
SENATE CONCURRENT RESOLUTION

URGING THE PRESIDENT OF THE UNITED STATES AND UNITED STATES DEPARTMENT OF EDUCATION TO RECONSIDER THE STATEMENTS OF POLICY REFLECTED IN THE DEAR COLLEAGUE LETTER GEN 17-02 ISSUED ON MARCH 16, 2017, AND REINSTATE PREVIOUS GUIDANCE THAT PROHIBITED STUDENT LOAN GUARANTY AGENCIES FROM IMPOSING COLLECTION FEES ON BORROWERS IN DEFAULT WHO PROMPTLY ENTER REHABILITATION AGREEMENTS.

1 WHEREAS, in 2015, President Barack Obama's Administration
2 responded to a circuit court of appeal's request for guidance in
3 a case between a student loan borrower and a loan guaranty
4 agency; and

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6 WHEREAS, on July 10, 2015, President Obama issued Dear
7 Colleague Letter GEN 15-14, that forbid loan guaranty agencies
8 from charging fees for up to sixteen percent of the principal
9 and accrued interest owed on the loans, if the borrower entered
10 the government's loan rehabilitation program within sixty days
11 of default; and

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13 WHEREAS, President Obama's memo only applied to student
14 loans issued as part of an old bank-based federal lending
15 program, known as the Federal Family Education Loan Program,
16 that no longer exists; and

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18 WHEREAS, while the federal policy guidance does not affect
19 any borrowers whose loans are held by the United States
20 Education Department, it could impact nearly 7,000,000 people
21 with \$162,000,000,000 in Federal Family Education Program Loans
22 held by guarantee agencies; and

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24 WHEREAS, nearly half of the total outstanding debt in
25 default comes from the Federal Education Loan Program, and there
26 has been a steady growth in the total amount of past-due debt in
27 the program, even as the number of borrowers has declined,



1 suggesting that interest charges and fees are being tacked on to
2 loan balances; and

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4 WHEREAS, on March 16, 2017, President Donald Trump's
5 Administration revoked the federal guidance issued by President
6 Obama that barred student debt collectors from charging high
7 fees on past-due loans; and

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9 WHEREAS, in Dear Colleague Letter GEN 17-02, President
10 Trump's Administration stated that the United States Department
11 of Education was withdrawing the previous guidance on the issue
12 because the position set forth in the 2015 Dear Colleague Letter
13 would have benefitted from an opportunity for public comment;
14 and

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16 WHEREAS, individuals who default on Federal Family
17 Education Loan Program loans are once again susceptible to a
18 sixteen percent collection fee on their unpaid principal and
19 interest, even if they enter rehabilitation within sixty days of
20 being contacted by their guaranty agencies; and

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22 WHEREAS, a sixteen percent collection fee is enormous and
23 results in an unnecessary financial burden on vulnerable
24 borrowers; and

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26 WHEREAS, guaranty agencies invest minimal costs in
27 collection from borrowers who promptly enter rehabilitation; and

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29 WHEREAS, Congress provided borrowers in default on their
30 federal student loans a one-time opportunity to rehabilitate
31 their loans out of default and re-enter repayment, and it is
32 inconsistent with the goal of rehabilitation to return borrowers
33 to repayment with additional weighty fees; and

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35 WHEREAS, more than 3,000 Americans default on a student
36 loan every day; and

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38 WHEREAS, a recent report by the Consumer Federation of
39 America indicates that millions of people had not made a payment
40 on \$137,000,000,000 in federal student loans for at least nine
41 months in 2016, a fourteen percent increase in defaults from
42 2015; now, therefore,



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2 BE IT RESOLVED by the Senate of the Twenty-ninth
3 Legislature of the State of Hawaii, Regular Session of 2017, the
4 House of Representatives concurring, that the President of the
5 United States and United States Department of Education are
6 urged to reconsider the statements of policy reflected in its
7 Dear Colleague Letter GEN 17-02 issued on March 16, 2017, and
8 reinstate previous guidance that prohibited student loan
9 guaranty agencies from imposing collection fees on borrowers in
10 default who promptly enter rehabilitation agreements; and

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12 BE IT FURTHER RESOLVED that the Secretary of Education and
13 Trump Administration are requested to support legislation or
14 take administrative action that would allow borrowers in default
15 a chance to rehabilitate their loans and successfully repay
16 student debt without being charged steep collection fees by
17 guaranty agencies; and

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19 BE IT FURTHER RESOLVED that certified copies of this
20 Concurrent Resolution be transmitted to the President of the
21 United States, Secretary of Education, United States Senators
22 Lamar Alexander and Elizabeth Warren, United States
23 Representatives Virginia Foxx and Suzanne Bonamici, and members
24 of Hawaii's Congressional delegation.

