



STUDENT BORROWER  
PROTECTION CENTER



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### **New Report Warns of 'Educational Redlining' By FinTech Student Lender Systematically Overcharging Borrowers Who Attend Historically Black Colleges and Universities**

*Student Borrower Protection Center and NAACP Legal Defense and Educational Fund Call on Stride Funding to Address Evidence of Discrimination, Warn of Broader Fair Lending Risks for Providers of Income Share Agreements*

The [Student Borrower Protection Center \(SBPC\)](#) and the [NAACP Legal Defense and Educational Fund, Inc. \(LDF\)](#) today [sent a demand letter](#) to higher education lending company, Stride Funding, LLC (Stride Funding), raising concerns that its lending model may violate the federal Equal Credit Opportunity Act (ECOA). The letter suggests that the company's model could penalize student borrowers for attending Historically Black Colleges and Universities (HBCUs) and other minority-serving institutions (MSIs), which has a disparate impact on Black and Brown borrowers. As the letter outlines, SBPC and LDF are requesting a meeting with Stride Funding to discuss this matter and to determine how to cure its platform of discriminatory impact.

Stride Funding offers borrowers Income Share Agreements (ISAs), a relatively new and unstudied form of student financing that ties students' loan payments to their future wages. In January 2021, [the SBPC ran a series of tests](#) of Stride Funding's platform, obtaining price quotes from the company for hypothetical applicants who had identical incomes, credit scores, and financial backgrounds but attended different schools. The results showed that students at HBCUs and other MSIs can expect to pay thousands of dollars more for Stride's ISAs than those who do not attend HBCUs or MSIs. These disparities held true even when controlling for criteria related to school quality.

"Our report is yet another stark reminder that discrimination remains alive and well in the student loan market," said Seth Frotman, SBPC Executive Director and former top student loan official at the Consumer Financial Protection Bureau. "It is increasingly impossible to deny the fair lending risks inherent to the business model embraced by lenders that make Income Share Agreements. I am concerned that the types of fair lending risks evidenced here are less a bug than a central feature of ISAs."

As the letter describes, the Equal Credit Opportunity Act (ECOA) prohibits any institution offering a credit product from discriminating against an applicant on the basis of race or other protected characteristics. The ECOA also prevents creditors from relying on racial proxies — facially neutral criteria that may correlate strongly with race — when making lending decisions. Because ISAs are a covered type of credit product, providers, like Stride Funding, must comply with the ECOA’s nondiscrimination mandate.

“Historically Black Colleges and Universities and other minority-serving institutions are essential to the economic security and upward mobility of Black and Brown communities. The results of the SBPC’s testing show the very real ways that relying on education data — such as the school attended or major chosen — in assessing an individual’s creditworthiness can replicate, and even worsen, the same historic patterns of racial discrimination that have prevented Black borrowers and other borrowers of color attending these schools from accessing financial opportunities,” said Ashok Chandran, Assistant Counsel at LDF. “We look forward to hearing from Stride Funding about how best to address the disparities the SBPC has identified.”

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*The Student Borrower Protection Center ([www.protectborrowers.org](http://www.protectborrowers.org)) is a nonprofit organization focused on alleviating the burden of student debt for millions of Americans. SBPC engages in advocacy, policymaking, and litigation strategy to rein in industry abuses, protect borrowers’ rights, and advance economic opportunity for the next generation of students.*

*Founded in 1940, the NAACP Legal Defense and Educational Fund, Inc. (LDF) is the nation’s first civil and human rights law organization. LDF has been completely separate from the National Association for the Advancement of Colored People (NAACP) since 1957—although LDF was originally founded by the NAACP and shares its commitment to equal rights. LDF’s Thurgood Marshall Institute is a multi-disciplinary and collaborative hub within LDF that launches targeted campaigns and undertakes innovative research to shape the civil rights narrative. In media attributions, please refer to us as the NAACP Legal Defense Fund or LDF.*