

ADVERTISING LOCATIONS & PRICING



WEBSITE ADVERTISING

www.insideARM.com

insideARM.com Web A - 728x90 px

NEWS & REPORTS | COMPLIANCE RESOURCES | BEST PRACTICES & MORE | PROMOTE YOUR COMPANY | RESEARCH LIBRARY | ABOUT THIS SITE

Consumer Group Blasts ED Student Loan Collectors in Horribly Biased Report

Patrick Lumbford September 3, 2014 1 Response

The National Consumer Law Center (NCLC) late Tuesday published a report that calls for the Department of Education to stop using private collection agencies to help recover delinquent student loans. But the report is misleading and information going to become more reasoned studies from government agencies urging reform within the ED collection contract.

The report, "Pondering Student Loan Borrowers: The Heavy Costs of the Government's Partnership with Debt Collection Agencies," focuses primarily on the commissions paid to debt collectors, the lack of transparency within ED concerning the loan rehabilitation program, and the legal issues of one contractor, NCO Group, which for the period of the report was the largest ARM firm in the world.

Under the subheading "The Collection Agency Contractor System Costs Borrowers, NCLC authors write. 'The costs of relying on private collectors are enormous for borrowers, taxpayers, and society.' That cost, at least to taxpayers, is quantified by noting that ED is projected to pay over \$1 billion to the 22 collection agencies on the contract in FY2014.

That figure is repeated under a sub-subheading "Outsourcing Collection is Not Cheap," and it's noted that ED projects commissions to exceed \$2 billion by FY2016. It's in this section where the NCLC elaborates on how, exactly, the collection agencies got such high commissions.

Or wait, no they don't. In fact, that's all they say on the matter. They leave the impression that it costs taxpayers and borrowers \$1 billion to administer the program with no mention of how much the collection agencies recover for the government. And just so we're clear on the author's intent, they again cite the figure in a call-out box which reads, "Private student loan debt collectors are projected to receive over \$1 billion in commissions in 2014, paid by taxpayers and student loan borrowers."

Nowhere in the report — not in the prose, footnotes, or appendices — does it state in aggregate how much collection agencies recovered for ED, the ostensible basis for the commissions.

Fortunately, HuffPost Post provided a link to a footnoted source in the NCLC report to file that was not included in the report that noted in FY2013, collectors were paid \$819 million in commissions against \$8.65 billion in collections. And, indeed, ED projects that it will be paying its contractors more than \$2 billion in commissions in FY2016, but it expects its collection contractors to bring in \$16.9 billion that year.

The report spends a lot of time discussing ED's loan rehabilitation track within the default management group. In fact, that track was the focus of a **Government Accountability Office (GAO) report published in March that found a major computer system upgrade with ED's debt management division was so poorly managed, it led to months-long delays in loan rehabilitations.** That report also noted that ED was not effectively monitoring private debt collection agency performance on the contract. It made a number of sensible recommendations, to which ED concurred.

But the NCLC report focused on past behavior of collection agencies with regard to rehabilitations to paint a picture of greed among the companies. The report even noted that the egregious behavior was corrected when ED changed its commission structure in July 2012 and **made a change to the contract** the following year. In other words, the problem was identified and solved, but the author felt the need to use it as an example of how greedy and dangerous collectors can be.

As for the focus on NCO's unrelated legal issues, what can we say? All of those enforcement actions and settlements happened, and NCO is on the contract. But what isn't noted is that the company makes **imide, perhaps** the most calls of any other firm chasing debts in the U.S., so they have the most exposure. Also not noted: none of the actions pertained to NCO's involvement with the student loan collection contract.

On the final point of focus of the report, ED's lack of transparency regarding the collection contract, I wholeheartedly agree with NCLC.

I've been covering this contract for a decade. When we first started reporting on it, I thought it was an extremely transparent program. Collection agency performance results were published publicly on an ed.gov site. Even when that stopped, ED officials would send me copies of the reports. When that stopped, many of the contractors themselves would send their copies of the reports.

But ED ended all of that. No more sharing, no transparency. It is now a secret program, and it's a horrible one.

NCLC spends a lot of time discussing their experience with ED in preparation for this report. In fact, the group had to file suit against ED to get copies of certain materials after a heavily redacted FOIA request reply (posted in its entirety in the report for dramatic effect).

