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Consumer advisory: Co-signers can cause surprise defaults on your private student loans

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Today, we released a [report](#) that describes complaints we received related to the private student loan industry’s practice of placing borrowers in default even when their loans are current and in good standing. We’re also warning consumers that they can avoid surprise defaults by pursuing a co-signer release.

[The vast majority](#) of private student loans today have a co-signer (typically a parent or a grandparent). Having a co-signer can often lead to a lower interest rate, which can save you money in the long-term, because the co-signer will have to repay the loan if you don’t.

However, your loan might also contain provisions that allow your student loan servicer to put you in default — even if you’ve been making your payments on time.

That’s because your co-signer is also on the hook for your loan and therefore changes in their behavior can impact your loan, causing your loan to default and making your entire balance due all at once. We’ve received complaints that private student loan servicers are placing borrowers into default when their co-signer dies or files for bankruptcy.

Co-signer release

If you are a co-signer or have a student loan with a co-signer and you are in repayment, you should look into what’s called “co-signer release.” You should consider this option to avoid a surprise default. Both the borrower and co-signer can benefit from obtaining the release.

Many lenders advertise that a co-signer may be released from a private student loan after a certain number of consecutive, timely payments and a credit check to determine if you are eligible to repay the loan on your own. If your lender offers co-signer release, you will want to ask about this benefit and remove your co-signer as soon as you are eligible.

Unfortunately, many student loan servicers do not tell you when you are eligible to have your co-signer released, so you need to ask them how to do this.

To help you get started, we’ve put together sample letters you can edit and send to your student loan servicer. You can download sample letters to send by mail, or you can just cut and paste the text below into the “Send a Message” or “Contact Us” feature when you log into your account on the servicer’s website.

I want more information about how to obtain a release of my co-signer.

I am writing to you because I am seeking the release of my co-signer on my loan. Please conduct a review of my account to determine if I am eligible for co-signer release.

If you determine that I am not eligible to have my co-signer released from my loans, please provide an explanation, including the following:

- What is your current co-signer release policy?
- For what reason(s) am I ineligible for co-signer release?
- If I am not eligible for co-signer release now, when will I become eligible?
- What steps do I need to take to qualify for co-signer release?
- Do you anticipate modifying these requirements in the future? Will any future modifications apply to me when I seek to release my co-signer?

If I am unable to exercise this option at this time, please update/annotate my account to reflect that I intend to seek co-signer release as soon as possible. Please contact me at the point-in-time at which I am eligible to have my co-signer released.

In addition, if you are unable to provide any of the information or documentation I have requested or otherwise cannot comply with this request, please provide an explanation.

Thank you for your cooperation.

I am a co-signer, I want to be released.

I am writing to request that I be released from my obligation to repay any loans associated with this account. Please conduct a review of this account and make a determination as to my eligibility to be released from my obligation.

If you determine that I am not eligible, please provide an explanation, including the following:

- For what reason(s) am I ineligible for co-signer release?
- What steps do I need to take to qualify for co-signer release?
- What is your current co-signer release policy?
- Do you anticipate modifying these requirements in the future? Will any future modifications apply to me when I seek to be released from this obligation?

If I am unable to exercise this option at this time, please update/annotate this account or accounts to reflect that I intend to do so as soon as possible. Please contact me at the point-in-time at which I am eligible for co-signer release.

In addition, if you are unable to provide any of the information or documentation I have requested or otherwise cannot comply with this request, please provide an explanation.

Thank you for your cooperation.

We also have other [sample letters](#) you can send to your student loan servicer to give payment instructions and others you can send to a student loan debt collector.

Remember, if you're having a problem with a student loan, you can [submit a complaint online](#) or call us at (855) 411-2372.

If you have questions about repaying student loans, check out our [Repay Student Debt tool](#) to find out how you can tackle your student loan debt.

Rohit Chopra is the CFPB's Student Loan Ombudsman. To learn more about the CFPB's work for students and young Americans, visit consumerfinance.gov/students.