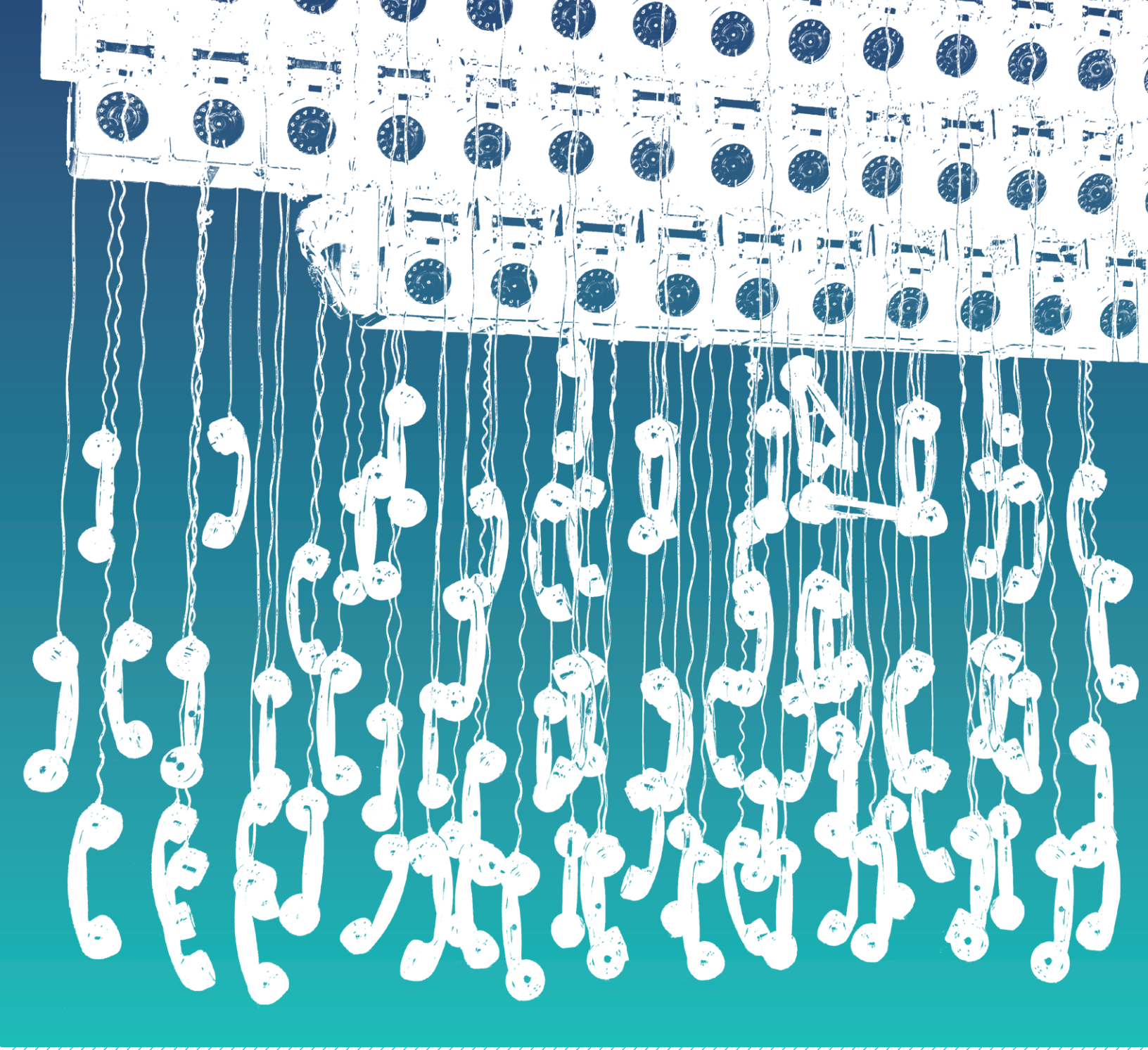


# CUSTOMER DISSERVICE

## EXAMINING MAXIMUS, THE FEDERAL CONTRACTOR THAT JUST BECAME THE LARGEST STUDENT LOAN COMPANY IN THE WORLD.

MARCH 2022

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# Executive Summary

Maximus Federal Services, Inc. ("Maximus") is the biggest student loan company in the world. Unlike well-known student loan giants such as Navient, Maximus has largely escaped public scrutiny since it first entered the federal student loan system more than two decades ago. However, much like its better-known peer Navient, Maximus—now servicing federal student loans under the name "Aidvantage"—has been accused of subjecting student loan borrowers to a wide range of harms and abusive practices. Further, because of its unique position as the sole servicer for student loans in default, any errors or abuses on Maximus's part can have devastating consequences for some of the most vulnerable student loan borrowers. In some of the worst cases, these abuses can result in borrowers having their wages, Social Security benefits, or tax refunds wrongfully seized by the government. Maximus in its many roles—as sole servicer for defaulted loans, with a growing list of scandals and abuses, and as Aidvantage, the newly branded servicer of performing loans—sits at the heart of the federal student loan system.

**Maximus—now servicing federal student loans as "Aidvantage"—has been accused of subjecting student loan borrowers to harms and abusive practices.**

This report aims to bring Maximus and Aidvantage out of the shadows of the student loan system. In January 2021, Navient completed the transfer of its federal student loan portfolio to Aidvantage, making Maximus the largest student loan company in the world. This shift immediately affected the lives and livelihoods of too many borrowers to go unremarked. In fact, in the weeks following the completion of this transfer, over 150 Aidvantage customers have already registered complaints with the Consumer Financial Protection Bureau ("CFPB") related to the quality of servicing provided by the firm. Private companies servicing federal student loans are responsible for helping students navigate a range of rights under the Higher Education Act ("HEA") and should be held accountable when they fail to do so.

The Student Borrower Protection Center and the Communications Workers of America conducted a first-of-its-kind study of government records, court filings, consumer complaints, and public reports of abuses by Maximus across its varied functions at the center of the student loan system.

This report finds that Maximus has a long record of mismanagement, including evidence of:

- **Sloppy and potentially unlawful student loan servicing.** Under the federal student loan servicing contract previously awarded to Navient and assumed by Maximus in late 2021, the firm is responsible for managing more than five million borrowers' student loans. As described in detail below, borrowers across the country have reported a range of breakdowns since Maximus launched its Aidvantage business unit, including violations of its government contract and practices that potentially violate both state and federal consumer protection laws.

- **Unfair debt collection practices.** As the sole servicer responsible for handling student loan accounts for millions of federal student loan borrowers in default, Maximus is obligated to counsel borrowers about options to cure loan defaults and restore loans to good standing. Instead, as described below, litigation filed on behalf of low-income student loan borrowers alleges Maximus engaged in a wide range of unfair or otherwise illegal debt collection practices, systematically denying borrowers' rights under the law.

- **Causing unlawful wage garnishment and seizure of public benefits.** Maximus also serves a central role as the company responsible for directing borrowers' accounts for forced collections, such as wage garnishment and the seizure of tax refunds and public benefits, including the Earned Income Tax Credit and Social Security payments. In 2018, the U.S. Department of Education ("the Department") was ordered by a federal judge to halt all forced collections for tens of thousands of borrowers whom the government already deemed entitled to have their loans cancelled because they were defrauded by certain for-profit colleges. Maximus failed to follow the Department's instructions and instead caused so many of these borrowers to have their wages garnished and tax refunds seized that a federal judge ultimately held the then-Secretary of Education in contempt of court over the company's failure.

With great public investment must come great transparency and accountability. This report serves to illuminate the many roles Maximus plays within the federal government and the harms borrowers have suffered throughout its more than a decade of contracting with the U.S. Department of Education. As Aidvantage brings Maximus into new prominence in the student loan system, borrowers and regulators alike must know the name of the biggest player in the game.

