



[Docket ID FSA-XXXX-XXXX]

**Request for Information on Developing and Implementing a Common Manual for the Federal Direct Loan Program**

**AGENCY:** Office of Federal Student Aid (FSA), U.S. Department of Education.

**ACTION:** Request for Information (RFI).

**SUMMARY:** The U.S. Department of Education (ED), office of Federal Student Aid (FSA) is interested in developing and instituting common standards to serve as a centralized, authoritative source of servicing and collections policies and procedures under the William D. Ford Federal Direct Loan (Direct Loan) Program. This initiative will complement the current performance-based contracts and is aimed at establishing a set of clear, concise, consistent, and enforceable federal standards for the operations and oversight of the Direct Loan Program, drawing lessons from the Common Manual model used for the Federal Family Education Loan (FFEL) Program. This effort is intended to promote consistency, transparency, and effectiveness across all post-disbursement servicing and collections functions.

**DATES:** Comments must be received on or before **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

**ADDRESSES:** Comments must be submitted via the Federal eRulemaking Portal at *regulations.gov*. However, if you require an

accommodation or cannot otherwise submit your comments via *regulations.gov*, please contact the program contact person listed below under **FOR FURTHER INFORMATION CONTACT**. ED will not accept comments by fax or by email, or comments submitted after the comment period closes. To ensure that ED does not receive duplicate copies, please submit your comments only once. Additionally, please include the Docket ID at the top of the comments.

ED strongly encourages you to submit any comments or attachments in Microsoft Word format. If you must submit a comment in Adobe Portable Document Format (PDF), ED strongly encourages you to convert the PDF to "print-to-PDF" format, or to use some other commonly used searchable text format. Please do not submit the PDF in a scanned format. Using a print-to-PDF format allows ED to electronically search and copy certain portions of your submissions to assist in the proposed Direct Loan Common Manual creation and implementation.

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**FOR FURTHER INFORMATION CONTACT:** Christian Lee Odom, Ombudsman, Federal Student Aid, U.S. Department of Education, 400 Maryland SW Washington, D.C. 20202, Telephone: 202-215-7174, Email: Ombudsman@ed.gov

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## **SUPPLEMENTARY INFORMATION:**

### Background

The U.S. Department of Education (ED) administers the William D. Ford Federal Direct Loan (Direct Loan) Program under which students and parents, who are eligible, can borrow directly from the federal government at participating institutions of higher education. The Direct Loan program is the single largest source of federal financial assistance to support students who are in pursuit of a postsecondary education. In Fiscal Year (FY) 2025, ED estimates that \$93.1 billion in new Direct Loans will be originated. As of June 2025, more than 40.2 million individuals have borrowed approximately \$1.5 trillion in Direct Loans. ED also holds loans from other *Title IV* programs, including the FFEL Program and the Federal Perkins Loan Program.

Federal Student Aid (FSA) is the lender for the Direct Loan Program. In order to carry out FSA's responsibilities under the *Higher Education Act (HEA) of 1965*, FSA contracts with multiple vendors, known as student loan servicers, to handle loan management, call center support, and repayment assistance. In April 2024, FSA entered into new contracts through the Unified Servicing and Data Solution (USDS) initiative with the ultimate goal to streamline the Direct Loan servicing environment for borrowers. FSA also works with multiple vendors—including the U.S. Department of the Treasury—to carry out voluntary and involuntary collections activities, such as the Treasury Offset Program and administrative wage garnishment.

The current federal student loan servicing and collections contracts are performance-based contracts. Instead of a prescriptive Statement of Work dictating how its vendors will achieve project milestones for the Direct Loan Program, FSA's contracts describe overall objectives and outputs and allow the vendors flexibility to conduct operations in a manner that is cost-effective while ensuring they achieve contract milestones.

Over the last 15 years, federal, state, and private stakeholders have raised concerns about the lack of published standards and corresponding inconsistencies in Direct Loan servicing operations that has led to borrower confusion and adversely impacted the ability for some borrowers to repay their federal student loans. In response, FSA has relied on change requests (CRs) to modify servicer practices. CRs have dramatically driven up the costs of student loan servicing because such requests are done outside of the normal contracting process. Utilizing CRs also has created unnecessary borrower and stakeholder frustration because many of the CRs have overturned existing practices without public feedback and undermined the basis of performance-based contracting, as FSA began to micromanage servicer activities.

To remedy these challenges, FSA seeks input from borrowers, student loan servicers and other vendors, advocates, higher education institutions, states, federal partners, and other affected parties about how best to structure a common manual with a set of common standards to improve both borrower outcomes and improve program delivery. This initiative stems from a leadership directive for

FSA to properly manage the Direct Loan Program and to translate recurring borrower complaints and systemic issues into actionable improvements. A common manual will establish a framework of policies and practices that allows FSA's vendors to focus on program outcomes.

