



STUDENT BORROWER  
PROTECTION CENTER

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**2024**

**HIGHLIGHTS  
REPORT**





## A letter from our leadership:

Tens of millions of students, borrowers, and workers are anxiously watching Washington to see how expected shifts in public policy will reshape their economic lives. This year ends with a stark reminder that the fights we wage to protect borrowers and drive systemic change sit downstream from electoral politics. The end of an era of progressive policymaking in Washington demands a new wave of movement building and policy advocacy wherever like-minded lawmakers and regulators wield power.

For six years, SBPC has been working in states and cities across the country to lift up the voices of working people, rewrite the rules that govern the role debt plays across the economy, and arm consumer protection officials and financial regulators with the tools they need to win justice for students, borrowers, workers, and their families. The progress we made this year on each of these fronts reveals a path forward for our movement in the years ahead.

At the federal level, the Biden-Harris Administration concludes with a burst of creative policymaking and public enforcement aimed at cementing President Biden's legacy as a champion for working people with student debt. As right-wing politicians and captured courts have seized every opportunity to block progress, this Administration has delivered almost \$180 billion in student debt relief, cancelling debts in full for nearly 5 million Americans.

This year, the Consumer Financial Protection Bureau (CFPB) entered into a blockbuster settlement with disgraced student loan giant Navient, whose documented abuses blocked public service workers from Public Service Loan Forgiveness and locked struggling borrowers in unaffordable ballooning debt. The settlement permanently banned the one-time market leader from servicing or purchasing federal student loans and returned \$100 million to borrowers harmed by its abuses. This case is important on its own terms, and also

shows how borrower voices combined with public enforcement can be harnessed to drive systemic change. The evidence uncovered in the decade-long investigation into the company served as the foundation for the Education Department’s “Income-Driven Repayment Account Adjustment”—a set of policy changes that have now cancelled more than \$56 billion in student debt for more than 1 million Americans.

Taken together, CFPB’s Navient case and the Education Department’s executive actions to deliver debt relief to borrowers harmed by servicer abuses show that we can move markets, fix broken systems, and put money back in the pockets of consumers at a vast scale. It also shows that the hard work we do at SBPC pays off over the long term. Back in 2018, when progressive policymakers were similarly locked out of power in Washington, SBPC helped state attorneys general to build and prosecute cases against Navient in courtrooms across the country, partnered with state lawmakers to ramp up oversight over the student loan system, and drove cutting-edge investigations and academic research that redefined how federal law could be used to drive debt relief to people harmed by Navient’s abuses. As we look ahead to 2025 and beyond, our work will stay true to borrowers’ experiences across the economy—channeling their voices to government enforcement agencies and using this pipeline to drive policy change and check the powerful financial interests that keep working people in debt.

There are many parallels between the decade-long fight to hold Navient accountable and the current state of the broken student loan system. Both now and then, giant student loan companies wield improper influence, blocking policymakers’ efforts to protect borrowers and spotlight industry abuses. As advocates and consumer protection officials spent a decade working to drive Navient out of the student loan market, its competitors seized on this moment to build power and profit off the indebtedness of students and borrowers, setting up the fights that will define our movement in the years to come.

This year, with AFT, we published *The MOHELA Papers*, a groundbreaking investigation that exposed an unlawful scheme by market leader MOHELA to deny basic customer service to 8 million student loan borrowers. This investigation sent a shockwave through the student loan system—driving a Congressional hearing, a U.S. Senate investigation, and demands for MOHELA’s termination by lawmakers and advocates. Building on this foundation, SBPC, along with the National Consumer Law Center, filed a first-of-its-kind consumer protection lawsuit on behalf of AFT, using the labor union’s status as a nonprofit organization to litigate on behalf of the general public and demand MOHELA end its widespread abuses. The fight to win justice for borrowers harmed by MOHELA’s abuses will also shape future policymaking at every level of government in the ongoing effort to protect borrowers.

Over the past six years, SBPC has built a toolbox that brings the lived experiences of borrowers trapped in debt to courtrooms, city halls, state capitals, and the halls of Congress. We arm policymakers and public enforcement with the legal tools and information necessary to ensure accountability and change policy—and then translate these solutions back to the working people they benefit. Our work continues to help individual borrowers reap the financial benefits of the programs, policies, and actions we have won over the past four years—one segment of a powerful feedback loop that strengthens communities while also strengthening our movement to fight for broader, systemic change.

Across the country, student loan borrowers and their advocates are sounding alarms as right-wing policymakers in Washington and right-wing judges across the country continue to take aim at the progress we've made. As this year comes to a close, we look ahead to the states and cities that will pick up where Washington leaves off—borrowers need a new wave of creative policymaking and public enforcement to preserve our fragile progress and push forward in the fight to protect borrowers.

SBPC is working to build the economy we all deserve, where debt is never a barrier to economic opportunity for working people. Join us.



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# SBPC HIGHLIGHTS

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



## Protecting Borrowers

Worked in 9 states to push for policies protecting student loan borrowers.

Protected more than 17 million borrowers through stronger state laws since 2018, with a total of 19 borrower protection laws enacted.



## Standing up for Working People

Steered advocacy efforts that led to the FTC rule banning TRAPs and non-competes.

Developed state legislative toolkit for policymakers to regulate and ban TRAPs.

Hosted convening of policymakers, regulators, and advocates.



## Delivering Debt Relief

Drove \$180 billion in debt relief for nearly 5 million borrowers.

Laid groundwork for \$56.5 billion in debt relief for 1.4 million+ borrowers through IDR Account Adjustment.

Led 60+ organizations to push ED to hold a fourth NPRM session on hardship and 238 groups in a public comment supporting the hardship proposal.



## Protecting Progress

Helped 77K+ borrowers demand AGs involved in SAVE lawsuit stop blocking relief.

Pushed 4 states to send notices to over 350K commercially-owned FFEL borrowers to access debt relief.

