StudentLoanJustice.Org

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Has the Department of Education become a predatory lender?

Is the Office of Federal Student Aid (FSA) a captured agency?

Consider these facts:

1. For well over a decade, key FSA staff have largely comprised former executives from Sallie Mae, The Education Finance Counsel (Trade Group), The Pennsylvania Higher Education Assistance Agency (PHEAA), and other lending interests.

2. After the HEA amendments in 1998, The Office of Federal Student Aid (FSA) started refering to the schools and lenders they were supposed to be overseeing "Financial Partners", and put former Sallie Mae executives in charge of the oversight office renamed as such.

3. The large lenders like Sallie Mae, the entire guarantor industry, and even the Department of Education are actually making money from defaulted loans!

4. The default rate is 1 in 3 - probably greater- and has been for years, but instead of warning the public about this huge risk, FSA chooses to reference a misleading default metric in virtually all of its press releases. This effectively convinces the public that the default rate is low, when in fact it is as high or higher than the subprime home mortgage default rate.

5. FSA fails, for years, to warn Congress about the astonishingly high default rate, thereby greenlighting the repeated and dramatic increases in the federal loan limits. College tuition skyrockets, along with national student loan debt levels.

6. A whistleblower who uncovered an illegal overbilling scheme used to bilk the government out of billions of dollars literally has tosue the Department to get them to attempt to recover this ill-gotten cash in lieu of

the Department's solution: to let the lenders decide how much they need to repay FSA!

7. FSA is repeatedly warned by the Inspector General that its "Financial Partners": office is vulnerable to conflicts of interests, yet no meaningful change is made as a result.

8. Within a month of an Attorney General's investigation uncovering all manner of illegal relationships between schools and lenders, it is found that a key oversight manager (head of the "Financial Partners" office) was holding stock in one of the companies he is has oversite charge of. The head of FSA then leaves the department and later joins ECMC, a student loan company which specializes in litigating against borrowers in bankruptcy court) Both Individuals are former Sallie Mae executives.

9. When it is discovered that the Department was giving collection companies (ACS) contracts to staff the FSA Ombudsman's office (supposedly a neutral entity), FSA never acknowledges that a conflict exists, and allows the problem to fester for years with no investigation, and no changes.

10. During the same time period, when the corporate markets for securitized student loans comes under threat, FSA moves with lighting speed to design and implement a bailout for student loan companies, completing the process in a matter of months.

11. While the entire Federal lending system is overhauled to loan directly to students, the absence of core consumer protections, and the draconian collection powers given to the system remain unchanged Furthermore, the same private, predatory entities from the old program are given the same positions in the new system (as both servicer and collector), virtually guaranteeing that the same predatory dynamic will persist, and probably be exacerbated with these companies now having fewer channels available to make money.