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Lawmakers and Trade Group Criticize Education Dept. Move to Single Loan Servicer

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A bicameral group of federal legislators on Tuesday [sent a letter](#) to Betsy DeVos, the education secretary, criticizing recent changes in how the Education Department chooses an outside company to service the billions of dollars in federal student loans it issues.

The lawmakers were led by Sen. Patty Murray, Democrat of Washington; Sen. Elizabeth A. Warren, Democrat of Massachusetts; Rep. Bobby Scott, Democrat of Virginia; and Rep. Suzanne Bonamici, Democrat of Oregon. “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 legislators wrote. “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.”

In April the department rescinded several Obama-era servicing memos that had not yet gone into effect but were meant to improve customer service for students and borrowers. Ms. DeVos [said at the time](#) that the process for the department’s competition to choose loan servicers had been “subjected to a myriad of moving deadlines, changing requirements, and a lack of consistent objectives.”

The department positioned the changes in the competition as a means of streamlining the process, something that could not have been done without rescinding the Obama-era memos, said James Manning, the acting under secretary of education. [Among the](#)

changes were the decision to choose a single loan servicer for student loans, a reduction in outreach to borrowers in income-driven repayment plans, and the elimination of some requirements to provide information in Spanish.

But angry Democrats are not the only ones frustrated with the department's decision to move to a single loan servicer. Debra Chromy, president of the Education Finance Council, a trade group representing all of the nonprofit federal direct-loan servicers, expressed concern about the move last Thursday in a letter to the department, obtained by *The Chronicle*. "Moving to a single servicer — who would be given sole discretion over subcontracting — would create a monopolistic environment with little to no incentive to ensure the single servicer provides the highest quality of customer service to student-loan borrowers," she wrote.

"I urge the department to continue to involve multiple servicers to foster competition while preventing the formation of a too-big-to-fail monopoly," she continued. The group has also requested a meeting with Mr. Manning to discuss their concerns.