CR ConsumerReports®

MEMORANDUM IN SUPPORT OF ARTICLE VII BUDGET LEGISLATION, TED, PART L (S.1508/A.2008)

February 12, 2019

STATEMENT OF SUPPORT: Consumer Reports strongly supports the provisions in Article VII, TED, Part L, which will enhance and strengthen state oversight over student loan servicing in New York state. In light of the serious ongoing student loan crisis, in which many students are carrying high levels of debt, and are encountering many barriers and obstacles to enrolling in appropriate repayment plans, it is critical for the New York legislature to take action to protect student loan borrowers.

The United States is currently facing a serious student loan crisis, as more than 42 million Americans owe at least $1.5 trillion in student loan debt, and $137 billion of that debt is in default.[1] In New York alone, student loan debt has more than doubled during the last decade, growing to $90.6 billion.[2] Student loan servicers, which are the primary links between lenders and borrowers, have the power to either help borrowers remain current on their accounts or allow them to fall into default. Because so many New York borrowers have loans, and federal oversight has been highly lax and inconsistent, we strongly urge the legislature to ensure basic rights for borrowers repaying student loans.

1. *Studies show that servicers routinely fail to tell borrowers about available relief, including income-driven repayment plans and disability discharges, and instead allow borrowers to fall into default, resulting in garnishment, tax seizures, and other hardships.* A study by the Government Accountability Office (GAO) found that 70 percent of borrowers in default actually qualified for a lower monthly payment through income-driven repayment plans that cap monthly payments at a percentage of earnings, yet servicers failed to provide sufficient information for borrowers to enroll.[3] Servicers benefit financially from this tactic to the detriment of borrowers.[4]

---

[1] Consumer Federation of America, New Data: More Than 1.1 Million Federal Student Loan Defaults in 2016, March 14, 2017, *available at* http://consumerfed.org/press_release/new-data-1-1-million-federal-student-loan-defaults-2016/. See also US Federal Reserve, Consumer Credit G.19, January 2018, available at: https://www.federalreserve.gov/releases/g19/current/default.htm

[2] "*New Analysis Reveals New Yorkers Suffer Under the Weight of Historic Levels of Student Debt*," Student Borrower Protection Center, January 24, 2019, available at: https://protectborrowers.org/NY-data-release/ See also: Office of the State Comptroller, "Student Loan Debt in New York State," 1, September 2016, available at: https://www.osc.state.ny.us/reports/highered/student_loan_debt.pdf

[3] United States Government Accountability Office, Report to Congress, Federal Student Loans: Education Could Do More to Help Ensure Borrowers Are Aware of Repayment and Forgiveness Options, 13, August 2015, *available at* https://www.gao.gov/assets/680/672136.pdf.

[4] Consumer Financial Protection Bureau, Student Loan Servicing, Analysis of Public Input and Recommendations for Reform, 25, September 2015, *available at* http://files.consumerfinance.gov/f/201509_cfpb_student-loan-servicing-report.pdf

2. *Borrowers report that servicers provide inaccurate information or actively obstruct relief when borrowers apply for an income-driven payment program, instead pushing them into temporary forbearance and deferment options, which ultimately work against the borrowers' best interests.*[5]

3. *Borrowers find that loan servicers are unable to provide accurate information or records.*[6] This includes being able to access accurate information about payment history, including how payments were allocated between principal and interest; getting access to original loan documents and records from when the loan was originated; and getting accurate, actionable information from customer service representatives.

4. *Despite their vital role in the lives of more than 42 million student loan borrowers and in managing an estimated $1.4 trillion dollars in student loans,* ***there is currently no effective federal supervision of student loan servicers.*** At the same time, the Higher Education Act does not expressly address oversight of education loan servicers, and there are no industry-wide regulations governing their activities. States have a longstanding and well-established role in protecting consumers against unfair and deceptive practices when it comes to financial products, loan servicing and debt collection. In addition, the Department of Education has drawn its regulations regarding servicers quite narrowly to *avoid* wide-ranging state preemption, as noted in a 2017 letter from 26 attorneys general to Secretary Betsy DeVos.[7] Enforcement of laws and standards regarding student loan servicing can be a joint state-federal responsibility, but at a minimum, states can and must retain broad powers to act, especially in the breach of federal action. In her short time as Secretary of Education, Betsy DeVos has swiftly rescinded the Obama administration's efforts to set reasonable and consistent standards to protect borrowers.[8] This underscores the need to for state action to fill the current void. If states do not act, customers of student loan servicers will continue to have virtually no consumer protections.

5. *When New Yorkers with student loans are made aware of affordable repayment options, they will have more disposable income to support themselves and their families, rent and purchase homes, and contribute to local and statewide economies.*[9]

6. *States are beginning to take effective action to protect student loan borrowers.* Connecticut, California, Illinois, Washington, and the District of Columbia have stepped up and enacted bills addressing various abuses in student loan servicing that impede borrowers from paying off their student loans. Other states, including Massachusetts, New Jersey and Virginia, are also advancing student loan servicing legislation.

---

[5] Id.
[6] Id. at 64-66; 69.
[7] Letter from Attorney General Eric Schneiderman and 25 other state attorneys general to Secretary Betsy DeVos, October 23, 2017, discussing importance of state oversight and enforcement of laws relating to student loans, available at: http://www.marylandattorneygeneral.gov/news%20documents/DeVos_10_24_17.pdf
[8] Cowley, Stacy and Jessica-Silver Greenberg, *DeVos Halts Obama-Era Plan to Revamp Student Loan Management*, NEW YORK TIMES, April 14, 2017, *available at* https://nyti.ms/2nNpNQK.
[9] See Office of State Comptroller, *supra*, at 9.

7. *A wide range of New York organizations supports the proposed student loan borrower protections.* In 2017 and 2018, the student loan borrower protections in the Governor's budget (TED, Part W, Subpart A) were supported by New Yorkers for Responsible Lending, a statewide coalition of over 170 consumer, community, legal services and financial justice organizations. (see list of organizations in Appendix A.) NYRL also strongly supports the student borrower protections in the 2019 budget, and many additional organizations are expected to renew their support.

The proposed provisions in the Article VII Budget legislation will help reign in rampant student loan servicing abuses. This important proposed legislation would fill the gap in federal loan servicing standards and help New York state's student loan borrowers make better decisions about loan repayment. The provisions in Part L include:

- Licensing and regulating student loan servicers who service the loans of New York residents;
- Prohibiting servicers from various common unfair, deceptive, and misleading tactics;
- Creating strong standards for the retention of records and continuing borrower benefits, in the event of sale, assignment, or other transfers; and
- Subjecting student loan servicers to examination by the New York Department of Financial Services.

Consumers Union strongly urges you to support the student loan servicing provisions in the Article VII budget legislation, and protect New York residents from unfair, deceptive and predatory tactics by student loan servicers. Please vote to protect the interests of New York student loan borrowers, who urgently needs the state's help and assistance in this critical area.

For more information, contact:

Chuck Bell
Programs Director, Advocacy
Consumer Reports
101 Truman Avenue
Yonkers, NY 10703
(914) 378-2507
(914) 830-0639 mobile
www.ConsumerReports.org
cbell@consumer.org

Student Loan Borrowers' Protections (Article VII Budget Legislation, TED Part W, Subpart A, 2018 Legislative Session)

is supported by:

New Yorkers for Responsible Lending (statewide coalition)

AND

AARP New York
Brooklyn Bar Association Volunteer Lawyers Project
Center for Independence of the Disabled, NY
Center for Responsible Lending
Civil Service Bar Association
Consumers Union
District Council 37, AFSCME, AFL-CIO
Empire Justice Center
IMPACCT Brooklyn
Legal Aid Society
Legal Services NYC
Mobilization for Justice
New York Public Interest Research Group (NYPIRG)
New York State United Teachers (NYSUT)
Queens Volunteer Lawyers Project
Young Invincibles

NEW YORKERS FOR RESPONSIBLE LENDING

Support for Article VII Budget Legislation, TED Part W, Subpart A

Protecting Student Loan Borrowers

In the state budget, Gov. Cuomo has proposed increasing consumer protection standards throughout the student loan industry for New York's 2.8 million student loan borrowers, similar to borrowers' rights legislation enacted in other major states such as Illinois and California. These protections are critically needed because of lax federal oversight, and poor customer service practices at some student loan servicing companies.

What is proposed?

- Prohibit unfair and deceptive practices that take advantage of borrowers;
- Empower NYS Department of Financial Servicers to supervise servicers and ensure compliance;
- Create a student loan ombudsman that ensures every New York borrower has the right to quality customer service, reliable information, and fair treatment.

Why do we need this bill?

- Leadership in college affordability has yet to reach **2.8 million** New Yorkers who already owe **$82 billion** in college-related debt. Many students will continue to borrow.
- Studies by the CFPB and GAO show that **servicers are allowing borrowers to needlessly fall into default** by obscuring their rights and withholding information.
- Student debt, default, and servicer misconduct **strains families and NY's economy**; it limits home-buying, deters entrepreneurship, and slows our economic growth.

What about federal protections and other states?

- Student loan servicing, unlike mortgage servicing, is **not federally regulated;**
- The U.S. Department of Education under **Betsy DeVos is actively dismantling the few protections** there are for student borrowers;
- Some **states have begun to act:**
  - Connecticut, California, Illinois, Washington and the District of Columbia have passed laws;
  - Maine, Massachusetts, Maryland, Illinois, Washington, and New Jersey are advancing legislation.
- Now, **New York has the capacity to lead with state-of-the-art protections.**

New York has long been at the forefront of consumer protections.
We have passed the strongest protections for mortgage servicing for homeowners.
We have high standards and regulations for debt collectors.
We lead the nation by establishing free tuition for SUNY and CUNY students.
Student loan servicing is no different.
New York borrowers and their families need your help and leadership on this critical issue.

For more information contact Evan Denerstein, edenerstein@mfjlegal.org, or Chuck Bell, cbell@consumer.org.