Expanded "Cities Partnership" to 20+ cities to help local governments provide direct support to borrowers.



## Bringing an End to Bad Practices

Advocated for an end to the 30-year policy prohibiting incarcerated borrowers from consolidating loans.

Paved way for CFPB action to permanently ban Navient from the student loan servicing industry and deliver \$120 million in borrower restitution.

Called on CFPB and ED to protect borrowers from fallout of 2U's bankruptcy.



## Demanding Justice

Represented AFT in lawsuit against MOHELA for failing 8 million+ borrowers.

Advised lawsuit against Smoothstack that led to the U.S. Dept of Labor filing an FLSA lawsuit against the company.

Supported 6+ private lawsuits holding schools and student loan companies accountable.



## Amplifying Our Message

Issued 63 press releases, securing 4,46K press hits in national and local media outlets.

Generated 460K impressions across Twitter, Facebook, and LinkedIn and launched an Instagram, Bluesky, and Threads.

Sent 40 emails reaching 23K subscribers, driving stakeholder engagement and borrower action.



## Building Evidence to Drive Systemic Change

Launched *The MOHELA Papers*, triggering Senate hearing on MOHELA and numerous other lawmaker actions.

Published 4 new SLLI papers on student debt.

Testified at the Senate Banking Committee's first hearing in over a decade on the private student loan crisis.

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# STRENGTHENING THE STUDENT LOAN SAFETY NET



**SBPC’s advocacy has secured student debt relief for millions of borrowers. We will defend this progress and the economic welfare of millions of borrowers in the years to come.**

Although the right-wing majority on the Supreme Court and partisan attorneys general blocked the Biden-Harris Administration’s broad-based student loan debt relief for over 40 million Americans, the fight for student debt relief fostered the political will that made a series of historic, structural changes to the student loan system possible. These changes reshaped key aspects of the student loan safety net and helped deliver debt relief to millions of working people across the country.

Informed by the groundbreaking policy roadmap laid out in SBPC’s *Delivering on Debt Relief* series, the Biden-Harris Administration successfully 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 cancelled outright. To date, this series of unprecedented executive actions cancelled almost \$180 billion in debt for nearly 5 million people.

This year, SBPC sought to protect this progress in court, in state capitals, and in Washington—fighting back against widespread abuses by the private financial firms at the center of the student loan system. As a new cast of political appointees assumes control over the student loan system, SBPC will demand justice for borrowers harmed by government mismanagement and industry abuses wherever they occur.

## Highlights from the past year include:

### **Shedding light on MOHELA’s egregious abuses with *The MOHELA Papers*.**

Over the course of the pandemic, the Higher Education Loan Authority of Missouri (MOHELA) grew to become the largest servicer in the federal student loan system—servicing the accounts of federal student loan borrowers in every state and becoming the sole servicer for borrowers seeking Public Service Loan Forgiveness (PSLF). In light of the unprecedented grip that MOHELA now has on the federal student loan system and the risks MOHELA’s servicing failures posed to borrowers seeking relief under PSLF, SBPC began investigating MOHELA’s practices as millions of borrowers braced for the resumption of the student loan system. This culminated in the release of *The MOHELA Papers* in February, exposing extensive servicing failures, including improper denials of relief and misleading information, as well as a “call deflection” scheme designed to avoid accountability. The investigation showed that these failures harmed 4-in-10 student loan borrowers serviced by MOHELA, including a months-long PSLF backlog that peaked at over 800,000 unprocessed PSLF forms.

Building off the findings in *The MOHELA Papers*, in July, SBPC joined with our partners at National Consumer Law Center (NCLC) and Selendy Gay PLLC to file *AFT v. MOHELA*—a landmark consumer protection lawsuit against MOHELA for allegedly illegally overcharging on monthly student loan bills, failing to timely process paperwork, and actively misleading borrowers about their student loan accounts.

### **Driving Congressional oversight and federal action to hold MOHELA accountable.**

In April, following the release of *The MOHELA Papers*, Senator Elizabeth Warren convened a Senate hearing focused on MOHELA's "performance as a student loan servicer." SBPC's Persis Yu was invited to provide expert testimony alongside Kansas City Mayor Quinton Lucas, as well as educator and AFT member Kathleen White. Despite also receiving an invitation to join, MOHELA's CEO Scott Giles refused to testify or answer publicly for his company's widespread servicing failures.

Later, in September, Senator Warren and Congressman James Clyburn led over 50 Members of Congress in calling on the U.S. Department of Education (ED) to investigate MOHELA's conduct and consider terminating their contract. In response to this mounting pressure, in late 2024 ED's Office of Federal Student Aid put MOHELA on notice for violating its federal servicing contract, ordering it to take a series of drastic, immediate corrective measures or face termination.

### **Sounding the alarm on risks of widespread servicing failures as the student loan system resumed for 28 million borrowers.**

As the federal student loan repayment system resumed in the fall of 2023 after three and a half years of the pandemic-era payment pause, SBPC's *Delivering Distress* series warned policymakers that the government's student loan contractors were not up to the task of restarting loan payments. This posed a significant risk of severe economic harm to borrowers and their families. That fall, ED found widespread servicing failures across the student loan system, affecting millions of student loan borrowers. For example, in late 2023 and early 2024, ED found servicing failures across four of the largest companies hired to service loans on the government's behalf—withholding millions of dollars in payments to these firms and placing hundreds of thousands of borrowers in protective forbearances as errors were remedied. SBPC will continue investigating servicer misconduct and is actively working with federal, state, and private enforcement to best protect borrowers.

### **Securing a year-long on-ramp protection period for millions of borrowers.**

At the same time, as millions of borrowers prepared for the resumption of student loan payments, *Delivering Distress* outlined the risk that borrowers—including low-income borrowers and borrowers seeking PSLF—could be cheated out of their rights by the student loan companies paid to support them. In response, ED announced a one-year "on-ramp" to repayment between October 2023 and October 2024 to protect student loan borrowers from the worst economic consequences of falling behind. While payments were still due and interest began to accrue, borrowers were protected for 12 months from negative credit reporting, collections, or default. While these protections have since expired, SBPC has continued to push to extend these protections for as long as possible.

