



STUDENT BORROWER
PROTECTION CENTER

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2020

**HIGHLIGHTS
REPORT**

DECEMBER 2020



Two years ago, as the SBPC first opened its doors, student loan borrowers were in crisis. Americans struggled under unprecedented levels of debt, faced predatory student loan companies at every turn, and were left to fend for themselves by a federal government focused more on protecting financial companies than people.

We quickly got to work, partnering with hundreds of groups across the country to push for meaningful new protections, expose harmful and illegal practices in the student loan industry, and fight back against the Trump administration's assault on student loan borrowers' rights. In its first year, the SBPC was proud to grow a national network of allies in this fight and deliver meaningful results for borrowers.

As 2020 began, we continued these critical efforts. But as Americans were pushed to the brink by a global pandemic and the associated job loss, financial upheaval, and economic recession, the situation for millions of struggling student loan borrowers became even more dire.

The SBPC and its allies responded, working to ensure the needs of student loan borrowers remain front and center through the pandemic.

Over the past year, these efforts have included litigation against student loan companies cheating the most vulnerable borrowers during this crisis, targeted state and federal advocacy to expand emergency protections for those hit hardest by the pandemic, and partnerships with dozens of organizations to provide actionable advice and resources to over 10,000 borrowers trying to stay afloat.

This was also a year of progress in driving systemic change in the fight to protect borrowers and to end the student debt crisis.

We pioneered groundbreaking research into the true cost and effects of student debt on American families and communities. We joined with nonprofit and government partners to hold the student loan industry and the Trump administration accountable through the courts, returning hundreds of millions of dollars to student loan borrowers across the country. We released model policy proposals reflected in dozens of pieces of progressive legislation across 15 states, successfully expanding protections for more than eight million borrowers nationwide. We led more than half a dozen investigations to expose deeply entrenched corruption and abuse. And we expanded our partnership with UC Irvine School of Law to build a new foundation of rigorous, independent scholarship on student loan law and developed a roadmap for the next administration to deliver relief to tens of millions of borrowers through executive action.

Underpinning all of these achievements is the SBPC's effort to build and mobilize a diverse, nationwide network of partners in this fight—a movement of students and student loan borrowers, state and federal lawmakers, attorneys general, consumer advocates, civil rights organizations, advocates for military families, legal aid attorneys, and many others.

The following report highlights the work we've done on behalf of students and borrowers over the past year—achievements made possible because of the tireless efforts of our partners in communities across the country. The stakes for student loan borrowers, their communities, and the American economy have never been higher. The new year will usher in a new administration in Washington and offer a once-in-a-generation opportunity to reshape the higher education system and the student loan market. As America begins to recover from the pandemic, the coalition we mobilized in 2019 and expanded in 2020 will serve as a force for change in 2021 and beyond.

Join us.



SETH FROTMAN

EXECUTIVE DIRECTOR

STUDENT BORROWER PROTECTION CENTER

SBPC HIGHLIGHTS

Two years ago, the Student Borrower Protection Center opened its doors to help put an end to the student debt crisis. Here's a look back at what we've accomplished.

Fighting for the 45+ million Americans with student loans



**Created Stronger Protections
in 12 States with Nearly
14 Million Borrowers**



**8 State-Level Student
Borrower Bills of Rights**



**Fought for Borrowers During
the COVID-19 Pandemic**

- Ended illegal credit reporting for 5 million borrowers
- Returned \$175+ million in illegally seized wages
- Pushed private lenders to end abusive collections lawsuits
- Advocated for the 9+ million borrowers left without any relief or support
- Conducted dozens of student loan repayment trainings reaching nearly 10,000 borrowers



**12 Investigations
Into Private Companies and
Government Mismanagement**

- 40+ open records requests
- 15,000+ documents uncovering abuse across the student loan system
- Drove shady actors to clean up harmful practices

**Uncovered
Discriminatory
Educational
Redlining by
Fintechs & Big
Banks**



1 Law Journal Issue Dedicated to Student Loans

**Investigated
Abuse Across the
Public Service
Loan Forgiveness
Program &
Demanded Justice
for Teachers,
Nurses, & Other
Public Service
Workers**



Pioneered New Research

- Found student debt can increase the cost of credit for borrowers by \$30,000+ across common financial products
- Exposed severe racial disparities for student loan borrowers across American cities
- Investigated the \$140 billion private student loan market, exposing widespread predatory practices that hit Black & Latino borrowers hardest



**Fought to Bring Borrowers
Justice in the Courts**

- Added new borrower tools to hold industry accountable
- Combated shady arbitration agreements used by predatory schools
- Drove litigation to hold Betsy DeVos & the CFPB accountable for failing to protect borrowers

**Cracked Down On
Abusive Companies
That Prop Up
Predatory For-Profit
Schools**

In 2021 and beyond, the SBPC will continue working with hundreds of national, state, and local organizations to end the student debt crisis and protect borrowers.

