



Fact Sheet: Department of Education and Department of the Treasury Federal Student Assistance Partnership

What is the purpose of the partnership?

The U.S. Department of Education (ED) and the U.S. Department of the Treasury (Treasury) have entered into an Interagency Agreement (IAA) to enhance the administration of federal student assistance programs, mitigate the continuing fallout and cost to taxpayers from the Biden Administration’s mismanagement of the federal student loan portfolio, and facilitate the return of defaulted borrowers to repayment.

This partnership will support ED’s implementation of major upcoming changes to federal student assistance made by the Working Families Tax Cuts Act. These changes – including the new Repayment Assistance Plan (RAP) and a second rehabilitation opportunity for defaulted borrowers – present a unique and promising opportunity to return borrowers to repayment.

The partnership will draw on Treasury’s expertise in managing highly complex financial and information technology systems¹ and in collecting delinquent and defaulted debt for federal agencies.²

Why is ED entering into this partnership?

ED’s student loan portfolio stands at nearly \$1.7 trillion, with fewer than half of borrowers in current repayment and almost a quarter of borrowers in default.³ For decades, ED has demonstrated it is ill-equipped to manage a portfolio of this size or complexity. The federal student loan portfolio is now roughly twice the size of all university endowments combined and more than either all cumulative credit card debt or auto debt in our country.

This long history of mismanagement, particularly during the Biden Administration, left the federal student loan portfolio in disarray. Rather than providing borrowers with the tools to manage and repay their student loans, ED focused on implementing unlawful repayment and forgiveness schemes that shifted debt to taxpayers, creating ongoing confusion for borrowers,

¹ The mission of Treasury’s Bureau of the Fiscal Service (BFS) is to promote the financial integrity and operational efficiency of the federal government through exceptional accounting, financing, collections, payments, and shared services. As the primary agency responsible for financial management, BFS is ideally positioned to assist ED’s Office of Federal Student Aid (FSA) in improving the fiscal condition of the federal student loan program.

² FSA received a waiver from Treasury in 2001 to service its defaulted federal student loan debt under the Debt Collection Improvement Act of 1996. As part of this Interagency Agreement, Treasury intends to revoke that exemption.

³ <https://studentaid.gov/data-center>



families, financial aid administrators, and college access professionals. Notably, the Biden Administration terminated all private collections contracts in 2021, leaving ED with little vendor infrastructure to handle inbound calls or conduct outbound calls to assist the more than 9 million borrowers in default who could enroll in a repayment plan or rehabilitation agreement and move their loans back into good standing. As a result, many defaulted borrowers have languished in default for more than six years, damaging their credit scores and the ability to pursue the American dream. The ED-Treasury Federal Student Assistance Partnership will improve the administration of federal student aid programs for students, institutions, taxpayers, and other stakeholders.

Why did ED select Treasury for this partnership?

As ED returns education to the states and breaks up the federal education bureaucracy, Treasury is well positioned to provide operational support to ED's ongoing work to enhance the management of the federal student assistance programs. ED and Treasury have a long history and strong partnership in managing the federal student assistance programs:

- Treasury disburses funds for federal student loans.
- ED leverages Treasury's federal tax information data systems for income verification for the Free Application for Federal Student Aid (FAFSA) and income-driven repayment plans.
- ED uses the Treasury Offset Program (TOP) for involuntary debt collections.
- Treasury and ED have contracted with an overlapping set of private collection agencies that have experience with the intricacies of collecting on federal student loans.
- The Financial Literacy and Education Commission (FLEC), which is chaired by Treasury, is used by ED and institutions of higher education to educate borrowers on student loan debt.
- ED has worked with Treasury on employment data for its forthcoming accountability framework.

The IAA is an extension of these existing workstreams. Treasury is already a key partner in administering federal student assistance programs, and expanding its role is a logical next step in the evolution of the agencies' longstanding partnership.

How will the partnership work?

