

March 8, 2018

Re: OPPOSITION TO SECTION 602 OF S. 2155 Substitute Manager's Amendment

Dear Senator:

The National Consumer Law Center, on behalf of its low income clients, the Center for Responsible Lending, and Americans for Financial Reform write to express our strong opposition to section 602 of the substitute manager's amendment to S. 2155, *Rehabilitation of Private Education Loans*. While this provision has been represented as helping student loan borrowers improve their credit reports, in fact it permits expressly abusive behavior by student loan creditors and debt collectors.

Section 602 does not require that a financial institution take any positive steps, such as removing a default from a consumer's credit report if payments are restarted, nor does it ensure that any payment plans offered are reasonable or affordable. Rather, it allows private student loan lenders to lure a borrower to restart payments even where the deadline for collections, the statute of limitations, has expired, without any guarantee that the plan will be sustainable or that the credit report default will be removed. As a result, a borrower who can no longer be sued over older debt would trigger a restart of the collections period without any guarantee that the new arrangement is beneficial. This result would be especially tragic for students who are burdened with a lifetime of debt for abusive for-profit colleges that did not give them a useful degree.

In many states, making a single payment will reset the statute of limitations on that loan, re-opening collections and creating new negative entries on the borrower's credit report. For many states, the statute of limitations for collecting on student loans is still shorter than the seven year-rule for when a debt is removed from a credit report. As a result, borrowers may not realize that their loans are no longer enforceable or soon will be beyond collections. There is a substantial record of student loan debt collectors exaggerating the credit benefits of loan rehabilitation. In fact, the Department of Education [fired](#) five debt collectors and provided this conduct as one of the reasons for the terminations.

S. 2155's new private student loan rehabilitation provision will not help borrowers improve their credit. It will sanction known abuses and make real reform in this area more difficult to obtain.

Sincerely,

National Consumer Law Center (on behalf of its low-income clients)
Center for Responsible Lending
Americans for Financial Reform