



STUDENT BORROWER  
PROTECTION CENTER

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**2023**

**HIGHLIGHTS  
REPORT**





As we look ahead to 2024, the fight to protect borrowers sits at the center of American policy and politics. This past summer, the President of the United States made an unprecedented commitment to student loan borrowers—pledging to deliver mass student debt relief just hours after the right-wing Supreme Court majority struck down a program that would have cancelled debt for nearly all borrowers. This ongoing commitment signals more than just President Biden’s solidarity with tens of millions of people trapped in the broken student loan system—it shows that student debt relief remains a cornerstone of the Administration’s historic effort to rebuild an economy for working people.

Across the economy, the Student Borrower Protection Center is changing the way governments, colleges, and private financial firms shape the financial lives of students, borrowers, and their families. Our work to strengthen the student loan safety net led to the Biden Administration delivering \$136 billion in student debt relief for more than 3.6 million people with more to come—widespread debt relief that is underway in spite of June’s Supreme Court decision.

In 2023, our effort to revive the scandal-plagued debt relief programs like Income-Driven Repayment and Public Service Loan Forgiveness spurred a sweeping new set of regulations that cemented many gains first won via executive actions.

**More than one out of every 10 borrowers who were repaying a student loan before the pandemic is debt-free today.**

Yet for those left in the student loan system, the road ahead remains rocky. From the effort to persuade the right-wing Supreme Court to strike down student debt relief to House Republicans’ abuses of the Congressional Review Act, the conservative movement has repeatedly pursued policies that lock borrowers deep in debt. At every step, we have met these challenges head on—building a platform for borrowers to shape the public narrative and providing resources for borrowers’ champions in Congress. As special interests continue to play politics with borrowers’ financial lives, the stakes have never been higher.

In September 2023, federal student loan payments and interest resumed for the first time in more than three years—exposing the breadth of the problems that remain despite President Biden’s sweeping reforms. In July, SBPC joined the Oregon Attorney General to co-host a gathering of state and federal enforcement officials and financial regulators, focused on preparing the consumer protection community for the student loan system to restart.

For more than five years, SBPC has helped states pass and implement new laws empowering state financial regulators. These laws both allow state officials to oversee the private-sector student loan companies at the center of this system and

establish state-level student loan ombuds to help individual borrowers who run into trouble. The year ahead will be the first test of this new consumer protection infrastructure—determining whether predatory financial firms and corrupt government contractors can still run roughshod over borrowers’ rights.

State consumer protection officials anchor a broad, diverse coalition fighting to fix the broken student loan system. This year, civil rights groups and labor unions; law scholars and economists; mayors and city attorneys; and advocates on behalf of people with disabilities, veterans, older adults, and rural communities all joined SBPC to take action—filing more than a dozen *amicus curiae* briefs on behalf of borrowers, publishing pathbreaking new research, and hosting hundreds of events in communities across the country that demonstrate grassroots support for federal action.

Our work extends far beyond the fight to win student debt relief in Washington. Across the country, borrowers are routinely cheated out of their rights by student loan companies and predatory schools that play fast and loose with the rules—preying on students to collect on debts that never should have been owed in the first place. This year, our work drove a wave of federal and state enforcement and private litigation, tipping the scales back towards borrowers.

We expanded the fight to protect borrowers to include workers steered into predatory training debts by employers. Giant corporations increasingly exploit the promise of training and continuing education to lock workers into Training Repayment Agreement Provisions, or TRAPs. We joined with workers’ rights advocates to sue companies in the aviation and tech industries, and partnered with a broad coalition of labor, competition, and consumer advocates to build a roadmap for federal action. In the year ahead, we will build on this progress to drive TRAPs and other Stay-or-Pay contracts out of the economy.

Our ongoing fight for racial and economic justice underpins all of these efforts. This year, we drew on every tool in our toolbox to protect borrowers from historically disenfranchised communities—pursuing litigation to hold governments accountable, conducting innovative research to expose racial disparities, and monitoring the marketplace for bias in emerging financial products.

The following report highlights the many ways SBPC has changed the landscape for working people in 2023—winning student debt relief for millions, confronting predatory financial firms that target students and borrowers, and building the public case for systemic change to ensure that higher education and training remains an engine for economic mobility. As we take on these big policy and political fights, we are centering the stories of borrowers—making sure policy solutions are grounded in the lived experiences of the people they will most affect.

Together, we can leverage these victories in the year ahead, building an economy where college is free and no one struggles under the weight of student debt.

In Solidarity,



**MIKE PIERCE**  
EXECUTIVE DIRECTOR  
STUDENT BORROWER PROTECTION CENTER



**PERSIS YU**  
DEPUTY EXECUTIVE DIRECTOR & MANAGING COUNSEL  
STUDENT BORROWER PROTECTION CENTER

# SBPC HIGHLIGHTS

The Student Borrower Protection Center is leading a nationwide movement to put an end to the student debt crisis. Here's a look back at what we've accomplished over the past year.



## Protecting Borrowers

Worked in 8 states to help pass 11 bills protecting student loan borrowers

Increased total number of states enacting borrower protection laws to 19

Protected more than 17 million borrowers through stronger state laws since 2018



## Standing up for Working People

Filed 2 new lawsuits on behalf of workers bound by TRAPs

Supported legislation to ban TRAPs in 5 states

Advanced sweeping policy recommendations across multiple federal agencies



## Delivering Debt Relief

Drove \$132 billion in debt relief for more than 3.6 million people

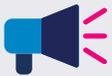
Launched "Cities Partnership" with 14 cities to help local governments provide direct support to borrowers



## Protecting Progress

Led a diverse coalition and hosted an historic rally on steps of SCOTUS

Fought back against right-wing attacks on borrowers, coordinating more than a dozen amicus briefs at the 6th Circuit and SCOTUS



## Giving a Voice to Vulnerable People

Published groundbreaking investigation into incarcerated borrowers' debt

Filed lawsuit against ED for withholding critical information



## Fighting for a "Fresh Start"

Protected 7 million people from wage garnishment and student debt collection

Restored access to Pell Grants and other federal student aid for millions of students



## Demanding Justice

Spurred 12+ federal and state investigations into predatory bootcamps

Advised 6+ private lawsuits holding schools and student loan companies accountable

Drove the dominant tech firms pushing Income Share Agreements out of business



## Building Evidence to Drive Systemic Change

Co-hosted virtual event on impact of student debt on women and women of color

Expanded SLLI research team, including by adding 4 new emerging scholars

Published 3 new research papers by SLLI on student debt

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# STRENGTHENING THE FEDERAL STUDENT LOAN SAFETY NET



## **SBPC’s advocacy is delivering debt relief to millions of economically vulnerable borrowers failed by past policies and creating sustainable pathways for borrowers to receive relief.**

Using the roadmaps from our *Delivering on Debt Relief* series, SBPC shaped a years-long effort by the Biden Administration to leverage the pandemic-era pause on loan payments to address historic failures across the student loan system. Despite a high-profile setback at the hands of the Supreme Court in June, the Administration has successfully reshaped key aspects of the student loan safety net and delivered mass debt relief to working people across the country.

