US Department of Education Engaging in Predatory Lending Practices

July 6, 2010 - When Congress returns from the 4th of July recess next week, no doubt the stall financial reform legislation will be one of the top items on the agenda. According to many members of Congress, the White House, and even consumer advocacy groups, the bill is needed to protect consumers and to stop abusive lending and credit practices. It is therefore ironic that the US Department of Education (DOE) has apparently elected to make secret its debt collection procedures for those delinquent on their student loans. Fortunately, ACCESS has a copy of their handbook which you can download at the end of this article.

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s.src = 'http://widgets.digg.com/buttons.js';
s1.parentNode.insertBefore(s, s1);
})();

Apparently, the DOE is trying to determine what information about its collection procedures is appropriate for public consumption. As it goes through this review process, it has removed information about the rules that collection agencies the DOE hires must follow when attempting to collect on a loan that is in default. This includes a 292 page rule book that it published last year.

If a bank or other major lender removed information on debt collection procedures from public view a good number of media outlets and advocacy groups would be screaming about their predatory practices. But when the federal

government removes that information - information that was assembled using taxpayer dollars - it seems especially predatory. It's also a little odd that there is almost no coverage of it.

Operating under the assumption that a knowledgeable consumer is a powerful consumer, the DOE collection rule book provides a wealth of information that can give borrowers a window into acceptable settlement compromises. Smart consumers who have run into difficulty repaying their student loans need to know this information before they even contact the DOE to work out a settlement.

It goes without saying that if you have federally insured student loans, you should repay them. These loans are backed by taxpayer dollars and Congress has made it very clear that it intends to see to it that the government is repaid under virtually all circumstances. Student loans can't even be discharged in bankruptcy proceedings and, in the event you make it to retirement age and still have unpaid student loans, the government can garnish your Social Security check. Even if you become permanently disabled and receive Social Security Disability, the Supreme Court has ruled that your student loan debt takes precedence over the fact that you can no longer work. Not repaying your student loans will also impact your ability to get additional credit and can make it more difficult to get hired by a new employer. It is simply not wise to ignore these debts.

With all of that being said, the nation's unemployment rate currently hovers near 10% and many who do have jobs have found their hours being cut and their income reduced. It stands to reason that a large number of people in this situation have outstanding student loans that have become difficult or impossible to repay. These people should have access to the procedures being used to collect on these debts.

You can find a copy of the DOE's collection procedure handbook by clicking here. You can also find additional information on this topic at the following two sites:
www.usnews.com
http://studentlendinganalytics.typepad.com

byJim Malmberg

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