

118TH CONGRESS
2D SESSION

S. 4481

To strengthen requirements for contracts between the Department of Education and Federal student loan servicers, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 5, 2024

Mr. WYDEN (for himself, Ms. KLOBUCHAR, Mr. VAN HOLLEN, and Mr. PADILLA) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

A BILL

To strengthen requirements for contracts between the Department of Education and Federal student loan servicers, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Student Loan
5 Servicers Accountability Act of 2024”.

1 **SEC. 2. CONTRACT REQUIREMENTS FOR FEDERAL STU-**
 2 **DENT LOAN SERVICERS.**

3 (a) IN GENERAL.—Part G of title IV of the Higher
 4 Education Act of 1965 (20 U.S.C. 1088 et seq.) is amend-
 5 ed by adding at the end the following:

6 **“SEC. 494A. CONTRACT REQUIREMENTS FOR FEDERAL STU-**
 7 **DENT LOAN SERVICERS.**

8 “(a) ENHANCED VETTING.—Before entering into a
 9 contract or other agreement with a Federal student loan
 10 servicer for the servicing of Federal student loans, the Sec-
 11 retary shall evaluate the following factors:

12 “(1) In the case of a servicer that has pre-
 13 viously serviced Federal student loans, the past per-
 14 formance of the servicer compared to all Federal
 15 student loan servicers, including—

16 “(A) the levels of consumer satisfaction re-
 17 ported with respect to such servicer; and

18 “(B) the quality of customer service prac-
 19 tices and the demonstrated ability of the
 20 servicer to prevent errors and disruptions in
 21 services in the event a Federal student loan is
 22 transferred to or from the servicer, as measured
 23 by—

24 “(i) the service level methodology per-
 25 formance metrics and servicer allocation
 26 metrics issued by the Office of Federal

1 Student Aid of the Department (or any
2 successor metrics); and

3 “(ii) any other quantitative or quali-
4 tative factors the Secretary determines ap-
5 propriate for analysis.

6 “(2) In the case of a servicer that has not pre-
7 viously serviced Federal student loans, the past per-
8 formance of the servicer compared to other similarly
9 situated servicers, including—

10 “(A) the levels of consumer satisfaction re-
11 ported with respect to such servicer; and

12 “(B) the quality of customer service prac-
13 tices and the demonstrated ability of the
14 servicer to prevent errors and disruptions in
15 services in the event a student loan is trans-
16 ferred to or from the servicer, as measured by
17 any quantitative or qualitative factors the Sec-
18 retary determines appropriate for analysis.

19 “(3) Any penalties or other punitive measures
20 previously imposed on the servicer by the Depart-
21 ment as a result of the servicer’s misconduct, failure
22 to adequately support borrowers, or inability to meet
23 the terms and conditions of a servicing agreement
24 with the Department.

1 “(4) Any legal action previously taken against
2 the servicer, including any legal action taken by a
3 State.

4 “(5) The ability of the servicer to capture nec-
5 essary data regarding borrowers and the eligible
6 Federal student loans held by borrowers in the event
7 such loans are transferred to the servicer, including
8 the ability of the servicer to gather all information
9 related to the repayment history of a borrower and
10 relevant consumer demographic data prior to serv-
11 icing such loans.

12 “(6) The ability of the servicer to provide tar-
13 geted services, including personalized counseling and
14 other high-quality services, for borrowers most at
15 risk of default and delinquency, including borrowers
16 who have previously defaulted.

17 “(7) The demonstrated ability of the servicer—

18 “(A) to support borrowers from tradition-
19 ally underrepresented communities by providing
20 information through the forms described in sub-
21 section (f) and through automatic website
22 translation, and services in multiple languages
23 (including Spanish, Mandarin, Haitian Creole,
24 Arabic, and other languages); and

1 “(B) to provide appropriate access and
2 support for borrowers with disabilities.

3 “(b) REQUIRED CONTRACT TERMS.—As part of any
4 contract or other agreement between the Department and
5 a Federal student loan servicer, the servicer shall agree
6 to the following terms:

7 “(1) The servicer shall place a borrower’s loans
8 into an administrative forbearance, during which in-
9 terest shall not accrue, during any period in which
10 the servicer has identified a servicer error but has
11 not yet corrected the error.

12 “(2) For a borrower who has submitted a cer-
13 tification of the borrower’s employment status or in-
14 come for purposes of the public service loan forgive-
15 ness program under section 455(m) or an income-
16 driven repayment plan, respectively, the servicer
17 shall provide credit toward loan forgiveness under
18 that program or plan for—

19 “(A) any period during which the bor-
20 rower—

21 “(i) was in administrative forbearance
22 due to a servicer error as described in
23 paragraph (1); and

1 “(ii) would have otherwise qualified
2 for credit toward forgiveness if not for
3 such forbearance; or

4 “(B) any other period during which the
5 borrower would have qualified for credit toward
6 forgiveness if not for a servicer error.

