U.S. Dept. of Education Rewards Shoddy Practices of Servicers and Private Debt Collectors while Hampering Borrowers and Taxpayers

FOR IMMEDIATE RELEASE: FEBRUARY 26, 2018 || Contacts: Persis Yu (pyu@nclc.org) or Jan Kruse (jkruse@nclc.org); (617) 542-8010

The following statement is by Persis Yu, National Consumer Law Center attorney and director of NCLC’s Student Loan Borrower Assistance Project.

“The Education Department’s reported plan to immunize student loan servicers and collection agencies from state law demonstrates a true indifference to the plight of millions of student loan borrowers struggling to repay their student loans and getting little to no help from their servicers. Servicers and collectors who mistreat student loan borrowers and steer them into inappropriate payment plans should not be above the law.

“For years, National Consumer Law Center attorneys have sent examples of poor service and legal violations to the Education Department and more recently to the Consumer Financial Protection Bureau (CFPB). Well documented systemic errors from servicers can cost borrowers thousands of dollars and add years to the repayment of their loans.

“Abusive debt collection practices threaten to deprive borrowers of their rights under the Higher Education Act and make them vulnerable to the seizure of vital benefits, such as Social Security retirement and disability payments, and even the Earned Income Tax Credit. Inexplicably, last December, the Education Department assigned hundreds of thousands of borrowers to collection agencies it had previously fired for violations of federal consumer protections laws. NCLC has called for an end to the use of private collection agencies.

“Given the Education Department’s utterly lackluster record of oversight, it should be doing more to work with states to protect the interests of student loan borrowers. Student loan borrowers deserve relief.

“The idea that providing student loan borrowers with robust consumer protections – such as prohibiting misleading and deceptive statements – would be too costly to taxpayers should be taken as a slap in the face to the nearly 43 million taxpayers who also owe federal student loan debt.

“It is well established that the Higher Education Act does not “preempt the field”—in other words, it does not override state laws that provide additional protection to student loan borrowers, as long as those laws do not actually conflict with federal law. Thus, Congress envisioned a role for states to play in protecting student loan borrowers. And given the Education Department’s record of siding with servicers over borrowers, the state role is more critical now than ever.”

Related Links:

NCLC letter in support of an Act Establishing a Student Loan Bill of Rights (Massachusetts S129), July 18, 2017