supra* note 13. The percentage in default was calculated by dividing the number of borrowers in default by the total number of borrowers for each age group.

default as they age. In 2015, for example, 37 percent of federal student loan borrowers age 65 and older were in default. In comparison, 29 percent of federal student loan borrowers age 50 to 64 were in default, and 17 percent of federal student loan borrowers age 49 and under were in default (FIGURE 4).[21]

FIGURE 4: SHARE OF FEDERAL STUDENT LOAN BORROWERS IN DEFAULT BY AGE GROUP (2015)



Source: Government Accountability Office 2016.

A growing number of older federal student loan borrowers had their Social Security benefits offset because of unpaid student loans. The federal government can garnish a borrower's wages and may offset a portion of tax refunds and many government benefits for failing to repay federal student loans.[22] The number of borrowers age 65 and older

---

[21] *Id*.

[22] *See* Social Security Administration, *The Treasury Offset Program (TOP)*, GN 02201.029 (Mar. 9, 2016), http://policy.ssa.gov/poms.nsf/lnx/0202201029 (last visited Dec. 29, 2016)(establishing policies and procedures for the Debt Collection Improvement Act of 1996). Federal student loans, generally, may not be discharged through bankruptcy, and upon default, the federal government may offset the borrower's

who had their Social Security benefits offset to repay a federal student loan increased from about 8,700 to 40,000 borrowers from 2005 to 2015.[23] Social Security benefits are the only source of regular retirement income for 69 percent of beneficiaries age 65 and older.[24] This means that benefit offsets may impose serious financial hardship for many of the affected older borrowers.[25]

A large portion of older student loan borrowers struggle to afford basic needs. The Bureau's analysis of survey data shows that older consumers with outstanding student loans are more likely than those without outstanding student loans to report that they have skipped necessary health care needs such as prescription medicines, doctors' visits, and dental care because they could not afford it.[26] In 2014, for example, 39 percent of consumers age 60 and older with a student loan said that they skipped such care compared to 25 percent of older consumers without a student loan.[27]

Social Security benefits. *See* 42 U.S.C. § 407. In contrast, private student loan lenders cannot offset Social Security disbursements to collect the debt. *See* 31 U.S.C. § 3716; *see also* CFPB, *Consumer advisory: Your benefits are protected from garnishment*, http://www.consumerfinance.gov/about-us/blog/consumer-advisory-your-benefits-are-protected-from-garnishment/ (last visited Dec. 29, 2016).

[23] *See 2016 GAO*, *supra* note 13.

[24] *See* CFPB, *Issue Brief: Social Security claiming age and retirement security* (Nov. 2015), at 7, *available at* http://files.consumerfinance.gov/f/201511_cfpb_issue-brief-social-security-claiming-age-and-retirement-security.pdf .

[25] *See 2016 GAO*, *supra* note 13 (showing that 47 percent of borrowers subject to Social Security offsets have a monthly benefit that is below the poverty line and is further reduced by the offset. For 16 percent of borrowers, their Social Security benefits are above the poverty line but the offset reduces the benefit below the poverty line).

[26] *See 2014 SHED*, *supra* note 7.

[27] *Id. See* Mathieu R. Despard, et al., *Student debt and hardship: Evidence from a large sample of low- and moderate-income households*, 70 Children and Youth Services Rev. 8-18 (2016) (showing a statistically significant relationship between age and foregoing health care among older student loan borrowers).

Borrowers nearing retirement with outstanding student loans have less saved

Among household heads nearing retirement, age 50 to 59, those with outstanding student loan debt have less saved for retirement than their counterparts without student debt.[28] In 2013, student loan borrowers age 50 to 59 had a lower median amount in their employer-based retirement account or an Individual Retirement Account (IRA) than consumers without student loan debt (FIGURE 5).[29]

[28] *See 2013 SCF*, *supra* note 9. Median amounts reported are for those who have a 401(k) or IRA account. The data does not allow estimates of the median retirement savings amount for consumers who have repaid their loans. For additional research on the effects of student loan on retirement security, *see* Munnell et al., W*ill the explosion of student debt widen the retirement security gap?*, Center for Retirement Research Issue in Brief 16-2 (Jan. 2016), *available at* http://crr.bc.edu/wp-content/uploads/2016/01/IB_16-2.pdf.