### **Leveraging state student loan servicer oversight to notify borrowers about upcoming federal deadlines.**

In the months leading up to the deadline for borrowers to consolidate their federal student loans and still benefit from the Income-Driven Repayment (IDR) Account Adjustment, the federal government

did little to ensure borrowers knew about the deadline or the benefits of consolidating. SBPC urged states across the country to use their authority and relationships with student loan servicers to obtain contact information for borrowers with older, commercially-owned Federal Family Education Loans, who had the most to lose by not consolidating on time. As a result of this advocacy, at least four states sent notices to over 350,000 borrowers notifying them of the opportunity to consolidate their loans and potentially obtain debt cancellation after decades of repayment—a powerful and creative use of state authority that complemented the changes to federal policy.

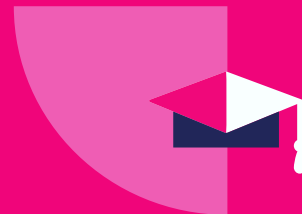
### **Helping make student loan debt relief real for nearly 5 million borrowers, including through the IDR Account Adjustment and strengthening the PSLF program.**

Despite legal setbacks to President Biden’s original debt relief program, the Biden-Harris Administration has worked to ensure that millions of borrowers are able to access debt relief they are entitled to under the law.

For decades, Congress promised federal student loan borrowers that, through IDR, they would have access to affordable payments and an eventual pathway to cancellation after 20 or 25 years. Unfortunately, for millions of borrowers, student loan debt has become an unaffordable and lifelong debt trap—especially for Black, Latino/a, and low-income borrowers. In 2022, the Administration announced its IDR Account Adjustment largely mirroring a policy blueprint laid out by SBPC, NCLC, and Center for Responsible Lending. To date, the Account Adjustment has given millions of people with student debt credit toward cancellation under IDR and delivered \$56.5 billion in debt cancellation to more than 1.4 million student loan borrowers.

Just as millions of borrowers had been historically deprived of relief under IDR, millions of public service workers had seen relief under PSLF pushed out of reach. A years-long investigation by SBPC and AFT demonstrated that bad industry practices and ambivalence by ED under the leadership of the prior Trump Administration led to a 98 percent rejection rate—and an expansion meant to fix PSLF had a 97 percent rejection rate. In response to a sustained advocacy campaign led by SBPC, ED announced in October 2021 that it would use emergency authority tied to the pandemic to waive certain PSLF program requirements temporarily. While the PSLF Limited Waiver officially ended in October 2022 its impact continues and has helped push hundreds of thousands of public service workers closer to relief. In total, the Administration’s efforts—largely informed by advocacy efforts led by SBPC and our partners—have delivered relief to over 1 million public service workers.





## ON THE HORIZON

In 2025, SBPC will work to protect the critical gains that borrowers have made during the last four years. As actions by the Trump Administration threaten student loan borrowers' pocketbooks, our partnerships with labor, civil rights, and legal aid organizations will be critical for identifying threats to the student loan safety net. Together with our coalition partners, we will lift up the voices of borrowers harmed by unaffordable repayment plans and the restart of draconian collection practices. We will build on our work to hold servicers accountable and ensure that servicers are held responsible for their unfair and abusive practices, even (or especially) if the next administration won't.

# EXPOSING SHADOW STUDENT DEBT



## **SBPC’s investigative work has uncovered abuses by shadow student debt companies directly preying on vulnerable borrowers using predatory tactics to finance under- and un-regulated educational programs.**

As the federal student loan market continues to receive significant attention, a shadowy network of financial services companies continues to drive students into billions of dollars in risky, high-cost “shadow student debt.” SBPC has built on its years of investigative research to highlight the continued exploitation of vulnerable students through these financial products that charge high interest rates, deploy dangerous underwriting tactics, engage in aggressive debt collection practices, and attempt to skirt critical consumer protection laws. This debt and credit takes many forms, including, for example, subprime private student loans; Buy Now, Pay Later credit; so-called “Income-Share Agreements”; Training Repayment Agreement Provisions (TRAPs) forced on workers by employers; and institutional debts owed directly to colleges for unpaid tuition bills. From the perspective of a student struggling to pay for education or training, the debt that results is student debt. SBPC’s investigations, litigation, and research serve as a bulwark against the private financial interests exploiting students, borrowers, and workers.

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

#### **Testifying at a historic Senate Banking hearing on private student loans.**

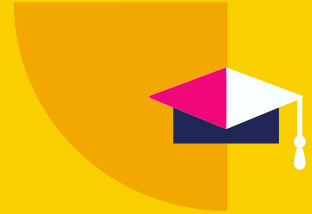
In September, for the first time in over a decade, the U.S. Senate Banking Committee’s Subcommittee on Financial Institutions and Consumer Protections held a hearing that focused solely on the private student loan debt crisis. SBPC Policy Director Aissa Canchola Bañez was invited to testify at the hearing, along with Professor Dalié Jiménez of UC Irvine Law and our academic partner, the University of California Student Loan Law Initiative. The hearing highlighted how the growing private student loan market—now larger than the payday loan market and the balance of outstanding past-due medical debt—is failing the most vulnerable borrowers, including borrowers of color, older borrowers, and for-profit school students. These private student loans are a particular locus of borrower harm, as private student loan borrowers don’t have access to the same protections that federal student loan borrowers do, such as the right to an affordable repayment plan tied to their income, protections should they become disabled, and pathways to debt relief like Public Service Loan Forgiveness and Income-Driven Repayment cancellation. For the first time, lawmakers raised questions about other forms of debt and credit forced on students outside of the regulated private student loan market—a sign that the fight to protect borrowers from shadow student debt is gaining momentum. As Project 2025 seeks to throw millions of American families into the jaws of the private market, SBPC will continue to spotlight the dangers of private student loans and shadow student debt.

