

5 Common Private Student Loan Complaints

Borrowers report not making enough to pay back their loans, among other issues.

By Katy Hopkins

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A federal agency has published comments from stressed student loan borrowers.

The Consumer Financial Protection Bureau (CFPB) has taken on a variety of measures to make college financial aid issues more transparent, from releasing the Shopping Sheet with the Department of Education to creating the Student Debt Repayment Assistant to demystify students' borrowing options.

The federal agency has also begun to collect federal and private student loan comments, accepting complaints from anyone who wishes to send in a submission.

In June, the CFPB published nearly 2,000 comments about private student loans, collected between November 2011 and January 2012 in response to a request for input by the CFPB and the Department of Education. Published commenters ranged from disgruntled graduates to official bodies such as the Kentucky Higher Education Assistance Authority and the National Association for College Admission Counseling (NACAC).

Approximately 15 percent of the submissions (300 comments) have been analyzed by financial aid expert Mark Kantrowitz, along with David Levy and Margaret Carothers, who broke down the responses into the top 10 most common issues.

The top five private student loan themes among comments analyzed were:

1. Insufficient income to repay student loan debt (34 percent of comments)
2. Lack of repayment options on private student loans (27 percent)
3. Specific lender was not helpful (20 percent)
4. Borrower demonstrates confusion about the difference between private and federal student loans (18 percent)
5. Financial aid office was not helpful (18 percent)

Experts typically instruct borrowers to exhaust their federal student loan eligibility first before turning to the private sector. Private student loans tend to have higher or variable interest rates, do not usually come with borrower protections, and do not make borrowers eligible for government repayment plans including Income-Based Repayment and Income-Contingent Repayment.

Data show that some private student loan borrowers may have turned to the private sector needlessly. According to statistics from the Department of Education, only 46 percent of undergraduates in the 2007-2008 school year who took a private loan had exhausted their federal eligibility first.

"There exists an opportunity," NACAC wrote in its public comment, "for the Consumer Financial Protection Bureau and the U.S. Department of Education to collaborate in educating students and families about the advantages of and the importance of maximizing federal student loan programs."

