COSTLY CONSEQUENCES:

How the Trump Administration Unleashed Private Student Loan Lenders

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EXECUTIVE SUMMARY

On July 4, 2025, President Trump signed the *One Big Beautiful Bill Act* (OBBBA) into law.[1] Among its many provisions, this law set new caps on federal student loan borrowing, paving the way for a significant expansion of the private student loan market.[2]

This report—the first Congressional analysis of the impacts of OBBBA's student loan provisions on the private lending market—is based on information provided by six significant private student loan lenders in response to Congressional oversight. Combined, these lenders—Navient, Sallie Mae, SoFi, Citizens, College Ave, and Nelnet—lent over $14.7 billion in private student loans in 2024.[3] The information provided by these lenders reveals that:

1. **Major private lenders have been expanding their lending activity each year, despite persistent predatory behavior in the private student loan market.**

2. **Private student loan lenders expect more students to turn to private loans due to OBBBA's loan limits, and at least one lender is already making plans to expand its loan offerings in response to this policy change.**

3. **Most of the private lenders surveyed offer minimal protections for borrowers who are defrauded by their schools or who face a sudden school closure.**

4. **Half of the private lenders surveyed either have sold student loans to private equity firms or plan to do so in the future.**

5. **Most of the private lenders surveyed expressed a willingness to expand customer service capacity if they face increased private loan demand due to OBBBA, but they have not yet made any concrete plans to do so.**

BACKGROUND & METHODOLOGY

In addition to stripping health insurance from millions of Americans to give billionaires and massive corporations huge tax cuts,[4] OBBBA contained significant cuts to federal student loan access. The bill drastically tightened caps on the amounts that can be borrowed by graduate students and parents of undergraduate students[5] from the federal government, and as a result, many borrowers will be unable to cover the full cost of their degree programs with federal student loans.[6] In addition, several of OBBBA's other provisions will make federal student loans more expensive by reducing access to debt cancellation, eliminating financial hardship deferments, and raising borrowers' monthly payments.[7]

Experts[8] and private lenders[9] expect that more student loan borrowers will turn to private student loans—or else will be unable to afford graduate school at all—because of these changes. The anticipated expansion of the role of private lending is deeply concerning, since private student loan lenders have a long record of predatory practices that raise costs for borrowers and deprive them of basic consumer protections.[10] Indeed, although the private student loan market currently accounts for approximately 8 percent of student loan debt, it represents more than 40 percent of student-loan-related complaints submitted to the Consumer Financial Protection Bureau (CFPB).[11]

To better understand how the anticipated expansion of the private student loan sector caused by OBBBA will affect borrowers, Senate Banking Committee Ranking Member Warren, Senate Minority Leader Schumer, Senate HELP Committee Ranking Member Sanders, and their colleagues conducted an investigation into six private lenders' policies, lending activity, and future plans.[12] The Senators selected these six lenders on the basis of their prominence within the private student loan market or ties to federal student loan servicing. This report summarizes the Senators' findings.

FINDINGS

1. Major private lenders have been expanding their lending activity each year, despite persistent predatory behavior in the private student loan market.

As of early 2025, roughly $145 billion of student loan debt is held by a private lender, [13] such as a bank or a fintech company, and the market has been rapidly expanding in recent years.[14] Among the five lenders who disclosed how much they have lent to student loan borrowers across multiple years, four of them increased their lending activity from 2022 to 2024. For example, College Ave saw a 71 percent increase in its annual lending over that period: from $1.45 billion in new student loans in 2022 to $2.48 billion in 2024.[15]

Table 1: The Rapid Expansion of Private Student Loan Lending[16]

Total private student loans lent from 2022 to 2024 for five selected lenders, in billions of dollars[17]

	2022	2023	2024
SOFI	$2.2	$2.6	$3.8
SALLIE MAE	$6	$6.4	$7
NELNET	$0.0098	$0.023	$0.033
NAVIENT	$2.05	$1.01	$1.47
COLLEGE AVE	$1.45	$1.78	$2.48

Lawmakers and the public should be concerned by this trend. Private student loan lenders have a record of utilizing abusive practices, including lying to borrowers about the availability of debt cancellation, autopay discounts, and unemployment protections for borrowers.[18] They also have a track record of discrimination and predatory lending tactics—making high-rate loans with shoddy underwriting[19] and denying access to credit to borrowers from historically marginalized communities.[20] Additionally, private student loans can lead to higher costs for borrowers; private loans generally do not offer critical repayment and debt cancellation options, such as Public Service Loan Forgiveness (PSLF) and income-driven repayment (IDR).[21] Combined, these programs provided debt relief to over 2.5 million federal loan borrowers between 2021 and January 2025,[22] and IDR is lowering the monthly payments of over 12 million federal loan borrowers as of June 2025.[23]

2. Private student loan lenders expect more students to turn to private loans due to OBBBA's loan limits, and at least one lender is already making plans to expand its loan offerings in response to this policy change.

The cuts to federal student lending in President Trump's OBBBA will make it more difficult for Americans to finance their educations—opening the door for private lenders to swoop in on vulnerable borrowers and their families.

