



FOR IMMEDIATE RELEASE:
MAY 13, 2015

Contact: Jan Kruse jkruse@nclc.org, 617-542-8010

Statement Regarding May 14 CFPB Hearing on Student Debt

(Boston) Deanne Loonin, director of the National Consumer Law Center's Student Loan Borrower Assistance Project, will speak at the [Consumer Financial Protection Bureau \(CFPB\) public field hearing on student debt](#) in Milwaukee, Wisconsin on May 14. By holding this hearing and asking for input on how to better protect borrowers, the CFPB is taking another important step toward market wide reform of the student loan industry.

At the hearing, Loonin will call on the CFPB and other federal and state regulators to step up oversight to help ensure that struggling student loan borrowers get relief. There are many existing tools that the agencies can use to protect borrowers but more needs to be done. While aggressive supervision and oversight must start now, the CFPB, U.S. Department of Education, and other agencies must also act quickly to develop strong student loan borrower protections that are straightforward, transparent, and privately enforceable. The absence of clear borrower protections contrasts with other consumer credit areas such as credit cards and mortgages.

It is particularly important to ensure that student loan servicers are providing comprehensive and unbiased counseling. The stakes are high. A servicer is a borrower's primary point of contact. If the servicer is competent and efficient, many financially distressed borrowers will avoid default. Quality servicing is also critical for current borrowers to ensure proper application of payments, and to provide accurate and timely information about accounts and other assistance.

Current federal aid practices and policies hammer students who do not succeed the first time. The government can garnish a borrower's wages without a judgment; seize his tax refund (even an earned income tax credit); seize portions of federal benefits, such as Social Security; and deny him eligibility for new education grants or loans. Even in bankruptcy, most student loans must be paid. Unlike any other type of debt, there is no statute of limitations. Even those who can make some payments face serious damage to their credit reports or ability to get credit for critical purchases such as cars and homes. On the private loan side, many borrowers are stuck with predatory loans from years ago that continue to stay alive due to the shady practices of debt buyers.

The student loan programs work well for many students who complete their educations and earn sufficient income after graduation to repay their debts within a reasonable period of time. Unfortunately, this scenario is becoming less common as borrowers get deeper into debt earlier in the process and do not know about available, if limited, options that could help them avoid problems down the road. Once these problems begin, collection costs and fees accrue so rapidly and aggressive collection efforts hit so hard that many borrowers never recover.

These policies prevent individuals from getting a fresh start and impede economic productivity by preventing many students from returning to school, succeeding, entering repayment on their loans, and entering the labor force. Access to higher education is key to help struggling families remain in the middle class and help those lower on the economic ladder to get ahead.

###

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