



May 5, 2016

The Honorable John King  
Secretary of Education  
U.S. Department of Education  
400 Maryland Ave, S.W.  
Washington, D.C. 20202

Dear Secretary King,

As a coalition of over 200 civil rights, consumer, labor, business, investor, faith-based, and civic and community groups, Americans for Financial Reform supports the Department of Education's announcement last month of a new competition for student loan servicing contracts. The Department's efforts to overhaul a broken system and make sure that servicers put borrower needs first are encouraging, including the creation of a uniform set of customer service standards, single loan management platform and Department-branded portal.<sup>1</sup>

This announcement is an important step in the right direction, but we need more information and the opportunity to be part of the solution. We expect the Department to keep its promise to solicit public input on the new servicing system and to provide information as soon as possible about how the public input process will work.

Federal student lending is not a typical marketplace. Federal student loans are government products *and* borrowers are *entitled* to various relief options by law. All borrowers should have the same access to these programs. Relying on a proprietary contract system hidden from the public and from borrowers is not appropriate in the federal student loan context. Private contracts may be part of the solution, but only if combined with clear enforceable borrower rights and rigorous government oversight.

We look forward to providing more detailed recommendations during the public input process. For now, we want to highlight the urgent need to include enforceable borrower protections and prescriptive servicing standards in the contracts. Unlike other consumer credit areas such as credit cards and mortgages, federal student loans lack clearly defined and privately enforceable borrower protections. This glaring gap in borrower protection prevents student loan borrowers from receiving information and assistance and impedes effective oversight and accountability.

The stakes are high. Servicers are the borrower's primary point of contact. Competent and efficient servicing has the potential to help many financially distressed borrowers avoid default. Quality servicing is also critical for current borrowers to ensure proper application of payments,

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<sup>1</sup> Ted Mitchell, A New Vision for Serving Student Loan Borrowers, Blog.ed.gov (2016), <http://blog.ed.gov/2016/04/a-new-vision-for-serving-student-loan-borrowers/> (last visited May 3, 2016).

provide accurate and timely information about accounts and other assistance. The current system all too often fails borrowers who are already buried in debt and looking for help.

We urge you to open up the solicitation and contract development process to the light of day and ensure that the contracts have strong, enforceable borrower protections.

Sincerely,

Americans for Financial Reform

cc: Ted Mitchell, Under Secretary of Education, U.S. Department of Education  
James Cole, Jr., General Counsel, U.S. Department of Education  
Rohit Chopra, Special Advisor, U.S. Department of Education

Chairman Lamar Alexander, Senate Committee on Health, Education, Labor and Pensions  
Ranking Member Patty Murray, Senate Committee on Health, Education, Labor and Pensions

Chairman John Kline, House Education and the Workforce Committee  
Ranking Member Robert C. "Bobby" Scott, House Education and the Workforce Committee