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November 29, 2012

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SENT VIA FACSIMILE TO (202) 512-7919

The Honorable Gene L. Dodaro
 Comptroller General
 U.S. Government Accountability Office
 441 G Street NW
 Washington DC 20548-0001

Dear Mr. Dodaro:

In his first annual report,¹ the Consumer Financial Protection Bureau's (CFPB) Student Loan Ombudsman—a position Congress established in the Dodd-Frank Wall Street Reform and Consumer Protection Act² to assist student borrowers with private student loan complaints—identified a troubling pattern of complaints related to private student loan companies. According to CFPB, among the complaints it received during the reporting period were numerous instances where companies misapplied student payments, failed to resolve its own errors in a timely fashion and failed to connect the appropriate personnel with borrowers to explore repayment options in times of economic hardship. Accordingly, I respectfully request that you further examine these and other loan servicing and modification practices that adversely impact student loan borrowers.

According to the CFPB, private student loans account for about \$150 billion in outstanding debt, with at least \$8 billion of this loan volume in default, representing more than 850,000 individual loans. The CFPB compares private student loan borrowers with mortgage borrowers to the extent that both classes of borrowers face steep challenges when attempting to refinance or modify their debt. I agree with CFPB's comparison and in the following weeks my staff will be directly contacting a number of private student loan companies seeking their more complete explanation on this topic, especially in light of the economic challenges many of our student borrowers presently face.

As you may know, a number of the companies the CFPB identifies also service Federal student loans in the Direct Lending Program under contract with the U. S. Department of Education's office of Financial Student Aid as well as outstanding loan volume originated through the Federal Family Education Loan Program. As is required and expected, student loan servicers are responsible for ensuring that borrowers are aware, especially those receiving both private and federal loans, of the

¹ Consumer Financial Protection Bureau, *Annual Report of the CFPB Student Loan Ombudsman* (Oct. 16, 2012).

² 12 USC 5535

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terms and conditions of every loan they acquire at the time such loans are made and throughout the life of the loan. In light of the concerns raised by borrowers and reported by the CFPB, I request that GAO address the following questions:

- 1) How do student loan companies communicate information about loan terms and conditions with borrowers? Are these communications consistent across loan products within the company and across private and federal student loans?
- 2) How do student loan companies confirm borrowers' understanding of loan terms and conditions about their loans?
- 3) Are the U.S. Department of Education contract incentives offered to reward servicers adequate to promote effective customer service and the best outcomes for borrowers?
- 4) What training, if any, is offered to servicer personnel to assist borrowers with their questions and concerns, especially with respect to repayment options or repayment negotiation? How does this training differ among staff servicing a variety of loan products, including federal student loans with specialized repayment options required by law?
- 5) What safeguards, if any, exist to ensure borrower payments are properly applied to loan balances?

Finally, I am aware that the Chairman of this Committee, along with others, has asked GAO to examine a number of issues about student loan servicers in the Direct Loan program that may be related to the questions I raise herein. Should efficiency benefit from coordination of these requests, I have no objection to such coordination.

Thank you in advance for your assistance with this request. Please direct your staff to coordinate GAO's work with Julie Peller who can be reached at (202) 225-3725.

Sincerely,



GEORGE MILLER
Senior Democratic Member

cc: John Kline, Chairman