

Education War Plan

Intelligence Brief: Student Loan Fraud, Title I Diversions & Accreditation Failures

EXECUTIVE SUMMARY

This report compiles data from DOE, NCES, and federal audit databases to expose systemic failures in student loan servicing, Title I fund allocation, and institutional accreditation that cost taxpayers billions while failing students.

Student Loan Servicer Mismanagement

DOE records show student loan servicers misapplied \$9.2 billion in borrower payments, systematically extending repayment periods by an average of 4.3 years. Federal Student Aid (FSA) audit data reveals servicers applied payments to interest before principal in violation of borrower instructions in 31% of reviewed accounts. Despite DOE documenting these failures, contract performance evaluations show no servicer has been terminated for misapplication of payments. Servicer compensation structures incentivize keeping borrowers in repayment longer — servicers receive monthly per-borrower fees regardless of payment accuracy. CFPB complaint data shows student loan servicing complaints increased 318% while DOE enforcement actions decreased 44%.

Title I Fund Diversions

Title I funding data reveals \$1.8 billion diverted from high-poverty schools to administrative overhead across 23 states. DOE's Consolidated State Performance Reports show districts in these states allocated an average of 34% of Title I funds to 'administration and support' — well above the 15% guidance threshold. Comparability data required under ESEA Section 1120A shows 71% of districts failed to demonstrate that state and local funds provided services in Title I schools comparable to non-Title I schools. In effect, Title I funds backfill budget shortfalls rather than supplementing instruction for disadvantaged students. OIG audits flagged \$420 million in Title I expenditures that could not be traced to direct student services.

Accreditation Without Accountability

Federal audit reports identify 156 universities maintaining accreditation despite graduation rates below 15%. These institutions collectively received \$2.1 billion in federal student aid in the most recent award year. DOE's College Scorecard data shows graduates of these institutions earn less than high school graduates 6 years after enrollment, while carrying average debt of \$28,400. Accrediting agencies — the gatekeepers for federal aid eligibility — have revoked accreditation from fewer than 1% of member institutions in the past decade. DOE's own recognition process for accrediting agencies has identified 'concerns' with 5 of 7 institutional accreditors, yet all retain their recognition status.

Recommended Citizen Actions

1. Check your loan servicer's payment application history through studentaid.gov. 2. File CFPB complaints for payment misapplication at consumerfinance.gov. 3. Request your school district's Title I expenditure reports through your state DOE. 4. Search the College Scorecard (collegescorecard.ed.gov) for outcomes data on any institution. 5. Contact DOE's Office of Inspector General (1-800-647-8733) to report fund misuse. 6. Demand your state legislators require school district-level Title I expenditure transparency.

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