# Introduction

## Maximus/Aidvantage: The Largest Student Loan Company in the World

In September 2021, the scandal-plagued student loan giant Navient, following nearly a decade of investigations and litigation by government enforcement officials, announced that it intended to leave the federal student loan system.[1] It was the third student loan servicer to announce its departure that year.[2] Unlike in the other servicers' departures where the companies simply announced that they would not be renewing their contracts, Navient quietly renewed its government contract and then subsequently announced that it had reached an agreement "to transfer the loan servicing for U.S. Department of Education-owned student loan accounts from Navient" to a different private-sector company of its own choosing: Maximus, now operating as "Aidvantage."[3] The "novation" (that is, the agreement to substitute Maximus for Navient in its contract to service millions of federal student loan accounts), while approved by the Department,[4] was an agreement to a major shift in the federal student loan system initiated and shaped by these two privately owned companies.[5]

Maximus—though virtually unknown to the general public—is a long-time participant in the federal student loan system. From 2000 to 2006, Maximus contracted with the Department as a private collection agency ("PCA") collecting on student loans in default.[6] Since 2013, Maximus has served as the default loan servicer for the Department's entire defaulted loan portfolio.[7]

**Maximus is now the largest student loan servicer in the world, managing a staggering $449 billion of debt owed by almost 13 million borrowers and playing a key part in millions of additional borrowers' repayment sequences.**

As a result of the Department's approval of the transfer of Navient's massive loan portfolio to Maximus, the company has added approximately 5.5 million student loan borrowers to the more than seven million borrowers whose loans the company already oversaw.[8] Further, beyond the nearly 13 million borrowers for whose accounts Maximus and Aidvantage now have sole day-to-day management responsibility, in 2020 Maximus was also selected as one of five "Business Process Operations" vendors by the Office of Federal Student Aid.[9] In this role, Maximus provides a wide range of back-office functions across the federal student loan system for millions more people with student debt, including operating call centers that answer borrowers' questions about student loan repayment.[10] This means that Maximus is now the largest

student loan servicer in the world, managing a staggering $449 billion of debt owed by almost 13 million borrowers and playing a key part in millions of additional borrowers' repayment sequences.[11]

As described in more detail below, Maximus's tenure as the Department's sole loan servicer of defaulted loans has been marked by scandal, as the company has been accused of unlawfully causing the garnishment of borrowers' wages,[12] depriving defaulted borrowers of their rights with understaffed call centers,[13] and violating federal and state debt collection laws.[14] Because the company operates in the shadows, the public may never know the full extent of the ways that borrowers have been harmed by Maximus's abusive practices.

## The Federal Student Loan Landscape

The U.S. Department of Education manages the more than $1.6 trillion federal student loan portfolio by outsourcing the operation of the "the largest special-purpose consumer bank in the world"[15] to private companies, many of which have a long history of abusing the 43 million student loan borrowers they are collectively hired to serve.[16]

At the center of the federal student loan system, a little-known private-sector company known as Maximus Federal Services, Inc. has provided a wide range of financial services and operational support to the Department for more than a decade. This report examines newly public court filings and other government records to document the Department's long contractual relationship with Maximus, exposing how, operating in the shadows, this company has endangered vital consumer protections for millions of student loan borrowers.

Maximus and other private-sector companies, called "servicers," are responsible for performing tasks ranging from the mundane, such as processing monthly payments, to the extraordinary, like designating borrowers as being in default and therefore subject to one of the government's draconian debt collection measures, such as wage garnishment or the seizure of federal benefits.[17] Federal student loan borrowers have a host of rights under the Higher Education Act—from income-driven repayment options to cancellation programs for borrowers who have been defrauded by their schools.[18] It is the responsibility of servicers to help borrowers navigate this panoply of options, and both the Department[19] and servicers themselves[20] represent that these companies exist to help guide students to their rights. But all too often, these companies fail to do so. Before the COVID-19 pandemic, more than one-in-four borrowers were behind on their federal student loans, and the consequences for borrowers have been disastrous.[21] Incidentally, Maximus is also responsible for the administration of the Department's collection efforts against defaulted borrowers.

Of the 43 million student loan borrowers, more than seven million of those borrowers were in default on their federal loans at the end of fiscal year 2021.[22] Racial disparities in default rates disproportionately expose borrowers of color to these government offsets and other damaging debt collection practices. The racial wealth gap significantly contributes to Black and Latino borrowers having to take on more student debt to access higher education.[23] Further, Black borrowers are nearly three times as likely to attend for-profit schools than their white counterparts—institutions where almost half of all students enter default within 12 years of starting and where loan discharge claims under Defense to Repayment rules (another system Maximus helps administer) tend to arise.[24]

**These disproportionate [default] rates indicate that Maximus's role in the Department's collections efforts may be the site of a brewing racial justice issue.**

Wage and employment discrimination intensify these disparities.[25] In addition to more debt, these borrowers experience higher rates of delinquency and default, as Black borrowers default at twice the rate of their white peers.[26] Research by the Washington Center for Equitable Growth found that zip codes with higher shares of African Americans or Latinos, including many communities that are already economically disadvantaged, show much higher delinquency rates on their student loans.[27] While the Department has neither published absolute numbers on the racial demographics of the millions of borrowers in default, nor directed Maximus to do so based on the company's collections efforts, these disproportionate rates indicate that Maximus's role in the Department's collections efforts may be the site of a brewing racial justice issue.

For nearly three decades, the federal government has allowed private companies to drive borrowers into default and implement overly punitive collections efforts on its behalf.[28] The following report spotlights Maximus and its long history with the Department, operating from the shadows and leaving borrowers at a loss for redress when their rights are violated.

# Maximus, Inc.: "Becoming the Government"

Maximus, Inc.,[29] the parent company to Maximus Federal Services,[30] is a massive government services company that rakes in nearly $4 billion taxpayer dollars every year, ostensibly towards the goal of "helping government serve the people."[31] While Maximus's share of the Department's student loan portfolio is impressive, the company's numerous and lucrative contracts with other public service-oriented agencies reveal the true size and scope of the private company's central role within the federal and state governments.

The many inroads that Maximus has made into the broad expanse of the federal public service landscape are connected by a single thread: Maximus has focused on the provision of critical public service functions to the most marginalized and vulnerable Americans. The company recognizes that the strength of its business model lies in its entanglement with the vital services the federal government provides to people. In a disclosure to its investors, Maximus explains that by targeting "the most vulnerable populations," the firm "helps insulate our services from significant downward pressure, particularly during an economic downturn."[32]

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Forty-five percent of Maximus's $4.25 billion in total revenue during fiscal year 2021 was generated through its federal services contracts.[33] In addition to funds awarded by the Department, this haul includes a financial windfall from the COVID-19 global pandemic—the company's revenue grew nearly 23 percent between fiscal years 2020 and 2021[34]—but also longer-term contracts from federal agencies, including:

- **The Department of Veterans Affairs.** Maximus provides medical examinations of military veterans seeking disability benefits, including managing veterans' disability assessments and appeals.[35]
- **The Department of Health and Human Services.** The company operates the Centers for Medicare and Medicaid Services ("CMS") call centers to assist Medicare and Affordable Care Act beneficiaries, in addition to holding contracts to conduct Medicare appeals work.[36]

- **The Department of Justice ("DOJ").** Until 2017, Maximus provided investigative support in the administration of the Drug Enforcement Agency's Civil Asset Forfeiture program.[37] DOJ's Office of Inspector General later concluded that the contractual relationship featured several concerning elements, including involving the private company in "the direct conduct of criminal investigations," a distinctly governmental function.[38]

Maximus's share of the public services outsourced by states is a close runner-up in size to the company's federal footprint—in fiscal year 2021, contracts with U.S. state governments accounted for 39 percent of Maximus's total revenue. [39] Most of these contracts are in the health services sector, where the company "bills itself as the largest provider of Medicaid administrative services."[40] The company powers the bureaucracy that parcels out public benefits across dozens of states.[41]

This merging of public service with private gain shows no sign of slowing down, as demonstrated most recently by Maximus's absorption of the Navient federal student loan portfolio under the Aidvantage banner.

