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**SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF ALAMEDA**

JAIME MALDONADO, ANNA
VARELA, ALMA GARY and JEFF
PLAMONDON, *individually and on behalf
of all others similarly situated,*

Plaintiffs,

v.

HIGHER EDUCATION LOAN
AUTHORITY OF THE STATE OF
MISSOURI, and DOES 1-30,

Defendants.

Case No. **24CV090146**

CLASS ACTION COMPLAINT

- 1. California Fair Debt Collection Practices Act ("Rosenthal Act"), Civil Code §§ 1788, *et seq.***
- 2. California Consumer Credit Reporting Agencies Act ("CCRAA"), Civil Code §§ 1785.1, *et seq.***
- 3. California Student Borrower Bill of Rights, Civil Code §§ 1788.100, *et seq.***
- 4. Unlawful, Unfair, or Fraudulent Conduct, Public Injunction, Bus. & Prof. Code § 17200**

Unlimited Civil Case

DEMAND FOR JURY TRIAL

INTRODUCTION

1. Defendant Higher Education Loan Authority of the State of Missouri (“MOHELA”) has refused to implement federal student loan discharges to which Plaintiffs and the proposed class members have long been entitled. Although the U.S Department of Education (“Department”) publicly announced that Plaintiffs’ and proposed class members’ loans would be discharged, and notified Plaintiffs and proposed class members that they had no further obligations on the loans, MOHELA continues to collect and report on these accounts as if they had never been cancelled, refuses to issue authorized refunds to the borrowers, and has demanded payment from Plaintiffs and proposed class members.

2. Between April 2022 and July 2023, the Department announced that it would discharge federal student loans for former students of five predatory for-profit institutions: Marinello Schools of Beauty, Corinthian Colleges, Inc., ITT Technical Institute, Westwood College, and Colorado-based locations of CollegeAmerica (the “Group Discharge” schools). On May 1, 2024, the Department of Education announced that it would additionally discharge federal student loans for former students of The Art Institutes. In each case, the Department’s announcement referenced evidence and findings of widespread consumer fraud by these schools toward their students, including Plaintiffs and the proposed class. The Department’s decisions affected hundreds of thousands of borrowers, some of whom had enrolled as far back as 1995.

3. Shortly following each of its announcements, the Department directly contacted affected student borrowers to tell them that their loans would be discharged. The notices, and the Department’s public statements, informed borrowers that they did “not need to take any further action” to receive the benefits of the discharges.

4. The notices that Plaintiffs and other former students of these schools received from the Department shared key characteristics. Each notice stated that the Department had determined that the borrower had no further obligation to repay loans they received to attend a specified school within a specified period. Each stated that the “remaining balance on the loan(s) will be forgiven” and that the borrower did “not have to make any more payments on the loan(s).” Each notice also explained to the borrower that they could be eligible for a refund for

1 payments they previously made on the loans, and that the borrower’s federal student loan
2 servicer would let the borrower know if they are eligible for a refund, which would then be
3 mailed to the borrower. Finally, the notices stated that it would “take the Department some time”
4 to process the discharge, but that in the meantime the borrower would not be asked to resume
5 making payments on the discharged loans.

6 5. The Department contracts with a limited number of third-party “student loan
7 servicers,” including MOHELA, to service its student loan accounts. These entities are
8 responsible for collecting federal student loan payments in accordance with legal requirements
9 and for processing and implementing loan discharges and refunds. *See generally* Unified
10 Servicing and Data Solution Awards Notice, Contract Award Number 91003123D0004,
11 Business Operations Servicing Requirements Attachment 01 (April 24, 2023).

12 6. MOHELA receives payment from the Department based on the number of student
13 loan accounts it services. *See generally Biden v. Nebraska*, 600 U.S. 477 (2023).

14 7. In late summer 2023, shortly before the end of a COVID-related suspension of
15 federal student loan payment obligations, Plaintiffs received an unpleasant shock: MOHELA,
16 their federal student loan servicer, placed these loans back into repayment status, and in many
17 cases started sending bills—even though the Department told Plaintiffs that their loans would be
18 discharged and that they would no longer have to make payments.

19 8. MOHELA knew or should have known that every federal student loan associated
20 with a Group Discharge school was not due and owing and should not be collected upon or
21 reported as owing to consumer credit reporting agencies.

22 9. Despite receiving notice of the Group Discharges as early as April 2022, and
23 fielding many complaints from the borrowers, MOHELA has continued to represent to Plaintiffs
24 that they remain obligated on their cancelled loans.

25 10. Likewise, as of the date of this Complaint, MOHELA has failed to approve or
26 allow to be issued thousands of refunds of payments borrowers made on their Group Discharge
27 school loans.

1 11. MOHELA continues to report obligations on loans from Group Discharge schools
2 to credit reporting agencies (“CRAs”) even though the Department long ago told borrowers they
3 are not required to make payments and do not owe balances.

4 12. MOHELA also continues to report to CRAs that the balances of these loans are
5 increasing due to accruing and unpaid interest, even though borrowers do not actually owe any
6 interest on the cancelled loans.

7 13. MOHELA has violated California’s Fair Debt Collection Practices Act, Consumer
8 Credit Reporting Agencies Act, Student Borrower Bill of Rights, and Unfair Competition Law.
9 Plaintiffs and the proposed class they seek to represent are owed damages and restitution, and
10 seek an injunction to prevent MOHELA from continuing to violate student borrowers’ rights.

11 **JURISDICTION AND VENUE**

12 14. This Court has jurisdiction over this action pursuant to Article VI, section 10 of
13 the California Constitution because this case is a cause not given by statute to other trial courts.

14 15. This Court has jurisdiction over MOHELA pursuant to C.C.P. § 410.10 because
15 MOHELA transacts business in California by servicing the federal student loan accounts of
16 borrowers residing in or attending educational institutions in California. Through those acts,
17 MOHELA purposefully directs its conduct to California and avails itself of the benefits and
18 protections of California law. Plaintiffs’ claims for relief arise from those acts.

19 16. Venue is proper in this Court pursuant to C.C.P. § 395.5 and Civil Code § 1780(d)
20 because conduct giving rise to MOHELA’s liability in this action occurred in Alameda County,
21 California.

22 **PARTIES**

23 17. Plaintiff Jaime Maldonado is a resident of Union City, California. Ms.
24 Maldonado’s federal student loans are serviced by MOHELA. As of the date of filing of this
25 Complaint, MOHELA claims Ms. Maldonado remains obligated on her cancelled loans.

26 18. Plaintiff Anna Varela is a resident of Winchester, California. Ms. Varela’s federal
27 student loans are serviced by MOHELA. As of the date of filing of this Complaint, MOHELA
28 claims Ms. Varela remains obligated on her cancelled loans.

19. Plaintiff Jeff Plamondon is a resident of Moreno Valley, California. Mr. Plamondon's federal student loans are serviced by MOHELA. As of the date of filing of this Complaint, MOHELA claims Mr. Plamondon remains obligated on his cancelled loans.

20. Plaintiff Alma Gary is a resident of Woodland Hills, California. Ms. Gary's federal student loans are serviced by MOHELA. As of the date of filing of this Complaint, MOHELA claims Ms. Gary remains obligated on her discharged loans.

21. MOHELA is a non-profit corporation created by the State of Missouri with a principal place of business at Spirit Drive, Chesterfield, MO 63005. MOHELA is a federal student loan servicer and holds a license under the California Student Loan Servicing Act (Fin. Code §§ 28100, *et seq.*) to service student loans in California.

22. Under its authorizing act, MOHELA can sue and be sued in its own name. Mo. Ann. Stat. § 173.385.1(3).

Doe Defendants

23. The true names and capacities, whether individual, corporate, associate, governmental, or otherwise, of Defendants, DOES 1 through 30, are unknown to Plaintiffs at this time, who therefore sues said Defendants by such fictitious names. When the true names and capacities of said Defendants have been ascertained, Plaintiffs will amend this Complaint accordingly. Plaintiffs are informed and believe, and thereon allege, that each Defendant designated herein as a DOE is responsible, negligently or in some other actionable manner, for the events and happenings hereinafter referred to, and caused damages thereby to the Plaintiffs, as hereinafter alleged.

