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Congress of the United States
House of Representatives

November 2, 2017

The Honorable Gene L. Dodaro
Comptroller General
U.S. Government Accountability Office
441 G. Street, N.W
Washington, DC 20548

Dear Mr. Dodaro:

As noted in Forbes article, *Student Loan Complaints Skyrocket 325% by Zack Friedman* (23 June 2017), CFPB found a “325% increase in student loan complaints dealing with improper payment processing and billing problems to issues with customer service and repayment plan enrollment”. Out of the 11,500 complaints reviewed against companies during the period of March 2016 to February 2017 the top 10 issues were borrower communication, IDR enrollment, payment allocation, Public Service Loan Forgiveness, payment processing, collection activities, educational institutions, recertification, credit reporting and billing statements. With over \$1.3 Trillion dollars in nationwide student loan debt, we remain deeply concerned that this continued deluge of documented complaints demonstrates that contract performance incentives for superior servicing of student loans remain inadequate.

GAO previously looked into these issues, when the agency was tasked with examining the Department of Education’s management of the Student Loan Program. Their report, GAO-16-253, in May 2016 outlined the need for improved Direct Loan Program customer service and oversight. This review examined “the type of Direct Loan information Dept. of Education and servicers provided to borrowers and how accessible it is; and the extent to which Education oversees servicers to manage the Direct Loan program”.

GAO reviewed contracts, policies, procedures, oversight reports and processes, servicer websites as other information provided to borrowers. The agency found no minimum set of standards for call center hours for providing effective customer service. Additionally, GAO discovered other key weaknesses in the management of the Direct Loan Program, which prohibited alignment with the Department of Education’s strategic goal of providing superior customer service. Specifically, GAO found that the Dept. of Education rewards servicers with additional loan assignments based on performance metrics and the number of loans serviced, but the metrics and compensation are not in alignment with the Department’s goals. In fact, there is a disincentive in terms of compensation for servicers to counsel borrowers on debt relief programs. Furthermore, servicers with compliance errors do not experience any penalties in assigned loans even though these borrowers are experiencing servicing issues.

These finding are of great concern to us and we request that GAO provide an update to this review to evaluate if the Department of Education has made modifications to their program. The scope of the review should cover: contract vehicle type and its alignment to performance metrics and incentives; billing and collection practices; communication methods; transfer policies between servicers; between

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servicers and collectors; and assignment into and or assistance with Income based plans and loan forgiveness programs. The primary objective of this review would be to:

1: **Implementation:** Determine what changes if any have been implemented, and what further changes are needed to ensure greater transparency into the process from start to finish. This review should encompass a review of complaints but most importantly recommendations of best practices.

2: **Process Controls:** Evaluate the adequacy and effectiveness of the system of internal controls over the assessment, billing, and communication with student borrowers.

3: **Billing Information:** Evaluate servicers' bill statements for standardization of the type of information provided, readability, payment received and documented, and identify information or disclosure blocks that may need to be added. For example, options for excess payments, loan type identification, loan status, estimated payoff amount, branding etc...

4: **Income Driven Plans:** Identify improvements for helping borrowers to recertify into Income Driven Repayment plans and potential methods for implementation.

6: **Transfer of Loans:** Evaluate the process for transfers between servicers, collectors and borrowers and the impact on communication and transparency. Provide best practice recommendations.

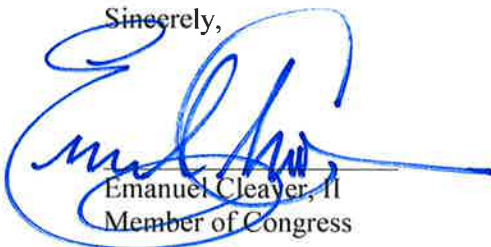
7: **Record Retention:** Review the record retention processes among servicers and collectors before and after transfer, and the reports generated for borrowers with regard to content and clarity, and make recommendations.

8: **Performance Metrics:** Review contract vehicle types (i.e. FFP, Cost + Incentive fee, Cost + award Fee) and performance incentives with regard to providing better customer support, particularly with servicing of Income driven plans and cost to the government.

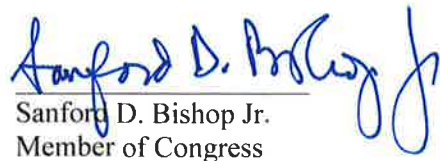
Given the critical need for transparency when taxpayer dollars are being used to help finance higher education, this review will assist Congress and the Department of Education to create the necessary changes to support borrowers while motivating contractors toward better performance.

Thank you for your consideration of this matter.

Sincerely,



Emanuel Cleaver, II
Member of Congress



Sanford D. Bishop Jr.
Member of Congress