

Congress of the United States
Washington, DC 20510

April 26, 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,

We are very concerned by your April 11th decision to rescind policy directives that would have protected student loan borrowers. This sudden and unwarranted action raises significant questions about how the U.S. Department of Education (“Department”) plans to proceed with the procurement of new federal student loan servicing contracts (“recompete”) and whether you will manage federal loan servicing activities in a manner that holds federal student loan servicers more accountable, helps millions of borrowers avoid the terrible consequences of default and delinquency, and ultimately protects the rights of students and families.

More than 42 million Americans collectively owe nearly \$1.3 trillion dollars in federal student loan debt, and student loan servicers act as these borrowers’ primary point of contact for managing their loans. Whether borrowers are struggling to repay their loans, seeking actionable information about how to lower their payments, or just need help finding the repayment or forgiveness plan that best meets their needs, student loan servicers play a significant role in borrowers’ daily lives and act as official representatives of the federal government.

After years of pervasive and widespread failures in student loan servicing, many borrowers are simply fed up with delays, errors, and mismanagement of their loans. Serious issues with servicing operations and oversight have been repeatedly identified by an avalanche of complaints from borrowers, countless investigations of and settlements with servicers for alleged violations of consumer protection laws, and numerous reports from the Government Accountability Office and the Consumer Financial Protection Bureau (CFPB).

Given the strong consensus on the policies needed to dramatically improve customer service for federal student loan borrowers, the Department took steps to overhaul student loan servicing. Under the previous Administration, the Department issued several memos for the recompete to establish rules to prevent predatory, abusive, and unfair behavior by servicers, and to write new consumer rights and protections into the next round of servicing contracts. Your decision to rescind these memos—including the guidance making servicers’ past performance and record of compliance with the law the most important non-cost factor in the evaluation—will put millions of borrowers and taxpayers at risk. Without accounting for past performance, federal contracts will be open to bidders that have previously violated state or federal consumer protection laws, mistreated members of our military, and consistently ignored the needs of their borrowers.

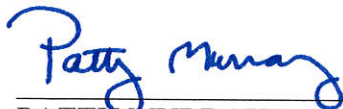
Most notably, your decision to rescind uniform servicing standards—for activities such as the way loan payments are applied, how accounts are transferred between servicers, and the loan forgiveness and repayment information that must be provided to borrowers—signals an unwillingness to support and safeguard the best interest of borrowers. These consumer protections were carefully crafted based upon President Obama’s Memorandum on the Student Aid Bill of Rights and the joint servicing principles that the Department wrote in consultation with the Treasury Department and the CFPB to reform and simplify student loan servicing, improve borrower outcomes, and reduce student loan defaults. The standards also would have helped borrowers receive consistent, adequate, and timely communications from servicers and allowed for much greater transparency on the performance of the entire the federal student loan program.

Contrary to the rationale you provided for withdrawing these policies, which was “to negate any impediment, ambiguity or inconsistency,” the policy directives were quite specific, unambiguous, and consistent with previously-established principles for student loan servicing reform and repeated bipartisan requests from Members of Congress to reform student loan servicing in a manner that puts the interests of students and families first.

During your confirmation process, you stated that the Department “should do everything possible to ensure that our students are getting excellent servicing of their student loans,” and your April 11th memo committed to ensuring “that borrowers are being treated fairly and equitably.” Despite these commitments, you have not presented a strategy for ensuring borrowers are being treated fairly and equitably by servicers and you have not provided a plan for how you intend to move forward with this highly consequential recompute process.

With one in four student loan borrowers in default or delinquent on their federal student loans, it is the responsibility of the Department to address the student debt crisis and ensure that all service providers in the student loan program are doing everything they can to put students and families first ahead of the profits of student loan companies. We ask that you immediately reverse your decision and reinstate the previous memos and directives to Federal Student Aid. Finally, we request that the Department quickly clarify how the initial decision to rescind the memos was made and whether the current recompute will result in the development of a single servicing platform for borrowers, greater transparency and accountability from servicers, and high-quality student loan servicing that conforms to the joint servicing principles by the Departments of Education, Treasury, and the CFPB.

Sincerely,




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




ROBERT C. "BOBBY" SCOTT
Ranking Member, House Committee on
Education & the Workforce


