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What Borrowers Need to Know About Student Loan Servicers

How government contractors assist in managing student debt

By Spencer Orenstein

Overview

Every student loan borrower is assigned a loan servicer to assist in loan repayment. The servicers can help borrowers navigate repayment options, including income-driven repayment (IDR), which can make payments more affordable.

As borrowers return to repayment after more than 3½ years of the COVID-related payment pause, borrowers need to know who their servicers are and how they can interact with them, particularly as news reports suggest that many borrowers are experiencing long wait times as the system ramps up again. This primer is intended to help student loan borrowers understand the basics of student loan servicing.

Q. What do student loan servicers do?

Student loan servicers are contractors hired by the Department of Education to manage many of the day-to-day functions of the repayment system. Servicers are responsible for assisting borrowers with tasks such as making payments, choosing a repayment plan, and monitoring the status of their loan. Servicers do not typically own loans or profit directly from the interest paid. In fact, as of December 2022, the United States Treasury directly owned 93% of the total federal student loan volume. Servicers are paid fixed fees per month based on the number of borrowers they service and the status of those loans.

Q. How can borrowers determine their student loan servicer?

The Department of Education automatically assigns student loan accounts to a student loan servicer when a loan is initially disbursed, but loans can be transferred from one servicer to another. For instance, when borrowers opt to participate in the Public Service Loan Forgiveness program, they are assigned to one specific servicer. Loans can also be transferred by the department. And during the pause, millions had their loans transferred to different servicers. Additionally, student loan borrowers who are currently in default are assigned to a specific servicer.

To find their servicers, borrowers can log in to their studentaid.gov accounts and look for the "My Loan Servicers" section. They also can call the Federal Student Aid Information Center at 1-800-433-3243 or visit the Federal Student Aid (FSA) contact page. With the large volume of student loan transfers that occurred during the pause, borrowers should be sure to confirm the correct current servicer.

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Q. What kinds of assistance can servicers provide?

Student loan servicers are responsible for managing the entire life cycle of a loan. For example, servicers help enroll borrowers in a repayment plan, apply payments, maintain payment history, notify borrowers of a missed monthly payment, and, in accordance with federal policy, report on the status of loans to credit bureaus. Borrowers should expect a high-quality customer experience and direct support to find the best way to repay their loans. However, there are some aspects of the repayment system that servicers can't change directly. For instance, the private contractors don't set the interest rate or terms of a loan, as those are set by federal policy. They also cannot provide information over the phone about the status of some recent federal policy changes, including the anticipated adjustments that the Department of Education plans to make to credit some borrowers with additional payment progress toward loan forgiveness.

Q. What should borrowers expect when interacting with servicers?

Each federal student loan servicer maintains its own online portal, which borrowers can use to evaluate repayment options, access billing statements, make payments, and upload required documentation. In addition, FSA also has resources such as the loan simulator to compare different repayment options.

Many borrowers like to call servicers directly. In fact, about 6 in 10 borrowers say that phone calls are the best way to interact with their servicer. The Department of Education sets phone call performance targets for servicers; however, the 2022 FSA annual report found that servicers failed to meet these targets. Additionally, some servicers announced reductions to call center staff and hours in 2023. Current call center hours can be found at the Federal Student Aid Customer Service Center. Limited hours and high volume are expected to continue for several months. As a result, borrowers might consider trying to resolve questions with information available at the servicer and FSA websites first to avoid possible long wait times.

Before the pandemic payment pause, borrowers reported both positive and negative experiences with servicers. Meanwhile, the Department of Education has documented errors related to servicer functions, such as problems with payment tracking for IDR plans. In November 2023, the department released a framework for servicer accountability, and it also has taken direct actions to address servicing errors. Borrowers will need to monitor their student loan account and report any problems to their servicer. They can also consider submitting a complaint to the Office of Federal Student Aid.

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Q. What resources are available to improve the repayment experience?

Millions of student loan borrowers are navigating the repayment system for the first time in more than 3½ years; some for the first time. The Department of Education has a variety of resources at studentaid.gov to help borrowers understand their repayment options.

Pew's student loan initiative, which studies the repayment system and works to improve it, has also published resources to help answer questions directly related to the return to repayment, to explain how income-driven repayment works, and to provide information related to student loan default.

Borrowers should remember to update their borrower profiles when they move or change email addresses or phone numbers to help ensure that servicers are able to provide notices or updates. Keeping a record of any servicer interactions and completing follow-up actions, such as filling out an IDR application, can also help borrowers better manage repayment of their student loans.

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This primer is the fourth in a series providing need-to-know information for borrowers and those who assist them during the return to repayment. Other pieces cover specific topics—such as the return to repayment, income-driven repayment plans, and student loan default—in more depth.

Spencer Orenstein works on The Pew Charitable Trusts' student loan initiative.

For more information, please visit: pewtrusts.org/studentloans

The Pew Charitable Trusts

Contact: Esther Berg, communications officer
Email: eberg@pewtrusts.org
Project website: pewtrusts.org