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What is the Deal with Federal Student Loans?

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Introduction

Why aren't Americans more mad about federal student loan debt?

The title of this thesis is: what is the deal with federal student loans? Because there is a deal. And not just in the literal sense of transactional relationship, or even in the financial sense, because student loans are not any means a sweet deal. Student loans play a critical role in keeping Americans in debt. Totaling $1.64 trillion, student loans are the second biggest form of consumer debt just behind mortgage debt. As of October 2022, 92.7% of all student loans were held by the federal government and about 7.3% were from private lenders (Education Data Initiative). In other words, the majority of student debt burdens and pressures in America comes from federal student loans. Other important data points include the statistics that 15% of American adults report still paying off their undergraduate loans and the average student loan debt growth rate exceeds the average growth rate of tuition costs by 166% (Education Data Initiative).

These numbers and statistics are alarming, but if it needs to be said more plainly, then here it is: the massive amounts of debt Americans face will impact job choices, lifestyle choices, and ultimately to what extent the borrower will be able to successfully participate in the economy. What this means is that the increasing inability for borrowers to pay off their student loans is resulting in the inability of the borrower to invest in "wealth-building" enterprises for themselves, such as retirement, real estate, which not only negatively impacts the borrower, but the economy as a whole as well (Naimon, Leonhardt, Meehan, 262). Basically, the proliferation of student loans and student debt is messed up. And yet, as a society we put great emphasis on the value of attending an institution of higher education, despite the fact that attaining it often means going into massive debt.

Suzanne Mettler would argue that student loans are a “deal” because the concept of the submerged state of certain government programs makes invisible to the American public the role of government within federal student loan policy. But this scope and understanding of the submerged state of federal student loan policy is not only outdated but limited in scope. Student loans are a “deal,” a bad deal, because the student borrower is getting themselves into a debt relationship where they lack the financial knowledge and are intentionally misinformed about the important role of federal student loan servicers that conduct the job of servicing the federal government's high volume of student loans. These servicers have amassed quite a lot of lobbying influence and they have been accused of abusing repayment plans to their benefit of the servicer and the loss of the student borrower.

Given the prevalence of student debt and the many hidden aspects of student loan policy, my thesis asks this central question: how does the submerged nature of student loan policy influence the politics around it?

To answer this question, I examine three important components of federal student loan policy. In the first chapter, I explore the history of the government's role in federal student loan policy as well the barriers to student loan policy reform that have shaped the nature of student loans for almost four decades. After the Higher Education Act (HEA) was first implemented in 1965 the federal government was especially motivated to do the necessary job of maintaining the policy’s original intent through reauthorization and legislative provisions. However, as of 2008, certain political forces have emerged that are acting as a barrier that limits the federal government’s ability to keep up student loan policy reform. Nevertheless, despite the lack of recent reform, the role of government in federal student loan policy is now clearer than it has ever been.

In the second chapter, I utilize Suzanne Mettler's concept of the submerged state to consider the degree to which most Americans do not consider federal student loan to be a government program due to the indirect distribution of student loans to the student borrower, and how this might have changed in the decade since Mettler conceptualized student loans as a submerged policy. Along with chapter one's historical overview of the traditional presence of the federal government within student loan policy as well as the recent event of Covid-19, I argue that the government's role in federal student loan policy is quite visible to the average American. However, in this chapter, I argue that what is in fact "submerged" is the role of federal student loan servicers who have influential lobbying capabilities and have been accused of misconduct against student borrowers.

And last, in the third chapter I will explore the public opinion of student loans through an original survey and information experiment. And in particular, I explore whether revealing certain submerged elements of federal student loans will change how people"see" the role of government and the role of servicers within federal student loan policy. I expect that having student loan debt, not yet having student debt, party ID, age, gender, and race to all be influencing factors to opinions and feelings people have about federal student loan policy. Ultimately, the results I received from the survey underscore the importance and power of revealing the role of federal student loan servicers to respondents.