First, OBBBA ended the Grad PLUS loan program, which allowed graduate students to take out federal student loans to cover the entire cost of their degree.[24] In place of this program, the law enacted borrowing limits that capped federal student loans at $20,500 per year for most graduate degrees and at $50,000 per year for professional degrees.[25] Since many graduate programs' costs exceed these loan caps, experts expect more graduate students to turn to private student loans as a result of this policy.[26] This will disproportionately impact Asian borrowers and Black borrowers, who are most likely to borrow over these thresholds to attend graduate school.[27]

In addition, OBBBA imposes a $20,000 yearly cap per child on federal Parent PLUS loans.[28] Previously, families of undergraduate students had been able to borrow up to their child's cost of attendance through the Parent PLUS program.[29] An estimated one-third of Parent PLUS borrowers will be affected by this cap,[30] and many of those borrowers will turn to private lenders as well.[31]

Private student loan lenders agree with this assessment and see OBBBA as an opportunity to profit. Two lenders, Navient and Nelnet, stated that they expect to see more demand for private loans.[32] For example, Navient wrote that "demand for private loans will increase as a result of certain provisions of" OBBBA.[33] Another two lenders, SoFi and Citizens, suggested that they will make changes to their student loan offerings in response to that demand.[34] SoFi explained that it "currently plans to expand its graduate school offerings in an effort to meet the needs of students affected by Congress's decision to eliminate the Grad PLUS student lending program."[35] Similarly, Citizens stated that it will work to "improve access to those borrowers who previously would have sought a Grad Plus loan."[36]

These lenders' comments are especially concerning given that private lenders will no longer have to compete against federal loans for borrowers who have already met the new graduate loan caps. Without that competitive pressure, lenders have far less of an incentive to provide borrowers with loans on terms that are commensurate to those of federal loans, such as by offering comparable interest rates or protections for borrowers who become permanently disabled.[37] For this reason, along with the generally predatory record of private lenders,[38] any new private loan offerings targeted towards graduate students affected by the federal loan caps should be carefully scrutinized.

3. Most of the private lenders surveyed offer minimal protections for borrowers who are defrauded by their schools or who face a sudden school closure.

The federal government is obligated, by statute, to cancel federal student loans for borrowers who were defrauded by their schools (e.g., who were provided with false job placement information or were misled about financial aid opportunities) or who lost the opportunity to complete their degree because their school closed suddenly.[39] These protections are known as borrower defense and closed school discharge. From 2021 through 2024, over 1.7 million borrowers' federal student loans were cancelled through these programs.[40]

Four of the six private lenders did not describe loan cancellation programs, or any other protections, for students harmed by fraudulent schools or sudden school closures.[41] This suggests that many borrowers forced into the private loan market due to OBBBA's loan caps will lose access to critical consumer protections—on top of seeing higher costs due to private lenders' lack of PSLF or IDR plans.

The remaining two lenders, Navient and Sallie Mae, described their processes for facilitating debt cancellation on the basis of borrowers' Holder Rule claims.[42] The Holder Rule is a federal regulation that protects consumers from having to pay back loans when the original seller of a service engaged in misconduct such as fraud (e.g., a for-profit college lied about its program offerings).[43] However, prior Congressional oversight suggests that Navient may be improperly denying applications for debt cancellation submitted under the Holder Rule.[44] Raising further concerns, more than 81 percent of complaints submitted to the Consumer Financial Protection Bureau related to private student loan cancellation following school misconduct are against Navient.[45] More broadly, the Holder Rule is a federal obligation that applies to any loans meeting certain criteria[46]—not a protection created by lenders—and it is unclear whether the private lenders are facilitating debt cancellation under the Holder Rule in all circumstances during which they are legally obligated.

4. Half of the private lenders surveyed either have sold student loans to private equity firms or plan to do so in the future.

Two private lenders, College Ave and Navient, indicated they have sold student loans to private equity firms.[47] College Ave did not disclose the size of such transactions, but Navient reported that it had sold $1.157 billion worth of loans to private equity over the past ten years.[48] Two other lenders refused to disclose whether they had sold loans to private equity or would do so in the future,[49] but one of them, Sallie Mae, publicly announced it would be selling over $6 billion of student loans to private equity a few weeks after providing a response to the Senators.[50]

Experts should evaluate the extent to which this trend could affect borrowers, as private equity firms have a record of anti-consumer and predatory practices. For example, private equity-owned debt collectors often engage in abusive debt collection practices,[51] private equity-owned lenders often utilize predatory lending tactics,[52] and private equity-owned companies often aggressively charge consumers junk fees.[53]

5. Most of the private lenders surveyed expressed a willingness to expand customer service capacity if they face increased private loan demand due to OBBBA, but they have not yet made any concrete plans to do so.

Inadequate customer service capacity is a frequent problem for federal loan servicers: borrowers commonly report facing wait times of over two hours before being able to speak to a customer service representative.[54] While the private lenders reported call wait times that were either similar to or lower than those of federal loan servicers,[55] there is a risk that private lenders' customer service quality may decline if their capacity is overwhelmed by the anticipated influx of new borrowers. To evaluate this risk, the Senators' investigation asked private lenders to disclose any plans they had to expand customer service capacity in response to OBBBA.[56]

Most of the lenders stated that they could expand customer service capacity if necessary, but none had set plans into motion. For example, Sallie Mae stated that "if Sallie Mae determines that there will be a sustained increase in demand, it can access additional temporary or permanent resources to respond to such demand."[57] Navient said "[w]e are constantly adjusting our own servicing capacities...to ensure our borrowers have the support they need, and we will continue to do so for the future."[58] Private lenders should be held accountable if they fail to adequately expand customer service capacity as promised in the event of increased demand.

CONCLUSION

One year into the Trump Administration, President Trump and Secretary McMahon have made countless efforts to strip federal support from student loan borrowers as part of their crusade to dismantle the Department of Education.[59] The findings of this investigation raise alarm about the impact of OBBBA and the Administration's broader effort to "get out of the student loan business"[60] and underscore an urgent need for oversight of the private lending market as these companies prepare to cash in on the Administration's agenda.

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