This RFI invites comments about the following questions:

- What policies and procedures governing student loan servicing and collections would benefit from standardization at the federal level?
- What potential challenges could be addressed through a common manual developed by Federal Student Aid?
- What best practices should inform a potential framework for common standards?
- What effective implementation and oversight strategies should Federal Student Aid consider ensuring the common manual remains accurate, relevant, and consistently updated after its initial implementation?

#### The Need for Common Standards

To prepare for this RFI, FSA conducted a review of current Direct Loan servicing and past collection practices that revealed several gaps between federal student loan guidance and implementation, especially in a multi-vendor/participant environment. These gaps highlighted where federal guidelines are lacking or not clear, resulting in inconsistent treatment of borrowers. Key gaps include:

- **Inconsistent Implementation of Guidance:** FSA has traditionally issued high-level directives, which have led to inconsistent interpretation across vendors. As a result, borrowers often experience different outcomes based solely on the vendor assigned to manage their loans.
- **Lack of Standard Protocols for Borrower Communication and Counseling:** Minimal federal requirements on when and how servicers communicate with borrowers have led to a wide variation in communication protocols across the industry. The inconsistency is especially pronounced for the circumstances surrounding when servicers grant forbearances and deferments to borrowers as alternatives to income-driven repayment options.
- **Uneven Vendor Practices During Transfers and Transitions:** Federal guidance has focused more on technical data transfers than on ensuring a smooth borrower experience. Servicers vary in how they notify borrowers of transfers, retain auto-debit settings, and handle customer support during transitions.
- **Areas Not Covered by Clear Guidance:** Certain servicing tasks lack Federal guidance, leaving servicers to devise their own approaches. Examples include how to apply overpayments and conduct outreach to delinquent borrowers. These gaps may explain the variations between borrowers' experiences.

Common federal standards would address these gaps by ensuring that all program participants, such as StudentAid.gov, contact centers, loan servicing vendors and FSA's vendors supporting default

resolution, follow uniform procedures across key functions. This will promote consistent treatment, reduce borrower confusion, and ensure that guidance is not left to discretionary interpretation or external sources.

#### Impact of Gaps: Borrower Pain Points

Borrowers, federal and state oversight agencies, and advocates have identified repeated issues stemming from inconsistent guidance and practices among loan servicers under contract with FSA. These inconsistencies cause unequal borrower treatment and limit the effectiveness of federal repayment protections. Key pain points include:

- **Poor and Inconsistent Communication:** Communication content and touchpoints can vary between FSA's multiple program participants (e.g., StudentAid.gov/FSA Contact Center/Business Process Operations vendors, loan servicers, Default Resolution Group, etc.). This results in borrowers receiving differing levels of communication and specifics depending on the entity with which they are engaging in and the status of their loan. Because of this, borrowers frequently report receiving conflicting or incorrect information at various touchpoints in their federal student loan journey, leading to confusion and frustration. Such inconsistent communication means that borrowers may get different advice about the same question, depending on whom they talk to or which company services their loans, which

undermines confidence and trust in the Federal student aid system.

- **Unhelpful Repayment Support and Customer Service:** A top complaint, among those that are reviewed by FSA, is that FSA and its agents do not proactively assist borrowers navigating repayment and provide inconsistent information about repayment options, including when borrowers should receive a forbearance or deferment. This may be the cause of unnecessary distress by borrowers.
- **Confusing Servicer Transitions:** When loans are transferred between servicers, borrowers can experience problems with their accounts. Common grievances include not receiving timely notice of the transfer, difficulty accessing the new servicer's website or records, interruption of auto-debit payments, and lost payment histories or paperwork in the handoff. This leads to borrower complaints submitted to FSA's Student Loan Ombudsman as well as to external organizations that assist borrowers
- **Barriers to Understanding and Accessing Repayment Options:** Most borrowers struggle to navigate the complexity of multiple repayment plans put in place by Congress and previous Administrations; FSA programs are complex and contingent upon the borrower's unique set of factors that may not be readily available. The lack of clear, accessible information creates a barrier to entry that could improve program outcomes and borrower engagement.

- **Inconsistent Handling of Issues and Errors:** When problems occur (e.g., a payment is misapplied, an error displays on a borrower's account, etc.), borrower experiences can vary widely. Some inquiries are resolved quickly, while others can take much longer or require multiple attempts at resolution. The lack of documented error resolution procedures means borrowers must often file a complaint to fix mistakes with outcomes depending on escalation for what should be routine issues for operations to resolve.