The Biden Administration has used executive action to pave the way for people with disabilities, people defrauded by predatory schools, people with decades-old debt, and people working in public service to have their debts cancelled outright—to date, this series of unprecedented executive actions have cancelled more than \$132 billion in debt for more than 3.6 million people. As the Biden Administration continues to fight to provide debt relief to tens of millions of borrowers, SBPC is shaping the conversation to ensure that the greatest amount of relief reaches the greatest number of borrowers.

### **Highlights from the last year include:**

#### **Making nearly 1 million borrowers debt-free because of the IDR Account Adjustment and bringing millions more years closer to cancellation.**

For decades, Congress promised federal student loan borrowers that, with Income-Driven Repayment (IDR), their debt would be affordable and never result in a life-long burden. In reality, federal loans remain unaffordable and a life-long burden for many—especially for Black, Latino/a and low-income borrowers. In 2021, more than 4.4 million borrowers had been in repayment for 20 years or longer, even though IDR cancellation had been possible since 2016. Following an investigation by SBPC and National Consumer Law Center (NCLC), the Government Accountability Office revealed that only 132 borrowers had ever successfully accessed loan cancellation under IDR. In response, in April 2022, the Administration announced a new “IDR Account Adjustment,” largely mirroring a policy blueprint laid out by SBPC, NCLC, and Center for Responsible Lending. The Account Adjustment gives millions of people with student debt credit toward cancellation under IDR. This past summer, the IDR Account Adjustment was finally implemented and delivered **total debt cancellation to nearly 804,000 student loan borrowers** who have been paying back federal student loans for 20 years or longer, with tens of thousands more borrowers seeing relief every two months.

**Helping more than 700,000 public service workers realize the promise of PSLF.**

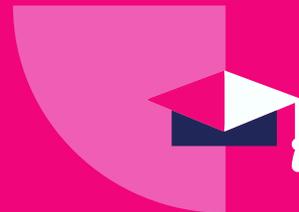
Congress created the Public Service Loan Forgiveness (PSLF) program in 2007 to provide public service workers with federal student loan debt relief in exchange for a decade of service in their communities. However, as countless borrower stories and investigations illustrate, the promise of PSLF—just like that of IDR—proved not to be the reality for millions of public service workers. However, a years-long investigation by SBPC and the American Federation of Teachers conclusively demonstrated that bad industry practices and ambivalence by the Department of Education (ED) led to a 98 percent rejection rate—and an expansion meant to fix PSLF had a 97 percent rejection rate. Behind these statistics are millions of teachers, nurses, and servicemembers who planned their lives around the promise of eventual loan forgiveness but were cheated out of their rights over the decade after the program’s enactment. In response to a sustained advocacy campaign led by SBPC, ED announced in October 2021 that it would use emergency authority tied to the pandemic to waive certain PSLF program requirements temporarily. Under this “PSLF Limited Waiver,” borrowers would receive credit toward loan cancellation under PSLF no matter what type of loan they had or whether they had been enrolled in the specific repayment plans generally required for PSLF. The PSLF Limited Waiver officially ended in October 2022 but was effectively extended by the IDR Account Adjustment—a decision that was itself the byproduct of sustained advocacy by SBPC and our partners. In total, these initiatives have delivered relief to over 715,000 public service workers and promise to deliver debt relief to many more in the future.

**Advocating for new rules expanding eligibility and removing barriers to accessing critical relief.**

On July 1, 2023, new rules for several ED loan programs went into effect. Following the roadmaps from *Delivering on Debt Relief*, these new rules aim to streamline and improve several targeted debt relief programs by expanding program eligibility and removing barriers to accessing critical relief. The programs and issues affected by the changes include PSLF, Total and Permanent Disability (TPD), Closed School Discharge, Borrower Defense Discharge, Interest Capitalization, and Arbitration. These rules materially improve the student loan safety net by making the federal student loan programs more inclusive of borrowers who had been left out of relief, such as increasing the Social Security categories used to determine eligibility for TPD; eliminating unnecessary barriers; and increasing access to these vital programs by automating relief and eliminating some of the bureaucratic hurdles that prevented the borrowers in most need from accessing them.

**Protecting borrowers from servicer abuse as 28 million borrowers return to repayment.**

No student loan borrower with a federally-held loan had been required to make a loan payment since March 2020, when Congress first paused student loan payments and suspended interest charges for federal borrowers due to the COVID-19 pandemic. Due to regulatory changes in the student loan system, hard-fought judicial relief, and executive action, millions of those borrowers are entitled to have their loans cancelled. Instead, they are receiving bills. In October 2023, SBPC released *Delivering Distress*, making the compelling case that when a private-sector loan servicer hired by the federal government elects to send bills to borrowers rather than executing on these borrowers’ right to debt cancellation, it may be acting unlawfully. The reports in the series underscored that the return to repayment will be disastrous for millions of borrowers and pointed to bold action to protect borrowers. SBPC continues to investigate servicer misconduct and is actively working with federal, state, and private enforcement to best protect borrowers.



## ON THE HORIZON

Next year, SBPC anticipates that the Administration will announce its new plan for mass debt relief, which we are working to ensure will deliver relief for tens of millions of borrowers. 2024 will also offer unprecedented challenges to the federal student loan system as payments resume for the first time in three and a half years, Fresh Start enrollment comes to a close, and federal debt collection resumes. In the weeks to come, state and federal lawmakers, state and federal consumer protection officials, and the student loan industry will have to address the mounting evidence of mismanagement and abuse that have plagued the restart of loan payments. They will have to reckon with the financial injury that returning payment obligations cause to millions of borrowers. And without major reforms for defaulted borrowers, millions of borrowers will reenter a broken and abusive collection system. SBPC continues to expose all the ways that big powerful interests (such as the old federally guaranteed student loan industry and national credit bureaus) are profiting off the back of indebted borrowers. Taken together, SBPC's future efforts will deliver relief to millions of working families and execute on a sweeping policy roadmap to better protect borrowers.

# EXPOSING SHADOW STUDENT DEBT



## **SBPC is fighting to expose the predatory companies and institutions that dodge accountability while tricking students into risky private or “shadow” student loan debt.**

From EdTech firms to big banks, SBPC has taken on powerful financial interests across the country, demanding justice for students and borrowers. Landmark victories and a changing marketplace demonstrate a pronounced shift in the industry and should serve as a warning: those looking to skirt the law and fleece students will face the consequences.

### **Highlights from the last year include:**

#### **Helping to end a widespread predatory private student lending scheme pushing ISAs.**

Income Share Agreements (ISAs) are a risky form of student financing that ties borrowers' student loan payments to their future wages. A growing body of evidence demonstrates that the leading ISA providers routinely engage in a wide range of abuses—a pattern that extends across companies and across the higher education sector. In 2020, the National Consumer Law Center and the SBPC filed a complaint with the Federal Trade Commission alleging market leader Vemo Education engaged in a range of deceptive marketing tactics related to Vemo-backed ISAs offered by Purdue University and the University of Utah. In 2022, Purdue ended its ISA program, and on June 1, 2023, the University of Utah announced the end of its similar program and pledged to cancel all outstanding balances owed by current and former students. This year, Vemo unceremoniously shut its doors, deactivating its website and unilaterally terminating its contracts with colleges and training programs across the country. Other market participants have moved away from issuing new ISAs and, with technical assistance from SBPC, California and Colorado regulators banned many of the worst features of these predatory loans.

