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The Lawsuit Machine Going After Student Debtors

“This is robosigning 2.0”

Natalie Kitroeff

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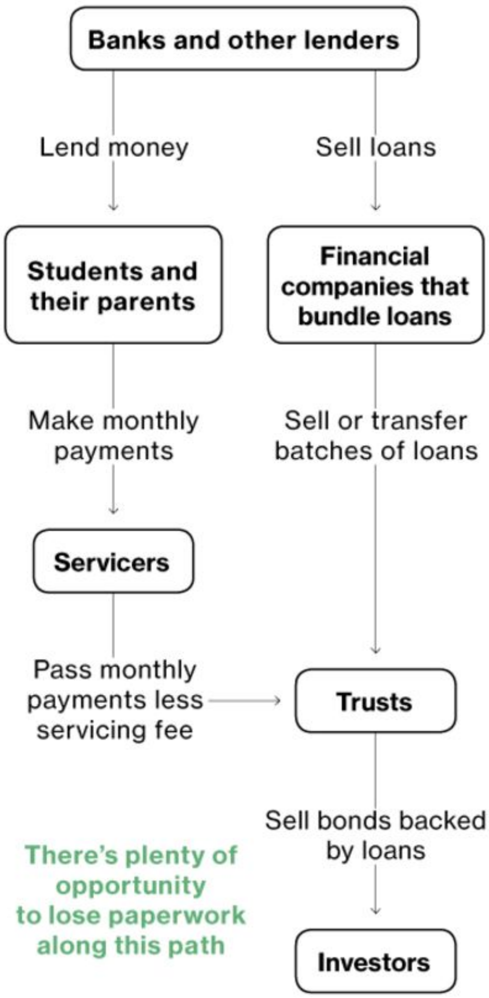
Protesters hold dollar signs during an Occupy Wall Street rally in New York against the high cost of college tuition, in 2012.
PHOTOGRAPHER: DON EMMERT/AFP/GETTY IMAGES

In 2003, Adam Beverly borrowed $30,000 from Bank One, now owned by JPMorgan Chase, to help cover the cost of attending Ohio State University. He never graduated. Three years later he found himself being sued by National Collegiate Student Loan Trust, which claimed he owed more than $45,000 with interest and penalties. After a two-year court struggle, Beverly prevailed. In September a panel of Ohio judges said the collector had no evidence that it owned the debt and vacated the judgment.

Student loans have eclipsed credit cards to become the second-largest source of outstanding debt in the U.S., after mortgages. Since 2007 the federal student loan balance has more than doubled, to almost $1.2 trillion from $516 billion. The Consumer Financial Protection Bureau estimates that students, former students, and their parents owe an additional $150 billion in loans from banks and other private lenders.

With defaults climbing, lenders have turned to the courts to collect. Many of their suits are marred by missing documents and procedural errors, say consumer advocates and lawyers defending debtors. “Our office is seeing an uptick in abusive loan debt-collection tactics that leave no room for relief,” wrote Massachusetts Attorney General Maura Healey in an e-mail.

From Loan to Bond



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The paperwork problems echo the "robosigning" scandals that followed the housing bust. Like mortgages, student loans were bundled into packages and sold to investors. "This is robosigning 2.0 with student loans," says Robyn Smith, a lawyer with the National Consumer Law Center, a nonprofit advocacy group. "You have securitized loans in these large pools; you have the sloppy record keeping," as in the mortgage crisis.

The National Collegiate Student Loan Trusts are investment vehicles created by a Boston company called First Marblehead that concentrates on education lending. From 1996 through 2007, First Marblehead bought student loans from lenders including Bank of America, JPMorgan, and a bank now owned by Citizens Bank. It transferred batches of loans to trusts it created—more than two dozen in all. The trusts sold bonds backed by the loans. The trusts are responsible for collecting loan payments from borrowers and paying out interest to bondholders. In 2013 bond rater Moody's Investors Service said it expected losses to reach as high as 50 percent in 15 National Collegiate trusts it examined.