**Laying the groundwork for the CFPB to sue a major shadow lender.**

Following years of SBPC investigations into Climb Credit's practices, in October, the Consumer Financial Protection Bureau (CFPB) sued Climb Credit and its top shareholder for deceiving borrowers about the coding bootcamps and vocational programs they financed. This case, which was filed earlier in 2024 and resolved this month, was based on a referral from SBPC and shares many common elements with the private lawsuit against Climb Credit we supported earlier this year. SBPC has consistently highlighted the gaps in federal and private lending that have allowed companies like Climb Credit to carve out a market to prey on student loan borrowers enrolling in extremely short-term unaccredited programs.

**Exposing the connection between shadow student debt and short-term training programs.**

At multiple points in 2024, conservative lawmakers in the House of Representatives sought to open the federal Pell Grant program to providers of short-term workforce training—an historic looting of the largest source of grant aid to low-income families pursuing college degrees. At key moments in the legislative process, SBPC educated lawmakers and the public about the ties between these short-term programs and shadow student lenders—publishing original research and analysis and elevating partners' work to expose how these programs rely on debt to exploit students and their families. As 2024 comes to a close, the Pell Grant program remains intact and these short-term training programs, their financial backers, and private investors remain on the sidelines.



## ON THE HORIZON

In the year ahead, large and small efforts to privatize the student loan system will be central to the new administration's efforts to "reform" the federal government—siphoning public support away from public institutions and federal financial aid and delivering a new, captive market to financial predators at the expense of public colleges and honest companies. As the balance between public goods and corporate power shifts in the months to come, we will expand our effort to spotlight the harms caused by shadow student debt, reshape the legal landscape at the state level, and demand justice for borrowers in court.

# STOPPING SCAM SCHOOLS



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

As the largest for-profit colleges continue to struggle—failing outright or seeking partnerships with public colleges to stay afloat—workers across the country continue to be targeted by Silicon Valley and Wall Street-backed tech companies that promise to expand career education both outside of and in partnership with traditional, degree-granting colleges. SBPC helps students build private lawsuits against these firms, shapes public enforcement across this segment of the higher education market, and drives major changes to federal and state public policies to protect students. In 2024, SBPC laid the groundwork for a federal agency to sue a technology staffing company for trapping workers in low-paying jobs, raised alarms and shed light on an EdTech giant as it spiraled into bankruptcy, supported federal enforcement officials and regulators as they protected borrowers from further harm and held predatory companies accountable, and further exposed abusive activity across the sector.

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

#### **Laying the groundwork for the U.S. Department of Labor to sue Smoothstack for trapping workers in low-paying jobs.**

In July, the U.S. Department of Labor filed a lawsuit against technology training and staffing company Smoothstack, Inc. and its Chief Operating Officer Boris Kuiper, alleging they violated federal law by using predatory Training Repayment Agreement Provisions (TRAPs) and leveraging coercive contracts to silence workers in violation of the Fair Labor Standards Act (FLSA). The lawsuit alleges that Smoothstack's practices amount to "modern-day indentured servitude" and "trap employees in their jobs" by enforcing overly restrictive contract provisions that penalize employees if they leave the company and prevent them from participating in government investigations in violation of the FLSA. The lawsuit follows an April 2023 class action lawsuit filed against Smoothstack, alleging among other things, that, like many predatory for-profit colleges before it, Smoothstack promised potential recruits paid training that would prepare them for lucrative high paying careers with Fortune 500 companies. But in reality, the suit alleges that Smoothstack requires workers to sign predatory TRAPs as a precondition of employment, putting them on the hook for tens of thousands of dollars in debt if they tried to leave or were fired from low-wage tech jobs working on projects for some of the largest corporations in the world. This year, the plaintiffs, represented by SBPC, Towards Justice, and other partner law firms, amended the lawsuit to add claims challenging the TRAP under state consumer protection law.

#### **Leading the fight against predatory EdTech companies.**

For years, SBPC has warned regulators about the ramifications of the sudden failure of any of the large online program managers (OPMs) that public and private non-profit colleges use to deliver higher

education online. In 2023, 2U, Inc.—one of the most prominent OPMs—lost its highest-profile contract and its stock price collapsed. Following 2U’s notice to its shareholders in early 2024 of declining revenue across its business and strain posed by very high levels of corporate debt, SBPC renewed calls for stronger industry oversight and protections for students, and urged the U.S. Department of Education and Consumer Financial Protection Bureau (CFPB) to prepare for 2U’s potential collapse.

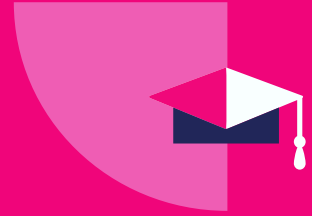
- In 2024, some of 2U’s school partners spoke out, criticizing the company, and Fordham University cut ties with 2U.
- In March, a borrower filed a lawsuit against 2U and Climb Credit, a specialty private student lender, seeking to enforce Maine state consumer protections that were enacted in recent years specifically to address abuses by predatory student lenders, and also to use three state laws—the Student Loan Bill of Rights, the Private Education Lending law, and the Private Student Loan Registry law—supported by SBPC to address gaps in federal oversight of so-called “non-degree” programs.
- In July, the California State Auditor confirmed many of the worst concerns SBPC has raised about University of California system schools partnering with OPMs, and 2U in particular.
- In July, 2U filed for Chapter 11 bankruptcy in coordination with its largest creditors. SBPC warned that 2U executives would use the bankruptcy to keep 2U operational while the harmed students are denied debt relief.

