STUDENT BORROWER PROTECTION CENTER

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2021 HIGHLIGHTS REPORT

DECEMBER 2021

As 2021 comes to a close, our country—including 45 million Americans with student debt—finds itself at a crossroads heading into a third year marked by COVID-19 and its far-reaching economic and public health repercussions.

This moment demands sweeping change to ensure families with student debt can prosper and to restore the promise of higher education as a gateway to the American Dream. Failing to meet this moment will result in the same policy failures that deepened economic inequality, widened the racial wealth gap, and led to an epidemic of student loan defaults in the years prior to the pandemic.

In the first weeks after COVID-19 became a national emergency, Congress enacted what has proven to be the broadest effort to assist people with student debt in American history. This student loan "payment pause" has temporarily freed a majority of people with student debt from the burden of monthly payments and interest charges. This has proven wildly popular: seventy percent of Americans, including majorities of Democrats, Republicans, and independents, continue to support the pause in student loan payments nearly two years later.

This year, we led a coalition of hundreds of organizations representing tens of millions of students, student loan borrowers, workers, people of color, people of faith, people with disabilities, veterans, and others to protect and extend this relief—ensuring that tens of millions of people with student debt would not have to face the prospect of a student loan bill this year.

At the same time, our advocacy drove the Biden administration to address long-standing tears in the student loan safety net. Utilizing the same roadmap outlined in our reports, the Biden administration used executive action to pave the way for people with disabilities, people defrauded by predatory schools, and people working in public service to have their debts canceled outright. Centering the voices of these borrowers in the policymaking process, we helped tens of thousands of working people demand executive action to keep the promise of debt relief. We provided a platform for experts, advocates, and scholars to shape the series of unprecedented actions that have already canceled more than $12 billion in debt for nearly 650,000 people, with tens of billions of dollars in additional relief on the way.

We also exposed endemic corruption, abuse, and discrimination at the intersection of higher education and finance. Backroom deals between colleges, banks, and financial technology firms too often target students of color and first-generation students—widening disparities in wealth caused by centuries of systemic racism. In 2021, SBPC investigations and litigation led to the collapse of a predatory coding bootcamp that was once the darling of Silicon Valley investors, spurred federal enforcement officials to pursue a big tech company accused of predatory student lending, and drove a multi-billion dollar lender to subject its use of artificial intelligence to independent monitoring to remedy allegations of racial discrimination.

Yet, despite these victories, we must remain vigilant to hold on to this fragile progress.

In the year ahead, student loan payments are slated to resume for tens of millions of people across the country. The student loan system remains catastrophically reliant on the giant student loan companies responsible for creating the student debt crisis. At the same time, predatory schools and lenders have seized on the disruption caused by the pandemic to prey on the most economically vulnerable students and families across the country.

Underpinning these challenges are a higher education and a financial system dangerously dependent on household debt. Everywhere from Wall Street to Silicon Valley, students and their families have been transformed into dollar signs on a corporate balance sheet, as the promise of broad prosperity is packaged and sold in the pursuit of private profit. On the horizon, a new alliance between predatory schools and big businesses is poised to extend the shadow of student debt into segments of our society previously untouched by the student debt crisis—forcing working people across the labor market, including truck drivers, janitors, retail workers, and millions of others deeply into debt to pursue training and education often marketed as free.

The following report highlights the work we have done to protect students, borrowers, and their communities from the far-reaching effects of the student debt crisis and drive systemic change. With this combination of groundbreaking research, cutting-edge investigations, and aggressive policy advocacy, we can reshape the student loan system and move markets.

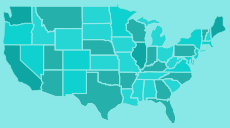
We are just getting started.

MIKE PIERCE
EXECUTIVE DIRECTOR
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.

Fighting for the 45+ Million Americans with Student Loans



Advanced laws in 15 States to benefit more than
16 Million Borrowers

Partnered with over
250 Groups Across the Nation

20+ Investigations
into private companies and government mismanagement

30+ open records requests producing 20,000+ documents

Uncovered illegal garnishment and collections and drove reforms to halt these practices

Drove Debt Relief for Public Service Workers

Led campaign on behalf of millions of public service workers

Over $3 billion in public service workers' debt already canceled with more to come

50,000 borrowers raised their voices to call for change

50 national lawmakers joined the effort

6 Grants Awarded to leading scholars to study the student debt crisis

1 Economist Hired

Fought to Bring Borrowers Justice in the Courts

Advised 10+ states pursuing justice for defrauded borrowers

Drove government investigation into tech giant cutting shady deals with hundreds of predatory online schools

Shut down schemes by for-profit colleges and financing companies that cheated thousands of students

Mapped Exploitation

Built first-of-its-kind map of 5 Midwest cities showing predatory for-profit schools targeting Black and Latino students

Combatted Predatory Players

Spurred industrywide crackdown on risky emerging student financing products

Exposed systemic abuse of courts by student lending giants

Spurred new state protections against predatory debt collection lawsuits

Roadmap for Relief

Built a policy playbook for the new administration that has led to more than **$12 billion** in debt relief for nearly **650,000** borrowers, including teachers, nurses, defrauded borrowers, and borrowers with disabilities

The SBPC will continue to drive meaningful policy change, establish new borrower protections, and make millions of struggling Americans' lives better in 2022 and beyond.

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 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. In the last year, the SBPC has continued to build on our advocacy and investigations work, partnering with other organizations to bring impactful litigation against bad and duplicitous actors.

Highlights from the last year include:

Empowering regulators to pursue abuses by the largest student loan companies in America.
Across the country, state attorneys general and banking departments joined federal regulators to crack down on bad actors across the student loan and higher education systems. Throughout 2021, the SBPC advised state and federal agencies on key government investigations and litigation that sought to protect millions of people with student debt and fought to expand oversight by independent financial regulators. For example, the SPBC:

- Affirmed the Consumer Financial Protection Bureau's independent oversight over the student loan system. The SPBC advised litigation against the Trump-era CFPB brought by Democracy Forward, on behalf of our partners at Student Debt Crisis Center. This lawsuit brought attention to the CFPB's failure to oversee nearly 70 percent of the student loan market, in violation of its own regulations. This case concluded in 2021 when the CFPB publicly affirmed that it resumed supervision of the largest student loan companies in America.
- Advised government investigations and litigation into abuses by the largest student loan companies in America. The SBPC maintained a robust advisory practice, being retained by state attorneys general to provide strategic counsel in support of litigation and investigations into predatory practices by the largest student loan companies in America. Clients of the SBPC overcame key legal roadblocks in high-profile cases and advanced consumer protection litigation on behalf of borrowers in states across the country.
- Drove the Department of Education to recognize and restore the role of state regulators and enforcement officials as checks on the student loan system. In 2021, the Biden administration adopted the SBPC's recommendations and reversed its stance on the preemption of state law under federal higher education law. This change in legal position came following a years-long campaign led by the SBPC to expand the role states play as consumer protectors in the student loan market; borrowers will now benefit from watchdogs at every level of government scrutinizing the practices of student loan companies.