NYRL **NEW YORKERS FOR RESPONSIBLE LENDING**

NYRL Members

AARP • Abyssinian Development Corp. • Affordable Housing Partnership • AFSCME New York • Albany County Rural Housing Alliance • Albany Housing Coalition • Alternatives FCU • American Debt Resources, Inc. • Anti-Discrimination Center • Arbor Housing and Development • Asian Americans for Equality • Assoc. for Neighborhood & Housing Development • BEC New Communities HDFC • Belmont Housing Resources for Western New York • Bethex FCU • Better Neighborhoods, Inc. • Bridge Street Development Corp. • Brooklyn Branch NAACP • Brooklyn Cooperative FCU • Brooklyn Housing & Family Services, Inc. • Brooklyn Legal Services • Brooklyn Legal Services Corp A • Brooklyn-Wide Interagency Council of the Aging • Bronx Legal Services • Buffalo Urban League • Bushwick Housing Independence Project • Business Outreach Center Network, Inc. • CAMBA • Capital District Community Loan Fund • CASH Buffalo • Catholic Charities, Brooklyn and Queens • Center for NYC Neighborhoods • Central NY Citizens in Action • CHANGER • Chhaya CDC • Children's Defense Fund - NY • Citizen Action of NY • CNY Fair Housing • Common Cause NY • Common Law, Inc. • Community Action in Self-Help • Community Agency For Senior Citizens • CDC of Long Island • Common Law, Inc. • Community Housing Innovations • Community Service Society of New York • Consumer Credit Counseling Service of Central NY • Consumers Union • Cooper Square Committee • Cooperative Federal • Credit Education Bureau • Cultural Renaissance for Economic Revitalization • Cypress Hills Local Development Corp. • Dēmos • District Council 1707, AFSCME • District Council 37, AFSCME • Drum Major Institute • Ellicott District Community Development • Empire Justice Center • Enterprise Community Partners • Erasmus Neighborhood Federation • ESL FCU • Federation of Protestant Welfare Agencies, Inc. • Fifth Avenue Committee • Fillmore-Leroy Area Residents • Financial Clinic • Flatbush Development Corporation • Foreclosure Resisters • Genesee Co-op FCU • Good Old Lower East Side • Greater Rochester Community Reinvestment Coalition • Group 14621 Community Assoc. • Grow Brooklyn • Habitat for Humanity - NYC • Health & Welfare Council of Long Island • Hebrew Free Loan Society • Hempstead Hispanic Civic Assoc. • Hispanic Brotherhood of Rockville Center • Hispanic Senior Action Council • Home Headquarters • The Housing Council • Housing Court Answers • Housing Help • Housing Resources of Columbia County • Human Development Services of Westchester • Inner City Public Interest Law Project • Institute for the Puerto Rican/Hispanic Elderly • JASA/Legal Services for the Elderly of Queens & LEAP • JPAC for Older Adults • Justice Action Center - Economic Justice Project, NY Law School • Labor for Industry and Education • La Fuerza Unida • Legal Aid Bureau of Buffalo • Legal Aid Society • Legal Aid Society of Northeastern NY • Legal Aid Society of Rockland County, Inc. • Legal Assistance of

Western New York, Inc. • The Legal Project • Legal Services for the Elderly of Western NY • Legal Services of Central NY • Legal Services of the Hudson Valley • Legal Services NYC • Long Island Housing Services • Long Island Jobs with Justice • Lower East Side People's FCU • Manhattan Legal Services • Margert Community Corp. • Marketview Heights Assoc. • Metro Justice of Rochester • Midwood Development Corp. • MinKwon Center for Community Action • Mobilization for Justice, Inc. • Mutual Housing Association of NY • NAACP Legal Defense Fund • Nassau/Suffolk Law Services Committee • National Federation of Community Development Credit Unions • Neighborhood Preservation Coalition of NYS • Neighborhood Trust Financial Partners • Neighbors Helping Neighbors • NeighborWorks Alliance of NYS • NeighborWorks Rochester • Neighborhood Housing Services of Bedford-Stuyvesant • Neighborhood Housing Services of NYC • NY Appleseed • NY CDFI Coalition • NY Legal Assistance Group • NYC Financial Network Action Consortium • NY Public Interest Research Group • NYS Rural Housing Coalition • NY StateWide Senior Action Council • Nobody Leaves Mid-Hudson • Northeast Brooklyn Housing Development Corp. • Northwest Bronx Community & Clergy Coalition • Nuevo El Barrio Para la Rehabilitacion de la Vivienda y la Economia • N.W. Queens Housing Corp. • Opportunities for Chenango • Orange County Rural Development Advisory Corp. • Parodneck Foundation • PathStone • Pratt Area Community Council • Pratt Center for Community Development • Project Enterprise • Puerto Rican Legal Defense and Education Fund • PUSH Buffalo • Queens Legal Services • ReConnect Program, Correctional Association of New York • Regional Center for Independent Living • Renaissance Economic Development Corp. • Rensselaer County Housing Resources • Retail Action Project • Retail, Wholesale and Department Store Union (RWDSU) • Rochester District Community Ministries, The United Methodist Church • Rockland Housing Action Coalition • Rural Law Center of NY • Sanctuary for Families • Sojourner House • St. John's University School of Law Elder Law Clinic • St. Lawrence County Housing Council • Staten Island Center for Independent Living • Staten Island Interagency Council for Aging • Staten Island Legal Services • SUNY Buffalo Law School Consumer Financial Advocacy Clinic • Syracuse United Neighbors • Syracuse University Securities Arbitration and Consumer Law Clinic • Teamsters Local 237 • The Century Foundation • Troy Rehabilitation and Improvement Program • UAW Region 9A CAP Council • University Neighborhood Housing Program • Urban Homesteading Assistance Board • Urban Justice Center • Urban Upbound • Walmart Free NYC • West Harlem Group Assistance • Westchester Residential Opportunities • Western New York Law Center

176 Members
As of 1/4/18

STUDENT BORROWER PROTECTION CENTER

NEW YORKERS FOR RESPONSIBLE LENDING

New York

2019 State of Student Debt

537,000
student loan borrowers live in rural New York

220,000
Older New Yorkers (55-85) owe student loan debt

4,392
New Yorkers have submitted complaints about their student loan company

45%
of young adults (18-35) living in New York owe student loan debt

Source: SBPC's analysis of data from the Federal Reserve Bank of New York; Federal Reserve Bank of Philadelphia, U.S. Department of Education, & Consumer Financial Protection Bureau

FOR IMMEDIATE RELEASE
January 24, 2019

SBPC CONTACT:
Mike Pierce
press@protectborrowers.org, 202-596-2271

NYRL CONTACTS:
Evan Denerstein
edenerstein@mfy.org, 212-417-3760

Chuck bell
cbell@consumer.org, 914-830-0639

New Analysis Reveals New Yorkers Suffer Under the Weight of Historic Levels of Student Debt, Empire State Must Take Action to Protect Borrowers

As the Legislative Session Begins, New Yorkers Now Owe More Than $90 Billion in Student Debt, Impacting Student Loan Borrowers of All Ages

WASHINGTON, D.C. – Today, the Student Borrower Protection Center (SBPC) and New Yorkers for Responsible Lending (NYRL) released a new analysis demonstrating the scale of the student debt crisis in New York. This new analysis of government data shows that more than one in five New York consumers now owe student loan debt. For the first time, nearly half of all millennials in New York owe money on a student loan. This analysis makes a clear and compelling case for New York to take action to protect student loan borrowers from illegal student loan industry practices. Today's release comes in the wake of Governor Cuomo's 2019 agenda, in which he has pledged to advance "sweeping protections by requiring that companies servicing student loans held by New Yorkers to obtain a state license and meet standards consistent with the laws and regulations governing other significant lending products."

Nearly Half of All Millennials in New York Owe Money on a Student Loan

This new analysis looks at data made available by the U.S. Department of Education and the Federal Reserve Banks of New York and Philadelphia and shows the student debt crisis growing for borrowers across the state, including:

- New Yorkers owe more than $90 billion in student debt;
- Nearly half of young adults in New York (ages 18-35) owe student loan debt;
- More than 200,000 older borrowers (ages 55-85) owe student loan debt; more than 10% of them are severely delinquent on their student loans;
- More than half a million student loan borrowers are living in rural New York; nearly 70,000 of them severely delinquent on student loans; and
- Since 2012, more than 4,300 New Yorkers have submitted complaints about their student loan companies.

"As student loan borrowers in New York suffer each day from the burden of their debt, state leaders must take action," said **Seth Frotman, Executive Director for the Student Borrower Protection Center**. "The federal government has walked away from this crisis, casting millions of New Yorkers aside in the process. The borrowers across New York cannot wait any longer for predatory student loan companies to be held accountable."

"Gov. Andrew Cuomo's proposed student loan protections are critically needed to protect New York borrowers against unfair and predatory practices," said **Chuck Bell, Programs Director for Consumer Reports advocacy division**. "More than 170 member organizations in the New Yorkers for Responsible Lending coalition support the student loan consumer protections, including consumer, legal services, senior, labor and financial justice advocacy organizations."

"We know that the Governor's proposed student loan consumer protections have broad support in the Assembly and Senate, because we've talked with dozens of legislators about them over the last two years," Bell said. "With one out of every five New Yorkers owing student debt—and over 4,300 complaints received from New York loan borrowers by federal agencies—this is an urgent time for the state to move forward on strengthening state oversight of the student loan servicing industry."

"We consistently receive calls from New Yorkers whose wages or Social Security benefits are being garnished, whose tax refunds have been seized, and whose credit has been ruined simply because servicers are not working in the best interests of student loan borrowers," said **Evan Denerstein, Senior Staff Attorney at Mobilization for Justice**. "This crisis most acutely affects vulnerable and disenfranchised members of our communities, including seniors, and it will only increase as more students rely on loans to fund the ever-increasing cost of higher education. Governor Cuomo's proposal will put servicers on notice that the current state of affairs is unacceptable and compel bad actors to immediately reform their practices."

Student loan borrowers across New York continue to suffer under the weight of mounting debt and face new hurdles from predatory companies. This analysis exposes the rising levels of unsustainable debt shouldered by borrowers of all ages, in communities across the State of

New York. Yet the Trump Administration continues to ignore mounting evidence of the nation's growing student debt crisis. Not only has the federal government halted efforts to protect student loan borrowers, it is turning a blind eye from predatory practices and enabling bad actors to harm borrowers.

As the new legislative session begins, the SBPC and NYRL are demanding accountability from the companies at the center of a broken student loan system. This new analysis bolsters the case made by leaders across New York that the state must take immediate action to demand justice for student loan borrowers in their communities. As part of the 2019 Budget, Governor Cuomo has introduced a program bill to require student loan servicers to be licensed and subject to oversight by the New York Department of Financial Services. Governor Cuomo's bill would help ensure that student loan servicers do not mislead borrowers, misapply payments, or provide credit reporting agencies with inaccurate information.

In 2017, the New York Assembly passed a similar bill (A.7582) introduced by Assembly Member Kenneth Zebrowski that would, for the first time, demand accountability from student loan companies doing business in New York by requiring student loan servicers to secure a license and be subject to state oversight. A companion bill was introduced in the Senate, but did not advance to the floor.

SBPC HELPING STATES FIGHT FOR 44 MILLION AMERICANS WITH STUDENT DEBT

In the face of continuing systemic abuses across the student loan industry, state governments are taking action to expand protections for student loan borrowers and halt illegal practices by predatory companies. Last year, the Student Borrower Protection Center launched States for Student Borrower Protection, an initiative that highlights the student debt crisis in New York, and is designed to support the leaders in and out of government working to end this crisis through state level actions. Today's release offers further evidence that state action is urgently needed.

This new analysis is part of an ongoing series of original research, projects, and campaigns by SBPC designed to help student loan borrowers by shedding light on the crisis and empower advocates.

###

About the Student Borrower Protection Center (SBPC):

The Student Borrower Protection Center (www.protectborrowers.org) is a nonprofit organization solely focused on alleviating the burden of student debt for millions of Americans. SBPC engages in advocacy, policymaking, and litigation strategy to rein in industry abuses, protect borrowers' rights, and advance economic opportunity for the next generation of students. Led by the team of former federal regulators that directed oversight of the student loan market at the Consumer Financial Protection Bureau, SBPC exposes harmful and illegal practices in the student loan industry, drives impact litigation, advocates on behalf of student loan borrowers in Washington and in state capitals, and promotes progressive policy change. SBPC accomplishes these goals by partnering with leaders at all levels of government and throughout the nonprofit sector.

