

# National Consumer Law Center Sues U.S. Education Department to Obtain Copy of Student Loan Servicing Contract

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**National Consumer Law Center contact:** Jan Kruse (jkruse@nclc.org) or (617) 542-8010

Boston - The National Consumer Law Center (NCLC) filed a federal lawsuit late yesterday against the U.S. Department of Education (ED), asking the court to compel the Department to comply with a Freedom of Information Act (FOIA) request submitted by NCLC on July 17, 2018. NCLC is seeking the release of ED's contract with the Pennsylvania Higher Education Assistance Agency (PHEAA), also known as FedLoan Servicing.

According to the complaint, "NCLC requested documents that ED itself has identified as evidence that it alone is capable of, and responsible for, ensuring the proper servicing of the loans for millions of student loan borrowers."

In March 2018, ED announced its view that federal law preempts state efforts to stop unfair and deceptive actions by federal student loan servicers. In its announcement, ED stated that its contract with its servicers was a basis to support its pronouncement that state regulators and law enforcement agencies are prohibited from enforcing state consumer protection statutes against student loan servicers.

"Servicers who mistreat student loan borrowers and steer them into inappropriate payment plans should not be above the law," **said Persis Yu, an attorney at the National Consumer Law Center and Director of NCLC's Student Loan Borrower Assistance Project.** "The materials sought are of tremendous importance to understanding the \$1.5 trillion student loan market, the vast majority of which is held by the Education Department and serviced by its contractors. Understanding what the Department requires from its contractors will improve public understanding of both how servicers are expected to perform and how the Department can better hold servicers accountable."

**Yu added,** "Despite the legal significance the Education Department ascribes to these materials, the Department has been unable or unwilling to provide those documents in the nine months since it received NCLC's request."

## **Related NCLC materials**

NCLC attorney Joanna K. Darcus testimony to the U.S. House Appropriations Subcommittee on Labor, Health and Human Services, Education re: "Protecting Student Borrowers: Loan Servicing Oversight", March 6, 2019

Comments to CFPB on Proposal to Collect Student Loan Servicing Data (Federal and Private), April 24, 2017

Report: *Pounding Student Loan Borrowers: The Heavy Costs of the Government's Partnership with Debt Collection Agencies*, September 2014

Issue Brief: Making Federal Student Loan Servicing Work for Borrowers, November 2014

Issue Brief: Making Student Loan Servicing Work for Borrowers, June 2014