

E. J. FACE, JR.
COMMISSIONER OF
FINANCIAL INSTITUTIONS



1300 EAST MAIN STREET
SUITE EIGHT HUNDRED
P.O. BOX 640
RICHMOND, VIRGINIA 23218-0640
(804) 371-9657
FAX (804) 371-9416
scc.virginia.gov

**STATE CORPORATION COMMISSION
BUREAU OF FINANCIAL INSTITUTIONS**

November 1, 2022

The Honorable Richard L. Saslaw
Chair, Senate Committee on Commerce and Labor

The Honorable L. Louise Lucas
Chair, Senate Committee on Education and Health

The Honorable Kathy J. Byron
Chair, House Committee on Commerce and Energy

The Honorable Glenn R. Davis
Chair, House Committee on Education

Ladies and Gentlemen:

Please find enclosed the Virginia State Corporation Commission's Report Pursuant to Chapters 1198 and 1250 of the 2020 Virginia Acts of Assembly Relating to Qualified Education Loan Servicers.

Please let me know if I can be of further assistance.

Respectfully submitted,

E. J. Face, Jr.
Commissioner of Financial Institutions

cc: Members, Senate Committee on Commerce and Labor
Members, Senate Committee on Education and Health
Members, House Committee on Commerce and Energy
Members, House Committee on Education



**Report Pursuant to Chapters 1198 and 1250
of the 2020 Virginia Acts of Assembly
Relating to Qualified Education Loan Servicers**

**Prepared by the
Bureau of Financial Institutions
State Corporation Commission**

November 1, 2022

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	ii
INTRODUCTION.....	1
BACKGROUND.....	1
LICENSES AND DENIALS ISSUED.....	1
REPORTS FILED BY LICENSEES.....	1
COMPLAINTS RECEIVED.....	2 - 4

EXECUTIVE SUMMARY

Chapters 1198 and 1250 of the 2020 Virginia Acts of Assembly created Chapter 26 (§ [6.2-2600](#) et seq.) of Title 6.2 of the Code of Virginia ("Code") (the "Chapter"), which became effective July 1, 2021. The Chapter sets forth licensing requirements and other regulatory provisions relating to qualified education loan servicers. This Report was prepared pursuant to the fourth enactment clause of the above-referenced legislation, which directs the State Corporation Commission ("Commission") to provide a report to members of the House Committee on Labor and Commerce,¹ the Senate Committee on Commerce and Labor, the House Committee on Education, and the Senate Committee on Education and Health on or before November 1, 2022, that contains the following:

- i. the number of licenses issued under the Chapter;
- ii. the number of applications for a license under the Chapter that have been denied and the reasons for such denials;
- iii. the number of licensees under the Chapter that filed a written report with the Commission pursuant to subsection A of § [6.2-2612](#), as created by this act, and for which of the events enumerated in subdivisions A 1 through 5 of § [6.2-2612](#), as created by this act, the written report was filed;
- iv. the number and nature of complaints received under the Chapter; and
- v. the number of investigations and examinations resulting from such complaints and the disposition of such investigations and examinations.

On behalf of the Commission, its Bureau of Financial Institutions ("Bureau") is pleased to submit this Report with the above information pertaining to qualified education loan servicers licensed or required to be licensed under the Chapter. The information provided is for the period from July 1, 2021 through September 15, 2022.

¹ Committee name is now Commerce and Energy.

INTRODUCTION

In accordance with Chapters 1198 and 1250 of the 2020 Virginia Acts of Assembly, the Bureau, on behalf of the Commission, offers this Report of certain activity relating to qualified education loan servicers licensed or required to be licensed under the Chapter.

BACKGROUND

The Chapter sets forth regulatory provisions relating to qualified education loan servicers including, but not limited to, applicable definitions, licensing requirements, exemptions from licensing, prohibited activities, record retention requirements, and licensee reporting requirements. The Chapter also gives the Commission authority to promulgate regulations and requires it to examine licensees at least once in a three-year period. It also provides certain enforcement authority to the Commission and the Attorney General. The Chapter became effective on July 1, 2021, and the Commission was required to begin accepting applications for licenses on or before March 1, 2021.

LICENSES ISSUED AND APPLICATIONS DENIED

As of September 15, 2022, the Commission has issued 26 qualified education loan servicer licenses under the Chapter (nine of which were automatically issued to federal qualified education loan servicing contractors pursuant to § 6.2-2602 of the Code). There were no applications for a qualified education loan servicer license denied under the Chapter.