[29] *Id.*

FIGURE 5: MEDIAN RETIREMENT SAVINGS BALANCE BY CONSUMERS WITH AND WITHOUT STUDENT LOANS, AGE 50 TO 59 (2013)

Source: Federal Reserve Board Survey of Consumer Finances, 2013.

4. Older consumers complain to the CFPB about their student loans

The Bureau began handling complaints about private student loans in March 2012. In February 2016, the Bureau began handling federal student loan servicing complaints. [30] As of January 1, 2017, consumers 62 and older submitted approximately 1,100 student loan complaints and approximately 500 debt collection complaints related to student loans. [31] Of the approximately

[30] On February 26, 2016, the Bureau began accepting federal student loan servicing complaints. Prior to this date, the Bureau accepted complaints about private student loans, as well as all complaints pertaining to student loan debt collection.

[31] The data and analysis in this section is based on the complaints submitted between 2012 and 2016 by or on behalf of consumers who voluntarily reported their age as 62 or older. Consumer complaints are submissions that express dissatisfaction with, or communicate suspicion of wrongful conduct by an identifiable entity related to a consumer's personal experience with a financial product or service. We do not verify the facts alleged in these complaints, but we take steps to confirm a commercial relationship between the consumer and the company. Accordingly, readers should note that this section does not suggest the prevalence of the issues described as they relate to the entire student loan market. The information provided by borrowers helps to illustrate where there may be a mismatch between borrower

1,000 student loan complaints, about 700 (64 percent) were related to dealing with a lender or servicer. Of the approximately 500 debt collection complaints related to student loans, about 200 (36 percent) were related to continued attempts to collect debt not owed and 100 (24 percent) were related to communication tactics. Consumers describe problems that relate to co-signing private student loans, accessing protections guaranteed under federal law for federal student loan borrowers, and other topics. These complaints suggest that loan servicing problems can exacerbate older borrowers' financial distress.

Older borrowers complain about student loan servicing problems and errors

Older student loan borrowers on fixed incomes complain that servicing roadblocks and processing errors limit their ability to enroll in income-driven repayment (IDR) plans. IDR plans allow borrowers to make monthly student payments based on their income rather than their outstanding balance. Older consumers with limited income report being affected by servicing practices that delay or prohibit enrollment in IDR plans.[32] Some borrowers complain that they enroll in IDR plans while receiving a salary, but later move to a fixed income and can no longer afford the previously set payment. When consumers call their servicers to say that their monthly payment is no longer affordable, complaints suggest that servicers are not advising borrowers that after a change in income,

---

expectations and actual service delivered. For more information about how we handle complaints, *see* http://www.consumerfinance.gov/data-research/consumer-complaints/.

[32] For more information about the different types of income-driven plans, *see* U.S. Department of Education, *Income-Driven Plans*, https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven (last visited Dec. 29, 2016).

borrowers can have their payment amounts recalculated under their income-driven plan.[33] Complaints illustrate that these borrowers on limited incomes have instead been placed in plans designed for borrowers with growing incomes, such as graduated repayment.

Older student loan co-signers complain that servicers misallocate their payments to other loans owed only by the primary student borrower. Generally, servicers allocate received payments across all loans owed by the primary borrower.[34] Some co-signers complain that this practice results in their payments not being allocated exclusively to the loans that they co-signed. If a payment by a co-signer is allocated to a loan that the co-signer did not sign for, the payment may appear short because it was allocated to loans for which the co-signer was not obligated to repay. Further, this may result in servicers charging co-signers improper late fees and interest, as well as reporting late or missed payments to consumer reporting agencies. Other co-signers report payments are misallocated due to confusion over where to submit their payment. One older consumer writes:

[33] Readers should note that borrowers with federal loans borrowed through the Parent PLUS program may be eligible to enroll in the least generous IDR plan (Income-Contingent Repayment) but only if they first consolidate this loan into a new federal consolidation loan. No public data is available about the prevalence of this practice, but consumer complaints and other qualitative input analyzed by the Bureau suggest that this consumer protection is rarely utilized by older consumers.