#### **Driving CFPB to hold student loan giant PHEAA accountable for a decades-long illegal debt collection scheme.**

In September 2023, Consumer Financial Protection Bureau (CFPB) Director Rohit Chopra rejected an effort by the Pennsylvania Higher Education Assistance Agency (PHEAA) to evade a federal inquiry into its treatment of private student loan borrowers who had successfully discharged debts in bankruptcy. This action relied on the theory established by a January 2022 SBPC report uncovering a sweeping, decades-long industry-wide scheme to cheat more than 2.6 million borrowers owing on roughly \$50 billion in private education credit out of their right to bankruptcy. Since SBPC published our findings, CFPB has issued new guidance, taken supervisory actions against student loan companies, and continues preparations to prosecute PHEAA for breaking the law and cheating borrowers out of their rights.

**Working to ensure all bad actors are held accountable for predatory student lending.**

Following nearly a decade of regulatory actions and lawsuits against the predatory for-profit school ITT Technical Institute and its financial partners, the Department of Education (ED) announced in 2022 its discharge of all federal student loans borrowed to attend the school. Former students targeted with private student loans did obtain some relief when the owner of these private loans was held accountable by a CFPB action in 2020, but the loan servicer, Vervent, Inc. had not been held accountable for its role in collecting and administering the illegal PEAKS loan portfolio. SBPC provided expert testimony in a lawsuit against Vervent and two of its executives for executing a conspiracy to defraud ITT students via predatory student loan servicing and collections. By June 2023, the jury found the servicer “legally liable in a broad racketeering enterprise that cost the students millions of dollars.”

**Leading the fight against EdTech predators like 2U.**

For years, SBPC has warned regulators about the ramifications of the sudden failure of any of the large online-program managers (OPMs) that help public and private non-profit colleges deliver higher education online. As this segment of the higher education market has been roiled by scandal after scandal, SBPC has called for stronger industry oversight and protections for students. SBPC's 2021 report *Pushing Predatory Products* revealed how these EdTech firms, including market leader 2U, act as middle-men in helping institutions violate guardrails intended to protect students from predatory student lending. Working with our partners at organizations litigating consumer protection cases against OPMs, lenders, and their school partners, SBPC has reshaped the public narrative around these firms and the back-room deals they cut with brand-name public and non-profit colleges to run “online diploma mills.” By the close of this year, 2U had abandoned its highest-profile contract and saw its stock price collapse—a sign of mounting scrutiny by investors. The one-time OPM market leader is now on the verge of bankruptcy despite actively managing online education for more than 75,000 current students—injecting new urgency to our call for immediate federal action to protect these students in the event of 2U's collapse.



## ON THE HORIZON

In 2024, SBPC will fight for the cancellation of existing shadow student debt including ISAs like those that former Purdue students are still trapped under. Building on the research and advocacy efforts around tech-driven online programs and predatory lenders, SBPC will continue to help federal consumer protection and education officials prepare for the likely collapse of EdTech firms at the center of this market. In the year ahead, SBPC will also work to shape new rules promised by ED to rein in the worst abuses by these firms—using this as another opportunity to center borrowers' voices throughout investigations, policy recommendations, and other accountability work.

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# STOPPING SCAM SCHOOLS



## **The SBPC continues to investigate and expose predatory scam schools and bootcamps that prey on students.**

As the largest for-profit colleges continue to struggle—failing outright or seeking partnerships with public colleges to stay afloat—workers across the country continue to be targeted by Silicon Valley and Wall Street-backed tech companies that promise to expand career education both outside of and in partnership with traditional, degree-granting colleges. SBPC helps individual students build private lawsuits against these firms, shapes public enforcement across this segment of the higher education market, and drives major changes to federal and state public policies to protect students. In 2023, SBPC's investigations drove the successful resolution of a major lawsuit by a bipartisan group of state and federal enforcement officials and regulators, supported a federal crackdown on these firms and the companies that provide financing to their students, and further exposed abusive activity across the sector.

### **Highlights from the last year include:**

#### **Seeding successful law enforcement action against the predatory bootcamp and private student lender Prehired.**

In February 2022, SBPC revealed that Prehired, a predatory technology sales bootcamp and private student lender, was dragging 290 former students from across the country into Delaware state court to enforce unlawful Income Share Agreements (ISAs) taken out to finance what proved to be a sham education. In March 2022, at SBPC's urging, the Delaware Attorney General called on Prehired to stop its unlawful collection practices, and in response, Prehired attempted to use arbitration to collect against these borrowers—a process borrowers never agreed to. In the wake of Prehired's actions, a dozen federal and state officials launched investigations into Prehired's abuses, including a lawsuit filed in June of that year by the Washington Attorney General for violating consumer protection laws.

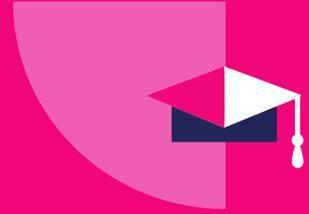
This scrutiny eventually drove Prehired into bankruptcy but left former students' unpaid debts as potential assets to be distributed to Prehired's creditors—a common and particularly harmful side effect of corporate bankruptcy. In July 2023, 11 states and the Consumer Financial Protection Bureau (CFPB) filed an action against Prehired before the bankruptcy judge administering Prehired's bankruptcy, seeking relief for borrowers who were lured into debt through Prehired's predatory lending scheme. For the first time, a multi-state coalition of consumer protection officials intervened in a corporate bankruptcy on the side of consumers, offering a model for how to protect vulnerable people from financial predators even when scams are made public and scammers run out of money.

In November 2023, the federal bankruptcy judge approved the states' and the CFPB's proposed order granting more than \$30 million in relief to these borrowers. This marked a huge win for the borrowers who were mistreated and misled, and sent a big warning to other scam schools engaging in the same types of deceitful practices. The order required Prehired to refund \$4.2 million for the payments made under the now-void ISAs; cancel all outstanding ISAs, which were valued at nearly \$27 million; and permanently shut down all of its operations. Critically, the company itself has no money and will likely never repay these fines and restitution—instead, the court ordered the firm to pay a \$1 civil money penalty to the CFPB, opening the door for Prehired's victims to obtain relief from the Bureau's victim relief fund. This is a blueprint for SBPC's investigations spurring government investigations and enforcement actions that lead to redress for borrowers and, in the process, strengthen the tools that consumer protection officials use to protect working people across the economy.