I'm convinced this is the impetus for the entire report. ED really did put NCLC researchers through the ringer in their search for the information which should be publicly available.

NCLC published a solid, solid agenda-driven report. We don't know why. But there is clearly bad blood between the group and ED.

There are plenty of things wrong with the student loan debt collection contract. Things that have been documented and are in the process of being corrected (if not corrected already). To publish an unnecessary report like this serves no good whatsoever. **Student loan collection is a viable market, no matter how "silly" some might believe this to be.**

If anyone is wondering why we, insideARM.com, or I, Patrick Lumbford, should be getting involved, I'll note that both the site and I are extensively cited throughout the report. So I think we have grounds to comment on it.

You might be interested in these related resources from our Research Library

- Compliance Professionals Post Group Enrollment Fee
- Peer Groups for Debt Industry Compliance Professionals
- UPDATED 2014: To the Point: Telephony and Voicemail Messages
- Student Loans - A Primer

TO THE POINT: THE CHASE CONSENT ORDER

The consent order creates a blueprint for default, consent by bank to cover fees collection agencies, lawyers, and debt buyers. Find out the impact to your agency. **BUY THE REPORT**

FREE REPORTS

- How Statistical Models Can Help Improve the Future of Medical Debt Collections
- Student Loan Collector: Strategies and Strategies
- Harnessing the Speech Analytics Advantage

See all free reports

RECENT CONTRIBUTORS

- Patrick Lumbford
insidearm.com
Patrick is the senior editor of insidearm.com. Patrick calls the ARM capital.
- Mike Ginsberg
Kaulon Ginsberg
As the CEO of Kaulon Ginsberg, Mike oversees all of the firm's advisory.
- Todd Langsach
TECH LOCK

INSIDEARM JOBS

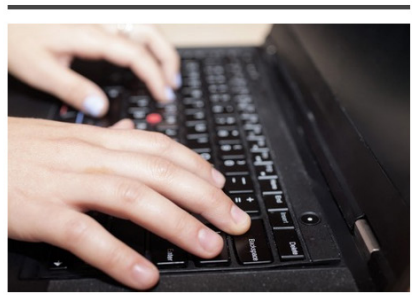
- Speech Solutions Analyst - ConServe - Rochester, New York
- Collections Manager - First Credit Services - Piscataway, New Jersey
- Compliance Examiner - Premier Credit of North America - Indianapolis, Indiana

120x60 px 120x60 px 120x60 px 120x60 px

Mobile Ad 300x250 px

insideARM.com accounts receivable management

Show/Hide Navigation Menu ▼



How Bad Plaintiff Behavior Turned a Winning FDCPA Case into a Massive Defeat

Brandon Scroggin had an air-tight FDCPA claim against a debt collection agency. It was such a solid case, the company offered him a \$5,000 settlement to make it go away. But now Scroggin owes the agency more than \$33,000 to pay their attorney's fees. So how did he go from five grand up to 33-large in the hole?

[Read more of today's top story »](#)

insideARM.com Research Library

insideOperations Webinar: Collection Letters

To the Point: Lawsuit and Complaint Data

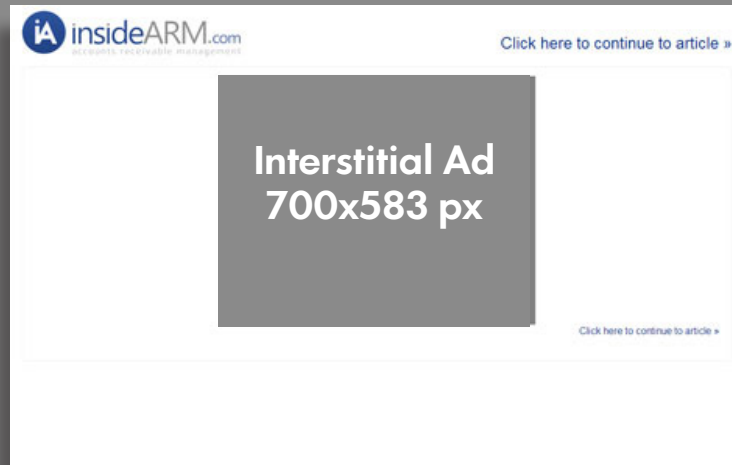
Web A: \$550/week
Web B: \$350/week
Web C: \$200/week
Web D: \$150/week
Article Ad: \$300/week
Web BA Tile: \$50/week/tile
Mobile Ad: \$300/week