STUDENT BORROWER JUSTICE PROJECT



The Student Borrower Justice Project empowers government and private litigants to take action to protect borrowers' rights, halt industry abuses, and drive public policy change. The SBPC's clients and partners include public agencies, such as state attorneys general and banking departments, as well as private litigants, such as organizational partners like labor unions and classes of individuals represented by partner advocacy groups.

Highlights from the last year include:

Demanding justice for student loan borrowers who have been ripped off.

For too long, the student loan industry has taken advantage of struggling borrowers, driving billions in debt and causing widespread harm. The SBPC advised a wide range of nonprofit and government partners seeking justice for students and student loan borrowers through the courts, demanding that industry abuses no longer go unchecked. For example, the SBPC:

- Advised the American Federation of Teachers as members of the labor union sued embattled student loan giant Navient, seeking justice for 325,000 public service workers cheated out of promised loan forgiveness and ultimately forcing Navient to halt abuses and improve the service it delivers to millions of public service workers with student debt.
- Exposed the role that the federal debt collector Maximus played in unlawfully seizing wages and tax refunds from former for-profit college students, supporting a groundbreaking consumer protection class action filed by the National Consumer Law Center and the nonprofit Justice Catalyst Law.

Standing up for borrowers when the Department of Education and student loan industry botched critical pandemic relief.

As Americans faced job loss and financial turmoil, Congress stepped in to provide relief to student loan borrowers, but the Trump administration and financial services industry botched relief at every turn. The SBPC spotlighted these breakdowns and helped fight for borrowers in the courts. For example, the SBPC:

- Developed a lawsuit in partnership with consumer rights nonprofit Towards Justice against five of the nation's largest financial companies for mishandling pandemic relief and engaging in illegal credit reporting affecting 4.8 million borrowers.
- Partnered with the National Consumer Law Center and Student Defense to drive litigation on behalf of over 390,000 borrowers whose wages were illegally seized during the pandemic, successfully returning more than \$175 million.

Fighting back and winning against Betsy DeVos's obstruction.

For four years, Betsy DeVos has engaged in shady legal tactics to block law enforcement oversight of student loan companies engaged in predatory practices. In response, the SBPC worked with law enforcement officials and advocates to stand up for borrowers and hold DeVos accountable. For example, the SBPC:

- Fought against student loan companies' efforts to suppress borrowers' rights—and won—by leading briefs filed on behalf of local and national consumer advocates relied upon by federal and state appellate courts when rejecting industry attempts to skirt the law.
- Teamed up with Democracy Forward and Student Debt Crisis in a landmark lawsuit against the CFPB and the Department of Education for refusing to do their job of protecting consumers and failing to oversee over \$1 trillion in student debt.

Creating new tools for borrowers to demand justice.

For too long, legal hurdles made it impossible for borrowers to demand justice when ripped off by the student loan industry. The SBPC worked with partners throughout the country to fight back. For example, the SBPC:

- Created new rights that empower borrowers in states like California and Virginia to seek justice through the courts when student loan companies break the law.
- Fought to restore access to justice for students by advancing bills in Virginia and New Jersey that ban predatory schools from using shady arbitration agreements to slam shut courthouse doors.



ON THE HORIZON

As a new administration takes office in 2021, the SBPC will leverage ongoing litigation to drive structural reforms to the student loan system and protect students and student loan borrowers from abuses. The SBPC remains focused on spurring new lawsuits to hold bad actors across the private sector accountable, leveraging evidence uncovered through SBPC's investigations, and demanding justice for illegal industry practices that cost borrowers billions of dollars each year.

INVESTIGATIONS



The SBPC is fighting on behalf of the millions of Americans being ripped off by a student loan system fraught with corruption and abuse. The SBPC is using a range of tools to shed light on this corruption and hold responsible parties accountable: conducting in-depth investigations using federal and state sunshine laws; providing technical expertise to policymakers and law enforcement; monitoring student loan companies, predatory schools, and emerging actors in the market; and partnering with watchdogs and media to bring abuses to light.