### **Exposing the harm of a fallen for-profit bootcamp and delivering relief to borrowers.**

In July 2021, 50 former students sued Make School, Inc., alleging deceptive marketing and predatory lending related to its for-profit bootcamp in partnership with Dominican University, a non-profit college. Following the lawsuit, in June 2022, SBPC sent a letter to Department of Education (ED) officials detailing the extensive illegal practices committed by Dominican and Make School during their partnership. The letter urged ED to immediately cancel all federal student loans used to attend the now-defunct bootcamp and urged the Biden Administration to take action against Dominican. Subsequently, in September 2022, ED added the partnership to its list of closed schools, and in late October 2022, it announced revised rules that broadened key federal student loan borrower protections. These protections included expanding the closed school discharge by making it automatic for many borrowers, streamlining the process for discharges, and ensuring that borrowers approved to assert a defense received the full relief they deserved.

In March 2023, an SBPC report exposed more of Make School's predatory actions. The report revealed back-door deals between Make School and Dominican meant to urge students to take on thousands of dollars in student loan debt. These included driving low-income students and students of color into debt and then secretly selling the students' loans to investors for quick cash; inducing students to borrow federal student loans based on a promise that Make School would offer payment assistance, which it did not; and Dominican receiving stock options in Make School in return for touting their relationship to prospective borrowers. Following SBPC's report, these borrowers finally received relief when the parties reached a settlement agreement that cancelled some ISAs and replaced others with new, more reasonable, repayment agreements.



## ON THE HORIZON

After filing our first-ever lawsuit under our own name in 2023, the SBPC is now in a position to not only consult on cases but also bring cases on behalf of litigants who have been injured by bad actors in this industry. We also plan to encourage an increase in enforcement opportunities against industry abusers in order to bring relief to more borrowers across the country. In 2024, SBPC will continue to advise government enforcement officials and regulators, on behalf of borrowers across the country, demanding justice where predatory schools and abusive lenders seek to manipulate vulnerable people into debt. As Congress considers expanding the federal Pell Grant to provide billions of dollars in public money to coding bootcamps and other short-term training programs, we will continue to support litigants and litigators who want to stand up against these industry abuses and bring an end to a broken system that has caused harm to borrowers for decades.

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# UNIVERSITY OF CALIFORNIA STUDENT LOAN LAW INITIATIVE



## **The University of California Student Loan Law Initiative (SLLI) brings together leading scholars across disciplines studying student loan issues at the nation’s first academic center focused solely on student debt and the law.**

The initiative is a partnership between SBPC, the University of California Irvine School of Law, and the University of California Berkeley School of Law. In 2023, SLLI expanded to include new researchers and affiliates who continue to produce high-impact research to help advocates and experts better understand and address the needs of the tens of millions of people struggling with student loan debt.

### **Highlights from the last year include:**

#### **Combating “creditor colleges” in California and across the country.**

Research from SLLI’s academic partners first revealed that hundreds of thousands of low-income Californians owed hundreds of millions of dollars in shadow student debt directly to California public colleges—so-called “institutional debt.” Building on that research, SBPC and our partners helped unveil groundbreaking new legislation in California designed to address the scourge of institutional debt.

As a result of our research and advocacy, Assemblymember Blanca Pacheco introduced in April the Protecting Students from Creditor Colleges Act, which would prohibit California colleges from withholding degrees, or barring a student from registering for or re-enrolling in courses because of an outstanding institutional debt. The bill would also end the placement of institutional debts with for-profit third-party debt collectors and protect students and borrowers from tax return and benefit garnishment through the Interagency Intercept Collection Program operated by the California Franchise Tax Board.

In addition, as a direct result of years of SLLI research and SBPC advocacy, the U.S. Department of Education in October released new regulations cracking down on the use of withholding transcripts due to institutional debts, announcing a rule that prevents a college or university from withholding a student’s transcript for terms in which a student paid for courses with Title IV federal financial aid.

#### **Publishing cutting-edge research on the impact of student debt in California.**

In 2023, SLLI scholars produced several new analyses examining the scale and scope of the student debt crisis in California. Using the University of California Consumer Credit Panel, an anonymized dataset of 100 percent of all people with credit histories who live in California, SLLI research documented the burdens specifically shouldered by student loan borrowers in majority-Latino/a communities in California as well as the expected financial distress on California borrowers brought about by the end of the payment pause on federal student loans. Taken together, these new analyses showed that borrowers in California saw their financial situation improve from the student loan payment pause, that Latino/a

communities in California saw outsized benefits from the student loan payment pause, and that these communities may face greater hardship as payments have now resumed.

**Expanding SLLI with new researchers and emerging scholars.**

In 2023, SLLI expanded its roster of affiliated researchers and scholars focused on addressing the impacts of student debt on borrowers, households, and the economy. SLLI welcomed Marshall Steinbaum, Assistant Professor of Economics at the University of Utah, whose use of credit panel and other data sources will advance scholarship on the household and macroeconomic impacts of rising student debt, the long-term impact of labor market credentialization, and more. In addition, SLLI welcomed new researchers focusing on the effect of COVID-19 pandemic interventions on the financial health of California’s student borrowers and the political economy of higher education. SLLI also welcomed four new early-career researchers through its Emerging Scholars program, an initiative aimed at building out a deep bench of young thinkers committed to investigating core questions about student loans and their consequences.



## ON THE HORIZON

In 2023, SLLI scholars and partners helped investigate the impacts of some of the largest questions in student loan policy today, from the impact of the payment pause to the design of broad-based student debt cancellation. In 2024, SLLI scholars, affiliates, and grantees will continue to publish original research providing empirical evidence for those seeking to help borrowers struggling under the weight of rising and unprecedented student debt. SLLI will continue to examine previously unexplored areas of student loan debt and provide timely analyses to policymakers looking to design new relief policies and improve existing programs for borrowers.

# ENDING TRAPS ACROSS THE ECONOMY



## **SBPC is leading the fight against the use of predatory Training Repayment Agreement Provisions, or TRAPs.**

These contracts are forced on workers as conditions of employment, allowing corporations to use the threat of debt collection or litigation to lock workers in place, limiting their mobility and bargaining power. When they do leave, workers are hit with a crushing financial penalty just because they left—or were fired from—their jobs. In 2023, SBPC made great strides in building a comprehensive push to rein in bad actors using abusive worker contracts and reshape the economy.