National Collegiate trusts have been among the most active in suing borrowers, consumer advocates say. Since 2011, National Collegiate has filed more than 1,900 civil cases in Missouri, or an average of more than one lawsuit a day. The company has filed a total of more than 2,100 suits in Connecticut, Indiana, Arizona, and Oklahoma, according to state legal databases. Representatives for National Collegiate didn't respond to repeated requests for comment. "We don't comment on the trusts," First Marblehead Chief Financial Officer Alan Breitman says.

Student debtors are challenging National Collegiate in court, and judges in Ohio, Florida, and Kentucky have found that the trusts haven't proved they own the debt. In California, 13 people are seeking class-action status for a suit against National Collegiate for suing them to collect on student loans without identifying the original lender—which violates California debt-collection law. National Collegiate has denied the allegations in court filings.

Beverly's monthly payments jumped to more than $600 from about $120, says Greg Reichenbach, his lawyer. Beverly tried to discuss the payment but was bounced back and forth between First Marblehead and National Collegiate, Reichenbach says. He stopped making payments in 2009. In 2012, National Collegiate filed two lawsuits against Beverly in Ohio state court demanding repayment of the loans. Beverly says he initially turned for help with the lawsuit to a credit repair service, which told him it would take care of the problem. When Beverly didn't contest the suits, National Collegiate won default judgments.

"The cases that get filed in court for debt collection, a lot of times they are not for huge amounts, and so consumers may not show up to defend them"

The suits didn't assert that National Collegiate owned the loans, and after Beverly appealed, National Collegiate was unable to produce any documents indicating it owned them. "The whole basis for the lawsuit is that they are entitled to enforce this alleged debt, and they don't even claim that they were assigned the debt, let alone prove it," says Reichenbach, who handled Beverly's appeal. The same missing or incomplete records of loan transfers sank National Collegiate suits in Kentucky and Florida and has pushed the company to back away from lawsuits in New Hampshire, California, and Pennsylvania, say lawyers representing student borrowers.

Lenders and their representatives are overwhelming the courts with thin and sometimes inaccurate lawsuits, says Christopher Koegel, an assistant director at the Federal Trade Commission's Bureau of Consumer Protection. Often, as in Beverly's case, there's no trial. "The cases that get filed in court for debt collection, a lot of times they are not for huge amounts, and so consumers may not show up to defend them," Koegel says. When borrowers don't contest debt-collection lawsuits, judges automatically rule in favor of the creditor. Once a lender gets a judgment, it can begin garnishing a debtor's wages and seizing his personal property. "It may be burdening consumers with judgments over their head for years and years," Koegel says.

Pablo Ramirez learned the benefits of fighting back. Ramirez took out a $30,000 loan to pay for a bachelor's degree from Westwood College in 2006. When it came time to start paying off the debt, he says, the payments were more than he could afford. On a November morning in 2014, he went to his mailbox and pulled out a court notice that a judge had issued a judgment against him. He now owed $50,000 to National Collegiate. "I was in shock," Ramirez says, because he hadn't known he was being sued.

Ramirez contested the ruling. National Collegiate said it gave Ramirez notice of the lawsuit, but a Texas county court judge set aside the judgment. "They didn't have any facts right," Ramirez says. "It seemed like they were trying to throw anything against the wall to see if it stuck."

The bottom line: National Collegiate trusts have filed more than 4,000 lawsuits in five states seeking to collect on student loans.

The New York Times https://nyti.ms/2vvroKs

As Paperwork Goes Missing, Private Student Loan Debts May Be Wiped Away

By Stacy Cowley and Jessica Silver-Greenberg

July 17, 2017

Tens of thousands of people who took out private loans to pay for college but have not been able to keep up payments may get their debts wiped away because critical paperwork is missing.

