

**PROTECT**   
**BORROWERS**

**DEBT COLLECTION LAB**

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# REPEAT OFFENDERS

**The Student Loan Servicers Who Keep Getting Paid to  
Fail Borrowers**

June 2026

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# About Protect Borrowers

Protect Borrowers (formerly Student Borrower Protection Center) is a nonprofit organization led by a team of experts, lawyers, and advocates fighting to build an economy where debt doesn't limit opportunity. We investigate financial abuses, take predatory companies to court, and push for policies to protect working people from debt traps. We aim to deliver immediate relief to families while building power, driving systemic change, and fighting for racial and economic justice.

# About Debt Collection Lab

The Debt Collection Lab at Princeton University brings a hidden system into view. Every year, millions of Americans are sued over a debt and most face court alone, without a lawyer, yet little public data exists about who is being sued, where, or why outcomes vary so sharply between neighborhoods. The Debt Collection Lab builds public-facing tools and research to change that, including a tracker that monitors debt collection lawsuits in real time and reveals which communities are hardest hit by disparities in race, income, and legal representation. By pairing data with art and storytelling, the Lab works to reframe the conversation about debt—because it is important that we understand debt collection so that we can change it.

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## Introduction

American families owe more household debt today than at any point in history—more than \$18 trillion is owed across mortgages, car loans, student loans, credit cards, and risky new financial products engineered by companies from Wall Street to Silicon Valley.<sup>1</sup> And these debts are going bad. Families now owe more past-due credit card debt, car loan debt, and student debt than at any point in nearly two decades—the highest it has been since the Great Recession.

As more and more households struggle to keep up with these rising costs, an unprecedented wave of student loan defaults is hitting more than 10 million American households as they rapidly fall behind on their student loan payments, with a borrower defaulting **every nine seconds in 2025**.<sup>2</sup>

The financial distress caused by student debt was not preordained. It was predictable, and it was preventable. Recent policy choices by the Trump Administration and conservative majority in Congress have made student debt one of the primary drivers of the mounting affordability crisis. The *One Big Beautiful Bill Act* eliminated the most affordable repayment plans for existing student loan borrowers in the coming years, and new borrowers immediately, causing more than 10 million student loan borrowers to see their student debt burden cost them thousands of dollars more every year.<sup>3</sup> And while millions of student loan borrowers struggle amidst the worsening affordability crisis—as the rising costs of groceries, utilities, and healthcare continue to bury families in debt—billionaire Education Secretary Linda McMahon chose to strike a backroom deal with the Missouri and other state Attorneys General to vacate the Biden Administration’s critical student loan repayment plan—the Saving on a Valuable Education (SAVE) plan.<sup>4</sup>

But these policy changes are not the only way that student debt imposes costs on families. The federal government pays student loan servicers more than a billion dollars each year to conduct a range of activities to support borrowers.<sup>5</sup> Part of their management responsibilities include helping borrowers navigate student loan repayment. Unfortunately for borrowers, history shows these companies have provided borrowers with the wrong information, taken illegal fees, and wrongly rejected applications for borrowers trying to get in an affordable repayment plan. The list of wrongdoing is long, but the list here offers a sampling:

- Illegally denying regulators access to data about a company’s customers, hindering a government effort to alert these borrowers about their rights to student debt relief.<sup>6</sup>

- Illegally denying or failing to approve applications for affordable loan payments under Income-Driven Repayment (IDR), forcing borrowers to pay more than they owe and increasing interest charges.<sup>7</sup>
- Harvesting late fees from borrowers by engaging in a scheme to maximize the number of payments counted as late payments.<sup>8</sup>
- Deceiving borrowers who have made extra payments on their loans about how interest would be charged.<sup>9</sup>
- Covering up improper loan deferments and illegally failing to address the increased interest charges these errors imposed on people with student debt.<sup>10</sup>
- Engineering a scheme to deceive borrowers and maximize interest charges when borrowers used multiple deferments or forbearances over extended periods of time.<sup>11</sup>
- Steering financially strapped borrowers into loan forbearance that cost borrowers billions of dollars in unnecessary interest charges when they were eligible for IDR payments as low as zero dollars per month.<sup>12</sup>

These illegal acts and practices have affected every type of borrower, with every type of loan, at every stage of repayment.<sup>13</sup> When these companies fail to properly do their jobs, borrowers suffer the consequences: they pay more on their loans, are trapped in debt for longer, and millions of them end up in default.<sup>14</sup> Despite this crucial role servicers play, borrowers have no say in which company they will have to work with to manage their loans. Instead, borrower accounts are assigned at random to servicers by the U.S. Department of Education (hereafter “the Department”). When things go wrong—and they often do—borrowers can only hope that their situation will improve.

Now, as more than 7 million borrowers who were previously enrolled in the SAVE plan must transition to a new repayment plan<sup>15</sup> and the Department implements changes from the *One Big Beautiful Bill Act* that includes sunseting affordable IDR plans for an additional 3 million borrowers, a new Government Accountability Office (GAO) report has discovered that due to the Trump Administration’s efforts to gut the Department, the agency is no longer monitoring student loan servicers at all.<sup>16</sup> This means that history is doomed to repeat itself: borrowers may be directed to even more costly repayment plans, unnecessarily adding thousands of dollars to how much they repay on their student loans.

Signs of strain are already starting to appear. The most recent reporting about IDR applications shows that servicers have a backlog of 530,295 IDR applications.<sup>17</sup> At the current rate of repayment plan application processing, it is estimated that it could take more than two years to successfully transition these borrowers

to new IDR plans.<sup>18</sup> Further sowing confusion and concern among borrowers, the Department announced in March 2026 that it will begin the transfer of administering the entire federal student loan and financial assistance programs to the U.S. Department of the Treasury amid all of these other changes.<sup>19</sup>

Without addressing the role that these student loan servicers play in driving up the costs on families struggling to repay their student loans—and the student loan default crisis that arises as a result—the burden imposed by student debt will continue to only make it harder for families to stay afloat.

## A Brief History of Student Loan Servicing

Student debt has grown to a \$1.8 trillion credit market,<sup>20</sup> making it one of the largest non-mortgage consumer debts. The vast majority of this—nearly \$1.7 trillion—is held by the U.S. Department of Education, making the agency one of the largest financial institutions in the world.<sup>21</sup> The Department contracts out the day-to-day tasks of managing this federal student loan portfolio to a network of private contractors.<sup>22</sup> These companies oversee and manage every step in the lifecycle of the student loan, from origination to servicing and collections.

