

National Consumer Law Center Attorney to Testify on June 11 before U.S. House Oversight Committee on Student Loan Servicing

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Joanna K. Darcus's full testimony will be available by 10am ET on June 11 at:
<http://bit.ly/nclc-test-loan-serv>

Washington, D.C.- **National Consumer Law Center attorney Joanna K. Darcus** will testify on Tuesday, June 11 at 10am E.T. before the U.S. House Financial Services Committee's Oversight and Investigations Subcommittee at a hearing entitled "An Examination of State Efforts to Oversee the \$1.5 Trillion Student Loan Servicing Market."

In her testimony, Darcus will note that the U.S. Department of Education data shows that nearly a quarter of the more than 43 million federal student loan borrowers are in distress on their loans. These borrowers need high-quality, timely assistance. Unfortunately, as extensively documented, the student loan servicing industry has long been rife with misconduct.

The consequences of servicers' misconduct are significant and, at times, catastrophic for borrowers' financial lives. According to an April 2017 CFPB report based upon student loan borrower complaints, sloppy practices by servicers created obstacles to repayment, raised the costs of debt, caused distress, and ultimately contributed to driving struggling borrowers to default.

In particular, many eligible borrowers are not enrolled in income-driven repayment (IDR) plans despite clear benefits to the financial health of borrowers and their families. Instead, servicers steer many borrowers into forbearances and deferments, which are profitable for the servicer and costly to the borrower.

Servicer misconduct leading to default exposes borrowers to aggressive federal debt collection practices. The amount the government seizes using wage garnishment and offsets of Social Security and tax refund (including the Earned Income Tax Credit) often is far greater than the payments borrowers would have been required to make under an IDR plan. The consequences of default include damage to borrowers' credit histories, increasing the cost of access to further credit and potentially erecting barriers to accessing employment and housing.

Darcus will also discuss how quality servicing is especially critical for addressing racial disparities in student loan outcomes, citing a Brookings Institution 2016 analysis by Judith Scott-Clayton & Jing Li that found, on average, that Black students graduated with about \$7,400 more student loan debt than their White peers. Additionally Black and Latino students are also targeted for enrollment and overrepresented in high-cost, low-quality predatory schools.

Borrowers harmed by servicer misconduct need real relief. Reining in servicing misconduct and errors requires robust public oversight at the state and federal levels. Although some states have

stepped up to protect their residents, borrowers nationwide also need and deserve for the Consumer Financial Protection Bureau to provide stronger oversight and for federal loan servicers to provide better assistance.