

Lawmakers Concerned About Loan Servicing Shift

By [Andrew Kreighbaum](#)

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More than 150 House and Senate Democrats sent Education Secretary Betsy DeVos a letter Monday that objected to her department's recently announced shift in how it chooses the contractors that service federal student loans.

After withdrawing new consumer protections in loan servicing issued by the Obama administration last year, DeVos on May 19 [announced](#) that the department would select a single servicer to handle student loans -- a departure from the current multiservicer system.

"This decision could create a monopolistic, unresponsive and inflexible student loan system that would produce poorer results for both borrowers and taxpayers," the lawmakers wrote.

They also highlighted concerns that DeVos had rescinded requirements including sending information to borrowers in Spanish and that direct payment be allowed online.

Last week, the Education Finance Council, an industry group representing not-for-profit loan servicers, [wrote](#) to DeVos with similar objections to the sole servicer arrangement announced last month.

"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," wrote EFC President Debra Chromy. "I urge the department to continue to involve multiple servicers to foster competition while preventing the formation of a too-big-to-fail monopoly."