



Hudson Cook Enforcement Alert: Nonbank Student Loan Servicer Agrees to a CFPB-Imposed Ban and to Pay \$120 Million

September 13, 2024 | [Julia K. Whitelock](#) and [Taylor A. Krowitz](#)

HIGHLIGHTS:

- The Consumer Financial Protection Bureau ("CFPB") filed a proposed stipulated final judgment and order ("Stipulated Order") resolving its claims against a nonbank student loan servicer and its debt collection subsidiary (collectively "Company") for alleged violations of the Consumer Financial Protection Act ("CFPA"), the Fair Credit Reporting Act ("FCRA"), and the Fair Debt Collection Practices Act ("FDCPA").
- The settlement bans the Company from acquiring or servicing certain direct federal student loans and Federal Family Education Loan Program ("FFELP") loans.
- The settlement also requires the Company to pay \$100 million in redress for affected consumers and an additional \$20 million civil money penalty to the CFPB's victim relief fund.

CASE SUMMARY:

After more than seven years of litigation, on September 12, 2024, the CFPB filed the Stipulated Order reflecting its settlement with the Company over alleged violations of the CFPA, FCRA, and FDCPA. The Company is a nonbank financial company that services student loans made under the William D. Ford Federal Direct Loan ("Direct Loan") Program (formerly known as the Federal Direct Student Loan Program) and also acquires and services loans originated under the FFELP. The CFPB's 2017 complaint alleged that the Company and its subsidiaries steered borrowers into forbearance instead of income-based repayment plans, misled borrowers who were enrolled in income-based repayment plans, misallocated and misapplied loan payments, furnished inaccurate negative credit information to consumer reporting agencies, and misled consumers about certain fees and the impact of a credit rehabilitation program.

The CFPB's press release described the Company as a "repeat offender," a term recently introduced by the CFPB that covers certain financial companies who are subject to certain prior regulatory enforcement actions and on whom the CFPB imposes additional

regulatory scrutiny and fines. The Company has been the subject of prior enforcement actions, most recently in 2022, from both federal and state regulators in connection with its student loan servicing activities.

If entered, the Stipulated Order will permanently ban the Company from servicing Direct Loans, acquiring additional FFELP Loans, and conducting consumer-facing servicing activities for FFELP loans already in its loan portfolio. The Stipulated Order sets out 55 paragraphs of additional requirements concerning payment processing, fees that may not be charged, borrower communications, transfer of servicing, and resolving customer disputes and complaints. Additionally, the Company will have to pay a total of \$120 million, with \$100 million allocated to redress for affected consumers and \$20 million allocated to the CFPB's Civil Penalty Fund.

RESOURCES:

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

- [Complaint](#)
- [Stipulation](#)
- [Press Release](#)
- [2021 Department of Education Order](#)
- [2022 Multi-state Settlement](#)

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