Introduction

The balance of outstanding student debt has grown to nearly $1.5 trillion, up over 600% since 2009, and it is currently the second-largest source of consumer debt in the United States, behind mortgages. As a result of the increase in outstanding student loan debt and related delinquency rates (measured to be approximately 11%) as well as surging consumer complaints, regulators have sought to define guidelines and raise the standards for the servicing of student loans.

Key Statistics

- 1-in-5
  Number of student loans past due or in default
- $4,500
  Average amount of outstanding student loan debt for every citizen in the U.S.
- 17,160
  Number of student loan-related complaints submitted to CFPB over 12-month period
- $1.5 trillion
  Amount of outstanding student loan debt
- 44 million
  Number of consumers that owe money on student loans

While the industry grows, questions exist as to whether the Department of Education or the Consumer Financial Protection Bureau (CFPB) is best-placed to enforce federal student loan origination and servicing issues, as well as address borrower complaints. Additionally, certain states and the District of Columbia established new licensing requirements for student loan servicers. Federal regulators as well as state attorneys general also launched inquiries into or filed lawsuits against student loan servicers, alleging unfair, deceptive, and abusive servicing practices among other items.

The student loan industry must remain focused on improving profitability while being challenged to meet these increased regulatory requirements and compliance measures. Additionally, it must enhance the customer experience, leverage more advanced technology and data analytics, provide fast, high-quality responses to its consumers, manage credit risk, and provide better privacy and security for its consumers.

About Guidehouse

Guidehouse is a leading global provider of consulting services to the public and commercial markets with broad capabilities in management, technology, and risk consulting. We help clients address their toughest challenges with a focus on markets and clients facing transformational change, technology-driven innovation and significant regulatory pressure. Across a range of advisory, consulting, outsourcing, and technology/analytics services, we help clients create scalable, innovative solutions that prepare them for future growth and success. Headquartered in Washington D.C., the company has more than 7,000 professionals in more than 50 locations. Guidehouse is a Veritas Capital portfolio company, led by seasoned professionals with proven and diverse expertise in traditional and emerging technologies, markets, and agenda-setting issues driving national and global economies. For more information, please visit: www.guidehouse.com.
## Our Services

Guidehouse is uniquely positioned at the crossroads of these changes and ideally placed to help our clients with these unprecedented challenges in the student loan industry. Our team combines our risk management and regulatory compliance experience with our operational strategy & effectiveness, technology, data analytics, and accounting experience to bring the right mix of product, process, and functional expertise and experience to address our client’s unique issues. With Guidehouse as your trusted business advisor, your institution can rise above the existing challenges and better position itself for increased value.

### Risk, Controls, & Compliance
- Risk assessments
- P&P and control reviews/internal audits
- Regulatory change management
- Compliance management system assessment
- State licensing and servicing
- Compliance and automated testing
- Complaint management, response, and remediation
- Preregulator mock exams/readiness
- Regulatory exam response support/remediation
- Consent order/settlement response and monitoring
- Incident response and remediation
- Third-party risk management and assessments

### Operational Strategy & Effectiveness
- Business model transformation and operations strategy
- Customer experience assessment
- Process and productivity improvement/cost reduction
- Business analytics and management reporting, scorecards, and benchmarking
- Distribution strategy analysis and development
- Outsourcing and offshoring strategy analysis and development
- Technology selection and implementation support (legacy systems/upgrades)
- Program management

### Technology Enablement
- IT strategy development, roadmap planning, and transformation
- IT risk assessments
- Cybersecurity risk assessments
- Regulatory-related technology implementations (FATCA, AML, etc.)
- SDLC/agile implementation management
- Technical expertise litigation support

### Quantitative Analytics
- Regulatory capital analysis (Basel, CCAR, DFAST)
- Market/credit/liquidity risk and loan loss allowance
- Model governance, development, and validation
- Structured securities valuation
- Data analytics and statistical evaluations (e.g., fair lending and servicing)
- Program management

### Accounting & Financial Reporting
- Accounting standard policy development and implementation
- Finance function transformation
- Accounting review of new transactions
- Financial reporting system selection and implementation support
- Due diligence assessments
- Merger and acquisition/IPO readiness
- Regulatory inquiry response support
- Whistleblower investigations
- Forensic accounting review
- Accounting staff augmentation support

### Business Process Outsourcing Solutions
- Data scrubbing/conversion
- Compliance testing/vendor oversight and testing
- Accounting
- Audit file support packages
Enhancing the Customer Experience

Guidehouse was engaged by a leading servicer to assist in building out an enterprise-wide framework/solution for the handling, resolution, and reporting of customer complaints. Guidehouse assessed the organizational structure, governance processes, business processes, quality control and compliance monitoring processes, measurement and reporting, policies and procedures, employee skills and training, and support systems.