Agency and Alter Ego

24. At all times herein mentioned, each of the Defendants was the agent, servant, employee and/or joint venturer of their Co-Defendants, and at all said times, each Defendant was acting in the full course and scope of said agency, service, employment and/or joint venture. Any reference hereafter to “Defendants” without further qualification is meant by Plaintiffs to refer to each Defendant, and all of them, named above. Defendants’ officers and directors ratified or approved of the conduct described herein, including the conduct of its employees or agents.

25. Plaintiffs are informed and believe, and thereon allege that at all times herein mentioned, Defendants, DOES 1-30, inclusive, were and are individuals, corporations, partnerships, unincorporated associations, sole proprietorships and/or other business entities organized and existing under and by virtue of the laws of the State of California, or the laws of some other state or foreign jurisdiction, and that said Defendants, and each of them, have regularly conducted business in the County of Alameda, State of California.

FACTUAL ALLEGATIONS

I. The Department of Education Announces Student Loan Discharges for Former Students of Designated Predatory For-Profit Schools.

26. **Marinello.** On April 28, 2022, the Department publicly announced the discharge Group Discharge of federal student loans for all 28,000 student borrowers who attended Marinello Schools of Beauty (“Marinello”) from 2009 through the schools’ closure in February 2016.¹ In its announcement, the Department stated that its investigation found that Marinello engaged in a wide range of misconduct toward its students, including failing to train them “in key elements of a cosmetology program, such as how to cut hair” and leaving them “without instructors for weeks or months at a time as part of a pattern of failing to provide the education it promised.” The Department concluded that Marinello’s misconduct was so widespread during the identified period that full federal student loan relief for affected students was warranted, that it would “soon” begin notifying these students, and that they would “not have to take any additional actions to receive their discharges.”

27. **CCI.** On June 1, 2022, the Department publicly announced the Group Discharge of “all remaining” federal student loans for 560,000 student borrowers who attended “any campus owned and operated” by Corinthian Colleges Inc. (“CCI”) from its founding in 1995 through its closure in April 2015.² Saying “[f]or far too long, Corinthian engaged in the

¹ U.S. Dep't of Educ., *Education Department Approves \$23.8 Million in Group Discharge for 28,000 Marinello Schools of Beauty Borrowers Based on Borrower Defense Findings* (Apr. 28, 2022), <https://www.ed.gov/news/press-releases/education-department-approves-238-million-group-discharge-28000-marinello-schools-beauty-borrowers-based-borrower-defense-findings>.

²U.S. Dep't of Educ., *Education Department Approves \$5.8 Billion in Group Discharge to Cancel*

1 wholesale financial exploitation of students, misleading them into taking on more and more debt
2 to pay for promises they would never keep,” the relief announcement stated that all students who
3 attended CCI-affiliated schools would have their federal loans “discharged without any
4 additional action on their part.”

5 28. **ITT.** On August 16, 2022, the Department announced the Group Discharge of “all
6 remaining” federal student loans for all 208,000 student borrowers who attended the for-profit
7 ITT Technical Institute (“ITT”) from January 1, 2005 until its closure in September 2016.³
8 Saying “[i]t is time for student borrowers to stop shouldering the burden from ITT’s years of lies
9 and false promises,” the relief announcement stated that students who attended ITT within the
10 prescribed time period would have their ITT loans “discharged without any additional action on
11 their part.”

12 29. **Westwood College.** On August 30, 2022, the Department announced the Group
13 Discharge of “all remaining” federal student loans for all 79,000 student borrowers who attended
14 any location of for-profit Westwood College between January 1, 2002, and November 17, 2015,
15 when the school stopped enrolling new students.⁴ Saying that “Westwood operated on a culture
16 of false promises, lies, and manipulation in order to profit off student debt that burdened
17 borrowers long after Westwood closed,” the relief announcement stated that covered students
18 would receive relief “without any additional action on their part.”

19 30. **CollegeAmerica.** On July 25, 2023, the Department announced the Group
20 Discharge—through “automatic relief”—of federal student loans for all 7,400 borrowers who
21

22 *All Remaining Loans of 560,000 Borrowers Who Attended Corinthian Colleges* (Jun. 1, 2022),
23 [https://www.ed.gov/news/press-releases/education-department-approves-58-billion-group-](https://www.ed.gov/news/press-releases/education-department-approves-58-billion-group-discharge-cancel-all-remaining-loans-560000-borrowers-who-attended-corinthian-colleges)
24 [discharge-cancel-all-remaining-loans-560000-borrowers-who-attended-corinthian-colleges.](https://www.ed.gov/news/press-releases/education-department-approves-58-billion-group-discharge-cancel-all-remaining-loans-560000-borrowers-who-attended-corinthian-colleges)

25 ³ U.S. Dep’t of Educ., *Education Department Approves \$3.9 Billion in Group Discharge for*
26 *208,000 Borrowers Who Attended ITT Technical Institute* (Aug. 16, 2022),
[https://www.ed.gov/news/press-releases/education-department-approves-39-billion-group-](https://www.ed.gov/news/press-releases/education-department-approves-39-billion-group-discharge-208000-borrowers-who-attended-itt-technical-institute)
[discharge-208000-borrowers-who-attended-itt-technical-institute.](https://www.ed.gov/news/press-releases/education-department-approves-39-billion-group-discharge-208000-borrowers-who-attended-itt-technical-institute)

27 ⁴ U.S. Dep’t of Educ., *Education Department Approves \$1.5 Billion in Debt Relief for 79,000*
28 *Borrowers Who Attended Westwood College* (Aug. 30, 2022), [https://www.ed.gov/news/press-](https://www.ed.gov/news/press-releases/education-department-approves-15-billion-debt-relief-79000-borrowers-who-attended-westwood-college)
[releases/education-department-approves-15-billion-debt-relief-79000-borrowers-who-attended-](https://www.ed.gov/news/press-releases/education-department-approves-15-billion-debt-relief-79000-borrowers-who-attended-westwood-college)
[westwood-college.](https://www.ed.gov/news/press-releases/education-department-approves-15-billion-debt-relief-79000-borrowers-who-attended-westwood-college)

enrolled at Colorado-based locations of the predatory for-profit CollegeAmerica between January 1, 2006, and July 1, 2020.⁵ The Department stated that its decision was based on evidence that CollegeAmerica’s parent company, the Center for Excellence in Higher Education, “made widespread misrepresentations” to its students. The Department’s announcement stated that it would “begin notifying eligible borrowers in August that they are approved for discharges.”

31. **Art Institute.** On May 1, 2024, the Department of Education announced the Group Discharge of federal student loans for approximately 317,000 student borrowers who “enrolled at any Art Institute campus on or after Jan. 1, 2004, through Oct. 16, 2017.”⁶ Stating that “[f]or more than a decade, hundreds of thousands of hopeful students borrowed billions to attend The Art Institutes and got little but lies in return,” the Department’s announcement said that relief would be available “automatically” to affected students, without any further action on their part.

IV. MOHELA is Responsible for Implementing Federal Student Loan Discharge Relief

32. Title IV of the Higher Education Act (“HEA”), 20 U.S.C. §§ 1070-1099, provides the statutory authorization for federal student loans, including both the Federal Family Education Loan (“FFEL”) and Direct Loan programs.

33. The Secretary of Education (“Secretary”) oversees and is responsible for these programs. *See* 20 U.S.C. § 1070.

34. The HEA gives the Secretary the authority to contract with third parties, such as MOHELA, for the origination, servicing, and collection of both Direct and FFEL loans. 20 U.S.C. § 1087f; 20 U.S.C. § 1082(a).

⁵ U.S. Dep’t of Educ., *Biden-Harris Administration Approves \$130 Million Group Discharge for 7,400 Borrowers from Colorado Locations of CollegeAmerica* (Jul. 25, 2023), <https://www.ed.gov/news/press-releases/biden-harris-administration-approves-130-million-group-discharge-7400-borrowers-colorado-locations-collegeamerica-0>.

⁶ U.S. Dep’t of Educ., *Biden-Harris Administration Approves \$6.1 Billion Group Student Loan Discharge for 317,000 Borrowers Who Attended The Art Institutes* (May 1, 2024), <https://www.ed.gov/news/press-releases/biden-harris-administration-approves-61-billion-group-student-loan-discharge-317000-borrowers-who-attended-art-institutes>.

