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Student loan update: Major change impacting millions quietly implemented

Story by Suzanne Blake

A major change affecting millions of federal student loan borrowers has been quietly implemented in the U.S. Department of Education following significant staff reductions.

According to a recent Government Accountability Office (GAO) report, the Department of Education has stopped key monitoring activities used to ensure student loan servicers are billing borrowers accurately and providing reliable customer service. The shift occurred after major staffing cuts at the department and its Office of Federal Student Aid (FSA), which oversees the federal student loan system.

Note

Why It Matters

The change removes a critical layer of federal oversight from a student loan system that serves tens of millions of borrowers. As many borrowers navigate repayment transitions and plan changes, loan servicers handle everything from billing and payment tracking to enrolling borrowers in repayment plans.

Federal watchdogs have warned that without routine monitoring of servicer data and customer service interactions, errors may go undetected. This could raise the risk that borrowers could be incorrectly billed, placed into the wrong repayment status, or given inaccurate guidance about their options.

What To Know

The GAO found that beginning in February 2025, the Department of Education halted two core oversight practices.

This included reviewing loan servicer data for accuracy, which compared borrower records held by servicers with federal records, as well as monitoring customer service calls between borrowers and loan servicers to assess call quality and accuracy.

The decision was largely driven by lower staff capacity, following large-scale layoffs and workforce reductions at the agency.

However, without these monitoring checks, the GAO warned that the department cannot be certain that borrower records are accurate or that servicers are providing correct information.

"With sweeping cuts to the department's workforce last year, that monitoring has seemingly ended for the time being," Alex Beene, a financial literacy instructor for the University of

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Tennessee at Martin, told *Newsweek*. "The concern comes in the many changes that have occurred over the past few months in terms of repayment plans, loan assistance, and other issues that have been subject to legal scrutiny and multiple different decisions."

The GAO report also noted that four of the five federal loan servicers failed to meet federal accuracy standards during the last two quarters they were evaluated. Despite those failures, the reviews were discontinued, and previously assessed financial penalties were ultimately waived.

According to the GAO, staffing levels at FSA fell sharply over the course of 2025, limiting the agency's ability to conduct labor-intensive reviews of servicer performance. For servicer monitoring specifically, the Education Department slashed its staff by 46 percent.

What People Are Saying

The GAO report said: "Servicers may have less incentive to maintain accuracy and call quality. If servicers' records are inaccurate, borrowers could, for instance, be placed in the wrong loan repayment status, billed for incorrect amounts, or not have a refund processed in time."

Kevin Thompson, the CEO of 9i Capital Group and the host of the 9innings podcast, told *Newsweek*: "This matters because the system is becoming harder to navigate at the exact moment borrowers need clarity. Between court challenges, staffing cuts, and reduced oversight, the DOE isn't monitoring servicers the way it should. That opens the door for inconsistent or flat-out incorrect information with little accountability."

Alex Beene, a financial literacy instructor for the University of Tennessee at Martin, told *Newsweek*: "These loan servicers are having to keep track of these updates and ensure their policies reflect the alterations. Not having these servicers monitored could present problems if servicers fail to make updates in a timely fashion for borrowers."

What Happens Next

The change does not alter borrowers' loan balances or repayment rules directly, but it removes a key layer of federal oversight at a time when tens of millions of Americans remain in repayment or are transitioning between payment plans.

"For borrowers, that means more confusion, delays, and a higher risk of mistakes around repayment or forgiveness," Thompson said. "Call it deregulation if you want, but with \$1.7 trillion in loans, this becomes a systemic issue. Long term, it likely leads to more defaults, less trust, and a process that puts the burden entirely on the borrower to figure it out."

Note

What happens to your student loans when you die? What borrowers should know

If you die today, you're likely to die with some unpaid bills.

According to [Debt.org](#), a survey by credit reporting agency Experian found that 73% of Americans are likely to die with debt.

Experian, which tracks data on more than 220 million consumers, reported that among deceased individuals, 68% still had credit card debt, 37% had unpaid mortgages, and 25% had outstanding car loans. Smaller shares carried personal loans (12%) and student loans (6%) at the time of death. *Note*

Millions of Americans carry student loans. According to the Education Data Initiative, 3,905,800 student borrowers live in Texas.

That student loan debt doesn't follow you to the grave, but where does it go?

What happens to student loan debt if you die?

According to [Federal Student Aid](#), if you still have student loan debt when you die, your federal student loans will be discharged.

Do you need a death certificate to cancel student loans?

Federal Student Aid says the loan will be canceled if a family member or another representative submits documentation of the borrower's or parent's death that the loan servicer accepts. Acceptable documentation may include an original death certificate, a certified copy of the death certificate, or a clear and complete photocopy of either document. For more information, contact your loan servicer.

Do family members have to pay back student loans?

No. Surviving family members generally do not have to repay federal student loans. They must provide proof of death to the loan servicer, but the borrower's estate typically is not required to repay federal student loan debt.

Do you pay taxes on discharged student loans after death?

Under the 2017 Tax Cuts and Jobs Act, student loans discharged due to death or disability are not treated as taxable income. This means loved ones generally will not owe federal taxes on the forgiven debt, easing financial concerns during an already difficult time.

Do private student loans transfer to a spouse after death?

According to Earnest, if the private loans were ^{Note} taken out before the marriage and the couple lived outside the nine U.S. community property states - **Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin** - the surviving spouse is generally not responsible for repaying the debt unless they co-signed the loans.

If the borrower took out private student loans after getting married and lived in one of those community property states, the situation can be different. In those cases, the surviving spouse may be responsible for repaying part of the remaining private student loan balance after their partner's death, even if they did not originally co-sign the loan. ^{Note}