Demanding justice on behalf of borrowers scammed by schools and preyed on by the student loan industry.

In courts across the country, the SBPC advised attorneys who brought lawsuits against predatory schools, abusive lenders, and corrupt government officials who sought to exploit students and families. For example, the SBPC:

- Confronted sham schools and pioneers of risky subprime private student loans to protect economically vulnerable students. The SBPC has worked with partners to bring private litigation against schools and financial services firms engaged in issuing a type of predatory loan called income-share agreements (ISAs). This included supporting a lawsuit representing a class of 47 former students against Make School, a venture capital-backed operator of a for-profit coding academy, and Vemo Education, the largest provider of ISAs. In response, under pressure from regulators, the school quickly collapsed but the lawsuit continues. We also supported litigation against the sham tech bootcamp Top Applicant (also known as Elevate) for offering predatory, subprime ISAs serviced by Leif Technologies, another nationwide ISA firm. In both cases, the schools and lenders intentionally targeted borrowers of color and first-generation students—lending tactics that mirror those of the payday lending industry and financial crisis-era subprime mortgage industry.
- Sought justice for public service workers cheated out of promised loan forgiveness. In the wake of the Department of Education's announcement of an overhaul of the Public Service Loan Forgiveness program, the SBPC threatened litigation against embattled student loan giant FedLoan Servicing for routinely providing incorrect information and mishandling applications for debt relief. This demand for relief alleged that the company violated the California Student Borrower Bill of Rights—a piece of consumer protection legislation developed and sponsored by the SBPC in 2020.
- Returned hundreds of millions of dollars to borrowers whose wages were unlawfully garnished and who were denied the protection of the federal student loan payment pause. In 2021, the SBPC concluded a lawsuit brought at the start of the pandemic to ensure that the most economically vulnerable borrowers receive the full benefit of the March 2020 pause on student loan payments. The SBPC developed litigation, filed by our partners at the National Consumer Law Center and Student Defense, which stopped the Trump administration from seizing the wages of over 50,000 student loan borrowers and provided over $186 million in refunds of illegally seized wages to over 380,000 borrowers.

ON THE HORIZON

The Student Borrower Justice Project will continue to advise government enforcement officials and regulators and build cases on behalf of borrowers across the country, demanding justice where predatory schools and abusive lenders drive economically vulnerable people into debt or deny borrowers' rights under the law. In the year ahead, we stand ready to protect borrowers harmed by student loan industry abuses as the Biden administration restarts student loan payments for 26 million Americans. At the same time, we expect to build cases and support private litigation to protect working people from illegal "shadow student debt" driven by large employers offering workers training and career education.

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. Through in-depth investigations, market monitoring, technical assistance to law enforcement and policymakers, and strategic partnerships the SBPC works to identify and expose breakdowns and corruption across the student loan system and to hold bad actors accountable. In 2021, the SBPC has been a key watchdog on issues including: policy failures at the Department of Education, risky practices by emerging education startups and fintech lenders, and breakdowns in borrowers' access to emergency COVID relief.

Highlights from the last year include:

Exposing breakdowns that deny borrowers access to critical COVID response protections.
Throughout the pandemic, the federal government has attempted to deliver unprecedented protections for millions of borrowers facing economic uncertainty. Unfortunately, for too many Americans, these promises have proven illusory. The SBPC launched an investigation to identify failures by industry and the federal government that have stood between borrowers and the relief they deserve. Through this effort, the SBPC:

- Drove policymakers and industry to fix thousands of instances of faulty or inconsistent credit reporting related to federal student loan borrowers' repayment status during the payment pause. This work built on the SBPC's lawsuit against several of the nation's largest financial companies for mishandling pandemic relief.
- Exposed a second unlawful wage garnishment scheme by the student loan industry that caused borrowers to have more than $40 million taken out of their pockets during a historic pandemic—following on the heels of the SBPC's lawsuit against Betsy DeVos for illegal garnishment—ultimately putting an end to these illegal practices.
- Shed light on the plight of borrowers left out of COVID-related protections and advocated for greater relief for the more than 1.2 million people with older federal student loans who had been carved out of the payment pause and 9 million who could have Child Tax Credit benefits seized because their loans are in default.

Uncovering predatory practices by the for-profit school industry and the players that prop it up.
A new wave of for-profit schools are engaging in increasingly complex schemes to evade the law and defraud students. Investigations by the SBPC have exposed new products, partnerships, and practices that bad actors in the education sector are relying on. For example, the SBPC:

- Drove an industrywide crackdown, including groundbreaking enforcement actions by federal and state regulators, targeting companies offering income share agreements (ISAs), an emerging and dangerous form of private student loan that deprive borrowers of their rights. The increased scrutiny and legal actions were made possible by the SBPC conducting innovative research into predatory practices by ISA providers as well as legal referrals to regulators from the SBPC.
- Exposed an emerging, troubling alliance between public schools, private for-profit educational service firms, and lenders of risky, high-cost private student loans that drive students into debt through dubious vocational training bootcamps, often while openly violating the law.
- Uncovered emerging partnerships between banks and shady shadow student debt players used to prop up for-profit schools. The SBPC's work was cited in press reports as a key reason for the OCC halting a merger involving a bank that had been backstopping shadow student loans.

Exposing new data highlighting the urgent need to reform critical debt relief programs.

The SBPC has been at the forefront of efforts to restore the promise of Public Service Loan Forgiveness (PSLF) and expose the breakdowns and abusive practices that have driven the program's 98 percent rejection rate. This work has proven only more important as the Biden administration has taken steps to begin righting the historic wrongs of this and other critical debt relief and affordable repayment programs. For example, the SBPC:

- Uncovered never-before-seen internal documents from the company the Department of Education contracted to manage PSLF, showing that the program is not projected to improve over time and—through widespread press coverage—drove awareness of the need for broad reform.
- Conducted a top-to-bottom review of the failures blocking access to and persistence in Income-Driven Repayment, which is a critical lifeline for all struggling borrowers as well as the payment plans that public service workers rely on to access PSLF.