#### Alignment with PBO Authority and Purpose

While ED's Office of Postsecondary Education (OPE) issues federal regulations and FSA provides policy implementation guidance through the FSA Handbook, Dear Colleague Letters, contract requirements, contract modifications, change requests, operational guidance to vendors, and platforms like StudentAid.gov and Partner Connect, this guidance is fragmented and not readily available to the public or impacted parties. There is no single framework to govern post-disbursement servicing and collections practices in a cohesive, consistent manner. The resulting common standards will address these operational challenges.

Section 141 of the HEA establishes the Office of Federal Student Aid as a performance-based organization (PBO) responsible for managing the administrative and oversight functions supporting the federal student aid programs (20 U.S.C. § 1018). Under this authority, FSA is charged with improving service to students and

participants, reducing administrative costs, increasing operational accountability, and ensuring the integrity of the federal student aid system. Specifically, FSA, as the PBO, is responsible for:

- providing customer service, training, and user support related to the administration of Federal Student Aid;
- designing, acquiring, and managing systems and information technology infrastructure that support loan servicing and collections;
- administering financial, contracting, and operational aspects of *Title IV* servicing and collections;
- implementing an open, common, integrated system for aid delivery;
- ensuring program integrity by maintaining accurate and timely data; and
- taking proactive steps to prevent improper use of systems or access devices.

See 20 U.S.C. § 1018(b)(2).

The development of common standards for applicable programs authorized under the HEA falls squarely within the scope of the PBO's responsibilities as outlined in the HEA. Moreover, common standards support the PBO's core goals of improving service delivery, standardizing borrower communications and support, and safeguarding the consistent implementation of policies across all contractors involved in Direct Loan servicing and collections.

The PBO statute also requires the Federal Student Loan Ombudsman to help borrowers resolve loan-related complaints, compile and analyze complaint data, make related recommendations, and annually report about the ombudsman's activities and effectiveness. Under its current leadership, FSA will enhance the focus of its Office of the Ombudsman to provide consumer education—informed by FSA's robust customer listening—and conduct outreach across the financial aid stakeholder community. Expanding the Federal Student Loan Ombudsman's focus will help ensure students, parents, and borrowers make more-informed decisions about postsecondary education and career training after high school and will lead to better borrower outcomes.

Proposed Initiative: Common Manual for the Federal Direct Loan Program

FSA proposes to develop and implement a common manual Direct Loan servicing and collections that does the following:

1. Establishes clear, concise, consistent, and standards across high-impact servicing and collections functions.
2. Draws lessons from past efforts like the *FFEL Program Common Manual*, while designing a modern framework tailored to the Direct Loan Program and federal student aid system.
3. Proceeds in phases, starting with a targeted set of guidance and practices to pilot, refine, and scale.

Development activities may include, but are not limited to, the following:

- Reviewing feedback from this RFI to prioritize the development of common standards.
- Defining the scope and functional areas to be covered (e.g., borrower communications, income-driven repayment processing, repayment and delinquency support, default and loan transfers).
- Analyzing current federal and state regulations and identifying alignment opportunities.
- Piloting the framework in two to three focus areas.
- Drafting common standards and revising related guidance, procedures, and contracts.
- Designing a monitoring and compliance approach.
- Conducting peer reviews and finalizing documentation.

### **Request for Information**

FSA invites feedback on the development and implementation of a common manual for the Federal Direct Loan Program. We particularly welcome input on the following:

1. **Prioritization:** Which specific Direct Loan servicing and collections functions, guidance, or practices most urgently require standardization?
2. **Best Practices for Student Loan Servicing Excellence:** For all high-priority servicing and collections areas (including but not limited to borrower communications, application processing, and delinquency/pre-default outreach), what best practices from within and outside the student loan industry could be incorporated into a common standard framework?

3. **Balancing Standardization with Flexibility and Unintended**

**Impacts:** How can FSA ensure consistent service across its multiple vendors while allowing for innovation or tailored support to unique borrower populations? What unintended consequences should be avoided? Where is flexibility most important, and where is standardization most critical?

4. **Implementation and Compliance:** What mechanisms (e.g.,

contractual obligations, performance metrics, monitoring, and transparency) are most effective in ensuring compliance with standards? What are the potential challenges to implementation and how might they be overcome?

This is an RFI only. This RFI is not a Request for Proposal (RFP) or a promise to publish Direct Loan servicing and collections standards in a specific timeframe. This RFI does not commit any ED office to contract for any supply or service. We are not seeking proposals and will not accept unsolicited proposals. ED will not pay for any information or administrative costs that you may incur in responding to this RFI. The documents and information submitted in response to this RFI become the property of the U.S. Government and will not be returned.

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