

## Enforcement Alert from Hudson Cook, LLP: CFPB Announces Consent Order with Student-Loan Servicer Over Alleged Misrepresentations to Borrowers Concerning Eligibility for Public Service Loan Forgiveness

March 31, 2022 | [Lucy E. Morris](#) and [Robert D. Tilley](#)

### HIGHLIGHTS:

- CFPB announced a \$1 million resolution, via administrative consent order, of allegations that a small servicing company made deceptive statements to student loan borrowers relating to their forgiveness and repayment options, in violation of the Consumer Financial Protection Act of 2010 ("CFPA").
- The company neither admitted nor denied the allegations, but consented to the CFPB's entry of an order requiring the company to contact all affected borrowers and to ensure that future communications with borrowers accurately describe opportunities for public service loan forgiveness.
- In his remarks accompanying the announcement, Director Chopra emphasized that, although the company did not service a large number of loans, "its deceptive practices can have a massive impact on an individual borrower's financial future." He also suggested that other federal loan forgiveness programs are "vulnerable to illegal conduct by servicers."
- In the CFPB's press release, it highlighted a Department of Education letter to student loan servicers warning them to not engage in the same type of practices. Consistent with [recent predictions](#), the CFPB appears to be working closely with former CFPB Director Richard Cordray's Federal Student Aid unit in the Department of Education.

### CASE SUMMARY:

On March 30, 2022, the CFPB announced that it had resolved via an administrative consent order its claims against a student loan servicing company headquartered in Knoxville, Tennessee. The consent order alleged that the company violated the Consumer Financial Protection Act of 2010 by making deceptive statements to borrowers with Family Federal Education Loan Program ("FFELP") loans, which must be consolidated in order to qualify for the Public Service Loan Forgiveness ("PSLF") program.

The CFPB alleged that the company made five types of misleading statements to FFELP borrowers: (1) telling borrowers that they were ineligible for PSLF without explaining that the borrowers could become

eligible; (2) inaccurately telling borrowers that they could not become eligible for PSLF; (3) inaccurately telling borrowers that their current payments would count toward PSLF; (4) inaccurately telling borrowers that certain jobs did not qualify for PSLF; or (5) failing to provide information about PSLF and failing to tell borrowers that they could become eligible for PSLF if they consolidated their loans. The CFPB alleged that these misleading and/or inaccurate representations constituted deceptive acts or practices in violation of the CFPA.

The company did not admit or deny these allegations, but it agreed to the entry of a five-year consent decree that includes a \$1 million civil monetary penalty, requires the company to notify all affected borrowers about the PSLF limited waiver program, and requires the company to implement a program ensuring that future communications with borrowers about loan forgiveness are accurate.

#### RESOURCES:

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

- [Stipulation and Consent](#)
- [Consent Order](#)
- [CFPB Press Release](#)
- [Statement from Director Chopra](#)

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