Unmasking discriminatory practices aimed at exploiting communities of color.

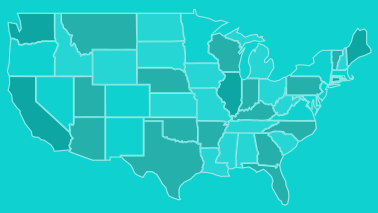
The student debt crisis is a civil rights crisis, with nefarious actors developing business models that rely on exploiting communities of color. In 2021, the SBPC continued to work to expose those preying on Black and Latino borrowers. Within that work, the SBPC:

- Released a first-of-its-kind analysis illustrating how for-profit schools disproportionately target people of color through geographic clustering in minority communities.
- Uncovered evidence suggesting the ISA company Stride Funding may be engaging in fair lending violations by penalizing borrowers of color for attending minority-serving institutions such as Historically Black Colleges and Universities.
- Exposed predatory collections practices by embattled private creditor known as the National Collegiate Student Loan Trusts that abuses state courts using dubious debt collection lawsuits that disproportionately target Black and Latino communities.

ON THE HORIZON

In the coming year, the stakes have never been higher for student loan borrowers. Federal student loan payments are scheduled to restart as millions of borrowers face an uneven economy, resurging pandemic, massive servicing transfers, and major changes across the student loan system. Predatory players are poised to adapt to evade scrutiny and exploit borrowers. The SBPC will continue to expose harm and abuse, as well as expand investigations into key areas such as employers' use of student loan debt to erode workers' bargaining power and the growing involvement of big tech in the student debt crisis.

STATES FOR STUDENT BORROWER PROTECTION



The SBPC is working to empower states to crack down on predatory student loan companies and strengthen borrower protections. Building on an historic slate of legislative victories in 2020, the SBPC expanded organizing and advocacy efforts in 2021 to all corners of the country, lending expertise to policymakers, regulators, advocates, and other state leaders looking to tackle the student debt crisis. Through this work 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:

Advancing state-level protections for student loan borrowers.
During 2021, the SBPC worked alongside advocates, elected officials, regulators, and enforcement officials to advance legislation across 15 states, benefiting more than 16 million borrowers.

Continuing to successfully push for state-level Borrower Bills of Rights.
The SBPC helped two more states—Massachusetts and Oregon—pass Borrower Bill of Rights laws, enabling state officials to license and oversee student loan servicing companies. These states joined a growing list of states across the country that the SBPC has worked with to pass similar legislation, creating much-needed rules of the road for business practices and consumer protections. Along with working to pass these important laws, over the past year the SBPC provided critical support and technical implementation assistance to more than a dozen states. The oversight established through these bills will protect millions of student loan borrowers across the country, especially as tens of millions of borrowers' student loan bills come due for the first time in nearly two years and provide them with new tools to hold companies accountable when things go wrong.

Delivering broadscale reforms across the private student loan market.
Private student loans contain fewer consumer protections and are riskier than their federal counterparts. Many lenders in the private student loan market operate under state regulators' radars, especially fintech lenders who may not meet existing requirements for states' lending licenses. The SBPC has worked to raise the alarm around the dangers of this industry, develop a series of model state legislative proposals for reform, and drive change at the state level to protect borrowers. For example, the SPBC:

- Developed model legislation to shed light on the private student loan market used by policymakers

in Illinois, Colorado, and Maine to pass laws requiring private education loan lenders to register with the state's financial regulators and file annual reports on their lending activities. This oversight is a powerful companion to these states' existing authority over student loan servicers, through each of their Borrower Bill of Rights laws.

- Organized broad, diverse state coalitions to educate policymakers and the public about the need for critical debt collection practices for borrowers. For example, California, Colorado, and Maine passed laws based on model SBPC legislation, improving court rules that for years have allowed unscrupulous creditors to file lawsuits against consumers, despite the fact that the creditors regularly lack even the most basic documentation or proof of ownership of the loans on which they're suing to collect. With these new laws, creditors will have to actually have those basic documents in hand before dragging borrowers to court.

Asserting states' authority to protect consumers.

The SBPC worked with coalition partners in Massachusetts and Virginia to submit public comments on their respective regulations on student loan servicing, promoting "cooperative federalism" and the position that states can and should work in tandem with the federal government to regulate and oversee the federal student loan market. In Virginia, this included addressing claims by industry that Virginia's Borrower Bill of Rights law was preempted with respect to federal student loan servicers. Ultimately, in response to overwhelming advocacy in support of the Commonwealth's authority to oversee and license these servicers, the regulator rejected industry's arguments and put these critical protections into effect. For example, the SBPC:

- Built on the coalition work in Virginia by developing an actionable legal analysis, and worked with local partners to successfully help governments at every level to assert their right to oversee federal student loan servicers in order to protect borrowers in their state, stand up for student loan borrowers by declaring states are not preempted from regulating and supervising federal student loan servicers. The SBPC also led public comment from over 60 state legislators to the Department of Education in support of states' ability to stand up for borrowers, and thanks to the wide dissemination of the legal analysis created by the SPBC, multiple state regulators and attorneys general submitted comments as well.
- Empowered state regulators to stop emerging bad actors across the student loan system by supporting two states—California and Colorado—in exercising their authorities over student financing providers, including companies offering risky emerging financing products known as Income Share Agreements. These regulatory actions help make clear that loans and credit extended to students must comply with the law and not harm borrowers, and build on the SBPC's foundational legal analysis of ISAs as consumer predict products.

Building coalitions across states to advocate for student loan borrowers.

The SBPC has built enduring coalitions with labor unions, advocacy groups, civil rights organizations, faith leaders, and legal aid organizations to advance state legislative priorities. In 2021, the SBPC leveraged these partnerships to advance sweeping policy changes at the federal level. For example, leveraging these relationships, the SBPC worked with state partners across the country to support a campaign that successfully drove the Department of Education to overhaul the Public Student Loan Forgiveness Program.

ON THE HORIZON

The SBPC is looking ahead to 2022 and already working with lawmakers in several states to advance bills to increase private student loan protections, address harmful transcript withholding policies by schools, and shore up court procedures that have allowed unscrupulous debt collectors to hijack court dockets. States are building out their student loan ombudsperson offices, establishing registries for private student lenders, and promulgating regulations based on their new authorities. Policymakers, advocates, and industry actors should take note, and expect states—in partnership with the SBPC—to continue prioritizing borrowers. The SBPC will continue to rely on these coalitions to lift up borrowers' voices in Washington and shape the Biden administration's efforts to deliver debt relief.

