

2020-3-20

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NOTEWORTHY

Treasury begins taking over student loans

WASHINGTON>> The U.S. Education Department is handing off a portion of its student loan portfolio to the Treasury Department, a first step toward shedding management of all student loans as Trump administration officials dismantle the federal education agency.

Under an agreement announced Thursday, the Treasury Department will take over management of student loans whose borrowers are months behind on payments. Those loans add up to about \$180 billion, or 11% of the government's \$1.7 trillion student loan portfolio.

Eventually, the Treasury Department is to take responsibility for all student loans, according to the agreement. A second phase with no time frame says Treasury will "assume operational responsibility" over non-defaulted loans, "to the extent practicable."

Borrowers do not need to do anything as the change goes through, the administration says. They will continue to work with the same loan servicer and repay their loans the same way.

The 17-page agreement outlines a stunning realignment of the nation's federal student loan programs, which have been overseen by the Education Department since it was created more than 40 years ago.

The agreement "marks an intentional and historic step toward breaking up the Federal education bureaucracy and dramatically improving the administration of Federal student aid programs," Education Secretary Linda McMahon said in a statement.

In justifying the change, Trump officials said the Education Department is "ill-equipped" to handle such a big loan portfolio. They blamed the Biden administration for focusing on efforts to cancel student loans rather than help borrowers get back on track with payments. Officials cited recent data showing that fewer than half of all borrowers are making payments on their loans, with almost a quarter in default. - Note

The agreement is likely to invite legal challenges. Some opponents note that federal law requires student loans to be overseen by the Education Department. Trump officials believe they've found a workaround by framing it as a partnership, with some components — including the policies underpinning student loans — remaining at the Education Department.

The move is part of President Donald Trump's campaign to shutter the Education Department, an agency he says was overrun by liberal thinking. Only Congress has authority to close the department, but Trump officials are picking it apart through a series of inter-government agreements that relocate the department's operations to other federal offices.

— The Associated Press