### **Highlights from the last year include:**

#### **Advancing federal actions to end modern-day indentured servitude.**

Throughout the year, SBPC has driven and supported policy changes across federal agencies to address employer-driven debt. For example:

- In January, the Federal Trade Commission (FTC) proposed a rule that would create a blanket ban on non-competes and de facto non-competes, explicitly highlighting TRAPs. In response, SBPC submitted a comment outlining how to strengthen the rule, and partnered with Open Markets Institute to recruit 50 labor, antimonopoly, and consumer organizations to support a total ban on non-compete clauses and TRAPs.
- In March, the U.S. Department of Labor filed its first-ever lawsuit against a company for allegedly using a “Stay-or-Pay” contract that required employees to pay the employer if they leave their jobs before the end of a contract.
- In May, the National Labor Relations Board (NLRB) General Counsel Jennifer Abruzzo issued a memo to all NLRB regional directors that she believed traditional and de facto non-competes, such as TRAPs and stay-or-pay contracts, violated worker protections as the NLRB took up its first unfair labor practice case against an employer using TRAPs.
- In July, the Consumer Financial Protection Bureau (CFPB) released new findings highlighting the risks workers face from employers’ increasing use of predatory debt to trap people in abusive jobs and poor working conditions. The report highlighted how the CFPB will review complaints related to TRAPs for potential violations of consumer financial laws.
- In December, SBPC partnered with Governing for Impact, Towards Justice, and the American Economic Liberties Project to release a groundbreaking policy roadmap outlining a broad range of executive actions that agencies across the federal government must take to curb stay-or-pay contracts and TRAPs. The compendium of more than half a dozen legal memos and letters was shared with the Biden Administration. If enacted, the recommendations in the compendium would be the most sweeping challenge to these workplace abuses that any administration has ever taken.

### **Empowering workers to challenge illegal TRAPs.**

Following our groundbreaking work on the lawsuit seeking to block PetSmart's predatory use of TRAPs, SBPC joined with our partners at Towards Justice and other plaintiff law firms to continue driving a private enforcement agenda to challenge the growing use of TRAPs in strategic industries. For example:

- In January, a former Ameriflight pilot filed a class action lawsuit alleging that Ameriflight indebted pilots with unlawful training costs of up to \$30,000 to lock pilots into grueling work for wages starting as low as \$12.50 an hour. The complaint alleges that Ameriflight routinely used TRAPs to limit pilots' mobility and suppress wages, and asserts that the company threatened to sue pilots who left their jobs with Ameriflight within 18 to 24 months of receiving training.
- In April, a former Smoothstack employee filed a class-action lawsuit against a tech-training and employee-staffing agency. Among other things, the lawsuit alleges that Smoothstack requires them to sign predatory TRAPs as a precondition of employment, putting them on the hook for tens of thousands of dollars in debt if they tried to leave or were fired from low-wage tech jobs working on projects for some of the largest corporations in the world.

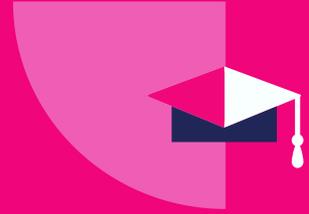
### **Protecting workers from employer-driven debt in the states.**

SBPC developed model legislation to ban TRAPs and other employer-driven debt across the economy. We worked alongside consumer, worker, and antimonopoly advocates, labor unions, and elected officials in five states. For example:

- In California, state lawmakers introduced the most complete ban on employer-driven debt to date (AB 747). SBPC experts were invited to provide testimony in key committees and supported organizations in California as they educated lawmakers and the public about the need for action.
- In New York, SBPC provided technical assistance to state lawmakers and local advocates during the drafting and introduction of the Trapped At Work Act (A.6819/S.6794). If enacted, this bill would clearly define employer-driven debt under New York state law; prohibit employers from requiring employees take on job training debt; and, allow workers to enforce their rights in court. Critically, this bill was introduced as a direct response to a New York resident being sued multiple times by her former employer to enforce a TRAP.

### **Convening the first-ever employer-driven debt conference.**

SBPC, Towards Justice, the UC Student Loan Law Initiative, Governing for Impact, and the NYU Wagner Labor Initiative hosted a first-of-its-kind convening examining the risks posed by TRAPs and other employer-driven debt on workers and the economy. The convening featured attendees from the federal government, workers affected by TRAPs, academics, advocates, and state and city regulators from around the country.



## ON THE HORIZON

Much like “junk fees,” TRAPs operate to pad profit margins not by developing a new product or improving services, but through deception and raw exercises of market power. In the year ahead, SBPC will continue to leverage all of the tools in our toolbox—including private litigation, public enforcement, state legislation, research, and federal policy advocacy—to shift the balance of power between employers and workers. In 2024, SBPC’s work to build the public narrative around the use of TRAPs will shape the biggest action on this issue to date: an expected final rule by the FTC that could ban TRAPs across most of the U.S. labor market.

# DEMANDING RACIAL AND ECONOMIC JUSTICE



## **SBPC is exposing the effects of student debt on communities of color and showing how predatory practices in the market exacerbate existing disparities.**

Through our Project on Racial and Economic Justice, SBPC works to address discrimination in the student loan market and demonstrate how protecting borrowers is critical to advancing racial equity and economic justice. In 2023, SBPC expanded our research on the disparate effects of student loan debt by releasing reports exploring race and student debt in the geographic South and expanding relationships with stakeholders to grow a diverse coalition of partners engaging in policy.

### **Highlights from the last year include:**

#### **Expanding the body of research on the effects of student debt on communities of color.**

In partnership with our academic project, the University of California Student Loan Law Initiative, SBPC continues to expose the proliferation of student debt across the country and the concentrated effects of the student debt crisis on communities of color. In 2023, SBPC published:

- *Student Debt in the South*, a pathbreaking research project on the effects of student debt across communities in the South, expands upon our exploration of the geography of student debt disparities. The initial report in this series focused on the city of Atlanta—providing a case study on the disproportionate effects of student debt on Black student loan borrowers and the shifting impacts of student debt on communities of color over the past decade. For the public launch of the first report in the series, SBPC hosted a press event with the New Georgia Project, which received coverage from *11 Alive News*, *MSN*, *Atlanta News First*, and the *Atlanta Journal-Constitution*. The geographic focus of this study aligns with SBPC's future state-level policy advocacy, and provides foundational evidence for state and local advocates and policymakers seeking to address the student debt crisis in the South. The follow-up research focused on student debt in Texas is underway.
- *Student Loans in California: A Narrative of Racial Inequality* is the first state-wide study of California neighborhoods and the first study of its kind to look at disparities between majority-white neighborhoods and majority-Latino/a neighborhoods. This study observed that borrowers in majority Latino/a neighborhoods are more likely to experience student loan delinquency and default, adding to a growing literature documenting the disparate effects of student debt.

#### **Continuing to expose the dangers of “educational redlining” practices.**

Over the past four years, SBPC has conducted investigations and engaged in advocacy to expose the risks of lenders using educational criteria in credit decisioning, particularly the ways that educational redlining can unfairly penalize borrowers of color. SBPC has increasingly used our public platform to

warn that the emergence and rapid growth of fintech products in a relative absence of comprehensive federal regulation raises significant concerns across consumer finance markets. For example, SBPC:

- Continued our work with the NAACP Legal Defense and Educational Fund through the groundbreaking agreement with artificial intelligence pioneer Upstart to have its lending practices, including the use of education data in determining creditworthiness, monitored by a civil rights law firm to prevent discrimination. The insights gleaned from the past three years of monitorship have provided the SBPC with a greater understanding of effective means to halt discrimination and address racial disparities when lenders use artificial intelligence and machine learning. SBPC has leveraged lessons from the monitor’s reports to urge regulators to take a more expansive and proactive approach to fintech oversight.
- Provided guidance and expertise on the potential for algorithmic bias and discrimination in the fintech market—training and delivering education for consumer protection lawyers, subject-matter experts in the tech industry, advocates for low-income people, and financial services market participants across the country.

