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AND THE WORKFORCE

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October 23, 2013

The Honorable Arne Duncan
Secretary
U.S. Department of Education
400 Maryland Avenue, SW
Washington, D.C. 20202

Dear Secretary Duncan:

In preparation for the upcoming reauthorization of the *Higher Education Act*, the House Committee on Education and the Workforce has been collecting feedback from the higher education community, students, and their families on ways to strengthen the nation's postsecondary education system. The responses received have led to several hearings in the Subcommittee on Higher Education and Workforce Training, including a recent hearing on supporting higher education opportunities for servicemembers and veterans and an upcoming hearing on simplifying the federal student loan system.

As part of this effort, I seek your thoughts on how Congress might streamline the processing of interest rate benefits for active duty servicemembers. As you know, under the *Servicemembers Civil Relief Act* (SCRA), the interest rate on federal and private student loans taken out by active duty servicemembers prior to military service are capped at 6 percent. However, recent reports indicate federal requirements under the law may be making it more difficult for servicemembers to access these important benefits.

Both the statute¹ and applicable Department of Education regulations² clearly state an eligible servicemember must submit to the servicer a copy of his or her military orders and a written request that the SCRA benefit be applied to the loan prior to implementation of the lower interest rate. These requirements were recently reinforced by the Consumer Financial Protection Bureau.³ If student loan servicers do not obtain these two pieces of documentation, the servicer is not permitted to provide the benefits to servicemembers.

¹ Servicemembers Civil Relief Act §527

² 34 C.F.R. 685.202(a)(4)

³ See <http://www.consumerfinance.gov/askcfpb/1501/how-can-i-reduce-my-student-loan-interest-rate-under-servicemembers-civil-relief-act-scra.html>.

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While we all want to ensure taxpayer-funded benefits are used effectively, efficiently, and appropriately, I am concerned these SCRA requirements are creating unnecessary obstacles for servicemembers and causing significant delays in the processing of SCRA benefits. Not only is it difficult for servicemembers to obtain and provide both pieces of information, loan servicers are not able to independently verify active duty status through the Defense Manpower Data Center to alleviate either of these requirements. As a result, servicemembers do not always receive the benefits they deserve, and student loan servicers are unfairly criticized for trying to follow the law's requirements.

Our men and women in uniform should not be required to navigate an unwieldy and time-consuming application process to obtain the benefits they have earned in the defense of our country. As policymakers, we have a responsibility to explore opportunities to modernize and simplify the SCRA application requirements. To this end, I request that you provide the committee with legislative recommendations to streamline the processing of SCRA benefits, while ensuring the student loan servicing industry is not unjustly punished for trying to follow the letter of the law.

I believe we have an opportunity to streamline this process for America's servicemembers, and look forward to receiving your suggestions. If you have any additional questions about this request, please contact Amy Jones (amy.jones@mail.house.gov) on the committee staff at 202-225-6558.

Sincerely,



JOHN KLINE
Chairman
Committee on Education and the Workforce