March 16, 2017

GEN-17-02

Subject: Withdrawal of Dear Colleague Letter (DCL) 15-14

Summary: The purpose of this guidance is to inform you that the Department of Education is withdrawing the statements of policy and guidance reflected in its Dear Colleague Letter (DCL) GEN 15-14 that it issued on July 10, 2015, with the Subject line “Repayment Agreements and Liability for Collection Costs on Federal Family Education Loan Program (FFELP) Loans.” The DCL specifically addresses FFELP loans and not Direct Loans in the Department’s portfolio.

Dear Colleague:

The DCL stated that the Higher Education Act, as amended (HEA), and its implementing regulations do not allow guaranty agencies to charge collection costs to a defaulted borrower who enters into a repayment agreement (including a loan rehabilitation agreement under 34 CFR § 682.405) with the guaranty agency within 60 days of receiving the agency’s initial notice of default. In the DCL, the Department stated that its regulations bar a guaranty agency from charging collection costs to a defaulted borrower who (i) responds within 60 days to the initial notice sent by the guaranty agency after it pays a default claim and acquires the loan from the lender; (ii) enters into a repayment agreement, including a rehabilitation agreement; and (iii) honors that agreement.

The Department rescinds the DCL and its interpretation of the HEA and its implementing regulations. The Department issued the DCL only after the United States Court of Appeals for the Seventh Circuit asked for its views on the matter in Bible v. United Student Aid Funds, Inc., a case challenging the assessment of collection costs. The Department subsequently filed an amicus brief with the Seventh Circuit on May 21, 2015, announcing the position that it later articulated in the DCL.

The Department thinks that the position set forth in the DCL would have benefitted from public input on the issues discussed in the DCL. Accordingly, the Department withdraws the DCL, and the Department will not require compliance with the interpretations set forth in the DCL without providing prior notice and an opportunity for public comment on the issues addressed in the DCL.
This withdrawal action does not affect borrowers whose loans are held by the Department because the Department does not charge the borrower for collection costs under the circumstances discussed in the DCL. This guidance does not add requirements to applicable law.

Sincerely,

[Signature]

Lynn B. Mahaffie
Acting Assistant Secretary
Office of Postsecondary Education