There are two student loan portfolios that make up the bulk of all outstanding student debt: the Federal Family Education Loan Program (FFELP or FFEL Program) and Direct Loan Program. Together, these two portfolios represent \$1.69 trillion owed by 45 million student loan borrowers.<sup>23</sup> The architecture of today's servicing industry—its scale, its public-private hybridity, and its political entrenchment—is a direct result of how these two portfolios were built. Understanding the current servicers requires going back to the system that produced them.

### The Creation of Student Loan Servicers

The federal student loan system substantially expanded with the signing of the Higher Education Act of 1965, which created what is now known as the FFEL Program. For more than a quarter of a century, this was the primary program from which students received loans. Because private banks have historically refused to lend to students without credit history at affordable or prime rates, the federal government “guaranteed” these loans against default through state-based guaranty agencies.<sup>24</sup> Banks would use their own capital to fund FFELP loans, state-based guaranty agencies would insure those loans against default (or certain types of discharge), and the federal government would secondarily insure the guaranty agencies. Effectively, the federal government assumed 100 percent of the risk, and the banks and guaranty agencies collected all of the profit.<sup>25</sup>

Due to the lucrative business of making loans without any real risk, the FFEL Program led to the creation of a sprawling network of private, quasi-public, and state-backed entities playing various roles in the federal student loan system. For example, in the 1970s, Congress created a government-sponsored enterprise—the Student Loan Marketing Association—which would later become Sallie Mae, the largest student loan servicer for decades.

Similarly, the Pennsylvania legislature created the Pennsylvania Higher Education Assistance Agency (PHEAA), which operated multiple federal student loan servicing subsidiaries.<sup>26</sup> The Missouri legislature created the Higher Education Loan Authority of the State of Missouri, better known as MOHELA.<sup>27</sup> These companies, and others, would eventually grow into some of the largest student loan servicers in the world.

FFELP loans would continue to dominate the federal student loan portfolio for the next several decades. However, in 1993, Congress established the Direct Loan Program through budget reconciliation, offering an opportunity for the federal government to directly originate loans using federal funds, rather than needing to entice private banks to use their own capital.<sup>28</sup> But unlike banks with experience in servicing, the Department was not equipped to handle account management activities, and therefore hired a vendor to service these loans.<sup>29</sup> The contract was awarded to Affiliated Computer Services (ACS), which would remain the sole servicer of the federal Direct Loan program from 1994 until 2009.<sup>30</sup>

The federal student loan landscape dramatically shifted following the global market crash of 2008. The private lenders underpinning the FFELP market asserted that they lacked the liquidity necessary to originate new loans. By 2009, more than 150 lenders dropped out of the FFELP.<sup>31</sup> Those that remained turned to Congress for an immediate bailout.<sup>32</sup> Within a month, Congress passed the *Ensuring Continued Access to Student Loans Act* (ECASLA),<sup>33</sup> authorizing the Department to purchase existing guaranteed FFELP loans from banks and nonprofit lenders and providing them with immediate cash. The Department ultimately acquired roughly \$150 billion in FFELP loans that originated between 2007 and 2009.<sup>34</sup>

As these FFELP loans were transferred to the Department following the passage of ECASLA, ACS was unable to keep up with the influx of loans, and the servicer began to implode.<sup>35</sup> Recognizing the threat this posed to the student loan system, Congress authorized the Department to solicit bids for additional contractors to service the Direct Loan portfolio in 2009.<sup>36</sup> The Department would ultimately select four servicers that were among the largest companies participating in the FFEL Program and award them contracts known as the Title IV Additional Servicing (TIVAS) contracts. These companies were: Great Lakes, Nelnet, PHEAA, and Sallie Mae (which would later spin off its federal student loan servicing division, branded as Navient).<sup>37</sup> In addition to these companies, Congress required the Department to offer smaller no-bid contracts to certain state-created servicers and guaranty agencies,<sup>38</sup> including MOHELA, Education Services of America (EdSouth, later rebranded as EdFinancial Services), Utah Higher Education Assistance Authority (Cornerstone), Aspire (an affiliate of the Iowa Student Liquidity Corporation), New Hampshire Higher Education Loan Corporation, Oklahoma Student Loan Authority, and Vermont Student Assistance Corporation. These servicers were referred to as “Not-for-Profit” (NFP) servicers. By 2012, borrowers of Direct Loans could be serviced by any one of a dozen different companies, or even have loans serviced by multiple different companies.<sup>39</sup>

In 2010, President Obama signed the *Health Care and Education Reconciliation Act of 2010* (HCERA) into law,<sup>40</sup> which included the *Student Aid and Fiscal Responsibility Act of 2009* (the “SAFRA Act”).<sup>41</sup> The SAFRA Act’s overhaul of the student loan system brought an end to the FFEL Program, saving the government \$60 billion over the next ten years to help offset the cost of the Affordable Care Act.<sup>42</sup> As a result, the Direct Loan portfolio would become the primary student loan program moving forward.

The transition to the new loan portfolio immediately faced problems. While the student loan servicers operated under the same contracts, they operated independently of each other, managing their own websites with information for borrowers, contact centers using different scripts for when borrowers called with questions and problems, and differing servicing platforms to manage borrowers’ accounts and report data to Department’s Office of Federal Student Aid (FSA).<sup>43</sup> By the account of one former Department employee who was interviewed for this report, Direct Loan servicers were not given specific servicing instructions and were instead told to “do what they did in the FFEL [Program].”<sup>44</sup> Unsurprisingly, throughout the next decade, borrowers expressed deep frustration with servicing breakdowns, inconsistent outcomes, and an inability to access repayment plans and forgiveness programs.

Beginning in 2016, the Department began an effort to solicit a new servicing system to replace the TIVAS contracts, which were set to expire without an option to renew in 2021.<sup>45</sup> However, this solicitation effort was rife with delays stemming from protests, lawsuits, and even Congressional intervention.<sup>46</sup> Ultimately, this effort stretched across three administrations, resulting in each contract solicitation being cancelled and reissued by the incoming administration. Eventually, Congress had to legislatively extend the TIVAS contracts because there were no viable contractual options to maintain servicing—the TIVAS contracts were set to expire and there was no workable alternative in place.

