CFPB Takes Action Against Student Loan Debt Collector Performant Recovery for Illegal Fee Generating Scheme That Cost Borrowers Thousands of Dollars

Performant is banned from servicing or collecting any student loan debt

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WASHINGTON, D.C. – Today, the Consumer Financial Protection Bureau (CFPB) took action (cfpb.gov/enforcement/actions/performant-recovery-inc/) to address unlawful student loan debt collection practices by Performant Recovery, Inc. against defaulted borrowers. The CFPB found that Performant delayed borrowers' loan rehabilitation processes, generating fees for itself and costing individual borrowers thousands of dollars. The CFPB's order requires Performant to pay a $700,000 penalty and bans it from servicing or collecting any student loan debts.

"Performant concocted a scheme to juice their profits by delaying student borrowers their rightful relief," said CFPB Director Rohit Chopra. "The CFPB is holding Performant accountable for its unlawful debt collection practices that cost borrowers thousands of dollars."

Performant Recovery, Inc., is a California corporation headquartered in Plantation, Florida that collected on student loan debt, including from borrowers who had defaulted on Federal Family Education Loan Program (FFELP) loans. FFELP borrowers who have defaulted have a one-time right to rehabilitate their loans and bring them back into good standing by entering into an agreement and making a series of reasonable and affordable payments.

If borrowers entered into loan rehabilitation agreements within 65 days of default, the loan holders did not charge the borrowers collection costs for the rehabilitations and also did not typically pay debt collection agencies any fees for these rehabilitations. Between 2015-2020, Performant used its control over the rehabilitation process to delay borrowers' loan rehabilitations beyond 65 days so that these borrowers would incur collection costs and Performant would generate fees for itself.

When borrowers called Performant with 65 days of default, the company routed these borrowers to specialized agents, who were told by managers that "the objective is to delay

as much as possible without getting Performant in trouble." Instead of filling out rehabilitation forms over the phone as they did with other borrowers, agents told these borrowers that they would need to receive blank forms by postal mail, and typically did not use email, fax, or other methods. Performant agents held up these borrowers' rehabilitations at every stage. As a manager explained to agents, "[W]e want them to mail all documents. Remember the whole objective is to DELAY, DELAY, DELAY."

Specifically, Performant took advantage of borrowers by:

- **Delaying borrowers' right to relief:** Performant's agents were instructed to take affirmative steps to delay the process when borrowers called to rehabilitate their loans within 65 days of default.
- **Costing borrowers fees and other lost benefits:** As a result of the intentional delays caused by Performant, borrowers incurred costs amounting to 16% of the loans' outstanding balances, plus additional interest charges over time. The delays also postponed benefits of loan rehabilitation including restoring student aid eligibility, ending federal withholding of tax refunds, and removing the record of default from borrowers' credit reports.

Enforcement Action

Under the Consumer Financial Protection Act, the CFPB has the authority to take action against institutions violating consumer financial protection laws, including engaging in unfair, deceptive, or abusive acts or practices. The CFPB found that Performant violated the CFPA's prohibition on unfair and abusive conduct and the Fair Debt Collection Practices Act. The CFPB's order requires Performant to:

- **Stop servicing and collecting on student loans:** The order bans the company from servicing or collecting on any student loan debt.
- **Pay a $700,000 fine:** Performant will pay a $700,000 penalty to the CFPB's victims relief fund (cfpb.gov/enforcement/payments-harmed-consumers/civil-penalty-fund/). The payment will make it possible for the CFPB to potentially use the fund to fully redress borrowers harmed by Performant's illegal conduct.

Read today's order (cfpb.gov/enforcement/actions/performant-recovery-inc/).

Consumers can submit complaints about financial products and services by visiting the CFPB's website (cfpb.gov/complaint/) or by calling (855) 411-CFPB (2372).

Employees who believe their company has violated federal consumer financial protection laws are encouraged to send information about what they know to whistleblower@cfpb.gov. To learn more about reporting potential industry misconduct, visit the CFPB's website (cfpb.gov/enforcement/information-industry-whistleblowers/).

The Consumer Financial Protection Bureau is a 21st century agency that implements and enforces Federal consumer financial law and ensures that markets for consumer financial

products are fair, transparent, and competitive. For more information, visit www.consumerfinance.gov (http://www.consumerfinance.gov/).

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