1 35. In practice, the Department outsources most or all responsibilities for servicing
2 student loans to third-party entities such as MOHELA. Servicers are tasked with responsibilities
3 such as sending monthly bills; calculating, receiving, and processing payments; managing
4 payment plans, deferments, forbearances, and loan consolidations; and providing customer
5 service for borrowers to find out information about and make changes to their accounts. Critical
6 to Plaintiffs, they are also responsible for processing federal student loan discharges related to
7 school misconduct and calculating associated refund payments to borrowers. *See* Unified
8 Servicing and Data Solution Awards Notice, Contract Award Number 91003123D0004,
9 Business Operations Servicing Requirements Attachment 01, Section 23000 (April 24, 2023).
10 Federal student loan borrowers do not generally get to pick their servicer. Borrowers are
11 assigned a servicer when they enter repayment, and their servicer might change at any time based
12 upon a number of factors (such as servicers entering and exiting servicing contracts with the
13 Department, or changes to which servicers manage certain segments of federal student loans).

14 36. According to MOHELA's 2023 financial statement, it managed \$344.4 billion in
15 federal Direct Loans in fiscal year 2023.

16 37. As of June 30, 2023, MOHELA also serviced \$874 million of other student loans,
17 including federally guaranteed loans that MOHELA originated itself under the now-defunct
18 FFEL program.

19 38. In 2023 alone, MOHELA received nearly \$300 million in servicing fees from the
20 federal government.

21 39. Since 2011, the Department of Education has paid MOHELA over \$1.1 billion in
22 servicing fees for Department-held student loans.

23 40. According to its own management, MOHELA "is recognized as one of the largest
24 nonprofit student loan secondary markets in America by statistics gathered and maintained by
25 the U.S. Department of Education."⁷

26
27 ⁷ MOHELA Financial Statements and Schedule of Expenditures of Federal Awards for the Years
28 Ended June 30, 2023 and 2022 at 5, [https://www.mohela.com/DL/
common/publicinfo/financialStatements.aspx](https://www.mohela.com/DL/common/publicinfo/financialStatements.aspx).

1 41. After the Department determines that federal student loans related to a specific
2 school are to be discharged because of that school's misconduct, the Department identifies the
3 eligible loans and notifies the loan servicer with instructions to discharge the loans.

4 42. When a Direct Loan or other student loan owned by the Department is identified
5 as eligible for Group Discharge based on school misconduct, the Department instructs the loan's
6 servicer to reduce the balance of the discharge-eligible loan to zero, then calculate a refund
7 amount equal to the total of any payments that the borrower made on that loan. The servicer then
8 forwards the refund amount to the Department for approval. The Department then sends a record
9 of approved refunds to the Department of Treasury, which issues a refund check or electronic
10 payment to the recipient.

11 43. When a commercial FFEL loan is identified as eligible for discharge based on
12 school misconduct, the Department instructs the guaranty agency to pay out insurance to the
13 FFEL lender in the amount of the outstanding loan balance. The FFEL lender then closes out the
14 loan, and the Department reimburses the guaranty agency for the amount it paid in insurance.
15 The Department does not issue refunds to borrowers on FFEL loans as part of the discharge
16 process, because payments on those loans were made to the private lenders and not to the U.S.
17 Treasury.

18 44. On information and belief, the Department followed these procedures with respect
19 to loans taken out to attend the Group Discharge schools, including by notifying MOHELA of
20 which loans in its portfolio should be discharged and providing instructions for discharges and
21 refund calculations.

22 45. On information and belief, the Department has also sent separate notifications to
23 its servicers, including MOHELA, that identify borrowers who are eligible for student loan
24 discharge and instruct the servicers to stop all billing and collections on those borrowers'
25 discharge-eligible loans.

26 46. Beyond specific notification by the Department, MOHELA has had multiple other
27 forms of actual and constructive notice that it is servicing loans for borrowers whose loans the
28 Department has discharged. These include, but are not limited to, public announcements from the

1 Department regarding cohorts that are eligible for discharge; direct communications from
2 borrowers presenting their Department-issued notifications of discharge; and MOHELA's access
3 to borrower-specific loan data that identifies Group-discharge eligible loans by school and year.

4 47. Detailed information about every federal student loan is stored in a system called
5 the National Student Loan Data System ("NSLDS"). NSLDS data includes, but is not limited to,
6 the following: each borrower's name and contact information; the date that each loan was
7 disbursed; the amount of each disbursement; the school for which each loan was disbursed; each
8 loan's current balance; each loan's current repayment status; and whether each loan was ever
9 consolidated.

10 48. Servicers, including MOHELA, can access NSLDS data for all the loans they
11 service. Thus, MOHELA could verify the institutions that each borrower attended and their years
12 of attendance, and could cross-check that information against the Department's discharge
13 announcements and directions. MOHELA failed to do so, even for borrowers who specifically
14 presented MOHELA with their Department-issued notices of discharge.

15 49. Despite having the ability, authority, and responsibility to process Department-
16 issued student loan discharges, MOHELA failed to take reasonable steps to identify borrowers
17 within its portfolio who have loans from Group Discharge schools, to deliver the relief that the
18 Department of Education promised to those borrowers, and refrain from inaccurate and
19 misleading collection and credit reporting information to borrowers and to CRAs while
20 processing the relief. Even after receiving specific complaints from borrowers whose loans had
21 been discharged, MOHELA failed to adequately investigate the status of borrowers' accounts
22 and rectify its failure to process discharges.

23 50. As a result of MOHELA's failure to properly service the Plaintiffs' loans,
24 Plaintiffs have not received refunds to which they are entitled.

25 51. MOHELA also continues to report Plaintiffs' loans to CRAs with their cancelled
26 Group Discharge balances owing, even though the Department of Education has deemed those
27 loans cancelled and stated that borrowers do not need to make any further payments. By
28 inaccurately reporting these balances as outstanding, without any clarification that these balances

1 do not need to be repaid, MOHELA negatively affects Plaintiffs' debt-to-income ratio, leading to
2 unwarranted denials of credit or a higher cost of credit for borrowers seeking to manage their
3 household expenses or pay for necessities like housing or a family car.

4 52. Prior to and following the return of federal student loans to repayment in 2023,
5 Plaintiffs received notices from MOHELA stating that payments on their cancelled loan
6 obligations would be due beginning in October 2023, as well as notices from MOHELA
7 indicating that the full balance of their discharged loans was still due, and in some cases that
8 monthly payments were due, or past due.

9 53. Even when borrowers with loans from Group Discharge schools notify MOHELA
10 that their loans should be discharged, and provide MOHELA with the Department's notice of
11 discharge, MOHELA does not properly investigate and resolve borrower complaints, resulting in
12 continued denial of Group Discharge relief and inaccurate credit reporting.

13 54. MOHELA has not taken adequate steps to monitor its operations relating to the
14 Group Discharges in a manner that would reliably identify errors and develop solutions to those
15 errors. MOHELA has not maintained procedures that are reasonably adapted to avoid errors of
16 the kind described above, including continuing collection attempts on debts that are not owed.

17 55. MOHELA knows or should know that its handling of the Group Discharges is
18 inadequate and has resulted in systematic violations of borrowers' rights under the RFDCPA, the
19 CCRAA, the SBBR, and California's Unfair Competition Law ("UCL").

20 **VII. MOHELA Failed to Acknowledge or Process Plaintiffs' Student Loan Discharge**
21 **Relief.**

22 **A. Plaintiff Jaime Maldonado**

23 56. Ms. Maldonado attended Heald College in Hayward, California from 2007 to
24 2010. Heald College was a chain of schools owned and operated by Corinthian Colleges, Inc.

25 57. MOHELA services Ms. Maldonado's federal student loans.

26 58. On November 17, 2022, Ms. Maldonado received an email notice from the
27 Department informing her that her CCI-related federal student loans would be discharged. The
28 notice included the following information:

- a. That the Department had determined that the loans she received to attend Heald College were eligible for a full discharge;
- b. That she did not have to make any more payments on these loans;
- c. That she may receive a refund for prior payments made to the Department on the loans, and that her servicer would let her know if she was eligible for a payment refund;
- d. That she did not have to take any further action to receive these benefits; and
- e. That she should contact her servicer within 30 days only if she did not wish to accept the discharge.

