



July 13, 2015

Docket No. CFPB-2015-0021

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

Dear Ms. Jackson,

On behalf of the more than 400 public colleges, universities, and state systems of higher education that comprise the membership of the American Association of State Colleges and Universities, I write to submit comments on the Request for Information the Consumer Financial Protection Bureau (“the Bureau”) published in the *Federal Register* on May 21, 2015.

Our members are grateful for the Bureau’s attention to the important, but technical, issue of how student loans are serviced. The Bureau’s involvement in student loan issues has been extraordinarily effective to date, and we strongly recommend that it continue its efforts to improve servicing practices for both federal and private-label educational loans. In view of their volume, the number of borrowers, their impact on borrowers and institutions, and the fact that they are federally controlled, direct loan servicers in particular should be far better regulated, overseen and managed than they have been.

Over the years, the range of servicing problems encountered by current and former students fall into several distinct categories, which we believe the Bureau may be able to intervene with under its broad authority.

First, the servicers, including TIVAS, appear to frequently suffer subpar customer service, even with regard to such basic mechanical functions as responding to inquiries, correctly crediting accounts, or producing accurate statements. The apparent lack of basic competencies appears to afflict virtually all

aspects of federal direct loan servicing including web site functionality, employee training, and the ability to properly handle payments and other routine transactions in conformity with applicable laws. We are quite concerned about antiquated IT systems and even more antiquated business processes used by servicers, such as skip-tracing borrowers through mailing statements with confidential information including Social Security numbers and dates of birth to previous addresses. We believe that the Department of Education should revisit its contracting and procurement practices to at the very least, require industry-standard transactional competency for all servicers.

Second, we can report great dissatisfaction with the more complicated aspects of student loan servicing associated with various income-based repayment options for borrowers. In fairness to servicers, we recognize the complexity of properly advising borrowers in connection with these options, but can only report that too many borrowers are simply not being properly counseled on their best repayment options. Given the failure of current contracts to properly enforce basic servicing criteria, this flaw in the system may not be surprising, but it is intolerable. Income-based repayment options were devised as important policy remedies to unmanageable debt and inevitable defaults, and their unavailability on the ground would render those policies pointless. We urge the Bureau to work with Department to create better incentives for meaningful implementation of income-based repayment options for eligible borrowers.

Finally, we are quite alarmed at the confusion caused by congressional allocation of servicing contracts as make-work for various servicing agencies. Account transfers have proven confusing and highly disruptive to borrowers, some of whom report loss of important records in such transfers. We will urge Congress not to intervene in the marketplace with non-germane political mandates, but would urge the Bureau to work with the Department to ensure that account transfers are seamless and non-disruptive.

We once again thank the Bureau for its considerable success and leadership in improving loan servicing for borrowers, and stand ready to work with you to make additional progress on this important national priority.

Sincerely,

A handwritten signature in black ink that reads "Edward M. Elmendorf". The signature is written in a cursive, slightly slanted style.

Edward M. Elmendorf
Senior Vice President for Governmental Relations
And Policy Analysis