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November 9, 2017

Caroline Hong and Natasha Varnovitsky  
Office of the General Counsel  
U.S. Department of Education  
400 Maryland Avenue, S.W.  
Washington, D.C. 20202-2110

Dear Ms. Hong and Ms. Varnovitsky:

We are writing to express our concern regarding how the Department of Education (the “Department”) is handling its credit reporting responsibilities for students that have received closed-school discharges. Specifically, the Department promised Massachusetts student-loan borrowers that their credit reports would be fixed after their loans were discharged, but these borrowers are still burdened with negative, and inaccurate, credit report entries long after the Department granted them closed-school discharges. This causes significant harm to Massachusetts borrowers and is contrary to the Department’s responsibilities and the governing statute and regulation.

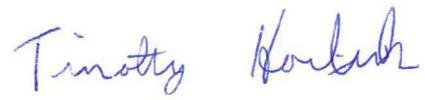
In reviewing the situations of various Massachusetts student-loan borrowers, it appears that the Department has affirmatively promised borrowers who are granted closed-school discharges that “the discharge will be reported to credit bureaus so as to delete any adverse credit history associated with the loan.” <https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/closed-school>. Borrowers rely on this promise and understand it to mean that they will be free from adverse credit history relating to discharged loans.

We have reviewed dozens of credit reports for borrowers whose loans were held by the Department's Default Management Collection System (DMCS) when they received closed school discharges. Most of these borrowers' credit reports still contain adverse credit history relating to discharged loans, even though they received discharges more than a year ago. The adverse credit history was generally reported by their prior loan servicers (prior to transfer to the DMCS) as the Department contractually requires. In other words, the Department is requiring servicers to report negative credit history to the credit bureaus, but is not endeavoring to delete this negative credit history after it grants closed-school discharges.

We are concerned that the Department is breaking its promises, and that it is not complying with the directives of the statute and regulation governing closed-school discharges. When the Secretary of Education grants a closed-school discharge, she is then required to "report to consumer reporting agencies with respect to loans which have been discharged pursuant to this subsection." 20 U.S.C. §§ 1087e(a)(1) and 1087(c)(5). The Department's implementing regulation requires that the Secretary report "the discharge of a loan under this section to all consumer reporting agencies to which the Secretary previously reported the status of the loan, so as to delete all adverse credit history assigned to the loan." 34 C.F.R. § 685.214(b)(4). Based on our review and the experience of Massachusetts borrowers, the Department does not appear to be meeting these duties.

We ask that the Department fix the credit reports for borrower who have received closed-school discharges, and that you contact us by Thursday, November 23 regarding this important issue. I can be reached by phone at (617) 963-2465 or by email at [timothy.hoitink@state.ma.us](mailto:timothy.hoitink@state.ma.us) to discuss this matter further at your convenience. Thank you for your consideration and attention to this matter.

Sincerely,



Timothy S. Hoitink  
Assistant Attorney General  
Office of Attorney General Maura Healey