

Congress of the United States
Washington, DC 20515

November 5, 2012

The Honorable Gene Dodaro
Comptroller General
U.S. Government Accountability Office
441 G St., N.W.
Washington, D.C. 20548

Dear Mr. Dodaro:

On March 27, 2012, we requested the Government Accountability Office examine the U.S. Department of Education's oversight into the Direct Loan rehabilitation process for defaulted borrowers. Since that time, we have received numerous troubling complaints from borrowers whose financial information and payments were lost by the department, who were put into forbearance without being told, and whose loans were moved to a new servicer without notice.

Recent news reports have highlighted additional problems with the Direct Loan program, leaving policymakers, financial aid administrators, and students questioning whether the department has the capability to protect borrower privacy and effectively administer the student loan program. For example, *Inside Higher Ed* recently published reports of a second data breach in which certain borrowers received financial information of other borrowers.¹ The first breach, which took place October 2011, was similar in nature and affected at least 5,000 borrowers. *Diverse: Issues in Higher Education* also recently pointed out the department changed the criteria it uses to determine credit-worthiness in the PLUS loan program² without providing notice to borrowers. The article notes that because of this change, many students at Historically Black Colleges and Universities were left struggling to figure out how to finance the rest of their education.

As part of Congress' oversight responsibilities, the House Education and the Workforce Committee and the Senate Health, Education, Labor, and Pensions Committee must understand the challenges the department is having in administering the Direct Loan program. As such, we request GAO issue a report or a series of reports answering the following questions:

1. What is the department's current capacity for administering and servicing the federal student loan portfolio?
2. What policies are currently in place to protect taxpayer dollars?

¹ <http://www.insidehighered.com/quicktakes/2012/10/04/reports-another-education-department-data-breach>

² <http://diverseeducation.com/article/48641/>

3. Please describe the current performance of the Direct Loan program and the Federal Family Education Loan (FFEL) program, broken down by loans in active repayment, in delinquency, in default, in deferment, and in forbearance.
4. Is information on the performance of the Direct Loan portfolio transparent and publicly available? Does this information include data on how the program is financed, how the loans are performing (i.e. are students actually repaying principal or simply going into deferment and forbearance?), and what repayment options are being used?
5. What specific information does the department provide to students who are taking out Direct Loans?
6. How does the department communicate with student loan borrowers about changes to the terms and conditions of federal student loans?
7. How does the department communicate with student loan borrowers regarding the servicing of their loans?
8. How does the department decide how loans are allocated to servicers?
9. What incentives are in place to reward student loan servicers for providing quality customer service and services that ensure taxpayer accountability?
10. What avenues are available for servicers and institutions of higher education to provide feedback and suggestions to the department about the management of the Direct Loan program? Can the department provide examples of how and when it took the advice of the servicers and institutions to improve the administration of the program?
11. Is the type and frequency of training offered and received by customer service representatives sufficient to assist borrowers and financial aid professionals with their questions? Is the information borrowers and financial aid professional currently receive from servicers consistent and accurate?
12. Are financial aid professionals provided data about the federal student loan programs from servicers that allows them to adequately assist students who may be having problems?
13. What funds are being used to pay for the services provided by the Title IV Additional Servicers (TIVAS) and not-for-profit servicers? Are those funds being allocated in accordance with the Higher Education Act?
14. What procedures, including the use of pre-determined forms, does the department require servicers to utilize when providing data about federal student loan programs to financial

The Honorable Gene Dodaro

November 5, 2012

Page 3

aid professionals? What procedures or forms does the department grant servicers to increase flexibility?

We appreciate your assistance in this matter. If you have any questions regarding this request, please contact Mandy Schaumburg (mandy.schaumburg@mail.house.gov) or Amy Jones (amy.jones@mail.house.gov) with the House Education and the Workforce Committee at 202-225-6558.

Sincerely,



JOHN KLINE

Chairman

House Committee on Education and
the Workforce



VIRGINIA FOXX

Chairwoman

House Subcommittee on Higher Education
and Workforce Training



MICHAEL B. ENZI

Ranking Member

Senate Committee on Health, Education,
Labor, and Pensions



JUDY BIGGERT

Member of Congress



LAMAR ALEXANDER

U.S. Senator



TOM COBURN

U.S. Senator



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