Under the agreement, Treasury will assume operational responsibility for collecting on defaulted federal student loan debt, leveraging private default resolution agencies to help defaulted borrowers enroll in rehabilitation or otherwise return to good standing. Treasury will also assume



operational responsibilities for FSA's Default Resolution Group, which provides direct support for those borrowers who have defaulted on their student loans and operates the Default Management and Collections System (DMCS). In subsequent phases, Treasury will work to provide operational support over non-defaulted federal student loan debt, to the extent practicable and permitted by law, while also seeking opportunities to provide operational support to FSA's other functions, including the administration of the FAFSA form and more. ED, through both the Office of Postsecondary Education and FSA, will maintain all statutory responsibilities including policy development.

Throughout each phase of the partnership, ED, in conjunction with Treasury, will communicate directly with stakeholders, including students, parents, borrowers, institutions, and vendors, to outline anticipated plans and timelines and address any questions. Building on the Trump Administration's successful efforts to fix the FAFSA form, ED will ensure that the partnership is implemented effectively and enhances the delivery of federal financial aid for students and families.

Under what statutory authorities will Treasury and ED perform their activities under the partnership?

The partnership will be implemented under a commonly utilized interagency agreement framework authorized by the Economy Act, 31 U.S.C. § 1535. Treasury also has broad authority to collect delinquent and defaulted federal debts under the Debt Collection Improvement Act, 31 U.S.C. §§ 3701-3720E.

How does this partnership align with the purpose of FSA's Performance-Based Organization (PBO)?

The ED-Treasury Federal Student Assistance Partnership is aligned with the purpose of the PBO legislation, which requires FSA to provide high-quality customer service to students and other participants in the federal student financial assistance programs and increase accountability. The PBO legislation also provides FSA greater flexibilities in the management and administration of its programs, including establishing partnerships with other agencies in order to increase efficiencies and improve program integrity.

What impact will this agreement have on institutions of higher education?

All existing federal student aid systems such as the FAFSA, Common Origination and Disbursement (COD) System, and the National Student Loan Data System (NSLDS) will remain in place and will continue to be administered in accordance with applicable statutory



requirements. FSA, in conjunction with Treasury, will continue to communicate with colleges and universities through the existing FSA Knowledge Center.

Institutions of higher education that have pending matters with FSA should continue to reach out using caseteams@ed.gov.

What impact will this agreement have on students, families, and borrowers?

Students and families will continue to receive the high-quality service they have come to expect under the Trump Administration, and borrowers will not have to take any additional actions. Borrowers must continue to repay their student loans and work with their assigned loan servicer for any questions or assistance. Borrowers with defaulted loans should continue to visit myeddebt.ed.gov for help getting out of default and for updates as Treasury assumes responsibility for collecting on defaulted loans.

Is there precedent for such partnerships?

IAAs are a tool commonly used by government agencies to share services, collaborate, and ensure efficient service delivery. Agencies frequently rely upon these agreements, so much so that the government has standardized forms to facilitate agencies' use of them. IAAs have been used by both large and small agencies in Democrat and Republican administrations alike. IAAs serve many purposes, and they are often used for administering grant programs.

For example, in 2022, the Biden Administration's Department of Justice, Federal Bureau of Prisons signed an IAA designating the U.S. Department of Labor (DOL) to administer grants under the First Step Act. More recently, ED and DOL successfully implemented an [IAA](#) to streamline the adult education and family literacy programs funded under Title II of the Workforce Innovation and Opportunity Act (WIOA) and career and technical education (CTE) programs funded by Perkins V. The U.S. Department of Agriculture and U.S. Department of War recently announced a partnership to implement the National Farm Security Action Plan. In summary, ED has entered into IAAs with other federal agencies for many years when doing so has been in the best interest of the U.S. government such as when such agreements are cost-effective or provide enhanced or more efficient program support.

Likewise, the Economy Act has been used by federal agencies in the past to enter into contracts with other agencies to perform services. These contracts are commonly used to implement IAAs through a contract for services. ED will continue to perform all statutorily required duties and responsibilities.