Highlights from the last year include:

Uncovering breakdowns and restoring the promise of the Public Service Loan Forgiveness Program.

Despite government promises to relieve the crushing burden of student debt for public service workers, widespread industry breakdowns and government mismanagement have denied 98% of those who apply for relief. The SBPC launched a joint investigation with the American Federation of Teachers to demand justice for these borrowers. Through this effort, the SBPC has:

- Uncovered millions of servicing errors that affected hundreds of thousands of borrowers seeking loan forgiveness by the now-defunct company ACS, which once managed the largest portfolio of student loans made directly by the federal government.
- Exposed breakdowns throughout the Department of Education's process for determining whether borrowers' employers qualify them for loan forgiveness. These failures confuse or deter borrowers and jeopardize loan forgiveness for millions.
- Discovered that millions of eligible borrowers were unable to access promised relief due to harmful or unlawful practices by the student loan industry—abuses made possible because the Department of Education failed to set critical standards for student loan companies when communicating with student loan borrowers.

Exposing abuses by for-profit schools and the companies that support them.

For years, for-profit schools have partnered with financial services firms to push borrowers to take on risky, high-cost debt. A series of investigations by the SBPC has exposed shady partnerships that allow predatory schools to flourish, spurring critical changes in the market. For example, the SBPC:

- Drove PayPal to terminate partnerships with hundreds of unaccredited for-profit schools where the company had previously offered costly tuition financing products to students attending programs with

dubious value.

- Forced specialty lender Climb Credit to make significant advertising and marketing changes to its product after alerting regulators about troubling lending practices particularly at for-profit schools.

Calling for increased protections around emerging financial products.

Income Share Agreements (ISAs) have been touted by Silicon Valley and Wall Street as a solution to the student debt crisis, despite posing serious risks to students. Working with state law enforcement and legal experts, the SBPC has shed light on the significant consumer risks of these products and the importance of applying consumer financial laws to protect borrowers. For example, the SBPC:

- Joined with the National Consumer Law Center to file a complaint with the FTC against Vemo Education, a large ISA provider, for using deceptive marketing tactics to make their products appear cheaper to students than they actually were.
- Created a roadmap for law enforcement officials and regulators to rein in ISAs and protect borrowers, publishing a report series by leading legal experts, holding a widely attended virtual conference series, and training state law enforcement officials.

Spotlighting abuses and a lack of oversight.

The rapidly growing \$140 billion private student loan market has expanded in the shadow of the government's trillion dollar federal loan portfolio, although it is subject to less oversight and offers fewer consumer protections than federal student loans. The SBPC's investigation into private student lending has drawn attention to the plight of private student loan borrowers, raising the alarm about the need for action and proper oversight in order to protect them. For example, the SBPC:

- Issued first-of-its-kind research on private student loans, highlighting predatory segments of the market as well as how borrowers of color, older Americans, and low-income borrowers with private student loans disproportionately struggle to stay afloat.
- Uncovered data showing that at the height of the pandemic, private student loan borrowers lacked relief and were struggling to pay their loans at an alarming rate.



ON THE HORIZON

As the student debt crisis continues to grow unchecked and millions of student loan borrowers are pushed to the brink due to the pandemic, bad actors across the higher education and financial services sectors stand to profit by exploiting this distress. In 2021, SBPC investigations will expose these abuses, warn borrowers and regulators about emerging risks, and spur a new administration to hold predatory schools and companies accountable and protect borrowers.

STATES FOR STUDENT BORROWER PROTECTION



The SBPC is working to empower states to crack down on predatory student loan companies and strengthen borrower protections. The SBPC lends technical expertise to policymakers, regulators, advocates, and other state leaders looking to tackle the student debt crisis, from expanding state oversight of industry to banning abusive debt collection tactics. The SBPC has built diverse and enduring coalitions of state and local groups that are continuing in the fight to protect borrowers.

Highlights from the past year include:

Expanding state-level protections for more than 8 million student loan borrowers.

During 2020, the SBPC's policy proposals were reflected in 24 pieces of legislation introduced across 15 states, leading to new state-level protections for 8.3 million borrowers.

Continuing to successfully push state-level Borrower Bills of Rights.