The troubled loans, which total at least $5 billion, are at the center of a protracted legal dispute between the student borrowers and a group of creditors who have aggressively pursued them in court after they fell behind on payments.

Judges have already dismissed dozens of lawsuits against former students, essentially wiping out their debt, because documents proving who owns the loans are missing. A review of court records by The New York Times shows that many other collection cases are deeply flawed, with incomplete ownership records and mass-produced documentation.

Some of the problems playing out now in the $108 billion private student loan market are reminiscent of those that arose from the subprime mortgage crisis a decade ago, when billions of dollars in subprime mortgage loans were ruled uncollectible by courts because of missing or fake documentation. And like those troubled mortgages, private student loans — which come with higher interest rates and fewer consumer protections than federal loans — are often targeted at the most vulnerable borrowers, like those attending for-profit schools.

At the center of the storm is one of the nation's largest owners of private student loans, the National Collegiate Student Loan Trusts. It is struggling to prove in court that it has the legal paperwork showing ownership of its loans, which were originally made by banks and then sold to investors. National Collegiate's lawyers warned in a recent legal filing, "As news of the servicing issues and the trusts' inability to produce the documents needed to foreclose on loans spreads, the likelihood of more defaults rises."

National Collegiate is an umbrella name for 15 trusts that hold 800,000 private student loans, totaling $12 billion. More than $5 billion of that debt is in default, according to court filings. The trusts aggressively pursue borrowers who fall behind on their bills. Across the country, they have brought at least four new collection cases each day, on average — more than 800 so far this year — and tens of thousands of lawsuits in the past five years.

Last year, National Collegiate unleashed a fusillade of litigation against Samantha Watson, a 33-year-old mother of three who graduated from Lehman College in the Bronx in 2013 with a degree in psychology.

Ms. Watson, the first in her family to go to college, took out private loans to finance her studies. But she said she had trouble following the fine print. "I didn't really understand about things like interest rates," she said. "Everybody tells you to go to college, get an education, and everything will be O.K. So that's what I did."

Ms. Watson made some payments on her loans but fell behind when her daughter got sick and she had to quit her job as an executive assistant. She now works as a nurse's aide, with more flexible hours but a smaller paycheck that barely covers her family's expenses.

When National Collegiate sued her, the paperwork it submitted was a mess, according to her lawyer, Kevin Thomas of the New York Legal Assistance Group. At one point, National Collegiate presented documents saying that Ms. Watson had enrolled at a school she never attended, Mr. Thomas said.

"I tried to be honest," Ms. Watson said of her court appearance. "I said, 'Some of these loans I took out, and I'll be responsible for them, but some I didn't take.'"

In her defense, Ms. Watson's lawyer seized upon what he saw as the flaws in National Collegiate's paperwork. Judge Eddie McShan of New York City's Civil Court in the Bronx agreed and dismissed four lawsuits against Ms. Watson. The trusts "failed to establish the chain of title" on Ms. Watson's loans, he wrote in one ruling.

When the judge's rulings wiped out $31,000 in debt, "it was such a relief," Ms. Watson said. "You just feel this whole weight lifted. My mom started to cry."

Donald Uderitz, the founder of Vantage Capital Group, a private equity firm that is the beneficial owner of National Collegiate's trusts. "We don't want National Collegiate to be the poster boy of bad practices in student loan collections," he said. Tony Luong for The New York Times

Joel Leiderman, a lawyer at Forster and Garbus, the law firm that represented National Collegiate in its litigation against Ms. Watson, declined to comment on the lawsuits.

Lawsuits Tossed Out

Judges throughout the country, including recently in cases in New Hampshire, Ohio and Texas, have tossed out lawsuits by National Collegiate, ruling that it did not prove it owned the debt on which it was trying to collect.

The trusts win many of the lawsuits they file automatically, because borrowers often do not show up to fight. Those court victories, which can be used to garnish paychecks and take federal benefits like Social Security from bank accounts, can haunt borrowers for decades.