Ultimately, this thesis aims to answer why "we," the public, isn't more enraged about the state of student loans and student loan debt. Student loan debt is in the trillions. The trillions! It is the second largest form of consumer debt behind mortgage debt. And the financial burden and stress of repaying student loan debt has been linked to depression, anxiety, and other mental health issues. Because the reason can't just be that we don't care. Instead, I argue, the submerged nature of many elements of student loans--in particular the problematic central role that private student loan servicers play--dramatically shapes the politics around it.

Chapter One

What are the Barriers to Federal Student Loan Policy Reform?

Introduction

The history of federal student loan policy is quite extensive and important for understanding the role of the federal government in shaping, and in recent years, failing to successfully shape federal student loan policy. Beginning in 1944 when the federal government made the first student loans available to veterans of WWII to the last reauthorization of the HEA of 1965; the federal government's hand in student loan policy has been quite visible. But this lack of recent reauthorization of the HEA is particularly concerning. It is concerning because without student loan policy reform, student loans have lost their original intention to the point where student loan debt is becoming a huge financial burden on the student borrower. Therefore, I ask: how can we explain the lack of policy reform to this very important policy area?

Part 1: A Brief History of Federal Student Loan Policy

To answer this question it is imperative to start at the beginning of the construction of federal student loan policy. It is no secret that a better educated population leads to more innovative and intelligent citizens, which creates a more affluent nation on the whole (Best, 14). As a result, governments are motivated and incentivized to invest in education for this reason. And the U.S. government began to do just that in 1862, when they passed the Morrill Act that gave each state federal land to be used to establish a land grant college to advance scientific agriculture and engineering. The purpose of this act was to build a workforce that could make the farming and engineering industries more advanced, which would positively impact the trajectory of American prosperity (Best, 15). At the end of WWII the rhetoric around the benefits of attending college grew and so did the government's investment in higher education.

In 19944 Congress enacted the Servicemen's Readjustment Act (or as it is commonly referred to: the GI Bill) as a means to address the rise in desire to attend institutions of higher education post WWII. After WWII there was a strong push to ensure that veterans were reintegrated into American society with the respect that they so deserved (Best, 23). So along with a multitude of other benefits, the GI Bill of 1944 provided veterans with access to loans for education. The government would pay the cost of tuition, room and board, and books directly to the college, plus the government would pay the veteran a monthly allowance. At first congressional policymakers were hesitant about implementing the bill; however, at the culmination of the program 7.8 million veterans received a higher education (Best, 23). And despite some scandals that occurred from the GI Bill, it is important to recognize the GI Bill as the first policy to directly target access to higher education by distributing loans.

The mostly successful GI Bill ignited a push for more policy to be enacted by the federal government to fund higher education through student loans. A little over 10 years after the GI Bill was passed, Congress introduced the National Defense Education Act of 1958 (NDEA). Unlike the GI Bill which applied to only veterans, the NDEA applied to non-veteran citizens. Congressional policymakers felt that targeting non-veterans for this legislation was justified because the bottom line was national defense (Metter, 58). The US and Russia were engaged in The Space Race, and in October of 1957 Russia launched its space satellite Sputnik. As a result, the US government felt that their best response was to address a nationwide underinvestment in education was the issue (Shireman, 187). Thus, Congress presented to the Eisenhower administration a fairly gender-inclusive policy plan to provide low-interest federal loan and fellowships grants to college students in need with the intended outcome being a new generation of college educated adults highly proficient in science and engineering (Mettler, 58). By centralizing the concern over national security, congressional policymakers brought to the forefront the notion that higher education and the ability to attend higher education is a right under American citizenship (Mettler 58). In other words, the NDEA, due to its relative gender-inclusive policy provision, changed the way Americans valued higher education in society.

The GI Bill and the NDEA are two important “first-attempt” areas of policy to examine because they show the government's role and willing hand, when the outcome is profitable, in establishing access to higher education for the certain American people. Ultimately, the success of the GI Bill and NDEA led to the creation and establishment of the most important legislation of higher education and student loans: the Higher Education Act of 1965. The Higher Education Act of 1965, signed by President Lyndon B. Johnson, was created with the main goal to increase access to higher education that had been closed off to minority and low-income groups (Mettler, 51). Thus, the HEA was created with the intention of restoring higher education as an avenue for social and class mobility; the "American Dream." The HEA was very expensive in its provisions as the policy provided not only student loans, but provisions for college library improvements, grants for low-income students, scholarships, and work-study programs. In other words, the HEA was more expensive than just the distribution of student loans.