7 “(3) The servicer shall provide appropriate rem-
8 edies to a borrower in the event a servicer error re-
9 sults in financial harm to the borrower (as deter-
10 mined by the Secretary), including—

11 “(A) refunding overpayments on a loan
12 made due to a servicer error;

13 “(B) reimbursing a borrower for fees and
14 other expenses, such as insufficient funds fees,
15 incurred by the borrower as a result of a
16 servicer error; and

17 “(C) such other remedies as the Secretary
18 determines appropriate.

19 “(4) The servicer shall ensure that credit re-
20 porting agencies remove delinquencies or other nega-
21 tive information from the credit reports of a bor-
22 rower if the negative credit information was a result
23 of an error by the servicer.

24 “(5) The servicer shall maintain all records con-
25 cerning the account of a borrower—

1 “(A) for the period during which the
2 servicer services any loan of the borrower; and

3 “(B) for a period of not less than 3 years
4 after—

5 “(i) the loans of a borrower have been
6 paid in full, discharged, or assigned to col-
7 lection;

8 “(ii) the account has been transferred
9 to another servicer; or

10 “(iii) the servicer otherwise ceases the
11 servicing of such loans.

12 “(6) The servicer shall abide by any decision of
13 the Secretary to revoke the contract in accordance
14 with subsection (e).

15 “(c) APPLICABILITY.—

16 “(1) CONTRACTS COVERED.—Subsections (a)
17 and (b) shall apply with respect to contracts and
18 other agreements entered into on or after the date
19 that is 90 days after the date of enactment of the
20 Student Loan Servicers Accountability Act of 2024.

21 “(2) SPECIAL RULE.—The requirements of
22 paragraphs (1) through (5) of subsection (b) shall
23 apply to the actions of the Department in directly
24 administering the public service loan forgiveness pro-
25 gram under section 455(m), income-driven repay-

1 ment plans, and other forgiveness and repayment
2 programs authorized under this Act in the same
3 manner as such requirements apply to Federal stu-
4 dent loan servicers.

5 “(d) REVIEW OF LEGACY CONTRACTS.—Not later
6 than 180 days after the date of enactment of the Student
7 Loan Servicers Accountability Act of 2024, the Secretary
8 shall conduct a review of all legacy student loan servicing
9 contracts to determine whether such contracts, and the
10 Federal student loan servicers providing services under
11 such contracts, align with the requirements set forth in
12 subsections (a) and (b). The Secretary shall use the re-
13 sults of such review to inform any decision of the Sec-
14 retary to continue or renew such a contract.

15 “(e) REVOCATION.—

16 “(1) IN GENERAL.—Subject to paragraph (2),
17 the Secretary may revoke a contract or other agree-
18 ment between the Department and a covered
19 servicer or vendor if the Secretary determines that
20 the covered servicer or vendor knowingly withheld in-
21 formation or made misrepresentations to the De-
22 partment in connection with the vetting process de-
23 scribed in subsection (a) or any element of a con-
24 tract entered into under subsection (b).

1 “(2) NOTICE.—In the event the Secretary de-
2 termines that a covered servicer or vendor described
3 in paragraph (1) withheld information or made mis-
4 representations as described in such paragraph, the
5 Secretary shall provide the covered servicer or ven-
6 dor (as the case may be) with reasonable notice of
7 such determination and an opportunity for a hearing
8 before making taking final action to revoke the con-
9 tract or other agreement concerned.

10 “(f) INFORMATION IN MULTIPLE LANGUAGES.—The
11 Secretary and the Director of the Office of Management
12 and Budget shall ensure that forms and other information
13 relating the rights of borrowers under this section are
14 made available in multiple languages (including Spanish,
15 Mandarin, Haitian Creole, Arabic, and other languages)
16 and are accessible to borrowers with disabilities.

17 “(g) REPORT TO CONGRESS.—Not later than 1 year
18 after the date of enactment of the Student Loan Servicers
19 Accountability Act of 2024, and on an annual basis there-
20 after, the Secretary shall submit to Congress a report that
21 evaluates the status of compliance with this section, in-
22 cluding the compliance of—

23 “(1) the Department; and

24 “(2) covered servicers and vendors.

25 “(h) DEFINITIONS.—In this section:

1 “(1) COVERED SERVICER OR VENDOR.—The
2 term ‘covered servicer or vendor’ includes—

3 “(A) a Federal student loan servicer;

4 “(B) a vendor in the Unified Servicing and
5 Data Solution system;

6 “(C) a business process operation vendor;

7 and

8 “(D) a vendor or servicer as designated by
9 the Secretary.