The loans that National Collegiate holds were made to college students more than a decade ago by dozens of different banks, then bundled together by a financing company and sold to investors through a process known as securitization. These private loans were not guaranteed by the federal government, which is the nation's largest student loan lender.

But as the debt passed through many hands before landing in National Collegiate's trusts, critical paperwork documenting the loans' ownership disappeared, according to documents that have surfaced in a little-noticed legal battle involving the trusts in state and federal courts in Delaware and Pennsylvania.

National Collegiate's legal problems have hinged on its inability to prove it owns the student loans, not on any falsification of documents.

Robyn Smith, a lawyer with the National Consumer Law Center, a nonprofit advocacy group, has seen shoddy and inaccurate paperwork in dozens of cases involving private student loans from a variety of lenders and debt buyers, which she detailed in a 2014 report.

But National Collegiate's problems are especially acute, she said. Over and over, she said, the company drops lawsuits — often on the eve of a trial or deposition — when borrowers contest them. "I question whether they actually possess the documents necessary to show that they own loans," Ms. Smith said.

In an unusual situation, one of the financiers behind National Collegiate's trusts agrees with some of the criticism. He is Donald Uderitz, the founder of Vantage Capital Group, a private equity firm in Delray Beach, Fla., that is the beneficial owner of National Collegiate's trusts. (Mr. Uderitz's company keeps whatever money is left after the trusts' noteholders are paid off.)

He said he was appalled by National Collegiate's collection lawsuits and wanted them to stop, but an internal struggle between Vantage Capital and others involved in operating the trusts has prevented him from ordering a halt, he said

"We don't like what's going on," Mr. Uderitz said in a recent interview.

"We don't want National Collegiate to be the poster boy of bad practices in student loan collections, but we have no ability to affect it except through this litigation," he said, referring to a lawsuit that he initiated last year against the trusts' loan servicer in Delaware's Chancery Court, a popular battleground for corporate legal fights.

Ballooning Balances

Like those who took on subprime mortgages, many people with private student loans end up shouldering debt that they never earn enough to repay. Borrowing to finance higher education is an economic decision that often pays off, but federal student loans — a much larger market, totaling $1.3 trillion — are directly funded by the government and come with consumer protections like income-based repayment options.

Private loans lack that flexibility, and they often carry interest rates that can reach double digits. Because of those steep rates, the size of the loans can quickly balloon, leaving borrowers to pay hundreds and, in some cases, thousands of dollars each month.

Others are left with debt for degrees they never completed, because the for-profit colleges they enrolled in closed amid allegations of fraud. Federal student borrowers can apply for a discharge in those circumstances, but private borrowers cannot.

Jason Mason was sued over $11,000 in student loans, but the case was dismissed. "It was a scary time," he said of being taken to court. Ariana Drehsler for The New York Times

Other large student lenders, like Sallie Mae, also pursue delinquent borrowers in court, but National Collegiate stands apart for its size and aggressiveness, borrowers' lawyers say.

Lawsuits against borrowers who have fallen behind on their consumer loans are typically filed in state or local courts, where records are often hard to search. This means that there is no national tally of just how often National Collegiate's trusts have gone to court.

Very few cases ever make it to trial, according to court records and borrowers' lawyers. Once borrowers are sued, most either choose to settle or ignore the summons, which allows the trusts to obtain a default judgment.

"It's a numbers game," said Richard D. Gaudreau, a lawyer in New Hampshire who has defended against several National Collegiate lawsuits. "My experience is they try to bully you at first, and then if you're not susceptible to that, they back off, because they don't really want to litigate these cases."

Transworld Systems, a debt collector, brings most of the lawsuits for National Collegiate against delinquent borrowers. And in legal filings, it is usually a Transworld representative who swears to the accuracy of the records backing up the loan. Transworld did not respond to a request for comment.

