



Student Loan Servicing Reform Fundamentals

1. Put students and families first.

- a. Require all student loan companies to ensure that each borrower is in the program that makes the most sense for them through personalized information, better customer service, and counseling when appropriate.
- b. Require specialized units for certain groups of borrowers, such as service members, disabled borrowers, and borrowers with complaints about for-profit schools.
- c. Ensure that borrower communication is accurate, clear, and easy to understand and use, and that borrowers have easy access to basic account information and history.
- d. Create a single Department of Education portal for personalized information about one's federal student loans, including repayment options, so borrowers are not confused.
- e. Provide real, immediate debt relief through loan discharge or cancellation to borrowers who deserve relief, including group discharges to certain cohorts.
- f. Consult with state attorneys general, consumer advocates, and other federal agencies to develop clear and enforceable borrower servicing rights, and incorporate these rights into contracts with student loan servicers.

2. Punish bad actors that break the rules.

- a. Punish student loan companies and their executives that violate the law or their contracts, including making use of sanctions, fines, contract terminations and other penalties.
- b. Ensure that there is an escalated complaint process for borrowers and a process to appeal servicer decisions, including a private right to enforcement.
- c. When appropriate, report violations by student loan companies to the Department of Justice, the Federal Trade Commission, or to other relevant state and federal agencies for further enforcement.
- d. Avoid propping up "too big to fail" companies by maintaining a transition plan for the exit of any student loan company from the program at any time and capping the loan volume that goes to any one servicer.

3. Change the financial incentives for servicers.

- a. Pay companies based on how well they guide borrowers into the program that makes the most sense for them.
- b. Hold servicers accountable for the numbers of complaints and complaint resolutions of the borrowers they serve, and eliminate companies with high unresolved complaint volume.



- c. Give more loans to the companies that demonstrate the best performance.
- d. Open up competition beyond the same old players.
- e. Allow borrowers to petition for the Department to reassign them to a new servicer if their current servicer is failing them.

4. Release more and better data.

- a. Collect, monitor, and release to the public better aggregate data regarding servicer performance—including loan performance, repayment rates, and default rates—by cohort of borrowers at the servicer level, while protecting student privacy.
- b. Make these detailed data public for researchers, policymakers, and advocates to track servicer performance in a manner that protects student privacy and excludes personally identifiable information.
- c. Make complaints publicly searchable with optional consumer narratives modeled after the Consumer Financial Protection Bureau’s student loan complaint system reports.
- d. Provide public information about the results of audits, investigations, and enforcement actions in a timely manner.
- e. Publish annual consumer reports on the state of federal student loan servicing, modeled after the Consumer Financial Protection Bureau’s annual reports.
- f. Set up pilot projects to test and gather data on consumer-friendly improvements to servicing.

5. Step up aggressive oversight.

- a. Expand and reform the oversight of servicers and other financial institutions.
- b. Require the Department’s Inspector General to regularly audit customer service provided by servicers by regularly reviewing materials provided to borrowers, and by recording and periodically evaluating calls between servicers and borrowers.
- c. Standardize, monitor, and audit the training that servicer staff receives.
- d. Create and monitor an effective complaint resolution processes and make sure borrowers know how to use them.
- e. Review protocols for identifying borrowers who have criteria that may signal eligibility for discharge and ensure that servicers are proactively identifying borrowers.
- f. Set up clear protocols for communicating with servicers in the event of a school closing or other event that has a widespread effect on servicing, and gather (and share) data on borrower response.