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United States Senator


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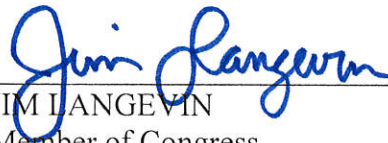
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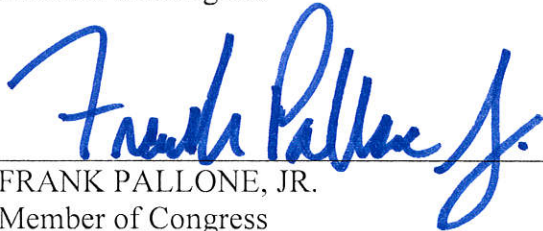
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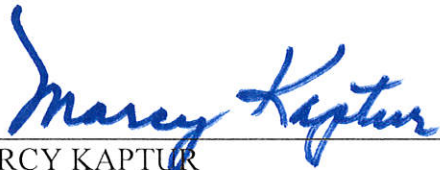
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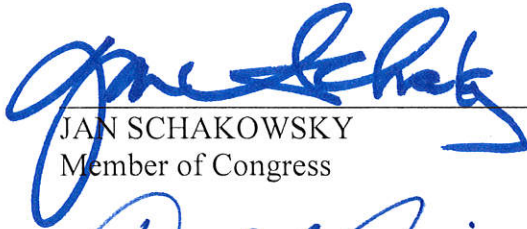
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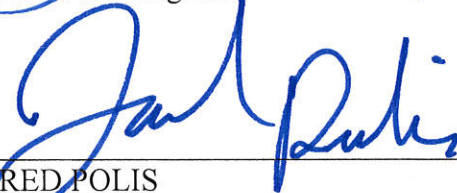
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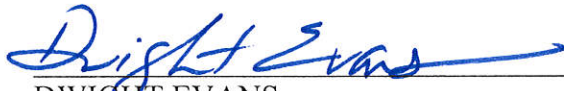
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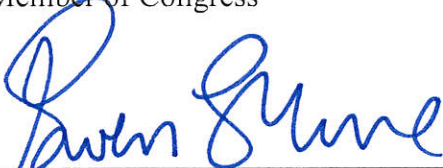
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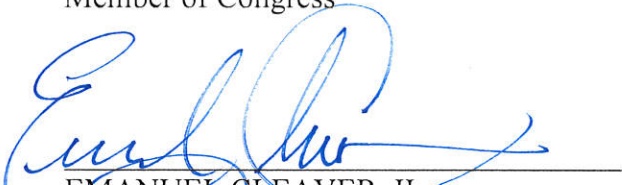
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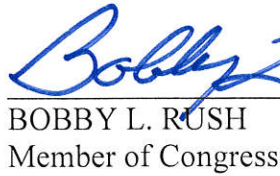

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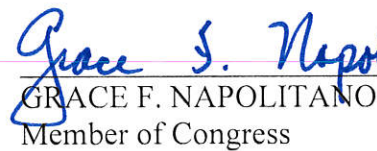

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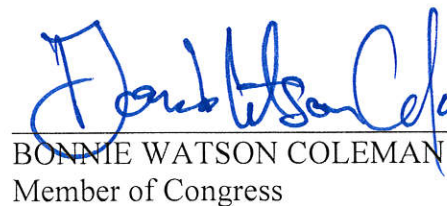

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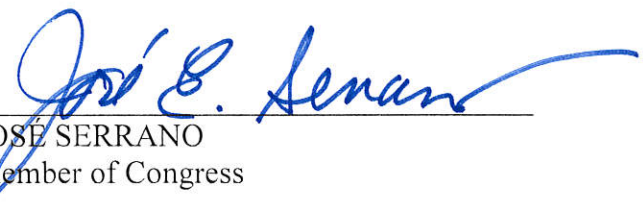

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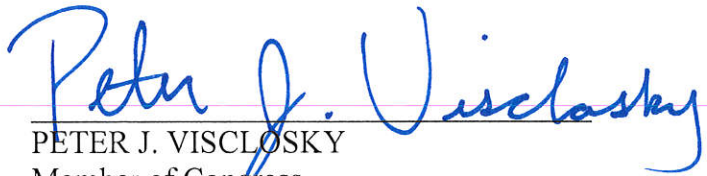

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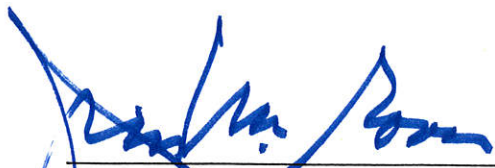

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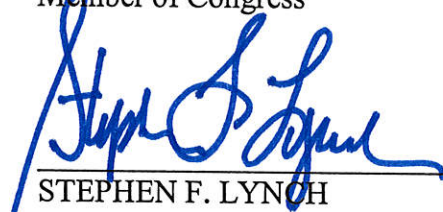
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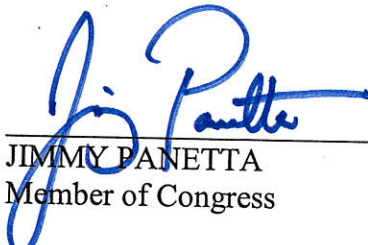
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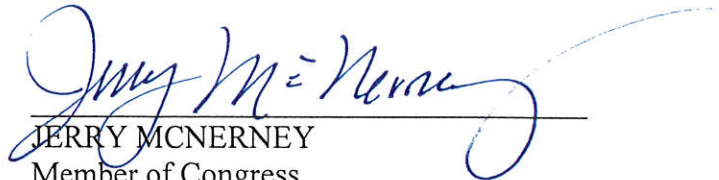


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