[34] Co-signers may be paying a single student loan with a primary borrower who is repaying several other student loans. If that primary borrower misses payments on other loans, the servicer may apply the co-signer's payment across all of the primary borrower's loans rather than crediting the co-signer's loan. *See Letter from Rohit Chopra to Private Student Loan Servicers* (Feb. 3, 2014) http://files.consumerfinance.gov/f/201402_cfpb_letter_payment-processing.pdf.

I found out today, that all this time I've been sending [the payment] to the wrong address even though it was a [servicer] employee that gave me that address and all of the payments that I have been making have been going to the wrong loan. [The servicer is] saying that I have not been making a payment although I have documentation, check numbers and dates that I have mailed out of all the payments made. . .

Older consumers report facing obstacles after co-signing student loans

Older consumers who co-sign private student loans report encountering servicing difficulties that impact their ability to repay the loan. Most private student lenders require student borrowers to obtain a co-signer before issuing a loan.[35] After these loans enter repayment, some co-signers say they are having trouble repaying the loan they co-signed for a child or grandchild, while others indicate they did not realize that they were liable for multiple loans. Additionally, older student loan co-signers report difficulties with co-signer release. Consumers continue to state that despite satisfactory and timely repayment behavior, servicers do not release them as co-signers.

Older student loan co-signers complain that loan servicers may not provide them access to loan information. Some co-signers complain that they are unable to monitor the student loan that they co-signed because loan servicers fail to respond to their requests for assistance in accessing account information. Others report that by the time the servicer sends the co-signer a notice of missed payments, additional fees and penalties have accrued. In

[35] *See* CFPB, *Mid-year update on student loan complaints* (June 2015), *available at* http://files.consumerfinance.gov/f/201506_cfpb_mid-year-update-on-student-loan-complaints.pdf.

addition, older consumers complain they do not receive notice prior to the co-signed loan entering default and that their credit scores have been negatively affected.

Older borrowers complain that debt collection practices in student loans cause financial distress

Older borrowers with federal student loans complain that account errors lead to offsets of Social Security benefits even though many of these borrowers would otherwise be eligible for payments based on their income. When a borrower defaults on a federal student loan, he or she has the right to "cure" the default by "rehabilitating" the loan—a process through which the consumer makes a series of nine on-time, income-driven payments to a debt collector.[36] Once the borrower has cured his or her defaulted student loan, the loan will be taken out of default status and the borrower will be transferred out of collections and back to a student loan servicer, thus regaining eligibility to enroll in an IDR plan.[37] However, if a defaulted borrower does not or is unable to make payment arrangements with the collector, he or she may become subject to wage garnishment or federal benefit offsets.[38] Older

---

[36] Eligible borrowers seeking to cure a defaulted federal student loan can choose between rehabilitating this debt and refinancing their defaulted loan with a new Direct Consolidation Loan. *See* CFPB, *Annual Report of the CFPB Student Loan Ombudsman* (Oct. 2016), *available at* http://files.consumerfinance.gov/f/documents/102016_cfpb_Transmittal_DFA_1035_Student_Loan_Ombudsman_Report.pdf (Referred to as 2016 *2016 Annual Ombudsman Report*).

[37] *See 2016 Annual Ombudsman* Report, *supra* note 36.

[38] The Department of Education has the ability to garnish wages in the event of non-payment of a federal student loan. In the absence of wages, the Department of Education can withhold a borrower's federal tax refund or offset Social Security benefits payments via Department of the Treasury. The percentage of funds garnished or offset is 15 percent, which is higher than the percentage of disposable income a

borrowers, particularly those whose primary or sole income comes from Social Security benefits, complain that they encounter problems throughout the rehabilitation process.[39] These problems can mean that older borrowers do not receive the payments based on income to which they are entitled under federal law. For example, one borrower complains that when his debt collector lost a payment authorization form required to complete a loan rehabilitation, his account was unnecessarily subject to Social Security benefit offset:

