

New Report Lifts Voices of Borrowers Trapped in Poverty by Draconian Student Loan Collection Tactic

FOR IMMEDIATE RELEASE: MARCH 15, 2018 || Contacts: Persis Yu (pyu@nclc.org) or Jan Kruse (jkruse@nclc.org); (617) 542-8010

National Consumer Law Center Report: EITC Seizures Harm Working Poor

Boston - Today, the National Consumer Law Center (NCLC) released *Voices of Despair: Student Borrowers Trapped in Poverty When Government Seizes Their Earned Income Tax Credit*. The report compiles stories from borrowers recounting the hardship caused by the federal government's seizure of their Earned Income Tax Credits (EITC) because of a defaulted student loan.

In January 2018, NCLC asked student loan borrowers who had their EITC seized to share their stories and to tell us what they had planned to do with their tax credit. Many borrowers described the things their growing children would have to do without—clothing for the next season, a bed to sleep in, medical care, a roof over their heads, and in some cases, food in their bellies.

“The loss to these families is heartbreaking,” said Persis Yu, National Consumer Law Center attorney, director of NCLC’s Student Loan Borrower Assistance Project, and author of the report. “The Earned Income Tax Credit keeps parents working and children out of poverty. Robbing families of these funds is counterproductive and makes absolutely no sense.”

The nonpartisan Center on Budget and Policy Priorities (CBPP) has cited EITC expansion as the most important cause of employment growth among single mothers with children during the 1990s. In 2015 alone, the program was credited with lifting about 6.6 million people out of poverty, including about 3.3 million children.

Taking the EITC also compounds the harms borne by low-income borrowers, who often were denied the promised benefits of education. For example, many students were lured in to attend a school such as Everest (part of the for-profit Corinthian Colleges) which the U.S. Department of Education found misrepresented job placement rates to their prospective students, or a school that closed in mid-course which recently happened to many students attending the for-profit ITT Technical Institute.

“Stripping families of the Earned Income Tax Credit is a morally bankrupt policy which compounds the harms borne by low-income borrowers,” said Yu. “Congress needs to put a hard stop to this federal government practice.”