59. All of Ms. Maldonado's federal student loans are from Heald College and are eligible for Group Discharge relief.

60. However, to date, MOHELA continues to service Ms. Maldonado's account as if she were responsible for repaying the full balance of her discharged loans.

61. In September 2023, Ms. Maldonado received notice from MOHELA that she would have to begin repaying her Heald College-related loans. Ms. Maldonado immediately contacted MOHELA to explain that her loans should have been discharged. The representatives that she spoke with denied knowledge of her discharge but placed her in a temporary forbearance.

62. Although Ms. Maldonado has paid thousands of dollars to the government on her Heald College loans, MOHELA has never notified her of her eligibility for a refund. Nor has she ever received a refund.

63. MOHELA is still reflecting a balance due on Ms. Maldonado's online account, along with accumulating interest.

64. MOHELA is still reporting Ms. Maldonado's account to the CRAs with a balance of more than \$30,000 due, consisting entirely of discharged loans.

65. On July 6, 2024, on behalf of herself and all other California borrowers in the same situation, Ms. Maldonado mailed MOHELA a notice under California's Student Borrower Bill of Rights by certified mail with and return receipt requested to MOHELA's address on file

1 with the California Department of Financial Protection and Innovation (the “Maldonado Notice
2 Letter”).

3 66. The Maldonado Notice Letter notified MOHELA of its erroneous collection and
4 credit reporting, along with other violations of the SBBR, and demanded that MOHELA: (1)
5 Confirm in writing that borrowers, like her, who got a notice from the Department discharging
6 federal student loan debt taken out to attend certain schools do not owe any money on that debt;
7 (2) remove all credit reporting on loans that should have been discharged that indicate a balance
8 due, any missed payments, or any status other than paid and closed; and (3) confirm eligibility
9 for and take all necessary steps to ensure a refund for past payments on these loans.

10 67. Ms. Maldonado paid to send the Maldonado Notice Letter by certified mail and
11 with return receipt requested. The Maldonado Notice Letter satisfied the notice requirement in
12 Civil Code § 1788.103(d).

13 68. MOHELA failed to make the appropriate requested corrections or to remedy Ms.
14 Maldonado’s account, or those of similarly situated federal student loan borrowers, within 30
15 days of receiving the Maldonado Notice Letter. MOHELA also failed to offer any indication that
16 it intended to make the requested corrections within a reasonable period of time.

17 **B. Plaintiff Anna Varela**

18 69. Ms. Varela attended Westwood College online from 2005 until 2008.

19 70. MOHELA services Ms. Varela’s federal student loans.

20 71. On March 29, 2023, Ms. Varela received an email notice from the Department
21 informing her that her Westwood-related federal student loans would be discharged. The notice
22 included the following information:

- 23 a. That the Department had determined that the loans she received to attend
24 Westwood were eligible for a full discharge;
- 25 b. That she did not have to make any more payments on these loans;
- 26 c. That she may receive a refund for prior payments made to the Department on
27 the loans, and that her servicer would let her know if she was eligible for a
28 payment refund;

- 1 d. That she did not have to take any further action to receive these benefits; and
2 e. That she should contact her servicer within 30 days only if she did not wish to
3 accept the discharge.

4 72. All of Ms. Varela's federal student loans are from Westwood College and are
5 eligible for Group Discharge relief.

6 73. However, to date, MOHELA has yet to process this discharge and continues to
7 service Ms. Varela's account as if it were still due and owing.

8 74. In February 2024, Ms. Varela received notice from MOHELA that she would
9 have to begin repaying the full balance of her Westwood College-related loans.

10 75. Ms. Varela has paid thousands of dollars on her federal student loans, yet
11 MOHELA has never notified her of her eligibility for a refund. Nor has she ever received a
12 refund.

13 76. MOHELA is still reflecting a balance due on Ms. Varela's online account, along
14 with accumulating interest.

15 77. MOHELA is still reporting Ms. Varela's account to the CRAs with a balance of
16 over \$60,000.

17 78. On May 6, 2024, Ms. Varela mailed MOHELA a notice under California's
18 Student Borrower Bill of Rights. The notice demanded that MOHELA confirm in writing that
19 her Westwood-related loans are cancelled, correct its balance reporting on her credit report, and
20 notify her of her eligibility for a refund. Ms. Varela paid to send the notice by certified mail and
21 with return receipt requested, as required by Civil Code § 1788.103(d)(2).

22 79. On May 14, 2024, Ms. Varela received a letter from MOHELA. The letter did not
23 address any of the demands made by Ms. Varela in her May 6, 2024, letter and did not address
24 Ms. Varela's entitlement to loan cancellation. Instead, in the letter, MOHELA stated, "You are
25 responsible for repaying the remaining balance of your student loan(s)."

26 80. On May 28, 2024, on behalf of herself and all other California borrowers in the
27 same situation, Ms. Varela mailed MOHELA another notice under California's Student
28 Borrower Bill of Rights, certified mail with return receipt requested, to MOHELA's address on

1 file with the California Department of Financial Protection and Innovation (the “Varela Class
2 Notice Letter”).

3 81. The Varela Class Notice Letter notified MOHELA of its erroneous collections
4 and credit reporting, along with other violations of the SBBR, and demanded that MOHELA
5 confirm in writing that Westwood-related loans are cancelled for her and all other similarly
6 situated California Westwood borrowers, correct its balance reporting on these borrowers’ credit
7 reports, and notify them of her eligibility for a refund.

8 82. Ms. Varela paid to send the notice by certified mail and with return receipt
9 requested. The Varela Notice Letter satisfied the notice requirement in Civil Code § 1788.103(d).

10 83. MOHELA failed to make the appropriate requested corrections or to remedy Ms.
11 Varela’s account, or those of similarly situated federal student loan borrowers, within 30 days of
12 receiving her letter. MOHELA also failed to offer any indication that it intended to make the
13 requested corrections within a reasonable period of time.

14 **C. Plaintiff Jeff Plamondon**

15 84. Mr. Plamondon attended ITT in Sylmar, California from 2002 to 2003 and again
16 from 2005 to 2008.

17 85. MOHELA services Mr. Plamondon’s federal student loans.

18 86. On November 17, 2022, Mr. Plamondon received an email notice from the
19 Department informing him that all of his post-2004 ITT-related federal student loans would be
20 discharged. The notice included the following information:

- 21 a. That the Department had determined that the post-2004 loans he received to
22 attend ITT were eligible for a full discharge;
23 b. That he did not have to make any more payments on these loans;
24 c. That he may receive a refund for prior payments made to the Department on
25 the loans, and that his servicer would let him know if he was eligible for a
26 payment refund;
27 d. That he did not have to take any further action to receive these benefits; and
28

e. That he should contact her servicer within 30 days only if he did not wish to accept the discharge.

87. However, to date, MOHELA has yet to process this discharge and continues to service Mr. Plamondon's account as if the full balance of his loans were still due and owing.

88. In fall 2023, Mr. Plamondon received notice from MOHELA that he would have to begin repaying all of his ITT-related loans at approximately \$600 per month, which he was unable to afford. In May 2024, MOHELA sent Mr. Plamondon a "Validation Notice" stating that he still owed the full balance of more than \$35,000 on his federal student loans.

89. MOHELA has never notified Mr. Plamondon of his eligibility for a refund. Nor has he ever received a refund.

90. MOHELA is still reflecting a balance due on Mr. Plamondon's online account, along with accumulating interest.

91. MOHELA is still reporting Mr. Plamondon's account to the CRAs with a full balance of more than \$36,000 due, including the discharged loans.

92. On May 1, 2024, Mr. Plamondon mailed MOHELA a notice under California's Student Borrower Bill of Rights, certified mail with return receipt requested, to MOHELA's address on file with the California Department of Financial Protection and Innovation (the "Plamondon Notice Letter").

93. The Plamondon Notice Letter notified MOHELA of its erroneous collection and credit reporting, along with other violations of the SBBR, and demanded that MOHELA confirm in writing that Mr. Plamondon's ITT-related loans are cancelled, correct its balance reporting on his credit report, and notify him of his eligibility for a refund.