Hundreds of cases have been dismissed when borrowers challenge them, according to lawyers, often because the trusts do not produce the paperwork needed to proceed.

'We Need Answers'

Jason Mason, 35, was sued over $11,243 in student loans he took out to finance his freshman year at California State University, Dominguez Hills. His lawyer, Joe Villaseñor of the Legal Aid Society of San Diego, got the case dismissed in 2013, after the trust's representative did not show up for a court-ordered deposition. It is unclear if the trusts had the paperwork they would have needed to prove their case, Mr. Villaseñor said.

"It was a scary time," Mr. Mason said of being taken to court. "I didn't know how they would come after me, or seize whatever I had, to get the money."

Nancy Thompson, a lawyer in Des Moines, represented students in at least 30 cases brought by National Collegiate in the past few years. All were dismissed before trial except three. Of those, Ms. Thompson won two and lost one, according to her records. In every case, the paperwork Transworld submitted to the court had critical omissions or flaws, she said.

National Collegiate's beneficial owner, Mr. Uderitz, hired a contractor in 2015 to audit the servicing company that bills National Collegiate's borrowers each month and is supposed to maintain custody of many loan documents critical for collection cases.

A random sample of nearly 400 National Collegiate loans found not a single one had assignment paperwork documenting the chain of ownership, according to a report they had prepared.

While Mr. Uderitz wants to collect money from students behind on their bills, he says he wants the lawsuits against borrowers to stop, at least until he can get more information about the documentation that underpins the loans.

"It's fraud to try to collect on loans that you don't own," Mr. Uderitz said. "We want no part of that. If it's a loan we're owed fairly, we want to collect. We need answers on this."

Keith New, a spokesman for the servicer, the Pennsylvania Higher Education Assistance Agency (known to borrowers as American Education Services), said, "We believe that the auditors were misinformed about the scope of P.H.E.A.A.'s contractual obligations. We are confident that the litigation will reveal that the agency has acted properly and in accordance with its agreements."

The legal wrangling — now playing out in three separate court cases in Pennsylvania and Delaware — has dragged on for more than a year, with no imminent resolution in sight. Borrowers are caught in the turmoil. Thousands of them are unable to get answers about critical aspects of their loans because none of the parties involved can agree on who has the authority to make decisions. Some 2,000 borrower requests for forbearance and other help have gone unanswered, according to a court filing late last year.

Correction: July 19, 2017
An article on Tuesday about missing paperwork for private student loans referred imprecisely to how debt collectors may garnish federal benefits like Social Security from borrowers. The collectors can in some circumstances take benefits after they are deposited in a bank account; they cannot garnish the benefits directly.

Susan C. Beachy contributed research.

A version of this article appears in print on July 18, 2017, Section A, Page 1 of the New York edition with the headline: Lost Paperwork May Erase Student Debt for Tens of Thousands

Bloomberg
Business

CFPB Deal Could Mean Relief From Wall Street's Worst Student Loans

The proposed agreement could also require one of the nation's biggest owners of student loans to overhaul how it collects on them.

2017-09-15 23:59:30.256 GMT

By Shahien Nasiripour

(Bloomberg) -- Hundreds of thousands of Americans in debt from the worst batch of student loans Wall Street ever bundled could see their balances cut under a tentative agreement the feds have struck with a little-known firm that effectively owns more than $8 billion in securitized student debt.
The tentative deal, which has not yet been finalized, would resolve a years-long investigation by the Consumer Financial Protection Bureau into consumer lawyers' allegations that debt collectors for the 15 trusts that hold that debt have flooded courts with sloppy lawsuits against tens of thousands of borrowers accused of having defaulted.

Those trusts, the National Collegiate Student Loan Trusts, are collectively one of the nation's largest owners of private student debt. Their preliminary settlement with the CFPB was reached by their ultimate owner, VCG Securities LLC, a Florida-based investment firm led by Donald Uderitz. If finalized, it would require the payment of "large sums" in restitution to borrowers and civil penalties to the U.S. government, according to a summary of the proposal filed in a separate court case.

