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NCLC Advocates Applaud Department of Education Crack Down of Five Collection Agencies

(Boston) Advocates at the National Consumer Law Center (NCLC) applaud the Department of Education's [decision](#) to terminate the contracts of five private collection agencies after finding that these companies gave inaccurate information at unacceptably high rates.

NCLC recently documented abuses by the Department's private collection agencies in its 2014 report, [Pounding Student Loan Borrowers: The Heavy Costs Of The Government's Partnership With Debt Collection Agencies](#). "Unfortunately, we found that the contract between the Department of Education and its private collection agencies prioritizes profit over borrower rights," says report co-author and NCLC staff attorney, Persis Yu. In fact, according to [documents](#) obtained through the Freedom of Information Act, in 2012, two of the five companies on the Department's cancellation list received bonuses: Pioneer Credit Recovery received the largest bonus of all 22 collection agencies, and Coast Professionals received the third highest bonus.

"It is encouraging to see the Department take steps towards a more accountable debt collection system; however, a lot more needs to happen to stop collectors from gouging student loan borrowers on the taxpayer dime," says co-author and director of NCLC's Student Loan Borrower Assistance Project, Deanne Loonin. "We also urge the Department to explain what this long overdue action means for borrowers. It is essential to provide relief to borrowers harmed by abusive collection agency practices."

NCLC advocates have called for the elimination of private debt collection agency involvement in collecting federal student loans. "Counseling is, obviously, not the primary mission of loan collection agencies. Debt collectors are not adequately trained to understand and administer the complex borrower rights available under the Higher Education Act," says Loonin.

NCLC advocates point to the new [pilot program at the Department of Treasury](#) as an opportunity to test different models with the goal of understanding how to collect money when appropriate, and inform and counsel borrowers about the full range of available options. "In the meantime, the Department should keep engaging in aggressive oversight. This should include a focus on how the collectors are explaining and implementing the new rehabilitation program," says Yu. "The Department of Education's private collection agencies are often a borrower's only source of information on their rights under the Higher Education Act. It is critical that this information be correct."

Other Resources:

NCLC, [*The Sallie Mae Saga: A Government-Created, Student Debt Fueled Profit Machine*](#) (Jan. 2014).

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Since 1969, the nonprofit **National Consumer Law Center®** (NCLC®) has worked for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training. www.nclc.org

NCLC's **Student Loan Borrower Assistance Project** provides information about student loan rights and responsibilities for borrowers and advocates. We also seek to increase public understanding of student lending issues and to identify policy solutions to promote access to education, lessen student debt burdens, and make loan repayment more manageable. www.studentloanborrowerassistance.org