94. Mr. Plamondon paid to send the Plamondon Notice Letter by certified mail and with return receipt requested. The Plamondon Notice Letter satisfied the notice requirement in Civil Code § 1788.103(d).

95. MOHELA failed to make the appropriate requested corrections or to remedy Mr. Plamondon's account within 30 days of receiving his letter. MOHELA also failed to offer any indication that it intended to make the requested corrections within a reasonable period of time.

1 **D. Plaintiff Alma Gary**

2 96. Between 2008 and 2013, Mrs. Gary took out 13 federal Parent Plus loans to help
3 pay college tuition for her two sons. Of the 13 loans, all but two were for her sons to attend
4 Westwood College. One of the remaining two loans was for one of her sons to attend Art
5 Institute.

6 97. On March 29, 2023, Mrs. Gary received an email notice from the Department
7 informing her that her Westwood-related federal student loans would be discharged. The notice
8 included the following information:

- 9 a. That the Department had determined that the loans she received to attend
10 Westwood were eligible for a full discharge;
- 11 b. That she did not have to make any more payments on these loans;
- 12 c. That she may receive a refund for prior payments made to the Department on
13 the loans, and that her servicer would let her know if she was eligible for a
14 payment refund;
- 15 d. That she did not have to take any further action to receive these benefits; and
- 16 e. That she should contact her servicer within 30 days only if she did not wish to
17 accept the discharge.

18 98. In or around fall 2023, Mrs. Gary began to receive notices from MOHELA that
19 she would have to begin repaying the full balance of her discharged loans. Over the next months,
20 Mrs. Gary contacted MOHELA on a number of occasions to explain that her loans had been
21 discharged. Nevertheless, MOHELA began sending intermittent billing statements, some stating
22 that she was in fact past due on payments she was told she would not have to make.

23 99. On May 1, 2024, Mrs. Gary received an email notice from the Department of
24 Education that her loans related to her son's attendance at Art Institute would be discharged as
25 well.

26 100. To date, MOHELA has yet to acknowledge that Mrs. Gary's Westwood or Art
27 Institute-related loans were cancelled and continues to service her account as if the discharged
28 loans are still due and owing.

1 101. MOHELA is still reporting Mrs. Gary's account to the CRAs with the full balance
2 due, including from the discharged loans.

3 102. Mrs. Gary has paid tens of thousands of dollars on her federal student loans, but
4 MOHELA has never notified her eligibility for a refund. Nor has she ever received a refund.

5 103. MOHELA is still representing reflecting a balance due on her online account,
6 along with accumulating interest.

7 104. On May 13, 2024, Mrs. Gary mailed MOHELA a notice under California's
8 Student Borrower Bill of Rights, certified mail with return receipt requested, to MOHELA's
9 address on file with the California Department of Financial Protection and Innovation (the "Gary
10 Notice Letter").

11 105. The Gary Notice Letter notified MOHELA of its erroneous collection activity and
12 credit reporting, along with other violations of the SBBR, and demanded that MOHELA: (1)
13 Confirm in writing the accurate post-discharge balance on Mrs. Gary's federal student loans; (2)
14 remove all credit reporting indicating that the full pre-discharge balance is due; and (3) confirm
15 her eligibility for and take all necessary steps to ensure a refund for her eligible past payments on
16 these loans.

17 106. Mrs. Gary paid to send the notice by certified mail and with return receipt
18 requested. The Gary Notice Letter satisfied the notice requirement in Civil Code § 1788.103(d).

19 107. MOHELA failed to make the appropriate requested corrections or to remedy Mrs.
20 Gary's account within 30 days of receiving her letter. MOHELA also failed to offer any
21 indication that it intended to make the requested corrections within a reasonable period of time.

22 **VIII. Harm to Named Plaintiffs and the Class**

23 108. MOHELA's unending delay and failure to implement discharges on Plaintiffs'
24 loans, all while it also inaccurately represented through collection and credit reporting that the
25 full balance of their accounts was still due, has caused Plaintiffs significant harm.

26 109. Plaintiffs have also suffered harm to their credit from MOHELA's ongoing
27 inaccurate reporting of their loan statuses and balances. For example, in July 2024, a credit union
28 denied Ms. Gary's application for a personal loan she had sought to reduce her monthly expenses

1 on other household debts. The credit union’s denial letter cited her reported unsecured credit
2 balance—largely consisting of her cancelled but still reported federal student loans—as a basis
3 for the denial.

4 110. Plaintiffs have suffered deprivation of access to money that belongs to them.
5 MOHELA’s failure to process Plaintiffs’ loan discharges has prevented them from receiving
6 refunds they are owed for past payments to the Department of Education on their Group
7 Discharge loans.

8 111. MOHELA’s failures have also caused Plaintiffs to suffer from the uncertainty of
9 whether the student loan discharges promised by the Department will ever be realized.

10 112. For example, Ms. Maldonado called MOHELA multiple times after receiving her
11 Group Discharge notice to ask when her loans would be discharged. Each time MOHELA
12 representatives claimed that they did not know anything about the Corinthian Group Discharge.

13 113. Mr. Plamondon received a notice from MOHELA in fall 2023 stating that, when
14 the COVID return to repayment began, he would owe payments of \$600 per month. Mr.
15 Plamondon spent time calling MOHELA to try to tell them about his Group Discharge notice,
16 but MOHELA representatives told him that they would have to “research” the issue and call him
17 back. They never did.

18 114. Mr. Plamondon then had to spend time filling out an individual borrower defense
19 application—for loans that the Department had already designated for cancellation—in order to
20 access borrower defense forbearance and avoid the imposition of monthly payments that he
21 could not afford.

22 **CLASS ALLEGATIONS**

23 115. Plaintiffs bring this action individually and on behalf of all similarly situated
24 persons as described herein (the “Class” or “Class Members”):

25 All California residents who took out federal student loans (including Direct and/or FFEL
26 loans) to pay educational expenses at Marinello Schools of Beauty, Corinthian Colleges,
27 Inc., ITT Technical Institute, Westwood College, Colorado-based locations of
28 CollegeAmerica, and the Art Institute (“Group Discharge Loans”); who are included in
the Department of Education’s Group Discharges for these schools; whose Group
Discharge Loans are, at the time of filing of this Complaint, being serviced by

MOHELA; and who, since the Department of Education’s public announcements of their discharges, (i) have received communications from MOHELA that a balance or payment is due and owing on their discharged loans, (ii) have not received a refund of qualifying payments made on their Group Discharge Loans, and/or (iii) have Group Discharge Loans reported by MOHELA on their credit reports with an outstanding balance or payment due.

116. This action is appropriately brought as a class action pursuant to Code of Civil Procedure § 382 and Civil Code § 1781 because there exists an ascertainable and sufficiently numerous Class, a well-defined community of interest, and substantial benefits from certification that render proceeding as a class superior to the alternatives.

117. Numerosity and Ascertainability: The size of the Class makes a class action both necessary and efficient. The Department’s Group Discharge announcements covered over 882,000 borrowers. California has, for many years, had the largest number of college enrollees in the nation.⁸ The two largest Group Discharge schools, CCI and ITT, had a combined 37 campuses in California before their closures. It is therefore reasonable to infer that a significant percentage of borrowers covered by the Group Discharge announcements are California residents. Meanwhile, MOHELA services nearly 7 million federal student loan accounts.⁹ Accordingly, Class Members likely number in the thousands or even tens of thousands, and membership is so numerous that joinder of all individual class members would be impracticable. Members of the Class are easily ascertainable through MOHELA’s business records.

⁸ Since 2001, over 3.4 million Californians each year have enrolled in post-secondary education, peaking at nearly 4 million in 2008-2010 (during the heart of the time periods covered by the Group Discharges). *See* Nat’l Ctr. for Educ. Statistics, Student Enrollment: How many students enroll in postsecondary institutions annually?, <https://nces.ed.gov/ipeds/TrendGenerator/app/answer/2/2?f=6%3D6> (last visited July 18, 2024).