About New Yorkers for Responsible Lending (NYRL):

New Yorkers for Responsible Lending (NYRL) (www.facebook.com/nyresponsiblelending/) is a statewide coalition that promotes access to fair and affordable financial services and the preservation of assets for all New Yorkers and their communities. NYRL is committed to fighting predatory practices in the financial services industry through policy reform, education and outreach, research and direct services. NYRL's 170 members represent community financial institutions, community-based organizations, affordable housing and first-time homebuyer groups, advocates for seniors, legal services organizations, and community reinvestment, fair lending, and consumer advocacy groups.

STUDENT DEBT IN NEW YORK

I. **Student Borrower Protection Center's *New York: Student Debt by the Numbers***
A fact sheet using federal data sources, including the U.S. Department of Education, Federal Reserve Banks of New York and Philadelphia, and the Consumer Financial Protection Bureau, to show the burden of student debt across New York

II. **Student Borrower Protection Center's *New York: What Borrowers are Saying***
A look at student loan complaints submitted to the Consumer Financial Protection Bureau from New Yorkers. Public complaint narratives are highlighted from the Bureau's Consumer Complaint Database.

III. **Student Loan Delinquency Rates across New York**
Using the Washington Center for Equitable Growth's *Mapping Student Debt* tool, users can see the rate of student loan delinquencies by zip code.

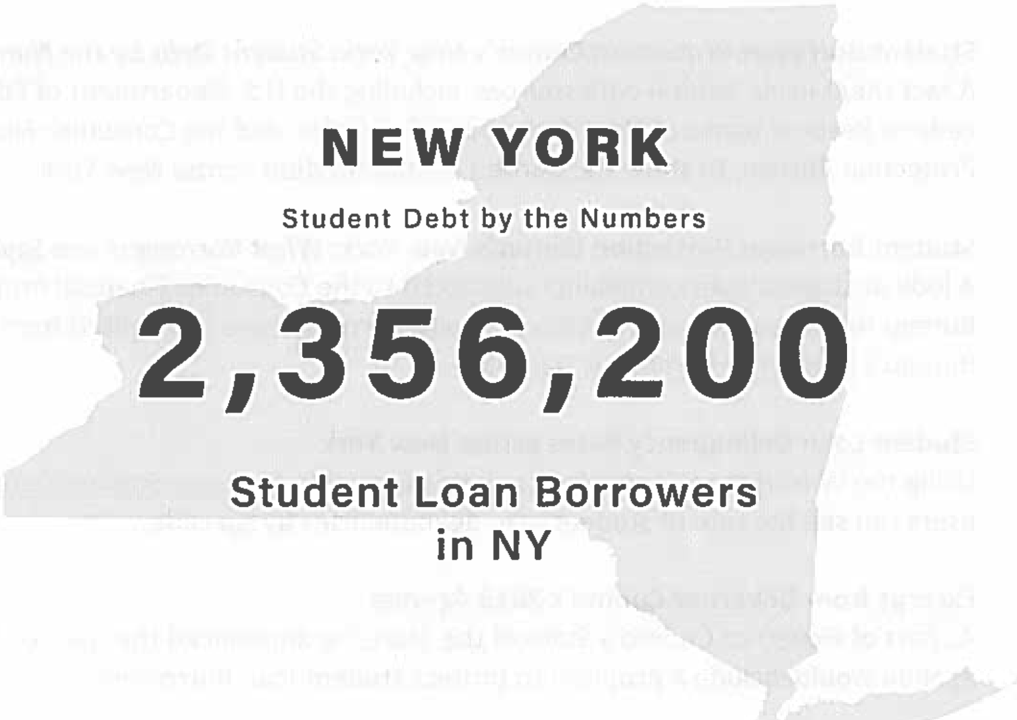
IV. **Excerpt from Governor Cuomo's 2019 Agenda**
As part of Governor Cuomo's State of the State, he announced that part of 2019 agenda would include a proposal to protect student loan borrowers.

V. **Student Borrower Protection Center's *States for Student Borrower Protection: Frequently Asked Questions***
These FAQs lay out the case for states to take on the role of overseeing the student loan market

VI. **Student Borrower Protection Center's *States for Student Borrower Protection: Pushing Back Against Preemption***
Not only has the federal government stepped away from overseeing the student loan market—it has told states they can't oversee the market either. Courts, states attorneys general, and state lawmakers disagree. These FAQs lay out why Betsy DeVos is wrong and why her actions are harmful to borrowers.

VII. **News Coverage**

a. Glenn Thrush, *After Scaling Back Student Loan Regulations, Administration Tries to Stop State Efforts*, the New York Times (2018)
b. Adam Harris, *Why Would the Government Stop States from Helping Student Loan Borrowers*, The Atlantic (2018)
c. Jillian Berman, *New York Lawmaker Looks to Crack Down on Student Loan Companies*, MarketWatch (2017)
d. Johnathan Spicer, *Student Borrowers under Most Stress in New York City's Poorest Areas*, Reuters (2017)
e. More stories available here.



NEW YORK

Student Debt by the Numbers

2,356,200

Student Loan Borrowers in NY

$90.6 billion

Outstanding Debt in NY

275,675

NY Borrowers in Delinquency

$8.3 billion

Outstanding Delinquent Debt in NY

$38,477

Average Student Debt for NY Borrowers

44%

Increase in NY Seniors Owing Student Debt (2012-2017)

4,392

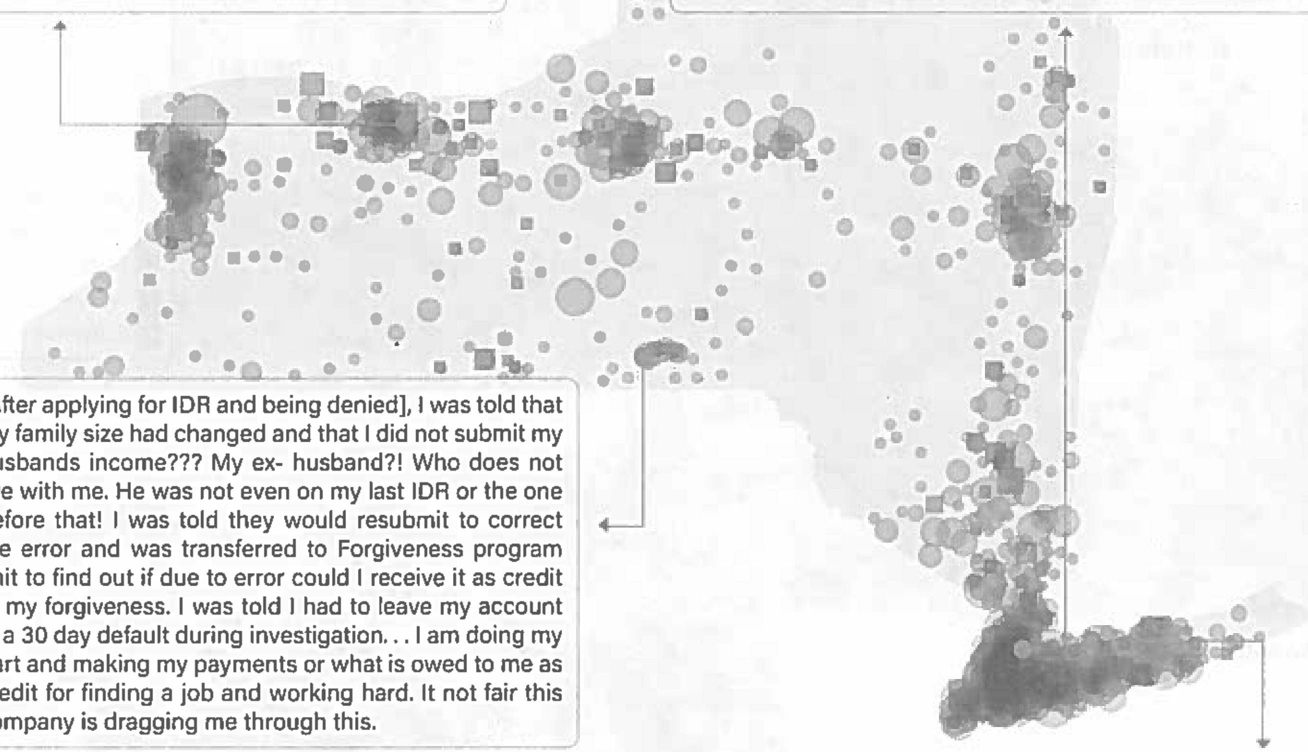
Complaints from NY Borrowers

NEW YORK

What Borrowers are Saying

For years I have been trying to get my cosigner released from my loan. I always pass the pre-qualifications phase but then when I submit my application it's denied. The last time I did this. I was told that they would not release me no matter what and that when my cosigner died they will go after her estate. I have never been late once and have followed all of their rules. . . My history of paying this loan is great as well as I make significant income. Today I was told by a customer service person that my cosigner won't ever be released even though their qualifications state that I meet them.

My loans are in an [I]ncome [B]ased [Re]payment plan. My husband and I re-certified and a customer service agent informed us that if we sent in my husbands paystubs by the end of the week, the low payments would continue at we would stay on the payment plan. This was in early XXXX. Unfortunately, this was not true. After calling in multiple times and receiving different information, we were told that it would be processed the week of XXXX. We were also told to put our loan in forbearance while the IDR was being processed. We were also told to just not pay XXXX and take auto debit off. We also received multiple emails with different payment amounts over the last few weeks. Once it was processed, the . . . lapse in IDR caused around $9000.00 in interest to capitalize.



[After applying for IDR and being denied], I was told that my family size had changed and that I did not submit my husbands income??? My ex- husband?! Who does not live with me. He was not even on my last IDR or the one before that! I was told they would resubmit to correct the error and was transferred to Forgiveness program unit to find out if due to error could I receive it as credit to my forgiveness. I was told I had to leave my account in a 30 day default during investigation. . . I am doing my part and making my payments or what is owed to me as credit for finding a job and working hard. It not fair this company is dragging me through this.

Navient has continued to offer me forbearances instead of helping me to figure out how to pay and handle my loans. I call and ask them to help me and they keep pushing and pushing forbearance (been there done this and in horrible shape with loans) . . . My loans are unbearable . . . and the only thing on my credit report that's horrible and preventing me from getting a house loan. . . I applied for income based payments 3 weeks ago. . . and still havent heard anything. This is all such a game and Navient is messing with people's lives and the ability to qualify for car [or] home loans. . . . This is a disgusting company who is by no means looking out for the consumer. Please help!