# Maximus and the Department of Education

## Borrowers in Default

As Maximus has grown into a government services behemoth, the firm has developed a long relationship with the Department focused on maintaining the systems at the center of the government's student loan debt collection machine. For example, these functions include:

- **Maximus as a third-party debt collector.** Until 2006, the company operated as a private collections agency for the Department.[42] Though now ended, that contract resulted in Fair Debt Collections Practices Act ("FDCPA") complaints echoed by the lawsuits borrowers are bringing under the current contract.[43]

- **Maximus as the manager of the default platform.** Since 2013, the company has been granted nearly a billion federal dollars to operate and maintain the servicing platform used to manage approximately seven million student loan borrowers in default, known as the Debt Management Collections System ("DMCS").[44] In addition to "operat[ing], maintain[ing], and continu[ing] development" of the Department's office of Federal Student Aid's ("FSA") defaulted student loan portfolio, Maximus through DMCS "is responsible for manually recognizing and applying [borrower defense to repayment] tags to a borrower's account to prevent the DMCS system from referring an account to a private collection agency or to [the Department of the] Treasury for a TOP offset."[45]

- **Maximus as a call center operator.** Maximus also manages the call centers responsible for assisting federal student loan borrowers with complaints or concerns regarding their defaulted loans, known as the Department's Default Resolution Group ("DRG").[46]

Across each of these functions, Maximus had and continues to have the authority to bring the full weight of the federal government to bear in pursuit of economically vulnerable people behind on their student loans.

The penalties the Department imposes for defaulting on a federal student loan are extraordinary.[47] And in servicing these platforms and borrowers with defaulted debts, Maximus is responsible for the enforcement of

some of the most devastating contributing factors to the student loan crisis. Given the racial disparities in the student loan system, these draconian collection tactics are felt most acutely by communities of color.

As the servicer for all defaulted Department-owned loans, Maximus is responsible for nearly every facet of student loan collection, from maintaining account records and information to assisting borrowers attempting to access their rights under the HEA—which grants borrowers access to loan cancellation under certain circumstances and provides borrowers with various tools to get out of default.[48]

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A defaulted borrower's first interaction with Maximus is through the company's management of the DRG. Although a borrower defaults on their loan after 270 days in delinquency, or non-payment, the Department's pre-default servicer retains control of the debt and attempts to collect until the borrower is 360 days delinquent.[49] Once the loan is more than 360 days delinquent, the Department reclaims control of the now defaulted loan through the DRG, sending a "welcome letter" to the borrower, identifying the sender as the Default Resolution Group.[50] Significantly, the line between private contractor and the Department is blurred once again. Additionally, if the DRG subjects a borrower to abusive or harmful practices while servicing the defaulted loan, few borrowers have any way to know what entity is violating their rights, making it nearly impossible to vindicate the federal and state consumer protections violated.

In its role as operator of DMCS, Maximus is distinct from the Department's PCAs which, until December 2021,[51] performed activities such as contacting borrowers in default to recover owed debts and referring borrowers to DOJ for collection through litigation.[52] Maximus partners with the Department as a defaulted loan servicer at a much more fundamental level than those other private companies, both assigning defaulted loans to the PCAs[53] and also designating those loans for extremely punitive collections activities that often push low-income households to or over the financial brink.[54]

Unlike with nearly every other credit product, when a borrower defaults on their federal student loan the government can seize certain income and assets from the borrower without a court order.[55]

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Low-income borrowers are especially harmed because the government often seizes benefits—such as Social Security Retirement and Disability, the Child Tax Credit, and the Earned Income Tax Credit—aimed at promoting economic stability.[56]

Maximus implements its debt collection schemes by designating individual borrowers for Administrative Wage Garnishment and the Treasury Offset Program ("TOP").[57] These collection tools enable the Department to withhold up to 15 percent of an individual's paycheck or the borrower's tax refunds and federal benefits, up to the amount owed.[58] Moreover, a borrower in default is ineligible for further federal aid (including Pell Grants) to return to school.[59]

This treatment of borrowers in default has serious racial justice consequences. Maximus's implementation of these default collection tools extends beyond borrowers' immediate families and into their surrounding communities. These collection practices have the disastrous effect of systematically stripping wealth from communities of color through the above-mentioned seizures of cash.

Maximus's role as administrator of student loan borrowers' due process rights when borrowers' wages are garnished to repay defaulted loans is riddled with conflicts of interests. Maximus "draft[s] hearing responses to borrowers who request a hearing in response to notice" regarding Administrative Wage Garnishment and Treasury Offset.[60] Under the U.S. Constitution and federal law, when a borrower is designated for involuntary collection, that borrower has due process rights and is entitled to raise defenses to the collection of that loan.[61] Borrowers exercise that right by requesting a hearing in writing and submitting evidence supporting their request.[62]

While borrowers are entitled to request an oral hearing instead of a written review of their defense, there are more obstacles to obtaining that in-person hearing than a written review first drafted by Maximus.[63] In effect, Maximus is responsible for determining whether the Department should in fact collect against a borrower that, in many cases, Maximus itself designated for collection. Notably, some borrowers may raise defenses that would result in their loans being canceled and removed from Maximus's portfolio. Maximus is paid based on the number of loans in its portfolio.[64]

Additionally, Maximus contracts with the Department to manage the call center that handles all borrower complaints for FSA.[65] This means that when a borrower complains about Maximus's handling of their loan, that complaint is usually routed through Maximus first. Of the many duties Maximus performs on the Department's behalf, this adjudicatory function is especially concerning. The conflict of interest inherent to this arrangement is apparent on multiple levels. From the perspective of the borrower, it is inherently problematic that Maximus is the

filter through which the Department learns of complaints that borrowers lodge against itself. Additionally, as the primary contractor to service—and profit from—federal student loans in default, it is concerning that Maximus is at all involved in the adjudication of complaints that may result in borrowers remaining in default.[66]

## A History of Abuse

In the last several years, a number of lawsuits have alleged that Maximus routinely denied borrowers' rights under federal higher education law by:

- **Causing tax refunds to be illegally seized from low-income student loan borrowers.** In late 2019, a former Corinthian Colleges student initiated a class action lawsuit against Maximus for allegedly subjecting her to involuntary collections activity contrary to federal regulations.[67] Based on her allegations of fraud and misrepresentations by the for-profit college, Jaimaria Bodor applied to have her federal student loans canceled through the Department's Defense to Repayment rules. Under those rules, the Department, and by extension its private sector contractors, were required to stop all collections efforts while Ms. Bodor's application was pending.[68] The lawsuit alleges that by allowing Ms. Bodor's tax refund to be seized (and refunds belonging to thousands of similarly situated borrowers), Maximus subjected Ms. Bodor to involuntary collection in violation of the HEA, the FDCPA, and instructions by the Department.[69]

