

NCLC and 39 Others Urge Department of Education to Address Racial Disparities in Student Loans

FOR IMMEDIATE RELEASE: AUGUST 17, 2016 || CONTACTS: Persis Yu (pyu@nclc.org) or Jan Kruse (jkruse@nclc.org); (617) 542-8010

(BOSTON) The National Consumer Law Center, on behalf of its low-income clients, along with a coalition of 39 other national, state and local civil legal aid, civil rights, and public interest groups and advocates, sent a letter to Secretary John King today calling on the U.S. Department of Education to collect and release the data necessary to ensure that student loans are a tool for economic advancement and not economic devastation for borrowers of color.

“It is unacceptable that, for nearly a decade, the Department has known that student loan debt disproportionately harms borrowers of color, and despite this knowledge, has failed to even track this problem, let alone address the issue,” said Persis Yu, director of National Consumer Law Center’s Student Loan Borrower Assistance Project.

“There are extraordinary penalties for borrowers who go into default,” said Yu. “Borrowers of color are more likely to have their wages garnished, lose their Earned Income Tax Credit, or get harassed by debt collectors.” Defaulting on a federal loan is also very costly. By one calculation, default increases lifetime payments on an average loan by 250% over standard repayment. “We want to ensure that borrowers of color are not paying more for their loans than white borrowers.”

In the past year, the Department has announced improvements both to its servicing of federal student loans and to protecting students from abusive school practices. “While these policies are an important step, having data examining race is critical to ensure that the benefits of these policies are felt by all borrowers,” said Yu.

In March, the National Consumer Law Center (NCLC), the Massachusetts American Civil Liberties Union (ACLU) and the National ACLU filed a lawsuit against the United States Department of Education under the Freedom of Information Act (FOIA). The lawsuit seeks the disclosure of racial analysis, data, and policies related to the financial incentives and oversight that the Education Department has on private companies collecting from borrowers on federal student loans. In response to NCLC and the ACLU’s initial FOIA request on which this suit is based, the Department’s Federal Student Aid office acknowledged that it has no policies in place to monitor the racial impacts of its collection practices, nor does it keep any data that would allow it to monitor how African American or Latino borrowers are faring.

###

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