TYPE OF COMPLAINT

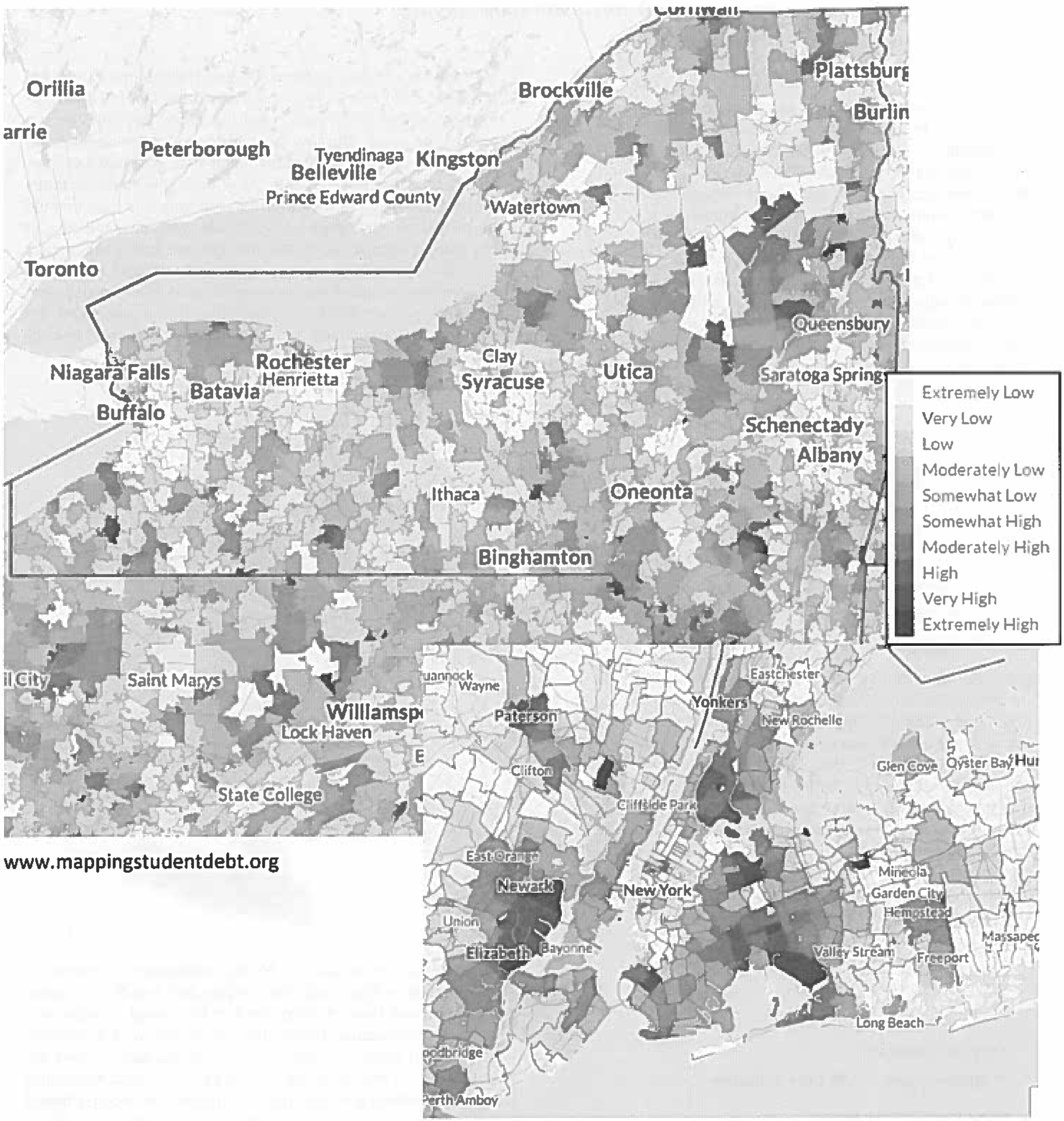
Student Loan   Debt Collection

NUMBER OF COMPLAINTS

1   10   20   30   42

Delinquencies in New York

Delinquency rates across New York



www.mappingstudentdebt.org


NEW YORK STATE
JUSTICE AGENDA
THE TIME IS NOW
2019
JUSTICE
AGENDA
THE TIME IS NOW
Andrew M. Cuomo
GOVERNOR

Proposal. Protect Student Loan Borrowers

Governor Cuomo is a leading voice in protecting access to higher education, most notably through the first in the nation Excelsior Scholarship. The Governor has also been a champion for increasing protections for the approximately 2.8 million student loan borrowers in New York.

Those 2.8 million borrowers have tens of billions of dollars in outstanding student loan debt, which is serviced by approximately 30 student loan servicers. These servicers, however, are neither licensed nor regulated. In New York, even though the student loan servicer industry has repeatedly raised serious consumer protection concerns. A 2016 federal Consumer Financial Protection Board report identified the vast number of complaints from borrowers regarding extremely problematic conduct.[xxxi] Exacerbating the problem, the Trump administration has been systematically rolling back student protections established by the Obama administration, and recently went so far as to shutter the federal office tasked with investigated student loan abuses. This leaves recent graduates and the careers they are beginning more vulnerable than ever.

Governor Cuomo will advance sweeping protections for student loan borrowers by requiring that companies servicing student loans held by New Yorkers obtain a state license and meet standards consistent with the laws and regulations governing other significant lending products such as mortgages. These initiatives will also ensure that no student loan servicers can mislead a borrower or engage in any predatory act or practice, misapply payments, provide credit reporting agencies with inaccurate information, or any other practices that may harm the borrower. These protections will also include banning upfront fees, requiring fair contracts and clear and conspicuous disclosures to borrowers, and providing penalties for failing to comply with the law.

Part 5. Creating Economic Opportunity for Every New Yorker

As New York's investments in infrastructure and economic development have helped to create more than 1 million private sector jobs across the state,[xxxii] the Governor's commitment to skills and education has helped ensure that New Yorkers have the tools they need to succeed in the modern economy. The Governor's historic $175 million workforce program will help workers of all backgrounds acquire the skills they need to find good-paying jobs. Meanwhile, the Governor's Youth Jobs Program encouraging businesses to hire unemployed and disadvantaged youth. And his unprecedented commitment to supporting women- and minority-owned small businesses — resulting in more than

STUDENT BORROWER
PROTECTION CENTER

States for Student Borrower Protection

Frequently Asked Questions

1. **Why should states start overseeing student loan companies?**

Quite simply, because states can't afford not to.

Forty-four million people are depending on them. The student loan market currently sits at $1.5 trillion—larger than the markets for car loans or credit cards, and second only to mortgages. Student loan borrowers each owe, on average, more than $30,000 in student loan debt.

This unprecedented level of debt has a huge impact on the financial futures of residents of every state in the country. When borrowers struggle to repay student loan debt, it can impact their ability to buy homes, start businesses, build wealth, and save for retirement. But the impact is even broader than that—student debt drives income, wealth, and racial inequality in communities across the country.

It is painfully clear that the federal government has failed to control of the student loan market, which has undoubtedly turned into a debt crisis. Last year, more than one million student loan borrowers defaulted on a federal student loan. That's one default every 28 seconds, despite programs in place that should make it nearly impossible to default on a federal student loan. People deserve to have their government leaders—the ones that that know their community, their concerns, and their life experiences—looking out for them.

2. **Aren't student loans only a problem for millennials?**

Student loans are a problem for everyone. From servicemembers to seniors, everyone is grappling with the burden of student debt.

In fact, senior citizens are the fastest growing group of student loan borrowers in the country. According to the New York Federal Reserve Bank, the number of student loan borrowers 60 and older increased by 420 percent between 2005 and 2015. And tens of thousands of these seniors are having their Social Security benefits seized due to defaulted student loans, often driving them into poverty.

This is why groups ranging from Student Veterans of America to AARP have publicly supported measures that seek to rein in the abuses committed by student loan servicers.

3. Isn't the real problem simply that people aren't paying back their debts?

Millions of people are trying to pay back their student loans, but they are facing roadblocks at every turn. From misapplied payments, to lost paperwork, to misinformation from customer service representatives, student loan borrowers are fighting an uphill battle against student loan companies who cannot even get the basics right.

For example, a recent investigation by the Associated Press uncovered a secret Education Department audit of one large student loan servicer that revealed that company employees routinely pushed borrowers to refrain from making payments. As this audit explains, even "after the borrower made a promise to repay within a short time," the company advised borrowers that they should take a longer break from making payments instead.

4. That sounds serious, what other type of harmful practices do servicers engage in?

Servicers engage in sloppy and harmful practices that hurt every type of borrower, with every type of loan, at every stage of repayment. These problems can cost borrowers thousands of dollars and leave them even deeper in debt.

For example:

- When veterans have their loans discharged due to a service-connected disability, servicers have illegally reported their loans as "in default" to credit bureaus.
- When teachers and police officers have tried to access loan forgiveness they earned through public service, servicers routinely overcharged and misled them, causing their loans balances to increase.
- When borrowers contact their servicers for payment relief while struggling with unemployment or financial distress, servicers have steered them into repayment plans that increase the cost of their loans and deny them access to federal protections. By one estimate, these illegal practices at one large servicer resulted in more than $4 billion in unnecessary interest charges tacked on to borrowers' accounts.

And when the largest student loan servicer in the country was called out for these illegal practices, it simply replied, "there is no expectation that the servicer will act in the interest of the consumer".

5. **So what can states do?**

State-based oversight of student loan companies has a simple goal: holding the student loan industry accountable for obeying the laws that are already on the books. Each legislative session, more and more states are recognizing that they must get off of the sidelines and stand up for their citizens struggling with student debt.

States legislatures representing millions of student loan borrowers have already taken action to increase oversight over these student loan companies, crack down on illegal practices, and demand restitution when borrowers get hurt. These states made the student loan market safer for their residents by passing bills that give state banking agencies the authority and tools to oversee student loan companies and stop abuses when and where they occur.

More states must follow this path. State and local government leaders are on the front lines of the fight to tackle the student debt crisis, witnessing problems in their neighborhoods, communities, and cities. These leaders are also in the best position to take steps to stop these problems—passing new legislation to expand oversight and demand accountability from the student loan industry.

6. **Industry lobbyists and administration officials say that states have no role in overseeing a federal program. What authority do states have to oversee the student loan market?**

While it is true that the over a trillion of dollars of student loan debt was made directly by the government, the companies that manage it are among the largest private sector financial services companies in the country.

No one is proposing that state governments regulate the U.S. Department of Education. Student loan servicers handle billions of dollars of consumer debt and pay their executives multi-million-dollar bonuses. These are the companies that states are seeking to regulate—plain and simple.

States have always played a significant role in overseeing financial markets. As the Conference of State Bank Supervisors (CSBS) explained earlier this year, "responsibility for regulating and supervising debt collectors—like other nonbank financial services—has historically resided at the state level... to be more accountable to local concerns." States oversee everything from banks to debt collectors to payday lenders. States' commitment to comprehensive consumer protection demands that they play an enhanced role in overseeing student loan companies—the companies responsible for handling loans in one of the largest consumer debt markets in the country.

7. **Have officials in my state weighed in on the need for oversight over student loan companies?**

Yes! A growing chorus of state governors, law enforcement officials, and state banking regulators have strongly supported states' right to oversee private-sector student loan companies. For example:

- A bipartisan coalition of 25 attorneys general rejected Betsy DeVos's assertion that states had no role in overseeing this market.
- The Conference of State Bank Supervisors (CSBS) opposed any action by the Department of Education to preempt state authority.
- The National Governors Association also came out against the Education Department's interpretation, noting that states stepped up to fill the void left by the absence of federal protections for borrowers.

8. **Servicers say that they aren't the bad guy, that the problem is colleges. Or state legislatures. Or Congress. Shouldn't we be focusing on reducing the cost of college or simplifying repayment options?**

As billion-dollar companies spend their time pointing fingers, borrowers are suffering. Last year, over one million student loan borrowers defaulted on a federal loan. A million more borrowers defaulted the year before that, and the year before that. All of these defaults occurred despite a range of protections that should make nearly impossible to default.