PROJECT ON RACIAL AND ECONOMIC JUSTICE

The SBPC's Project on Racial and Economic Justice is working to expose the effects of student debt on communities of color and show how predatory practices in the market are exacerbating existing disparities. Through this initiative, the SBPC is working to address discrimination in the student loan market and demonstrate how protecting borrowers is critical to advancing racial equity and economic justice.

Highlights from last year include:

Examining student debt disparities in communities across the country.

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:

- Expanded the SBPC's pioneering research on racial disparities for borrowers across American cities, by entering into partnerships with municipalities to develop new data analyses to expose the devastating effects of student debt.
- Through a partnership with the Student Loan Law Initiative, the SBPC launched a research project that builds upon previous work examining the intersection of race and student debt to examine racial disparities in outcomes for borrowers in cities and rural communities throughout the South.

Expanding investigations of "educational redlining" practices.

In recent years, regulators, lawmakers, civil rights organizations, and consumer advocates have expressed concern that the use of educational criteria in underwriting can lead to discriminatory outcomes. The SBPC has released investigative reports on how educational redlining can unfairly penalize borrowers of color and continues to work to hold industry accountable for these dangerous practices. For example, the SBPC:

- Expanded its work with the NAACP Legal Defense and Educational Fund (LDF) to halt discrimination and address racial disparities when lenders use artificial intelligence and machine learning. The SBPC and LDF secured a 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.
- Provided a detailed policy analysis to the CFPB to urge the Bureau to create clear regulatory guidance and engage in rigorous oversight to address the potential for algorithmic bias and discrimination in the fintech market.

Exposing reverse redlining practices at for-profit schools.

For far too long for-profit schools have engaged in predatory targeting of Black and Latino students, trapping borrowers with exorbitant debt loads for programs of dubious quality, and further contributing to wealth disparities. The SBPC is conducting original research to expose how for-profit colleges' engage in reverse redlining practices and better understand the widespread dangers of predatory inclusion. For instance, the SBPC:

- Issued a research report, featuring a first-of-its-kind map, illustrating how for-profit schools across five major Midwest cities are clustered and disproportionately located in predominantly Black and Latino communities. The report and map provided a tool for local organizations and advocates to call on regulators, enforcement officials, and legislators to take action to curb these predatory practices.

Creating a roadmap to hold predatory actors accountable for discriminatory practices under UDAAP Authority.

Federal fair lending laws such as the Equal Credit Opportunity Act and Title VI are critical to rooting out discrimination by lenders and educational institutions. However, current enforcement strategies leave large swaths of the economy susceptible to an array of discriminatory practices.

- The SBPC worked with Relman Colfax to release a report that examines how Unfair, Deceptive, & Abusive Acts & Practices laws can be applied to combat discrimination in the student loan market and beyond.
- The SBPC hosted a virtual event for top legal experts to discuss how federal and state regulators can use the law to drive greater accountability and stamp out discrimination beyond practices traditionally addressed with fair lending laws.

Advocating for the Consumer Financial Protection Bureau to prioritize student loan borrowers in its focus on racial equity.

In 2021, the SBPC advocated for the CFPB to examine the role of student debt in exacerbating racial disparities. As the Bureau prioritizes removing barriers to societal equity, it must include in its focus the racially disparate effects of the student debt crisis and the decades-long failure to effectively regulate the student loan industry.

ON THE HORIZON

In the coming year, the SBPC will continue to 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. The SBPC will continue to identify trends and insights across local communities on the disparate effects of student debt in communities of color. The geography of these varied outcomes provide a window into the economic distress that borrowers of color, particularly those who are Black and Latino, face in the student loan market.

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:

Building a cutting-edge research program.

Over the past year, borrowers faced unprecedented challenges, from navigating economic uncertainty and emergency pandemic relief, to dealing with a shifting landscape of consumer protections and loan forgiveness programs. More than ever, as borrowers continue to face uncertainty and mounting debt, we need cutting-edge research and ideas to support policymakers and advocates. To help address these needs, in 2021, SLLI:

- Expanded the SLLI Research Grants Program, a first-of-its-kind initiative aimed at filling gaps in existing research on the impact of student debt on borrowers and communities. Additionally, SLLI created a community forum for leading academics that regularly convene to share new findings and insights on developments in student loan law.
- Equipped researchers with proprietary datasets, acquired in partnership with California Policy Labs, that enable unique insight into the student debt crisis and potential solutions. These datasets, which contain consumer credit and student loan repayment history, supported ongoing research projects on the impact of debt on borrowers and households, access to affordable repayment options, and the effects of student debt on marginalized communities.
- Hired a full-time economist to support innovative research projects using SLLI data and other public datasets.

Driving policy action to address the student debt crisis.

For years, millions of student loan borrowers have been eligible to have their loans canceled via executive action, yet policymakers have subjected borrowers to confusing, complex, and inadequate paths to debt relief or denied them from receiving it outright. SLLI has worked to change this by convening leading experts to build a roadmap for the Biden administration to repair broken debt relief programs. The

administration has already begun taking steps outlined by SLLI to start delivering long promised relief. Over the past year, SLLI:

- Brought together policy advocates and researchers at the end of 2020 to create a playbook, *Delivering on Debt Relief*, that has been utilized over the past year by the Biden administration to begin canceling student debt for public service workers, borrowers with total and permanent disabilities, students defrauded by for-profit schools and more. Taken together, the ideas, plans, and actions published in this playbook have shaped policies that have canceled more than $12 billion dollars in debt for nearly 650,000 student loan borrowers nationwide.
- Issued an updated roadmap of policy proposals and hosted a virtual event, featuring a keynote by Representative Ayanna Pressley, that took stock of the Biden administration's progress on canceling student debt, discussed lessons learned, and offered proposals for further actions to be taken in 2022 as millions of borrowers enter repayment.

ON THE HORIZON

In 2022, SLLI will continue fostering cutting-edge legal research to address issues impacting student loan borrowers across the market. This will include the release of the first findings from the Research Grant Program that will add to the broader policy discussion on student debt and arm advocates with new data and information that will be critically important as millions of federal student loan borrowers enter repayment.

