

Hudson Cook Enforcement Alert: CFPB takes action against Student Loan Servicer for Allegedly Delaying Default Rehabilitation Process to Acquire Collection Fees

December 10, 2024 | [Erik Kosa](#) and [Mark D. Metrey](#)

HIGHLIGHTS:

- The Consumer Financial Protection Bureau ("CFPB") entered into a consent order with a national student loan servicer (the "Company") for alleged violations of the Consumer Financial Protection Act and Fair Debt Collection Practices Act, in connection with the Company's collection practices on Federal Family Education Loan Program defaults.
- The Company will pay a \$700,000 civil penalty, cease all student-loan servicing, and enter into a compliance monitoring program.

CASE SUMMARY:

On December 9, 2024, the CFPB entered into a consent order with the Company, alleging violations of the Consumer Financial Protection Act ("CFPA") and Fair Debt Collection Practices Act ("FDCPA") with respect to its collection practices involving student-loan borrowers who defaulted on Federal Family Education Loan Program ("FFELP") loans. FFELP borrowers have a one-time right to rehabilitate their loans and bring them back to good standing without being charged collection costs if they enter into a payment plan within 65 days of default. The CFPB alleged that from 2015 to 2020, the Company intentionally delayed borrowers from rehabilitating their student loan defaults in order to push their rehabilitation beyond the 65-day grace period and thus earn collection fees. For example, the Company allegedly told these borrowers they had to fill out rehabilitation forms and send them by postal mail, when they could have done so over the telephone or by email or fax.

Following its investigation of these practices, the CFPB alleged the Company's actions were deceptive under the CFPA, as they caused substantial injury to its borrowers that were neither avoidable nor beneficial. The CFPB also alleged that the Company's debt collection practices were unconscionable under the FDCPA, as they provided an unfair advantage over the borrowers by delaying the rehabilitation process.

Without admitting or denying the allegations, the Company agreed to an order banning it

from servicing or collecting on any federal or private student loan debt. The Company will also pay a \$700,000 civil penalty and must submit to compliance reporting requirements.

RESOURCES:

You can review all of the relevant court filings and press releases at the [CFPB's Enforcement Page](#).

- [Consent Order](#)
- [Stipulation](#)
- [CFPB Press Release](#)

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