When another borrower defaults every 28 seconds, we need to do more than point fingers. Companies that are receiving millions of dollars in taxpayers funds each year are failing the very borrowers that they are being paid to serve. No silver bullet is going to fix all of the problems plaguing the student loan market, but addressing the widespread failures of the handful of companies running the market is an important step.

9. **Several not-for-profit servicers operate in my state. Shouldn't they be exempted from state laws to expand oversight?**

Not-for-profit servicers play a critical role in the servicing of both federal and private student loans. These companies may have started as regional or state-based firms providing loans to students in your community, but they have evolved into enormous financial services companies handling loans for tens of millions of student loan borrowers.

Exempting not-for-profit servicers would cut off accountability for more than 30 percent of the federal student loan market, and a huge portion of the private student loan market that contracts with not-for-profit servicers to handle their portfolios. Additionally, not-for-profit servicers handle the loans for some of the most important federal loan programs that are intended to protect teachers, nurses, first responders, and social workers.

In fact, the largest not-for-profit servicer, the Pennsylvania Higher Education Assistance Agency or PHEAA, also known as FedLoan Servicing or American Education Services (AES), handles more than $420 billion in student loan debt—more than a quarter of all student loans in America.

While an exemption for not-for-profit student loan companies might sound appealing on its face, there is something much more nefarious happening below the surface. This type of exemption is just another cleverly crafted, special interest giveaway that benefits huge student loan companies at borrowers' expense.

STUDENT BORROWER PROTECTION CENTER

States for Student Borrower Protection

Pushing Back Against Preemption

Frequently Asked Questions

1. **It's time for our state to stand up for student loan borrowers, but we keep hearing that state laws are preempted and legislators' hands are tied. Is this true?**

   States have always overseen private-sector companies in the financial services market. This isn't new. These "police powers" are part of the historic bargain between Washington and the states as set out in the Constitution.

   What really matters is who is being held accountable by state governments. These are private-sector student loan companies—some of the largest financial services providers in America, touching more than 1-in-5 American families. No one is advocating for state regulation of the federal government, but borrowers urgently need a cop on the beat to police these big businesses.

   And these sure are big businesses. For example, the chief executive of one publicly-traded student loan company—Navient—earned just shy of 7 million dollars in 2017. This company alone has authorized the giving of hundreds of millions of dollars back to investors through share buybacks in the past two years, even as it has been accused of widespread abuses. Not sure about you, but these big companies don't sound like "the government" to me.

   Much like states' efforts to crack down on debt collectors, check-cashers, and mortgage lenders, state-based efforts to rein in abuses by these private-sector student loan companies are a far cry from "regulating the federal government."

2. **But doesn't the Higher Education Act preempt all state efforts to protect student loan borrowers?**

   Absolutely not. If Congress intended to preempt states from regulating "the field" of student loans, it would have done so. Instead, Congress, through the Higher Education Act, restricted narrow categories of state lawmaking. Don't believe us? Listen to Congress!

   Specifically, the Higher Education Act tells states they cannot limit or restrict the fees and penalties some debt collectors can charge student loan borrowers or require some student loan companies to make specific "disclosures" to borrowers. That's it!

Congress "expressly" preempted these specific kinds of state laws and left all other types of student loan regulation to the states. As the Education Department's own General

Counsel explained to the State of Maryland in 2016, "the Department [of Education] does not believe that the State's regulation of [federal student loan servicers and debt collectors] would be preempted by Federal law. Further, such regulation would not conflict with the Department's contracts with those entities, which provide generally that loan servicers and [collectors] must comply with State and Federal law."

3. But didn't Betsy DeVos say something different?

Yes. But just because the Trump Administration's political appointees say something, it doesn't make it true. The student loan industry lobbyists begged DeVos to fight back against state oversight, so she tried to box out state governments by fiat.

These aren't federal law.

These aren't even federal rules proposed by a new administration.

These are merely desperate and dangerous statements from political appointees who know borrowers' rights have been violated, and the chickens are coming home to roost.

In fact, this political maneuvering was immediately and roundly rejected by Democratic and Republican officials across the country, including a bipartisan group of two dozen state attorneys general, all 50 governors, and the heads of the banking agencies in every state.

4. So what is the legal basis (or other reason) for why DeVos thinks she can stop states from taking action?

The Trump Administration has argued that state action is preempted because the U.S. Department of Education "continues to oversee loan servicers to ensure that borrowers receive exemplary customer service and are protected from substandard practices."

That's right. Betsy DeVos seriously suggested that the U.S. Department of Education is doing such a good job, that states need not bother themselves by trying to help student loan borrowers.

This flies directly in the face of all available evidence.

STUDENT BORROWER
PROTECTION CENTER

We know that student loan companies routinely cheated tens of thousands of servicemembers, thousands of disabled veterans, millions of borrowers struggling to keep up with their loan payments, along with teachers, nurses, first responders and other public servants, older borrowers, and countless others trapped in a broken student loan system.

Even Donald Trump's own Treasury Department chastised the DeVos Education Department for its shoddy, sub-standard approach, warning that "federal student loan servicing currently lacks effective minimum servicing standards."

5. **If this was so cut-and-dry, wouldn't judges across the country reject DeVos's play at preemption?**

Of course! And that is exactly what has happened.

In Washington, Massachusetts, and Illinois, courts have dismissed efforts by DeVos and the student loan industry to obstruct state actions on preemption grounds. Over the course of nearly two years, in every case where a judge has considered a state government lawsuit against a student loan servicer, these courts have upheld states' rights to protect borrowers from industry abuses.

6. **What about the arguments by the Education Department and the student loan industry that state "regulation" will cause chaos for borrowers and require companies to meet 50 different sets of state rules?**

This is just a red herring!

Again, it helps to look closely at what states are—and are not—trying to accomplish.

When states require companies to obtain a state license and authorize state regulators to oversee the industry, the state is telling the industry to follow current federal and state laws, while demanding greater accountability for industry's practices. Bills like the one in your state do not require the student loan industry to do anything it wasn't already supposed to be doing.

7. **We were told that states can never oversee any federal government contractors, even when they are private companies providing financial services. Is this true?**

No!

The debt collection industry—including dozens of companies that collect on student loans for the Department of Education—have obtain state licenses and been subject to routine oversight by state regulators for decades.

Until the student loan industry discovered that it could cajole the Trump Administration into shielding it from scrutiny, the federal government, consumer advocates, and even the largest student loan servicers had all agreed to make oversight and accountability a priority.

8. **But didn't a federal court just rule that DeVos was correct, and states have no role to play here?**

NO!

On November 21, 2018, the U.S. District Court for the District of Columbia ruled that one part of a DC Law could not be applied to some activities of some student loan servicers.

However, this was the first time any judge in any court has restricted states' ability to demand student loan servicers get a license to operate in a state—finding that DC's licensing requirements conflict with federal law for the servicing of some student loans, but not for others.

This ruling is likely to be appealed, but, for the moment, one state's licensing requirements won't apply to some parts of the biggest loan servicers' businesses. This is a far cry from the sweeping rebuke of state oversight sought by the student loan industry.

Even though this ruling was a setback for DC's efforts to demand accountability, the judge in this case also firmly dismissed industry's argument that states are broadly preempted from passing laws to protect borrowers.

Driving this point home, the court looked at DeVos' 2018 "interpretation" that purports to preempt all state law and found it to lack "requisite thoroughness and persuasiveness," writing that the court "cannot agree that [DeVos's interpretation] is 'well reasoned and sensible.' It is not."

9. **So states can stand up for student loan borrowers and demand accountability from the student loan industry?**

Damn right.

The New York Times

After Scaling Back Student Loan Regulations, Administration Tries to Stop State Efforts

By Glenn Thrush

Sept. 6, 2018

WASHINGTON — After the education secretary, Betsy DeVos, started scaling back consumer protections for student borrowers last year, six states and the District of Columbia sped up their own efforts to crack down on abusive lending practices by companies that administer federal loan programs.

Now Ms. DeVos is trying to stop them.

Trump administration lawyers filed a "statement of interest" last month supporting a lawsuit from the Student Loan Servicing Alliance, an industry trade group, against the District of Columbia for creating a student loan ombudsman office. Under a new city law, the companies would be required to apply for licenses and could lose their right to operate if officials determine that they have engaged in fraudulent or irresponsible practices.

Administration lawyers accused the District of Columbia of trying "to second-guess" department officials in the selection of loan servicers, violating the supremacy clause in the Constitution in a case that could determine the future role of states in consumer protection.

"Federal loans are federal assets and therefore must be controlled and regulated by the federal government," said Elizabeth Hill, a spokeswoman for Ms. DeVos. She described the actions of the states as an illegal veto of federal authority.

"A piecemeal, state-by-state approach to regulating federal assets causes confusion for borrowers and makes administration of the loan program more complicated and costly," she added.

Soon after the move, after months of battling the administration's deregulation agenda, the federal government's top student consumer protection officer, Seth Frotman, resigned from his job at the Consumer Financial Protection Bureau.

In his resignation letter, Mr. Frotman called out his boss, Mick Mulvaney, the bureau's interim director, for turning his back "on young people and their financial futures" by weakening enforcement.

But he was equally troubled by what the Education Department had done. Over the past several years, even before Donald J. Trump was elected president, Mr. Frotman barnstormed the country to encourage state officials to scrutinize the companies that are contracted by the department to manage the loan portfolio, collect debt from students and work out payment plans with delinquent borrowers.

And he raised concerns that the Education Department was withholding critical information on borrowers that is needed to bring enforcement actions against servicers, citing federal privacy laws.

The campus of Harvard University in Cambridge, Mass. The state, along with several others and the District of Columbia, have imposed licensing regulations on debt-servicing companies. Gretchen Ertl for The New York Times

“It was important for me to speak out,” Mr. Frotman wrote in an email.

“As state law enforcement officials and legislators across the political spectrum stand up for student loan borrowers who have been ripped off at every turn, Donald Trump and Betsy Devos have instead chosen to protect companies engaged in rampant illegal practices,” he added. “At stake is the financial future of millions of Americans and a trillion dollar black hole in our financial markets.”

Under Ms. DeVos, the department has loosened regulations on for-profit colleges that account for many student defaults and fraud allegations and killed a plan to introduce sweeping protections for borrowers released at the end of the Obama administration. In July, she proposed an overhaul of the department's student loan oversight division that would cut an Obama-era debt relief program by $13 billion for students who claim to be cheated by disreputable schools.

Citing the traditional role of states in protecting consumer rights, officials in Connecticut, Illinois, California, Washington, Pennsylvania, Massachusetts and the District of Columbia have responded by imposing new licensing regulations on the debt-servicing companies and passing a student bill of rights.

State attorneys general have also brought new cases against some companies, including the industry giant Navient, for steering cash-short students away from federal loan forgiveness programs.

"When Secretary DeVos took office, we went on red alert," said Karl A. Racine, the District of Columbia's attorney general, whose residents have the highest debt burden, $40,000 per student borrower, in the country. "We have a responsibility, in the state attorney general's offices, to protect our consumers. We are trying to fill the gap because the secretary is stepping away from protecting students."

Mr. Frotman helped lead the investigation that resulted in a lawsuit in January 2017 charging that Navient, the nation's biggest servicing company, "illegally cheated many struggling borrowers."