> *I was placed in a Rehabilitation Program . . . Based on my income, I am required to pay $5.00 per month [under income-driven rehabilitation]. I submitted a form for electronic payments to be deducted from my bank checking account. I received a call . . . stating that my payment was overdue. I paid the amount by telephone, and once again faxed the form for electronic payments . . . I received a letter from The Department of the Treasury . . . stating that 15% of my Social Security Disability Check, and my Federal Income Tax return for 2015 would be used to offset my loan . . . I was told that the [automatic payment] form had been received; however, it did not indicate whether the account was for my checking or savings account. I was told that nothing could be done once the information had been sent to The Department of the Treasury. Consequently, I have been left in dire straits for the last 2 months because of the offset. . . . [My collector's] responses are inconsistent . . . I am unable to access my account online to verify the payments that have been received . . . [My collector was later] able to locate the form; however, the offset is still taking place.*

---

borrower must pay when enrolled in an IDR plan. *See* U.S. Department of Education, *Collections*, https://studentaid.ed.gov/sa/repay-loans/default/collections (last visited Dec. 29, 2016); U.S. Department of Education, *Income-Driven Plans*, https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven (last visited Dec. 29, 2016).

Older consumers complain that debt collectors use aggressive and hostile tactics.[40] Older consumers complain about receiving multiple calls weekly and sometimes daily from debt collectors. Consumers also complain that debt collectors use offensive language towards them. In addition, consumers say that debt collectors continue calling despite repeatedly being told that the debtor did not live with the consumer. Some consumers likewise express concern that debt collectors are calling their places of employment or their family members who have nothing to do with the debt. Many complain that debt collectors attempt to collect a debt that is not theirs. Some older consumers state that aggressive debt collection tactics cause fear, high levels of stress, and sometimes, undue strain on their health.

Older borrowers with private student loans complain that collectors threaten to collect on their federally protected benefits. Certain federal benefits, like Social Security benefits, are protected from collection for defaulted private student loans.[41] However, older co-signers receiving Social Security benefits report that when the primary borrower fails to pay, some debt collectors of private student loans threaten to collect protected benefits. Older consumers report receiving these threats at a time when that they are already struggling to afford basic needs like food and medicine.

---

[40] The report summarizes complaints against first-party debt collectors (creditors collecting their own debts) and third-party collectors.

[41] Many federal benefits are generally protected from garnishment. *See, e.g.*, 42 U.S.C. § 407(a); 42 U.S.C. § 1383(d)(1). Some laws, however, authorize exceptions to this rule, for instance for the collection of federal debts. *See, e.g.*, 38 U.S.C. § 5301. *See also* http://www.consumerfinance.gov/askcfpb/1157/can-creditor-garnish-my-social-security-benefits-pay-debt.html; https://faq.ssa.gov/link/portal/34011/34019/Article/3731/Can-my-Social-Security-benefits-be-garnished-for-alimony-child-support-or-restitution.

5. Conclusion

As the CFPB's Office for Older Americans previously reported in its *Snapshot on older consumers and mortgage debt*, an increasing number of older Americans are financially struggling because of the growing amount of debt they owe in their retirement years.[42] While the key driver of the debt for older consumers remains mortgages, student loans are becoming more common among the 62 and older population.[43] Student loan debt among older consumers has increased, in large part, due to the growing number of parents and grandparents participating in the financing of their children's and grandchildren's college education.

Consumers express concerns in complaints submitted to the CFPB about the financial consequences of co-signing and borrowing student loans for a child or grandchild. This raises important questions about the effect of student loan debt on retirement security for older borrowers and co-signers alike, and the financial risk many parents assume when financing their children's education.

Consumers entering retirement with student loan debt face a number of challenges that may contribute to their inability to repay their student loans or meet the responsibility that they have undertaken for their children's loans. Unlike their younger counterparts, who generally are expected to experience income growth over their lives, older consumers typically experience a

---

[42] *See* CFPB, *Snapshot on older consumers and mortgage debt* (May 2014), http://files.consumerfinance.gov/f/201405_cfpb_snapshot_older-consumers-mortgage-debt.pdf.