### **Seeding successful law enforcement action against the predatory bootcamp and private student lender Prehired’s partner and arbitration platform Ejudicate.**

In 2023, the CFPB and a bipartisan coalition of 11 state attorneys general and financial regulators took action against Prehired, a sham “tech sales” bootcamp that trapped thousands of students in millions of dollars of predatory debt. Prehired followed its deception with a series of illegal efforts to forcibly collect on these illegitimate loans. In February 2022, SBPC exposed the first stage of this scheme, where Prehired tried to turn Delaware state courts into its personal debt collection machine. In 2023, SBPC called on the CFPB and states to take action against Ejudicate (now “Brief”), the company that tried to help Prehired silence students by locking them out of court and into lopsided back-room “arbitration” to address their grievances. In October, the CFPB took action and banned Ejudicate from arbitrating disputes about consumer financial products.

### **Leading the way for federal law enforcement to halt BloomTech’s predatory student lending scheme and hold the bootcamp’s founder accountable.**

In April, the CFPB took enforcement action against for-profit college BloomTech (formerly Lambda School) and its founder, Austen Allred, for deception and predatory lending. As a result of this action, BloomTech is banned from engaging in consumer lending, and Allred is banned from working in the student lending industry. The CFPB also directed Allred and his firm to cease collecting payments on predatory student loans for many of their remaining borrowers. For years, Allred and his firm used deceptive marketing to trap students in predatory private student loans called Income Share Agreements, promising to train tech workers for lucrative careers as software engineers. The action follows years of lawsuits, investigations, and other allegations of illegal practices by Allred and his company, including SBPC’s 2021 petition to the CFPB to investigate Allred’s for-profit school.



## ON THE HORIZON

In 2025, SBPC will continue to bring cases on behalf of litigants who have been injured by bad actors in this industry. We also plan to work hand in glove with state law enforcement officials to fight back against industry abusers and bring relief to more borrowers across the country. SBPC will continue to advise government enforcement officials and regulators, demanding justice where predatory schools and abusive lenders seek to manipulate vulnerable people into debt. As new threats arise in Congress, such as attempts to expand the federal Pell Grant to provide billions of dollars in public money to coding bootcamps and other short-term training programs, SBPC will continue to support litigants and litigators who want to stand up against these industry abuses and bring an end to a broken system that has caused harm to borrowers for decades.

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# UNIVERSITY OF CALIFORNIA STUDENT LOAN LAW INITIATIVE



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

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

### **Publishing cutting-edge research detailing how student debt contributes to financial hardship.**

In 2024, the U.S. Department of Education (ED) began a Negotiated Rulemaking process to design a student debt relief plan under the Higher Education Act, proposing to relieve debts for, among others, those who had been trapped in repayment for decades, those who owe more than they had originally borrowed, those eligible for relief under existing programs who have not received it, those who had been defrauded by their colleges or programs, and those for whom student debt constitutes a severe economic hardship. To inform this, SLLI scholars sought to define “hardship” in the context of student loans and provide a precise measure of how student debt can impact people's financial health. This first-of-its-kind research, using data from the University of California Consumer Credit Panel (UCCCP), identified the level of student debt, depending on borrower income, that significantly increases the risk of bad financial outcomes and decreases financial well-being. SLLI recommendations included that ED eliminate debt for borrowers in the bottom half of the income distribution and partially cancel debt for middle-income borrowers to ensure their debt-to-income ratios do not exceed 30 percent. This paper and accompanying legal memo set the stage for the Biden-Harris Administration’s final “hardship rule.”

### **Examining the impact of student debt across Texas.**

In May, the SBPC released the second report in our *Student Debt in the South* series, which examines the disparate effects of student debt in cities and rural communities across the southern United States. Utilizing the UCCCP, this report focused on three cities in Texas: Dallas, Houston, and San Antonio, finding that borrowing and rates of distress are highest across Black and Latino/a areas in the Lone Star State. The report underlines that rising student debt is a racial justice issue and has been caused by active policy choices like disinvestment at the state level and a decades-long inability of federal policymakers to protect and expand the student loan safety net. To release the report, SBPC held a virtual event alongside Young Invincibles and Texas Appleseed, two partners organizing for students, borrowers, and young people in Texas.

### **Showcasing new academic research on the impact of student debt cancellation and the payment pause.**

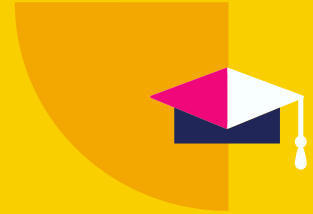
This year, SLLI scholars and partners continued to add to the growing body of academic literature around the impact of recent policy changes on borrowers’ financial health and other measures of well-being. In the spring, SLLI published three new briefs, led by Dr. Dan Collier, Assistant Professor of Higher



and Adult Education in the Department of Leadership at the University of Memphis. The briefs drew from first-hand borrower accounts to better understand the experiences of borrowers enrolled in the Public Service Loan Forgiveness (PSLF) program, in particular, the financial and psychological impacts of the student loan debt pause and the resumption of repayments on borrowers' lives. The briefs also looked at the transformative and holistic power of debt relief, from heightened career autonomy to improved mental well-being. Other research by SLLI scholars included a report highlighting the effects of three major student debt interventions—the student loan payment pause, the one-time PSLF “waiver” to increase access to debt relief for public service workers, and pandemic-era funding to institutions from the Higher Education Emergency Relief Fund—on borrowers, with a specific geographic focus on California.

### **Analyzing benefits of a California bill for students, schools, and the state.**

In the wake of SLLI's 2022 groundbreaking report, *Creditor Colleges*, policymakers in California introduced state legislation to protect students with institutional debts owed to their schools. As the bill entered its second year of deliberation, SLLI staff issued a policy briefing analyzing it. The brief outlined the protections and benefits to California's students, as well as the fiscal benefits to California's schools, which would experience increased revenues by removing barriers to student re-enrollment.