Despite being inspired by the NDEA, under the HEA the federal government introduced a critical policy provision that diverged from the NDEA and even the GI Bill. The HEA provided guaranteed student loans subsidized by the federal government. This was a departure from NDEA which had established student loans as federal funds being distributed to colleges, and then the colleges would distribute those funds to student borrowers (Best, 32). By 1965, the federal government no longer had the capability to issue thousands of student loans directly to individual borrowers; therefore, the HEA implemented the Federal Family Education Loan Program (FFELP) as a solution (Naimon, Leonhardt, Meehan, 269). The FFELP disbursed loans that originated from private lenders such as banks and credit unions, but were guaranteed by the federal government (Naimon, Leonhardt, Meehan, 269). In other words, under the FFELP private lenders and banks were used as a vehicle to distribute federally guaranteed student loans. For the federal government this departure from the previous policy was supposed to reduce the burden of lending to a relatively low cost (Best, 32). However, the federal government had to make the act of lending by these banks and other lending servicers an attractive business. Because lending for the purposes of “betting” on education is not necessarily the easiest thing to convince banks of participating in. Therefore, the banks were strongly against the establishment of bank-based loans under the HEA (Mettler, 61). To put it simply, banks perceived student loans as bad business due to the high risk nature of defaulting and the fact that education cannot be "repossessed" (Mettler, 61). Thus, to make lending for student loans an attractive business venture for banks, the federal government would pay the lender a percentage of interest while the student borrower is in school (Best, 33). The banking industry needed assurances from the federal government if they were going to be the central servicer of these guaranteed student loans subsidized by the federal government.

Ultimately, switching to guaranteed student loans subsidized by the federal government displays two important features of the federal government within the proliferation of student loan policy. First, it shows the federal government's recognition that access to higher education had become increasingly more desired by the American people and therefore required a larger “system” to distribute them. And second, when the banks were hesitant to take part in the guaranteed student loan policy, the government worked to make it an attractive business deal for them. In other words, in 1965, the federal government was extremely invested in setting up a successful student loan policy that Americans could benefit from.

Guaranteed student loans subsidized by the federal government was supposed to be a lower cost alternative to the NDEA policy because the government would only have to pay out the interest on the loan. Yet, as the size of people taking out student loans grows, so does the interest, and the number of people taking out student loans was indeed growing massively (Best, 33). Therefore, the HEA became an expensive policy to manage as millions of people began taking advantage of this increased access to student loans. However, despite this, the HEA, with its grants and work-study programs, was instrumental in transforming access to higher education for the middle and lower classes (Akers, 46). And as result, attending an institution of higher education was becoming not an uncommon phenomenon (Best, 35). Thus, the HEA can be viewed as an important piece of legislation because the federal government helped reimplement the ideals of the “American Dream.”

However, as is the case with most government policy, the federal student loan policy requires reauthorization. As time goes on, the economy changes and so do the social demands. Therefore, reauthorizing policy is imperative as it helps reconnect the policies initial intentions to the demands of the public that have no doubt changed due external factors, such as, for example; inflation. And when legislation fails to get reauthorized it creates a disconnect between what the policy is supposed to do and what the American people not only want, but now need. Unfortunately, the HEA does not exist outside the necessary legislation maintenance of reauthorization by the federal government. At first, the HEA was consistently reauthorized and updated to match changes in the economy and what the American people desired, but after a few decades, the federal government failed in its role in implementing successful student loan policy, which is in part achieved through legislation reauthorization maintenance.