**Fighting for student loan borrowers who are incarcerated.**

In 2022, SBPC joined with the National Consumer Law Center to publish a landmark study of student loan borrowers who are incarcerated, documenting the near-total failure of a specific student debt relief policy intended to release people serving long sentences from their obligation to repay a student loan. In the intervening year, the Biden Administration enacted new rules expanding access to the Pell Grant program to incarcerated people pursuing a college degree. Unfortunately, this new program did not make any effort to provide potential participants with a path out of default on older student loans—a barrier to Pell Grant eligibility in the future. In 2023, SBPC built on our prior research, releasing a new study looking at data provided by a Higher Education in Prison program covering several correctional facilities. This study found that 100 percent of incarcerated borrowers participating in this program had defaulted on a student loan and were ineligible for a Pell Grant. More than 90 percent of those borrowers owed less than \$20,000 and would have been totally debt-free under President Biden’s original debt relief plan. At the same time, SBPC sued the Department of Education for government data and records related to this population.

**Partnering with a diverse coalition of stakeholders to broaden policy engagement and ensure the lived experiences of student loan borrowers are represented in policy conversations.**

The student debt crisis is a civil rights crisis. The nation’s shameful and persistent racial wealth gap results in the student debt crisis disproportionately burdening Black and Latino/a borrowers. SBPC has worked to develop research and elevate the stories of student loan borrowers most harmed by this crisis. Connecting the stories and needs of borrowers to policymakers has helped bring monumental change in efforts to bring student debt relief to student loan borrowers. Over the past year, SBPC has increased targeted engagement of stakeholders with civil rights organizations and expanded the geographic reach of our advocacy efforts.



## ON THE HORIZON

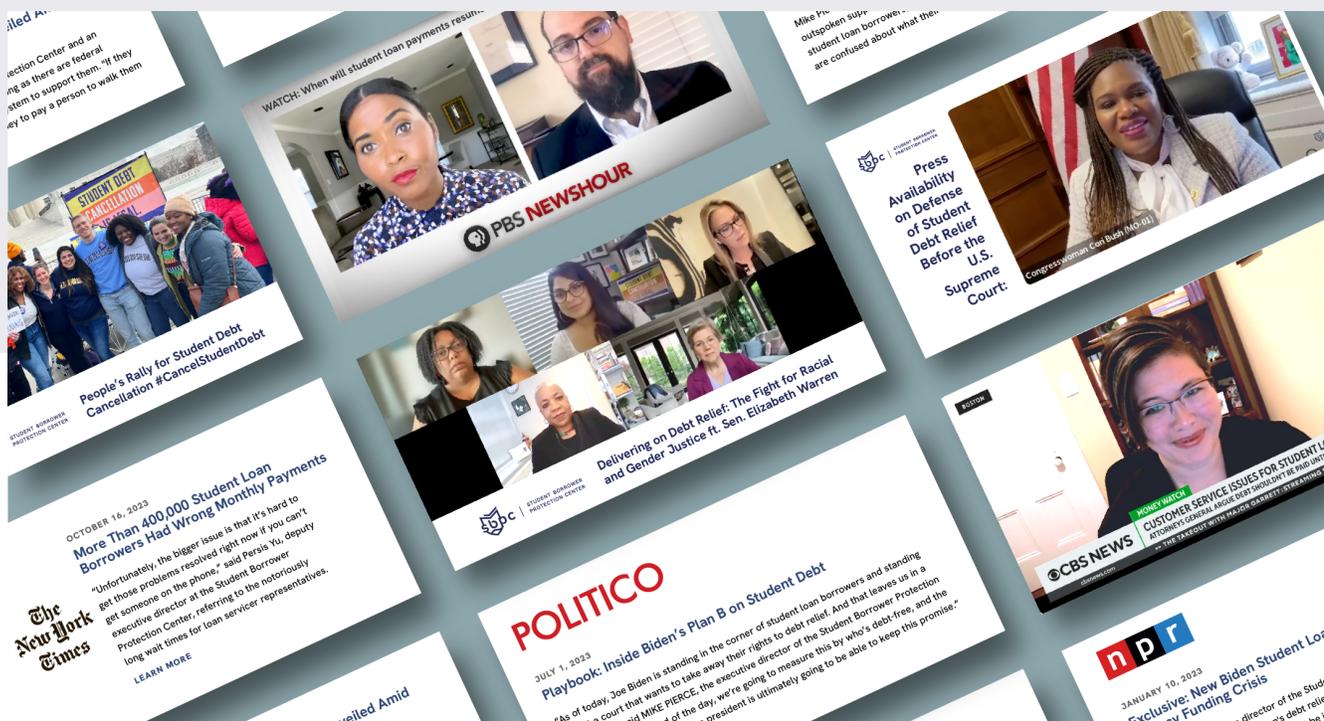
In 2024, SBPC will continue to expand upon our *Student Debt in the South* research series, furthering our study on the disparate effects of student debt in cities and rural communities across the southern United States. Expanding on previous research, SBPC will continue to elevate the stories of student loan borrowers who are incarcerated and left out of student loan relief. Additionally, SBPC will grow our partnerships with civil rights organizations, community advocates, and local leaders to broaden awareness of the unique issues facing student loan borrowers. SBPC is also preparing a written report advocating for greater government oversight in the tech industry to prevent the practice of educational redlining in light of the developments learned through the Independent Monitorship with Upstart. Across all areas of work, SBPC will continue to leverage our unique expertise at the intersection of consumer protection law and higher education policy to drive efforts at every level of government to advance racial and economic justice for students and borrowers.



# CASE STUDIES



## CASE STUDY: ADVOCACY & OUR CITIES PARTNERSHIP



### ✘ THE PROBLEM

For most folks across the United States, student debt is viewed as a federal issue. Most student loans are issued or backed by the federal government, and the federal government creates policies and rules around student debt relief programs. But there are many actions that organizations, cities, states, and communities can do to leverage the resources and networks they have to tackle the issue of student debt. SBPC continues to build the case that everyone has a stake in the student debt crisis, and everyone can play a role in ending it. Building the political will to tackle student debt requires us to build and mobilize a broad, diverse coalition of public officials, community organizations, lawyers, scholars, labor unions, civil rights groups, and other leaders in a shared effort to build a student debt-free future.

