

Congress of the United States
Washington, DC 20510

June 12, 2017

The Honorable Betsy DeVos
Secretary of Education
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, D.C. 20202

Dear Secretary DeVos,

In April, many of us wrote to you expressing concern with your decision to rescind policy memos issued by the previous Administration, which proposed stronger consumer protections for student loan borrowers and an overhaul of federal student loan servicing. We outlined how policies in these memos would have raised the quality of federal student loan servicing and improved outcomes for both borrowers and the federal government. We also inquired how, after rescinding these protections, the U.S. Department of Education (“Department”) planned to procure a new contract for federal student loan servicing that affects more than 32 million Americans with federally managed student loan debt.

Although we have yet to receive a formal response to our letter, on May 19, 2017, the Department publicly announced it was making substantial changes to the procurement. We have serious concerns that these changes, coupled with the previous rescission of policy, will actively harm borrowers and ultimately put taxpayers at risk. The revised procurement threatens to increase rates of delinquency and default, degrade the quality of customer service, and make it harder for borrowers to manage their federal loans. We also fear these policy choices will significantly undermine the ability of the Department to hold loan servicers more accountable.

Delinquency and default saddle a borrower with a potential lifetime of financial burden. Thus, requirements that help reduce the rate of delinquency and default should be the centerpiece of federal loan servicing. The changes remove key requirements that would make the loan servicer adhere to standards jointly developed by the Department of Education, Treasury, and the Consumer Financial Protection Bureau (CFPB) in order to reduce rates of delinquency and default. These eliminated standards include, but are not limited to:

- Requiring that servicers engage in “high touch” servicing techniques with delinquent borrowers or those at risk of delinquency;
- Providing assurances that incoming calls from delinquent borrowers are routed to staff with training in resolving these cases;
- Notifying borrowers when they send payments to the wrong address;
- Requiring servicers to proactively reach out to borrowers over the phone to recertify their eligibility for income-driven repayment (IDR) plans;
- Requiring servicers to present options to borrowers who can only make partial payments;
- Outlining procedures for when a loan is transferred between servicers; and

- Ensuring that borrowers calling the servicer's primary number can receive information on IDR options, delinquency resolution, and discharges for which they may be eligible.

The amended procurement also reduces the level of customer service for borrowers. There is a consensus among borrowers, servicers, and higher education professionals that customer service can and should be improved. In the current process for allocating new loans among servicers, the most important factor in the allocation is customer satisfaction. It is deeply troubling that the amended procurement strikes a host of requirements that would improve customer service, including providing information in Spanish; allowing for directed payment online; and using multiple customer service centers that use customer service metrics to compete for call volume.

Borrowers must have the tools necessary to make informed decisions about their loan and repayment options. No one benefits from decreased transparency. We disagree with the Department's decision to remove CFPB's Payback Playbook in loan statements, prepayment calculators from the servicer's website, and testing and plain language requirements for communications between the servicer and borrowers. Additionally, we have concerns about the decision to lift restrictions on servicers to allow them to provide information about private student loans, which offer fewer protections for borrowers. Federal contractors should focus on the federal loan portfolio, not pitching their own products.

Finally, the Department's plan to select a single servicer for the entire Direct Loan portfolio is extremely alarming. This decision could create a monopolistic, unresponsive, and inflexible student loan system that would produce poorer results for both borrowers and taxpayers. The single servicer, responsible for administering a growing trillion-dollar loan portfolio, would increasingly become "too big to fail." This structure would also diminish the Department's ability to meaningfully enforce servicing standards that help borrowers by creating a government-funded entity that could become simultaneously indispensable and unmanageable. Additionally, by relying on the single servicer to hold subcontractors accountable for the treatment of student loan borrowers, the Department abdicates its oversight responsibilities. When the Department contracted with a single servicer in the past, borrowers and taxpayers both suffered from ineffective servicing and the Department had little leverage to improve the situation. Outsourcing accountability of this critical part of student aid to a private entity with unprecedented control over the entire federal student loan system remains a bad idea.

As stewards of taxpayer dollars, we owe it to all federal loan borrowers to build a servicing system that makes repaying loans easier, not harder, by providing high-quality customer service and puts students first. As amended, the current procurement does not meet these goals. We ask that you provide further justification for these changes, particularly the reduction of transparency and the decision to move to a single loan servicer. We stand willing to work with you to improve student loan servicing, and we look forward to your response.