Then in March 2020, in response to the COVID-19 pandemic, Congress passed the *Coronavirus Aid, Relief, and Economic Security Act*,<sup>47</sup> which imposed a zero-interest administrative forbearance, or “payment pause,” for federal student loan borrowers, which lasted through September 2023. During this period, there were a number of changes in the student loan servicing industry. First, nearly all of the NFP servicers exited the student loan servicing market.<sup>48</sup> Then, three of the four major TIVAS servicers left federal student loan servicing: Navient novated its contract to the newly formed Maximus subsidiary, Aidvantage, thereby making Maximus one of the largest federal contractors outside of the defense space<sup>49</sup>; PHEAA, after mounting lawsuits from state enforcement and private litigants, exited the program and its status as a sole-source PSLF vendor and transferred its portfolio to MOHELA<sup>50</sup>; and Nelnet purchased Great Lakes and took over its portfolio, and in doing so, became one of the largest student loan servicers in the market.<sup>51</sup> Notably, each of these transitions required Department approval, yet conveniently, through a series of sweetheart deals, the Department allowed

these companies to continue business as usual and shielded them from past wrongdoing or publicizing the financial terms of these transactions.<sup>52</sup>

Rather than using these transitions as leverage to extract accountability, for example, by requiring companies to settle outstanding enforcement matters, adopt stronger consumer protections, or disclose the financial terms of the deals, the Department treated each exit as a purely administrative event. For instance, when Navient novated its contract to Maximus, it did so while on the hook for hundreds of millions of dollars in penalties or restitution from state and federal enforcement actions documenting years of borrower harm.<sup>53</sup> Yet the Department imposed no conditions on the transfer, asked for no restitution for affected borrowers, and required no public accounting of what Navient had done or what borrowers were owed.<sup>54</sup> Navient walked away, Maximus stepped in, and borrowers whose accounts moved with the portfolio had no reason to expect anything had changed.<sup>55</sup>

The Department's willingness to approve these exits on industry-friendly terms reflects a broader failure of the Department to prioritize consumer protection. As a result, the costs of years of servicing failures were pushed onto borrowers.

With the student loan system turned off, the Department finally completed a re-worked student loan servicing solicitation. The Department announced its fifth attempt to modernize its student loan servicing system, the "NextGen Initiative" (NextGen). As part of NextGen, the Department solicited bids for two new types of servicing contracts: Business Process Operations (BPO) and the Unified Servicing and Data Solution (USDS) contracts. Collectively, these contracts replaced the legacy TIVAS contracts that servicers had operated under since 2009.

In June 2020, FSA awarded contracts for BPO services to five vendors: EdFinancial, a former NFP servicer; F.H. Cann, a debt collection agency formerly under contract with FSA; Maximus, a longtime FSA vendor used for managing and collecting defaulted loans; MOHELA, a former NFP servicer; and Trellis, a guaranty agency based out of Texas.<sup>56</sup> On the day prior to FSA's go-live date for the BPO work, Trellis backed out of the contract.<sup>57</sup> Then in April 2023, the Department awarded the new USDS servicing contracts to five companies: Central Research, Inc. (CRI), a collection agency formerly under contract with FSA; EdFinancial; Maximus; MOHELA; and Nelnet.<sup>58</sup> In other words, despite a highly publicized promise to revamp servicing to improve borrower outcomes, the Department contracted with the same vendors that committed decades of borrower harm.

## Passed Around, Left Behind: The NextGen Servicing Labyrinth

The transition to NextGen has created an entirely new student loan servicing landscape, ending the era of specialty servicers (where a single student loan servicer would be responsible for administering a relief program like PSLF or Disability Discharge). Under this new servicing system, USDS servicers and BPO servicers often engage with a single borrower in multiple ways at the same time. In addition to these servicers, there are at least two other companies responsible for carrying out tasks that meet the definition of student loan servicing,<sup>59</sup> including communicating with borrowers about their loans, repayment options, and collecting on defaulted student loans.<sup>60</sup>

Rather than have one company be responsible for the entirety of a student loan borrower's account, NextGen relies on a half-dozen companies to carry out basic servicer functions, such as sending a borrower a bill, processing applications, or responding to questions. These companies are almost always "white labeled," operating under the Department's name, making borrowers think they are interacting with the Department when they are not. The result has been borrowers being treated like a game of hot potato, being bounced from one contractor to another, as delays and headaches add up and without meaningful accountability for misinformation.

