

Congress of the United States
House of Representatives
Washington, DC 20515

November 29, 2012

SENT VIA FACSIMILE TO (717) 720-3917

James L. Preston
President and Chief Executive Officer
Pennsylvania Higher Education Assistance Agency
1200 North 7th Street
Harrisburg, PA 17102

Dear Mr. Preston:

I write to request information about your company's origination, servicing and collection of loans for students seeking a post-secondary education. I also ask for your cooperation in addressing increasing difficulties confronting private student loan customers who struggle to find work and repay their student loans.

As you are aware, the Consumer Financial Protection Bureau's (CFPB) Student Loan Ombudsman recently reported on complaints it received from your customers as well as customers of other companies about the misapplication of student payments, failure to resolve timely servicer errors and failure to connect the appropriate customer service representative with borrowers to explore repayment options in times of economic hardship, among other significant concerns.¹

While the CFPB did not attribute specific complaints to individual companies, CFPB reported that American Education Services (AES) received a number of complaints from borrowers and the overwhelming concern cited by private student loan customers involved loan repayment. For example, the CFPB reported that a number of borrowers expressed frustration that customer service representatives encouraged these borrowers to pay what they could afford without informing them that despite their "good faith" payments they would still be on a path toward devastating default. Borrowers also reported to the CFPB that different customer service representatives of the same servicer gave conflicting information and borrowers were often left dealing with the wrong representatives when seeking to renegotiate their loan repayments.

I am confident you agree that such student experiences are unacceptable, fixable and preventable going forward.

The CFPB's report findings are striking in part because, in addition to AES' significant private student loan volume, the Pennsylvania Higher Education Assistance Agency, through FedLoan Servicing, is working under

¹Consumer Financial Protection Bureau, *Annual Report of the CFPB Student Loan Ombudsman* (Oct. 16, 2012).

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federal contract to service tens of millions of dollars in federal student loans.² As a result, PHEAA is uniquely positioned to be able to offer the best possible service to our nation's student borrowers; however, the CFPB's report suggests otherwise. Accordingly, I have asked the Government Accountability Office (GAO) to review the operations of PHEAA and the other companies handling both private and federal student loans. Separately, I respectfully request PHEAA address the following questions:

- 1) How does PHEAA leadership oversee its customer service processes to identify and correct deficiencies? Is the oversight, if any, the same for all customers regardless of whether they hold private loans, federal student loans or both? Please explain.
- 2) Because loan repayment terms and conditions are widely cited by student borrowers as exceedingly important in the current economic environment, what, if any, action is PHEAA taking or planning to take to work with its private student loan customers struggling to find work and repay their loans?
- 3) What authorities are available to PHEAA to renegotiate loan terms and conditions with its private student loan customers? Has AES renegotiated loan terms and conditions with its private student loan customers? Please explain and provide examples of criterion used to assess the approval of modified loan terms and conditions.
- 4) Has AES resolved each of the customer complaints identified by the CFPB? If not, please explain why.
- 5) Has PHEAA amended any of the company's policies or procedures in response to the customer complaints identified by the CFPB? Please explain.

I appreciate your cooperation with this request and look forward to learning more from you regarding these issues. Please coordinate your response with Julie Peller on my Committee staff who can be reached at (202) 225-3725.

Sincerely,



GEORGE MILLER

Senior Democratic Member

cc: John Kline, Chairman

² According to the Pennsylvania Higher Education Assistance Agency, PHEAA conducts its student loan operations commercially as AES and conducts its student loan servicing operations for federally-owned loans as FedLoan Servicing.