A little more than five years after the HEA was first passed, the federal government reauthorized the HEA in 1972 to include important policy provisions to make the HEA even more expansive. This reauthorization occurred under the Educational Amendments of 1972. The Educational Amendments of 1972 established Pell grants which were grants that covered most of the cost of education directly from the government to the student. Pell grants were important because they specifically targeted low-income student borrowers as a way to increase higher education accessibility like the original HEA of 1965 intended to (Mettler, 89). The Educational Amendments of 1972 also established the Student Loan Marketing Association, or as it is more affectionately known; Sallie Mae. Sallie Mae was created in direct response to the excessive cost "problems" the federal government was facing by subsidizing guaranteed student loans. The federal government set up Sallie Mae as a government-sponsored enterprise that would hand out both federal and federal private student loans (Naimon, Leonhardt, Meehan, 268). Since implementing guaranteed student loans subsidized by the federal government under the original HEA of 1965, the program had grown servicing seventeen-times than the original size (Best, 36). Plus, banks were becoming less and less enthusiastic about the low profit margins in lending for student loans (Best, 35). Essentially, Sallie Mae would set up a "secondary market" for student loan access (Watson, 900) to account for the much increased demand for student loans by the American public. In sum, the Educational Amendments of 1972 reauthorized the original HEA of 1965 by further expanding the federal government student loan lending policy to become more inclusive and comprehensive. And specifically, under Sallie Mae, the federal government turned the ability of banks' lending student loans into a long-term investment. Ultimately, this 1972 reauthorization, shows the federal government's role in updating student loan legislation to match the demands of the American public to ensure that student loans remain an accessible avenue to higher education.

Since its reauthorization in 1972, the HEA was reauthorized a few more times by the federal government to keep expanding the policy's reach and maintain the original goal of increased access to higher education. In 1976, President Ford reauthorized the HEA for a third time. Thus, reinstating guaranteed student loans subsidized by the federal government as provided under the Federal Family Education Loan Program (Watson, 903). In 1980, President Carter reauthorized the HEA for a fourth time including a provision that increased lender participation in the FFELP, and ultimately student borrower participation (Watson, 908). The third and fourth reauthorizations of the HEA established significant progress in the area of federal student loan policy; more and more people were able to take out student loans because access to higher education through student aid was becoming normalized through legislation set in place by the federal government.

The reauthorization installments of HEA explained above show the federal government's role in not only shaping student loan policy, but shaping effective student loan policy. However, despite this forward progress in the 1970s, President Reagan implemented many cutbacks in federal government social policies, and federal student loan policy was not safe. President Reagan undertook budget cuts to student loan funding and alterations to student loan eligibility which was all on the trend with the administration's goal of reducing the role of the federal government (Mettler, 66). In 1982 , the Reagan administration passed the Student Financial Assistance Technical Amendments Act. This Act "technically" was an amendment to the HEA of

1965, however, it possessed none of the progressive and expansive policy traditions that the past reauthorization did. President Reagan's Student Financial Assistance Technical Amendments Act of 1982 for all intents and purposes rolled back the previous administration's policy innovations to make higher education more accessible and widespread. Some of the legislation that was introduced terminated the sixth-month loan repayment grace period and created a loan origination fee (Watson, 909). To put it simply, under the Reagan administration, forward progress in the policy sphere of federal student loans was halted and to a certain extent regressed during a time where the quantity of student borrowers was still climbing. This installment of the HEA reauthorization shows that the federal government plays a huge role in shaping student loan policy; whether it be in a positive way or a hurtful way, the federal government is one enacting these changes that then impact the student borrower.

The post-Reagan administration changes to student loan policy meant that higher education in America was struggling. And not all of the issues that occurred can be blamed on the Reagan White House. Sure, the Reagan administration's policy agenda to scale back the accessibility and reach of student loans contributed. However, since 1965 the economy had changed. For example, tuition had increased 31% from 1977 to 1981 (Watson, 908). This resulted in the devaluation of Pell grants as they lost their ability to cover the cost of tuition, room, and board (Mettler, 53). In other words, the failure of not reauthorizing the HEA or amending it with any sort of effective policy, coupled with an evolving economy did not protect student borrowers as it should have. The federal student loan sphere was actively keeping student borrowers in debt by still offering student loans, but these student loans were practically worthless as they could not compete with the economy (Mettler, 68). In essence, at this point in federal student loan policy history, the bettering of higher education had begun to deteriorate.

