

March 2, 2015

The Office of Governor Mary Fallin
Oklahoma State Capitol
2300 N. Lincoln Blvd., Room 212
Oklahoma City, OK 73105

Dear Governor Fallin:

We write to bring your attention to the misleading and inappropriate debt collection practices perpetrated by Pioneer Credit Recovery, a debt collection firm that contracts with the State of Oklahoma. Given that Pioneer misled and harmed student loan borrowers we encourage you to reexamine your state's contract with Pioneer and ensure that Pioneer's debt collection practices do not violate state and federal law.

Oklahoma contracts with Pioneer Credit Recovery to collect on unpaid taxes on behalf of the state. In this capacity, Pioneer works directly with citizens in your state to evaluate their repayment plans and options. As a result, the state must have full confidence that Pioneer works with individuals fairly and provides accurate advice. However, given the recent actions by the Department of Education, as well as prior bad acts by Pioneer and its parent company Sallie Mae/Navient, we believe Pioneer may have betrayed that confidence.

Pioneer's parent company Sallie Mae/Navient has a history of skirting federal consumer protection law. In 2006, Sallie Mae/Navient improperly overcharged 60,000 active-duty servicemembers on their student loans and manipulatively handled their payments to maximize late fees. U.S. Attorney General Eric Holder said that Sallie Mae/Navient's "conduct [was not] just inappropriate, it's inexcusable." The violation resulted in a \$97 million fine for the company's violation of several consumer protection laws.

Sallie Mae/Navient have also been found in violation of several contractual terms with the federal government. In 2013, the Inspector General for the Department of Education found that Sallie Mae/Navient failed to report the number of verbal complaints the company's representatives received from borrowers. The Inspector General also found that Sallie Mae/Navient miscategorized debts payments so as to increase the percentage the company could retain as profit. As a result, the Inspector General concluded that Sallie Mae/Navient overcharged the federal government \$22.3 million.

Last week, the Department of Education evaluated the conduct of the debt collection companies that contract to collect on student loans, including Pioneer. According to the Department's announcement, it found that Pioneer made "materially inaccurate representations to borrowers" and gave "misleading information" at "unacceptably high rates," likely violating borrowers' rights under consumer protection laws.

As a result of its findings, the Department immediately acted to end its contract with Pioneer and assigned students to an alternative contractor in order to protect borrowers from these unscrupulous debt collection practices. In addition, the Consumer Financial Protection Bureau committed to ensure that debt collectors "play by the rules" and committed to "work with federal and state partners to root out bad actors."

Pioneer Credit Recovery acts on behalf of the state government when it interacts with citizens who owe a debt to the state. Given the state's relationship with Pioneer, it is incumbent on the state of Oklahoma to immediately investigate whether Pioneer is using tactics that violate state or federal consumer protection laws. The state should also ensure that Pioneer continues to satisfy all contractual obligations. Pioneer should not be allowed to avoid its contractual obligations or violate consumer protection laws while making considerable profit as it acts to collect debts owed to the state.

Thank you for your consideration of this issue. We look forward to your response.

Sincerely,

Higher Ed, Not Debt
Campaign for America's Future
Student Debt Crisis
The Other 98%
One Wisconsin Now
Young Invincibles
Connecticut Citizen Action Group
Generation Progress