



STUDENT BORROWER
PROTECTION CENTER



COLLECTIVE

MO BORROWERS, MO PROBLEMS

How One MAGA Attorney General Tried to Break the Student Loan System and Drive His Own Constituents Deeper Into Debt

October 2024

PROTECTBORROWERS.ORG

About the Student Borrower Protection Center

The Student Borrower Protection Center (SBPC) is a nonprofit organization focused on eliminating the burden of student debt for millions of Americans. We engage in advocacy, policymaking, and litigation strategy to rein in industry abuses, protect borrowers' rights, and advance racial and economic justice.

About the Debt Collective

The Debt Collective is a union for debtors which organizes debtors to take collective action to resist unjust debts and win deep structural changes to healthcare, education, and housing so that no one is forced into debt for basic needs.



Introduction

Over the last two years, Missouri Attorney General (AG) Andrew Bailey has repeatedly sued to block the Biden-Harris Administration from delivering student loan borrowers any form of relief. He has led multiple coalitions of Republican AGs to challenge broad-based student debt cancellation, new income-driven repayment plans, and even future student debt policies that do not exist yet. Central to his argument is the Higher Education Loan Authority of the State of Missouri, also known as MOHELA, and its ability to make profit.

MOHELA was originally founded in 1981 by the Missouri legislature to ensure that college-bound students in the state "have access to student loans." The company was provided legal independence from the state and considered a "quasi-governmental entity" that generally operated without much, if any, interaction with the state. In 2010, Congress passed a law that ended the Federal Family Education Loan Program, which was the lending program through which MOHELA offered Missouri students loans, and expanded the role of the U.S. Department of Education originating federal student loans to college students. This led state-based companies like MOHELA to dramatically shift their business models from originating student loans themselves to becoming loan servicers for the federal government on these new loans. As a result, MOHELA grew from being a small company offering loans to Missouri students to one of the largest student loan servicers in the world. And as the borrower stories below will show—one of the most troubled.

Timeline of Missouri AG's Role in Blocking Debt Relief to Missourians

- September 2022:** Missouri joined a lawsuit to block President Biden's original debt cancellation plan, claiming MOHELA would lose money as a result of the plan. The Supreme Court struck down the plan in June 2023. At the time, over 777,000 Missouri borrowers were eligible for relief.
- April 2024:** Missouri AG Bailey sued to stop the administration from implementing the SAVE plan. Bailey claims the rule causes financial harm to MOHELA and that "harm to MOHELA is also a harm to Missouri." Because of court decisions in August 2024, over 821,000 Missouri borrowers are unable to access the benefits of the SAVE plan, and some aspects of other Income-Driven Repayment plans.
- September 2024:** Missouri AG Bailey sued to block the administration's "Plan B" debt relief plan, again citing MOHELA's "financial harm." The judge's October 2024 decision blocks Missouri borrowers from sorely needed relief.

While this report will look specifically at what the Missouri AG was hearing from borrowers, MOHELA services the accounts of federal student loan borrowers in every state and is the most complained about student loan company in the nation. From December 31, 2022, through October 23, 2024, **the company received twice as many complaints than any other student loan servicer of federal student loans.**

Despite the chorus of complaints about the company, Missouri AG Bailey has pushed his argument to the extreme, going so far as taking the position in a legal document that MOHELA can never be held accountable by the borrowers that it cheats because of its relationship with the state of Missouri.

While Missouri AG Bailey argued that MOHELA's profits were paramount to the state and that the company was above the law, Missouri residents and student loan borrowers were reaching out to his office for help as MOHELA threw their financial lives into chaos. For the first time, we can see what Missouri student loan borrowers' experience with MOHELA has been and what Missouri AG Bailey has chosen to ignore.

