

Senator Kennedy Questions Collection Tactics

By Brooke Heath



Last week, Senator Edward Kennedy (D-MA) announced that he had sent letters to the CEOs of Sallie Mae and Nelnet regarding the tactics they use in their collection processes. Senator Kennedy, who is also Chairman of the United States Senate Health, Education, Labor, and Pensions Committee, said that many of the tactics used by the companies in question are prohibited by federal law and regulations.

According to the *Washington Business Journal*, Kennedy says his office has acquired information suggesting that Sallie Mae may have implemented the following tactics in its collection process:

- Attempting to collect debts not owed.
- Firing employees who attempt to help borrowers obtain correct information about their loan status.
- Instructing employees to give borrowers “the run around” rather than providing them with correct information on their loan status.
- Intentionally sending loan-payment notices to an incorrect address to force a borrower’s account into default.
- Telling a borrower’s spouse that the borrower would go to jail if he didn’t pay—a blatantly false assertion.
- Putting a borrower who lost his home in a natural disaster into default, adding substantial default and collection fees to his loan balance, taking tax refunds, and garnishing his wages—all in violation of guidance from the Secretary of Education.
- Regularly calling borrowers at work after being instructed to stop.
- Using abusive and profane language to intimidate borrowers.

In his letter to Tim Fitzpatrick, CEO of Sallie Mae, Kennedy wrote, “I am concerned that several private lenders may be engaging in harsh and inappropriate tactics with regard to borrowers whose payments are overdue.”

According to the press release issued by the Senator’s website, Kennedy also notified Michael S. Dunlap, CEO of Nelnet, Inc., that he had received information indicating that Nelnet was utilizing the following practices:

- Refusing to provide loan and payment history information to defaulted borrowers.
- consolidating a borrower’s loans without the borrower’s consent.

In both letters, Kennedy requested the two CEOs’ cooperation in providing information and documentation on their companies’ collection procedures and policies concerning federal student loans.