

Secretary of Education Betsy DeVos reverses Obama-era decision on student loan debt

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Secretary of Education Betsy DeVos signed an order last Tuesday halting plans made under the Obama administration regarding the national student loan servicing and debt collection system.

In a memo to James Runcie of the Federal Student Aid Office, DeVos formally withdrew three Obama-era memos calling for the federal government to select a single vendor to build a new system for servicing its student loans.

Currently the Federal government has \$800 million in contracts with nine different loan servicing companies to carry out the tasks of sending bills, collecting payments, and dealing with borrower issues for the more than \$1 trillion of student loans. Under this setup the federal government has directly profited from the student loan crisis to the tune of about \$10 billion per year.

The Obama-era plans to consolidate the vendor contracts into one did not represent a genuine effort to address the student loan collection scandals or reform the exploitative loan system more generally. The memos were the product of a damage control campaign following a series of lawsuits and scandals involving the Department of Education and the explosion of the student debt crisis following the 2008 financial crisis.

Public education as a whole came under brutal attack as part of the Obama administration's effort to shift the burden of the financial crisis onto the backs of the working class. Major cuts were made to spending on education and consequently public universities compensated for the loss by increasing tuition nationally by 33 percent over the course of the first six years of the Obama administration. These costs, paired with the rising costs of living and stagnating wages, resulted in a sharp spike in student debt.

As the situation was seized upon by the loan companies with the backing of the Department of Education, the government agency became the target of growing anger

for employing and protecting the predatory student loan collection agencies.

The token measures offered under by the Obama administration, and only after enormous pressure, did nothing to curb the loan collectors' scandalous behavior. While consolidation of the loan agencies may appear to have been a progressive step, it is doubtful that this move would have made any positive difference at all to students. This is supported by the negotiating process leading up to the plan's implementation.

Bidding for the single vendor contract to service student loans, which would have been the largest federal contract outside of the military, started about a year ago. The largest student loan servicer in the country, Navient, quickly emerged as the frontrunner.

Navient oversees roughly \$300 billion in student loans for more than 12 million borrowers, 6 million of whom are under contract with the Department of Education. In total, the Delaware-based corporation, formed out of the split of student loan servicer Sallie Mae in 2014, accounts for nearly one-fourth of all student loan borrowers.

Navient is among the most notorious student loan agencies. The company paid \$97 million in a settlement in 2014 alone for illegally maximizing late fees on the student loans of military personnel. Over 60,000 loans were affected by the violation of the 6 percent interest rate cap which is afforded to active duty service members. It was this company which the Obama administration was prepared to task with overseeing great "reforms."

Any attempt to paint the Obama administration as an ally of students or good for education falls flat in the face of the facts. However, this is not to say there is anything positive about DeVos' reversal.

Last week's withdrawal of the Obama-era reforms indicates a further shift to the right by the new Trump administration. DeVos's actions, in line with the Trump administration's moves on foreign policy, immigration,

and environmental protections, mark an escalation based on the framework established by the Obama administration.

DeVos has repeatedly expressed plans for the Department of Education to slash federal funding and regulations—as weak as they were to begin with—shifting the weight of public services into the hands of state officials and ultimately private investors.

The recent order claimed that the previous plans lacked “proper management cohesion,” in addition to being too costly. Without laying out a new policy agenda, DeVos stated that an effort was underway to “acquire new federal student loan capabilities that will provide borrowers with the tools necessary to efficiently repay their debt.”

DeVos, a billionaire from Michigan, is a well-known ideological opponent of public education. She and her family have donated millions of dollars to politicians and lobbying groups that support the funneling of tax dollars to private and religious schools through voucher programs and removing oversight of education spending through the establishment of charter schools.

Her inner circle is filled with some of the most right-wing conservative figures in the US. There is no question as to her intentions as head of the Department of Education: to destroy public education in the service of private interests.

Opposition to DeVos and the attack on education will not come from the Democratic Party despite the theatrical campaign they waged during her senate confirmation. Behind their nominal defense of “struggling families” from “unnecessary financial burden,” as leading Senators have put it, lies the Democratic Party’s own legacy of attacking public education and promoting charter schools, extending back decades. The Democrats’ complicity in the corporate-driven school “reform” is well documented in cities like Chicago and Detroit.



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