### One Account, Multiple Servicers

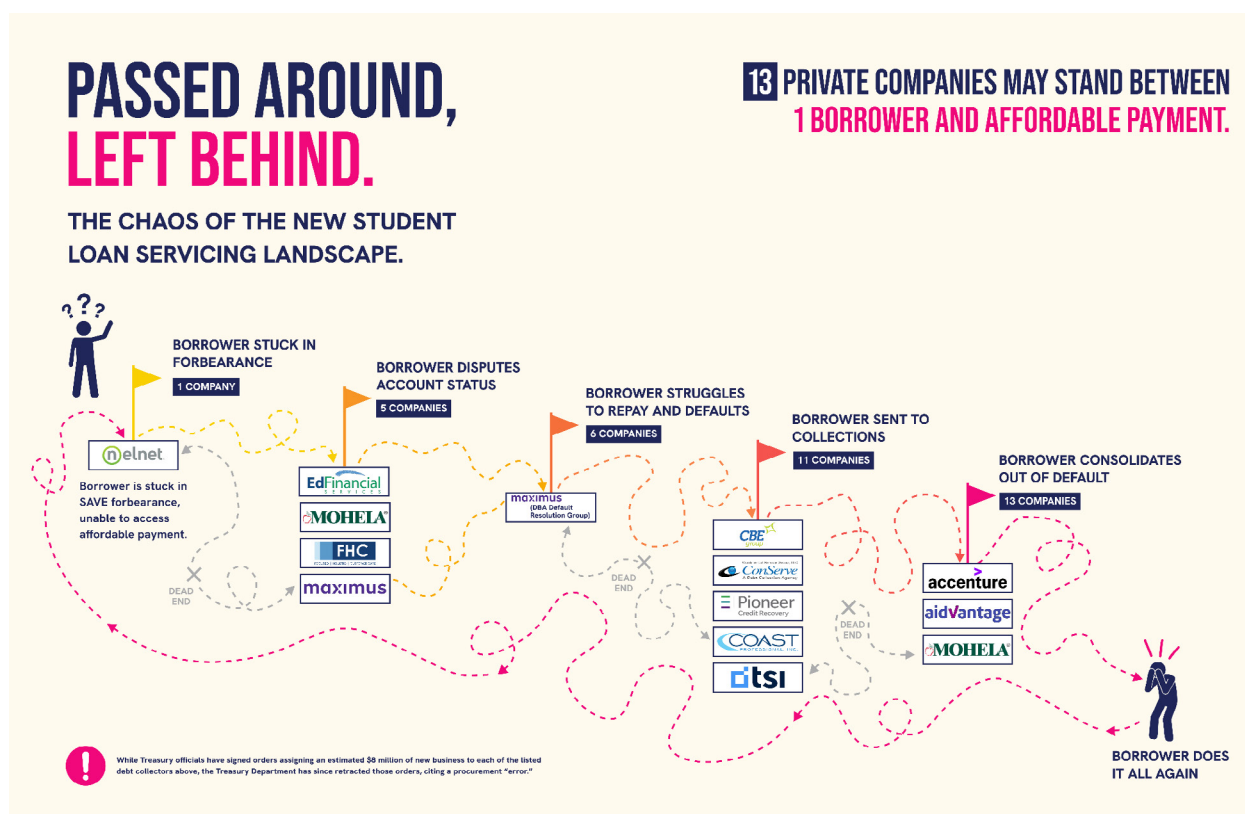
When borrowers apply for a "specialty program," such as PSLF, TEACH grants, or disability discharge, these applications are processed by one of the BPO servicers. Once this application is approved or denied, the BPO servicer notifies the USDS servicer of the outcome. Concerningly, borrowers often cannot tell which company they are dealing with. An application for PSLF may be reviewed by one BPO servicer. If denied, the borrower may call FSA and reach another BPO servicer who suggests an appeal, then get routed to a third BPO servicer that handles the complaint. And yet, all of these vendors operate under the FSA brand and all of their staff present as if they are FSA employees.

When borrowers receive their monthly bill, that is sent by the USDS servicer their account is assigned to. This servicer maintains the borrower's account on its proprietary servicing system, or a system leased from another financial services company, and carries some other basic servicing functions for borrowers in their

portfolio. For example, even while borrowers are applying for PSLF and their accounts are interacting with a BPO servicer, the USDS servicer will do things such as sending bills and processing payments, applying forbearances to borrowers' accounts, furnishing loan information to National Student Loan Data System, and updating borrowers' accounts based on the determinations for specialty programs made by the BPO servicer.

With the numerous interactions these companies have with borrowers, the opportunities for things to go wrong are near constant. And moreover, if, or more likely, *when*, things go wrong, it is harder to hold these companies accountable because the borrower is unaware of which company, or companies, they have interacted with. Already, this new system is struggling to keep up with borrower requests. As of May 2026, 530,295 borrowers were stuck in a backlog waiting for IDR requests to be processed.<sup>61</sup> Now, as the Department winds down the SAVE plan and forces 7 million borrowers into new repayment plans,<sup>62</sup> an unprecedented wave of borrowers is set to join those backlogs, with cascading effects: longer call wait times, slower application processing, and delayed resolution of routine problems—even for borrowers not seeking IDR.

Figure 1: NextGen Servicing Labyrinth



Note: The Department has given the 7.5 million borrowers previously enrolled in SAVE plan just 90 days to work with their servicer to transition to a new repayment plan. For these borrowers, along with the millions

*more in IDR plans being phased out over the next two years, Figure 1 shows how many separate contractors a single borrower may have to engage as they try to keep paying. With affordable IDR options shrinking, each transfer raises the risk of delinquency and default.*

The previous iterations of the student loan system were unable to manage the stress of millions of borrowers being required to take action all at once, with multiple companies being crushed by the pressure. Now the new NextGen student loan system is set to face a similar stress test as nearly 10 million borrowers have already slipped into default during the first year of the Trump Administration, and another 10 million borrowers will be required to switch repayment plans within the next two years.

## The Landscape of Servicing Today

The Department has a long history of failed performance and oversight of its contracted student loan companies (see Appendix A for a full description of these companies).<sup>63</sup> With the transition to NextGen, the Department promised a new era of service—referred to as the “Cadillac standard” by FSA officials<sup>64</sup>—for student loan borrowers and accountability of student loan servicers. Despite these lofty pledges by FSA officials, the Department continues to operate more like a bank than a branch of the United States government responsible for providing assistance to tens of millions of American households.

### Dismantling Oversight and Accountability

In March 2026, the GAO concluded a review of FSA’s monitoring of its servicers, and issued a shocking report finding that FSA stopped reviewing the accuracy of loan servicers’ records in February 2025 due to “lack of FSA staff capacity” following the cuts made by the Trump Administration in its campaign to shut down the Department.<sup>65</sup> For example, the Department entirely ceased call monitoring efforts.<sup>66</sup> Call monitoring is a vital oversight to ensure that servicers are providing borrowers complete and accurate information.

And the GAO highlighted just why this was so necessary: prior to discontinuing call monitoring, “four of the five servicers did not meet the accuracy performance standard and faced associated financial penalties in at least one of the two quarters during which FSA assessed servicer accuracy.”<sup>67</sup> In fact, recordkeeping at two servicers was so egregious and haphazard that the Department imposed the maximum financial penalty allowed under the contracts.<sup>68</sup> When servicers report inaccurate data, borrowers can suffer the consequences for the entire life of the loan, either by being required to make payments on loans that should have been cancelled or receiving inaccurate bills.<sup>69</sup>

And when servicers do get things wrong, the Trump Administration has made it harder for borrowers to get them fixed. After firing eight of 21 staff who handled complaints submitted online in February 2025, the Department went even further.<sup>70</sup> In March 2025, the Department redesigned its website to make the “Submit a Complaint” button more difficult for borrowers to locate. This was not an accidental oversight. In a leaked email, a senior Department official made it clear that reducing borrower complaints and inbound phone calls was deliberate: “Removing the ‘Submit a Complaint’ button on Studentaid.gov is already underway,” before continuing, “I believe this change would help decrease contact center volume and the number of complaints

that the Ombuds office receives – so an overall win.”<sup>71</sup> Reviewing and addressing complaints about servicer misconduct is a basic statutory responsibility of the Department, and one that the Trump Administration has made it clear it has no interest in.