The specific terms of the draft settlement weren't clear Friday. David Mayorga, a CFPB spokesman, declined to comment. Uderitz said he couldn't comment on the settlement because he was bound by confidentiality. Past settlements have required loan companies to correct business practices the CFPB considers improper.

The trusts, created more than a decade ago, cumulatively have held well over 874,000 loans made to more than 812,000people who borrowed money from banks mostly to pay for their higher education, according to filings with the U.S. Securities and Exchange Commission and monthly reports to investors.

Those banks sold the loans to a middleman who created the trusts, and the trusts then sold notes promising certain returns to investors ranging from the hedge-fund manager Waterfall Asset Management LLC to the Bill & Melinda Gates Foundation. Monthly payments to investors are backed by borrowers' monthly payments on their student loans.

The loans, made by banks such as JPMorgan Chase & Co. and Bank of America Corp., largely went to borrowers with good credit scores, and more than 80 percent of them were co-signed by someone else, like a parent, securities filings show. But many of them came due in the aftermath of the 2007-09 financial crisis, and borrowers ended up defaulting at record rates.

Of the original $12 billion in loan principal bundled into the trusts, about 42 percent—$5 billion, including interest—were in default as of June 30, the trusts' administrator's disclosures to investors show.

Initially, investors who bought the loan-backed securities had generous protection against the risk that borrowers would default en masse—but the 2008 bankruptcy of the nonprofit that had guaranteed their loans ended that arrangement. Collection efforts in the form of mass lawsuits filed by debt-collection law firms ensued.

Consumer lawyers say borrowers generally don't show up in court, leading to default judgments against them that could eventually lead to wage garnishment. But the lawsuits haven't led to big recoveries for investors. And in recent years, a number of judges around the U.S. have dismissed the trusts' lawsuits against borrowers or else ruled against their debt collectors, citing sloppy paperwork.
Of the more than $4.1 billion of defaulted loans that insurance didn't cover, investors have recovered $538 million—or13 cents out of every $1 in default. The rest remains unpaid.

All 10 of the worst-performing student-loan investment vehicles ever created, when measured by defaults on the underlying loans relative to amounts borrowed, are among the 15National Collegiate Student Loan Trusts, said Jon Riber, a DBRS Inc. analyst who specializes in consumer debt that's been bundled into securities.

Last month, Ambac Financial Group Inc., which has nearly $1 billion of exposure to the securities through insurance it sold investors, cited a potential CFPB enforcement action as one reason it could be forced to set aside an extra $200 million to cover losses.

Sean Silva, an outside spokesman for Ambac, didn't respond to messages seeking comment. Neither did Tristan Fleming, general counsel of Goal Structured Solutions Inc., the parent company of the trusts' administrator; representatives for Transworld Systems Inc., the debt collector that hires law firms to pursue borrowers in court; nor Nathan Hench or Keith New, spokesmen for the Pennsylvania Higher Education Assistance Agency, which handles the accounts of borrowers who are making steady payments. Dana Ripley, a spokesman for U.S. Bancorp, which ultimately oversees debt collection on behalf of the trusts, declined to comment.

Uderitz, the Florida investor whose firm VCG ultimately owns the National Collegiate trusts, for years has been trying to assert management of them in order to juice recoveries, legal filings show. As part of that effort, he partnered with Boston Portfolio Advisors Inc., a Fort Lauderdale, Fla.-based firm, to form a student loan company called Odyssey Education Resources LLC in order to collect from borrowers they say have defaulted, in some cases by reducing their balances.

He reckons that his newer company can do a better job than the trusts' existing loan contractors. For instance, in a contested audit it conducted two years ago with VCG, Boston Portfolio said PHEAA, which deals with borrowers making payments, was missing loan-ownership documents critical to suing defaulted borrowers; PHEAA has said it wasn't responsible for any missing documents.