CASE STUDIES

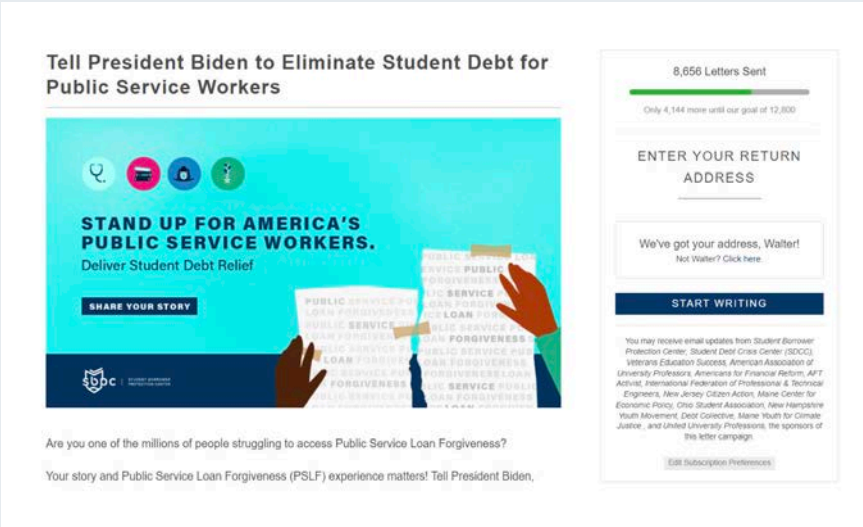
DRIVING DEBT RELIEF FOR AMERICA'S PUBLIC SERVICE WORKERS

THE PROBLEM

In 2007, the Public Service Loan Forgiveness (PSLF) program was created to alleviate the burden of student debt for dedicated public service workers. The idea was simple: those who serve their community or their country for ten years would have their remaining student debt forgiven. Unfortunately, the program has been plagued by problems and abuse at every turn—resulting in a 98 percent denial rate and public service workers having their lives derailed by broken promises and mounting student debt. Throughout the last decade, the student loan industry has misled and cheated public service workers seeking relief and the Department of Education has badly mismanaged the program. The federal government failed for years to take action to address these breakdowns, leaving hundreds of thousands of borrowers needlessly suffering under the weight of student debt without a path to promised relief.

THE SBPC RESPONSE

Since opening its doors in 2018, the SBPC and its partners have worked to investigate and expose breakdowns in the PSLF program and to advocate for promised relief for borrowers. This work has reshaped the national conversation around student debt to center the educators, healthcare workers, and other public servants most harmed by the student debt crisis. In the days after the 2020 election, the SBPC issued a policy roadmap for the Biden administration detailing how to deliver on its commitment to public service workers through executive action. During 2021, public service workers continued to struggle under the weight of student debt while serving on the frontlines during COVID. Building on a roadmap the SBPC developed laying out steps for the Biden



administration to deliver promised PSLF relief, in April, the SBPC brought together nearly 100 organizations representing millions of public service workers and student loan borrowers to call on the Department of Education to conduct a review of PSLF, cancel the debt of all public service workers with ten or more years of service, and use its authority to deliver promised relief. Recognizing the urgency of the situation, the Biden administration, in July, launched a public inquiry calling for borrowers to share their experiences with PSLF.

The SBPC led a nationwide campaign that garnered support from diverse stakeholders from all corners of the country. Over the course of two months, nearly 50,000 people shared their PSLF stories and a broad coalition including consumer advocates, veterans service organizations, legislators, educators, and labor unions representing tens of millions of public service workers joined together to call on President Biden to deliver promised debt relief. The SBPC also used original research and policy analysis combined with the new trove of borrower stories to help elevate the issue into national spotlight including coverage in the New York Times, CBS's 60 Minutes, the Washington Post, NPR and more.

RESULTS FOR BORROWERS

Together, the investigations, policy proposals, advocacy, and coordinated national campaign paid off. On October 6, 2021, the Department of Education announced sweeping changes to the PSLF program, immediately canceling more than $2 billion in student debt for tens of thousands of public service workers and delivering a real path for hundreds of thousands of public service workers to get the loan forgiveness they were promised. Already this year, **over $3 billion in public service workers' student loan debt** has been forgiven. Over the next year, the SBPC will continue working to hold the federal government and industry accountable for delivering on the promise of the revamped PSLF program. The SBPC is also spearheading efforts with unions, advocates, and state officials to ensure borrowers have the support and real-time information they need to access promised relief.

DELIVERING RELIEF FOR AMERICA'S PUBLIC SERVICE WORKERS

After years of breakdowns and mismanagement, the Department of Education is overhauling the Public Service Loan Forgiveness program and providing a path to relief for millions of teachers, nurses, military members, and other public service workers who have been struggling under the weight of student loan debt.

Borrowers and advocates raised their voices to demand change

48,000+
Borrowers shared their stories

"This is a big day. For many educators, relief is now on the way. This is an educator recruitment and retention issue. This is a racial and social justice issue. This is an issue of what's right and what is wrong. #CancelStudentDebt"

- Becky Pringle, NEA

"After 14 years of working in public service, this is LIFE CHANGING."
— TWITTER USER

"Joining the celebration! I just got the Dept. of ED email and I have at least 48 additional payments and that puts me over 120!!!"
— REDDIT USER

USA TODAY
Half a million people to benefit from overhaul, some immediately

The New York Times
Sweeping changes will help more than a half-million public service workers...

"I'm officially going to be student loan debt free. This is one of the best days of my life."
— TWITTER USER

"ONE YEAR of payments before I qualify fully for PSLF. WOW! #lifechanging" - Justin

sbpc
200 Organizations Representing Millions of Educators, Workers and Veterans Demand Immediate Action to Fix PSLF

