



Student Loan Company MOHELA Protesting DeVos' Revision

July 19, 2017
Mike Brown

Education Secretary Betsy DeVos' plan to only have one student loan servicer for federal student loans is being challenged by MOHELA.

The Missouri Higher Education Loan Authority (MOHELA), one of nine student loan companies that manages the federal government's trillion dollar student loan portfolio, has filed a protest against the Department of Education's plan to choose a single servicer company for handling federal student loans.

The protest [was filed with the Government Accountability Office](#) on July 7 in the hopes of preventing the Department of Education from moving forward with its plan to reduce the number of student loan servicers in the federal student loan industry. Secretary of Education Betsy DeVos [announced the government's revisions](#) to the plan in May.

After the revision was announced, the Department of Education had reportedly already trimmed the list of potential student loan companies to handle federal student loan servicing down to three companies: Navient, the Pennsylvania Higher Education Assistance Agency, and a joint venture of Nelnet and Great Lakes.

Whoever is chosen by the Education Department to handle all federal student loans would have ultimate authority over the government's student loan portfolio. Student loan servicers like MOHELA would be at risk of becoming non-players once their existing contracts expire in 2019.

MOHELA has yet to comment on the protest since it is still under review, and the Department of Education has also not released a statement on the matter. It is easy to surmise the intentions of MOHELA, namely the preservation of its business in the student loan industry.

This isn't the first time the student loan servicing system was subjected to potential changes. Under the Obama Administration, changes called for a single online platform to be utilized by one company

who managed multiple servicers under contract. This platform would have funneled borrowers through one system while still maintaining the number of servicers in the game, so it would have allowed companies like MOHELA to maintain a part of their business.

As mentioned before and taking it one step further, the Department of Education under the Trump Administration called for a single platform with just one servicer company involved throughout the entire student loan repayment process.

[In a statement announcing the revisions](#), DeVos had the following to say: “The federal student loan servicing solicitation we inherited was cumbersome and confusing—with shifting deadlines, changing requirements and de-facto regulations that at times contradicted themselves. In order to ensure the best outcome for federal student loan borrowers, it was necessary to rescind the previous guidance to free the Department to craft a solution that was more responsive to the needs of both customers and taxpayers.”

The new servicing plan being pushed by DeVos and the Trump administration is similar to how the previous student loan system used to function. ACS Education Services was once the only company managing the federal government’s student loan portfolio, a system that many said led to customer service failures experienced today.

ACS was not only the sole operator of the federal student loan system, but the company also owned the servicing platform. The revisions being pushed by DeVos and the Education Department would shift ownership of the platform to the federal government. In theory, this would make it easier for the government to replace the servicer if things were not working out or something went wrong, but many critics still have their doubts.

Debra Chromy, president of the Education Finance Council, [had the following to say](#), “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.” Chromy went on to say that having multiple servicers promotes competition and prevents the formation of a monopoly.