MISSOURI

STUDENT DEBT BY THE NUMBERS

821,300

FEDERAL STUDENT LOAN BORROWERS IN MO

21,720

BORROWERS HAVE RECEIVED
PUBLIC SERVICE LOAN
FORGIVENESS

\$29.3 BILLION

OUTSTANDING STUDENT DEBT

8,510

BORROWERS IDENTIFIED FOR
FORGIVENESS UNDER SAVE,
OWING \$123.4 MILLION

249,000

BORROWERS IN IDR OWING
\$13.5 BILLION

136,700

BORROWERS ENROLLED
IN SAVE

Complaint Overview

These borrower complaints about MOHELA were uncovered through a Missouri Sunshine Law request submitted by the Debt Collective to Missouri AG Bailey's office. They show the numerous harms that borrowers in his state, and across the country, have faced at the hands of MOHELA. These complaints represent every type of borrower: young borrowers and old borrowers, low- and high-income households, and public- and private-sector workers. MOHELA's central role in our \$1.7 trillion student debt crisis means that no borrower is immune from the company's predatory practices.

The Washington Post broke on October 16, 2024, that the U.S. Department of Education would temporarily stop assigning new borrower accounts to MOHELA after the agency discovered widespread servicing errors impacting hundreds of thousands of borrowers. Many of the trends that emerged in the complaints submitted to the Missouri AG were early warning signs of the mounting problems at MOHELA. Rather than investigate what it was being told by student loan borrowers, the Missouri AG instead attempted to shield MOHELA from any scrutiny and shirked his responsibility to investigate the company's practices, allowing these problems to continue unchecked. These complaints provide a critical snapshot of the experience borrowers face when dealing with MOHELA, and how MOHELA treats borrowers when it knows the Missouri AG will overlook its failures.

The stories that follow have been slightly modified to remove typos and personally identifiable information.

Failing to Enroll Borrowers in Income-Driven Repayment Plans

One of the most notable widespread errors reported on by *The Washington Post* was MOHELA's failure to implement the new Saving on a Valuable Education (SAVE) repayment plan on time. SAVE is the newest Income-Driven Repayment (IDR) plan, which ties a borrower's monthly bill to their earnings and provides loan forgiveness after 20 or 25 years, or less for people with small original balances. These IDR plans allow borrowers to access more affordable monthly payments on their loans, reducing the likelihood of delinquency or default. Failing to implement SAVE on time resulted in massive billing delays, requiring 280,000 borrowers to be placed in forbearance.

The financial and emotional toll this took on borrowers was staggering. One borrower seeking to enroll in IDR describes how they desperately tried to do everything asked of them by MOHELA to no avail, unsure of how it would impact their financial future:

"I have been trying to get onto an income-based repayment plan since June 2023. I have repeatedly filed the application. MOHELA keeps telling me I need to upload (at their suggestion a letter) documenting if I had a change to family size/income since the last time I was on an income based repayment plan. I have repeatedly uploaded what they have asked for. I have called MOHELA repeatedly. Each time I call, I am told that everything looks OK with the application, that yes, I have supplied the correct information, and that they are not sure why it was not approved. They say they will re-submit the application for review. Each time, weeks/months later I receive another notice saying the same thing, that I need to upload the same information I have already repeatedly uploaded. I applied for this repayment plan well in advance of the student loan pause ending. I applied in June 2023. Student loan interest resumed September 2023. Now, because of MOHELA's lack of preparation and repeated mistakes at managing my student loans, my very high student loan bill is collecting interest, as they placed the loans on administrative forbearance. I did not ask for the forbearance. I want to re-enter into student loan payment on the new SAVE plan, which will allow me to make payments and have my interest not accrue because, with my current salary, I will probably not be contributing to paying the principal on the current plan."