In July, the chief of Navient, Jack Remondi, called on the bureau "to move on" and drop the lawsuit. Mr. Mulvaney has not said if he plans to do that, but Mr. Frotman accused him of political interference in the case, a charge that Mr. Mulvaney denies.

Ms. DeVos, who hired the dean of the embattled for-profit DeVry University to lead the unit that oversees fraud investigations, believes that the bureau under Mr. Frotman's mentor, the former director Richard Cordray, acted too often without consulting Education Department officials, Ms. Hill said.

The failure to hold companies accountable, Mr. Frotman and his allies say, has far-reaching consequences. The debt owed by 44 million students now exceeds $1.5 trillion — larger than national auto or credit card debt. One million borrowers already default every year, and 40 percent of students are expected to default on their loans by 2023, according to a January study by Brookings.

Education Department officials said Ms. DeVos was trying to recalibrate the department's student loan division after eight years of regulatory overreach by the Obama administration.

Mick Mulvaney, the interim director of the Consumer Financial Protection Bureau, was accused by a former employee of turning his back "on young people and their financial futures" by weakening enforcement. Tom Brenner/The New York Times

In July, Ms. DeVos announced plans to replace Obama administration policies by making more data available to students about for-profit institutions and servicers — placing responsibility for identifying low-performing schools on the students themselves. As part of that effort, the department is developing a mobile phone app to help students keep track of their finances and expenses, Ms. Hill said.

"Postsecondary students are adults who can be reasonably expected to make informed decisions and who must take personal accountability for the decisions they make," department officials wrote in a summary of the proposal in July.

But in court filings, the Justice Department argued to shield companies from having to release detailed information about their performance to state and local officials.

The District of Columbia's law, they wrote, requires companies to make disclosures that were meant to be "confidential unless the federal government" authorizes them.

The brief was similar to one the government filed in March supporting another industry lawsuit trying to block Massachusetts from taking its own steps. In 2017, the state sued the Pennsylvania Higher Education Assistance Agency, a quasi-governmental group that services a quarter of the country's student loan debt, for deceptive marketing and steering borrowers away from loan forgiveness programs.

"States have always had the ability to protect the health and welfare of their residents, and we are attempting to do that," said the attorney general of Illinois, Lisa Madigan, whose office has brought its own case against Navient over collection practices and the terms of some of their loans.

"This is the same exact battle we fought during the mortgage crisis, when federal regulators weren't holding lenders accountable and we had to step in," said Ms. Madigan, a Democrat. "Betsy DeVos and the Department of Education are abandoning any sort of commitment to the hard-working Americans who are trapped in student loan debt."

Ms. Hill denied those charges, saying that enforcement actions at the department rose last year in comparison to the final year of the Obama administration. "We do our jobs, period. It's not about getting credit in the press," she added.

Mr. Frotman — like many other career officials inside the bureau and Education Department — spent months pushing back against Mr. Trump's appointees but eventually tired of the battle, friends said.

Mr. Mulvaney, who once called the bureau a "sad, sick joke," had long marginalized his team, downgrading Mr. Frotman's unit, tucking it inside the financial education information division. He never met with Mr. Frotman, and his deputies avoided even routine interactions with the student consumer protection team, according to two former officials.

But Mr. Frotman's effort to defeat Ms. DeVos in the states might prevail in the end.

Mr. Racine said he was optimistic about his chances of winning his case. And judges in Illinois, Florida and Washington, presiding in lawsuits against Navient and other servicers, have rejected federal supremacy arguments similar to those being made by the Trump administration.

A version of this article appears in print on Sept. 7, 2018, on Page A18 of the New York edition with the headline: Trump Administration Battles States' Efforts to Police Student Loans

EDUCATION

Why Would the Government Stop States From Helping Student Borrowers?

Massachusetts, Maine, and others want to police companies that collect loan payments. The Department of Education says they can't.

ADAM HARRIS APR 13, 2018

LUCY NICHOLSON / REUTERS

Every year, the Department of Education issues billions of dollars in student loans. And every year, outside companies are contracted to collect on those loans. The loans themselves are the subject of fierce debate among the higher-education crowd—but how they are collected tends to draw the most ire.

Borrowers have reported that these outside companies—loan servicers, they're called—have lost their paperwork, made it harder than it should be to to zero out their balances after becoming totally disabled, and incorrectly calculated their income when registering for a repayment plan based on it, resulting in higher payments than they can afford.

Lately, several states have taken notice of these practices and are trying to impose stricter regulations on loan servicers, in order to, they say, protect students from being exploited. On Wednesday, in a unanimous vote, the Massachusetts State Senate passed a bill—a student bill of rights, of sorts—with this in mind. But the bill's passage puts Massachusetts on the path towards a major fight with the Education Department, which has recently told states to lay off when it comes to oversight of loan servicers. (The department's position doesn't impact how states regulate the companies that collect privately issued loans.)

Massachusetts won't be alone in the fight. Since 2015, a handful of states have passed, or are at least considering, some version of a bill of rights for student borrowers that stiffen requirements for loan servicers—for instance, making sure servicers meet certain standards in order to get accredited, and empowering state officials to investigate and take action against the servicers for unfair practices. States, well aware of the rescission last year of several Obama-era consumer regulations by Education Secretary Betsy DeVos, have been moving to put their own rules in place. Removing regulations, as Devos's department wants, can harm students, and its latest endeavor to block states' attempts to police loan servicers has left many wondering: If the department won't do more to protect students, who will?

Under Obama, the department tried to improve loan servicing from students' perspective, aiming to make servicers communicate more with borrowers, reform the process of eliminating loan debt for those who are totally and permanently disabled, and create rules for loan servicing that are consistent across the country. When the Trump administration reneged on those aims a year ago, it raised concerns that the department was overlooking borrowers' interests. Sure, the Obama-era rules weren't perfect, Jennifer Wang, of the Institute for College Access and Success, an advocacy group, told me, but there was a lot that borrower advocates liked. However, she says, if the department did not have its own reforms, that shouldn't prevent states from having them.

Loan servicers, for their part, disagree, insisting that the federal government is right to call states off. They argue that inconsistent policy across states—along with the fees that state-level guidelines might require them to pay—will make it harder for them to serve students. Last month, the Education Department made it clear that it largely agreed with them. The department issued a "notice of interpretation," saying states were overstepping their boundaries by putting restrictions on companies that were servicing federal student loans. The notice stated that it is the department's job to police the companies, and that states should defer to it. (The Education Department, which is in the process of an overhaul of the student loan–servicing system, declined to comment for this story.)

States immediately fought back. The bipartisan National Governors Association condemned the move, and two Democratic attorneys general immediately hinted that they would disregard the guidance. Meanwhile, after pressure from state lawmakers, two state-backed loan agencies—Massachusetts and New Jersey—resigned from a national loan-servicing lobbying group, the National Council of Higher Education Resources, which supported the department's move.

Higher-education leaders have also expressed concern. As Janet Napolitano, the president of the University of California system, who was formerly an Obama Cabinet official, as well as a state attorney general, put it, "to take the state AGs out of the picture, who do a lot of these financial-fraud type of cases to the benefit of the residents of their states, I think is an overuse of their preemption power"—a reference to the question of whether states or the federal government should hold sway. (It's a curious showdown not least because it has state-level Democrats arguing passionately about states' rights.)

Eric Lesser, a state senator in Massachusetts who championed the state's bill, told me that the department's announcement of this stance prodded him to action. The legislation had been introduced in January of 2017, but has seen increased momentum since the March interpretation. Having passed on Wednesday, the bill now heads to the state House of Representatives, where companion legislation is under consideration. Maine followed suit, passing a bill through its state's senate on Thursday. "Three words for Betsy DeVos and Donald Trump: Bring it on," Lesser tweeted on Wednesday. "Here in Massachusetts, we will stand up for student loan borrowers if they won't." The states are inviting a fight—and given how much the current system can hurt students, it's one worth having.

We want to hear what you think about this article. Submit a letter to the editor or write to letters@theatlantic.com.

MarketWatch

New York lawmaker looks to crack down on student loan companies

By Jillian Berman
Published: Apr 28, 2017 5:37 a.m. ET

Kenneth Zebrowski, a Democratic Assemblyman, introduced legislation to regulate student loan servicers

Getty Images

New Yorkers with student debt may soon have an easier time paying back their loans if one lawmaker gets his way.

Kenneth Zebrowski, a Democratic Assemblyman representing Rockland County, New York, introduced a bill this week that would regulate student loan servicers — the companies that manage the student loan repayment process — in the state. If passed, the law would require that servicers operating in New York be licensed by the state, live up to basic consumer protection standards and prohibit the companies from misleading borrowers.

"It's important for states to have a mechanism where these companies are regulated, there's definitive responsibilities and prohibitions on the way that they operate, and there's a clear and concise avenue for consumers to register complaints," Zebrowski said.

The bill is the latest effort in a broader push by state lawmakers across the country to monitor student loan companies in their region amid uncertainty about the federal government's stance on student loan firms' obligation to borrowers.

Borrower advocates have complained for years that servicers don't do enough to work in borrowers' best interest. That, they say, has exacerbated the student loan crisis. Despite the improving economy, more than 1 million federal student loan borrowers defaulted on their debts last year. Many of those defaults were likely avoidable given that the government provides borrowers with a variety of repayment options to manage their debts.

Servicers have argued that the challenges faced by borrowers have more to do with confusion regarding the complex student loan system. They say that they're typically able to help borrowers when they're able to reach them. In a March letter to leaders of New York state's assembly and senate, the National Council of Higher Education Resources, a servicer trade group, also argued that that state-level oversight could create confusion for borrowers and servicers, given that the companies are already subject to regulation by the Consumer Financial Protection Bureau.

The servicers that manage the student loan repayment process for borrowers with federal loans receive lucrative contracts from the government for this work. Over the last year, the Obama administration began taking steps to revamp the process for awarding those contracts so that servicers would be incentivized to take the time necessary to help borrowers find the repayment arrangement that's best for them.

But current Secretary of Education Betsy DeVos took steps earlier this month to reverse those reforms. That's added urgency to the efforts of borrower advocates, state lawmakers and regulators to protect consumers in their locales. Attorneys general from 20 states, including New York, Illinois and California, sent a letter to DeVos this month to express their "profound concern" about DeVos's decision to withdraw the Obama-era guidance on reforming the servicer contracting process. A coalition of borrower advocacy groups also sent a letter this week to every state attorney general, urging the state law-enforcement officials to investigate and sue student loan servicers that break the law.

"With this administration not willing to protect borrowers, we're really look for the states to step up," said Maggie Thompson, the executive director of Generation Progress, the youth-focused advocacy arm of the Center for American Progress, a left-leaning think tank.

Though the Trump administration's recent actions on student loan servicing have borrower advocates increasingly concerned, state-level advocacy on the issue began during the Obama era. Connecticut became the first state in 2015 to license its student loan servicers. Several states and localities have followed suit since, though in some cases implementing the new laws has been challenging.

In Washington, D.C. where last year, the city council unanimously approved a bill to regulate student loan servicers in the city and hire a student loan ombudsman — essentially a city employee dedicated solely to student loan education and complaint resolution — officials are still dragging their feet on implementing the law, advocates say.

"We've always been eager for the council and the mayor to take on student debt as a primary issue of theirs," said Ari Schwartz, a lead organizer with DC Jobs with Justice, an economic justice organization. "That's even more urgent now given how the federal government and student loan servicers have completely abandoned any pretense of supporting customers and supporting borrowers."