The lack of effective policy-making on the part of the federal government in tandem with the changing economy made it apparent that federal student loan policy needed to be overhauled. In 1986, President Reagen had reauthorized the HEA for a sixth time, but just like his other policies on student loans, it failed to truly protect student borrowers. Ultimately, the de-investment in student loan policy of the recent legislation had done damage and required fixing immediately. So, what needed fixing? Well, for starters, Sallie Mae, the federal government-sponsored enterprise that provided both federal and federally guaranteed loans, was actually making a profit (Mettler, 69). The banks and private lenders had turned what was once the risky business of lending guaranteed student loans subsidized by the federal government into a lucrative and booming business (Mettler, 69). Remember, that guaranteed student loans subsidized by the federal government first were implemented under the Federal Family Education Loan Program when the HEA was first established in 1965. Well, the FFELP empowered private lenders and banks to serve as the "middleman" to distribute these federally guaranteed student loans to student borrowers. However, due to the increase in demand for these guaranteed loans, there emerged a high deficit that the federal government was taking on (Best, 66). In other words, the program had become a financial burden on the federal government and the business of guaranteeing student loans was no longer advantageous for the federal government. Plus, the banking industry along with other private lending enterprises were gaining too much of a financial benefit. Put simply, student loan policy had become highly imbalanced where the federal government was losing a lot of money and the banks were in fact making a lot of money.

The imbalance of profit-making between the federal government and the banks was a huge influence to change student loan policy. In 1993 Congress passed the Student Loan Reform

Act which implemented the William D Ford Federal Direct Loan Program. The FDLP were student loans made directly by the federal government through the Department of Education to student borrowers; which is unlike the FFELP that subsidized loans made by private lenders and banks to student borrowers (Watson, 917). In other words, direct lending removes banks from the system of student loan lending. And as a result banks and other lenders lose a part of their profit-making business; making the banks and other private lenders unsupportive of direct lending. A year earlier, in 1992, President George H. W. Bush had reauthorized the HEA for its seventh time. And in that reauthorization policy Bush had set up a direct lending pilot program, but the lack of bipartisan cooperation coupled with an angry, yet influential banking industry inhibited his plans (Mettler, 69). So, where President George H. W. Bush failed, President Clinton ultimately succeeded. However, his success was limited due to the ultimate mobilization and influence of the banking industry, an interest group, winning out in the face of decreased bipartisanship in Congress (Best, 67). Nevertheless, despite push from the banking industry, the creation and implementation of the FDLP helped usher in a new era of student loan accessibility at a time when past policy provisions failed to truly and successfully address Americans' rights to higher education. The addition of direct lending for student loans reinstated the role of the federal government in shaping student loan policy towards a more positive trajectory that establishes the necessary policy changes to maintain the efficiency of student loan lending.

Unfortunately, the federal student loan policy landscape, post FDLP battle, was one that had become altered irrevocably. Even though the FDLP was effectively passed into student loan policy, there emerged a huge concern about the influence of banks within the student loan lending sphere. Most concerning was the fact that private lenders and banks were now setting student loan policy agenda, thus taking advantage of the gap and irresponsibility that polarization in Congress left wide open (Mettler 73). In other words, Congress was functioning, dysfunctionally. Resulting in proper policy updates and reauthorization backsliding (Mettler, 73). Due to this highly pressurized environment surrounding federal student loan policy, the HEA was only reauthorized two more times in 1998 and 2008. Both of these reauthorizations, while important and necessary, did not produce any notable pieces of legislation.

