

Your Student Loan Servicer Is Changing: 7 Steps To Protect Yourself Now



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FedLoan Servicing's bombshell announcement that it will end its student loan servicing operations ... [+] GETTY

Yesterday, one of the U.S. Department of Education's primary student loan servicers announced that it would be exiting the federal student loan servicing business by the end of the year, sending shockwaves through the industry.

The Pennsylvania Higher Education Assistance Authority (PHEAA), whose servicing arm for the Department of Education is better known as FedLoan Servicing, abruptly announced that it plans to cease its federal student loan servicing activities when its extended contract ends this December. The company will not seek any further extension or renewal of its contract.

FedLoan Servicing's bombshell announcement will have significant impacts on student loan borrowers. 8.5 million student loan borrower accounts will need to be transferred to different student loan servicing companies. These transfers can be disruptive and harmful to

borrowers. The Consumer Financial Protection Bureau [noted in 2015](#), following the Department’s last major servicing overhaul, that “when servicers change, payments may be lost, consumers may incur surprise late fees, and processing problems and missing account records can knock borrowers off track on repaying their loans.”

In addition, FedLoan Servicing’s exit from the federal student loan system will be particularly problematic for student loan borrowers because of its unique role in handling key federal student aid programs, including Public Service Loan Forgiveness (PSLF) and the TEACH Grant program. FedLoan Servicing has been the sole, primary student loan servicer administering these programs. And it hasn’t been going well — FedLoan has been [widely criticized](#) for mismanaging these programs, and it’s been blamed for low approval rates and erroneous denials.

And FedLoan Servicing may not be the only student loan servicer that bails from the industry. Several of the Department of Education’s other student loan servicers are also operating on short contract extensions, or otherwise will see their contracts expire within the next year.

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Given the historically messy student loan servicing transfer process, coupled with [ongoing criticism](#) of student loan servicers’ ability to administer key federal student loan programs, student loan borrowers may be rightfully concerned about the future of their accounts. Here’s what student loan borrowers can do right now to protect themselves and, hopefully, reduce the chances of harmful disruptions.

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Print Or Download All Student Loan Payment Records

One of the most significant issues encountered by student loan borrowers mired in the federal aid system is a lack of consistent record keeping, particularly following transfers to a new student loan servicer. As a result, borrowers may have difficulty proving that they made timely payments on their student loans for periods of time where a current servicer has no record to corroborate that. This is particularly true for borrowers in specific student loan programs like Public Service Loan Forgiveness (PSLF) or an income-driven repayment plan, where time spent repaying their student loans while enrolled in these programs is critical to obtaining eventual student loan forgiveness. Importantly, banks usually only retain statements for seven years, which means that borrowers cannot just rely on their banking institution for payment records in the future.

Most student loan servicer account websites allow borrowers to print or download their payment histories. FedLoan Servicing certainly does, and you may even be able to download it as an Excel spreadsheet. Download and retain these records now, and consistently moving forward, and put them in a safe place in case you need them in the future.

Save Copies of All Student Loan Correspondence

Student loan correspondence may be absolutely critical in the future, even if you don't think so right now. Borrowers in long-term repayment and student loan forgiveness programs like income-driven repayment plans and Public Service Loan Forgiveness (PSLF) all require payments made on time under specific plans for 10, 20, or 25 years. If your past enrollment in those plans is ever called into question, and your future student loan servicer has no record of your past payments, you may have to prove it. That may require having records and correspondence specifically referencing your enrollment — for instance, a letter approving you for an income-based repayment plan or notifying you of a new income-based payment amount following annual recertification. Student loan servicing companies do not retain correspondence forever, and that correspondence is unlikely to be transferred with your account to a new loan servicer.

This cannot be overemphasized: retain copies of all correspondence. If you want to be particularly thorough, save a paper record and also upload digital copies of your correspondence to a secure cloud-based service.

Public Service Loan Forgiveness: Certify Your Employment And Escalate Disputes

Student loan borrowers enrolled in Public Service Loan Forgiveness (PSLF) may be intimately familiar with problems associated with student loan servicing changes. Thousands of PSLF borrowers are still having trouble getting payments made years ago counted as qualifying payments towards the PSLF program because their payment records may have been lost, compromised, or not properly transferred over from their past servicer.

