October 8, 2025

Christian Lee Odom
Ombudsman, Federal Student Aid
U.S. Department of Education
400 Maryland Avenue SW
Washington, DC 20202

Re: Comments to the Department of Education's Request for Information on Developing and Implementing a Common Manual for the Federal Direct Loan Program [ED-2025-FSA-0713-0001]

To Whom it May Concern:

Thank you for the opportunity to comment on the U.S. Department of Education's (the Department's) Request for Information on Developing and Implementing a Common Manual for the Federal Direct Loan Program [ED-2025-FSA-0713-0001]. New America's Higher Education Program is a team of researchers, writers, policy experts, and advocates dedicated to examining federal student aid policy and advancing solutions that prioritize students and families. We have particular expertise in issues regarding student loan policy, including student loan servicing.

We recognize both the important role servicers play in ensuring successful student loan repayment and also the historical challenges in the student loan system that can make it more difficult for borrowers to get the information they need and access the programs and services offered by the Department and its contractors. Servicers are borrowers' primary points of contact after they leave school and are responsible for communicating about the status of borrowers' loans, assisting borrowers in enrolling in repayment plans, managing call centers, and processing payments. Loan servicers manage accounts from the start of a loan through completion of repayment, unless the loan defaults, and the fact that each servicer has its own training procedures, counseling protocols, processes, and outreach strategies can be confusing for borrowers to navigate and can make it difficult for the Department to guarantee consistent, adequate, and accurate service across all contractors. In addition, the Department's Office of Federal Student Aid (FSA) has provided inconsistent and inadequate communication to and oversight and enforcement of servicers within a complex and underfunded system in which performance metrics, penalties, and incentives have not historically been aligned with desired borrower outcomes. Uncertainty about the future direction of the student loan system has been challenging on many levels.

The Department's plans to develop and implement a common manual for servicing and collection policies and procedures for the Direct Loan programs is an important step toward bringing transparency and consistency to the repayment system. While it is not a replacement for robust oversight, having such guidance in one place will provide clear direction for servicers and information for borrowers and those who support them on options, timelines, processes, and what to expect as they repay their loans.

As it moves forward with this process, we recommend that the Department:

- Prioritize developing, compiling, and sharing information related to near-term changes to the loan system as required by the One Big Beautiful Bill Act (Public Law (PL) 119-21) and prioritize processes and procedures related to student loan delinquency and default. The common manual should be borrower-focused, including and requiring practices that not only standardize servicer processes but also aim to improve borrower outcomes and keep borrowers on track in repayment.
- Include proven and promising communication, outreach, and customer service practices from servicers, other higher education stakeholders, and adjacent industries such as mortgage servicing. Having a repository of options can expand and strengthen servicers' current practices while ensuring flexibility is focused on what works.
- Provide public data and clear information on the performance of the student loan portfolio and borrower outcomes.

We provide additional information below and look forward to engaging with the Department as it undertakes this important work. Should you have any questions regarding these comments, we welcome the opportunity to discuss them further.

Thank you for your time and consideration.

Sophie Nguyen
Senior Policy Manager
New America Higher Education Program
nguyens@newamerica.org

Sarah Sattelmeyer
Project Director
New America Higher Education Program
sattlemeyer@newamerica.org

Prioritize developing, compiling, and sharing information related to PL 119-21 and student loan default while focusing on improving borrower outcomes.

The Unified Servicing and Data Solution (USDS) was an important step forward in the student loan repayment system. Key features of USDS incentivize servicers to provide better customer service and help borrowers avoid delinquency and default. But the contracts, absent the change requests (CRs) used by the Department to manage servicing in an evolving student loan environment are not living documents and do not articulate the variety of practices that servicers are required to follow to serve borrowers and achieve better borrower outcomes. At minimum, a common manual should be based around the USDS contracts; include CRs and additional context, directives, and information provided to servicers; and be updated in near-real time via dedicated resources and staff. This information is essential for consistency among servicers and transparency for borrowers and those who support them.