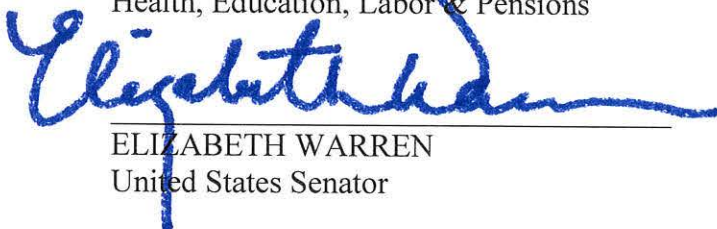
Sincerely,



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Ranking Member, Senate Committee on
Health, Education, Labor & Pensions



ROBERT C. "BOBBY" SCOTT
Ranking Member, House Committee on
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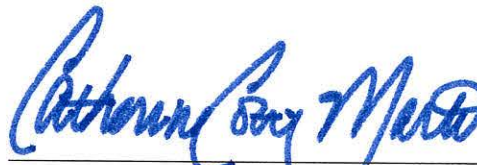
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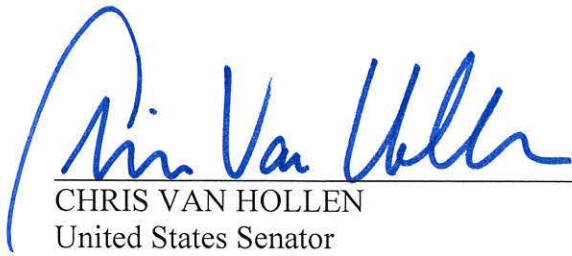
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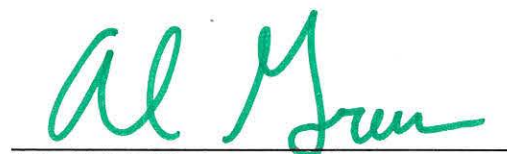
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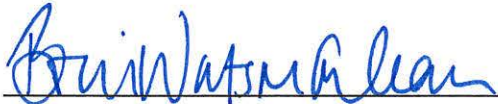
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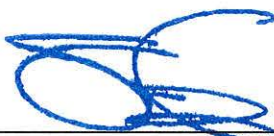
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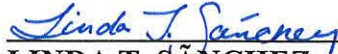

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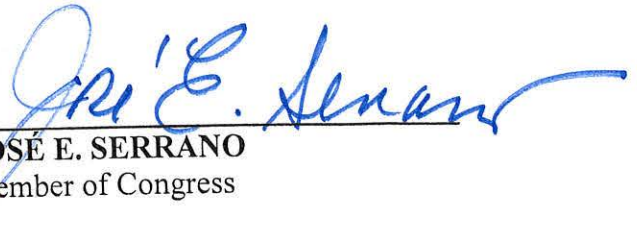
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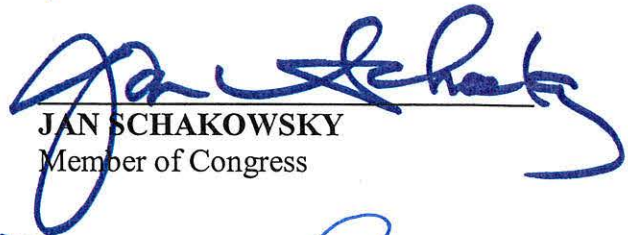
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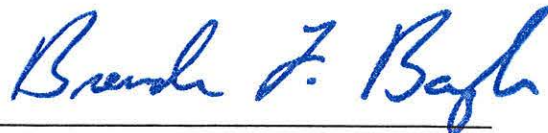
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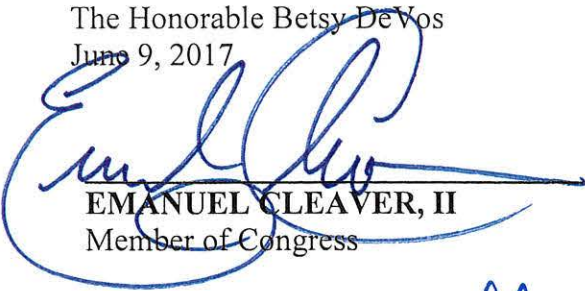


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