The explosion in the number of borrowers taking on loans and the growing size of their debt loads over the past several years has also upped the urgency from states to help borrowers cope with their debt. The relatively rapid growth in student debt over the past decade has meant that the consumer protection infrastructure that we typically see surrounding mortgages, credit cards and other financial products hasn't had time to catch up, advocates and regulators have argued. That's in part why some national regulators like Seth Frotman, the student loan ombudsman at the Consumer Financial Protection Bureau, have expressed support for these types of state-level efforts.

"Close coordination between federal and state regulators is critical to ensuring that borrowers can depend on high quality student loan servicing, subject to rigorous oversight, whether their servicer is a large public company or a small not-for-profit," Frotman said during March testimony in front of the California Senate's banking and financial institutions committee.

Still, passing legislation to regulate servicers in New York may face an uphill battle. The state's governor, Andrew Cuomo, included a plan in his proposed budget to oversee servicers in the state. But that provision was removed by the time the final budget was passed and signed into law. NCHER, the servicer trade group, sent its letter to the state's legislative leaders during the intervening period. The governor's office did not immediately respond to a request for comment about why the provision was removed.

For Zebrowski, 36, who is still contending with his own debt from undergraduate and law school, the situation is urgent. The level of outstanding student debt more than doubled in New York over the last decade, rising to $82 billion, according to a 2016 report from the state's comptroller. And many borrowers in the state appear to be struggling; the delinquency rate among those borrowers increased by more than a third over the last decade, the report found.

Evan Denerstein, an attorney at MFY Legal Services, an organization that provides legal help to low-income New Yorkers, said he regularly meets with clients who struggle to get access to accurate information from their student loan servicer. In some cases they're legally entitled to a lower repayment program or even a disability-related discharge and yet, they're unable to claim it without his legal assistance.

"They're not being informed of their rights and sometimes they're being misinformed of their rights," said Denerstein, who has been a leading advocate in fighting for the New York servicing legislation.

One of those borrowers, Carolle, has struggled to pay back her more than $20,000 debt on the salary she pulls in as a part-time home health aid. Despite being legally entitled to access a repayment plan that would have allowed her to stay current on her loans with payments as low as zero dollars a month, she never heard about those options from her servicer. Meanwhile, she defaulted on her student loan and lost out on a much-needed tax refund. "I don't think those companies tell you that there is a way to find help," she said. She was only able to enroll in an income-driven repayment program with Denerstein's help.

It's episodes like these that have convinced Denerstein that it's time to regulate student loan companies in the state. "There really needs to be some supervision of student loan servicers," he said. "There's a question with the new administration of what's going to happen at the federal level. New York has always been a leader when it comes to consumer protection and this is really a chance for them to step forward and take a lead on this issue."

Read more about student loan servicers:

- Student loan borrowers share tales of woe with regulators
- Consumer complaints spiked 325% in 2017 over this one issue
- Inside one state's effort to tackle the student debt crisis

U.S.

DECEMBER 15, 2017 / 5:34 PM / A YEAR AGO

Student borrowers under most stress in New York City's poorest areas

Jonathan Spicer

NEW YORK (Reuters) - New York's poorest neighborhoods are home to the city's student borrowers under the most stress, according to a central bank report released on Friday showing "troublingly high" loan default and delinquency rates mainly in the Bronx and Brooklyn.

The Federal Reserve Bank of New York building is seen in the Manhattan borough of New York, U.S., December 16, 2017. REUTERS/Eduardo Munoz

The Federal Reserve Bank of New York report, billed as the first neighborhood-level study of student loans in any U.S. city, showed that borrowers in New York had on average $34,900 in debt, 18 percent above the national average. About 1 million, or 15 percent, of residents had loans, totaling $34.8 billion of the country's $1.3 trillion in student debt.

Borrowers aged 45 and older and those with lower student loan balances struggled the most, the report on the largest U.S. city found. Bronx borrowers had an average balance of $14,784 compared with $21,483 for those in Manhattan.

Student loans account for a growing share of the total U.S. debt of $12.8 trillion, and delinquency rates have remained stubbornly high since 2004, a trend that has perplexed and concerned some policymakers.

The report suggests poorer borrowers are bearing the brunt of this trend that New York Fed President William Dudley has warned could ultimately hurt overall U.S. home ownership and consumer spending. Delinquencies and defaults damage borrowers' credit reports, hampering their ability to make investments and climb the economic ladder.

New York's lower-income neighborhoods had disproportionately high delinquency and default rates, and successful repayments varied widely across its five boroughs and many neighborhoods, the report found. The New York Fed defined low-income areas as those with residents earning less than $35,900 annually, while high-income was more than $72,301.

The Bronx, the northernmost borough with the city's lowest median household income of $35,302 last year, had the most student-loan distress and was home to four of the five neighborhoods with the highest default rates, the report said. They included Belmont, Crotona Park East and Hunts Point. The other neighborhood, Brownsville/Ocean Hill, is in Brooklyn, in the city's southeast, which had $50,640 in median income according to the U.S. Census Bureau.

The lowest-income neighborhoods had a 20 percent delinquency rate, more than twice that of the highest income neighborhoods, particularly Manhattan which had a median household income of $75,513 last year.

More than half of student borrowers in high-income areas reported successfully paying down their loans, compared with about a quarter in low-income areas.

"We hope that this report will serve as a foundation for policymakers and other stakeholders to develop pragmatic solutions that can provide relief to struggling borrowers," the authors wrote.

The report, based on the New York Fed's consumer credit data, urged programs to assist with enrollment and educate borrowers on repayment programs.

Reporting by Jonathan Spicer; Editing by Richard Chang

BUSINESS NEWS

JANUARY 23, 2019 / 10:05 AM / UPDATED AN HOUR AGO

Huawei executive has strong case against extradition: Canadian envoy

David Ljunggren

OTTAWA (Reuters) - A top executive from Huawei Technologies Co Ltd being held in Canada can make "strong arguments" against extradition to the United States, in part due to remarks made by U.S. President Donald Trump, Canada's ambassador to China said.

New York Student Loan Stories

Collected by New Yorkers for Responsible Lending - Student Loan Working Group

The following stories illustrate serious problems with student loan servicing companies and lenders in New York State, illustrating examples where student loan servicers failed to provide accurate, correct and complete information about repayment options. These troubling information failures frequently caused the loans to go into default and be referred to collections, even though the borrowers could have qualified for various repayment protections to lower or eliminate their payments through Income-Driven Repayment plans, public service loan, and disability-based or school-based discharges. The stories were collected from 2014-2016 by the NYRL Student Loan Working Group, and were submitted by organizations including Brooklyn Legal Services, Consumers Union, Empire Justice Center, Higher Ed Not Debt, and MFY Legal Services.

John's Story
Problem illustrated: *"I want to lower my payment or apply for a discharge, but I don't know what to do. (i.e. servicer didn't explain available relief through Income-Driven Repayment [IDR])."*

John is 77 years old, retired and receives Social Security retirement benefits. He enrolled at Delphi in 1982 for paralegal studies. He never finished the program. He also never received any collection letters until garnishment of his Social Security benefits began in 2013. The garnishment took $140 of his $997/month benefit.

He received a letter from Premiere Credit of North America, LLC about rehabilitation program in September, 2014. The letter that if he made payments of $5 per month, the debt would be satisfied. The balance due was $15,292.69.

John had issues with payments. His checking account changed during the rehab period. He called Premiere to try to fix it, but they said that he had to start all over again. Premiere misinformed him that he had to make nine consecutive payments, rather than nine out of ten. They also never informed him of his option of consolidating the loans, and getting out of default. When he brought it up, they misinformed him that consolidation would take longer than rehabilitation. MFY Legal Services, Inc. eventually helped him consolidate and get into IDR with $0 payments, but he's come back each year for help with recertifying.

Claudia's Story
Problem illustrated: *"I want to lower my payment or apply for a discharge but don't know what to do (i.e. servicer didn't explain available relief through Income-Driven Repayment [IDR])."*

Claudia was in default on her student loans around Aug. 2015. She received a threatening email from Great Lakes January 2016 about garnishing her income. Her legal services attorney advised her to consolidate and get into IDR. She couldn't finish application online, so she called her servicer. The servicer representative said she needed to make a payment before garnishment starts. The servicer gave her one option - rehabilitation. She brought up consolidation. The servicer said she could do that but by the time the consolidation went through, her wages will be garnished and once that happens, she can't do anything. The servicer also said online consolidation application didn't work because she was already in default.
The servicer representative asked her how much she was paying before deferment. She was paying was $255 a month, just the interest amount. The servicer representative asked if she could agree to pay

that, even though she was only earning around $1,000/month at this point. She said no, so the servicer offered $200. She said she could pay that now, but not sure going forward. He took the $200 payment, then he tried to get her to agree to monthly payments of $200. The servicer had her look at terms and conditions for rehabbing and wanted her to agree over the phone. She said that she wanted to look it over with someone. The legal services attorney eventually helped her consolidate her loan, and get into an income-driven repayment plan of $0.

Christine's Story
Problem illustrated: *"I can't figure out who to talk to (i.e. difficulty using National Student Loan Data System (NSLDS) to identify point person; no point person; lost records for older borrowers)."*

Christine is 63 and retired. After the recent death of her husband, she relied on social security income and applied for food and housing assistance to make ends meet. She experienced financial hardship when the Department of Education began garnishing her social security income based on a default judgment that was wrongfully obtained. Ms. Davis's student loans had been discharged in bankruptcy years before the ED case was brought. However, because the case was brought using an out-of date maiden name and was served at the wrong address, Ms. Davis did not have a chance to defend herself. With help from LSNYC and its pro bono partners, Christine stopped the garnishment and received an acknowledgment that the default judgment was obtained in error. After eight months of advocacy, she was reimbursed for prior garnishments.

Berenice's Story
Problem illustrated: *"I want to lower my payment or apply for a discharge, but I don't know what to do (i.e. servicer didn't explain available relief through Temporary or Permanent Disability Discharge)."*

Berenice attended a nine-month long fashion design program in 1989. She then said that she heard that the school had closed due to fraudulent activities. She borrowed about $6,225 in student loans. She made some loan payments for about a year after she completed the program but stopped due to illness. She was diagnosed with cancer in 1992 which rendered her disabled and unable to work for some period of time. She said she recalls receiving a call a few years ago from someone that was Spanish speaking who told her she could make payments on the loan as low as $5 per month. She then received a letter in the mail that stated her payments were to be $245 per month. Berenice said that she believes she now owes $32,000. She was not informed of possibility of a disability discharge, school-related discharges, or income-driven repayment plans.

Jasmine's Story
Problem illustrated: *"I want to lower my payment or apply for a discharge, but I don't know what to do (i.e. servicer didn't explain available relief through Income-Driven Repayment or Fraud-Based Discharge)."*

I enrolled in the Art Institute in Pennsylvania in 2008-2010. I was signed up for a digital art program but had to leave during a period of domestic violence. When I relocated with my daughter and reached out to resolve my student loan situation, I experienced difficulty communicating with the student loan company. I experienced intimidation; I did not receive information about fraud-based discharges or income-based repayment, even though I was trying to support myself and my daughter on a limited income.