The most notable piece of legislation to come out of student loan policymaking from the federal government, second behind the HEA of 1965, came in 2010 under the Obama administration. After the 2008 financial crisis President Obama was very motivated to address and make changes in student loan policy (Best, 94). By 2010, the use of banks and other private lenders under the FFELP had fallen out of favor. Therefore, under the Student Aid and Fiscal Responsibility Act of 2010, the FFELP was disbanded ultimately requiring the FDLP to be the sole avenue for federal student loan borrowing (Watson, 928). By doing this, the "middleman" of banks and other private lenders was taken out of the equation of government backed student loans. (Watson, 928). Now the federal government became the sole originator and owner of all federal student loans. This was a radical departure from the past student loan policies. But President Obama's reasoning for doing so was that direct student loans would reduce the burden of debt felt by the borrower (Best, 95). Altogether though, the shift to the Federal Direct Lending Program shows the federal government's role in making "debt" a transactional relationship between only the federal government and the student borrower. Put simply, the federal government has proven themselves to be the most significant "shaper" of federal student loan policy through important reauthorizations and provision legislation that change the policies of student loan lending that ultimately affects the student borrowers' access to student loans and higher education as eventually their participation in the economy.

The federal government's reauthorization of the HEA of 1965, whether good or bad, was actually pretty consistent after the HEA was first introduced. Remember from earlier how imperative reauthorizing policy is as a means to keep with the increased demands for student loans and the ever-changing economy. Well, the HEA was last reauthorized in 2008, so it has been over ten years since it was last reauthorized. Why is that? I argue that the lack of reauthorization or reform in the policy area of student loans is due polarization, policy drift, and influential interest groups that now plague the political environment. And as a result, the federal government’s role in shaping student loan policy gets inhibited by these powerful political factors that ultimately act as a barrier to student loan policy reform.

Part 2: Reform Barriers: Polarization, Policy Drift, and Interest Groups

The reason for this failure to reauthorize is most likely due to these political features that are now dictating how the federal government shapes student loan policy. Polarization, policy drift, and interest groups are considered theories that explain the functioning of American government. It should be noted that none of these are “new” theories. But they are highly influential forces that are impacting the federal government's ability to conduct effective policy updates and provisions. These three theories work in tandem with one another and reinforce one another, so that ultimately, they manifest themselves into barriers to the area of federal student loan policy reform.

The previous section explored the role of the federal government in producing, relatively consistently, efforts to establish and implement student loan policy through either HEA reauthorization or legislative provisions. But since 2008, the ability of the federal government to create student loan policy has decreased quite a bit. One explanation for this lack of policy reauthorization maintenance is the rise in political polarization, and the way this makes sweeping policy change much more difficult. As far back as the late 1970s and early 1980s, trends and patterns of polarization began to emerge (McCarty, Shor, 5). In Congress, polarization is most easily viewed through the increased presence of partisan issues, a decreasing "moderate" view, increased competition between parties, and lack of bipartisan compromise (Wallace, 13). For example, the 1970s saw a rise in conflict between political parties, especially during congressional votes, where one party votes 90% against the other party, and vice versa (Lee, 263). In other words, the parties are diverging from one another, and taking on distinct issues in direct opposition of the other party. And to put it in even simpler terms, the Democrat and Republican parties have begun to "polarize" based on differing policy issues, thus making Congress highly competitive.

This highly competitive environment limits the ability to pass necessary legislation and policy updates. Inter-party competition within Congress has emerged as recently as 1994 where elections have begun to be won by narrow margins, which further discourages bi-partisan cooperation and incentivizes intra-party unity to maintain and gain power by embodying the new sentiment of destroying and embarrassing the image of the opposition party to make them look bad; thus ensuring they do not get policy passed and do not win the majority in the next election (Lee, 270). However, doing this undermines the legislative process because as polarization increases, policymaking decreases, resulting in Congressional gridlock and legislative stalemates. To put it simply, a polarized Congress is a competitive Congress, where both parties enter into a state of gridlock that acts as a barrier to the passage or reform of any sort of policy.

Polarization and its subsequent gridlock have a definite impact on federal student loan policy and student loan policy is no exception to the phenomenon of polarization. As previously stated, by the 1990's Congress had become warped by polarization that reduced bipartisan interest in cooperation. And specifically for federal student loan policy, it had become harder and harder to update existing policy or implement new policy. Evidence of polarization at play can be clearly examined in 2018, where before the election, there was talk in Congress of reauthorizing the HEA, but lack of bipartisan cooperation shut it down (Watson, 886). And this failure of bipartisan cooperation has not just developed between the political parties but the Senate and the House as well. Among the House and the Senate there has been recorded a lack of support for HEA authorization since 1995-2008 (Mettler, 74). Ultimately, it can be concluded that polarization and its subsequent gridlock acts as a barrier, at least to some extent, to the federal government's ability to establish reform to student loan policy.

