

Congress of the United States
Washington, DC 20515

March 13, 2017

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

Dear Secretary DeVos:

We urge you to uphold the Department of Education's interpretative guidance prohibiting student loan guaranty agencies from imposing collection fees on borrowers in default who promptly enter rehabilitation agreements.

In July 2015, the Department clarified that borrowers of defaulted student loans made under the Federal Family Education Loan Program (FFELP) are protected from a 16-percent collection fee on their unpaid principal and interest, if they enter rehabilitation within 60 days of being contacted by their guaranty agencies.¹ Guaranty agencies invest minimal costs in collection from borrowers who promptly enter rehabilitation, which is among the reasons why the Department has distinguished between borrowers who rapidly enter repayment and those borrowers who do not.

Furthermore, the 16-percent collection fee is enormous and results in an unnecessary financial burden on vulnerable borrowers. Congress gave borrowers who default on their federal student loans the one-time opportunity to rehabilitate their loans out of default and re-enter repayment.² It is inconsistent with the goal of rehabilitation to return borrowers to repayment with such large fees added.

We are deeply concerned about the number of student loan borrowers who continue to face delinquency and default and who struggle to repay their debts. More than four million—or approximately one-quarter—of borrowers of non-Department-held FFELP loans are in default on roughly \$66 billion.³ Permitting guaranty agencies to assess a 16-percent fee on any borrower in rehabilitation removes an incentive for borrowers to take quick action to cure their defaulted loans and avoid remaining in default.

¹ "Repayment Agreements and Liability for Collection Costs on Federal Education Loan Program (FFELP) Loans." *United States Department of Education* (July 10, 2015). Online at: <https://ifap.ed.gov/dpcletters/attachments/GEN1514.pdf>.

² 20 U.S.C. (s) 1078-6


³ "Portfolio by Loan Status (DL, FFEL, ED-Held FFEL, ED-Owned)." *Federal Student Aid. U.S. Department of Education*. Online at: <https://studentaid.ed.gov/sa/about/data-center/student/portfolio>.

Borrowers who languish in default face severe consequences. Their Social Security benefits and tax refunds can be withheld; their wages can be garnished; they can lose access to federal student aid; and their credit can be damaged, which makes it more difficult for them to rent an apartment or borrow in the future for a home or a car.

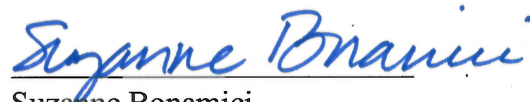
We understand that a U.S. District Court has required the Department to make a decision about whether to uphold its guidance by March 16, 2017, as part of an ongoing case with United Student Aid Funds, a former guaranty agency. We urge the Department to stand by its previous guidance and continue to give borrowers in default a chance to rehabilitate their loans and successfully repay their debt without being charged massive collection fees by guaranty agencies.

The Department and Congress must do more to help student loan borrowers manage their payments and avoid the long-term consequences of default. Penalizing borrowers who take prompt action to cure their defaulted loans is a step in the wrong direction. Thank you for your consideration of our request.

Sincerely,



Elizabeth Warren
United States Senator



Suzanne Bonamici
Member of Congress