Uderitz hasn't yet gained the confidence of fellow investors or the various companies that manage the trusts. On Friday, Fitch Ratings Inc. said it assumed many of the trusts won't be able to collect anything at all from troubled debtors, "in light of recent lawsuit uncertainty between the trusts and defaulted borrowers."

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cfpb Consumer Financial Protection Bureau

CFPB Takes Action Against National Collegiate Student Loan Trusts, Transworld Systems for Illegal Student Loan Debt Collection Lawsuits

All 800,000 Loans Will Be Independently Audited, Companies Will Pay at Least $21.6 Million and Stop Suing for Invalid or Unverified Debts

SEP 18, 2017

WASHINGTON, D.C. – The Consumer Financial Protection Bureau today took action against the National Collegiate Student Loan Trusts and their debt collector, Transworld Systems, Inc., for illegal student loan debt collection lawsuits. Consumers were sued for private student loan debt that the companies couldn't prove was owed or was too old to sue over. These lawsuits relied on the filing of false or misleading legal documents. The proposed judgment requires an independent audit of all 800,000 student loans in the National Collegiate Student Loan Trusts' portfolio. It prohibits the National Collegiate Student Loan Trusts, and any company they hire, from attempting to collect, reporting negative credit information, or filing lawsuits on any loan the audit shows is unverified or invalid. In addition, it requires the National Collegiate Student Loan Trusts to pay at least $19.1 million, which includes initial redress to harmed consumers, relinquished funds to the Treasury, and a civil money penalty. Under a separate consent order, Transworld Systems, Inc. is ordered to pay a $2.5 million civil money penalty.

"The National Collegiate Student Loan Trusts and their debt collector sued consumers for student loans they couldn't prove were owed and filed false and misleading affidavits in courts across the country," said CFPB Director Richard Cordray. "We're ordering them to pay at least $21.6 million, stopping them from filing illegal lawsuits, and requiring the trusts to thoroughly audit their loan portfolios to identify any other consumers who were harmed."

The National Collegiate Student Loan Trusts are 15 Delaware statutory trusts that own more than 800,000 private student loans. Between 2001 and 2007, the trusts purchased and securitized the loans, and then sold notes secured by the loans to investors. The trusts have no employees but instead use service providers to interact with consumers about their loans. Transworld Systems, Inc. is a nationwide debt collector incorporated in California, with a principal place of business in Ft. Washington, Pennsylvania. Transworld Systems employees complete, sign, and notarize sworn legal documents for collections lawsuits brought on behalf of the trusts. Transworld Systems hires a national network of law firms to file and prosecute collections lawsuits on behalf of the trusts in courts across the country.

The complaint against the National Collegiate Student Loan Trusts and the Bureau's consent order regarding Transworld Systems include allegations and findings that the companies violated the Dodd-Frank Wall Street Reform and Consumer Financial Protection Act by filing false affidavits and for pursuing collections lawsuits they could not have won, if contested. Specifically, the companies:

- **Sued consumers for debts the trusts could not prove were owed:** In order to sue to collect debts, the person or company filing suit must be able to prove that the consumer owed the debt and that they own the loan that is being collected. The companies participated in illegal litigation practices when suing consumers without the necessary documentation required to sue. Over 2,000 collections lawsuits were filed on behalf of the trusts in violation of consumer financial protection laws that prevent consumers from having to pay debts they do not legally owe. In these lawsuits, the trusts do not have or cannot find the documentation necessary to prove either that they own the loans or that the consumer owed the debt. In some of these cases, the document the consumer signed promising to pay back the loan is missing. Nonetheless, the trusts filed suit against consumers to collect the debts.
- **Filed false and misleading affidavits:** In many of the collections lawsuits, false and misleading affidavits were filed. To be valid, these affidavits must be signed by a witness with personal knowledge of the consumers' account records and the debt. In numerous instances, affiants claimed personal knowledge of the student loan debt they did not have.