As the Department develops the common manual, it should focus on places where standardized information is needed most (and relatedly, where confusion is currently highest). This includes: (1) the ongoing implementation of the recently-passed PL 119-21 and the related changes to the student loan program, processes, and procedures and (2) the tools and practices available to help borrowers avoid and exit default, given that millions of additional borrowers are likely to be in default by the year's end.

PL 119-21

The current federal student loan system is complex and confusing to navigate. On top of an already complicated system, there has been additional uncertainty and changes to the system related to returning to repayment after the Covid-19 pandemic pause, legal battles, and now, a major overhaul following the passage of PL 119-21. This law creates a new fixed payment plan and an income-driven repayment (IDR) plan for future borrowers while eliminating certain options for current borrowers, among a host of other changes.

It's imperative that the Department and its contractors provide borrowers with accurate and up-to-date information as implementation moves forward and as program changes are put in place. Borrowers rely on receiving accurate information to stay on track in repayment; they need to know what repayment plans they are eligible for, how repayment plans are different from one another, and what loan relief options are available in order to decide what options would make the most sense for their circumstances. (And as noted above, for many borrowers, the options available will be changing over the coming months and years.) Communications from servicers and the Department should also inform borrowers of any upcoming changes they need to be aware of.

But providing information alone is not enough: As the Department is building its common manual, it should outline key next steps in various processes, expected timelines for processing forms, and expected outcomes. Borrowers need actionable next steps from their servicers, and servicers must provide consistent action items to borrowers. When there are changes coming to the system, borrowers should know what they need to do to remain in good standing on their student loans. For borrowers who are in financial distress, one action—such as enrollment in an IDR plan—can lead to a lower payment, helping them avoid falling into delinquency and then defaulting on their loans.

Delinquency and default

Another place where consistency and transparency are needed is in the default system, specifically options for exiting default and the process to transfer borrowers back to the servicing system once they return their loans to good standing. In the summer of 2022, New America managed [focus groups]() with almost 50 borrowers from across the country who reported holding federal student debt and defaulting on their loans. When they entered default, focus group participants often lost track of their loans as their accounts changed hands multiple times, and they heard from a variety of entities—servicers, the Department of Education, and (previously) private collection agencies—all charged with explaining different pieces of a complicated system.

Many struggled to identify and use available loan discharge options and other pathways to exit default. Most participants experienced the repayment system as a continuum: They did not understand that the repayment and default systems were separate and run by different contractors, and interactions with servicers, collectors, and the Department left many borrowers confused and without adequate aid and information.

There is currently not a single source of up-to-date information on default, which contributes to this confusion. The common manual can play an important role in organizing, sharing, and streamlining the processes and procedures related to default and the often-bumpy transfers between systems.

Other areas of focus

One important way to streamline the student loan repayment system is to ensure that servicers and the Department are encouraging borrowers to consent to FUTURE Act authorized data sharing. The FUTURE Act, passed in 2019, directs the IRS to share certain pieces of data with the Department of Education to help enroll (and automatically re-enroll) borrowers into income-driven repayment plans. Borrowers must give consent for their data to be shared. The Department should prioritize including information to ensure borrowers can give consent for data sharing through many avenues, including:

- Direct Loan Master Promissory Notes or Direct Consolidation Loan Applications and Promissory Notes
- Any application for programs offered by the Department of Education, including for income-driven plans and to rehabilitate loans
- Through borrowers' online servicer and Department of Education accounts
- In writing to the Department of Education or its contractors
- Other times when borrowers engage with the Department and its contractors

Error resolution is also an important part of loan servicing; since errors can lead to delays and financial burdens for borrowers, including negative impacts on borrowers' credit reports, the common manual must provide guidelines to servicers on how to resolve errors when they occur, including requirements for servicers to properly respond, investigate, and correct the problems within a reasonable timeframe.

Include proven and promising communication, outreach, and customer service practices from servicers, other higher education stakeholders, and adjacent industries to expand and strengthen servicers' current practices while ensuring flexibility is focused on what works.