Compliance Management System

Guidehouse conducted an in-depth review of regulatory guidance, internal and third-party correspondence, presentations, documentation, other files, and third-party vendor invoices, among others, to help determine what effort and expenses should be attributable to addressing ongoing business activities surrounding a compliance management system consistent with industry standards versus those related to remediating conditions that existed as of a specific date.

Credit Reporting

Guidehouse performed a detailed review of operations and related system processes for a large student loan servicing firm. Guidehouse analyzed all credit reporting policies, procedures, processes, and controls against regulatory requirements, performed data analytics, and reviewed a sample of trade lines. As part of its deliverables, Guidehouse documented process maps and prepared a gap assessment as well as recommendations.

Loan Valuation and Accounting

Guidehouse assisted a central bank in developing accounting policies and procedures for a portfolio of securities, loans, and derivatives pursuant to International Financial Reporting Standards and modeled hundreds of securities to estimate impairment, amortized cost basis, and analytics for each security.

Securitization Accounting

Guidehouse reviewed the securitization activities for a top student loan originator and servicer as it related to various federally insured products. The review originated as a result of a pending False Claims Act assertions connected to various Department of Education interest rate subsidies. The emphasis of the review centered around the accounting for the securitization of various student loans and whether the related transactions qualified for sales treatment under U.S. generally accepted accounting principles or were more appropriately considered financing transactions. The Guidehouse managing director responsible for this engagement authored an expert report and was also deposed on the matter.

Vendor Review and Assessment

Guidehouse was engaged by a top U.S. investment bank to assist in performing due diligence on a third-party vendor being utilized to service student loans in the client portfolio and to assess the vendor’s compliance with regulatory requirements and client standards.
WHY GUIDEHOUSE?

BEST PRACTICES, TOOLS, & TEMPLATES

SPECIALIZED METHODOLOGIES IN

RISK AND REGULATORY MANAGEMENT AND REMEDIATION
COST REDUCTION
IT TRANSFORMATIONS AND MORE

LESSONS LEARNED FROM DOZENS OF ENGAGEMENTS FROM HELPING OUR CLIENTS SOLVE THEIR MOST PRESSING STUDENT LOAN CHALLENGES, INCLUDING:

- Licensing
- Credit quality
- Servicing practices
- Deferments and forbearances
- Debt collection practices
- Repayment plans
- Payment application
- Credit reporting
- Complain management

7,000+ EMPLOYEES
OVER 450 SEASONED CONSULTING PROFESSIONALS AND INDUSTRY THOUGHT LEADERS WITHIN OUR FINANCIAL SERVICES ADVISORY AND COMPLIANCE SEGMENT

OUR TEAMS “RIGHT-SIZE” TO CLIENTS’ NEEDS FROM SMALL FOCUSED EFFORTS TO 200+ PERSON ENGAGEMENTS

“WHITE GLOVE” RELATIONSHIP MODEL

DEDICATED SENIOR EXECUTIVE SUPPORT SO WE “HIT THE GROUND RUNNING” TO QUICKLY ADD VALUE WITH MINIMAL DISRUPTION

OVER TWO DECADES OF EXPERIENCE ON HIGHLY SCRUTINIZED INVESTOR REGULATORY BOARD INITIATIVES WITH AN UNPARALLELED ABILITY TO DRIVE CHANGE ALLOWING OUR CLIENTS TO BE MORE NIMBLE

CROSS-INDUSTRY INSIGHTS AND THOUGHT LEADERSHIP

INSIGHTS FROM CROSS-INDUSTRY ENGAGEMENTS AT LEADING INSTITUTIONS ACROSS FINANCIAL SERVICES ADVISORY AND COMPLIANCE, HEALTHCARE, LIFE SCIENCES, ENERGY, DEFENSE, NATIONAL SECURITY, AND STATE AND LOCAL GOVERNMENT

PORTFOLIO OF 300+ FINANCIAL SERVICES CLIENTS THAT INCLUDE

MULTINATIONAL AND REGIONAL BANKS, NONBANKS, LENDERS, INSURERS, SERVICERS, ETC.

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