[43] *Id* at 3.

decrease in income as they age.[44] In addition, some older consumers face other challenges, such as an increased incidence of physical and cognitive impairments associated with aging.[45] These challenges may limit the ability to remain in the work force and may be associated with a decline in income.[46]

The consumer complaints submitted to the Bureau suggest that student loan servicing problems exacerbate older borrower's financial distress. Older student loan co-signers express frustration about the difficulty they face when requesting loan releases. Co-signers also complain that servicers do not provide them with access to loan accounts and information about the status of loans. Lack of access to and communication about loans can thwart borrowers' ability to manage the debt for which they are responsible. Student loan borrowers – including older borrowers – would benefit by having clear and consistent standards for the servicing of student loans.[47]

Complaints submitted by consumers related to co-signing raise important questions about whether the information provided at the point of origination is sufficient to ensure these consumers understand the long term cost and risks associated with this debt. Prospective co-signers would benefit from lenders and school financial aid officials providing counseling and/or effective information and communication regarding the liability that a co-signer undertakes. Co-

---

[44] *See* EBRI, *How Does Household Expenditure Change With Age for Older Americans?* (Sept. 2014), *available at* https://www.ebri.org/pdf/notespdf/EBRI_Notes_09_Sept-14_OldrAms-WBS.pdf.

[45] *See* U.S. Census Bureau, *Older Americans With a Disability: 2008–2012* (Dec. 2014), *available at* https://www.census.gov/content/dam/Census/library/publications/2014/acs/acs-29.pdf.

[46] *See* U.S. Bureau of Labor Statistics, *People who are not in the labor force: why aren't they working?* (Dec. 2015), http://www.bls.gov/opub/btn/volume-4/people-who-are-not-in-the-labor-force-why-arent-they-working.htm (last visited Oct. 29, 2016).

[47] *See* CFPB, U.S. Dept. of Education, U.S. Dept. of the Treasury, *Joint Statement of Principles on Student Loan Servicing* (Sept. 2015), *available at* http://files.consumerfinance.gov/f/201509_cfpb_treasury_education-joint-statement-of-principles-on-student-loan-servicing.pdf.

signers need to understand the obligation before they sign. Review of the co-signing process of private student loans may be warranted to understand whether the origination process fully brings to the attention of older co-signers that they are taking on liability for the debt.

Serious concerns are also raised by complaints submitted by older consumers who have defaulted on a federal student loan. When older consumers default on, or owe money on a defaulted federal student loan, they are potentially subject to an offset of a portion of Social Security benefits, with certain limitations. For many older, retired consumers, Social Security benefits are their primary source of income.

Federal student loan borrowers in default, including those subject to offsets of their Social Security benefits, cannot take advantage of any of the income-driven repayment options that use formulas that base monthly payments on an affordable percentage of discretionary income, thus providing greater financial flexibility for consumers experiencing financial hardship. Although federal law provides a mechanism for these borrowers to "cure" a default and restore eligibility for these protections,[48] older borrowers may have difficulty doing so.

The issues identified in this report suggest that this process may be particularly challenging for older consumers to navigate and complete. In October 2016, the Bureau published a report highlighting how gaps in these programs may trap vulnerable borrowers in default, leading consumers to pay hundreds of millions of dollars in unnecessary interest charges.[49] At the time, the Bureau called for an overhaul of these programs to streamline access to affordable payments for the most vulnerable consumers. These recommendations dovetail with the observations offered in this report. For example, streamlined access to IDR plans could be especially helpful

---

[48] For further discussion, *see* CFPB, *2016 Annual Report of the CFPB Student Loan Ombudsman* (Oct. 2016), *available at* http://files.consumerfinance.gov/f/documents/102016_cfpb_Transmittal_DFA_1035_Student_Loan_Ombudsman_Report.pdf.

[49] *Id.*

for older borrowers whose only source of income is Social Security, particularly where these loans were used to finance their own education.[50] Consider the case of a retiree whose income is limited to only her $1,165 monthly Social Security check, which is the median Social Security benefit for an older consumer that depends on Social Security for all of her income.[51] If this retiree has defaulted on a federal student loan, the government can deduct or "offset" $60 from her monthly Social Security benefit, reducing her annual income to $13,240. However, by rehabilitating or consolidating her defaulted student loans, this same borrower would no longer be subject to the Social Security offset and would also become eligible for an income-driven repayment plan. Given her low income, the IDR payment formula would set her monthly payment amount to $0.[52]

As policymakers examine potential changes to the higher education finance market, including changes to federal student loan programs, this report can offer insight into how changes in the availability of borrowing and repayment options may affect the long-term financial well-being of older consumers.

