

INEQUITABLE JUDGEMENTS

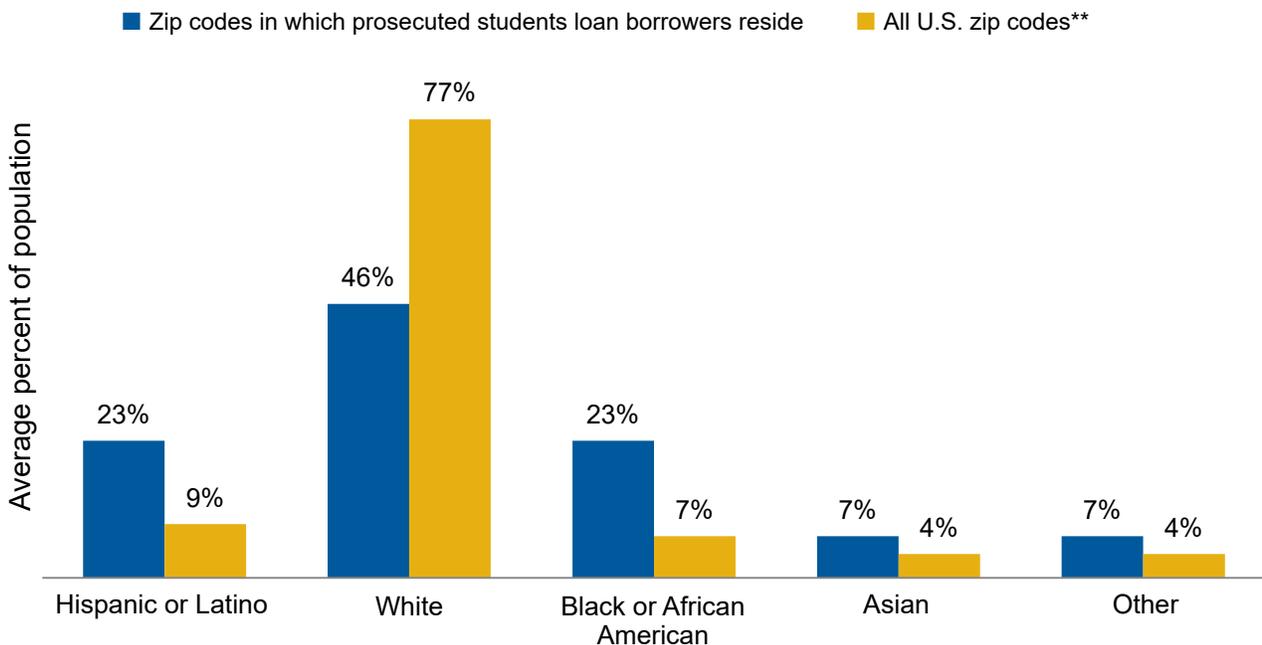
EXAMINING RACE AND FEDERAL STUDENT LOAN COLLECTION LAWSUITS

Of the 44 million student loan borrowers, nearly one in five is currently in default on one or more federal student loans. For the small percentage of borrowers who are sued on their federal student loans, a judgment can threaten a borrower's home and bank account, and can prevent borrowers from ever getting out of default on their federal student loans. These judgments negatively impact not just borrowers but also their families and communities.

The National Consumer Law Center analyzed cases filed between January 2016 and June 2018 and found that debt collection lawsuits brought against defaulted student loan borrowers are disproportionately concentrated in communities of color.

Specifically, the zip codes in which sued borrowers live have Hispanic or Latino populations double the national average and triple the average black or African American population. (See chart.)

Population Distribution by Race/Ethnicity in Zip Codes with Lawsuits Compared with All U.S. Zip Codes*



* Suits for which the zip code of the plaintiff's residence is not available are excluded from this analysis (n=1288).

** These figures do not represent the percentage of the national population that is a particular race or ethnicity. Rather, they reveal the average percentage of a particular race or ethnicity within all U.S. zip codes. Residential segregation, among other factors, means that these sets of figures are not the same.

Source: National Consumer Law Center.

Collection lawsuits are supposed to be the collection method of last resort, but the government's use of private debt collection law firms has enabled it to sue borrowers that it would not otherwise choose to sue. Few borrowers have access to an attorney and almost 60% of cases result in a default judgment against the borrower.

- Nearly 85% of the cases filed against defaulted student loan borrowers were brought by private law firms that contract with the U.S. Department of Justice.
- Debt collection lawsuits brought against defaulted student loan borrowers are more concentrated in California, Florida, Michigan, Pennsylvania, and Texas, than in other states. This may be because all of the private law firms that pursued suits for the federal government against more than 50 student loan borrowers between January 2016 and June 2018 are headquartered in four of these five states.

RECOMMENDATIONS

- The U.S. Department of Education and Congress should address and prevent racial disparities in the realm of student loans and default, including through making data publicly available.
- The Department of Justice should review its guidelines for when to refer cases to litigation to avoid punitive lawsuits against borrowers with low balances and no ability to repay their loans.
- The Department of Education should use its discretion to vacate judgments for borrowers who want to get out of default and back in good standing.
- The Department of Education and Congress should improve debt collection policies to make it easier for borrowers, including those with judgments, to get out of default and into good standing.
- Congress should enact legislation to ensure that falling behind does not threaten the financial security of borrowers and their families.