



June 25, 2014

The Honorable Tom Harkin
Chairman
Committee on Health, Education, Labor and Pensions
731 Hart Senate Office Building
Washington, D.C. 20510

Re: Support of Higher Education Affordability Act

Dear Chairman Harkin,

The National Consumer Law Center's Student Loan Borrower Assistance Project writes this letter on behalf of our low-income clients in support of the Higher Education Affordability Act. The Higher Education Affordability Act prioritizes borrowers and taxpayers, not private profits, and will help hold fraudulent schools accountable for inferior outcomes.

We applaud your leadership on behalf of student borrowers and taxpayers. We look forward to working with you to push even harder to improve access to affordable, quality higher education without burdening students and their families with lifetimes of debt.

Current federal aid policies and practices hammer students who do not succeed the first time around. The extreme collection powers that kick in after student loan default impede economic productivity by preventing many students from returning to school, succeeding, repaying their loans, and entering the labor force.

The legislation addresses this problem in a number of ways. For example, we are particularly encouraged that this bill will give borrowers more chances to get out of default through the rehabilitation program. Currently, borrowers who are desperately trying to get out of default into repayment have only a limited number opportunities to do so, thus leaving some

borrowers with no options remaining. Giving borrowers another chance is critical not only in their individual lives, but also for society.

We support the provisions to rein in collection fees that compound the pain for borrowers and limit their future opportunities to go back to school, enter repayment, and contribute productively to society and the economy.

There are many problems with the current student loan collection system, including the government's funneling of collection costs to private collectors even when they expend little or no effort to collect. The Higher Education Affordability Act takes dramatic steps to rein in collection costs and ensure that borrowers are only charged fees that are actually incurred.

We are also encouraged that this bill will take steps to improve servicing standards for student loan borrowers. Although there is some existing statutory and regulatory authority to extend protections to student loan borrowers, there remain large gaps in the protections available to federal and private student loan borrowers compared to other consumers.

Unfortunately, consistent quality service is not the current borrower experience. Among other problems, we see federal student loan servicers pushing borrowers into the quickest options, such as forbearance, rather than explaining and assisting borrowers to obtain more favorable long-term solutions, such as income-based repayment. The servicing system has become so confusing that an entire industry of for-profit "debt relief" companies has sprung up to supposedly provide the services that the free government servicers are failing to provide.

We also support the creation of automatic entry into income based repayment (IBR) for borrowers in late stage delinquency. IBR provides many benefits for borrowers, yet current participation is low due mainly to lack of awareness and operational barriers. Creating an automatic entry, especially during late stage delinquency, will allow more borrowers to benefit. Most important, automatic placement into IBR will allow borrowers to avoid the draconian costs of collection and extraordinary government collection powers.

In addition, we support the bill's provision to allow some borrowers to use their Social Security Administration (SSA) disability determinations when applying for a total and permanent disability discharge. This change will reduce unnecessary administrative hurdles for a significant number of disabled borrowers.

The legislation also contains key improvements for private loan borrowers, including mandatory certification and mandatory consumer protections as conditions of certification.

Finally, we are encouraged that this bill begins to tackle the problem of students who are being needlessly steered into campus sponsored bank accounts. Two in five students are exposed to campus-affiliated bank accounts that may drive up their costs and inhibit them from choosing the account that works best for them.

We look forward to working with you and other legislators committed to doing what is best for borrowers and taxpayers. In addition to supporting this legislation, we hope to work

together to push for further reforms to alleviate the financial distress of all borrowers, including parent PLUS borrowers, and restore a safety net. Ultimately, we need to work even harder to ensure that borrowers can more easily get a fresh start out of default, eliminate short-sighted destructive policies such as Earned Income Tax Credit and Social Security offsets, restore full bankruptcy rights and restore a statute of limitations on student loan collections

Thank you for your continued leadership on these issues.

Sincerely,

Deanne Loonin, Director
Persis Yu, Staff Attorney

National Consumer Law Center's
Student Loan Borrower Assistance Project