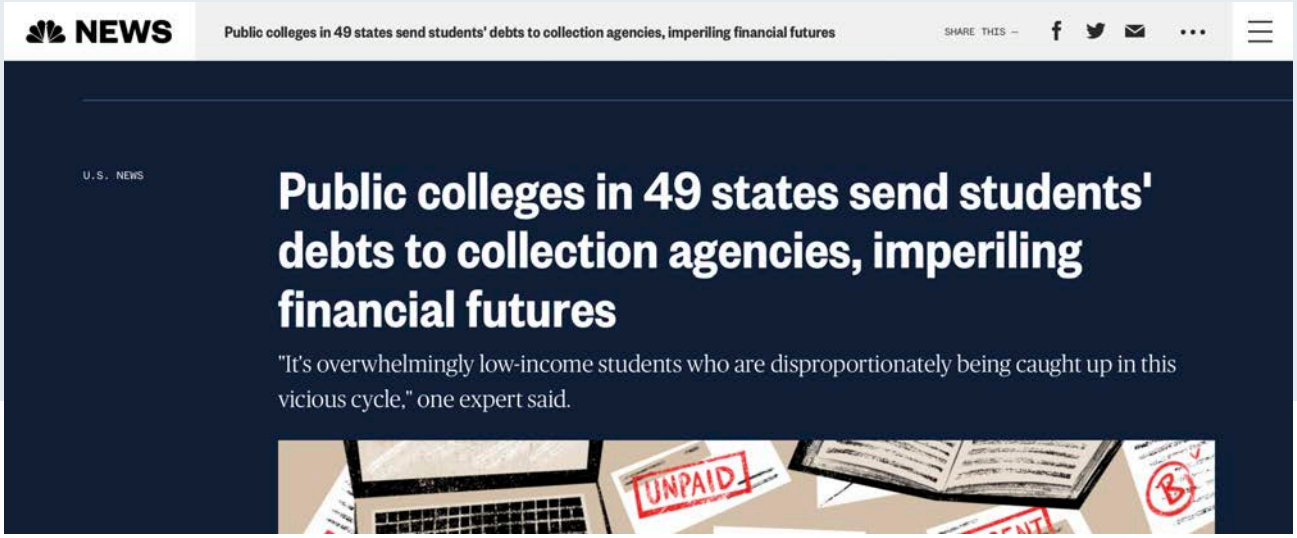
"Almost in tears that this might be happening!"
— REDDIT USER

npr
Student loan forgiveness is a lot closer for some borrowers, and they are pumped

aft
This is a very big deal...For educators, this overhaul could mean 10 to 15% of all educators in the country, nearly a million people, could have their student debt wiped out from these actions
— RANDI WEINGARTEN, AFT

23 states call on the Department of Education to Fix PSLF

PUSHING PUBLIC COLLEGES TO STOP DRIVING STUDENTS INTO COSTLY DEBT COLLECTIONS


NEWS

Public colleges in 49 states send students' debts to collection agencies, imperiling financial futures

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U.S. NEWS

Public colleges in 49 states send students' debts to collection agencies, imperiling financial futures

"It's overwhelmingly low-income students who are disproportionately being caught up in this vicious cycle," one expert said.

THE PROBLEM

While much of the attention on the student debt crisis focuses on the $1.6 trillion in federal student loans, millions of Americans owe a different type of student debt that can hang over them for years and hurt their chances of getting a degree or a job: institutional debts. These are owed directly to schools that arise because of unpaid tuition, or for expenses such as library or parking violations or other hidden fees and costs that can show up on a student account.

For decades, colleges and universities across the country and in nearly every sector of higher education have used aggressive debt collection tactics, including withholding transcripts or diplomas from students who owe money. When transcripts or diplomas are withheld, students often cannot re-enroll in school or transfer to another college without starting over, creating a cycle that prevents them from getting the education necessary to boost their potential in the labor market in order to pay off their debts. Others cannot show proof of their education to prospective employers, hindering their earning potential and blocking avenues to repay these debts.

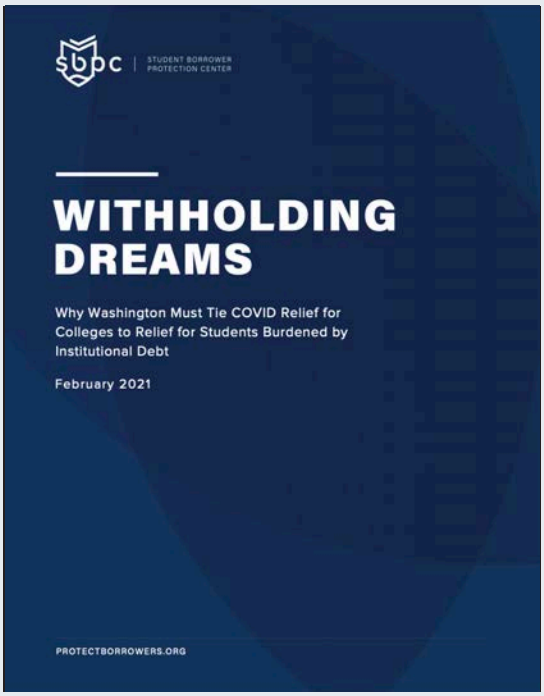
Institutional debts have ballooned to $15 billion nationwide by some estimates, and in some states, debts are turned over to the state Attorney General or special recovery units and can hound students long after they leave school. They can even land former students in court.

The COVID pandemic exacerbated these problems and made reform even more urgent. Families increasingly faced financial strain and millions of students changed their educational plans. The collection on institutional debts and withholding transcripts threatened to make a hard situation even worse for students across the country.

THE SBPC RESPONSE

Since 2019, the SBPC has worked to highlight the harmful effects of institutional debts by working with advocates and lawmakers, as well as conducting public records requests to determine the scope and scale of the problem in states. In 2021, the SBPC published a new report, *Withholding Dreams*, which highlighted the perverse and counterproductive nature of institutional debts, and called on state and federal policymakers to wipe out these debts for borrowers, ban the practice of transcript and diploma withholding as a tool for debt collection, and halt any collection of institutional debts during the public health emergency. In particular, the SBPC called on Congress to encourage colleges to wipe out institutional debts as a condition of receiving federal pandemic relief funds.

In addition to releasing a roadmap to tackle this often-overlooked crisis, in 2021, the SBPC has actively worked on legislation in five states to tackle the issues of institutional debt and banning the use of transcript and diploma withholding in state law.




INSTITUTIONAL DEBTS AND COVID-19 RELIEF 2021

Introduction[1]

Borrowers faced a complicated, unfair, and often predatory system well before the pandemic—a system that is driven by more than federal student loans. It is also driven by billions of dollars in shadow student debt that goes largely unnoticed and unregulated.

In 2021, student loan borrowers and institutions of higher education are facing three intertwined crises: COVID-19, the economic fallout from the pandemic, and a student debt crisis that preceded both. The federal government has attempted to address these crises in a few ways, including freezing interest and loan payments on most federal loans[2] and providing emergency aid to students and schools.[3] Current measures have, if we are lucky, stopped the freefall within higher education and offered support for some—but not all—Americans with student debt. But borrowers faced a complicated, unfair, and often predatory system well before the pandemic—a system that is driven by more than federal student loans. It is also driven by billions of dollars in shadow student debt that goes largely unnoticed and unregulated. We need solutions that are as creative and multifaceted as the problems they seek to solve. In this paper, we propose solutions to address one of these unnoticed forms of debt: institutional debts.