The second factor that explains the failure to update or reform federal student loan policy is policy drift. Policy drift can be described as occurring when policies do not get updated to reflect "external circumstances" which results in policy shifting from its original intent (Galvin, 217). Basically, without reauthorization maintenance of policy, policy drift is what occurs. More specifically, policy drift occurs in the sphere of social welfare policy when there is a "shift" in the social climate about the issue (Hacker, 246). To put it simply, policy drift transpires when a "shift" in the social climate creates a "shift" in the original nature or intent the policy was made to address. It should be made clear though that policy drift is not policy change. As the previous paragraphs on polarization made apparent, passing policy in Congress is a near impossible endeavor. If it were easy to pass policy to mirror the "shift" in the social climate then congressional policymakers would already be doing that (Hacker, 246) Instead, policy drift manifests itself as policy inaction or as it is better understood: doing nothing (Galvin, 217).

In terms of policy drift within social welfare policies, policy drift is incredibly significant. In fact, policy drift is a phenomenon that uniquely impacts social welfare policies. The reason for this is because social welfare policies are intrinsically tied to protecting risks or insurances (Hacker, 249). Pensions, health insurance, unemployment, and childcare, are all social welfare programs, and are all to some degree protecting Americans from unpredictability of life and changes in the economy (Hacker, 249). For the most part risk protection was redistributive and collective effort. However, by the 1990s the social climate surrounding social policies addressing risk as a collective endeavor began to shift and favor this notion of risk privatization. Risk privatization emphasizes the responsibility of the individual to protect themselves from the uncertainties of life. In other words, the public began to become skeptical about the government's role in the risk protection of people who they deemed to be "financially irresponsible." Basically, the social climate around risk protection shifted from the collective to the individual. And because higher education and student loans fall under the umbrella of the social welfare policies, those policies too drifted from their original intent.

Evidence of policy drift inhibiting reform in federal student loan legislation is quite clear because the last time the HEA was reauthorized was 2008. Put simply, the inaction of reauthorizing of the HEA is an example of student loan policy drift. However, policy drift influencing the direction of student loan policy reform is much more extensive. For example, as it has been stated in the previous section providing an overview of federal student loan policy history, the Reagan administration undertook many budget cuts to social welfare policies fulfilling a change in social climate. During this time, the cost of college tuition was on the rise.

High tuition coupled with the devaluation of Pell grants meant that student borrowers were more likely to be unable to pay for college (Mettler, 68). This resulted in a policy fight between Democrats and Republicans in Congress. Democrats wanted to increase the value of Pell grants to compete with the rising cost of higher education, but Republicans wanted to reduce Pell grant spending to address the government's growing deficit (Metter, 67). This fight over Pell grants between Democrats and Republicans culminated in no real "fix" to reinstate the value and purpose of Pell grants (Mettler, 67). Thus, a policy drift had occurred. Pell grants were originally intended to deliver more widespread access to higher education, and specifically for low-income student borrowers. But due to changes in the policy agenda, changes in the economy, and overall decreased value of Pell grants, Pell grants had come to fail in effectively serving students of low-income backgrounds (Fitzgerald, 15). The failure of congressional policymakers to actively address Pell grants through either reform or amendments allowed for a policy drift to occur where the policy that was established ultimately "did nothing." Ultimately, this example proves the barrier that policy drift has on the federal government's ability to reform student loan policy.

The third factor that explains the federal government's failure to implement effective and necessary student loan policy reform is the increased role of interest groups. Just like polarization and policy drift, interest groups are nothing new to American politics or to the policyscape of higher education. In fact, the banking industry was a very present interest group throughout the creation and servicing of student loans that was mentioned in the student loan history previously outlined. In general, though, the emergence of interest coincides with the rise of suburbanization. In the past, politicians and candidates represented stable districts and towns, but subsequent to suburbanization they had to learn how to engage highly mobile and overlapping communities where nobody is close together and where there is no clear town center

(Fiorina, Abrams, 129). As a result, interest groups began to enjoy quite a significant amount of influence within U.S. policy making and policy agenda setting.

