For Immediate Release:
September 13, 2021

Contact: Chris Slaby
Christopher.Slaby@illinois.gov

IDFPR Submits Comments to U.S. Department of Education Regarding New Interpretation on Joint Federal-State Regulation of Federal Student Loan Servicers

CHICAGO - The Illinois Department of Financial and Professional Regulation (IDFPR) submitted comments today to the U.S. Department of Education in support of its new proposed interpretation on the regulation of federal student loans. The interpretation ushers in a renewed era of cooperation between federal and state student loan regulators. IDFPR commends the interpretation and urges the Department of Education to further strengthen it by clarifying the applicability of state notification and other requirements which protect Illinois student loan borrowers.

The new interpretation replaces a previous interpretation which hindered states’ efforts to protect their student loan borrowers. In 2018, then-Education Secretary Betsy DeVos issued an interpretation on the “Federal Preemption and State Regulation of the Department of Education’s Student Loan Programs and Federal Student Loan Servicers,” contending that states could not enforce their own laws against federal student loan servicers. Although state regulators and attorneys general disputed these claims, such actions by the Department of Education continued to make it difficult for states to conduct examinations, collect documentation, and investigate borrower complaints in accordance with state laws.

The move will enhance both servicer accountability and borrower protections. With better cooperation from the Department of Education, IDFPR will continue to use its regulatory authority under the Student Loan Servicing Rights Act to protect Illinois’s 1.6 million student loan borrowers.

“I want to thank Secretary Cardona and President Biden for taking this step for student loan borrowers through the expression of the commitment to cooperative federalism and recognition of the role state regulators have long played in protecting their consumers. Illinois has some of the strongest student loan protections in the country and I will work closely with our state and federal partners to ensure that Illinois borrowers continue to receive the protections Illinois’s law provides them,” said Mario Treto, Jr., Acting Secretary of the Illinois Department of Financial and Professional Regulation.

There is currently approximately $1.7 trillion in outstanding student loan debt, owed by 43 million loan borrowers across the country, with about 1.6 million Illinois residents owing $60 billion in federal student loans to the United States government. These federal loans are all serviced by private companies that process monthly bills and payments, administer loan repayment and
cancellation programs such as Public Service Loan Forgiveness, and are often borrowers’ sole points of contact for assistance managing their loans.

In response to this growing crisis, Illinois and other states across the nation passed laws requiring private servicers to obtain licenses to do business in their jurisdictions and requiring them to follow specific servicing rules and protections. In 2019, Illinois’s Student Loan Servicing Rights Act went into effect, which requires student loan servicers to be licensed and adhere to a comprehensive Bill of Rights that establishes strong borrower protections for Illinois residents, including proper payment processing and complaint handling, and ensuring that borrowers receive information on appropriate repayment options, including income-based repayment.

In response to the COVID-19 pandemic, borrowers with student loans held by the U.S. Government have had their monthly payments and interest automatically postponed. However, the pause in repayment is temporary and is currently set to expire on January 31st, 2022.