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Contact:
DFPI.media@dfpi.ca.gov

DFPI Takes Action Against MOHELA to Protect California Student Loan Borrowers

What You Need to Know: MOHELA will pay penalties for failing to provide timely access to borrower data so the DFPI can reach borrowers whose deadline to qualify for debt relief is April 30. DFPI is the first state regulator to take public action against MOHELA for violating state consumer protection laws.

SACRAMENTO – The California Department of Financial Protection and Innovation (DFPI) announced today it has entered into a consent order with Higher Education Loan Authority of the State of Missouri (MOHELA) for failing to timely provide contact information for Californians with older student loans, whose last chance to qualify for debt relief ends on April 30. As part of the settlement, MOHELA agreed to pay administrative penalties of $27,500.

“This action represents the DFPI’s commitment to ensuring that California student loan borrowers get the information they need to access the debt relief they deserve and manage their student loans as limited-time benefits, like the Income-Driven Repayment One Time Adjustment, are set to expire,” said DFPI Commissioner Clothilde Hewlett.

In April 2022, the Department of Education (ED) announced the Income-Driven Repayment (IDR) One Time Adjustment. Under the IDR adjustment, ED will review borrowers’ accounts and give them credit for certain months of repayment, forbearance, and deferment, that didn’t previously qualify for IDR forgiveness. This review will bring borrowers closer to being debt-free. ED has approved almost $44 billion in debt relief for more than 900,000 borrowers as part of the payment count adjustment.

The DFPI sought borrower contact information from all 15 loan servicers that still service older student loans, such as Federal Family Education Loans and Perkins Loans, to ensure that Californians with these loans receive timely information about the looming deadline to consolidate. Unlike every other servicer contacted, MOHELA failed to turn over the information by the date requested, delaying DFPI’s efforts to reach affected California MOHELA borrowers by three weeks compared to borrowers with the other servicers.

The DFPI’s efforts ultimately reached more than 265,000 Californians total, including 1,542 MOHELA borrowers, with key information about how to apply by the deadline to qualify for relief. DFPI is the first state regulator to take public action against MOHELA for violating state consumer protection laws.

What Borrowers Need to Know
Eligible borrowers have until April 30, 2024 to apply with the Department of Education for consolidation to benefit from the Income-Driven Repayment (IDR) One Time Adjustment. The adjustment is automatic for borrowers with Direct or federally managed Federal Family Education Loan (FFEL) Loans. Borrowers with commercially (private) held Perkins Loans, commercially managed FFEL Loans, or Health Education Assistance Loans (HEAL) do not automatically qualify for the IDR adjustment and must consolidate to be reviewed by ED.

This adjustment will reduce the time it takes for borrowers' loans to be discharged, and in some cases could result in automatic discharge for borrowers who have been repaying their loans for decades. Eligible borrowers have until April 30, 2024 to apply with the Department of Education for consolidation to benefit from this offer.

DFPI encourages borrowers who have commercially managed Perkins, FFEL, or HEAL Program loans to apply for loan consolidation by April 30, 2024, to obtain the full benefits of the IDR payment count adjustment. This is especially critical for borrowers who have been in repayment for at least 20 years, as they may already be eligible for a loan discharge. Because consolidation typically takes at least 60 days, we encourage borrowers to submit a consolidation application as soon as possible.

In addition to the benefits of the IDR Adjustment, borrowers who consolidate into a Direct Consolidation Loan are also able to take advantage of affordable repayment plans, such as the new Saving on a Valuable Education (SAVE) Plan.

If borrowers have questions about their loans or are unsure if consolidation is right for them, they can contact the DFPI Student Loan Ombudsperson at Celina.Damian@dfpi.ca.gov.

About the DFPI
The California Department of Financial Protection and Innovation protects consumers, regulates financial services, and fosters responsible innovation. The DFPI protects consumers by establishing and enforcing financial regulations that promote transparency and accountability. We empower all Californians to access a fair and equitable financial marketplace through education and preventing potential risks, fraud, and abuse. Learn more at dfpi.ca.gov.

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