WRITTEN REPORTS FILED BY LICENSEES

Subsection A of § 6.2-2612 of the Code requires a licensee to file, within 15 days following the occurrence of any of the following events, a written report with the Commission describing such event and its expected impact upon the business of the licensee:

1. The filing of bankruptcy, reorganization, or receivership proceedings by or against the licensee;
2. The institution of administrative or regulatory proceedings against the licensee by any governmental authority;
3. Any felony indictment of the licensee or any of its members, directors, senior officers, trustees, or principals;
4. Any felony conviction of the licensee or any of its members, directors, senior officers, trustees, or principals; and
5. Such other events as the Commission may prescribe by regulation.²

During the period from July 1, 2021 to September 15, 2022, five qualified education loan servicer licensees filed one or more written reports with the Commission (directly or via the Nationwide Multistate Licensing System and Registry) pursuant to subsection A of § 6.2-2612 of the Code. All the reports filed were for an event enumerated in subsection A (2) above (the institution of administrative or regulatory proceedings against the licensee by any governmental authority). Some were notices of settlement or consent orders by state Attorneys General and a few were actions by the Consumer Financial Protection Bureau.

COMPLAINTS RECEIVED

The Bureau receives hundreds of written consumer complaints per year relating to the various financial institutions it regulates. When a complaint is received from a qualified education loan borrower, an analyst reviews it to determine whether the Commission has jurisdiction over the entity and the issue(s). If the analyst determines that the complaint is not within the Commission's jurisdiction, the analyst will try to determine if another state or federal agency might have jurisdiction. If yes, the analyst will provide the borrower with the contact information for the other agency. If the Commission has jurisdiction, the analyst evaluates the complaint for potential

² The Commission has not prescribed any other events to be reported pursuant to subsection A (5) of § 6.2-2612 of the Code.

violations of Virginia law or regulation. The analyst typically sends the complaint, along with a cover letter, to the entity asking it to respond directly to the borrower regarding the allegations and to copy the Bureau on the response. Once the analyst receives a copy of the response, the analyst reviews it to determine if additional information or action is needed.

Chapters 489 and 755 of the 2018 Virginia Acts of Assembly directed the establishment of the Office of the Qualified Education Loan Ombudsman ("Ombudsman") within the State Council of Higher Education for Virginia. The Ombudsman's duties include but are not limited to: (i) receiving, reviewing, and attempting to resolve complaints from qualified education loan borrowers; (ii) compiling and analyzing data on such complaints; and (iii) assisting qualified education loan borrowers with understanding their rights and responsibilities under the terms of qualified education loans. Given the Ombudsman's role and responsibilities, once the analyst reviews a consumer complaint from a qualified education loan borrower, the Bureau might refer the borrower to the Ombudsman if the analyst has determined that the Commission has no jurisdiction or if additional assistance is warranted. In addition, some consumer complaints may be referred to the Virginia Office of the Attorney General, based on certain authority provided to the Attorney General under the Chapter.

During the period from July 1, 2021 to September 15, 2022, the Bureau received five complaints from qualified education loan borrowers pursuant to the Chapter. Although the complaints were investigated or reviewed by the Bureau, they did not result in any examinations of the entities involved. Two of the complaints were related to the same qualified education loan servicer licensee. One of these concerned the licensee's 2003 consolidation of a borrower's student loans. Since the loan consolidation and servicing at issue occurred prior to the enactment of the Chapter, the analyst determined that the Chapter was not applicable, and that the Commission did not have jurisdiction. Thus, the analyst referred the complaint to the Ombudsman.

In the second complaint received against the licensee, a borrower questioned why her

student loans were not forgiven like her husband's and many other borrowers', as part of a recent settlement by state Attorneys General. Since the Commission was not a party to the settlement, the analyst referred the borrower to the Virginia Office of the Attorney General.

The remaining three complaints pertained to companies that are not licensed by the Commission. One of the complaints related to qualified education loans made in 2009 and 2010 by a private lender. The borrower sought to get the student loans discharged because the relevant postsecondary educational institution had closed. The analyst referred the complaint to the Virginia Office of the Attorney General since there was a settlement between the entity and the Virginia Attorney General. This complaint was also referred to the Ombudsman.

The two other complaints against companies that are not licensed by the Commission related to companies that marketed document preparation assistance and debt relief services to qualified education loan borrowers. The Bureau sent these two complaints to the respective companies and requested a response. Both complaints were resolved to the borrowers' satisfaction.

This concludes the Bureau's Report pursuant to Chapters 1198 and 1250 of the 2020 Virginia Acts of Assembly.