- **Violating a court order to halt to wage garnishment and debt collection against former for-profit college students.** Ms. Bodor's lawsuit came on the heels of another federal court's injunction in the case, *Calvillo Manriquez v. Cardona* (then DeVos). In that case, borrowers sued the Department for unfairly and illegally denying former Corinthian Colleges students relief under the Defense to Repayment rules. They filed the injunction against the Department's own efforts to collect on student loan debts held by 16,000 borrowers defrauded by predatory for-profit schools.[70] That court ultimately held then-Secretary of Education Betsy DeVos in contempt for failing to cease collections activities against borrowers seeking relief under Defense to Repayment rules—a failure the Department suggested was due to its inability to control its contractors, such as Maximus.[71] According to a 2019 Performance Assessment of Maximus, thousands of borrowers were subject to involuntary collection, such as wage garnishment and TOP, despite having filed a borrower defense application because Maximus failed to "tag" borrower accounts in time to stop this collection due.[72] These tags were not applied in a timely manner because Maximus failed to hire sufficient staff, thus creating a backlog of borrowers with

borrower defense applications, and because it designed its system with a "'blind spot' which was "incapable of identifying some involuntary payments, like [Ms. Bodor's]."[73]

- **Misleading borrowers about their right to reverse student loan defaults**. In January 2022, Brooklyn Legal Services brought a suit by nine plaintiffs against Maximus, along with Coast Professional, Inc., and the Departments of Education and the Treasury.[74] Specifically, the suit alleges that Maximus representatives incorrectly stated that these low-income borrowers would need to make three payments before consolidating out of default.[75] The Higher Education Act provides that borrowers have a right to consolidate their loan out of default without making a single payment if they agree to pay their loan on an income-driven repayment plan.[76] In fact, a 2017 CFPB report found that borrowers who consolidate out of default and directly into an income-driven repayment plan are less likely to redefault than borrowers who rehabilitated their loans.[77]

## Violations of Federal Collection Laws

The harmful impact of Maximus's actions on student loan borrowers is compounded and complicated because, unlike other student loan servicers, the company does not regularly identify itself as such to borrowers and instead operates as if it were the U.S. Department of Education.[78] This practice of obscuring its identity from borrowers threatens the integrity of the Department's public service function each time it communicates with a student borrower in default. It may also be illegal.

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The FDCPA was designed to protect consumers and eliminate abusive, deceptive, and unfair debt collection practices by third-party debt collectors.[79] Under the FDCPA, a "debt collector" is defined as any person who regularly collects, or attempts to collect, consumer debts owed to another person or institution.[80] In *Bodor v. Maximus*, the company stipulated that, "for purposes of this litigation only and in an effort to streamline discovery and the issues before this Court, defendant Maximus Federal is a 'Debt Collector' as provided in the FDCPA, 15 USC 1692a(6)."[81] While Maximus notes that the stipulation is only for purposes of "streamlining" litigation, the acknowledgment that it is a "debt collector" as provided by the FDCPA is significant.

Notably, Maximus does not act within the legal bounds of the FDCPA, and so if it is a debt collector as it has stipulated in *Bodor*, Maximus may have violated the FDCPA millions of times while collecting on federal student loan debt. For example, among the various requirements, under the FDCPA, a debt collectors is required to disclose that it is a debt collector attempting to collect a debt[82] and "cannot identify itself as the creditor or use the creditor's letterhead."[83] Section 1692e(11) of the FDCPA requires a full "mini-Miranda" warning in the initial communication from a debt collector to a consumer and requires in all subsequent communications disclosure only that the communication is from a debt collector.[84] Federal law provides that a debt collector calling a consumer for the collection of a debt without meaningfully disclosing its identity violates the FDCPA's prohibition on harassment, oppression, or abuse.[85] Maximus's regular failure to identify itself as such to borrowers thus is contrary to the requirements of the FDCPA.[86] Beyond failing to identify itself and disclose its roles as a debt collector, the FDCPA also includes a general prohibition of false, deceptive, or misleading representations.[87]

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Of course, the Department's partnership with Maximus predates the 2013 contract to manage DMCS and all student loans in default. In 2000, the Department awarded the company a contract as one of its 13 private collection agencies for defaulted student loans.[88] In 2003, the Department's Office of Inspector General ("the OIG") released an audit of FSA's monitoring of its private collections agency contractors. The OIG found, among other issues, that FSA did not properly track borrowers' complaints about these contractors and was unable to determine whether the PCAs, including Maximus, had violated borrowers' FDCPA rights.[89] FDCPA lawsuits later brought by student borrowers with loans collected by Maximus during the company's term as a PCA support these findings.[90]

## Attempts to Hide Behind the Sovereign Shield

Despite stipulating its role as a debt collector, Maximus still attempted to shield itself from accountability by claiming it was immune to liability due to its status as a federal contractor. In *Bodor,* for example, Maximus argued that any harm done to borrowers was unredressable in court because of the company's relationship with the federal government.[91]

Maximus' attempt to hide beneath this so-called "sovereign immunity" defense raises concerns about how all private companies servicing federal student loans may be able to wield government power against borrowers and enforcement of consumer protections. Student loan companies have a long history of hiding behind principles of sovereign immunity to shirk oversight and accountability or even evade borrowers' notice entirely.[92] Notably, in recognition of the harm these clauses cause borrowers, as of late 2021, the newest servicing contracts explicitly prohibit the use of sovereign immunity defenses.[93]

**Student loan companies have a long history of hiding behind principles of sovereign immunity to shirk oversight and accountability or even evade borrowers' notice entirely.**

The use of this shield illustrates the need for greater transparency and accountability around the critical public functions companies like Maximus perform for the Department.

# The Navient Novation and Beyond

Despite this long history, the Department continues to direct borrowers and business towards Maximus. The recent approval of the novation of Navient's contract is just the latest in a string of Department transfers of authority and responsibility to Maximus.

Such a dramatic shift in the student loan servicer landscape would be concerning even outside of the present moment. As a result of the COVID-19 pandemic, the Department suspended student loan payments and collections for tens of millions of federal student loan borrowers.[94] The payment suspension is scheduled to end on May 1, 2022. As a result, borrowers and servicers are scrambling for a smooth return to repayment after a pause of two years and as the COVID-19 pandemic continues to threaten both health and financial stability. This trepidation is compounded by the realization that, despite its years of partnership with the Department, Maximus's caseload has never before included borrowers with loans in good standing.

In only the few short months since Maximus's onboarding of the Navient loan portfolio and launch of "Aidvantage"—its new division to service those loans—there have already been several accounts of harm to borrowers.[95] In addition to more than 150 complaints from borrowers to the CFPB since December 2021[96]—Aidvantage's very first month servicing Navient's former portfolio—these harms include:

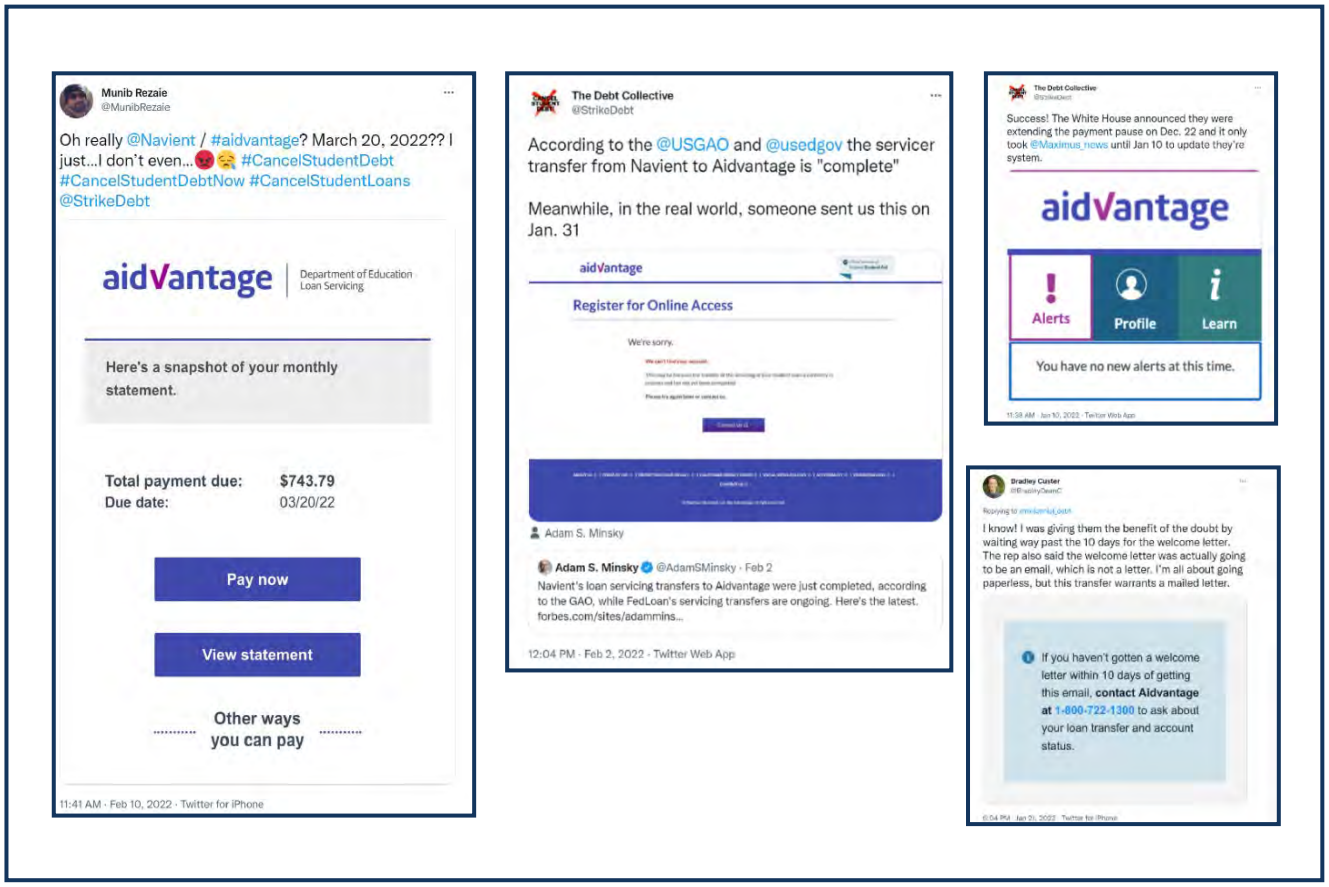
- **Failing to provide timely access to online accounts.** Although Navient completed the transfer of its borrowers to Maximus in December 2021,[97] borrowers report that Aidvantage had no record of their accounts as recently as February 2022.[98]

- **Failing to provide timely notices related to the transfer of servicing from Navient to Aidvantage.** Despite promises that borrowers would receive a welcome letter or email introducing them to their new servicer, borrowers reported initiating first contact with Aidvantage themselves.[99]

- **Providing inaccurate information about the pause on student loan payments.** It took Maximus nearly three weeks to update its website to reflect the extension of the student loan payment pause after the White House's December announcement, leading borrowers to believe that they would need to make a payment months before required.[100]

- **Erroneously sending borrowers collection notices during the payment pause.** As recently as February 10, 2022, Maximus has sent borrowers notices indicating that they have payments due, even though the COVID-19 payment suspension is still in place until May 1, 2022.[101]

### Figure 1. Early Reports of Harm to Borrowers[102]




These early reports are troubling, particularly against the backdrop of the industry's past record of fumbling student loan account transfers from one servicer to another.[103] As the largest student loan company in the world, managing $449 billion of debt owed by nearly 13 million borrowers and playing a vital role in millions of additional borrowers' repayment sequences behind the scenes, the scope of potential harm to borrowers if Maximus bungles its account transfers from Navient or return to repayment is massive.[104]

# The Future of Student Loan Servicing

Fixing the broken student loan system and holding its contractors accountable for harms to borrowers should be a top priority for the Department. As such, the Department's recent announcement that contract extensions for its student loan servicers would incorporate heightened standards for service and accountability was a welcome step towards protecting borrowers.[105] However, these new contract terms are not sufficient to claw back all of the consumer rights lost to years of blurring the lines between the Department's performance of public service and private companies failing to implement that vision.

For nearly 10 years of contracting in the higher education loan servicing space, Maximus has obscured its role not only as a debt collector but even as an entity distinct from the federal government and without the powers and immunities conferred by that status.

And the Department's practice of delegating the performance of critical public services is clearly not a thing of the past. Even more recently than the Navient novation, the Department announced the termination of its contracts with the PCAs previously responsible for collecting on millions of student loan accounts in default.[106] Eventually, the Department plans to transfer these accounts to contractors specializing in different aspects of loan servicing; however, in the interim, Maximus will add those borrowers to its already massive portfolio.[107]

In the wake of years of harm done to consumers and especially in light of the recent developments in the *Bodor* case, the Department and advocates for student loan borrowers must wonder what other federal laws and borrower protections Maximus is violating while it operates in the dark.

As Maximus and other private companies will likely continue to play a major role in the federal student loan system for years to come, the Department must shine a brighter light on the services these companies provide taxpayers on its behalf and implement stronger accountability measures to protect borrowers from private contractors prone to placing profit over the public good.

# Endnotes

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# Appendix: Aidvantage Exhibits

aidvantage | Department of Education Loan Servicing

PO BOX 9635 WILKES-BARRE, PA 18773-9635

U.S. Department of Education
Information about your federal student loan

Aidvantage.com
*Convenience with a click*

[redacted]

In this redacted billing statement, Aidvantage demands payment of over $1,000 from a borrower even after the payment pause had been extended. Highlights throughout are added.

## Welcome to Aidvantage! We're pleased to be your new student loan servicer.

### COVID-19 emergency relief update

COVID-19 relief measures have been extended through May 1, 2022. For more information, visit StudentAid.gov/coronavirus.

**Tax statements will be available January 10, 2022.**
Please note, you need to have made at least $600 in interest payments to automatically receive a tax statement. For more information, visit us at Aidvantage.com.

## Account Summary

| | |
|---|---|
| Account Number | [redacted] |
| Billing Group[2] | 1 |
| Statement Date | 02/01/22 |
| Billing Period 12/08/21 to 02/01/22 | |
| Unpaid Principal | [redacted] |
| Payments Since Last Bill | $0.00 |
| **Past Due Amount (Pay Now)** | **$0.00** |
| Pay Past Due Amount By 02/21/22 to avoid Late Fee of | $0.00 |
| **Current Amount Due[1]** | **$1,008.13** |
| Current Amount Due Date | 03/06/22 |
| **Pay Current Amount Due (+ any Past Due Amount) by 03/21/22 to avoid additional Late Fee of** | **$0.00** |
| **Unpaid Fees** | **$0.00** |
| **Total Payment Due (Past Due Amount + Current Amount Due + Unpaid Fees)** | **$1,008.13** |

**See enclosed for loan details**

Detach along perforation and return with your payment or go to Aidvantage.com to make an electronic payment

[redacted]

**Total Payment Due $1,008.13**

See above for dates and Late Fees that apply

**Total Amount Enclosed $ _ _ _ _ _ _._ _**

Make checks payable to Aidvantage
(U.S. Currency only – Do not send cash)

Aidvantage – Department of Education Loan Servicing
PO BOX 4450
PORTLAND, OR 97208-4450

Changed your address or phone number?
Please visit Aidvantage.com to update your information.