When this borrower attempted to contact MOHELA to correct this issue and avoid interest accruing on their balance, they faced runaround after runaround from company representatives:

"MOHELA takes months to reply to messages sent online. When you call, it takes several hours on hold to get through to someone. Even when you do talk with someone, the issue is not solved. I have spent at least 10 hours on the phone with MOHELA trying to get this solved. Just 2 days ago, I waited on hold for 2 hours, was on the phone with a person going back and forth between hold and not-hold for 1 hour, when they ended the call for unknown reasons. I did not receive a call back. My issue was not resolved, so I needed to re-call and wait another 2 hours on hold. When I finally spoke with a supervisor she reassured me that I would hear back from them within 2 days. It is now 2 days later and I have not heard back from them. This is absurd. I simply want to enter into student loan repayment on the new SAVE plan that is being heavily promoted by both the loan servicer and the government. It should not take 5 months to enter into an income-based repayment plan. Moreover, I am also applying for PSLF. The fax number listed on the PSLF form which they ask you to fax the form to does not work."

Another family wrote to Missouri AG Bailey, detailing the financial hardship they were facing due to MOHELA's delay in implementing SAVE and its inability to properly move borrowers into IDR plans. For this family, a months-long delay in MOHELA's backlog was made worse by MOHELA continuing to send monthly student debt bills despite requesting a forbearance to avoid unaffordable payments:

"Student loans for both of my daughters were moved to MOHELA during the pause. More than a month ago, they both completed paperwork to change to the new SAVE plan when the form became available. They also requested a forbearance for the current month since MOHELA did not get them processed timely. Their expected payment on the new income-based is \$0. MOHELA is experiencing a backlog. Today we received an email from MOHELA that they expected to process them within the next 90 days but state that all payments in the meantime at the full prior amount are considered due each month until they process the requests. They will not backdate the approval to when the request was made. ... We have tried calling and after sitting on hold for hours on end, we are simply told that we just have to wait until they get to our paperwork. This is an unfair practice. It is not the consumer's fault that the loan provider is not staffed to adequately process paperwork. It was known for months by the public that there would be an influx of paperwork. We have allowed more than a month only to be told to wait another 3 months. One daughter has been approved for the SAVE plan but it is not in effect for 2 months in the future instead of immediately. That is not how the form states. It states that loan payments will be stopped while in review. Instead they chose to push the start into the future even though we applied well before a payment would have been due. It was supposed to be effective from the application date, not the approval date. MOHELA is not following correct practices."

One teacher who enrolled in SAVE to access more affordable repayments became trapped in MOHELA's backlog of IDR plan applications—a backlog that MOHELA failed to notify the U.S. Department of Education about. She shares that while MOHELA did not move her into SAVE, they continued to send her bills that she could not afford:

"Hello, I was sincerely hoping that your office would be able to help me. I am trying to pay my student loans with MOHELA, and I am supposed to be on the SAVE plan and be on administrative forbearance while this switchover is occurring. I am a teacher, I am not trying to get out of paying my fair share, but I am supposed to be on the correct program. I am desperately reaching out to everyone I can, and have been in touch with a representative of Congressman Derrick Van Orden's Office as well and hopefully they will be able to help. I have had to pay more money than I am supposed to, and I have exhausted a number of options to try to just get a basic resolution. All I want to be is on the SAVE plan. Is there anything else you can do to help me?"

Account Errors Pile Up

Borrowers faced widespread account errors, including MOHELA providing them inaccurate billing amounts and information. Borrowers reached out to Missouri AG Bailey to report problems they encountered with MOHELA while attempting to repay their student debt, which included the most basic tasks that student loan servicers are responsible for. Some of these account errors were significant enough that they prevented the borrowers from paying back their loans at all.

These types of account errors can have long-term effects on borrowers, derailing them from successfully repaying their loans or accessing student debt relief, further deepening the student debt crisis. One borrower shares how they lost years of credit towards IDR cancellation due to an account error:

"For several months now I have been trying to resolve an issue in regards to my in-school status with MOHELA so I can get an accurate student loan repayment plan established that will give me proper credit for previous loan payments, and also allow my account to not have a major error which states I'm still taking college classes which is not accurate at all and something I brought to MOHELA's attention back in July of 2023 and still has not been resolved. I have sent them information showing I'm not in school and have not been for several years now and the institution that MOHELA claims I'm still enrolled in has even sent them information to show them that I'm not. They have been purposely negligent of getting this matter resolved in my opinion so I do not get credit for previous loan payments made over the last few years that will help me get loan forgiveness. Furthermore, this delay allows years of interest to be brought onto my loans when, during the pandemic relief period, no interest was to be collected on my loans. Also, months ago I submitted IDR forms to find out what my repayment amount would be once the pandemic relief student loan period ended. However, that has been placed in limbo because of their failure to make sure my account is properly updated to my actual status which is "not in-school". Again, just this week they sent me another in-school deferment form. Over the last 4 months now I have made it very clear to them in writing and verbally over the phone that I'm not in school and have never requested such status or to be sent such forms etc."

As other borrowers have reported to Missouri AG Bailey, resolving account errors with MOHELA was near impossible. This borrower went on to tell the Missouri AG's office that while they tried to resolve this account error that caused them to be unable to make payments on their account and lose credit towards debt relief, the company's customer service created a significant amount of emotional and financial stress on them:

"I'm fed up with their lack of customer support. I have had to take days off from work to call in to try and get this resolved. I have to take work time off because I will be on hold several hours waiting to speak with someone, whom every time I have spoken with a person at MOHELA they give me

inaccurate information or lie to me, because they say my account issues will be resolved, but yet here I am receiving another in-school deferment form from them that I never requested in the first place. I requested for a supervisor level person to contact me. I was contacted once in the last 4 months by one who left me a voice message with a non-working call-back number to reach him at. This issue has cost me money because I have had to take 4 days off from work to call and try to get it resolved. I have lost sleep because of it and it has given me high amounts of stress in my life that is unnecessary... MOHELA has repeatedly failed to work with to get this matter resolved so I can get my student loan borrower account issues resolved and allow me to make accurate loan payments and get potential credit for previous payments towards loan forgiveness."

Other account errors left some borrowers making payments on loans that should have been forgiven. Earlier this year, Student Borrower Protection Center and the AFT reported that MOHELA had denied thousands of student loan borrowers credit towards Public Service Loan Forgiveness (PSLF) despite clearly working in public service. One borrower wrote to Missouri AG Bailey to highlight how MOHELA had improperly rejected their PSLF application, despite working for an eligible employer, and the failure of the company to respond in any meaningful way over a months-long period to resolve this problem:

"I have never had a late loan payment. I completed 120 monthly payments as required in November 2022... In September 2022, MOHELA sent me a notice that my employment was not eligible for PSLF because the State of Minnesota is a for-profit organization. I spent approximately five hours on the phone with MOHELA trying to convince them the State of Minnesota is, in fact, a state. In October 2022, MOHELA said I had no account with their system. After waiting on hold for three hours, the automated phone said, "goodbye" and disconnected me... On November 4, 2022, I spent several hours on hold. When I reached a representative, she confirmed my account exists... On February 23, 2023, I spent an hour on hold with MOHELA. When I spoke to a representative, she said their systems could not find my account. MOHELA is engaging in Olympics-level weaponized incompetence. This is ruining my life; I have dedicated my blood, sweat, and tears to public service and have been counting on loan forgiveness to relieve the financial burden of being a public defender."

Much like MOHELA's backlog in processing IDR plan paperwork, the backlog of processing PSLF paperwork exploded under MOHELA's watch. Borrowers complained that MOHELA regularly failed to let them know what was happening with their PSLF applications or let them know when their applications would be processed. One borrower wrote about the distress they felt due to this uncertainty:

"On 07/13/2022, I consolidated my loans and transferred my loans from Fedloans to MOHELA. I previously submitted multiple employment certification forms to Fedloans and had nearly 10 years

of qualified loan payments. Nearly nine months later, MOHELA still has not imported this payment information and refuses to provide any timeline as to when this will happen. I have attempted to contact MOHELA multiple times and they either ignore me or give me irrelevant canned responses. They claim they don't have the information that they obviously possess and won't provide a date, if any, by when this will be resolved. This is especially time sensitive since I am at payment 119 of my 120 payment forgiveness period. Unfortunately, in refusing to update my payment accounts, MOHELA has put me in a limbo where I am uncertain whether I will ever receive the forgiveness I am entitled to."