### ! THE SBPC RESPONSE

For five years, SBPC has been growing the coalition of stakeholders fighting to end the student debt crisis. This year, SBPC launched our Cities Partnership with an inaugural cohort of Boston, MA; Denver, CO; Jackson, TN; Lansing, MI; Los Angeles, CA; Los Angeles County, CA; Louisville, KY; New York, NY; Philadelphia, PA; San Antonio, TX; San Francisco, CA; Shreveport, LA; St. Paul, MN; and Tulsa, OK. Cities are uniquely positioned to stand up for student loan borrowers, leveraging local insights and relationships. They can use their experience with engaging communities, and integrate borrower outreach into existing programs that target the same low-income households and neighborhoods at

greatest risk of student debt distress. Many cities have financial coaching programs and non-profit legal service partnerships that assist people in debt, helping them to navigate complex and evolving repayment and relief programs. Cities also have a powerful voice and are uniquely positioned to advocate for debt relief and borrower protections—and to shine a light on the breadth and scope of this crisis.

SBPC's Cities Partnership has strengthened the participating cities' knowledge and capacity for tackling the student debt crisis at the local level. This year, through this partnership, SBPC provided critical technical assistance to cities by holding regular meetings to educate and inform city leaders about the student debt landscape, reforms in repayment programs and student debt policies, and key challenges and opportunities for borrowers. This knowledge sharing also included creating and circulating one-pagers on return to repayment, Income-Driven Repayment and the new Saving on a Valuable Education (SAVE) Plan, Public Service Loan Forgiveness, Fresh Start, and other programs. In addition, SBPC provided training on borrower assistance to 100+ financial coaches and frontline staff that work directly with borrowers. Finally, our Cities Partnership ushered city officials into our advocacy work around federal regulatory changes and student debt cancellation. SBPC created and circulated policy alerts, talking points, and sign-on letters advocating for debt cancellation and borrower protections. Dozens of mayors and other city leaders across the country signed an *amicus curiae* brief filed before the U.S. Supreme Court in the landmark case that ultimately struck down the Biden Administration's first attempt to deliver broad student debt relief. In addition, more than 20 cities across the country signed and sent a letter to President Biden urging swift action on debt relief following June's Supreme Court decision.

The Cities Partnership is just one example of SBPC's targeted outreach this year with local lawmakers, organizations, and borrowers in communities across the United States. These efforts have been instrumental in building stronger coalitions and sparking an interest in state legislation and other forms of advocacy. This year, SBPC also held roundtable events for organizations and elected officials in Albuquerque, Denver, Cleveland, and Tulsa to learn more about the student debt crisis and how they can respond to it. Moreover, each of those events was coupled with borrower-facing events to help residents understand their student loans and access different relief programs.

Other notable SBPC outreach to communities included informational webinars with Members of Congress, including Senator Elizabeth Warren, Congressman Ruben Gallego, and Congresswoman Suzanne Bonamici, presentations for important stakeholders like the Congressional Black Caucus, and conference presentations for Netroots Nation and the League of United Latin American Citizens (LULAC). These opportunities have broadened our coalition and continued to get much-needed information to borrowers, including leading or partnering on over 40 virtual events, reaching over 4,200 individual borrowers.

SBPC's outreach work has been crucial for strengthening our advocacy work at all levels of government. It has enabled SBPC to build stronger coalitions in states where student debt consumer protection legislation is running across the country, particularly Colorado, New Mexico, Maryland, and Massachusetts. For example, in Maryland, SBPC has continued to strengthen its relationship with the Maryland Center for Collegiate Financial Wellness and the CASH Campaign of Maryland, directly resulting in the passage of a bill that bans transcript withholding in the state of Maryland. SBPC's outreach has resulted in better protections for borrowers at the state level, and helped grow

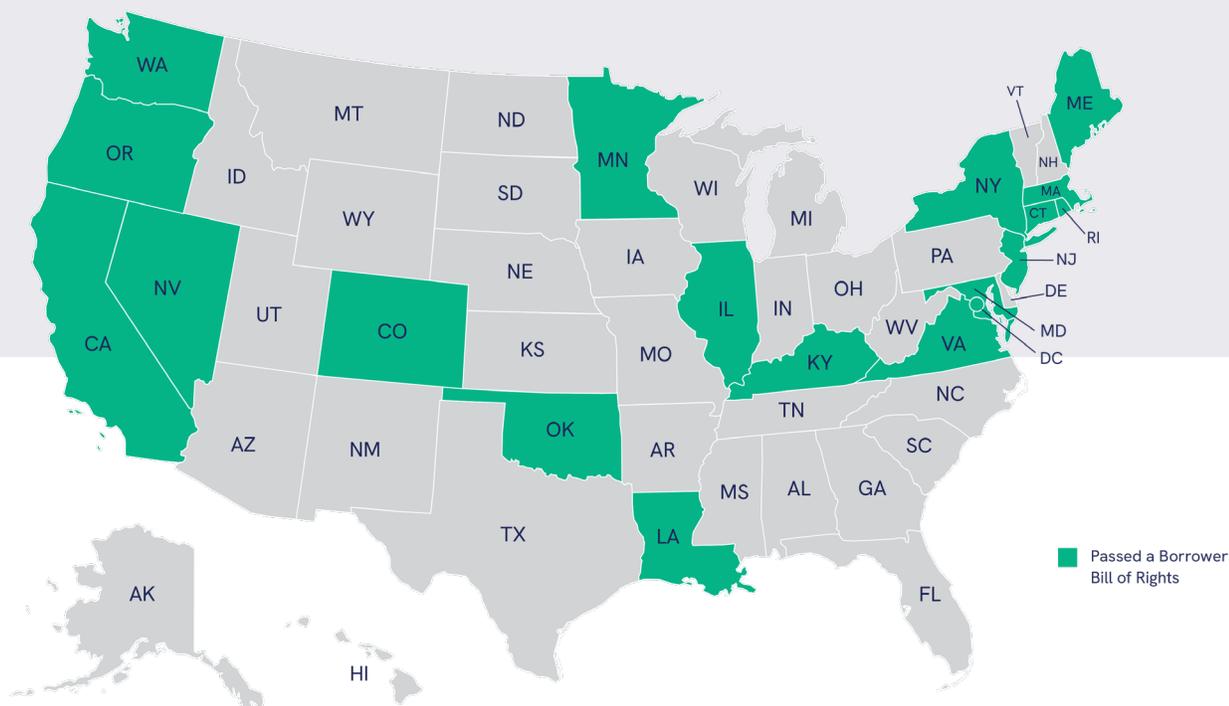
our advocacy at the federal level. SBPC led the fight to educate the public about the risks to borrowers posed by a Congressional Review Act resolution to overturn the payment pause, and called on President Biden to keep his promise to quickly deliver student debt relief following the June Supreme Court decision. Each of these efforts mobilized hundreds of organizations across the country. This strength in numbers demonstrates to the federal government that organizations representing millions of diverse constituents are paying attention and continue to advocate for student debt cancellation and better protections for borrowers.



### RESULTS FOR BORROWERS

SBPC's outreach efforts this year have paved the way for stronger advocacy, yielding tangible results for borrowers. Looking forward to 2024, SBPC plans to engage a new cohort of cities for the Cities Partnership to strengthen cities' understanding of student debt issues and how they can better support their residents. We will also continue our outreach efforts to state and national organizations to support ongoing advocacy efforts. To that end, SBPC will continue our educational work to ensure that borrowers, officials, and organizations have the best and most timely information on the student debt crisis and regulatory changes to existing student debt relief programs. The goal is for this outreach and educational work to inform SBPC's policy and advocacy work so that borrowers' needs remain centered and more partners become engaged on student debt issues and help advocate for meaningful change.