PSLF student loan borrowers whose student loans are already serviced by FedLoan Servicing can submit their [Employment Certification](#) to confirm that their employment qualifies, and to get an updated count of qualifying PSLF payments made through the date of the certification. You may want to do this prior to December, when FedLoan's contract will end. If you have not yet submitted an employment certification, you'll need to submit a separate form for each of your current and previous public service employers.

For student loan borrowers who are hoping to get their [student loans forgiven](#) through the PSLF program, but whose loans are not already serviced by FedLoan Servicing, it's a bit more complicated. Submitting the PSLF employment certification typically results in the student loan account being transferred from the borrower's current loan servicer to FedLoan Servicing. Whether that is prudent now or not is a personal decision, since you could be looking at multiple servicing transfers — first to FedLoan Servicing, and then again to a new servicer. Some borrowers whose student loans are not already with FedLoan Servicing may prefer to wait until there is more information about which servicers will be taking over accounts from FedLoan Servicing.

Student loan borrowers who are engaged in ongoing disputes with FedLoan Servicing over undercounts of qualifying PSLF payments may want to escalate those disputes now. Some borrowers have been in disputes for months or even years, with no resolution in sight, and FedLoan arguably has little incentive to resolve these disputes before bowing out of the federal student loan system. Borrowers may want to escalate their disputes directly to the U.S. Department of Education, via either the Federal Student Aid [Feedback System](#) or the [Ombudsman's](#) office.

Monitor Payments and Auto-Debits

The Consumer Financial Protection Bureau found in its 2015 report that “When servicers change, payments may be lost, consumers may incur surprise late fees, and processing problems and missing account records can knock borrowers off track on repaying their loans.” To protect yourself, student loan borrowers should monitor their online student loan accounts on a monthly basis. If you have set up payments to be made automatically through an auto-debit program, that will probably not carry over to your new loan servicer. That means you'll need to set up a new automatic payment arrangement with the new loan servicer after being transferred.

Keep in mind, as well, that we don't know exactly when the student loan servicing transfers will occur relative to the end of the current national pause on student loan payments under the CARES Act. That moratorium is currently set to expire on September 30, 2021, but it [could be extended further](#).

Monitor Your Credit Report

Student loan servicing transfers can sometimes cause erroneous negative credit reporting, such as missed payments, during the transfer process. This can cause lasting credit damage if it is not caught and addressed early.

Watching and routinely reviewing your credit report is critical during this time. Under the Fair Credit Reporting Act (FCRA), consumers have a legal right to formally dispute erroneous negative credit reporting and to request that it be removed. If the error is not fixed, consumers may have further recourse, including litigation.

While consumers are entitled to one free credit report annually from each of the three major national credit bureaus under the FCRA, [AnnualCreditReport.com](https://www.annualcreditreport.com) — the main FCRA free annual credit report portal — is offering free credit reports weekly during the Covid-19 pandemic.

Keep Your Contact Information Up To Date With Your Student Loan Servicer

Your contact information will be transferred to the new student loan servicer, along with your student loan account information. That new student loan servicer will then reach out to you using that contact information. Make sure your mailing address, email address, and phone number are all current and up-to-date so that you receive the proper notification.

Verify The New Student Loan Servicer After The Transfer

There are numerous scams and predatory companies that seek to take advantage of student loan borrowers, particularly during times of confusion. Some of these companies pretend to be acting on behalf of the U.S. Department of Education, which is particularly troublesome. There is little doubt that these operations will be shifting into high gear during the next several months.

To verify that your new student loan servicer is legitimate, you can log in to the Department of Education's [federal student aid website](https://studentaid.gov), which will tell you who your current student loan servicer is, along with their contact information.

Further Reading

[Huge Student Loan Servicing Shakeup: This Major Loan Servicer Is Ending Its Contract](#)

[New Federal Report: Student Loan Servicers Often Harm Borrowers Seeking Public Service Loan Forgiveness](#)

[New Data Shows Most Who Apply To This Student Loan Forgiveness Program Are Denied](#)

[Over 500,000 Are Eligible For Student Loan Forgiveness But The Government Hasn't Acted, Group Says](#)

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Adam S. Minsky is an advocate, innovator, and entrepreneur who established a unique law practice devoted entirely to assisting student loan borrowers and their families. Recognized as a national

authority on student loan law and policy, Adam has forged substantial connections with consumer advocates, government agencies, elected officials, media groups, and nonprofit organizations to advocate for student loan borrowers. He is also an experienced public speaker, consultant, and writer on student loan-related topics. **Read Less**

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