



For Immediate Release: Monday, July 22, 2024

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FACT SHEET: AFT v. MOHELA

Embattled Student Loan Servicing Giant MOHELA Hit with Groundbreaking Consumer Protection Lawsuit for Failing 8 Million Student Borrowers

July 22, 2024 | Washington, D.C. – Today AFT filed a groundbreaking consumer protection lawsuit against the Higher Education Loan Authority of the State of Missouri (MOHELA), the giant student loan servicing company under fire for mismanaging student loan accounts for millions of people. AFT is represented by the Student Borrower Protection Center (SBPC), National Consumer Law Center (NCLC), and Selendy Gay PLLC.

A copy of *AFT v. MOHELA*, a lawsuit filed today in DC superior court, is available here:

https://www.aft.org/sites/default/files/media/documents/2024/AFT%20v.%20MOHELA_Complaint%2007.22.2024.pdf

In the lawsuit, the AFT alleges that MOHELA illegally overcharged borrowers on their monthly student loan bills, failed to timely process paperwork, and actively misled borrowers about their student loan accounts. These illegal practices could expose MOHELA to billions of dollars in liability because these practices may violate a range of federal and state laws.

TEN DIFFERENT UNLAWFUL SERVICING PRACTICES HARM MILLIONS OF BORROWERS AND THEIR FAMILIES

The lawsuit lays out ten different unlawful acts and practices that, taken together, affect millions of borrowers nationwide. MOHELA:

- **Illegally deducted payments from borrowers' bank accounts without borrowers' consent.**

- **Failed to send millions of borrowers' bills on time, leading 800,000 borrowers to fall behind.**
- **Sent borrowers inaccurate bills, causing borrowers to pay more on their monthly student loan bills.**
- **Misinformed borrowers about key paperwork deadlines to remain in affordable repayment plans—forcing borrowers to pay more.**
- **Failed to timely process borrowers' applications seeking loan relief or a more affordable payment plan, and failed to investigate, address, and correct errors raised in complaints from borrowers.**
- **Failed to correctly track public service workers' progress towards PSLF, pushing relief further out of reach for eligible borrowers.**
- **Misled public service workers on their right to get credit towards PSLF cancellation when consolidating their loans.**
- **Inaccurately processed PSLF employment certification forms and denied eligible public service workers relief.**
- **Failed to process refunds, accurately track and report borrowers' payments, and manage borrower records.**
- **Misinformed borrowers about their options for more affordable payments and time-limited opportunities for loan relief, forcing borrowers to pay more and remain in debt.**

On its own, each of these unlawful acts or practices causes financial hardship, confusion, and stress for student loan borrowers. Taken together, these unlawful acts and practices demonstrate that MOHELA has failed to meet its basic obligations to handle student loan borrower accounts on behalf of the U.S. Department of Education. Since 2011, the Department of Education has paid MOHELA more than \$1.1 billion dollars to staff call centers and provide help to borrowers with questions—work that MOHELA systemically failed to do.

MOHELA'S "CALL DEFLECTION SCHEME" BOOSTS ITS BOTTOM LINE AT BORROWERS' EXPENSE

Today's lawsuit explains that, for all 8 million MOHELA borrowers, including the millions of people who experienced these unlawful acts and practices, MOHELA made it practically impossible to obtain assistance with their loans.

The lawsuit alleges that MOHELA:

- **Unlawfully failed to adequately staff its call centers and unlawfully failed to adequately train its call center representatives.**

- **Unfairly and systematically “deflected” millions of borrowers away from call centers and toward websites and other “self-help” options that failed to address these borrowers’ issues.**

This lawsuit builds on the findings in [The MOHELA Papers](#), an investigation published by AFT and SBPC earlier this year that first uncovered MOHELA’s “call deflection” scheme.

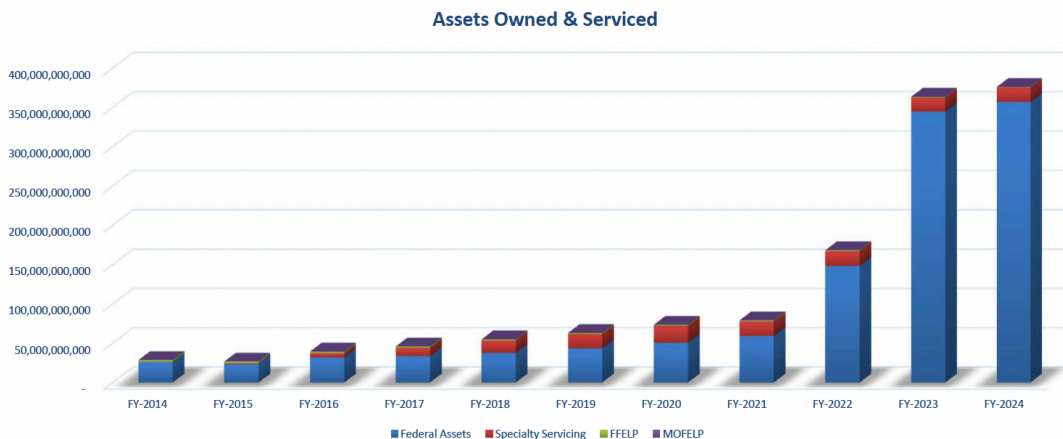
MOHELA PURSUED EXPLOSIVE GROWTH AT THE EXPENSE OF MILLIONS OF BORROWERS

Today’s lawsuit explains that MOHELA’s student loan servicing business tripled in less than three years—a breakneck pace of growth that is unique across the \$1.5 trillion student loan servicing market.

MOHELA FINANCIAL OVERVIEW, [INVESTOR PRESENTATION](#) (FEBRUARY 2024)

MOHELA FINANCIAL OVERVIEW

Historical Trend Analysis



MOHELA pursued this growth despite growing evidence that it failed to provide basic services to its customers. During the twelve months prior to the filing of today’s lawsuit, public reports documented [hours-long wait times](#) and [inaccurate bills sent to hundreds of thousands](#) of borrowers. The U.S. Department of Education [withheld millions of dollars in payments](#) owed to MOHELA because the company failed to send bills to 2.5 million borrowers. [MOHELA confessed](#) that 800,000 borrowers fell behind on their student loans as a result.

In the face of these repeated scandals and failures, MOHELA recently surrendered [more than ten percent](#) of its student loan servicing business back to the U.S. Department of Education— an admission that its growth was unsustainable and inconsistent with the company’s legal duty to treat its customers fairly. Nonetheless, millions of current and former MOHELA customers remain in debt and continue to be harmed by MOHELA’s abuses.

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