

Are Student Loan Servicers in Trouble with the Government?

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While college students slave away in pursuit of good grades, the loan servicers that work with them are receiving less-than-stellar marks.

In fact, these companies are in big trouble for engaging in some downright shady business.



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This week, the Consumer Financial Protection Bureau (CFPB) released a [report](#) that found many student loan servicers are treating their borrowers unethically—and even illegally.

The report cited a number of disreputable behaviors, like allocating payments to maximize late fees. When borrowers made a loan payment less than the total amount due, some companies charged borrowers late fees on all of their loans, even if only one payment fell short and all others were paid in full. Some servicers even charged [late fees](#) for payments made within a grace period.

The CFPB also found that certain servicers misled consumers about bankruptcy policies, telling borrowers that student loans are never dischargeable in bankruptcy. In truth, student loans may be discharged if a borrower proves “undue hardship” in paying them back.

And when it came to collecting, some servicers were found making illegal debt collection calls at inconvenient hours—including one case where 48 calls were made to a single borrower in a 45-day period.

These actions are pretty concerning, especially when you consider that the CFPB estimates over 40 million people with student debt use student loan servicers as their primary point of contact about their loans. And with consumers carrying some [\\$1.2 trillion](#) in outstanding student loan debt, student loan servicers are playing a larger role than ever in Americans’ finances.

But while student loan servicers aren’t making the honor roll anytime soon, the CFPB at least might get an A for effort when it comes to rectifying borrower/servicer interactions.

“Student borrowers deserve better than illegal practices as they work to pay back their loans,” CFPB Director Richard Cordray writes on the [CFPB website](#). “All borrowers should be treated fairly by loan servicers, and through our supervision program, we intend to hold them accountable for how they treat borrowers.”

If these findings make you want to do some homework on your own student loan situation, you can get started now with [Understanding Student Loans 101](#).