[redacted]



P098 SYSTEM [redacted]

In the following redacted email, Aidvantage tells borrowers on January 11th, 2022 that the payment pause will end on January 31st, 2022. The pause had already been extended weeks before this email was sent until May. Highlights throughout are added.

[redacted]
Date: Tue, Jan 11, 2022 at 2:54 PM
Subject: Fwd: Emergency relief for federal student loans
[redacted]

[redacted]

[redacted]

[redacted]

[redacted]
Date: January 11, 2022 at 12:42:02 PM EST
[redacted]
**Subject: Emergency relief for federal student loans**

Learn what we're doing to support you during this difficult time

aidvantage | Department of Education Loan Servicing

Federal Student Aid | An OFFICE of the U.S. DEPARTMENT of EDUCATION | PROUD SPONSOR of the AMERICAN MIND®

**Go directly to this document in your Aidvantage inbox.**

On Aug. 6, 2021, the secretary of education announced a final extension of the COVID-19 emergency relief measures for federal student loans owned by the U.S. Department of Education (ED) until Jan. 31, 2022. As your federal loan servicer, we are contacting you to explain how this affects your ED-owned loans.

**WHAT YOU NEED TO KNOW**

First, it's important to understand that these relief measures will end on Jan. 31, 2022.

The relief mea ure apply only to your ED owned William D Ford Federal Direct Loan (Direct Loan) Program, Federal Family Education Loan (FFEL) Program, and Federal Perkin Loan (Perkin Loan) Program loan If you have other federal tudent loan that are not owned by ED and/or if you have private loan , you'll need to contact the ervicer of tho e loan to di cu potential relief option

**We've taken the following actions on the ED-owned loans we service for you:**

- **0% interest rate** - We have set the interest rates on your loans to 0% for the period March 13, 2020, until Jan. 31, 2022. During this period, you will not be charged intere t on your loan
- **Suspension of payments** - We have placed your loans in a payment u pen ion for the period March 13, 2020, until Jan 31, 2022 During thi period, you will not be required to make monthly payments on your loans. We will report you as current to credit reporting agencies.

  Although you will not be required to make monthly payments during the payment suspension, payments you would have been required to make between March 13, 2020, and Jan 31, 2022, will count toward loan forgivene if all other qualifying factor are met

  **Note:** If you choose to make payments, please contact us for payment option , including continuing payment via auto debit If you can make payments on your federal student loans while your loans are at the 0% interest rate, the full amount of your payments will be applied to principal once all the interest that accrued prior to March 13 is paid.

## WHAT YOU NEED TO DO

Keep this notification for your records. We'll continue to communicate with you to help prepare you for Jan. 31, 2022, when the 0% interest rate and payment suspension will end.

There's no other action you need to take, **unless you want to opt out of the payment suspension we've placed on your account.**

**To opt out**, let us know through one of the options described below in the "HOW TO CONTACT US" section.

- If you change your mind after opting out, you can imply reque t that your loans be placed in the payment suspension again. Contact us through one of the options described below in the "HOW TO CONTACT US" section.
- If you opt out and become more than 30 days late in making a monthly payment, we'll place your loans in payment suspension again.

## ACTIONS TO TAKE IF YOU ARE ON AUTO-DEBIT

If your payment are made through auto debit, tho e debit will not occur during the payment u pen ion For your auto debit to re ume after the payment u pen ion end , you mu t confirm your enrollment if you igned up for auto debit prior to March 13, 2020 when the e emergency relief mea ure became available Be on the

lookout for more communications from us with instructions on how to confirm your auto-debit enrollment before payments resume.

**HOW TO CONTACT US**

We're available to help you understand this information.

Visit us online at aidvantage.com or give us a call at 800-722-1300, Monday - Thursday 8 a.m. to 9 p.m., and Friday 8 a.m. to 8 p.m., ET.

Sincerely,

Aidvantage  Department of Education Loan Servicing

**FOR MORE INFORMATION**

Federal Student Aid's coronavirus information page includes information about relief to student loan borrowers, including those who have defaulted on their federal student loans. Please visit the page regularly for updates.

View Coronavirus Information Page

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*Please do not respond to this automated message. Emails sent to this address are not monitored.*

