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**Rep. Rubén Hinojosa's (D-TX) Opening Statement for the  
Higher Education and Workforce Training Subcommittee Hearing  
*"Examining Mismanagement of the Student Loan Rehabilitation Process"***

Thank you, Chairwoman Foxx.

Today's hearing will focus on student loan rehabilitation and the steps that the U.S. department of Education has taken to strengthen that process.

I want to thank our distinguished panel of witnesses for joining us this morning to provide some context for this discussion and to share their views on how the federal government can continue to best serve student borrowers.

Let me begin by saying that the U.S. Department of Education must do all that it can to help student borrowers rehabilitate their student loans and build on the successes of the Direct Loan Program. These responsibilities include effective management and oversight of federal student aid programs.

In my view, the U.S. Department of Education's move to 100% direct lending in 2010 continues to provide students with a streamlined loan origination system, the Department with better oversight against waste, fraud and abuse, and taxpayers with a better deal.

One of the issues before this committee today concerns the Department of Education's transition to the Debt Management Collection System 2 and the glitches that the department of Education encountered with this system through 2012.

I understand that between 2012 and 2013, the Department of Education's Inspector General (IG) issued a series of alert memos to the Federal Student Aid Office (FSA) about the glitches in the system and provided recommendations to address the issues.

To my knowledge, the FSA has taken these concerns seriously and has corrected these weaknesses, including manually assisting borrowers in rehabilitating their student loans and clearing the backlog. By their FY 2013 audit, FSA had resolved most of the areas noted by the IG.

Furthermore, the GAO report released today makes three recommendations to ensure that the department is tracking the rehabilitation of defaulted loans, properly noting risk associated with contractors, and improving the monitoring of contractor performance. I encourage the department to heed these suggestions and make the necessary adjustments to improve the program.

Finally, I want to remind my colleagues that not so long ago, under the Prior administration—President Bush, this Committee investigated and held oversight hearings that exposed and highlighted rampant conflicts of interest and unethical practices within the Federal family Education Loan (FFEL) program —especially lenders’ use of bribes and kickbacks to curry favor with colleges.

As I recall, poor oversight of our federal student aid programs allowed inappropriate practices to go unchecked at the expense of student borrowers and their families.

It was disgraceful at that time--when the department did little to nothing to stop student loan companies from offering university financial aid officers gifts, trips, and more to “buy” their way onto college campuses and increase their access to student borrowers.

My message to you today is simple: the Direct loan program is here to stay because it is the best option for student borrowers. We are not retreating to the Wild Wild West and the days when monitoring, oversight and accountability of our federal student Aid programs were neglected and ignored.

In terms of today's hearing, what is most important to me is that the department has taken significant steps to fix these problems and will continue to work to effectively manage and track the rehabilitation of defaulted loans and federal student aid programs.

Looking forward, I am interested in exploring how the loan system can work even better for borrowers and taxpayers through upcoming contract negotiations between the Department and its servicers and contractors.

With that, I yield back.