## CASE STUDY: RETURN TO REPAYMENT



### ✘ THE PROBLEM

After three and half years of paused federal student loan payments in response to the COVID-19 pandemic, in September 2023, interest began to accrue. In October 2023, payments resumed on these loans—putting nearly 40 million borrower accounts back into repayment. For almost one in six borrowers, this was their first time navigating repayment of their loans. For approximately a third of all borrowers, their loans were with a different student loan servicer than when they made their last payment in March 2020.

Not only has the return to repayment reintroduced monthly payments to households across the country that are struggling to make ends meet—most of whom would have had their debts cancelled if the Supreme Court had not struck down President Biden’s debt relief plan—it has also allowed the student loan servicers who administer the federal loan portfolio to demonstrate that they are not up for the job. Millions of borrowers across the country never received a bill in advance of their first payment, whereas others received a bill but for the wrong amount. Borrowers reported unauthorized amounts being withdrawn from their bank accounts or no withdrawal at all, resulting in delinquencies. When borrowers try to address account errors, they have been unable to reach a customer service representative without waiting on hold for hours.

In light of these early failures, the U.S. Department of Education (ED) eventually withheld \$7.2 million in

payments from one servicer, MOHELA. However, the servicing errors persist. Despite significant lead time and readily foreseeable challenges, student loan servicers simply failed to adequately prepare for repayment to resume. Borrowers continue to pay the price, and ED has done little to address underlying issues. In moments like this, it is critical that states are able to step in to enforce borrowers' rights.



## THE SBPC RESPONSE

SBPC's advocacy, investigations, litigation strategy, technical assistance, and community engagement have uniquely positioned us to help address the problems that the return to repayment poses. We have spent years working tirelessly to ensure that states have the consumer protection laws that they need to act on behalf of their residents, and have supported state attorneys general and financial regulators as they implement and enforce those laws.

This year alone, SBPC worked in eight states to help pass 11 bills, nine of which have been enacted and two of which are awaiting signature by the governor. These new laws range in topic from student loans to institutional debt collection to credit reporting. For example, SBPC provided technical assistance to advocates in Nevada who passed a Borrower Bill of Rights law that empowers the state to license and regulate student loan servicers and that gives borrowers a private right of action to enforce new consumer protections. This effort required a supermajority vote in the legislature, as well as tireless advocacy to ensure the governor signed the bill into law. SBPC helped negotiate the bill and provided in-person and virtual testimony about the student loan servicing industry and consumer protection. With the bill's passage, Nevada became the 19th state to adopt a Borrower Bill of Rights, representing a dramatic shift from as recently as 2015, when no states had student loan servicing-specific laws.

These state Borrower Bill of Rights laws are a powerful bulwark against predatory student loan servicing and ensure that state consumer protection agencies and borrowers have the tools they need to navigate errors during the return to repayment. Taken together, all of the consumer protection laws that the SBPC promotes work to create a more level and safer playing field for borrowers and their families.

Throughout 2023, SBPC also forecasted problems that would arise when payments resume and made the case for close oversight over student loan servicers. In particular, we convened state and federal regulators to discuss preparations for the end of the payment pause, and provided accurate and trusted resources directly to borrowers.

Beginning in May and periodically throughout the summer and fall, SBPC convened state attorneys general, state financial regulators, and state student loan ombudspersons to discuss the return to repayment. In these meetings, we reported on servicers' existing customer service deficiencies and understaffing and proposed a data collection and oversight regime to monitor these companies' preparedness and response to payments resuming. This strategy of requiring virtually real-time industry reporting was eventually adopted by the Consumer Financial Protection Bureau and several states.

Paired with these convenings, SBPC released several issue briefs outlining various legal theories for how states could hold student loan servicers accountable for emerging instances of improper

servicing, ranging from sending bills to borrowers whose debts should have been cancelled to failing to adequately inform borrowers about important deadlines. These briefs drew on both federal and state laws, and urged states to use their authorities under the federal Consumer Financial Protection Act provisions of Dodd-Frank in conjunction with their state-level consumer protections, including Borrower Bill of Rights laws.

In the weeks before payments resumed, SBPC also organized a day of action to stress test the student loan servicing system. Borrowers across the country called their student loan servicers to ask about the return to repayment and how to enroll in affordable payment plans, including President Biden's new Saving on a Valuable Education (SAVE) income-driven repayment plan. SBPC collected and shared these experiences, which made clear that the system was not prepared to turn on more than 40 million borrowers' loans. Many borrowers were unable to reach their servicers, endured hours-long wait times, or opted for automatic call backs that they never received. As a result, either literally or practically, these borrowers were unable to reach their servicers to confirm basic features of their student loans or to access their statutory rights.

When payments did resume, SBPC continued to document these same servicing failures and began to identify trends and propose underlying root causes. We are working to direct borrowers who have been harmed by improper servicing toward the appropriate consumer protection agency or private counsel so that their borrower rights can be enforced. We have also joined other advocacy and borrower-serving partners in raising these issues directly with ED.

In addition to our policy work, SBPC has continued to serve as a trusted expert to borrowers and to borrower-serving partners. We hosted more than 40 webinars to educate more than 4,200 borrowers about what to expect when payments resume, to provide specific steps they could take to prepare, and to identify critical deadlines on the horizon. In addition to these webinars, SBPC continues to update and promote [CancelMyStudentDebt.org](https://cancelmystudentdebt.org), our online resource to assist borrowers. SBPC regularly receives feedback about the need for these educational tools, given borrowers' frustration when communicating with their servicers.



## RESULTS FOR BORROWERS

The process of returning to repayment will continue into 2024, and borrowers are likely to experience the same billing and customer service issues that they endured in 2023. Thankfully, however, there are laws that can be brought to bear against underperforming or predatory servicers. With the payment pause officially over, there is greater interest from law enforcement in exercising these protections.

As the dust settles from the initial months of payments, state attorneys general and financial regulators will request information from servicers and will review borrower complaints to identify violations of their states' Borrower Bill of Rights laws, as well as violations of state and federal laws against unfair, deceptive, or abusive acts or practices (UDAAPs). To support those efforts, SBPC will continue to track and analyze borrower experiences, submit public records requests, and write briefs applying consumer protection law to student loan servicers' conduct. SBPC will also support private litigation to bring class relief in states where consumer protection laws include private rights of action. Even where the Borrower Bill of Rights laws themselves are not directly enforced, these laws will serve as common-sense industry standards to inform cases enforcing other consumer protections against servicers, such as UDAAP claims.

SBPC will also continue to provide webinars and other educational materials to empower individuals and support the movement of borrowers demanding a better system. An important component of that work is helping borrowers understand what state resources are available to address a federal loan program. The years of work that SBPC has already done have created a strong foundation and landscape to connect these various stakeholders and authorities.