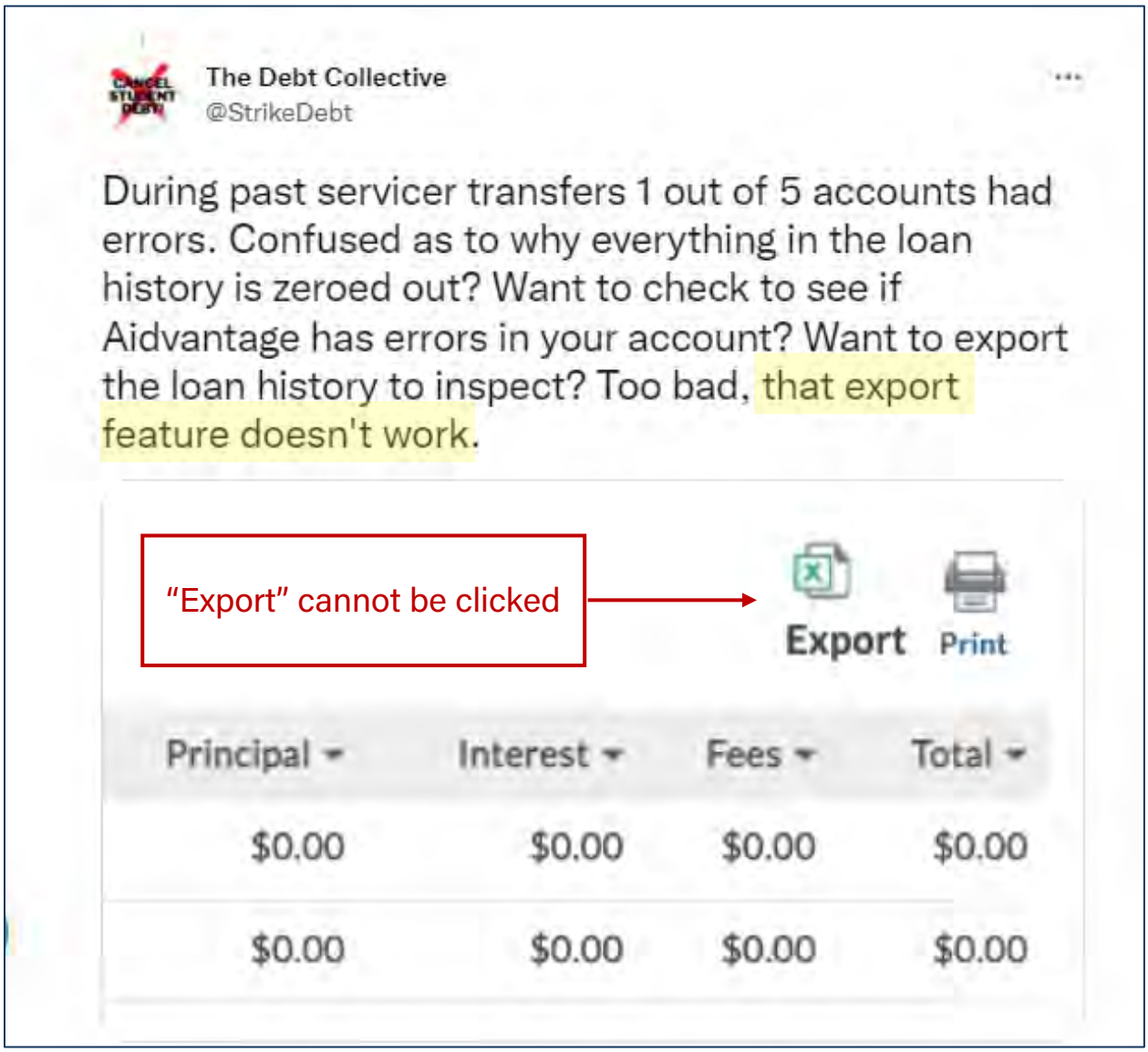
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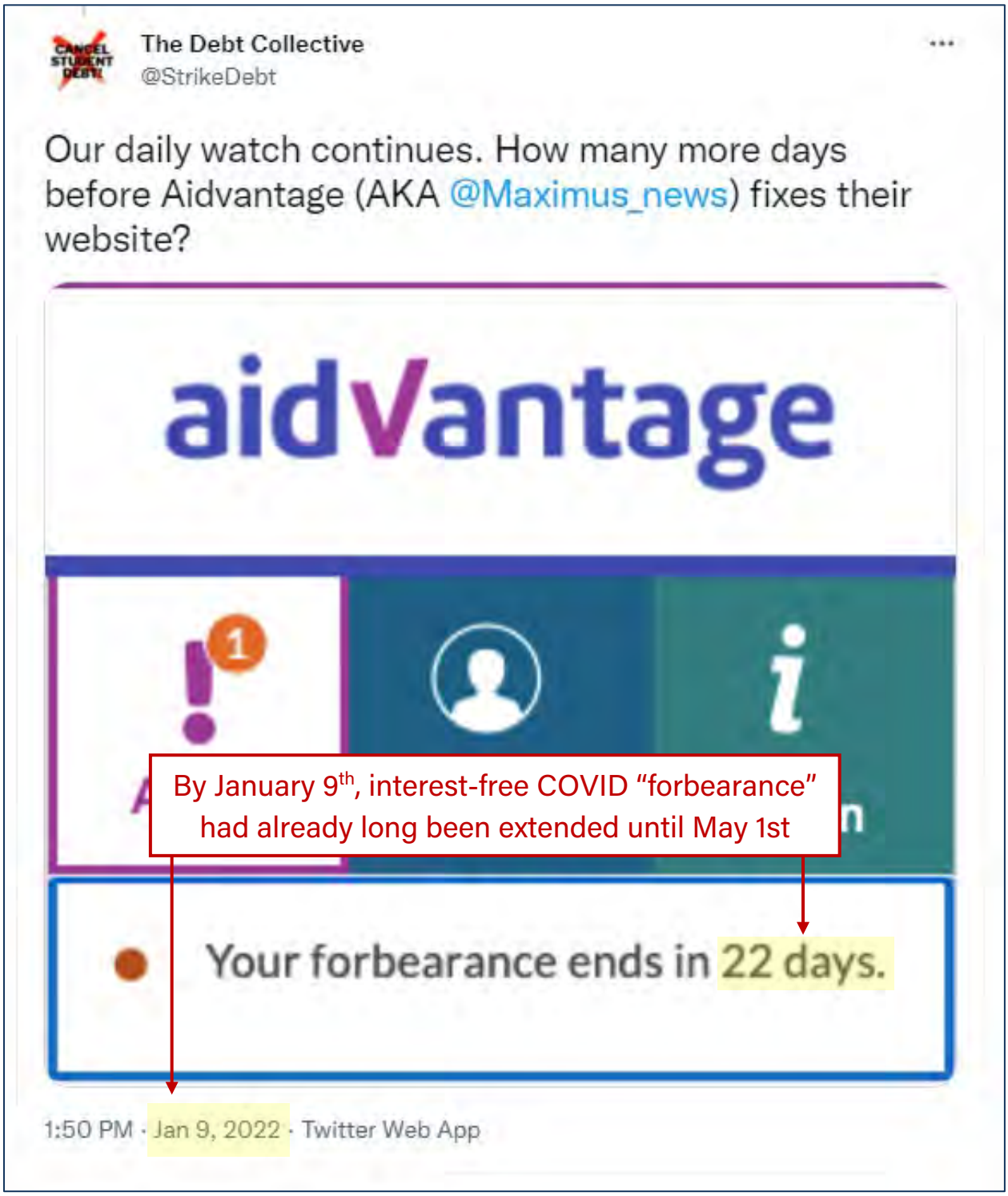
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## Inability to download repayment histories:



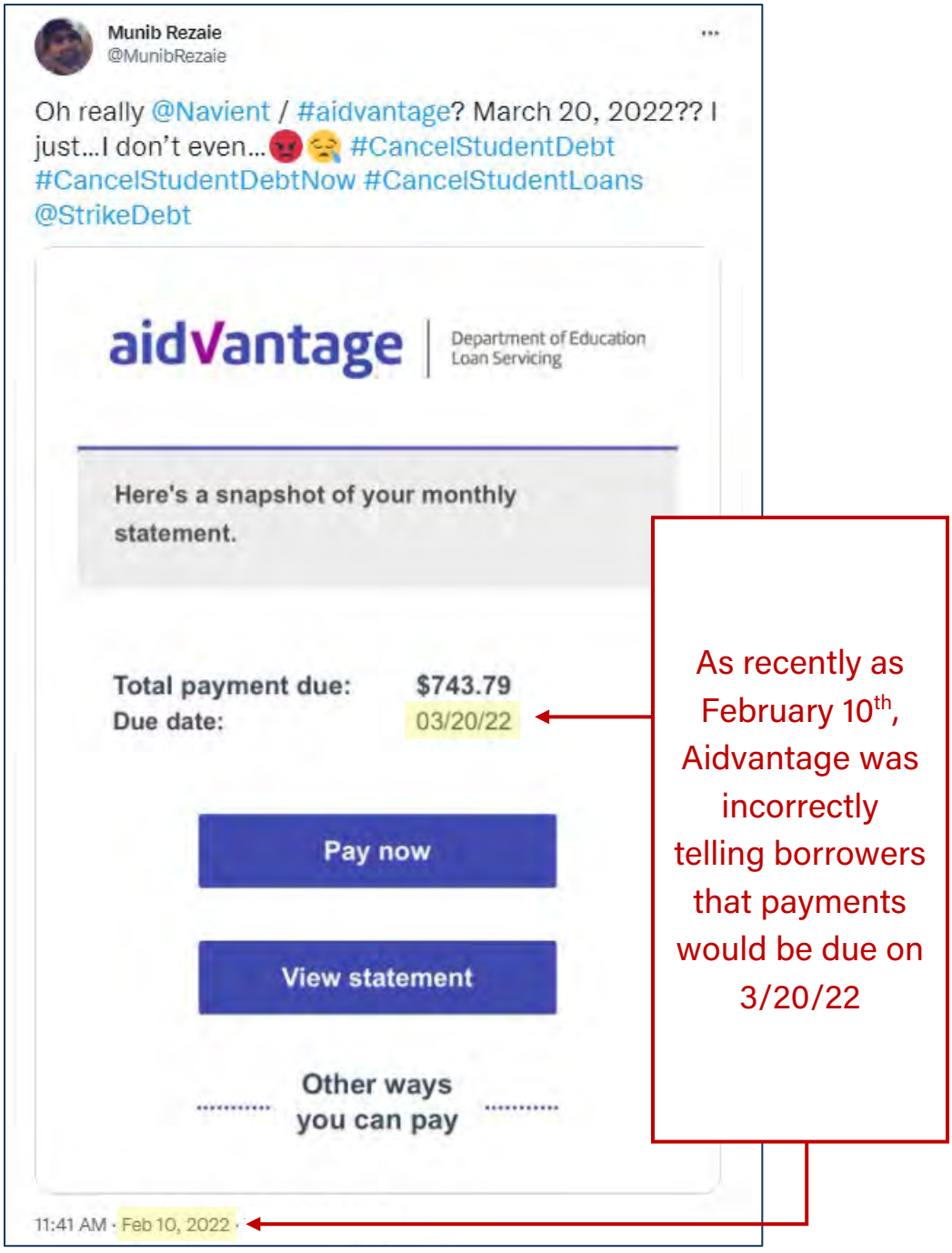

Source: https://twitter.com/StrikeDebt/status/1478411141177122823 (highlight and explanation box added)

