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NCLC Files Lawsuit against U.S. Department of Education for Access to Public Documents Regarding Private Debt Collectors

(BOSTON) Today, the National Consumer Law Center (NCLC) filed a lawsuit against the United States Department of Education under the Freedom of Information Act. The lawsuit seeks the disclosure of documents related to the financial incentives and oversight that the Education Department provides to private companies collecting from borrowers on federal student loans. NCLC filed this action in the Federal District Court in Boston after the Education Department withheld documents and information requested by an attorney in NCLC's Student Loan Borrower Assistance Project.

"Collection agencies routinely violate consumer protection laws and prioritize profits over borrower rights," said National Consumer Law Center attorney Persis Yu. "Abuses by these debt collection agencies cause significant hardship to the millions of students struggling to pay off their federal student loans. Taxpayers and student loan borrowers have a right to information about the impact of the Education Department's policy of paying outside debt collectors on the rights of borrowers. The Education Department should not insulate itself from public scrutiny."

In March 2013, as part of efforts to protect student loan borrowers, attorneys with NCLC's Student Loan Borrower Assistance Project requested that the Education Department turn over public information about the incentives it provides to its private debt collector contractors. According to NCLC's lawsuit, the Education Department effectively denied NCLC's requests. The little information that NCLC has obtained is heavily redacted. After giving the Education Department more than a year to turn over all of this public information, NCLC filed suit to obtain copies of the documents it seeks to review.

Outsourcing debt collection activities is not cheap. Taxpayers paid about \$1 billion in commissions to private student loan debt collectors just in 2011. Department projections show the outsourcing to private debt collectors growing to over \$2 billion by 2016.

In a May 13, 2014 letter to Secretary of Education Arne Duncan on behalf of low-income student loan borrowers, NCLC stated concerns about the Education Department's policies and practices related to debt collection. In the letter, Deanne Loonin, director of NCLC's Student Loan Borrower Assistance Project noted, "We are very concerned that the Department of Education is moving toward a model in which it justifies withholding basic information because of supposed

proprietary contract arrangements. This may work well for Department employees seeking to avoid accountability, but it does not work best for borrowers and taxpayers.” The full letter is available at: www.studentloanborrowerassistance.org/wp-content/uploads/2014/05/letter-doe-duncan-2014.pdf

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Since 1969, the nonprofit **National Consumer Law Center®** (NCLC®) has worked for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training. www.nclc.org

NCLC’s **Student Loan Borrower Assistance Project** provides information about student loan rights and responsibilities for borrowers and advocates. We also seek to increase public understanding of student lending issues and to identify policy solutions to promote access to education, lessen student debt burdens, and make loan repayment more manageable. www.studentloanborrowerassistance.org