Under the USDS environment, servicers manage contact centers, processing activities, and technology related to nonspecialty loan programs. These tasks include processing loan deferments and forbearances, providing direct information and counseling to borrowers, and conducting outbound call and mailing campaigns to communicate important information or updates about the loan program. The Department should collect and analyze information about promising practices used by servicers to effectively reach and communicate with borrowers and publish examples in the common manual.

Beyond servicers' current practices, the Department should also look into how other government agencies, states, and community partners support those they serve. An analysis conducted by New America in 2025 that looked into how the Department and servicers can draw from community-based organizations, advocates, legal aid organizations, and others that help community members access public benefits and other critical programs. Successful outreach strategies can be adopted to provide better services for student loan borrowers, especially those at-risk of delinquency and default.

The analysis suggests that the Department and servicers not only need to establish themselves as trusted messengers, but they also need to expand their communication channels beyond phone and email to meet borrowers where they are. The analysis also recommends that the Department and servicers do message testing on all of their communications, including mass text messages, advertising campaigns, call center messaging, website wording, and application form instructions in order to identify what is effective in reaching targeted borrowers and prompting action from them. Effective strategies should be included in the common manual as options for borrower outreach.

But effective messaging can only do so much; few people can successfully take advantage of the system's benefits if the enrollment process is confusing and complex. Our analysis also highlights certain strategies that the Department and servicers can use to simplify the enrollment process into repayment plans and options. While strategies such as simplification of program design and automatic enrollment require Congressional action, the Department and servicers can look into ways to improve their one-on-one borrower assistance practices. More user testing needs to be done to understand borrowers' complete experiences with the process, from receiving loan entrance counseling to enrolling in an IDR plan and receiving forgiveness.

Another example of promising practices and lessons learned could come from the mortgage industry. While federal student loans and mortgages are distinct financial products with specific terms and conditions, there are similarities, including the need for early intervention for struggling borrowers, continuity of contact, and properly disclosing loss mitigation options. Student loan borrowers, especially those that are currently delinquent and at risk of defaulting, could benefit if these practices become the standard.

Input from stakeholders—including borrowers, loan servicers, legal aid providers, and practitioners who support borrowers—is essential in developing a common manual. After the current request for information process, the Department should continue to invite public comment, such as on draft guidelines before they are finalized, ensuring stakeholders have the opportunity to provide meaningful feedback.

Provide public data and clear information on the performance of the student loan portfolio and borrower outcomes.

Since at least 2016, the Department has recognized that "borrowers and the public should have access to information on aggregate student loan outcomes and key servicing functions, including indicators about whether borrowers are able to keep up with their payments and stay out of default." Such information is essential for accountability, since it allows parties other than the Department to weigh in on the quality and success of current loan servicing. The common manual needs to provide guidelines to servicers on what data to collect and report and the timeframe to do so to make sure the data collected are comparable and of high quality across all servicers.

As it develops a common manual, the Department should develop a strategy and a timeline for evaluating the overall effectiveness of the guidance included within it. The evaluation process needs to be conducted comprehensively and over time, including through data collection and analysis of borrower outcomes and interviews with relevant stakeholders. In the interim, the Department should continue to track important loan performance indicators, such as delinquency and default rates, and monitor complaints and appeals from borrowers.

Last but not least, while USDS revises the compensation structure and provides incentive for servicers to prioritize practices that benefit at-risk borrowers, many details pertaining to evaluation and accountability are still left undefined in the contract. The Department can provide more clarification to these areas, such as the definition of "at-risk" borrowers and what will qualify as an accurate response to borrower requests. The Department should also evaluate and fine-tune the formula for determining incentive rewards to improve the outcomes of at-risk borrowers. For example, a steeper reduction in partial performance incentives could push servicers to meet the targets but might also lead them to try short-term tactics, like putting borrowers in forbearances or giving up on the hardest-to-reach borrowers. A more gradual reduction, on the other hand, could weaken motivation to meet performance goals. To balance these trade-offs and find the optimal approach, the Department should consider different formulas and monitor and report on metrics.