

[Student Loan Giant Accused of Cheating](#) [Public Service Workers Moves to Block](#) [Montana Legal Services Program from](#) [Advocating for Low-Income Borrowers'](#) [Rights](#)

FOR IMMEDIATE RELEASE: December 20, 2019

HELENA, MT — This week, student loan servicer Pennsylvania Higher Education Assistance Agency (PHEAA), also known as FedLoan Servicing, urged the Montana Supreme Court to [reject a brief submitted to the court](#) by the Montana Legal Services Association, the National Consumer Law Center, and the Student Borrower Protection Center in order to preserve low-income borrowers' access to justice. The organizations sought the court's permission to file an amicus brief in *Reavis v. PHEAA*, explaining how the case would impact its low-income clients and Montana public service workers, and seeking to preserve Montana borrowers' right to hold their student loan servicer accountable when it violates state law.

The Court is considering an [appeal](#) by James Reavis who seeks relief after PHEAA miscalculated his student loan payments made in an effort to qualify for forgiveness under the federal Public Service Loan Forgiveness Program. These claims are similar to suits brought against PHEAA by the [Massachusetts Attorney General](#) and the [New York Attorney General](#).

As documented by the [Consumer Financial Protection Bureau](#), servicer abuses, like the ones complained of in this case, are prevalent and drive borrowers deeper into debt and deny them their repayment rights under federal law.

The brief filed by these nonprofit groups lays out the importance of federal income-driven repayment (IDR) plans and the Public Service Loan Forgiveness (PSLF) program for borrowers serving in their communities across the country, including in Montana. "Income-driven repayment is at the heart of affordable loan repayment options offered to federal student loan borrowers. Because of rampant abuses by servicers, like those alleged in this lawsuit, income-driven repayment remains inaccessible to too many student loan borrowers. Mr. Reavis deserves his day in court," said **Persis Yu, staff attorney and director of the National Consumer Law Center Student Loan Borrower Assistance Project**.

Tal M. Goldin, director of advocacy, Montana Legal Services Association (MLSA) said, "Abusive practices by student loan servicers have devastating impacts on everyday Montanans—individuals trying to build a life on a tight budget while watching their student loan balances increase instead of decrease each month. Like Mr. Reavis, many of MLSA's attorneys and staff made life-changing choices to dedicate their professional work in the service of people living in poverty based on the unfulfilled promise of the Public Service Loan Forgiveness Program. Fair implementation of the Program is a critical part of MLSA's ability to hire professionals to help thousands of domestic violence survivors, crime victims, and low-income families across Montana. Their voices should be heard before the Montana Supreme Court."

The student loan market is dominated by several large student loan companies, known as student

loan servicers, that are paid to manage accounts and process payments. PHEAA is one of the largest of these companies, handling more than [\\$450 billion](#) in student debt across all 50 states. **Seth Frotman, executive director of the Student Borrower Protection Center and former top student loan official at the Consumer Financial Protection Bureau:** “No student loan company is above the law. This desperate effort by PHEAA to suppress advocates’ work on behalf of low-income student loan borrowers is a new low for the embattled student loan giant. Borrowers deserve a voice and an opportunity for relief when their student loan company cheats them.”

Public Service Workers Right to Federal Loan Forgiveness

The brief filed by these nonprofit groups lays out the importance of federal IDR plans and the PSLF program for borrowers serving in their communities across the country, including in Montana.

IDR is the largest and most effective safeguard against financial hardship for low-income student loan borrowers, irrespective of their occupation or employment status. For borrowers who are unemployed or earn very low wages, IDR offers the promise of a zero dollar monthly “payment.”

For public service workers earning low wages, IDR is also a key component of PSLF. When workers complete ten years of public service and make income-driven loan payments during that time, as required by the program, the government should uphold its end of the bargain and forgive these borrowers’ loans.

Loan servicers like PHEAA routinely [deprive borrowers](#) of these rights and thwart Congress’ intent to forgive these loans, as required by federal law. Borrowers have faced problems in both in enrolling in IDR Plans that help them make lower payments that they can afford in order to qualify for PSLF and in the PSLF applications themselves. For instance, [only about 1%](#) of PSLF applicants actually receive the promised discharge. From [2015 through 2019](#) the Government Accountability Office documented the mismanagement of the PSLF Program, raising alarms about practices by companies like PHEAA. When PSLF does not work the way it was intended, police officers, teachers, and other public servants are deprived of their right to forgiveness under the law.

Because of these widespread servicing problems, state consumer protection laws are a critical lifeline for borrowers.

The Student Debt Crisis in Montana

Nearly 120,000 Montanans owe more than \$4 billion in outstanding student debt, double the amount outstanding a decade ago. On average, a Montana borrower owes nearly \$35,000 in student debt, and more than 1-in-8 Montana borrowers are behind on their student loan payments.

Media Contacts:

Montana Legal Services Association: [Tal Goldin](#); [Alison Paul](#)

National Consumer Law Center: [Jan Kruse](#)

Student Borrower Protection Center: [Moira Vahey](#)