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**House of Representatives**

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**Opening Statement**  
**Ranking Member Val Demings**  
**Subcommittee on Intergovernmental Affairs**  
**Hearing on Improper Payments in the Federal Government: Student Aid**  
**May 25, 2017**

Thank you, Mr. Chairman, for holding this important hearing on improper payments, and welcome to all of our witnesses here today.

Loan servicers have had a lamentable record of taking advantage of the students who rely on them. For too long, they did that with few repercussions from the Department.

But in 2015, President Obama's Departments of Education, Treasury and Consumer Financial Protection Bureau announced a Joint Statement of Principles on Student Loan Servicing. These principles were developed to address the poor customer service scores and rampant borrower abuse. This guidance instructed the Department to consider the past performance of its loan servicing contracts.

In one of her first official actions, Secretary DeVos rescinded that guidance.

On May 19<sup>th</sup> Secretary DeVos announced her intention to hire a single loan servicer that will be solely responsible for managing the nation's \$1.3 trillion-plus student loan portfolio and will be able to subcontract to other companies.

Apparently, the Trump administration intends to hire a fox to guard the henhouse.

The National Association of School Financial Aid Administrators (NASFAA) serves nine of every 10 undergraduates in the United States and has served the financial aid community for over 50 years. It recently reported that within the Federal Student Aid Office, "strategic planning is not happening as Congress intended."

In May 2016, the Government Accountability Office concluded that the Department of Education "lacks comprehensive and comparable information on the nature of borrower complaints made to the Department and its contracted loan servicers, hindering its ability to track trends and address borrower concerns." In other words, the Education Department was not capable of protecting student borrowers and preventing abuses by loan servicing companies.

In response to the GAO report, the Department agreed to “evaluate existing and alternative performance metrics and compensation strategies as part of its ongoing student loan servicing procurement and reflect the results in future servicing contracts.”

Secretary DeVos seems to be retreating on that agreement and is moving the Department back to the bad old days.

I look forward to hearing from the witnesses what specific plans are being developed, and what actions should be undertaken to ensure that student borrowers are provided the best service and loan servicers are given notice that the Department will not tolerate further abuses.

Thank you, Mr. Chairman.

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