The Bureau also alleged that the National Collegiate Student Loan Trusts filed at least 486 collections lawsuits after the applicable statute of limitations on the debt collection had expired. Additionally, the complaint alleged that, in numerous instances, many of the affidavits filed were improperly notarized because they were not sworn or signed in the presence of the notary.

Enforcement action

Under the Dodd-Frank Act, the Bureau has the authority to take action against institutions or individuals engaging in unfair, deceptive, or abusive acts or practices or that otherwise violate federal consumer financial laws. Under the terms of the proposed final judgment and consent order, the Bureau is requiring the companies to:

- **Conduct a thorough audit of the 800,000 student loans in its portfolio:** The proposed final judgment requires the National Collegiate Student Loan Trusts to hire an independent auditor acceptable to the Bureau to audit their student loan accounts. If the audit identifies any additional student loans for which the trusts lack the documentation needed to prove the consumer owed the debt, the National Collegiate Student Loan Trusts will cease all collections on those loans.
- **Pay at least $3.5 million in restitution:** Under the proposed final judgment, the National Collegiate Student Loan Trusts is ordered to pay at least $3.5 million in restitution to more

than 2,000 harmed consumers who made payments after being sued by the trusts on a loan where documentation was missing or the statute of limitations had expired. Furthermore, under the proposed final judgment, the National Collegiate Student Loan Trusts is required to provide restitution to additional consumers identified through the independent audit. Consumers who believe they were harmed do not need to take any action at this time. If they are eligible for restitution, the company will contact them directly. Consumers who are unsatisfied with the response or have other complaints about these practices can submit a complaint with the Bureau.

- **Stop filing collections lawsuits on debt that can no longer legally be sued over:** Statutes of limitation limit the amount of time an individual or company can go after someone in court for a debt that is allegedly owed. Under the terms of the proposed final judgment and the consent order, the companies are prohibited from tying consumers up in litigation after the expiration of the applicable statute of limitations.
- **Stop attempting to collect, reporting negative credit information, and suing consumers for debt without proper documentation:** Under the terms of the proposed final judgment and the consent order, the companies are prohibited not only from suing without documentation, but also from collecting and reporting negative credit information without documentation.
- **Stop filing false or improperly notarized legal documents:** Under the terms of the proposed final judgment and the consent order, the companies are prohibited from filing false or misleading legal documents and are required to ensure all documents that require notarization are properly notarized.
- **Pay $7.8 million in disgorgement:** Under the terms of the proposed final judgment, the National Collegiate Student Loan Trusts must relinquish $7.8 million to the U.S. Treasury.
- **Pay a $7.8 million civil money penalty: :** Under the terms of the proposed final judgment, the National Collegiate Student Loan Trusts must pay $7.8 million to the Bureau's Civil Penalty Fund.
- **Pay a $2.5 million civil money penalty:** Transworld Systems must pay $2.5 million to the Bureau's Civil Penalty Fund under the consent order.

The proposed judgment against the National Collegiate Student Loan Trusts has been filed with the U.S. District Court for the District of Delaware, and it is effective only if approved by the presiding judge. The consent order is effective immediately.

A copy of the complaint filed in federal district court against the National Collegiate Student Loan Trusts is available at:
https://files.consumerfinance.gov/f/documents/201709_cfpb_national-collegiate-student-loan-trusts_complaint.pdf

A copy of the proposed final judgment filed in federal district court against the National Collegiate Student Loan Trusts is available at:

https://files.consumerfinance.gov/f/documents/201709_cfpb_national-collegiate-student-loan-trusts_proposed-consent-judgment.pdf

A copy of the consent order entered today against Transworld Systems, Inc. is available at: https://files.consumerfinance.gov/f/documents/201709_cfpb_transworld-systems_consent-order.pdf

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.

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