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.

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

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

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

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

WHEREAS, nearly half of the total outstanding debt in default comes from the Federal Education Loan Program, and there has been a steady growth in the total amount of past-due debt in the program, even as the number of borrowers has declined,
suggesting that interest charges and fees are being tacked on to loan balances; and

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

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

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

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

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

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

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

WHEREAS, a recent report by the Consumer Federation of America indicates that millions of people had not made a payment on $137,000,000,000 in federal student loans for at least nine months in 2016, a fourteen percent increase in defaults from 2015; now, therefore,
BE IT RESOLVED by the Senate of the Twenty-ninth Legislature of the State of Hawaii, Regular Session of 2017, the House of Representatives concurring, that the President of the United States and United States Department of Education are urged to reconsider the statements of policy reflected in its 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; and

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

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