I was living in a shelter for Domestic Violence survivors when I first moved to New York. But the student loan company made it impossible for a person in my situation to communicate and follow-up on my loans -- they kept sending mail to the old address that I had escaped from. I ended up in default with my wages and earned income tax credit being taken.

I later found out that because my income is so limited, I am eligible for $0 payments on income-based repayment. What's more, because of Art Institute's fraud, my loans are dischargeable. None of this was communicated to me. The servicers wouldn't help and when I was transferred to a collection agency, they were even worse. They threatened me and wanted direct access to my bank account so that they could push me into a rehabilitation program. They would not provide anything on paper and I not trust what they were saying.

I was able to do my own research, and reach out to family members who provide financial aid counseling. After I connected with an attorney, I was able to consolidate my loans, qualify for $0 payments with income-based repayment. I am now trying to apply for a fraud-based discharge. I am hoping to go back to school to continue my education. If I had just done what the student loan companies told me, none of this would have been possible -- I would still be in default and paying money to rehabilitate fraud-based loans.

Marisol's Story
Problem illustrated: *"I want to lower my payment or apply for a discharge, but I don't know what to do (i.e. servicer didn't explain available relief through Income-Driven Repayment or Fraud-Based Discharge)."*

In 1980s, Marisol enrolled in SCS Business and Technical Institute. They changed her information and signed her up for $6000 in loans that she didn't know about. SCS closed down after the New York State Education Department (NYSED) sued them. In addition, the U.S. Department of Justice sued them, and the U.S. Department of Education investigated SCS. But the debt collectors still came after her.

For over 20 years, Marisol has paid $12,000 and they say she still owes about $14,000. No one ever told her she was eligible for a discharge. They just kept collecting even as she was living in poverty and paying $100/ $50 each month, to repay a loan that she is entitled to be free from under the law.

Anne's Story
Problem Illustrated: *"I tried to apply for student debt relief but it didn't work out (i.e. servicer gave me wrong information, or obstructed relief for Temporary or Permanent Disability [TPD] discharge.)"*

Anne had an outstanding loan from Nelnet, and was having her widow's benefits garnished at a rate of $200 a month. Anne has terminal cancer. She applied twice and was denied twice for a Temporary or Permanent Disability Discharge (TPD). She called Nelnet. Her first application was denied because a doctor missed one box on the form. The second application was denied b/c the update was signed by a Physician's Assistant and not the doctor. If the two forms were put together, Nelnet would have everything they need.

It's very hard for low-income people who are disabled to keep going back to their doctor's offices. Often, they don't have a strong personal relationship or good quality medical care.

Anne's husband was a Vietnam Vet who was also terminally ill. He became 100% VA certified for disability, and then died shortly after. Anne called Nelnet asking for discharge information. She wanted to submit the VA disability information. The Nelnet representative kept saying that her husband had tried to apply for a disability discharge before but hadn't completed the application; that Nelnet couldn't help her now because her husband could not fill out the form. They hung up on her 3 times, and did not provide helpful assistance.

Leila's Story
Problem illustrated: *"Inaccurate information provided to borrower regarding consolidation."*

Leila was hoping that after 20 years of payment, her loans would be forgiven, but having reconsolidated her loan with the Direct Loans a few years ago, she is "back to square one". Now, she is working with a consumer advocate and the Dept. of Education to rectify her remaining debt situation.

Jessica's Story
Problem illustrated: *"Servicers failed to respond to my request for forbearance and failed to inform me of my income-driven repayment options."*

Jessica was 19 and a single mother of 2 living in an apartment with her boyfriend when she decided to pursue her college degree for the first time. The school let her complete a semester, but then told her she couldn't sign up for her second because - since the school counted her father's income in her financial aid - she herself owed more money for tuition. She couldn't afford to pay that before the second semester started, so she did not return. It eventually got paid through garnishing her income tax. She then attempted to go back to school about 5 years after that. She completed another semester but due to family issues she didn't go any further. Now she is back into debt. Jessica tried to get that loan deferred because she was unemployed and on social services. She emailed and called the servicers, and sent them all the info they asked for. However, Jessica never heard from them again, with the exception of bills from them asking her to pay the debt. Jessica can't afford these payments, and now has two children which she supports paycheck-to-paycheck. She says that she is afraid her wages will be garnished again, and won't be able to do anything about it.

Sheila's Story
Problem illustrated: *"I want to lower my payment or apply for a discharge, but I don't know what to do (i.e. servicer didn't explain available relief through Income-Driven Repayment or Forbearance.)"*

I had my undergraduate student loan (GSL) 2/3 paid off and was in a financial hardship while I was caring for my dying mother. I was scared into consolidating my Federal Graduate student loan(s) with my Undergraduate loans. Suddenly the loans became regular loans, not low interest student loans with higher interest and the premium doubled, then tripled in value. I continue to pay monthly, now an amount I can afford, but the loan and interest continues to grow far larger than what I am able t pay and certainly larger than what I borrowed. It is financially stifling.

Roberta's Story
Problem illustrated: *"I consolidated my loan at high interest rates, and had no ability to refinance later on. Also, Federal loan forgiveness for public service didn't apply to the particular federal loan I had."*

Despite many routine monthly payments while I was working full time for about 15 years after graduation, my student loan debt has quadrupled in size with interest and late fees accrued during the years I was approved for deferment and income sensitive repayment. I consolidated upon graduation at 9% and was informed that I am now prohibited from ever consolidating or refinancing again even though current rates are presently at or around 2%. I subsequently worked another 10 years in public interest law to qualify for loan forgiveness yet the government wrote back saying that my federal loans are not the federal loans that are eligible for the Public Service Loan Forgiveness program.

Angel's Story

Problem illustrated: *"I want to lower my payment or apply for a discharge, but I don't know what to do (i.e. servicer didn't explain available relief through Temporary or Permanent Disability Discharge)."*

Angel's wife receives unemployment benefits. Their 19 year old son receives SSI. Their 15 year old son Michael – receives SSI. They live in a NYCHA public housing building. Angel filed taxes jointly with his wife for past 5 years. He never had a problem before until this year when the wife didn't receive her return. The Treasury took $4,990 from her federal return because of her husband's student loan debt. Angel's wife's name is not on his student loan. The collector told her she has to agree to pay something for them to return her money. But they returned it all after she filed a Form 8990 showing that it was only her income.

Angel cannot work. He cannot sit or stand for too long because of neuropathy and other ailments. The Berk Auto Trade School closed while he was attending. He attended beginning in 1987. The school promised to get him a job and never fulfilled that. He borrowed $6,000 but now his loan balance is up to $20,000.

The servicer never discussed the possibility of a school closing discharge. The servicer also never discussed entering into an income-driven repayment plan, which could have avoided the Treasury offset and further collection actions.

Esmerelda's Story

Problem illustrated: *"I am being harassed and provided inaccurate information by my student loan servicer."*

Well, we sent our son off to college, and he was there 5 years. Six months after graduation [the student loan companies] start like buzzards circling their prey. He finally got a full-time job and the two loans each wanted him to pay $800.00 a month payment. He said he couldn't pay that, because he also had a car loan of $635.00 a month, and an apartment rent of $800.00 a month, plus utilities and food. So he told them he could pay $300.00 each to them a month. Well, that isn't good enough! They want it all!

Now they are harassing us [the parents], and neither one of us work, because I am the caregiver for my Disabled Vietnam Veteran husband, so we live on his 2 pensions. They said they were going to take some of both of his pensions, and if I ever did get a job, they would garnish my wages. They are also calling and harassing our friends, and other family members.

If they take part of our pension, we will lose our home, car and everything. This is so unfair! Our son has been trying to pay them as much as he can, and now he has falling behind on his car payments, and the car finance company wants to seize his car. What can be done? The Student Loan Companies are: Sallie Mae and NelNet!

Wendy's Story

Problem illustrated: *"I want to lower my payment or apply for a discharge, but I don't know what to do (i.e. servicer didn't explain available relief through Income-Driven Repayment plan.)"*

The past two years have been particularly tricky for my family, including with finances. Before this difficulty came to pass, I had signed on to make the interest payments on my son's student loan, rather than the basic $25/month repayment, in the interest of his having less to pay back once he got out of school. It turns out that our finances changed, with my husband not having the bonus that was anticipated.

Sallie Mae, prior to becoming Navient, didn't want to hear it. It's not even that we were begging off repayment, but that I wished to revert back to the $25/month payment. A few months later my husband lost his job. My son couldn't find a job either-in fact, he had to move to Philadelphia to find one, after having no luck here at home; and Sallie Mae/Navient wouldn't budge. The interest keeps compounding and they make phone call after phone to my home and sending letters supposedly offering different terms of repayment but when you get them on the phone it's the same old song and dance. Last summer they had actually suggested that my family cut back on groceries.

Anonymous Client Story from Empire Justice Center
Problem Illustrated: *"I tried to apply for student debt relief but it didn't work out (i.e. servicer gave me wrong information, or obstructed relief for Temporary or Permanent Disability [TPD] discharge.)"*

An Empire Justice Center client received a 7+ year review match letter. The client was worried about tax consequences of debt forgiveness being considered as income. An increase in her income would cause her to lose income-based housing assistance. The loan originator, Nelnet just said ok, we'll just do nothing. Nelnet did not tell her that because she had no income or property, the tax liability would not apply.

The client's TPD discharge application was approved by Nelnet. The loan servicer, Mohela was supposed to transfer the files but did not. They said that they have "no record" of a discharge and asked her to fill out an IBR application, even after Nelnet already told her she was approved for the disability discharge. The client called Nelnet again, and Nelnet said that they could not reach out to Mohela again for at least 120 days, but the client should "ask Mohela to email Nelnet and ask Nelnet about the status of the disability discharge." This incident severely exacerbated the client's anxiety and mental health issues.

Demaris' Story
Problem Illustrated: *"I had difficulty obtaining information on how to make an extra payment to the servicer each month."*

I am helping my son pay his student loan with Sallie Mae. I wanted to send an extra payment each month to Sallie Mae to bring down the principle while he was attending a school. After more than an hour and several operators later, I finally was able to speak to some who understood what I wanted to do. Currently, he is set up for automatic interest only repayment.

First they said it was not possible, I finally spoke to someone who told me if I'm made an additional payment and set the date to the same date as when the automatic payment was supposed to be withdrawn the additional payment would go to the principle which it does. The only problem with this is if the date falls on a holiday or weekend they charge you interest for the days it goes over the assigned date, which I do not think is fair.

Deanna's Story
Problem Illustrated: *"My husband's loan went into default without proper notification."*

I don't know if this counts as a scam, but my husband's student loan went into default without being notified. Sally Mae sent an email to an email address at a company my husband no longer worked at and he didn't get it. Now we have an $11,000 fee added to the original loan.

Tammy's Story

Problem Illustrated: *"I got scammed by a company promising 'Obama Loan Forgiveness' because they said they could help and I didn't know where to turn (i.e. student loan servicing scams)."*

Tammy went to Global Consolidation to seek assistance with repaying her student loans. Without her knowledge or consent, Global used Tammy's name to take out another loan for over $1,300 to pay themselves for their "services." When Tammy started receiving collection letters from FedLoan (a new servicer for her), she called FedLoan and a servicing representative told her that Global is a known fraudulent entity. She asked for help resolving her new debt with Global, but was not able to receive any assistance.