Unexpected Auto Debit Charges

One of the most basic tasks that a student loan servicer must perform is sending bills and receiving payments. As the complaints above show, borrowers whose loans are serviced by MOHELA struggled to receive accurate account information. But borrowers also complained about MOHELA auto debiting incorrect amounts from their accounts at unexpected times. Here is what one borrower experienced:

"MOHELA is my federal student loan servicer. They recently transitioned to a new platform to handle loan payments and processing. During this transition, I was told that pending/planned payments would not transfer to the new platform. This appeared to be correct because I had approved payments prior to the transition, and they did not appear on the customer facing website nor the internal MOHELA records after the transition was complete. Despite this, on May 21, 2024, \$1200 was taken out of my bank account. The payment never appeared on the website, thus I was not aware that it was still active despite being told that it would be cancelled. I called on June 3 and they had no record of the transaction and assured me that there were no further pending transactions. I called again on June 4 and suddenly they had a record of it and promised a refund after 23 business days. I find this to be an absurd amount of time, but I did not fight them and accepted that I would get the money back. However, instead of a refund, another \$1200 was taken from my bank account on June 21. Again, there is no record of the transaction on their website, and I had been given assurance that no pending payments existed on my account. I don't know if this is a result of their incompetence or maliciousness, but it is grossly unacceptable."

Borrowers Send a Clear Message

Over the last year, the U.S. Department of Education has been engaged in a [negotiated rulemaking process](#) focused on providing student debt relief. One of the negotiators was the Missouri AG's office, representing the perspective of state attorneys general. During the second negotiating session, the representative for the Missouri

AG's office shared that "in the last few weeks, a number of constituents have reached out to provide feedback" to their office regarding their concerns about student debt relief.

Through the documents received from the Sunshine request, we now know what the Missouri AG's office was hearing. In fact, the office heard much more support for student debt relief and frustration over MOHELA than concerns about debt relief.

From when the negotiated rulemaking process was announced on June 30, 2023, through September 2024, the Missouri AG received 144 messages about student debt relief. For every message the office received opposing student debt relief, they received three messages in support of student debt relief from every corner of the state.

"I am an RN with student loans and your actions as attorney general have had a direct impact on me. MOHELA has on more than one occasion messed up my student loans. They sent me multiple inaccurate due dates, inaccurate amounts due, and have failed to place me in an income-driven plan for 90-plus days. I want you to do your job and take action to protect Missouri residents from the awful service provided by MOHELA. I am ashamed of you and your office for protecting MOHELA." - A borrower from Joplin, MO

"Dear Attorney General Bailey, I am writing to you today as a dedicated teacher in the state of Missouri, who is deeply disheartened and outraged by your recent attempts to block much-needed student loan aid for hard-working Missourians. Your actions are not just a political maneuver—they are a direct assault on the financial stability and future of countless individuals who have invested in their education to contribute positively in our society." - A borrower from Kansas City, MO

A troubling, but consistent theme has emerged from the Missouri AG's office: when student loan borrowers reach out, either for help or to share their views, they're ignored. When it seems that MOHELA's profits could be affected in some way by new policies, then the Missouri AG jumps into action.

What Comes Next for Borrowers?

On October 24, 2024, the Missouri AG's office will once again argue before a court that MOHELA's profits are more important than the finances of hundreds of thousands of Missouri residents. The complaints that the Missouri AG received are not unique to Missouri borrowers. If he is unwilling to defend Missouri borrowers and shirks his duty to hold MOHELA accountable, then other law enforcement should. The U.S. Department of Education has taken a small step toward this end by no longer sending new borrower accounts to the company, but there is much more that other state AGs, federal regulators, and Congress can, and must, do to protect borrowers from MOHELA.



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