Millions of Americans owe what are called institutional debts. These are debts students or former students owe directly to schools that arise because of unpaid tuition or other financial obligations to finance higher education.[4]

[1] This paper was co-authored by the SBPC's staff and SBPC Student Loan Justice Fellow Mark Huelsman. Previously, Mark served as the Associate Director of Policy & Research at Demos, where he led the organization's policy work on college affordability, student debt, and racial equity in higher education.

[2] *Coronavirus and Forbearance Info for Students, Borrowers, and Parents*, Fed. Student Aid, https://studentaid.gov/announcements-events/coronavirus. Many, but not all, student loans have been frozen. Tariq Habash, *The CARES Act Leave Behind Millions of Student Loans Borrowers*, Student Borrower Prot. Ctr. (Mar. 27, 2020), https://protectborrowers.org/the-cares-act-leaves-behind-millions-of-student-loan-borrowers/.

[3] *CARES Act: Higher Education Emergency Relief Fund*, U.S. Dep't of Educ., https://www2.ed.gov/about/offices/list/ope/caresact.html (hereinafter "*CARES Act*, U.S. Dep't of Educ."); *CRRSAA: Higher Education Emergency Relief Fund (HEERF II)*, U.S. Dep't of Educ., https://www2.ed.gov/about/offices/list/ope/crrsaa.html.

[4] An institutional debt is, of course, in contrast to traditional student loans in which students typically owe money to the federal government or a bank. Perkins loans are a type of student loan owed to the school, but Perkins loans are distinct from the problem of institutional debts. 20 U.S.C. § 1087aa.

1

RESULTS FOR BORROWERS

The SBPC's research and advocacy on this issue paid off. For the first time in 2021, in-depth investigations of the problem of institutional debt and transcript withholding went public. States like New York stepped in to propose legislation to end the practice of transcript ransom, and some colleges began to end the practice voluntarily. As a direct result of the SBPC's advocacy, the U.S. Department of Education explicitly recommended in March of 2021 that colleges use Higher Education Emergency Relief Funds, the primary pandemic relief fund for colleges and universities, to cancel institutional and other student debts and address the transcript issue.

To date, at least 150 colleges, including an overwhelming number of Historically Black Colleges and Universities, have canceled debts for current and former students through COVID relief funds, delivering tens of millions of dollars in debt cancellation for borrowers and allowing them to follow their educational or professional dreams.

In the next year, the SBPC will spearhead efforts with state partners, advocates, lawmakers, and school leaders to end the nuisance of institutional debt, end the predatory collection practices that can accompany it, and ensure that borrowers' futures are not held hostage due to often small and unfair financial obligations.

npr

States Step In To Stop Colleges Holding Transcripts Ransom For Unpaid Bills

Updated April 8, 2021 · 11:39 AM ET

The Washington Post

'I wasn't expecting this': Colleges using pandemic funds to clear outstanding student balances

Anna-Lysa Gayle
@AnnaLysaGayle

INBOX: "Howard University today announced it will clear the debts of juniors and seniors facing financial hardships as a result of the pandemic."

Howard to Alleviate Debt from Tuition and Fees for Students in Need

WASHINGTON – Howard University today announced it will clear the debts of juniors and seniors facing financial hardships as a result of the pandemic. **President Wayne A.I. Frederick** announced that students who have an expected family contribution of $0 and an outstanding balance for the Spring 2021 semester will receive a credit to their accounts that completely eliminates their current debt.

PROTECTING BORROWERS TARGETED BY AND ENDING SCHEMES BY SCHOOLS, LENDERS, AND UNACCOUNTABLE CONTRACTORS TO DRIVE STUDENTS TOWARD RISKY DEBT

STUDENT LOANS › 'SHADOW' LENDERS CAN LEAVE COLLEGE STUD...

Advertiser disclosure

'Shadow' Lenders Can Leave College Students in the Dark

Know what you're borrowing if you need extra money for school or can't qualify for traditional student loans.

Ryan Lane | Nov 18, 2021

THE PROBLEM

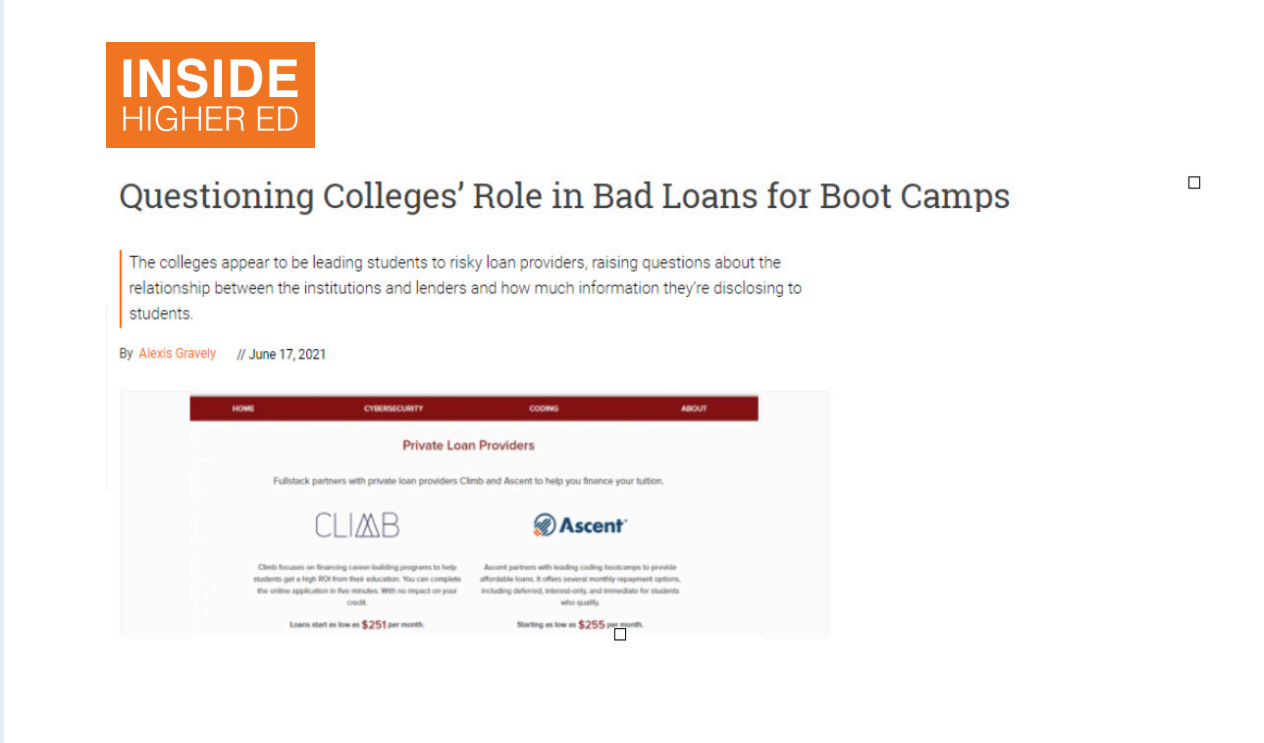
Increasingly, predatory schools and financial services firms have been working together to drive students to take on risky, high-cost "shadow" student debt—loans outside of the mainstream student loan system used for higher education. The shadow student debt market is marked by predatory loan features including high fees, misleading marketing tactics, and contractual tricks and traps. This debt is also used to prop up for-profit schools notorious for causing borrowers distress. Last year, the SBPC identified a growing connection between public colleges across the country and the firms that peddle shadow student debt. Schools ranging from local community colleges to flagship state universities have been increasingly pushing shadow student debt as an option for students to attend short-term, non-degree "bootcamp" programs for careers in software engineering or other related tech fields. As millions of Americans look for a way to recover from the current economic crisis spurred by the pandemic, schools ramped up recruiting and reliance on shadow debt spiked. But these bootcamp programs often fall far short of their marketing, leaving borrowers saddled with unaffordable debt instead of a new lucrative career.

