

Statement in Response to CFPB's Sanctioning of EdFinancial for Deceiving Student Loan Borrowers

March 30, 2022

The student loan servicer lied to borrowers with Federal Family Education Loans (FFEL) about their eligibility for Public Service Loan Forgiveness

WASHINGTON - Today, in response to the Consumer Financial Protection Bureau's (CFPB) sanctioning of student loan servicer EdFinancial for deceiving student loan borrowers and misrepresenting their forgiveness and repayment options, **Kyra Taylor, staff attorney at the National Consumer Law Center**, issued the following statement:

"We applaud CFPB's efforts to closely watch servicers and intervene when they fail to provide accurate information to borrowers about administrative discharges. Borrowers are often dependent on their student loan servicer for assistance navigating the Department of Education's complex administrative relief programs. When servicers like Edfinancial fail to provide the right information, borrowers are led astray and remain in repayment for years, if not decades longer than they would have had they been able to access relief.

"EdFinancial's inaccurate information led many FFEL borrowers astray and complicated their efforts. Commercially-held FFEL borrowers in particular have been left in the cold in many ways during the pandemic, including being required to make payments during the payment pause. And data from the Federal Reserve Bank of New York indicates these borrowers have been struggling to keep up with their loan payments.

"Public Service Loan Forgiveness is often a bellwether for other problems that exist within the student loan system. For years, federal student loan servicers have failed to provide information about Income-Driven Repayment (IDR) options to borrowers who couldn't afford their monthly payments. Instead, borrowers were pushed into forbearances - which offered only temporary payment relief at a cost: mounting interest and lost time towards IDR cancellation.

"These issues begin to explain why Department of Education data shows that 4.4 million borrowers have been in repayment for over 20 years but only 32 have obtained IDR cancellation. The Department must take bold steps to correct years of misconduct and issue a IDR waiver so that borrowers do not pay the price for servicing abuses and government mismanagement of the IDR program.

"Additionally, the federal government must strengthen its oversight going forward so that federally contracted student loan servicers do not continue to mislead borrowers. We hope the Department of Education and the CFPB will work together to both bring about an end to decades of servicer misconduct and to provide redress to borrowers already harmed by that misconduct."