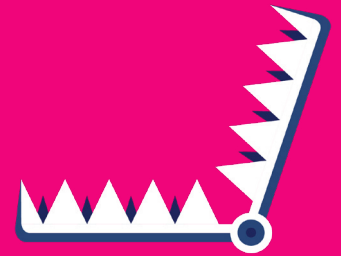


## ON THE HORIZON

In 2025, SLLI scholars, affiliates, and grantees will continue to publish original research providing empirical evidence that supports action by stakeholders seeking to help borrowers struggling under the weight of student debt. SLLI will build and deploy interdisciplinary research teams to examine previously unexplored effects of student loan debt across the economy and provide timely analyses to policymakers working to protect borrowers. In early 2025, SLLI will kick off a new set of projects as a part of the Emerging Scholars Program, which supports and elevates the research of young academics working on issues related to student loan debt and the student debt crisis.

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# ENDING TRAPS ACROSS THE ECONOMY



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

In 2024, SBPC led a comprehensive effort to rein in bad actors using abusive employment contracts, reshaping the balance of power between employers and workers across the economy. Following the publication of our *Stay-or-Pay: Federal Actions to End Modern-Day Indentured Servitude Across the Economy* report in December 2023, we worked closely with the Biden-Harris Administration to drive a robust whole-of-government approach to end TRAPs and other predatory contracts. As our report proposed, the National Labor Relations Board and U.S. Department of Labor each took action against companies using TRAPs and stay-or-pay contracts, in addition to elevating them in federal reports warning workers and employers. The U.S. Department of Transportation also began to review its authority to regulate TRAPs and stay-or-pay contracts as outlined in our report. Our growing state and local government work further complemented this whole-of-government philosophy.

As the leadership of federal agencies turns over in 2025, these extraordinary successes will serve as a benchmark for future federal action and a clear roadmap for local and state agencies, private attorneys, and civil society over the years ahead.

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

#### **Building momentum to create new protections in the states.**

SBPC has continued to advance state legislation that would create new protections for workers against the abusive use of TRAPs and other types of stay-or-pay contracts. Working with partners such as the American Economic Liberties Project and National Nurses United, we saw state lawmakers adapt our model legislation and introduce bills in California, Minnesota, and New York that would nullify existing stay-or-pay contracts and create paths for regulators to hold bad actors accountable. These bills have led to a groundswell of activity, with multiple states, such as Maine, New Jersey, and Pennsylvania, introducing similar bills.

#### **Driving a public enforcement agenda at every level of government.**

This year saw state regulators begin to flex their powers to halt corporations from abusing TRAPs. Pennsylvania Attorney General Henry reached the first-ever settlement with PetSmart over their use of TRAPs with pet groomers in the state, with the company agreeing to cease the use of its TRAPs. California Attorney General Bonta put employers on notice by issuing a legal alert reiterating that state law restricts employer-driven debt arrangements, including TRAPs.

**Highlighting the role of cities and local government.**

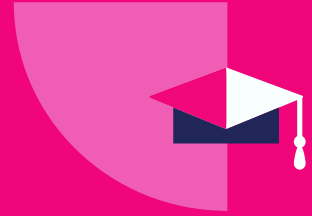
This year SBPC partnered with the National Employment Law Project on a Deep Dive series highlighting how state and local regulators can use existing authorities to challenge TRAPs. Following the Deep Dive series, we hosted a virtual briefing with speakers from the Office of the Colorado Attorney General, NYU Wagner Labor Initiative, Open Markets Institute, and Towards Justice to further discuss how cities and local governments can challenge the use of TRAPs. In December, we hosted an in-person convening focused specifically on the role cities, counties, and states can play in protecting borrowers and workers in the months and years ahead.

**Developing a toolkit for addressing TRAPs in state capitals across the country.**

Although there have been significant advances at the federal level to protect workers from TRAPs, states can also take action to protect their workforces. SBPC developed a state legislative toolkit to educate policymakers about TRAPs, give examples of industry opposition letters and talking points, and provide sample legislation to prohibit these “stay-or-pay” clauses. It also included a series of short memoranda that SBPC co-wrote with partners about the applicability of various existing state consumer and worker protections to TRAPs. The toolkit was informed by efforts to ban TRAPs in key states, and SBPC looks forward to supporting efforts to enact similar protections in states across the country.

**Defending federal efforts to ban TRAPs across the economy.**

Following years of advocacy and research, the Federal Trade Commission (FTC) issued a final rule to restrict companies that it regulates from requiring workers to enter non-competes and functionally similar contracts like TRAPs. This means that now—when the FTC’s new rule is in effect—millions of workers who were previously unable to leave their jobs without becoming indebted to their employer for tens of thousands of dollars will have the ability to. While corporate, right-wing interests have sought to overturn this new protection, SBPC and our allies are committed to defending it and providing all workers with the economic freedom they deserve.



## ON THE HORIZON

In 2025, we will continue to defend the victories we won at the federal level, such as the FTC’s ban on non-competes and TRAPs, while working with state and city leaders and regulators to develop new protections and enforce existing protections where we have them. As we have in the past, SBPC will stand up for workers and bring all the tools at our disposal whenever and wherever the federal government fails to.

# DEMANDING RACIAL AND ECONOMIC JUSTICE



## **SBPC is exposing how predatory practices in the market exacerbate existing racial disparities and highlighting the ways student loan debt drives further racial and economic inequality across America.**

In 2024, SBPC expanded research efforts to highlight the disproportionate impact that the student loan debt crisis has on communities of color. We continued to expand the breadth of our original research and expose the disparities that Black women, Latinos/as, and incarcerated borrowers specifically experience. SBPC also continued our work to sound the alarm on the risks of machine learning and artificial intelligence models in credit and lending decisions and how the use of educational data can further entrench racial and economic disparities across the economy.

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

#### **Winning a second chance for student loan borrowers who are incarcerated.**

In April, the U.S. Department of Education (ED) finally announced an end to a 30-year policy prohibiting incarcerated student loan borrowers from consolidating their student loans. The policy announcement was a part of Second Chance Month and created a new pathway for incarcerated borrowers to get back on track with their student loan debt. SBPC encouraged ED to continue finding ways to alleviate the burden for these borrowers, including making this benefit automatic for all who are eligible.