THE SBPC RESPONSE

Recognizing the growing risks of shadow student debt pushed by public schools, the SBPC conducted a top-to-bottom investigation of the relationship between schools, for-profit education companies, and predatory

lenders. The SBPC undertook interviews with students, dug into financial disclosures, gathered information buried deep in corporate websites, and submitted state and federal open records requests related to these relationships. The SBPC's work culminated in the June publication of *Pushing Predatory Products: How Public Universities are Partnering with Unaccountable Contractors to Drive Students Toward Risky Private Debt and Credit*, a new report exposing how schools were monetizing their brands at students' expense by partnering with companies to offer low-quality bootcamps that saddled students with expensive, risky debt loads. Further, the SBPC conducted a legal analysis and warned that the schools' and lenders' actions may run afoul of consumer protection and higher education laws.

The report, which was widely covered in the press, launched a behind-the-scenes effort within the Department of Education to address these issues. The SBPC has been providing ongoing support, referring to Education Department officials instances of predatory practices and areas the schools and lenders could be running afoul of the law.



INSIDE HIGHER ED

Questioning Colleges' Role in Bad Loans for Boot Camps

The colleges appear to be leading students to risky loan providers, raising questions about the relationship between the institutions and lenders and how much information they're disclosing to students.

By Alexis Gravely // June 17, 2021

HOME CYBERSECURITY CODING ABOUT

Private Loan Providers

Fullstack partners with private loan providers Climb and Ascent to help you finance your tuition.

CLIMB

Climb focuses on financing career-building programs to help students get a high ROI from their education. You can complete the online application in five minutes. With no impact on your credit.

Loans start as low as $251 per month.

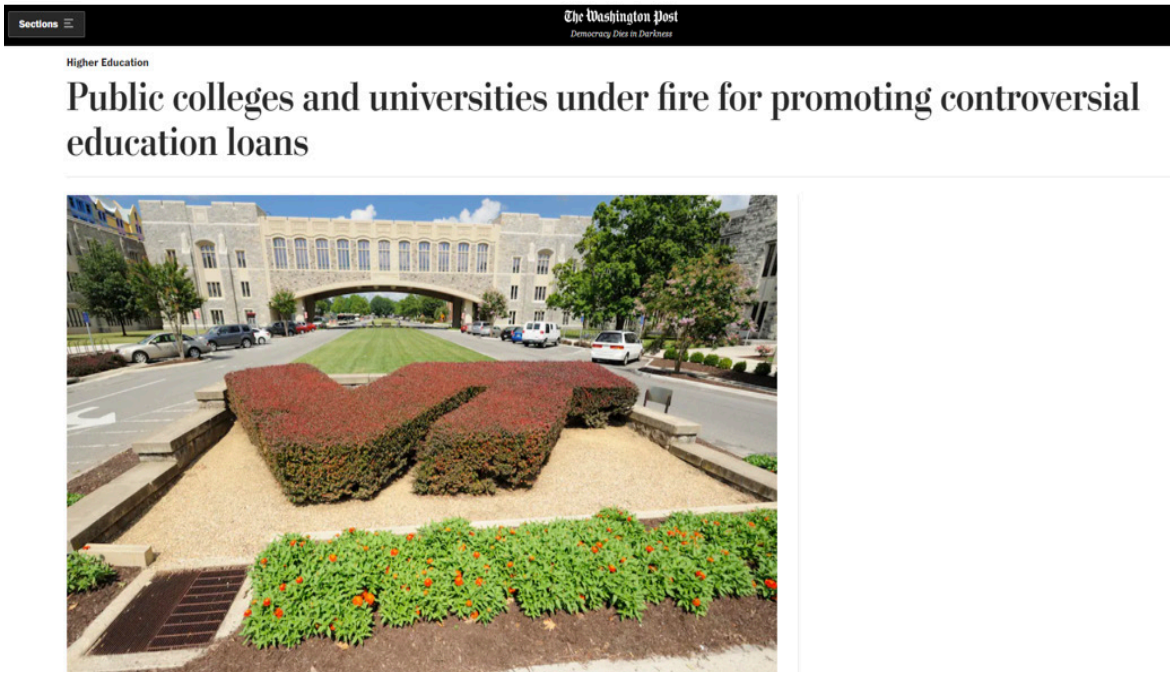
Ascent

Ascent partners with leading coding bootcamps to provide affordable loans. It offers several monthly repayment options, including deferred, interest-only, and immediate for students who qualify.

Starting as low as $255 per month.

RESULTS FOR BORROWERS

Thanks to the SBPC's in-depth investigation, research report, and advocacy efforts, the scheme by schools, third-party companies, and predatory lenders to drive students toward risky debt has begun to collapse. Upon publication of our report, one related company that had previously been making web pages that use schools' branding without their permission to deceptively lure in students halted this practice. Meanwhile, schools, such as the University of Connecticut, began removing misleading and illegal advertisements that appeared to endorse specific lenders for their bootcamp programs. And finally, borrowers have begun raising their voices, putting law enforcement agencies such as the Consumer Financial Protection Bureau on notice regarding ongoing harms.



Sections

The Washington Post
Democracy Dies in Darkness

Higher Education

Public colleges and universities under fire for promoting controversial education loans

STUDENT BORROWER
PROTECTION CENTER