---

[50] Monthly payment relief options are limited for those older borrowers who are struggling to repay the Parent PLUS loans they took out to pay for their children's college education. Under federal law, Parent PLUS loans are ineligible for enrollment in most of the income-driven repayment plans offered by the federal student loan programs. Still, reduced-payment plan options are available for Parent PLUS loans, including defaulted loans that have been rehabilitated or consolidated. The options for Parent PLUS borrowers include one IDR option as well as graduated and extended repayment plans.

[51] *See* SSA, Office of Retirement and Disability Policy, Income of the Population 55 or Older, 2014,Table 5.A5, https://www.ssa.gov/policy/docs/statcomps/income_pop55/ (last visited Dec. 29, 2016)(reporting percentage distribution of Social Security beneficiary units, by proportion of aged unit income from Social Security and marital status).

[52] *See, e.g.*, 34 C.F.R. § 685.209(c) (Revised Pay As Your Earn). Another contributing factor to the difficulties that Social Security beneficiaries face with defaulted student loans is that the calculation for offsets has not been updated since 1996. The Debt Collections Improvement Act of 1996 introduced a $9,000 annual exemption of federal benefit payments subject to offset. 31 U.S.C. § 3716(c)(3)(A)(ii) (Apr. 29, 1996).

6. Resources for consumers

To submit a complaint:

Online consumerfinance.gov/complaint

By phone 180+ languages, M-F 8am-8pm EST
Toll-Free: (855) 411-CFPB (2372)
TTY/TDD: (855) 729-CFPB (2372)

By mail Consumer Financial Protection Bureau
PO Box 4503
Iowa City, Iowa 52244

By fax (855) 237-2392

To reach the CFPB's Student Loan Ombudsman:

By email students@cfpb.gov

By mail Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

To reach the Office of Older Americans:

By email CFPB_OlderAmericans@cfpb.gov

By mail Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

APPENDIX A: DATA SOURCES

Federal Reserve Bank of New York Consumer Credit Panel/Equifax: The FRBNY Consumer Credit Panel is a longitudinal panel of credit records based on a 5 percent random sample of all individuals with a social security number and a credit report (usually age 19 and over) from Equifax. In this report, the CFPB presented data from the FRBNY Consumer Credit Panel for number of consumers with student loans by age from 2005 to 2015, their amounts owed and delinquency rates. More information about the FRBNY Consumer Credit Panel can be found at https://www.newyorkfed.org/medialibrary/media/creditconditions/technical_notes.pdf.

Federal Reserve Board Survey of Consumer Finances: The Federal Reserve Board Survey of Consumer Finances (SCF) is a national survey of about 6,000 households conducted every three years since 1989. The survey gathers information on assets, debts, income, and other demographic and financial characteristics of households in the United States. The survey is conducted in-person or on the phone. In this report, the CFPB used data from the SCF to show differences in retirement savings and debt burden for older households with and without student loans. More information about the SCF can be found at https://www.federalreserve.gov/econresdata/scf/scfindex.htm.

Federal Reserve Board Survey of Household Economics and Decisionmaking: The Federal Reserve Board Survey of Survey of Household Economics and Decisionmaking (SHED) is an annual nationally representative survey of about 5,900 households conducted since 2013. The survey is conducted online using a probability-based internet panel. The survey gathers information on behaviors, credit access, savings, retirement, financial shocks, and education and student loans of households in the United States. In this report, the CFPB presented data from the SHED on households with student loans by age of householder in 2014. More information about the SHED can be found at https://www.federalreserve.gov/communitydev/shed.htm.

CFPB Consumer Credit Panel: The CFPB's Consumer Credit Panel (CCP) is a longitudinal sample of approximately 5 million de-identified credit records that is nationally representative of the credit records maintained by one of the National Credit Reporting Agencies. In this report, the CFPB presented data on student loan co-signers by age in 2015. More information about the CFPB CCP can be found at http://www.consumerfinance.gov/data-research/consumer-credit-trends/.