

FFEL Kerfuffle: Educational Loan Servicer Fraud

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JANUARY 20, 2022. The United States Department of Justice settled a case against a [loan servicer contractor](#) that managed loans under the Federal Family Education Loan Program (FFEL). Under the terms of the settlement, Conduent Education Services LLC, fka Xerox Education Services LLC, dba ACS Education Services LLC (CES) paid \$7.9 million. A whistleblower who reported the loan servicer's false claims to the Department of Education could have received 15-25% of the government's recovery.

The allegations CES has agreed to resolve include violating the False Claims Act. Per court documents, over a period of 10 years, CES inaccurately reported "monthly student loan repayments, principal capitalization, and other changes to borrower accounts" to the Department of Education. This inaccurate data caused the Department of Education to inaccurately credit and debit FFEL lenders. CES additionally miscategorized certain borrowers as eligible or ineligible for military deferments, according to the allegations. These inaccuracies affected borrowers' balances, interest, and "special allowance payments," which resulted in a loss to the government.

The FFEL was a [government-subsidized](#) student loan program which ran from [1965 to 2010](#), supporting 60 million Americans with education expenses. Private lenders financed loans with government subsidies covering loan-related fees and keeping interest rates at federally-mandated levels. Four types of loans comprised the program: subsidized Federal Stafford Loans, unsubsidized Federal Stafford loans, Federal PLUS loans, and debt consolidation loans. The program ended in 2010 with the passage of the Student Aid and Fiscal Responsibility Act, part of the Health Care and Education Reconciliation Act.

Student loan-related false claims harm both borrowers and the taxpayers who subsidize such programs. The billing errors cause borrowers to pay more in interest and the government to inaccurately manage lenders in the FFEL program. While the FFEL program is no longer making new loans, existing borrowers may have uncertainty as to whether their remaining loan balances are properly represented. CES was participating in a remediation plan to resolve its billing errors prior to this settlement, and a portion of the settlement amount represents restitution.

The Department of Justice needs whistleblowers to report educational loan servicer fraud.

National Law Review, Volume XII, Number 20

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