10 “(2) FEDERAL STUDENT LOAN.—The term
11 ‘Federal student loan’ means a loan made under
12 part B, D, or E that is held by the Department.

13 “(3) FEDERAL STUDENT LOAN SERVICER.—
14 The term ‘Federal student loan servicer’ means any
15 individual, State, or private, for-profit or nonprofit
16 organization, which enters into, or seeks to enter
17 into, a contract with the Secretary to administer,
18 through either manual or automated processing, any
19 aspect of a Federal student loan program, including
20 monitoring, processing, servicing, or collecting loans.

21 “(4) LEGACY STUDENT LOAN SERVICING CON-
22 TRACT.—The term ‘legacy student loan servicing
23 contract’ means a contract between the Department
24 and a Federal student loan servicer that—

1 “(A) was entered into before the date that
2 is 90 days after the date of enactment of the
3 Student Loan Servicers Accountability Act of
4 2024; and

5 “(B) was in effect as of such date.”.

6 (b) CONFORMING AMENDMENT TO PSLF.—Section
7 455(m) of the Higher Education Act of 1965 (20 U.S.C.
8 1087e(m)) is amended by adding at the end the following:

9 “(5) TREATMENT OF CERTAIN PERIODS OF
10 FORBEARANCE.—Each month during which an eligi-
11 ble Federal Direct Loan is in an administrative for-
12 bearance described in section 494A(b)(1) shall be
13 treated as a qualifying payment counted for pur-
14 poses of paragraph (1)(A), regardless of whether the
15 borrower made a payment on such loan during such
16 period.”.

17 **SEC. 3. COMPTROLLER GENERAL STUDY AND REPORT.**

18 (a) STUDY.—The Comptroller General of the United
19 States shall conduct a study—

20 (1) to determine how and to what extent the
21 transfer of Federal student loans to Federal student
22 loan servicers leads to disruptions in repayment or
23 servicer errors that affect the credit ratings of bor-
24 rowers of such loans, which shall include evaluation
25 of—

1 (A) negative effects resulting from a
2 servicer's failure to maintain accurate, up-to-
3 date information on the status of a borrower's
4 account;

5 (B) the root causes of such failures, such
6 as errors caused by a lack of compatibility be-
7 tween the information technology systems of
8 different Federal student loans servicers; and

9 (C) how such failures impact borrowers,
10 such as by presenting borrowers with inaccurate
11 account balances, inaccurate or incomplete pay-
12 ment histories, and miscalculated monthly pay-
13 ment amounts;

14 (2) to develop, in consultation with the Director
15 of the Bureau of Consumer Financial Protection,
16 recommendations to assist the Department of Edu-
17 cation in mitigating any negative effects of such
18 transfers on the credit ratings of borrowers;

19 (3) to determine how and to what extent serv-
20 icing errors, servicer noncompliance with State or
21 Federal requirements, or servicer failure to provide
22 timely and accurate information to borrowers nega-
23 tively impacts the credit scores of borrowers or oth-
24 erwise results in harm to borrowers;

1 (4) to assess the effectiveness of the processes
2 used by servicers to receive and respond to consumer
3 complaints, including—

4 (A) servicer requirements regarding how
5 complaints can be filed; and

6 (B) servicer processes for tracking, inves-
7 tigating, resolving, and addressing the root
8 causes of consumer complaints, including com-
9 plaints submitted through the websites and
10 feedback systems of the Department of Edu-
11 cation; and

12 (5) to determine how the Unified Servicing and
13 Data Solution will effectively address errors and
14 other issues arising from the transfer of Federal stu-
15 dent loans to and from different servicers.

16 (b) COMPTROLLER GENERAL REPORT.—Not later
17 than two years after the date of the enactment of this Act,
18 the Comptroller General shall submit to the appropriate
19 congressional committees a report on the results of the
20 study conducted under subsection (a).

21 (c) DEFINITIONS.—In this section:

22 (1) APPROPRIATE CONGRESSIONAL COMMIT-
23 TEES.—The term “appropriate congressional com-
24 mittees” means—

1 (A) the Committee on Health, Education,
2 Labor, and Pensions of the Senate; and

3 (B) the Committee on Education and the
4 Workforce of the House of Representatives.

5 (2) FEDERAL STUDENT LOAN; FEDERAL STU-
6 DENT LOAN SERVICER.—The terms “Federal stu-
7 dent loan” and “Federal student loan servicer” have
8 the meanings given those terms in section 494A of
9 the Higher Education Act of 1965 (as added by sec-
10 tion 2 of this Act).

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