⁹ As of October 2023, when the return to repayment began, MOHELA serviced 7.8 million federal student loan accounts. *See* Katie Lobosco, Student Loan Servicer MOHELA Penalized for Sending Late Bills, *CNN.com* (Oct. 30, 2023), <https://www.cnn.com/2023/10/30/politics/student-loan-mohela-late-bills/index.html>. MOHELA recently announced plans to transfer approximately 1 million of those accounts to other servicers. *See* Annie Nova, “The Education Department will transfer some student loan borrowers to a different servicer,” *CNBC.com* (May 2, 2024), <https://www.cnbc.com/2024/05/02/education-dept-will-transfer-some-student-loan-borrowers-to-a-new-servicer-.html>.

118. Predominant Common Questions of Law and Fact: Common questions of law and fact affecting the rights of all Class Members predominate over any individualized issues. These questions include, but are not limited to:

a. Whether MOHELA had actual or constructive notice of which loans in its federal student loan portfolio were covered by the Group Discharges;

b. Whether MOHELA took actions and/or maintained policies or practices that interfered with Plaintiffs' and proposed Class Members' right to student loan discharges and refunds pursuant to the Group Discharges;

c. Whether MOHELA took actions and/or maintained policies or practices that interfered with Plaintiffs' and proposed Class Members' right to be free of demands for payment on their Group Discharge loans;

d. Whether MOHELA took actions and/or maintained policies or practices that resulted in MOHELA inaccurately representing the status and/or balance of Group Discharge loans to CRAs;

e. Whether MOHELA took actions and/or maintained policies or practices that resulted in MOHELA providing false and/or misleading information to Group Discharge borrowers regarding the Group Discharges;

f. Whether a reasonable person in Plaintiffs' and proposed Class Members' position would have been deceived by MOHELA's representations and omissions regarding Group Discharge loans;

g. Whether MOHELA violated Civil Code §§ 1788, *et seq.* with respect to Plaintiffs and Members of the proposed Class;

h. Whether MOHELA violated Civil Code §§ 1785.1, *et seq.* with respect to Plaintiffs and Members of the proposed Class;

i. Whether MOHELA violated Civil Code §§ 1788.100, *et seq.* with respect to Plaintiffs and Members of the proposed Class; and

j. Whether MOHELA violated Business and Professions Code §§ 17200 *et seq.* with respect to Plaintiffs and Members of the proposed Class.

1 119. There are no defenses of a unique nature that may be asserted against the
2 Plaintiffs individually, as distinguished from the Class as a whole, and the relief sought is
3 common to the Class.

4 120. Typicality: Plaintiffs' claims are typical of the claims of the proposed Class. All
5 members of the proposed Class were subject to the same uniform conduct: MOHELA's
6 generally applicable policies and practices resulted in MOHELA's widespread failure to identify
7 borrowers within its portfolio who had loans from Group Discharge schools; to deliver the relief
8 that those borrowers were rightfully owed; to make accurate reports to CRAs; and to provide
9 borrowers with accurate information about their account status.

10 121. Adequacy of Representation: Plaintiffs will fairly and adequately protect the
11 interests of the Class. Plaintiffs' counsel is highly experienced in class action cases of this sort,
12 including, specifically, classes of student loan borrowers. Plaintiffs and their counsel seek to
13 vigorously prosecute this action on behalf of the Class. There are no conflicts of interest between
14 Plaintiffs and Class Members.

15 122. Superiority of Class Mechanism: A class action is superior to all other available
16 methods for the fair and efficient adjudication of this matter. Plaintiffs and members of the
17 proposed Class have all suffered the same harms, which include (1) harm to their credit from
18 MOHELA's inaccurate reporting of loan statuses and balances; (2) deprivation of access to
19 money that belongs to them (*i.e.*, refunds); (3) the lost value of time they have spent trying,
20 unsuccessfully, to resolve their account status with MOHELA; (4) stress, confusion, and other
21 harms resulting from MOHELA's misrepresentations. Individualized litigation over these
22 questions would be unduly burdensome and costly to the parties and to the court system in
23 resolving this controversy. A class action is the best means to utilize the resources of the parties
24 and the court system and protect the rights of Class Members. Further, separate actions by
25 individual members of the Class would create a risk of inconsistent or varying adjudications
26 which would establish incompatible standards of conduct for MOHELA and/or substantially
27 impair or impede the ability of other Class Members to protect their interests.
28

1 123. Generally Applicable Action: MOHELA has acted on grounds generally
2 applicable to the Class, thereby making appropriate final injunctive relief and corresponding
3 declaratory relief with respect to the Class as a whole.

4 **FIRST CAUSE OF ACTION**

5 **Violation of the California Fair Debt Collection Practices Act (“Rosenthal Act”),**
6 **Civil Code §§ 1788, *et seq.***

7 **(On behalf of the Class against MOHELA and applicable DOES)**

8 124. Plaintiffs restate and incorporate by reference the allegations in all paragraphs
9 above as though fully set forth herein.

10 125. When enacting the Rosenthal Fair Debt Collection Practices Act (“Rosenthal
11 Act”), the California Legislature found:

12 The banking and credit system and grantors of credit to
13 consumers are dependent upon the collection of just and
14 owing debts. Unfair or deceptive collection practices
15 undermine the public confidence which is essential to the
16 continued functioning of the banking and credit system and
17 sound extensions of credit to consumers.

18 Civil Code § 1788.1(a)(1).

19 126. The Rosenthal Act, and the incorporated Federal Fair Debt Collection Practices
20 Act (“FDCPA”), are both strict liability statutes. That is, a plaintiff need not prove intent or
21 knowledge on the part of the debt collector to establish liability. *See Gonzales v. Arrow Fin.*
22 *Servs., LLC*, 660 F.3d 1055, 1060-61 (9th Cir. 2011); *Donohue v. Quick Collect*, 592 F.3d 1027,
23 1030 (9th Cir. 2010) (“[t]he FDCPA is a strict liability statute that makes debt collectors liable
24 for violations that are not knowing or intentional”); *Young v. Midland Funding LLC*, 91
25 Cal.App.5th 63, 91 (2023) (“[S]ection 1788.17, by its incorporation of [the FDCPA], permits a
26 Rosenthal Act plaintiff to state a prima facie case for liability where a defendant unknowingly
27 made or relied on a false representation about the legal status of a debt or employed a false
28 representation as a means to attempt the collection of a debt.”). To further protect consumers,
claims under the Rosenthal Act, like the FDCPA, are to be judged according to the “least
sophisticated debtor” or “least sophisticated consumer” standard. *Gonzales*, 660 F.3d at 1061. In
addition, a plaintiff need not even have been actually misled or deceived by the debt collector’s

1 communication. Rather, liability depends on whether the *hypothetical* least sophisticated debtor
2 would have likely been misled. *Id.*; see also *Tourgeman v. Collins Financial Servs.*, 755 F.3d
3 1109, 1119 (9th Cir. 2014).

4 127. Plaintiffs and class members are “debtors” as that term is defined by Civil Code
5 § 1788.2(h).

6 128. Defendants are “debt collectors” as that term is defined by Civil Code
7 § 1788.2(c).

8 129. The student loans that Defendants have attempted to collect are “consumer debt”
9 as that term is defined by Civil Code § 1788.2(f).

10 130. Through the conduct alleged above, Defendants have violated the Rosenthal Act.
11 The violations include, but are not limited to, the following:

- 12 a. Defendants falsely represented the character, amount, or legal status of Plaintiffs’
13 and the class members’ accounts, in violation of Civil Code § 1788.17
14 (incorporating 15 U.S.C. §§ 1692e(2)(A));
- 15 b. Defendants made and used false, deceptive, and misleading representations in an
16 attempt to collect on Plaintiffs’ and the class members’ accounts, in violation of
17 Civil Code § 1788.17 (incorporating 15 U.S.C. §§ 1692e(10);
- 18 c. Defendants continued to attempt to collect from Plaintiffs and class members for
19 debts not owed, an action that cannot lawfully be taken, in violation of Civil Code
20 § 1788.17 (incorporating 15 U.S.C. §§ 1692e(5); 1692f);
- 21 d. Defendants sent communications in an attempt to collect debt from Plaintiffs and
22 class members that gave the appearance the communications were approved or
23 authorized by the federal Department of Education, when the Department of
24 Education had not authorized those communications because it had already
25 designated the debt for discharge, in violation of Civil Code § 1788.16;

26 131. Defendants’ violations alleged herein were committed willfully and knowingly.

