

New Report Finds Incarcerated Federal Student Loan Borrowers Systematically Denied Access to Student Loan Relief

July 27, 2022

Impossibility of Navigating Student Loan System While Behind Bars Poses Massive Risks to Administration's Recent Pell and Fresh Start Proposals

WASHINGTON — Today, the Student Borrower Protection Center and National Consumer Law Center released a first-of-its-kind **report** examining the intersection of two social justice crises long in the making—the student loan debt trap and mass incarceration—and the particularly vulnerable group of borrowers caught between them. This report comes on the heels of the U.S. Department of Education's release of proposed regulations expanding Pell Grant eligibility for incarcerated students.

The Department rightly recognized that expanding educational access to people in prison will pay dividends for incarcerated people, their families, and the communities that they return to. But because people with student loans in default are ineligible for Pell Grants, these benefits will not materialize for people who enter prison with student loans unless current practices that make default inevitable in prison are addressed. This report highlights how incarcerated borrowers are set up to fail as their unique student loan servicing challenges are routinely ignored or forgotten within the student loan system.

"Mass incarceration and the student debt trap inflict significant harm on communities of color and other marginalized people in ways that are rarely in the national spotlight. The Department must provide targeted student loan servicing and support to the group of borrowers caught at that intersection," **said report co-author and Student Borrower Protection Center counsel, Amber Saddler.** "If the Administration wants to end the student loan debt crisis, the Department must answer the student loan servicing challenges unique to the carceral context."

"Incarcerated people face extraordinary barriers to managing their student loans. They cannot earn enough to make payments, access their bank accounts, receive emails or calls, and often cannot even call their servicers or access the internet for loan information and relief applications," **said Abby Shafroth, report co-author and director of NCLC's Student Loan Borrower Assistance Project.** "If the government is serious about improving access to education, repayment success, and reentry outcomes for justice-impacted people, it must acknowledge the barriers to managing student loans in prison and embrace changes to overcome those barriers."

"I had no clue about the status of my student loans during my incarceration. My brain was trying to understand what receiving a 25-year sentence at 23 years old meant . . . The [first] I heard about the status of my student loan from ITT Technical Institute was when I registered for the Fall 2013 semester at [a new college]. That's when I realized that my student loan had been in default the whole 21 years of incarceration with the interest accruing the whole 21 years," **said Rudolph Howell, formerly incarcerated student loan borrower.** "I was told to contact the loan service provider Navient. I tried to explain to Navient that I was not dodging paying my student loan but that I didn't have the means to pay during my 21 years of incarceration . . . They had no interest in understanding my situation."

This borrower's situation is not unique. As the report explains, restrictions on communications imposed by prison facilities, combined with well-documented student loan servicing abuses, mean that incarcerated borrowers miss out on critical options for resolving their student loans, and, all too often, wind up in default and subject to the government's harsh collection practices. The report recommends:

- Cancelling federal student loans for borrowers incarcerated for five years or more;
- Cross-referencing borrowers with databases that compile incarceration information to automatically deliver student loan relief;
- Reform student loan debt relief programs to account for the unique characteristics of the prison environment; and
- Clearly and publicly set forth information about current servicing practices and policies affecting incarcerated borrowers.

In the past, the government has purported to have a policy of writing off the debts of borrowers with sentences of 10 years or longer and suspending collection in some other circumstances. But this report reveals that neither the U.S. Department of Education, nor its default servicer, Maximus Federal Services Inc. (operating as the Default Resolution Group), take adequate measures to ensure borrowers have access to this relief. Worse, they have stymied borrowers' efforts to access this potential relief and to utilize other relief programs for student loan borrowers generally. Earlier this year, SBPC released a report highlighting abuses by Maximus, now the largest student loan company in the world.

Addressing issues for incarcerated borrowers is especially urgent as the Department finalizes its regulations regarding Pell Grant Eligibility for Prison Education Programs and implements its recently announced Fresh Start—promising to remove all borrowers from default. The Department has clarified that Fresh Start applies to incarcerated borrowers, but it has not yet said how it intends to ensure that borrowers have the resources to take advantage of the program. While Fresh Start provides an important opportunity for borrowers to escape the trap of default and restore their eligibility for Pell Grants, borrowers will need to take steps to stay out of default long-term, which, as this report outlines, will pose a significant challenge.

[LINK TO REPORT: Collection At All Costs: Examining the Intersection of Mass Incarceration and the Student Debt Crisis](#)

Additional Resources:

- [New August End Date for Student Loan Payment Pause Puts Pressure on Biden to Move Fast to Cancel Student Debt \[Fresh Start\] \(April 6, 2022\)](#)
- [Customer Disservice: Examining Maximus, The Federal Contractor That Just Became The Largest Student Loan Company In The World](#)