And this was just the latest in troubling trends during the NextGen servicing era. In June 2024, the U.S. Department of Education Office of Inspector General found that when BPO servicing began, all four BPO servicers were consistently performing below their contracted established standards.<sup>72</sup> After six months of all the BPO servicers struggling to meet these standards, FSA revised the performance framework to lower targets for some metrics and remove others completely, which resulted in all vendors achieving passing scores.<sup>73</sup> In effect, instead of holding these companies accountable for their low performance, the Department lowered the bar until its vendors could clear it. The Department has maintained these lower standards ever since.

Student loan borrowers have never been able to expect excellent, let alone competent, service from these student loan companies, but the Trump Administration has been explicit in lowering expectations.<sup>74</sup> One outlet reported on an email sent by an FSA official during the Trump Administration that urged staff to evaluate contracts with these companies to “determine what is the bare minimal services ... needed for us to provide our stakeholders with services.”<sup>75</sup> The email continued: “I understand there has been significant work done to improve customer service, however we now need to let go of the Cadillac service and opt for the Toyota.”<sup>76</sup>

## Above the Law

When borrowers and consumer advocates have sought to hold these servicers accountable for the harm they have caused, the companies claim that they are immune from the law.<sup>77</sup> In 2023, the Department included the following prohibition of this defense in the terms of its USDS contract:

USDS Servicer acknowledges that it is not the U.S. Department of Education, and is not acting as the U.S. Government under this Contract. As such [it] acknowledges that any claim or defense of Sovereign Immunity or Qualified Immunity is not applicable to work performed under the Contract and any Task Order issued under the Contract.<sup>78</sup>

Nevertheless, MOHELA, in particular, has raised this defense in half a dozen lawsuits since it entered its NextGen contract,<sup>79</sup> claiming sovereign immunity, federal contractor immunity, and federal preemption—all which boil down to a single defense: *we are above the law*.

Despite the clear contractual language, the Department has failed to intervene when its servicers make these arguments, or to take any action to terminate the contracts with companies who very publicly ignore the policies outlined in those contracts.

Tens of millions of borrowers' financial futures depend on these companies' effective administration of the various federal student loan programs. The fact that the Trump Administration has shut down oversight to ensure that these companies are meeting these standards of service, combined with the final performance reports, paints a bleak picture about the quality of service borrowers can expect.<sup>80</sup> This should sound an alarm for policymakers responsible for protecting the millions of borrowers who are enduring unacceptable and unlawful servicing practices.

## Recommendations

As history has shown us, the Department has not only failed to take control of its contracted student loan servicers, but has demonstrated no interest in doing so. With the immediate end of SAVE, sunseting of the Income-Contingent Repayment and Pay As You Earn repayment plans, implementation of a new IDR plan (the Repayment Assistance Plan), and other changes to the student loan system, borrowers will need servicers to provide actionable, timely, and accurate information more than ever before. Instead, amid all of these rapidly changing parts, the Department is now seeking to move all student loan operations to the U.S. Department of the Treasury.

Failing to meet this moment will result in millions of student loan borrowers falling deeper into delinquency and default. At scale, the pervasive instability of the federal student loan servicing network poses a systematic threat to our economy as the ripple effects of student debt wreck household finances.<sup>81</sup> Alleviating this crisis will necessitate a multifaceted response that requires student loan servicers be held accountable for their rampant failures:

- 1. Halt the transfer of the portfolio to the U.S. Treasury Department.** As the Government Accountability Office has documented, decades of recordkeeping failures by federal student loan servicers—missing payment histories, miscalculated balances, unverified eligibility for income-driven repayment and loan forgiveness—have left the federal portfolio in a condition that cannot withstand a transfer of this scale. Treasury has neither the borrower-facing infrastructure nor the statutory authority to administer the Higher Education Act's repayment and forgiveness regimes, and its Bureau of the Fiscal Service is built for revenue collection, not student borrower protection. Transferring the portfolio in its current condition would entrench errors that took the contractors covered in this report decades to accumulate, thus making it harder for borrowers to access the relief Congress has already promised them, and turning Treasury into the inheritor of the very accountability failures this transfer purports to remedy. Halting the transfer is a precondition to any durable fix.
- 2. Close the federal oversight gap.** The March 2026 interagency agreement transferred core servicing and collection functions across federal agencies without parallel investments in oversight, complaint resolution, or enforcement—leaving the contractors that profit from this system to effectively police themselves. In response to the Department's failure to adequately hold these contractors to account,

federal policymakers must establish an independent borrower-recourse mechanism with enforceable timelines, mandatory data-sharing across servicers, and direct restitution authority. Borrowers harmed by servicer error should not have to depend on the goodwill of the company that caused the harm in order to obtain relief, nor should they have to wait years for a regulator to catch up to a problem the servicer has been told about all along.

- 3. End contracting with state instrumentalities.** Congress should prohibit the Department from contracting with state agencies, including MOHELA, for federal student loan servicing. State-affiliated entities have used their hybrid status to claim the privileges of state sovereignty when it suits them—most notably in *Biden v. Nebraska*, where MOHELA's purported standing was the vehicle for striking down the Administration's debt cancellation program while simultaneously operating as private-market contractors competing for federal business and shedding state-law obligations on preemption grounds. Leveraging this arrangement, state instrumentalities have convinced some courts in some parts of the country that these entities should be above the law—insulated from both private-sector accountability and meaningful state oversight, thereby allowing them to weaponize the federal-state relationship against the very borrowers they are paid to serve. Congressional appropriators should additionally limit currently contracted servicers' standing to challenge the policy choices of the administration that employs them, stripping policy-based remedies from contractor-driven litigation, and channeling judicial review of federal student loan policy to those who actually bear its consequences.
- 4. Codify oversight authority at all levels of government.** Congress should expressly delegate oversight authority over the federal student loan portfolio, including contracting actions by Federal Student Aid, to the Consumer Financial Protection Bureau. Among federal agencies, the Bureau is uniquely positioned to supervise student loan servicers as financial-services companies, and it has built the supervisory and enforcement infrastructure that the Department of Education has repeatedly proven unwilling or unable to maintain. Congress should also expressly codify states' concurrent authority to enforce their own consumer protection statutes against federal student loan servicers, foreclosing the preemption defenses that contractors have invoked for more than a decade to escape state-level accountability. Borrowers should not be required to wait for federal action when their state attorney general, regulator, or ombuds has already documented harm and stands ready to act.