27 132. As a result of Defendants’ violations of the Rosenthal Act, Plaintiffs and class
28 members are entitled to actual damages; statutory damages of up to \$1,000 each for the named

1 Plaintiffs; and an award for the class of up to the lesser of \$500,000 or one percent of
2 Defendants' net worth pursuant to Civil Code § 1788.17 (incorporating 15 U.S.C. § 1692k(a)).

3 133. As a result of Defendants' violations of the Rosenthal Act, the Plaintiffs and class
4 members are entitled to an award of reasonable attorney's fees and costs pursuant to Civil Code
5 §§ 1788.17 (incorporating 15 U.S.C. § 1692k(a)(3)) and 1788.30(c).

6 134. Pursuant to Civil Code § 1788.32, the remedies provided under the Rosenthal Act
7 are intended to be cumulative and in addition to any other procedures, rights, or remedies that
8 Plaintiffs may have under any other provision of law.

9 WHEREFORE Plaintiffs pray for relief as set forth below.

10 **SECOND CAUSE OF ACTION**

11 **Violation of the California Consumer Credit Reporting Agencies Act ("CCRAA"),**
12 **Civil Code §§ 1785.1, *et seq.***
13 **(On behalf of the Class against MOHELA and applicable DOES)**

14 135. Plaintiffs restate and incorporate by reference the allegations in all paragraphs
15 above as though fully set forth herein.

16 136. The Consumer Credit Reporting Agencies Act ("CCRAA"), the California
17 version of the federal Fair Credit Reporting Act ("FCRA"), was originally enacted in 1975. In
18 language virtually identical to that found in the original FCRA legislation, the California
19 Legislature stated the CCRAA's purpose was "to require that consumer credit reporting agencies
20 adopt reasonable procedures" for handling credit information so as to ensure it was handled in a
21 manner which was "fair and equitable to the consumer with regard to confidentiality, accuracy,
22 relevancy, and proper utilization of such information in accordance with the requirements of this
23 title." Civ. Code § 1785.1(d).

24 137. In 1993, the California Legislature amended the CCRAA and added a section that
25 imposes duties on furnishers of credit information similar in some ways to those found in the
26 FCRA. Relevant to this case, Civil Code § 1785.25(a) provides that the furnisher "shall not"
27 furnish credit information to "any credit reporting agency if the person knows or should know
28 the information is incomplete or inaccurate."

138. Plaintiffs are "consumers" as that term is defined by Civil Code § 1785.3(b).

1 139. Defendants are “persons” as that term is defined by Civil Code § 1785.3(j).

2 140. Defendants furnished inaccurate and/or incomplete information about Plaintiffs’
3 and class members’ alleged debts to one or more consumer credit reporting agencies. Namely,
4 Defendants furnished information indicating that Plaintiffs and class members had payments
5 and/or balances due and owing on their alleged debts, and failed to correct information
6 previously furnished indicating the same, when, in fact, Plaintiffs and class members did not owe
7 payments or balances.

8 141. Defendants knew or should have known the information they furnished was
9 inaccurate and/or incomplete when Defendants furnished it, and when Defendants left that
10 inaccurate and/or incomplete information on Plaintiffs’ credit reports to languish and hurt
11 Plaintiffs’ and class members’ credit.

12 142. Defendants acted willfully in furnishing inaccurate and/or incomplete information
13 about Plaintiffs to one or more consumer credit reporting agencies.

14 143. Alternatively, Defendants acted negligently in furnishing inaccurate and/or
15 incomplete information about Plaintiffs to one or more consumer credit reporting agencies.

16 144. Plaintiffs and class members suffered damages as a result of Defendants’
17 violations of the CCRAA, including reduced creditworthiness and denials of credit.

18 145. As a result of Defendants’ willful violations of the CCRAA, Plaintiffs and class
19 members are entitled to an award of actual damages, including costs and attorney’s fees pursuant
20 to Civil Code § 1785.31(a)(2)(A).

21 146. As a result of Defendants’ willful violations of the CCRAA, Plaintiffs and class
22 members are entitled to an award of punitive damages in an amount not less than one hundred
23 dollars (\$100) nor more than five thousand dollars (\$5,000) for each violation pursuant to Civil
24 Code § 1785.31(a)(2)(B).

25 147. As a result of Defendants’ negligent violations of the CCRAA, Plaintiffs and class
26 members are entitled to an award of actual damages, including court costs and attorney’s fees
27 pursuant to Civil Code § 1785.31(a)(1).
28

148. As a result of Defendants' willful violations of the CCRAA, Plaintiffs and class members are entitled to an award of punitive damages in an amount that the court may allow pursuant to Civil Code § 1785.319(c).

149. As a result of Defendants' violations of the CCRAA, Plaintiffs and class members are entitled to injunctive relief pursuant to Civil Code § 1785.31(b).

150. As a result of Defendants' violations of the CCRAA, Plaintiffs are entitled to court costs and attorney's fees pursuant to Civil Code § 1785.31(f) (incorporating Code of Civil Procedure § 1021.5).

WHEREFORE Plaintiffs pray for relief as set forth below.

THIRD CAUSE OF ACTION

**Violation of the Student Borrower Bill of Rights,
Civil Code §§ 1788.100, *et seq.***

(On behalf of the Class against MOHELA and applicable DOES)

151. Plaintiffs restate and incorporate by reference the allegations in all paragraphs above as though fully set forth herein.

152. The California Student Borrower Bill of Rights (“SBBR”) was enacted in part to address “misaligned incentives that may cause [student loan] servicers to behave in a manner contrary to the interests of borrowers.” (Assembly Floor Analysis, AB 376, 2019-2020 Session (as amended August 20, 2020).)

153. In response to these misaligned incentives, the SBBR “prohibits servicers from engaging in activities that mislead borrowers” and from “engaging in unfair or deceptive practices toward borrowers.” *Id.* The SBBR also “requires servicers to meet minimum standards related to processing payments in a timely manner, maintaining accurate records, and processing questions or complaints from borrowers.” *Id.*

154. “The borrower protections in [the SBBR] can be enforced through a private right of action, ensuring that borrowers have pathways to appropriate remedies regardless of whether their servicer is licensed under existing state law or whether the state Attorney General has sufficient resources to bring an action.” *Id.*

155. Plaintiffs are “borrowers” as that term is defined by Civil Code § 1788.100(a).

1 156. Defendants are “student loan servicers” as that term is defined by Civil Code
2 § 1788.100(s).

3 157. The loans that Defendants have attempted to collect are “student loans” as that
4 term is defined by Civil Code § 1788.100(q).

5 158. Defendants’ conduct alleged herein constitutes abusive acts or practices in
6 violation of Civil Code § 1788.101(a). This abusive conduct includes but is not limited to:

- 7 a. Materially interfering with Plaintiffs’ and class members’ ability to understand a
8 term or condition of their student loans, including by leading Plaintiffs and class
9 members to believe the loans are due with a balance owing when they are not;
- 10 b. Taking unreasonable advantage of Plaintiffs’ and class members’ inability to
11 protect their interests when using features, terms, and conditions of their student
12 loans, including by sending collection notices and reporting derogatory
13 information to credit reporting agencies indicating that Plaintiffs and class
14 members owe balances they do not owe;
- 15 c. Taking unreasonable advantage of Plaintiffs’ and class members’ reasonable
16 reliance on Defendants to act in their interests, including their reliance on
17 Defendants to communicate accurate information, and not to report false and
18 derogatory information about Plaintiffs and class members to third parties.

19 159. Defendants’ conduct alleged herein constitutes violations of Civil Code
20 § 1788.101(b). These violations include but are not limited to:

- 21 a. Directly deploying a scheme, device, or artifice to defraud or mislead Plaintiffs
22 and class members into believing they owe balances that they do not owe;
- 23 b. Engaging in unfair practices toward Plaintiffs and class members that caused
24 them harm, which they could not reasonably avoid, and were not outweighed by
25 benefits to competition, including by demanding payments and reporting false and
26 derogatory information on Plaintiffs’ class members’ consumer reports when
27 Defendants knew or should have known Plaintiffs’ and class members’ loans
28 were discharged;

- 1 c. Engaging in deceptive practices toward Plaintiffs and class members, and
2 misrepresenting and omitting material information in connection with servicing
3 Plaintiffs' and class members' student loans, including misrepresenting the status,
4 amount, nature, and terms of the balance and payment due, both to Plaintiffs and
5 class members, and to third parties including consumer reporting agencies;
6 d. Failing to accurately report Plaintiffs' and class members' loan details and status
7 to consumer reporting agencies.