- Prices are weekly.
- There can be up to 4 ads in rotation per slot.
- There is only one ad on the mobile version of the site (no rotation).



eNEWSLETTER ADVERTISING

ARM insider



Interstitial: \$250/send
News A: \$450/send
News B: \$300/send
News C: \$250/send
News D: \$100/send
News BA Tile: \$40/send/tile

- Prices per send (1 send per business day).
- There is only one ad in each slot per daily send.
- Interstitial ad takes up a reader's screen when a link is clicked in the newsletter.

QUESTIONS? PLEASE CONTACT:
Lindsey Walters
Client Marketing Associate
lwalters@insideARM.com
240-499-3814

Essential headlines, new reports, and best practices from insideARM.com.

Go to [insideARM.com](#) | [Research Library](#) | [Jobs](#) | [Event Reports](#) | [Vendor Directory](#) | [Events](#) | [Compliance Resources](#)

insideARM.com
ARM insider NEWS The Debt Industry's Most-Trusted Daily

How Bad Plaintiff Behavior Turned a Winning FDCPA Case into a Massive Defeat
 Brandon Scroggin had an air-tight FDCPA claim against a debt collection agency. It was such a solid case, the company offered him a \$5,000 settlement to make it go away. But now Scroggin owes the agency more than \$33,000 to pay their attorney's fees. So how did he go from five grand up to 33-large in the hole?
[Post a Comment](#) | [Read the Whole Story >](#)

News A - 600x74 px

Back to School Season is Here! Curious About the Student Loan Sector?
 This week is a fairly common starting week for colleges and universities in the U.S. Why not brush up on the largest consumer credit market outside of mortgages: **student loans**.
 It's an important sector for the ARM industry and we have a great report that can serve as a launching-off point for entering that world in **Student Loans - A Primer**.

News and Opinion
 from insideARM.com

- > [How Bad Plaintiff Behavior Turned a Winning FDCPA Case into a Massive Defeat](#)
- > [Oversight of Third Parties: The Challenge Ahead](#)
- > [Consumer Relations Consortium Proudly Sponsors Consumer Action Awards Event](#)
- > [Court Dismisses Process Server Industry Suit Against New York City as "Groundless"](#)
- > [NACS Celebrates Seventh Office with Ribbon Cutting Ceremony](#)
- > [After Slight Dip in July, FDCPA Lawsuits Still Down Overall for 2014: TCPA Claims Increase](#)
- > [Former Debt Collector Sentenced to 15 Years in Federal Prison](#)
- > [FTC Joins CFPR in Filing Amicus Brief in Debt Collection Case](#)

News B 300x250 px

News C 300x250 px

Featured Opinion
Oversight of Third Parties: The Challenge Ahead

 P. R. Stark: As collection agencies reassess third-party relationships, they must find ways to calibrate oversight to the delegated activity. Layering new requirements into contracts has proved challenging, and in many instances, the new oversight requirements have eroded the economic case for outsourcing.
[Post a Comment](#) | [Read the Whole Story >](#)

insideARM Jobs

- > [Collection Management - Southeast USA](#)
- > [Systems Process Specialist - Wisconsin](#)
- > [Collection Sales - Remote](#)
- > [Collections Manager - California](#)

ALL JOBS

News D 300x250 px

Featured ARM Event
insideCompliance: TCPA Clarity and Questions
insideARM.com webinar
 Recent TCPA litigation has raised numerous questions about how - and if - the FCC's 2008 declaratory ruling works in the real world. Collection managers need to be able to look at precedent, apply it to their current call policies and procedures, and make sure that third party service providers are doing the same. Learn how the courts have clarified some TCPA requirements for debt collectors in our 60-minute webinar with John Rossman and Dusty Whitesell. [More Info.](#)

Free Reports
 from insideARM.com

- > [Harnessing the Speech Analytics Advantage](#)
- > [Three Strategies to Shrink Bad Debt](#)
- > [Compliance and Data Security Questionnaire](#)
- > [Collection Agency Operations and Technology Survey](#)

[View all Free Reports](#)

Keep Up With Us

- [Facebook](#)
- [Twitter](#)
- [LinkedIn](#)