Building on a historic slate of legislative victories in 2019, the SBPC successfully expanded organizing and advocacy efforts to all corners of the country to advance protections for student loan borrowers and end abusive practices across the student loan servicing market. For example, California passed landmark legislation creating a robust set of affirmative rights for servicemembers, older borrowers, and public service workers. Meanwhile, Virginia passed a comprehensive set of borrower protections that will serve as a model for the rest of the nation.

Establishing a roadmap for states to end predatory practices perpetrated by private lenders and for-profit schools.

For the past two years, the SBPC has worked to build a powerful coalition of state groups to demand accountability for the most unscrupulous players in the higher education finance market. From labor unions to credit unions, veterans groups to civil rights groups, grassroots organizers in these coalitions seized the momentum of past victories to champion far-reaching proposals adapted from SBPC model legislation. These efforts included new laws passed in Washington and Louisiana to ban transcript withholding—one of the most aggressive debt collection tactics used by for-profit schools—and a groundbreaking law in Maryland creating the first state-level set of protections for borrowers who fall victim to shady schools that unexpectedly shut down. This work is continuing into 2021. For example, advocates in New Jersey are moving legislation that

cracks down on the predatory lenders that drive borrowers deep into debt and prop up the most harmful for-profit institutions.

Helping drive larger systemic reforms by bringing the voice of student loan borrowers front and center.

The SBPC was a critical player as diverse coalitions took on long-entrenched special interests to pass far-reaching consumer protections affecting tens of millions of borrowers. For example, in California, the SBPC championed the critical importance of protecting student loan borrowers as a key component of the new law that establishes the first “state CFPB.” In Colorado, the SBPC shed light on how collectors aggressively pursue illegitimate debts, as state advocates fought for broad scale protections against wage garnishment for consumers in the wake of the pandemic.

Serving as a trusted advisor to state governments.

In addition to working with state partners to educate lawmakers and drive policy change, the SBPC is regularly called on to offer expertise and provide technical assistance to government officials on student loan law, consumer protection, and higher education policy. For example, the SBPC supported the Wisconsin Governor’s Task Force on Student Debt, presenting research data on student debt in Wisconsin communities and warning about the role that predatory for-profit colleges play in driving the student debt crisis. In addition, the SBPC serves on the New York Department of Financial Services’ Student Debt Advisory Board, presenting research and risks to borrowers as part of regular meetings with the state’s top financial regulator.



ON THE HORIZON

Over the past two years, the SBPC has shown how states can be key drivers in expanding consumer protections for student loan borrowers—cracking down on unscrupulous student loan companies and stepping up when Washington cannot and will not act. During the 2021 legislative session, the SBPC will continue to aggressively advocate for borrowers’ rights by working with partners in statehouses across the country. From ending the predatory practices propping up unscrupulous schools to banning shady student loan companies from abusing the court system, the SBPC will continue to fight for accountability across the student loan market.

CIVIL RIGHTS PROJECT



The SBPC's Project on Civil Rights is conducting research, engaging in advocacy, and building legal tools to expose the effect of student debt on borrowers of color and put an end to predatory practices that exacerbate existing racial and economic disparities. Working alongside partners, these efforts have spurred critical changes in the market and helped raise awareness about how protecting student loan borrowers is critical to advancing racial equity and economic justice.

Highlights from the last year include:

Exposing the effects of the student debt crisis on communities of color.

The most severe consequences of the student debt crisis are disproportionately borne by Black, Latino, and Indigenous communities. Recognizing this, the SBPC has worked to spotlight vast student debt disparities and to urge policymakers at every level to take action to address this crisis. For example, the SBPC:

- Released new research finding severe racial disparities in student debt burdens and borrower distress across American cities. Visuals developed for this research project won Princeton University's Dignity + Debt Network's 2020 Visualizing Student Debt contest for data images of student debt that push for social change.
- Published new research finding Black borrowers in the private student loan market are more likely to struggle paying their loans.

Highlighting predatory companies and schools targeting borrowers of color.

Across the student loan market, predatory companies target communities of color, driving additional debt and distress. The SBPC has shed light on these harmful practices and worked with partners to develop legal tools and approaches to protect borrowers and help tackle systemic issues. For example, the SBPC:

- Created the first-ever roadmap for policymakers to strengthen and deploy existing civil rights laws and authorities to combat predatory practices by for-profit schools.
- Revealed how critical consumer protections fail to reach borrowers of color as student loan servicing failures have disproportionately impeded Black and Latino borrowers from entering into affordable repayment programs, resulting in higher delinquency and default rates.