8 160. Defendants' conduct alleged herein has substantially interfered with Plaintiffs'
9 and class members' right to loan cancellation or discharge.

10 161. One or more Plaintiffs sent MOHELA a letter (the "Notice Letter") more than 45
11 days before commencing this action, notifying MOHELA of its violations of the Student
12 Borrower Bill of Rights, and demanding a correction and remedy on behalf of the class of
13 borrowers described herein, which includes all Plaintiffs.

14 162. The Notice Letter was sent via certified mail to the address for MOHELA on file
15 with the Department of Financial Protection and Innovation.

16 163. The Notice Letter satisfied the notice requirement in Civil Code § 1788.103(d).

17 164. MOHELA has not given or offered an appropriate correction or remedy for the
18 violations set forth in the Notice Letter and alleged herein, nor has MOHELA ceased from
19 engaging, or stated it will cease from engaging within a reasonable time, in the methods, acts,
20 and practices challenged herein.

21 165. MOHELA's knowing disregard of Plaintiffs' and the proposed class's legal rights
22 constitutes oppression, fraud, or malice pursuant to Civil Code § 3294.

23 166. As a result of Defendants' violations of the SBBR, Plaintiffs and class members
24 are entitled to an award of actual damages to be proven at trial, but in no case less than five
25 hundred dollars (\$500) per plaintiff, per violation pursuant to Civil Code § 1788.103(b)(1).

26 167. As a result of Defendants' violations of the SBBR, Plaintiffs and class members
27 are entitled to an order enjoining Defendants' unlawful methods, acts, or practices pursuant to
28 Civil Code § 1788.103(b)(2).

168. As a result of Defendants' violations of the SBBR, Plaintiffs and class members are entitled to restitution of property pursuant to Civil Code § 1788.103(b)(3).

169. As a result of Defendants' violations of the SBBR, Plaintiffs and class members are entitled to an award of punitive damages pursuant to Civil Code § 1788.103(b)(4).

170. As a result of Defendants' violations of the SBBR, Plaintiffs and class members are entitled to attorney's fees pursuant to Civil Code § 1788.103(b)(5).

171. In addition to any other remedies provided by the SBBR, as a result of Defendants' conduct that substantially interfered with Plaintiffs' right to loan forgiveness, cancellation, or discharge, Plaintiffs and class members are entitled to an award of treble actual damages, but in no case less than one thousand five hundred dollars (\$1,500) per plaintiff, per violation pursuant to Civil Code § 1788.103(c).

WHEREFORE Plaintiffs pray for relief as set forth below.

FOURTH CAUSE OF ACTION

**Violation of the Unfair Competition Law,
California Business and Professions Code § 17200 *et seq.*
(On Behalf of the Class against MOHELA and applicable DOES)**

172. Plaintiffs restate and incorporate by reference the allegations in each and every preceding paragraph as though fully set forth herein.

173. Business and Professions Code § 17200, *et seq.* (the “UCL”) defines unfair competition to include any unlawful, unfair, or fraudulent business act or practice. The UCL authorizes courts to order injunctive and/or declaratory relief, as well as other equitable relief including restitution.

174. Defendants' conduct alleged herein is unlawful in that the conduct constitutes violations of the Rosenthal Act, the CCRAA, and the Student Borrower Bill of Rights.

175. Defendants' conduct alleged herein is unfair in that it has caused Plaintiffs and class members substantial injuries that were not reasonably avoidable by them. Plaintiffs' and class members' injuries are not outweighed by countervailing benefits to consumers or competition. Defendants' actions are substantially injurious to consumers, offend public policy,

1 and are immoral, unethical, oppressive, and unscrupulous, as the gravity of the conduct
2 outweighs any alleged benefits attributable to the conduct.

3 176. Defendants' actions alleged herein constitute fraudulent acts and practices
4 because they involve false and misleading representations and omissions likely to deceive
5 reasonable consumers.

6 177. The Plaintiffs named herein have lost money or property as a direct result of
7 Defendants' actions. This has included out-of-pocket expenses as well as harm to the named
8 Plaintiffs' credit as a result of Defendants' reporting that they owe balances they do not owe.
9 Harm to the named Plaintiffs' credit caused them to lose financial resources in the form of access
10 to credit, and thereby to lose the ability to purchase things they needed at the time they needed
11 them.

12 178. As a result of Defendants' violations of the UCL, Plaintiffs and class members are
13 entitled to restitution, injunctive relief, and other equitable relief in order to remedy past harms
14 and prevent future damages, for which there is no adequate remedy at law.

15 179. Pursuant to Business and Professions Code § 17203, Plaintiffs seek an injunction
16 to immediately stop Defendants' unfair acts of competition by enjoining Defendants from
17 attempting to collect the alleged debts from the Plaintiffs and the proposed class, and from
18 reporting to consumer reporting agencies that Plaintiffs and the proposed class owe any balances
19 or payments.

20 180. Plaintiffs are entitled to an award of attorneys' fees and costs in prosecuting this
21 action under Code of Civil Procedure § 1021.5 because:

- 22 a. A successful outcome in this action will result in the enforcement of important
23 rights affecting the public interest by protecting a large class of persons from
24 unfair, unlawful, and deceptive practices;
- 25 b. This action will result in a significant pecuniary benefit and injunctive relief for a
26 large class of persons;
- 27 c. Unless this complaint is prosecuted, Defendants' activities will go unremedied;
28 and

d. Plaintiffs are individuals of modest means with limited access to the courts and the civil justice system. Unless attorney's fees, costs, and expenses are awarded, Plaintiffs will not recover the full measure of their losses.

WHEREFORE Plaintiffs pray for relief as set forth below.

PRAAYER FOR RELIEF

WHEREFORE, Plaintiffs, on behalf of themselves and all others similarly situated, respectfully pray for relief against Defendants as follows:

1. For an order certifying this action as a class action, or, in the alternative, for an order certifying issues for class treatment pursuant to Rule of Court 3.765(b);

2. For an order appointing Plaintiffs as Class Representatives and appointing Plaintiffs' counsel as Class Counsel;

3. For all actual, incidental, and consequential damages and all other available forms of recovery in an amount to be proven at trial, including compensatory damages, punitive damages, statutory damages, restitution, treble damages, and any additional penalties and interest that may apply;

4. For an injunction (a) prohibiting MOHELA from demanding and/or collecting payments on any Group Discharge loans, including consolidated loans that consist in whole or in part of Group Discharge loans; (b) requiring MOHELA to correct its credit reporting for all Group Discharge loans within its portfolio to reflect that there is no balance due or owing on any of those loans; (c) requiring MOHELA to complete the refund process for all Group Discharge loans within its portfolio by a date certain; and (d) prohibiting MOHELA from further violating the Rosenthal Act, CCRAA, SBBR, and UCL in the manner set forth above, including a prohibition on making false and misleading representations to borrowers, CRAs, and members of the public about the status of Group Discharge loans.

5. For appropriate declaratory relief;

6. For all reasonable costs, expenses, and attorneys' fees incurred by Plaintiffs pursuant to Civil Code §§ 52(a), 1780 and/or C.C.P. § 1021.5;

7. For such further relief that the Court may deem just and proper.

1
2 DATED: September 4, 2024

3
4 By: Noah Zinner

5 Noah Zinner
6 Rebecca C. Eisenbrey
7 Rebecca C. Ellis
8 **PROJECT ON PREDATORY STUDENT
LENDING**

9 Daniel “Sparky” Abraham
10 JUBILEE LEGAL

11 Adam McNeile
12 Malachi J. Haswell
13 KEMNITZER, BARRON & KRIEG, LLP

14 Attorneys for Plaintiffs and the Proposed Class

15 **JURY TRIAL DEMANDED**

16 Plaintiffs demand a trial by jury on all issues so triable.

17
18 Dated: September 4, 2024

By: Malachi J. Haswell

19 Noah Zinner
20 Rebecca C. Eisenbrey
21 Rebecca C. Ellis
22 **PROJECT ON PREDATORY STUDENTLENDING**

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