To date, more than a dozen states have passed licensing and supervision regimes to expand oversight of the student loan market. In states that have enacted strong affirmative protections and strong private rights of action, consumers have aggressively pursued their right to recourse.<sup>82</sup> However, several states with Borrower Bills of Rights still lack private rights of action or meaningful oversight

infrastructure to uphold these laws. These states should take action to close those gaps. At minimum, states should enact private rights of action that allow borrowers to sue servicers directly for violations of state law, without requiring intervention by an attorney general or agency. States should also invest in dedicated student loan ombuds offices with meaningful investigative authority, adequate staffing, and clear referral pipelines to enforcement agencies. Where a state has already enacted substantive servicing standards but borrowers have no mechanism to enforce them, those protections are largely illusory.

- 5. Restore enforcement capacity and end future contracting opportunities for contractors who fail to uphold consumer protections.** Congress should restore staffing, funding, and supervisory authority at the federal agencies charged with overseeing student loan servicers, including the Consumer Financial Protection Bureau, and the Department of Education's Office of Inspector General, and should mandate routine, publicly reported examinations of every contracted servicer. Contract performance metrics must measure consumer protection compliance, not merely call-center throughput or collections recovery. When pervasive wrongdoing is documented—as has repeatedly been the case with the contractors covered in this report—current and future administrations must terminate contracts and debar repeat offenders from future federal procurement. Continuing to pay companies that have demonstrated indifference to borrowers' rights is a transfer of cost from contractors to borrowers.

## Conclusion

Throughout history, the federal student loan system has prioritized the needs of industry actors at the expense of borrowers. One way that federal and state regulators can begin to address the growing affordability crisis with student debt is to hold student loan servicers accountable for providing inaccurate information, steering borrowers towards more expensive repayment plans, and failing to do their jobs.

Federal regulators have abandoned their obligation to regulate and monitor student loan servicers as we barrel towards a potential catastrophe, with more than 7 million borrowers being required to transition out of the SAVE plan in the coming weeks, and 3 million more in the coming years.<sup>83</sup> Already, servicers are struggling to keep up with the paperwork to help the first wave of borrowers switching to a new repayment plan or attempting to access other debt relief programs. Then later this summer these same companies will be tasked with implementing a new IDR plan created by the *One Big Beautiful Bill Act*. As the CFPB demise continues, and FSA remains uninterested in reining in servicers, state lawmakers, state regulators, and private attorneys must step up to hold servicers accountable.

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83 Pursuant to the *One Big Beautiful Bill Act*, borrowers enrolled in Income-Contingent Repayment and Pay As You Earn will need to move into other repayment plans by July 2028.

## Appendix: The Student Loan Companies Driving the System Today

The U.S. Department of Education (the Department) pays more than a billion dollars every year to a network of private companies known as student loan servicers. These companies are responsible for the day-to-day tasks of managing the federal student loan portfolio, including assisting borrowers in selecting repayment plans, applying for employment-specific programs, and preventing borrowers from defaulting on their student loans.

In June 2020, the Department's Office of Federal Student Aid awarded contracts for Business Process Operations (BPO) services to five vendors: EdFinancial, a former NFP servicer; F.H. Cann, a debt collection agency formerly under contract with FSA; Maximus, a longtime vendor of FSA used for managing and collecting defaulted loans; MOHELA, a former NFP servicer; and Trellis, a guaranty agency based out of Texas. On the day prior to FSA's go-live date for the BPO work, Trellis backed out of the contract. BPO servicers are responsible for managing the Department's inbound call centers when borrowers reach out with questions, and servicing borrowers accounts when they apply for a "specialty program," such as Public Service Loan Forgiveness or disability discharge, by reviewing and processing these applications

Then in April 2023, the Department awarded the new USDS servicing contracts to five companies: Central Research, Inc. (CRI), a collection agency formerly under contract with FSA; EdFinancial; Maximus; MOHELA; and Nelnet. These servicers manage the day-to-day aspect of a borrower's account, including sending monthly bills, processing payments, and managing interest adjustments.

# THE NEXTGEN FUNCTIONS OF SERVICERS

## BUSINESS PROCESS OPERATIONS (BPO):



THESE CONTRACTORS ACT ON BEHALF OF THE DEPARTMENT UNDER ITS FSA BRAND OF NEXTGEN BY:

- Operating contact centers to answer borrower questions, including calls, chat sessions, and email exchanges
  - Manually processing applications for specialty programs, such as PSLF, TPD, TEACH
- Handling complaints with borrowers, including “feedback” and “dispute” cases with the FSA Ombudsman office

## UNIFIED SERVICING AND DATA SOLUTION (USDS):



THESE CONTRACTORS MANAGE DAY-TO-DAY ASPECT OF NEXTGEN, INCLUDING BY:

- Issuing monthly bills and payment processing
- Operating in-house contact centers
- Handling payment plan applications
- Enacting interest adjustments

IN ADDITION TO THE ABOVE CONTRACTORS, FSA HAS TWO ADDITIONAL CONTRACTORS THAT ENGAGE IN REGULAR SERVICING AND COLLECTIONS WORK THAT OPERATE UNDER THE FSA BRAND:



- Handling mass communications with borrowers, such as notifying them of the outcome of their processed applications and changes to repayment plans
- Supporting origination of Direct Loans
- Maintaining [StudentAid.gov](http://StudentAid.gov)
- Operating the Department’s Customer Relationship Management (CRM) system



- Maintaining DCMS platform
- Handling all account maintenance for borrowers in default
- Managing garnishment hearings
- Referring accounts for Treasury Offset Program

