

118TH CONGRESS  
2D SESSION

**S.** \_\_\_\_\_

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

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IN THE SENATE OF THE UNITED STATES

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Mr. WYDEN introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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## 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”.

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

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

1 **“SEC. 494A. CONTRACT REQUIREMENTS FOR FEDERAL STU-**  
2 **DENT LOAN SERVICERS.**

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

7 “(1) In the case of a servicer that has pre-  
8 viously serviced Federal student loans, the past per-  
9 formance of the servicer compared to all Federal  
10 student loan servicers, including—

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

13 “(B) the quality of customer service prac-  
14 tices and the demonstrated ability of the  
15 servicer to prevent errors and disruptions in  
16 services in the event a Federal student loan is  
17 transferred to or from the servicer, as measured  
18 by—

19 “(i) the service level methodology per-  
20 formance metrics and servicer allocation  
21 metrics issued by the Office of Federal  
22 Student Aid of the Department (or any  
23 successor metrics); and

24 “(ii) any other quantitative or quali-  
25 tative factors the Secretary determines ap-  
26 propriate for analysis.

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

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

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

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

20                  “(4) Any legal action previously taken against  
21                  the servicer, including any legal action taken by a  
22                  State.

23                  “(5) The ability of the servicer to capture nec-  
24                  essary data regarding borrowers and the eligible  
25                  Federal student loans held by borrowers in the event

1 such loans are transferred to the servicer, including  
2 the ability of the servicer to gather all information  
3 related to the repayment history of a borrower and  
4 relevant consumer demographic data prior to serv-  
5 icing such loans.

6 “(6) The ability of the servicer to provide tar-  
7 geted services, including personalized counseling and  
8 other high-quality services, for borrowers most at  
9 risk of default and delinquency, including borrowers  
10 who have previously defaulted.

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

12 “(A) to support borrowers from tradition-  
13 ally underrepresented communities by providing  
14 information through the forms described in sub-  
15 section (f) and through automatic website  
16 translation, and services in multiple languages  
17 (including Spanish, Mandarin, Haitian Creole,  
18 Arabic, and other languages); and

19 “(B) to provide appropriate access and  
20 support for borrowers with disabilities.

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

1           “(1) The servicer shall place a borrower’s loans  
2           into an administrative forbearance, during which in-  
3           terest shall not accrue, during any period in which  
4           the servicer has identified a servicer error but has  
5           not yet corrected the error.

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

13                 “(A) any period during which the bor-  
14                 rower—

15                         “(i) was in administrative forbearance  
16                         due to a servicer error as described in  
17                         paragraph (1); and

18                         “(ii) would have otherwise qualified  
19                         for credit toward forgiveness if not for  
20                         such forbearance; or

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

24           “(3) The servicer shall provide appropriate rem-  
25           edies to a borrower in the event a servicer error re-

1       sults in financial harm to the borrower (as deter-  
2       mined by the Secretary), including—

3               “(A) refunding overpayments on a loan  
4               made due to a servicer error;

5               “(B) reimbursing a borrower for fees and  
6               other expenses, such as insufficient funds fees,  
7               incurred by the borrower as a result of a  
8               servicer error; and

9               “(C) such other remedies as the Secretary  
10              determines appropriate.

11             “(4) The servicer shall ensure that credit re-  
12             porting agencies remove delinquencies or other nega-  
13             tive information from the credit reports of a bor-  
14             rower if the negative credit information was a result  
15             of an error by the servicer.

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

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

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

22                   “(i) the loans of a borrower have been  
23                   paid in full, discharged, or assigned to col-  
24                   lection;

1                   “(ii) the account has been transferred  
2                   to another servicer; or

3                   “(iii) the servicer otherwise ceases the  
4                   servicing of such loans.

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

8                   “(c) APPLICABILITY.—

9                   “(1) CONTRACTS COVERED.—Subsections (a)  
10                  and (b) shall apply with respect to contracts and  
11                  other agreements entered into on or after the date  
12                  that is 90 days after the date of enactment of the  
13                  Student Loan Servicers Accountability Act of 2024.

14                  “(2) SPECIAL RULE.—The requirements of  
15                  paragraphs (1) through (5) of subsection (b) shall  
16                  apply to the actions of the Department in directly  
17                  administering the public service loan forgiveness pro-  
18                  gram under section 455(m), income-driven repay-  
19                  ment plans, and other forgiveness and repayment  
20                  programs authorized under this Act in the same  
21                  manner as such requirements apply to Federal stu-  
22                  dent loan servicers.

23                  “(d) REVIEW OF LEGACY CONTRACTS.—Not later  
24                  than 180 days after the date of enactment of the Student  
25                  Loan Servicers Accountability Act of 2024, the Secretary

1 shall conduct a review of all legacy student loan servicing  
2 contracts to determine whether such contracts, and the  
3 Federal student loan servicers providing services under  
4 such contracts, align with the requirements set forth in  
5 subsections (a) and (b). The Secretary shall use the re-  
6 sults of such review to inform any decision of the Sec-  
7 retary to continue or renew such a contract.