#### **Diving into the unique ways Black women experience the student loan debt crisis.**

The student loan debt crisis continues to be a civil rights crisis. For Black women, this is especially true as the nation's shameful and persistent racial and gender wealth gap results in the student debt crisis disproportionately burdening Black women borrowers. Black women borrowers often face the racial and gender disparities that inhibit them from building generational wealth. In 2024, SBPC released a Deep Dive into the issue, uplifting research by groups such as the Education Trust, NAACP, and many others to remind the Biden-Harris Administration that Black women face a specific and unique burden compared to other student loan borrowers. This burden must remain front and center as the Biden-Harris Administration works to finalize debt relief rules and as Americans transition into a new administration.

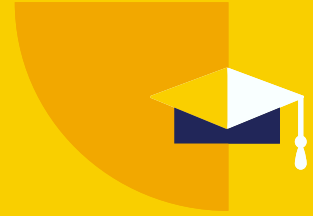
#### **Highlighting that student debt relief is key to economic justice for Latino/a families.**

In November, SBPC joined with our partners at UnidosUS to examine the unique ways the student debt crisis harms Latino/a families and better understand the challenges Latino/a students face as they navigate higher education. Our joint blog explored the growing levels of student loan indebtedness among Latino/a students—particularly among those attending for-profit colleges—and the challenges Latino/a borrowers face in repayment. We discussed the crushing toll of student debt among Latinas, who now carry the third-highest median loan balance among student loan borrowers, and highlighted

alarming survey data from UnidosUS, which found that 64 percent of respondents reported that their student debt was negatively impacting their mental and physical well-being. It is clear that student loan debt relief is critical to securing economic justice for the Latino/a community. SBPC will continue to advocate for student debt cancellation as the economic and racial justice issue that it is.

**Continuing to sound the alarm on the risks of AI in financial services and fair lending.**

In 2020, SBPC published a report on “educational redlining”—credit pricing or decision-making by lenders that rely on information about applicants’ degree attainment, program of study, or other information tied to their education. Certain education data are closely correlated with race and gender and, when used in underwriting or marketing, can lead lenders to violate federal fair lending laws. In the aftermath of this report, the Senate Banking Committee launched its own investigation, scrutinizing the practices of a dozen companies across the financial services marketplace. Previously, in 2021, SBPC partnered with the NAACP Legal Defense Fund, civil rights law firm Relman Colfax, and financial tech firm Upstart to begin an independent monitorship of Upstart’s machine learning-based artificial intelligence models and their implications for fair lending. In March, Relman Colfax published the final public report, which included recommendations on how Upstart could enhance its fair lending testing protocols. While the monitorship of this one financial tech firm has concluded, SBPC will continue to sound the alarms on the use of alternative data and machine learning algorithms and the risk they pose in entrenching bias and systemic disparities.



## ON THE HORIZON

In 2025, SBPC will continue to elevate the stories of marginalized student loan borrowers, including those who are incarcerated and left out of student loan relief. Additionally, we will grow our partnerships with civil rights organizations, community advocates, and local leaders to broaden awareness of the specific issues facing student loan borrowers. As the balance of power shifts at the federal level, SBPC and our partners will advance racial and economic justice for working people with student debt—driving systemic changes at the state and local level while holding the Trump Administration accountable. Across all areas of our work, SBPC will continue to leverage our unique expertise at the intersection of consumer protection law and higher education policy to protect borrowers of color and their families.





# CASE STUDIES



## CASE STUDY: HARDSHIP RULE



### ✘ THE PROBLEM

As the balance of power shifts in Washington, the advocacy campaign executed by SBPC and our partners to reshape how the government understands “hardship” caused by student debt serves as a model for how to combine grassroots energy, empirical research, creative legal strategy, and sharp messaging to shape public policy.

President Biden promised to deliver student debt relief on the presidential campaign trail in 2020. His first attempt to provide mass relief was blocked by the Supreme Court in the summer of 2023. President Biden then announced that he would get debt relief across the finish line using the Higher Education Act, which led the U.S. Department of Education (ED) to begin a Negotiated Rulemaking (Neg Reg) process. ED held three Neg Reg sessions in late 2023. SBPC supported negotiators who pushed for ED to consider borrowers who had been trapped in repayment for a long time, such as those who had been defrauded by for-profit schools, older borrowers, and parent borrowers. After the first three sessions, advocates knew borrowers were still going to fall through the cracks—in particular, young borrowers, borrowers of color, and borrowers with disabilities. ED still needed to address the question of hardship: what is hardship, and how could ED ensure that those experiencing hardship receive the relief they need?



## THE SBPC RESPONSE

SBPC started the year off strong, leading over 60 organizations in sending a letter to ED urging a fourth Neg Reg session specifically tackling the question of hardship. Because of this advocacy, ED convened a fourth session in February 2024—a huge win for borrowers. This session was anchored around expert testimony from Prof. Dalié Jiménez, co-director of the UC Student Loan Law Initiative, a partnership between SBPC and the University of California. Prof. Jiménez worked with an interdisciplinary team of law scholars and economists who produced the first large-scale empirical study of the hardship posed by student debt—finding that any student debt burden causes a range of economic hardship for the bottom half of earners and that high debt burdens pose hardship for the vast majority of people.

Although negotiators reached consensus on draft hardship language, ED delayed publishing its proposed language. In May, ED released proposed language on the other pieces of debt relief tackled during the Neg Reg process, such as relief for borrowers who had been stuck in repayment for a long time and those eligible for different cancellation programs but had never applied to them. The question of hardship was still on the table. In July, SBPC, in coalition with over 200 organizations, sent a letter to Secretary Cardona urging ED to release its hardship proposal. Among the groups signed onto the letter were AFL-CIO, AFT, NAACP, UnidosUS, AFSCME, SEIU, and NASW. In addition to the coalition letter, over 25,000 borrowers organized by SBPC’s partners sent individual letters to the White House urging the president to finalize the hardship rule.