GCR SERVICING GROUP, A SPINOFF OF CRI, IS THE SOLE SERVICER OF THE LEGACY PERKINS LOAN PORTFOLIO. THIS PORTFOLIO IS NOT PART OF THE NEXTGEN PLATFORM, BUT IS INCLUDED HERE DUE TO ITS NATURE AS A SERVICER, WHICH INCLUDES:



- Performing default aversion
- Managing monthly bill payment
- Operating contact centers to answer borrower questions, including phone calls, chat, text, and email
- Processing Federal Perkins Loan Cancellation and Discharge

For decades, student loan borrowers have faced widespread and serious harms by student loan servicers, including guiding borrowers into programs that cost borrowers billions of dollars in unnecessary interest charges when they were eligible for affordable repayment plans and misleading borrowers about debt relief options. And despite promises from Department officials that NextGen would deliver a new era in servicing standards and accountability for borrowers, little has changed as they continue to experience billing errors, improper denials for loan forgiveness, and extended wait times when they call their servicer to address problems as they arise. This should not come as a surprise: the Department contracted with the same companies that committed decades of borrower harm.

Without addressing the role that these student loan servicers play in driving up the costs on families struggling to repay their student loans—and the student loan default crisis that arises as a result—the burden imposed by student debt will continue to only make it harder for families to stay afloat.

The following overview of these companies was compiled using government and congressional oversight reports, the final U.S. Department of Education [servicer performance reports](#) and servicer specific data, and the “[Annual Servicer Activity Reports](#)” published by the District of Columbia Student Loan Ombudsman. To build a more comprehensive review of these companies and their practices, we encourage other state enforcers and student loan ombudsman's to make company complaints and performance reports publicly available.

## EdFinancial Services

EdFinancial Services is a Tennessee-based company that provides student loan servicing, default prevention, and cohort default management services, among other financial services. EdFinancial has held a federal Direct Loan servicing contract since 2012, when it received a no-bid NFP contract from the Department. The Department later awarded EdFinancial both USDS and BPO contracts as part of its NextGen Initiative.

### EdFinancial By the Numbers

- **6.9 million borrower accounts** serviced under its USDS contract, as of December 31, 2025.
- **\$216 billion in federal student loan debt** managed under its USDS contract, as of December 31, 2025.
- **\$827 million in payments** received from the Department since the start of NextGen (2022).
- **426,260 borrowers** serviced by EdFinancial are at least three payments behind, as of December 31, 2025.
- **417,187 borrowers** serviced by EdFinancial defaulted on their loans in 2025.
- **76,009 EdFinancial accounts** flagged for servicing errors; only 1,480 affected borrowers were notified.
- **17,020 complaints** filed against EdFinancial by borrowers in 2025.
- **15,370 billing notices** sent with incorrect information by EdFinancial during Return to Repayment.
- **\$161,000 in payments** withheld by the Department as a penalty for EdFinancial's servicing misconduct.
- **63-out-of-100** in customer satisfaction, effectively scoring a D grade in customer service interactions.
- **2nd-highest** call abandonment rate among the Department's contracted servicers.
- **Maximum financial penalty enforced against EdFinancial** for its customer service timeliness, including processing repayment plan applications, account status changes, and certain loan discharges, following the last servicer loan performance review.
- **\$1 million penalty** issued by the CFPB for EdFinancial "routinely and systematically" misleading borrowers about repayment and forgiveness options.

## Maximus/Aidvantage

Maximus is the largest student loan servicing company in the world, operating under multiple brands and subsidiaries across every stage of the federal student loan lifecycle. As the Default Resolution Group (DRG), Maximus serves as the Department's "default servicer," managing all aspects of account management after a borrower defaults and is the sole vendor contracted to operate the Department's Debt Management Collection System (DMCS), the central servicing platform for defaulted borrowers. Under the Aidvantage brand, Maximus services borrowers not in default. Notably, Maximus is the only company to hold all three types of NextGen contracts—BPO, USDS, and default recovery—making it virtually unavoidable for federal student loan borrowers.

### Maximus/Aidvantage By the Numbers

- **9.85 million accounts** serviced under its USDS contract, as of December 31, 2025.
- **\$363.2 billion in federal student loan debt** managed under its USDS contract, as of December 31, 2025.
- **9 million accounts** in default serviced under its DMCS contract, as of December 31, 2025.
- **\$202.6 billion in defaulted student debt** serviced under its DMCS contract, as of December 31, 2025.
- **\$1.2 billion in payments** from the Department of Education since 2013.
- **1.3 million** serviced by Maximus (d/b/a Aidvantage) are at least three payments behind, as of December 31, 2025.
- **591,000+** borrowers serviced by Maximus (d/b/a Aidvantage) defaulted on their loans in 2025.
- **61-out-of-100** in customer satisfaction—the third worst score among the Department's contracted servicers.
- **14,266 complaints** filed against Maximus by borrowers in 2025.
- **\$2 million in payments withheld** from Maximus in 2024 for failing to send timely bills to hundreds of thousands of borrowers.
- **1,930 borrowers with wages illegally garnished** by Maximus during the COVID-19 federal payment pause.

## Nelnet

Nelnet is a massive financial services firm engaging in student loan servicing, payment processing, video-learning technology, fringe benefit services, student loan refinancing, and banking services, among other things. It has been under contract with the Department since 2009, first as a TIVAS (and ultimately buying another TIVAS, Great Lakes), and then as a USDS servicer. In 2020, Nelnet lost its bid to become a BPO servicer. It remains the only USDS servicer to operate its own proprietary servicing platform.

### Nelnet By the Numbers

- **12.48 million** federal student loan accounts, borrower accounts serviced as a USDS servicer, as of December 31, 2025.
- **\$480.5 billion** in federal student loan debt managed as a USDS servicer, as of December 31, 2025.
- **\$3.1 billion** in payments received from the Department of Education since 2009.
- **979,316 borrowers** serviced by Nelnet are at least three payments behind, as of December 31, 2025.
- **881,270 borrowers** serviced by Nelnet defaulted on their loans in 2025.
- **75,697 complaints** submitted by borrowers against Nelnet in 2025.
- **56-out-of-100** in customer satisfaction—the second worst score among the Department's contracted servicers and fails to meet the Department's servicing standards.
- **Maximum financial penalty enforced against Nelnet** for its customer service timeliness, including processing repayment plan applications, account status changes, and certain loan discharges, following the last servicer loan performance review.
- **\$13,000 in payments** withheld by the Department of Education from Nelnet for failing to send timely bills to borrowers.
- **\$1.8 million fine** imposed by the Massachusetts Attorney General stemming from Nelnet's failure to keep borrowers in affordable repayment plans, resulting in borrowers losing progress towards loan forgiveness and their balances ballooning.
- **1.4 million** duplicate student loan records appeared on borrower credit reports due to a botched transfer of student loans from MOHELA to Nelnet.

