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## ‘Freaking the Hell Out!’ Education Overhaul Rattles Borrowers

- Student loan borrowers, servicers await Trump’s next move
- Public service loan relief order suggests other policy changes

By Akayla Gardner

(Bloomberg) -- President Donald Trump’s push to hollow out the Education Department this week sparked fresh angst among student borrowers, raising concern about what happens to them and the more than one trillion dollars in debt they have to collectively repay.

The Trump administration on Tuesday made its first big move against the department, announcing plans to cut nearly half of the agency’s workforce. Among the ripple effects is the potential for an overhaul of the federal student loan system for borrowers; the department oversees federal loans held by roughly 43 million Americans — or about one in six US adults.

At least some federal student-loan holders are reassessing plans to pay off their debts, according to borrower advocates. Nonprofit groups and lawyers have been flooded with inquiries about how Trump’s plans to reshape the department will affect loan collection programs following an effort to rein in the reach of at least one forgiveness program.

“I hear from borrowers every week, where they are freaking the hell out, and they’re paralyzed to move forward,” Stanley Tate, a lawyer who specializes in consumer student-loan cases.

Betsy Mayotte, who founded a student-loan advice nonprofit, has received a number of emails from borrowers including the words “anxiety” and “panic,” but she’s unable to provide concrete guidance because of uncertainty surrounding the administration’s plans. Communicating with borrowers “feels more like providing therapy, because there’s so many unanswered questions,” Mayotte said.



US President Donald Trump

The upheaval shows that Trump's lightening-quick campaign to slash agencies and federal workers has the potential to disrupt the lives of millions of Americans.

Trump's moves to close the Education Department is part of his broad effort to drastically shrink the size of the US government. In addition to administering loans, the agency enforces anti-discrimination laws and accounts for a small portion of K-12 public school funding. It has long been derided by conservatives as an example of government bloat and overreach.

Education Secretary Linda McMahon told Fox News the president intends to sign an order directing the department's closure, a move many legal experts say he cannot take without Congress.

Administration officials have sought to tamp down concerns about how efforts to lower spending will affect the government's management of over \$1.5 trillion in student loan debt.

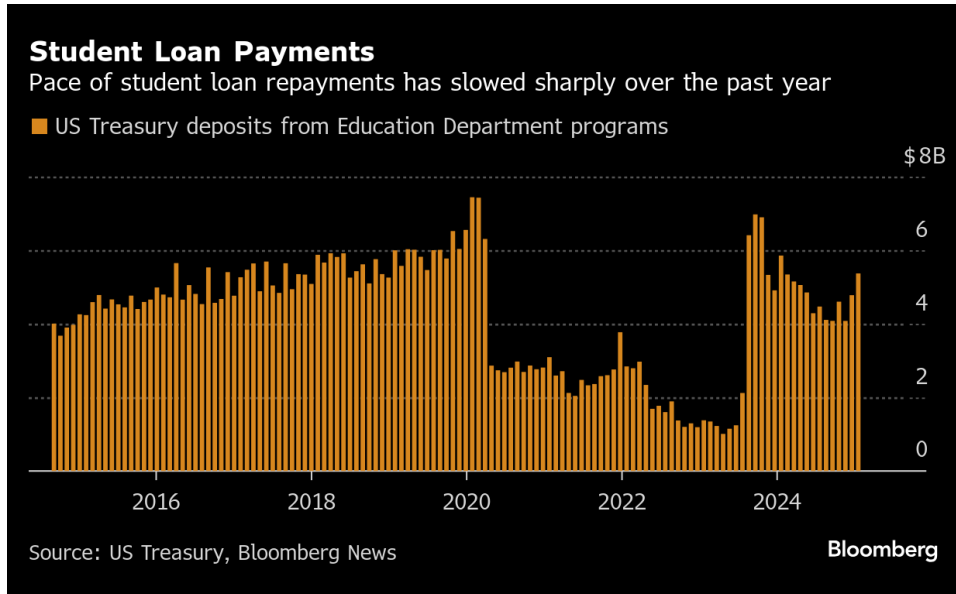
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Republican Senator Bill Cassidy, who chairs a committee overseeing education issues, said McMahon has given assurances that recent staff reductions will not impact the agency's "ability to carry out its statutory obligations," which include college financial assistance. Trump has said the loans would likely be overseen by a different federal agency if the Education Department is closed.

At least 325 staffers were caught up in recent layoffs at the Federal Student Aid Office, responsible for disbursement and loan creation, according to a department-compiled spreadsheet seen by Bloomberg News. That includes those working in privacy, technology operations and vendor performance.

In an emailed statement, Madi Biedermann, an Education Department spokesperson, said that no employees working on student-loan servicing or the Free Application for Federal Student Aid, or FAFSA, which determines funding eligibility for college students, were impacted by the recent workforce reduction.

“Under the Biden Administration, the Department of Education grew substantially while service quality declined and the FAFSA debacle impacted millions of borrowers and their families. The Department will deliver high-quality customer service to borrowers,” Biedermann said.



The president signed an executive order last week aimed at restricting individuals who qualify for a public-service loan forgiveness program, which cancels debt after 10 years in payment for people in eligible professions. The directive — currently under review — calls for excluding employees that aid in the violation of federal immigration or anti-discrimination laws.

Claudia Hernandez, who works in communications, said she is worried that her past year of student-loan payments won't be counted toward the program because of her employment at an immigration advocacy group.

“I’ve been depending on this loan forgiveness to allow me to invest in my future,” she said.

## ‘Clear Guidance’

Conservatives have long cited the department’s large sum of holdings as reason to transfer its obligations to Treasury, whose main function is to handle the country’s finances.

Trump has discussed handing off its duties to the Departments of Treasury, Commerce or the Small Business Administration. Regardless of where it lands in, third-party student loan servicers — which interface directly with borrowers — are expecting to continue operations, including billing and customer service, according to Scott Buchanan, the executive director of the Student Loan Servicing Alliance.

Buchanan, whose association represents every federal student loan servicer, says there has not been material changes to his members’ contracts, despite the Department of Government Efficiency cutting hundreds of millions in contracts with other firms. He did stress that the industry needs “regular and clear guidance” as it enacts reforms.

Adam Kissel, who served as deputy assistant secretary for higher education programs during Trump's first term and now a visiting fellow at the Heritage Foundation, the conservative think tank behind the Project 2025 policy book that called for an overhaul of the Education Department, said that student loan functions can be sustained by servicers without constant directives from the administration.

Kissel supported reducing department staff levels, including at the Federal Student Aid Office, or FSA, particularly advocating for more of its functions to be computer-automated.

"It would make sense, without hurting service at all, to dramatically cut the staff," Kissel said. "It's unclear to me what the hundreds and hundreds of FSA staff do every day."

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