

June 8, 2017

The Honorable Betsy DeVos
Secretary
U.S. Department of Education
400 Maryland Avenue SW
Washington, DC 20202

Dear Secretary DeVos:

On behalf of the membership of Education Finance Council (EFC), I am writing to respectfully express my concerns with the Education Department's (the Department) amended student loan servicing solicitation and to request that the Department re-evaluate its decision to select one servicer to manage the entire federal loan portfolio. EFC is the national trade association representing nonprofit and state-based higher education finance organizations, including all the not-for-profit (NFP) Federal Direct Loan servicers. As mission-driven, public-purpose entities, these organizations have decades of experience in doing right by student loan borrowers. This is evident in the consistently excellent scores the NFP servicers have received on the Department's performance metrics and in their high borrower satisfaction ratings for customer service.

Based on the exemplary service these organizations provide to both borrowers and the Department, I respectfully request that the Department revise its plans moving forward to include provisions that will ensure a robust and competitive marketplace of servicers. Such a marketplace will foster a competitive environment and ensure that borrowers and the Department have the leverage necessary to ensure servicers work in the best interest of the borrowers while continuously working to improve their service and outcomes. 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.

I urge the Department to continue to involve multiple servicers to foster competition while preventing the formation of a too-big-to-fail monopoly. The Department had a single servicer in the past and moved to multiple servicers to ensure a higher level of service through competition. To address concerns about consistency of service across multiple servicers, EFC recommends that the Department develop a common operations manual. This has been recommended to the Department in the past, but has never been implemented. EFC believes that allowing for multiple servicers adhering to a common set of operational requirements will maintain a competitive environment; this will drive high-quality servicing for all borrowers while mitigating the risk of upheaval that transitioning to a single servicer would require. Additionally, we request that you revisit the recommendation of Congress to have NFP servicers designated as small businesses for the purposes of this solicitation.

EFC has requested a meeting with Acting Under Secretary James Manning to discuss these concerns and our recommendations in greater detail. For the sake of student loan borrowers and our nation's taxpayers, we strongly urge the Department to create a competitive servicing marketplace. Please do not hesitate to reach out to me at (202) 955-5510 or debrac@efc.org with any questions or concerns.

Sincerely,



Debra J. Chromy, Ed.D.
President