NCLC and SPBC Statements on Partial Administrative Action to Protect Student Loan Borrowers During the Pandemic

FOR IMMEDIATE RELEASE: March 30, 2021
National Consumer Law Center contact: Jan Kruse (jkruse@nclc.org)

WASHINGTON, D.C. — Today, the National Consumer Law Center and the Student Borrower Protection Center released the following statements in response to an announcement by the U.S. Department of Education that it had taken steps to expand protections for over one million student loan borrowers with commercial Federal Family Education Loan (FFEL) program loans in default, while still leaving behind over five million commercial FFEL borrowers.

Statement from Persis Yu, director of the National Consumer Law Center's Student Loan Borrower Assistance project:

Time and time again, FFEL borrowers have been left out of much needed pandemic relief. We are pleased to see that today the Department has taken steps to relieve defaulted FFEL borrowers of some of those burdens. This will ensure that defaulted borrowers will be able to receive their tax refunds and keep all of their wages to help them weather this pandemic. But this is not enough. The millions of FFEL borrowers who have not yet defaulted but who may be struggling to make their student loan payments often at the expense of other vital necessities need relief. The Department can provide that relief and should do so immediately.

Statement from Student Borrower Protection Center Executive Director Seth Frotman:

Today's announcement will help some borrowers who had been ignored by Washington, even as the pandemic grew and the economy collapsed. Unfortunately, this action is incomplete — it does nothing for the more than 5 million commercial FFEL borrowers who are not in default. Borrowers with commercial FFEL loans need Washington to stop drawing arbitrary lines that leave them without any protection or assistance. It is clear that the Department has the legal authority to protect all federal student loan borrowers during the pandemic and provide real relief— it is long past time for them to use it.

Background

Department of Education data indicates that over 5 million borrowers owe federal student loans made and owned by banks and other private lenders, known as "commercial FFEL" loans, that are not in default. Collectively, commercial FFEL borrowers owe over $135 billion to private-sector creditors on these loans, which are backed by the U.S. Department of Education. Borrowers with these debts have not been included in key protections under the CARES Act and subsequent administrative relief.

Until it was ended in 2010, the majority of student loans in existence were made under the Federal Family Education Loan (FFEL) program. These were federal student loans made by banks and other private lenders and guaranteed by the federal government. Of the borrowers with loans made under the FFEL program, 6.1 million have loans held by private creditors. These commercial FFEL borrowers have been denied any relief since COVID began.

As the SBPC and NCLC wrote in a February letter to the U.S. Department of Education, the typical commercial FFEL borrower is likely to have made $5,700 in federal student loan payments by the time the current payment pause ends in September. This is equivalent to over four months of rent for the median two-bedroom apartment in the U.S., or over 13 months of the average utility bill—all expenses that many borrowers are already struggling with during the pandemic.

Along with highlighting the struggles of borrowers with commercial FFEL loans, the SBPC and NCLC explain that the Department of Education has the legal authority to provide immediate help to these borrowers, and outlines key actions the Department must take to offer all of these borrowers badly needed relief.

Read the Letter: NCLC and SBPC letter to Acting Secretary of Education Rosenfelt Calling for Immediate Covid-19 Relief for Commercial Federal Family Education Loan Program (FFELP) Borrowers, February 16, 2021

Read the Blog: It’s Time for Washington to Stand Up for Millions of Student Loan Borrowers Struggling Without Relief During COVID