## Bad countdown on the payment pause:



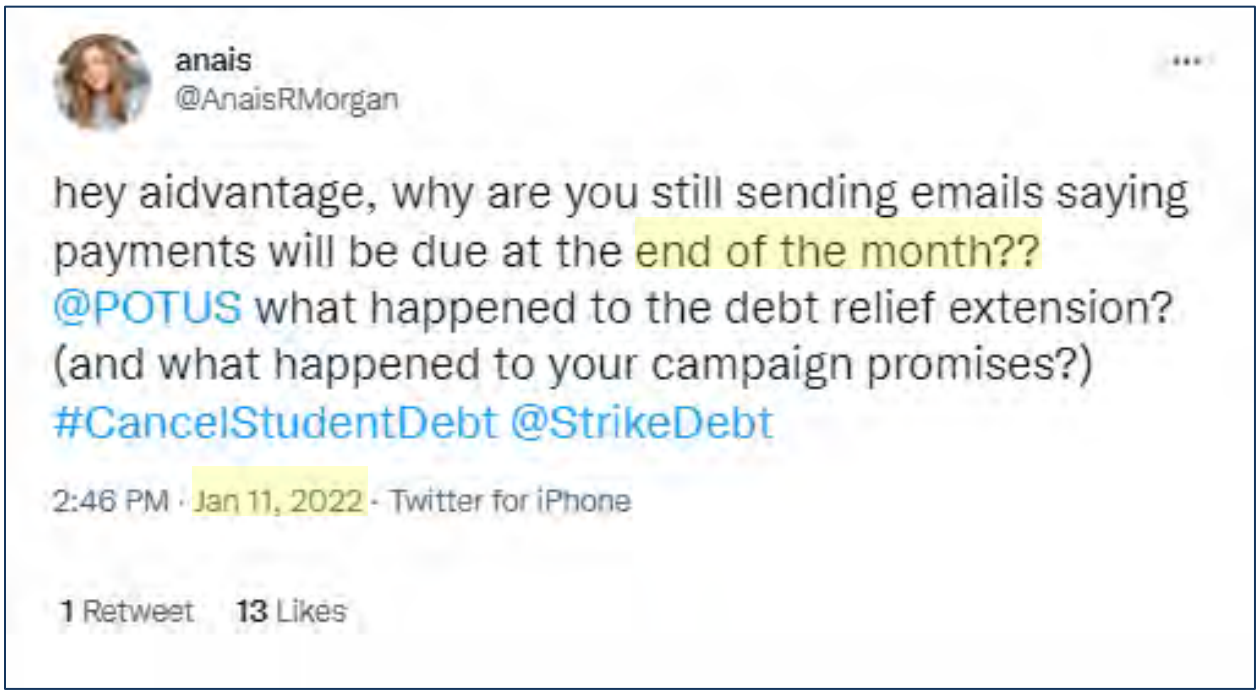

Source: https://twitter.com/StrikeDebt/status/1480250744905347081 (highlight and explanation box added)

# Bad information about the restart of repayment:



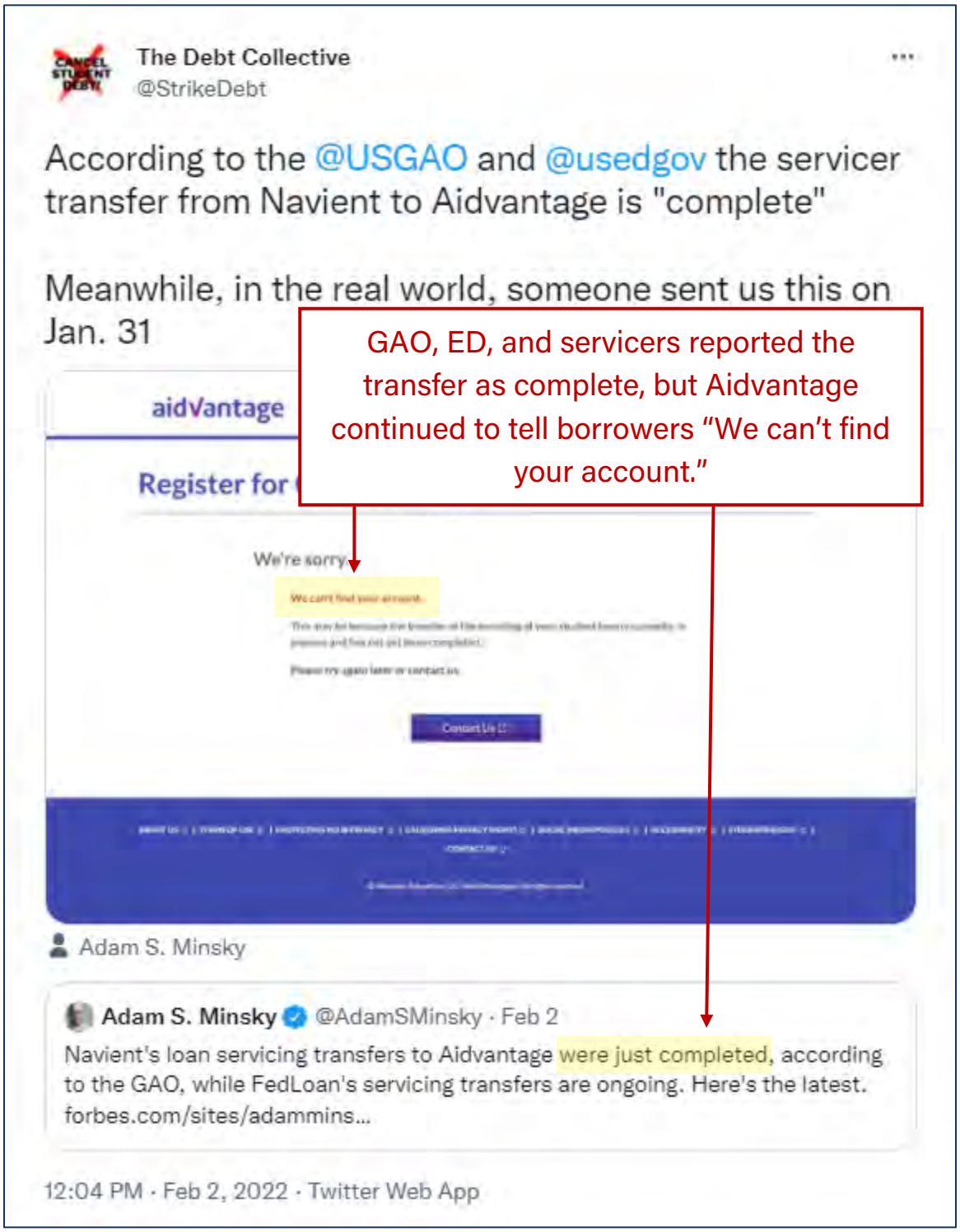

Source: https://twitter.com/MunibRezaie/status/1491814618091724807 (highlight and explanation box added)

## Bad information about the restart of repayment:




Source: https://twitter.com/AnaisRMorgan/status/1480989610650050565 (highlight added)

## Borrowers unable to log into Aidvantage accounts:




Source: https://twitter.com/StrikeDebt/status/1488921224013045763 (highlight and explanation box added)