

April 20, 2020

The Honorable Betsy DeVos  
Secretary of Education  
United States Department of Education  
400 Maryland Avenue SW  
Washington, DC 20202

Dear Secretary DeVos:

We, the undersigned organizations, write to thank you for your efforts to assist borrowers with federally held student loans during the COVID-19 national emergency, including the electronic announcement providing guidance to federal loan holders, servicers, and guarantors on how to assist struggling borrowers with loans under the Federal Family Education Loan (FFEL) Program. While those efforts are greatly appreciated, we remain concerned that the federal government's past actions have excluded FFEL borrowers with commercially held loans who are just as likely to be impacted by this unprecedented crisis. We urge you to work with Congress to extend the interest waiver, payment suspensions, and other benefits included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act to FFEL borrowers.

The commercially held FFEL portfolio represents approximately 11 percent of the outstanding federal student loan portfolio and includes about 7.2 million borrowers. These loans have essentially the same terms and conditions as Federal Direct Loans and FFEL loans owned by the federal government. Commercially held FFEL loans are held at financial institutions and non-profit/state entities; the federal government supports or guarantees these loans against default. The impact of the recent wide-spread layoffs and economic disruption does not distinguish between whether the government or a private entity owns a borrower's federal student loans - it affects these borrowers in the same way. The federal government recently reported that the nation's employers shed 701,000 jobs in March, a statistic that captures only the beginning of the sudden and sweeping economic crisis caused by the coronavirus pandemic. Future reports are expected to push the unemployment rate to record highs with some economists forecasting that the rate will rise to 13 percent in June, which would be the highest in the post-World War II era. This is not just a healthcare crisis – it is a national emergency.

The just-enacted CARES Act suspended, interest-free, payments on all federally owned Federal Direct Loans and FFEL loans, while allowing suspended payments to count towards forgiveness and rehabilitation and protecting credit bureau reports. Yet, the CARES Act omitted the 7.2 million borrowers with commercially held FFEL loans. A federal loan borrower - regardless of the origination of that loan, be it Part B, D, commercial, or government held – should receive equal, immediate, and critical support in this unprecedented time. We believe there will be bipartisan support for correcting this inequity to ensure all federal borrowers receive assistance

to help them overcome the economic challenges that were no fault of their own. Already, borrowers are confused as to why their federal loans are treated differently than others.

In the coming weeks, the House and Senate are expected to put together a fourth legislative package to assist those negatively impacted by the COVID-19 crisis, expanding on the provisions of the CARES Act. We implore you to work with the Congressional leadership to ensure equitable treatment for all borrowers by directly providing interest subsidies to FFEL borrowers without disrupting the financial markets, ensuring the suspension of payments counts for loan forgiveness and rehabilitation programs, and preventing negative credit reporting, similar to the CARES Act. Our organizations also support working with the House and Senate to provide similar relief to borrowers with Federal Perkins Loans.

As you know, FFEL loan holders and servicers lack the flexibility to unilaterally waive interest payments for borrowers in the same way as the Department as most of the underlying loans have been securitized on the secondary market with binding trusts and indenture contracts. The statutory economies of the FFEL program also currently mean that loan holders and servicers are remitting a significant amount of interest subsidies back to the Department (nearly half of the amount that accrues on such loans, in some cases). The only workable solution to provide relief to FFEL borrowers is for the Department to pay the accrued interest on behalf of the borrower, a practice that is already in place today on FFEL Subsidized loans that are in school, grace, or deferment. The Department should embrace this principle and work with all interested parties to ensure that all federal student loan borrowers receive the full benefits that they are entitled to under the law.

Going forward, as the Department and Federal Student Aid (FSA) continue to discuss additional efforts to provide relief to federal student loan borrowers impacted by the national emergency, we encourage you to provide equal treatment for both Direct Loan and FFEL borrowers. Most borrowers are unaware that all federal student loans are not held by the federal government and the lack of parity when it comes to providing COVID-19 borrower benefits creates confusion and denies borrowers the additional flexibility they need and deserve.

Thank you for your attention to these critical issues. Our organizations and members look forward to continuing to work with the Department and FSA on their efforts to provide relief to students and their families. If you have any questions, please do not hesitate to reach out to our organizations.

Sincerely,

Consumers Bankers Association (CBA)  
Education Finance Council (EFC)  
National Council of Higher Education Resources (NCHER)  
Student Loan Servicing Alliance (SLSA)