Rooting out discriminatory educational redlining practices.

In recent years, regulators, lawmakers, civil rights organizations, and consumer advocates have raised concerns that the use of educational criteria such as a borrower's school in credit decisions can result in discrimination.

The SBPC has worked to hold industry accountable for these dangerous practices. For example, the SBPC:

- Released a new investigative report warning that financial companies' use of education history to screen borrowers for loans can penalize borrowers of color and community college students. The SBPC analyzed fintech and banking products, uncovering cases where a prospective borrower may be hit with thousands of dollars in additional credit costs for attending a community college, an Historically Black College or University, or a Minority-Serving Institution.
- Partnered with the NAACP Legal Defense and Educational Fund to establish a new standard for fintech fair lending oversight. Together, the organizations warned fintech lender Upstart that its use of education data in determining an applicant's creditworthiness causes an unjustified disparate impact on Black borrowers. This led to a negotiated agreement in which the company agreed to have its lending practices monitored by a civil rights law firm to prevent discrimination, establishing new best practices for the use and testing of alternative data in fintech credit models.



ON THE HORIZON

In 2021, the SBPC will drive new research to expose how student debt disproportionately burdens women, Black, Indigenous, and Latino borrowers, arming policymakers with the data and analysis they need to confront the harms student debt places on these borrowers and their communities. To address these challenges, the SBPC will leverage its 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.

STUDENT LOAN LAW INITIATIVE



The Student Loan Law Initiative (SLLI) is bringing together leading thinkers on student loan issues at the nation's first academic center focused solely on student debt and the law. The initiative, created as a partnership between the SBPC and the University of California, Irvine School of Law, is working to foster the highest-quality 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:

Fostering cutting-edge legal research to support advocates and policymakers.

As the student debt crisis has grown, borrowers have increasingly turned to the courts, policymakers, and lawmakers to protect and expand their rights. But too often, these efforts have faltered because of a lack of rigorous legal research. To fill this need, SLLI has driven new research and publications to help policymakers and advocates take action to address the student debt crisis. For example, SLLI:

- Joined with the UC Irvine Law Review to publish a special issue of the law review dedicated exclusively to exploring the intersection of student debt and consumer protection.
- Published a policy playbook where leading student loan experts and advocates offered a roadmap for the Biden administration to fix broken debt relief programs intended to help servicemembers, teachers, defrauded students, and other borrowers.

Harnessing data to better understand student loans.

A lack of data has prevented researchers and policymakers from understanding and addressing some of the most pressing problems facing vulnerable borrowers. To fix this, SLLI is developing a first-of-its-kind data hub to drive cutting-edge research that provides deep and unique insights into the student loan market. For example, SLLI:

- Acquired two proprietary datasets, one containing consumer credit history, which shows how student loans affect borrowers' other financial opportunities, and one containing student loan repayment history, which provides needed insights into past failures in the student loan market.
- Awarded grants to leading academics who will use these datasets to examine issues such as the effects of student debt on consumers' financial lives and their communities, disparate lending patterns among marginalized communities, and policies for improving access to affordable repayment plans.

Bringing together experts.

For too long, leading law scholars and researchers have been siloed off from critical expertise necessary to identify and solve the most pressing legal challenges facing student loan borrowers. SLLI has created unique opportunities for experts from diverse backgrounds—from academia, higher education, consumer finance, law enforcement, and more—to come together to share insights and develop solutions. For example, SLLI:

- Convened a law review symposium dedicated exclusively to student loan law. The event featured legal scholars, law enforcement officials, practitioners, and advocates presenting research findings that exposed pervasive racial disparities in the market, demonstrated a clear need for stronger state regulations, and explored new frontiers in regulating student debt.
- Co-hosted a virtual conference on student debt cancellation with Demos. The event featured a keynote from Senator Elizabeth Warren and discussions with leading student loan experts on how the Biden administration can take immediate action to deliver debt relief to borrowers.



ON THE HORIZON

With unprecedented momentum behind efforts to end the student debt crisis, federal and state policymakers will depend on actionable research and expert legal scholarship to meet this moment. In 2021, SLLI will drive cutting-edge research that exposes the true costs of student debt on American families and expands the legal toolbox available to government officials to drive systemic change. SLLI will also leverage work by grantees, fellows, and partners to empower scholars across academic disciplines, spotlight emerging risks, and shape the critical policy choices facing Washington in the year ahead.



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