Finally, in late October, ED released its hardship language—borrowing heavily from a model regulation released by SBPC earlier in 2024—and opened up the proposal for public comments in the Federal Register. This proposed language included a two-pronged approach: automatic relief for borrowers who were likely to default in the next two years and relief for people experiencing hardship who applied for it. SBPC submitted a coalition comment and organized hundreds of organizations to sign on, demonstrating to ED that debt relief for those experiencing hardship is still popular and necessary. SBPC also worked closely with partners to set up online forms so borrowers could easily submit public comments in full force. These efforts collected tens of thousands of comments describing the specific ways student debt poses hardship.

While it is unlikely that debt relief will become a reality under the next administration, borrowers and advocates built a strong public case for action—a case for change that will shape public policy at the state and local levels in the short term and drive future progressive policymaking at the federal level in the future.



## RESULTS FOR BORROWERS

Viewed narrowly, the change in administration presages a likely shift away from the government's commitment to deliver student debt relief to working people. However, we have already seen coordinated organizing, policy advocacy, and research drive forward momentum in the fight to deliver debt relief to borrowers experiencing hardship. In 2024, Senator Chris Van Hollen introduced new legislation that includes a provision borrowing from this framework—requiring the Secretary of Education to consider hardship when overhauling the rights afforded to parents who take on student debt to pay for a child's education. This is just the first sign that the policy roadmap we developed will remain central to the progressive vision for a student loan system that works for working families.

This change also comes as the movement to protect borrowers continues to grow, and the role student debt plays across borrowers' economic lives remains a national focus. Together, the coalition who fought and won government action to address hardship will quickly seize the opportunity presented by a new administration forced to govern a dysfunctional student loan system.

The reality is that borrowers are still facing all kinds of hardship, much of it caused by servicer mismanagement and abuses. Borrowers will continue to face issues with payments, Public Service Loan Forgiveness counts, and other discharge programs—and SBPC will be there to advocate on their behalf.

## CASE STUDY: STAY-OR-PAY CONTRACTS



### ✕ THE PROBLEM

Every year, tens of millions of Americans leave their jobs. But for many of them, this can come with a surprise: thousands of dollars of debt. That's because more employers are relying on "stay-or-pay" contracts to retain workers, requiring them to pay a penalty if they quit (or in some cases, even if they get laid off).

Stay-or-pay contracts take many forms. Use of these contracts, which can function similarly to non-competes, has increased rapidly, serving as substitutes for traditional non-competes, which more states have started to regulate. One of the most common is Training Repayment Agreement Provisions (TRAPs). TRAPs are often presented as a condition of employment and require workers who receive on-the-job training—regardless of quality or necessity—to pay back the supposed "cost" of this training to their employer when they leave their jobs. In other types of stay-or-pay contracts, employers have demanded departing employees pay them for not providing 4-months notice, the salary of their replacement, or even "lost profits." That is why for the last three years, SBPC has driven and supported policy changes across federal agencies to protect workers from predatory TRAPs.



## THE SBPC RESPONSE

Last year, SBPC partnered with Governing for Impact, Towards Justice, and the American Economic Liberties Project to release a groundbreaking policy roadmap outlining a broad range of executive actions that agencies across the federal government could take to curb stay-or-pay contracts and TRAPs. The compendium of more than half a dozen legal memos was shared with the Biden-Harris Administration, and in 2024, we successfully pushed to implement several of our policy recommendations to protect workers:

- In April, the Federal Trade Commission announced a new rule prohibiting companies it regulates from requiring workers to enter non-compete and contracts meant to lock workers in their jobs—like TRAPs! This is an enormous win for communities and workers across the country. A concerning one-in-five workers is constrained by a non-compete agreement. Numerous workers encounter functional non-competes like TRAPs that leverage job training and education debt to control them. But without skipping a beat, corporate special interests took to the courts in an attempt to overturn the rule. SBPC, in collaboration with a coalition of workers, small businesses, and advocates, has used every available resource to defend this progress.
- The U.S. Department of Labor (DOL) filed its first-ever lawsuit against a company for using a TRAP in July, alleging that IT staffing company Smoothstack’s practices amount to “modern-day indentured servitude.” This follows a class action lawsuit we filed with partners against Smoothstack in April 2023. DOL highlighted its lawsuit against Smoothstack and its intention to combat the use of TRAPs in its 2024 annual Enforcement Report, which reiterates what we found in our report: TRAPs and stay-or-pay contracts often violate labor protections.
- The National Labor Relations Board (NLRB) General Counsel issued a guidance memo in October stating that TRAPs and stay-or-pay contracts were unlawful, except in limited circumstances, similar to what we laid out in our report. This memo advised companies to amend or remove any stay-or-pay contracts they had in use if they hoped to avoid prosecution. In addition to putting employers on notice, the NLRB also reached multiple settlements with companies that had used TRAPs and other stay-or-pay contracts. These settlements included employers agreeing to no longer use TRAPs and made workers whole by returning any money they had paid towards their TRAP.



## RESULTS FOR BORROWERS

The Biden-Harris Administration's robust whole-of-government approach to combat TRAPs has empowered workers to fight for better working conditions and pay without the looming threat of debt. This year, we have seen corporations agree to stop using TRAPs and stay-or-pay contracts, and make workers whole if they repaid this debt.

As a new administration assumes control over the federal agencies at the center of the Biden-Harris competition agenda, progress may stall or reverse. Our vision for an economy that promotes opportunity and mobility and protects workers from employer-driven debt remains central to our advocacy work at every level of government. The actions taken by the Biden-Harris Administration in 2024 highlight how we can mobilize regulators and policymakers to protect workers and advance our pursuit of economic justice.

