



Congress, DeVos Could Collide on Student Loan Servicers

By [Emily Wilkins](#), CQ Roll Call
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Congress gave borrowers looking to consolidate multiple student loans more leeway to choose one of nine servicing companies to manage their debt, but that option could be eliminated if the Education Department follows through with a plan to have just one company process the loans, according to Senate aides.

Such a move by Education Secretary Betsy DeVos would bring opposition from lawmakers on both sides of the aisle. Lawmakers added language to the fiscal 2017 omnibus ([PL 115-31](#)) instructing the department that as of Sept. 30, students should have the option to pick any one of the nine servicing companies now under contract to help consolidate their loans.

Currently, borrowers can choose one of four servicing companies contracted by the federal government.

The department [announced in May](#) that it wanted one company to handle all student loans as a way to decrease costs and increase oversight. The department plans to choose a single servicer by the fall, against the wishes of lawmakers on both sides of the aisle.

“It is a recipe for delinquency and default, with taxpayers having to bear all the risk,” said Sen. [Jeanne Shaheen](#), D-N.H., an appropriator on the Labor-HHS-Education subcommittee. “I’m urging the Department of Education to abandon these plans.”

It’s not yet clear whether borrowers would be forced to use one company in October, or whether they still might be able to select from the nine federal student loan servicers whose contracts do not expire until 2019.

Still, the Education Department is moving ahead with a single-servicer plan despite resistance from Congress, according to Senate staffers with knowledge of a recent off-the-record briefing between the department and Senate staff. Lawmakers on both sides of the aisle have said the plan will eliminate competition and result in subpar service to borrowers.

While the fiscal 2017 omnibus requires the department to award loans to servicers based on their performance, there’s nothing in the bill explicitly stating there must be multiple servicing companies, according to a Senate aide with knowledge of the briefing.

“The way that the omnibus language is written, it’s not like they’re doing something that’s illegal,” said the staffer, who spoke on background because they were not authorized to discuss the meeting. “But it’s something we feel doesn’t serve students and isn’t in the students’ best interest.”

An Education Department spokeswoman declined to discuss the issue because of the pending challenges to the plan. The Higher Education Loan Authority of the State of Missouri, a federal student loan servicer contracted with the government, filed a protest on July 7 with the Government Accountability Office regarding the single servicer plan. A spokesman for the servicer also declined to comment while the protest is ongoing.

Lawmakers are currently seeking a way to require the department to allow more competition between servicers through appropriations measures. During a markup of the House's fiscal 2018 Labor-HHS-Education spending bill (**HR 3358**), Subcommittee Chairman **Tom Cole**, R-Okla., said he would work with members on addressing student loan servicers in a final spending bill.

Sen. **Roy Blunt**, R-Mo., the chairman of the Senate Appropriations Labor-HHS-Education subcommittee, who criticized the single-servicer plan during a committee hearing last month, is open to looking for potential legislative options to block the department's plan, according to a Republican Senate aide. The Senate has not yet released a draft of a spending bill to fund the Education Department.

The department is planning to award the new contract to a single servicer in September or October. But having the system ready for borrowers to use could take longer, said Debra Chromy, president of the Education Finance Council, which represents non-profit loan servicers and opposes the single-servicer plan.

"The question is whether or not they (the Education Department) will spend the time, energy and resources to meet the Sept. 30 deadline that Congress has put out there," she said. "Or just ask that to be delayed because they are moving to a single servicer and therefore it's not necessary."