## MOHELA

The Higher Education Loan Authority of the State of Missouri (MOHELA) was created by the Missouri legislature to offer loans to Missouri students, though it operates as a "quasi-governmental entity" empowered to act independently of the State. Starting as a small nonprofit servicer with the Department in 2011, MOHELA has grown into a servicing giant now operating under both the BPO and USDS contracts. Its portfolio has since expanded well beyond its original mandate to include income-share agreement account management and consumer loan servicing. In April 2024, MOHELA was the sole topic of a Senate Banking Committee oversight hearing on its performance as a servicer.

### MOHELA By the Numbers

- **7 million** federal accounts borrower accounts serviced as a USDS servicer, as of December 31, 2025.
- **\$318.5 billion** in federal student loan debt managed as a USDS servicer, as of December 31, 2025.
- **\$1.54 billion** in payments from the Department of Education since 2011.
- **347,963** of these borrowers are at least three payments behind.
- **75,821** borrowers serviced by MOHELA defaulted last year.
- **41,364 complaints** submitted by borrowers against MOHELA in 2025.
- **280,000 borrowers** issued incorrect billing notices by MOHELA during Return to Repayment.
- **50-out-of-100** in customer satisfaction—the worst score among the Department's contracted servicers and fails to meet the Department's servicing standards.
- **Worst average speed to answer time**, with borrowers waiting more than 13 minutes for an answer.
- **Worst abandoned call rate**, with 14 percent of borrowers calling MOHELA giving up before talking to a call center representative.
- **Maximum financial penalty enforced against MOHELA** for its customer service timeliness, including processing repayment plan applications, account status changes, and certain loan discharges, following the last servicer loan performance review.
- **\$7.3 million in payments** withheld by the Department of Education for failing to send monthly student loan bills to 2.5 million borrowers, resulting in 800,000 borrowers missing a monthly payment.

- **1 million** borrowers' accounts transferred away from MOHELA after the company admitted its inability to properly service borrower accounts.
- In October 2024, the Department announced it would temporarily stop assigning new borrower accounts to MOHELA due to its errors in handling accounts, including the failure to process **more than 460,000 applications** for a popular repayment plan that could have saved borrowers money.

## Accenture Federal Services

Accenture Federal Services (Accenture) is a Fortune 500 consulting company and has been a contractor for the Department since at least 2001, when it won a five-year, \$193 million agreement to develop a system to support the origination and disbursement of federal student loans. Accenture now operates under multiple contracts with the Department, and within its central role in the federal student loan system the company regularly sends important electronic messages to borrowers under the branding of the Department's Office of Federal Student Aid. Borrowers reasonably rely on the information contained in these missives to plan for, and manage household finances related to, the repayment of their debts.

Despite Accenture's size as a student loan company and the danger it evidently poses to millions of student loan borrowers, regulators have shied away for years from scrutinizing the firm and its operations in the way that they do for other student loan companies.

### Accenture By the Numbers

- **\$2.6 billion** in payments from the Department of Education since 2015.
- **40+ million borrower accounts** touched by Accenture as the primary vendor managing StudentAid.gov, under its USDS contract, as of December 31, 2025.
- **19 categories of data** collected by Accenture as the primary vendor for the National Student Loan Data System.
- **9 million** federal student loan borrowers received erroneous emails from Accenture with false promises of debt relief
- **17 states** in which Accenture refuses to become licensed as a student loan servicer.
- **41 borrowers** failed to receive notices required by the Sweet v. McMahon lawsuit due to errors in Accenture's management of borrower data.

## New(ish) Servicers

Not every company now servicing federal student loans came to the role with servicing experience. As the Department reshuffled its contractor ecosystem under the NextGen initiative, it elevated two firms whose experience lies not in managing borrower accounts but in collecting on defaulted debt: F.H. Cann & Associates and Central Research, Inc. (CRI). Both built their federal track records as private collection agencies: F.H. Cann & Associates began its student loan collections work in 2014, and CRI as a debt collector for the Department starting around 2015. Both have since been entrusted with front-end, borrower-facing responsibilities they had never before held.

When the Department awarded CRI a USDS servicing contract in April 2023, consumer advocates flagged it as the only one of the five USDS servicers with no prior experience servicing federal student loans. F.H. Cann & Associates, meanwhile, moved from collections into a NextGen BPO contract in 2020, thereby embedding a debt collector inside the borrower-facing system without ever appearing on it as a named prime servicer. As a result, the servicing apparatus is increasingly staffed by companies trained to collect at all costs, rather than assist borrowers as they navigate a rapidly changing and complex repayment system.

## Central Research, Inc

Central Research, Inc (CRI) first worked for the Department as a private collection agency, collecting on defaulted federal student loans. CRI has been sued several times for “violating consumer’s rights and [using] illegal and harassing communication tactics to attempt to coerce a payment from the harassed consumer.”

### CRI By the Numbers

- **2.97 million** federal student loan accounts serviced as of December 31, 2025.
- **\$53 billion** in student debt managed as of December 31, 2025.
- **\$424 million** in payments from the Department of Education since 2015.
- **392,368** of these borrowers are at least 3 payments behind.
- **2,607** borrowers serviced by CRI defaulted last year.
- **1,822 complaints** submitted by borrowers against CRI in 2025.

## F.H. Cann & Associates

F.H. Cann (FHC) is a Massachusetts-based company that launched as a debt collector in 1999. In 2014, F.H. Cann secured a contract with the Department to collect on defaulted student loans. Since 2016 the company has received \$358 million in payments from the Department.

In June 2020, the Department announced that FHC had been awarded a BPO servicing contract. In addition to this contract, both Maximus and MOHELA have subcontracted work under their USDS contracts to FHC.

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