8 “(e) REVOCATION.—

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

18 “(2) NOTICE.—In the event the Secretary de-  
19 termines that a covered servicer or vendor described  
20 in paragraph (1) withheld information or made mis-  
21 representations as described in such paragraph, the  
22 Secretary shall provide the covered servicer or ven-  
23 dor (as the case may be) with reasonable notice of  
24 such determination and an opportunity for a hearing



1 before making taking final action to revoke the con-  
2 tract or other agreement concerned.

3 “(f) INFORMATION IN MULTIPLE LANGUAGES.—The  
4 Secretary and the Director of the Office of Management  
5 and Budget shall ensure that forms and other information  
6 relating the rights of borrowers under this section are  
7 made available in multiple languages (including Spanish,  
8 Mandarin, Haitian Creole, Arabic, and other languages)  
9 and are accessible to borrowers with disabilities.

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

16 “(1) the Department; and

17 “(2) covered servicers and vendors.

18 “(h) DEFINITIONS.—In this section:

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

21 “(A) a Federal student loan servicer;

22 “(B) a vendor in the Unified Servicing and  
23 Data Solution system;

24 “(C) a business process operation vendor;

25 and

1                   “(D) a vendor or servicer as designated by  
2                   the Secretary.

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

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

14                  “(4) LEGACY STUDENT LOAN SERVICING CON-  
15                  TRACT.—The term ‘legacy student loan servicing  
16                  contract’ means a contract between the Department  
17                  and a Federal student loan servicer that—

18                         “(A) was entered into before the date that  
19                         is 90 days after the date of enactment of the  
20                         Student Loan Servicers Accountability Act of  
21                         2024; and

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

23                  (b) CONFORMING AMENDMENT TO PSLF.—Section  
24                  455(m) of the Higher Education Act of 1965 (20 U.S.C.  
25                  1087e(m)) is amended by adding at the end the following:

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

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

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

12           (1) to determine how and to what extent the  
13 transfer of Federal student loans to Federal student  
14 loan servicers leads to disruptions in repayment or  
15 servicer errors that affect the credit ratings of bor-  
16 rowers of such loans, which shall include evaluation  
17 of—

18           (A) negative effects resulting from a  
19 servicer’s failure to maintain accurate, up-to-  
20 date information on the status of a borrower’s  
21 account;

22           (B) the root causes of such failures, such  
23 as errors caused by a lack of compatibility be-  
24 tween the information technology systems of  
25 different Federal student loans servicers; and

1 (C) how such failures impact borrowers,  
2 such as by presenting borrowers with inaccurate  
3 account balances, inaccurate or incomplete pay-  
4 ment histories, and miscalculated monthly pay-  
5 ment amounts;

6 (2) to develop, in consultation with the Director  
7 of the Bureau of Consumer Financial Protection,  
8 recommendations to assist the Department of Edu-  
9 cation in mitigating any negative effects of such  
10 transfers on the credit ratings of borrowers;

11 (3) to determine how and to what extent serv-  
12 icing errors, servicer noncompliance with State or  
13 Federal requirements, or servicer failure to provide  
14 timely and accurate information to borrowers nega-  
15 tively impacts the credit scores of borrowers or oth-  
16 erwise results in harm to borrowers;

17 (4) to assess the effectiveness of the processes  
18 used by servicers to receive and respond to consumer  
19 complaints, including—

20 (A) servicer requirements regarding how  
21 complaints can be filed; and

22 (B) servicer processes for tracking, inves-  
23 tigating, resolving, and addressing the root  
24 causes of consumer complaints, including com-  
25 plaints submitted through the websites and

1 feedback systems of the Department of Edu-  
2 cation; and

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

7 (b) COMPTROLLER GENERAL REPORT.—Not later  
8 than two years after the date of the enactment of this Act,  
9 the Comptroller General shall submit to the appropriate  
10 congressional committees a report on the results of the  
11 study conducted under subsection (a).

12 (c) DEFINITIONS.—In this section:

13 (1) APPROPRIATE CONGRESSIONAL COMMIT-  
14 TEES.—The term “appropriate congressional com-  
15 mittees” means—

16 (A) the Committee on Health, Education,  
17 Labor, and Pensions of the Senate; and

18 (B) the Committee on Education and the  
19 Workforce of the House of Representatives.

20 (2) FEDERAL STUDENT LOAN; FEDERAL STU-  
21 DENT LOAN SERVICER.—The terms “Federal stu-  
22 dent loan” and “Federal student loan servicer” have  
23 the meanings given those terms in section 494A of  
24 the Higher Education Act of 1965 (as added by sec-  
25 tion 2 of this Act).