



TO: COHEAO Members

FROM: Harrison Wadsworth

DATE: December 3, 2019

RE: Secretary Betsy DeVos's Comments at the Federal Student Aid Conference

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Secretary of Education Betsy DeVos today told a gathering of 5,000 financial aid administrators in Reno, Nevada that the federal student aid system is an “untamed beast” that cannot fulfill its mission because of the structure of the programs set up by Congress. She called for drastic structural reforms, saying she wants the entire Office of Federal Student Aid (FSA) divested from the Department of Education into an independent federally owned corporation managed by an apolitical Board of Directors. The structure would be like that of a commercial bank, and the Board would not report to the Secretary of Education. DeVos didn’t say who the Board would report to, although in the past she has indicated that the Treasury Department should manage the federal student loan programs.

She said, “FSA is structured to serve politicians and their policies. Initially the federal government was just a lender of last resort. Congress never set up the Department of Education to be a bank nor define the Secretary to be a banker. I’m not sure government should monopolize student lending, which in effect it does.”

DeVos said the structure should not be like that of the CFPB (with a single all-powerful director) nor did she propose a return the FFEL Program.

FSA was set up by Congress in the 1998 Higher Education Act reauthorization as a separate organization that is semi-autonomous but has more flexible hiring and contracting policies and is led by a chief operating officer who is hired on a five-year contract and is not supposed to be a political appointee. Although FSA administers all the Title IV aid programs, including Pell Grants and Work Study, the Direct Loan Program is by far the largest, with about \$1.3 trillion in outstanding loans (About \$250 billion in FFELs remain outstanding). Congress would have to change the law to create a completely independent FSA, so all DeVos can do is propose the idea.

She also spoke about items she can control, chiefly the progress towards creating the Next Gen Federal Student Aid (“NextGen”) Initiative for managing student aid. Next Gen is partially implemented and apparently continuing to move forward, despite the recent departure of the leader of the project, A. Wayne Johnson, who resigned in hopes of being appointed to the U.S. Senate by the governor of Georgia to replace Sen. Johnny Isakson (R). Johnson is apparently not going to get that appointment. DeVos introduced a new artificial intelligence-driven system called Aidan that is



supposed to provide personalized information and advice to students and their families about federal aid. There will be one digital gateway for all systems, with one student loan servicing website instead of 11, as there is now, DeVos said.

She didn't divulge the latest timeline for the servicing conversion, but other aspects are being implemented now, including also updates to the College Scorecard that allow students to find data on debt and potential earnings by field of study. It will be for the first time including information on two year degrees, apprenticeships and some graduate programs, she said. There will be an ability to sort by field of study to see the average cost by family income, median debt, graduation rates and retention.

Please email [Harrison Wadsworth](mailto:Harrison.Wadsworth) with any questions or requests for clarification.

