

Telemarketers may be big winner in Obama's budget deal with Congress

Robo-calls are back if you're behind on your student loans

We've all felt the frustration of having an important moment — family dinner, perhaps? — interrupted by a phone call from a telemarketer. There may be more of these moments soon for borrowers with debts owned or guaranteed by the federal government, including student loans and mortgages.

The proposed budget released earlier this week includes a provision that would loosen regulations on companies' calls to cell phones to allow firms collecting debts owed or guaranteed by the government to call borrowers' cell phones without their permission.

The budget proposal would be a change to the Telephone Consumer Protection Act, a law passed in 1991 that prohibits companies from using auto-dialing equipment to contact people on their cell phones without their permission.

"It will unleash all of these calls to people who don't want them," Margot Saunders, an attorney with the National Consumer Law Center, said of the proposed change.

There are products people can buy to block robo-calls and for many with unlimited cell phone calling plans, extra unwanted calls could simply be an annoyance. But for people who used pre-paid cell phone plans the consequences of phone calls they didn't ask for could be "potentially devastating," Saunders said.

"It costs them money and it may reduce their minutes such that their minutes aren't available when they need them for emergencies," she said.

The Obama Administration has argued that loosening the current regulations barring unwanted robo-calls could be beneficial to student loan borrowers at risk of defaulting on their loans. Struggling borrowers often aren't aware of their options for avoiding default, including a variety of repayment programs that allow borrowers to make payments capped at a percentage of their discretionary income.

Just 56% of borrowers in the standard repayment program are actively paying down their debts; that indicates there may be borrowers who could be making more progress on their loans or avoid defaulting altogether by enrolling in a different repayment program.

The Department of Education argued in a report released earlier this month that allowing companies to contact borrowers on their cell phones, even without their explicit permission, would help borrowers better manage their loans. Navient, one of the biggest servicers of federal student loans, has pointed to a lack of contact as one of the reasons borrowers default on their loans. Jack Remondi, the company's CEO, noted in a statement at the company's shareholder

meeting earlier this year that 90% of borrowers who defaulted on loans serviced by the company didn't talk to Navient in the full year before their default.

Servicers may already have access to information to contact borrowers, including mailing addresses or land lines the borrowers provided themselves. But the Department notes that allowing companies to contact borrowers via cell phone would increase the chances they actually reach the borrower because many move often or may no longer have a land line phone.

“Congress should change the law to ensure that servicers can contact borrowers using modern technology and help them get into the right repayment plan and avoid the consequences of default or resolve their default,” the Department of Education noted in its recent report.

The inconvenience of some automated calls surely pales in comparison to the headaches that will follow if a borrower defaults — assuming that they actually listen to and trust the recording — but consumer advocates are concerned about continuous, large-scale outreach, bordering on harassment.

The National Consumer Law Center is aware of cases where a company has called a borrower or someone who was simply reassigned their phone number hundreds of times, even after being asked to stop, Saunders said. The organization is pushing for an amendment to the budget bill, which would ensure that under the new rules a company would be required to stop calling a cell phone user if they told the company to stop. “We want to make sure that consumers who say stop — whether they're debtor or they're someone else — that that is sufficient to require the caller to stop making the call,” she said.