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Wyden, Jacobs Introduce Bill to Hold Student Loan Servicers Accountable for Negligence and Wrongdoing

Washington, D.C. — U.S. Senator Ron Wyden, D-Ore., and U.S. Representative Sara Jacobs, D-Calif., this week introduced legislation in the Senate and House that would hold student loan servicers accountable for negligence and wrongdoing.

The *Student Loan Servicers Accountability Act* would examine student loan servicers' role in hurting borrowers' credit ratings, as well as ensure additional strict performance standards and terms for servicers before they may contract with the federal government.

Student loan servicers manage more than \$1.6 trillion in federal student debt for about 43 million Americans. Servicers have a long history of mismanaging student loans, misleading borrowers, and providing poor customer service. Servicers can also change without consumers' knowledge or consent, which can downgrade consumers' credit scores.

“Higher education should be a gateway for Americans to advance their careers, support their families, and make a difference in their communities. It should not be an opportunity for loan servicers to mislead Americans and saddle them with skyrocketing debt,” Wyden said. **“Our bill will make sure that servicers follow strict performance standards so that borrowers are not left in the dark. Let’s hold these predatory loan servicers responsible for fueling America’s student loan crisis.”**

“Student loan servicers are infamous for neglecting their responsibility in tens of millions of Americans’ lives,” Jacobs said. **“Time and time again, we see reports of them causing unnecessary stress and anxiety, mismanaging student loans, misleading borrowers, or transferring their portfolios without proper customer notification which can lead to life-changing credit downgrades. Borrowers shouldn’t be faulted and trapped in never-ending student loan debt because of their servicers’ mistakes. That’s why I’m proud to introduce the bicameral *Student Loan Servicers Accountability Act*, which would enact strict performance standards for servicers to protect borrowers and their credit ratings. I’m glad that in recent years, we’ve taken steps to cancel student debt and address the rising costs and barriers of higher education, and now is the time to address the remaining piece of this puzzle: accountability for student loan servicers for their negligence, abuse, and wrongdoing.”**

The legislation is co-sponsored in the Senate by Senators Amy Klobuchar, D-Minn., Alex Padilla, D-Calif., and Chris Van Hollen, D-Md.

The legislation is endorsed by the Student Borrower Protection Center, The Century Foundation, American Federation of Teachers, National Association of Student Financial Aid Administrators, Student Debt Crisis Center, Center for Law & Social Policy, National Education Association, The Education Trust, The Institute for College Access & Success, Young Invincibles, UnidosUS, NAACP, Center for American Progress, The Institute of Student Loan Advisors, and the Campaign for California Borrowers’ Rights.

“Student loan servicing companies make major profits on the backs of student borrowers, often without providing them nearly enough assistance in navigating the complex student loan system,” said Randi Weingarten, President of American Federation of Teachers. **“The AFT has filed lawsuits and released reports to expose these practices and hold the companies accountable, and the Biden administration has taken action to fix the structural rot in the student loan system. The *Student***

***Loan Servicers Accountability Act* will also help do that by codifying performance mechanisms for student loan servicers and examining the ways student loan transfers affect credit reporting for borrowers—all with an eye toward holding loan servicers accountable. We thank Representative Sara Jacobs and Senator Ron Wyden for introducing this bill and urge its swift passage.”**

“Americans of every background are fighting to cancel skyrocketing education debt to create a less obstructed and more sustainable path to the American Dream,” said Becky Pringle, President of NEA. **“Unfortunately, reports show that student loan servicers have repeatedly failed borrowers for decades through mismanagement and other misconduct. These instances include billing errors, hindering qualifying borrowers’ opportunities for loan forgiveness, and providing shoddy customer service. The Biden-Harris administration has since made significant progress in increasing accountability measures to keep servicers from being unchecked. The National Education Association is proud to support the *Student Loan Servicers Accountability Act*, which will codify many of those systems, ensuring that no borrower may be hindered or harmed financially by the delinquency of the services.”**

“For too long, we've seen the same student loan servicers continue to collect hundreds of millions of dollars while failing to do their job, pushing millions of borrowers and their families further into the red, and exacerbating the student loan debt crisis,” said Aissa Canchola Bañez, Policy Director of the Student Borrower Protection Center. **“The *Student Loan Servicer Accountability Act* is welcome legislation that will help to strengthen the tools available to the Secretary of Education to vet servicers based on past performance before entering into or extending servicing contracts, hold failing servicers accountable and ensure that borrowers are made whole if they are subjected to servicing failures. We applaud Representative Jacobs and Senator Wyden for introducing this legislation.”**

The text of the bill is here.

The one-pager is here.