Similar to the phenomenon of polarization and policy drift, the rise of interest groups as intense policy demanders also comes to a head in Congress. As has already been examined throughout the previous paragraphs, Congress in 1970's was becoming warped by the negative effects of polarization, gridlock, and policy drift. For policymaking this was very harmful. However, for interest groups this was advantageous. It is advantageous because the competitive environment of Congress creates a space for lobbying groups to appease the organized interests and activists they represent. This is because gridlock stemming from polarization induces a lengthy, competitive process where organized groups can use lobbyists to influence what policy passes through (Brock, 2). Meaning that interest groups can and will fill the "gap" in the policymaking process with policy that is in their favor. And the longer the gridlock, stalemate, or even the policy drift lasts, the more policy-making shifts into the favor and influence of wealthy groups who have the money to sustain themselves in the process (Brock, 2) Overall, the competitive state of Congress disincentivizes bi-partisan cohesion and hinders the legislative process. However, by doing this, the legislative process becomes controlled by lobbyists supported by wealthy interest groups, resulting in those voices having a greater influence in policy making.

Unsurprisingly, interest groups play a critical role in influencing the direction of federal student loan legislation. The 1980s were a period of great economic change and the rise in demand for student loans meant that Sallie-Mae, banks, and other private lenders were making an excellent profit from servicing these student loans for the federal government. For the banking industry, this meant federal student loan policy was functioning in their favor, so any alteration to the FFELP would ensue resistance. And resistance did ensue. In 1993, a huge fight occurred between lenders of the guaranteed student loans and the congressional policymakers who favored President Clinton's plan to replace the FFELP with a direct lending system. The Consumer Bankers Association began to pressure and lobby against congressmembers who supported the direct lending plan (Mettler, 72). Even Sallie Mae and other lenders began campaigns to mobilize support against direct lending trying to cater to student borrowers and the general public (Mettler, 72). Ultimately, the direct lending plan that passed through Congress was very limited in scope and not at all close to the intended purpose (Mettler, 72). The very clear reason for this limited policy was due to the power of the banking industry and its lobbyists that ultimately won out. Thus, proving that the banking industry, an interest group, acted as a barrier to the federal government's ability to pass an important policy for federal student loan policy and kept the status quo of higher education in their favor.

Conclusion

The beginning of this chapter asked the following question: how can we explain the lack of policy reform to this very important policy area? Because as this chapter has shown, since the HEA was first passed in 1965, for the most part the federal government has had an influential hand in shaping student loan policy. Whether it be through legislative provisions or necessary HEA reauthorizations, the federal government was consistently motivated to keep student loans an accessible avenue to reach institutions of higher education. Evidence of this “motivation” on the part of the federal government can be seen through the implementation of the GI Bill and the NDEA that specifically targeted veterans and non-veterans for better access to higher education. We also see the federal government's motivation to implement successful student loan policy through the creation of guaranteed student loans subsidized programs by the federal government and the resulting bank and private lender incentives to get them involved in the program. And finally we observe the federal government's motivation to better student loan policy through many iterations of reauthorization of the HEA and the implementation of the federal direct loan program to remove the role of banks and private lenders involved in the guaranteed loan program. In essence, the above examples prove the government's historical role and responsibility in ensuring student loan policy remains, at least for the most part, an effective policy for student borrowers.

But, as this chapter has also shown, the HEA has not been updated since 2008 and the policy has gotten quite further from its original intent as it no longer matches what the student borrowers need. Polarization, policy drift, and interest groups now act as huge barriers for reform within the federal government. These political forces are creating a highly contentious political environment where student loan policy becomes hard to reform and even if legislation does pass these barriers make it so the policy is much weaker than its original intent.

Therefore, it is safe to say these barriers to reform, polarization, policy drift, and interest groups, are now what is influencing student loan policy. But this hasn't always been the case. For scholars who have knowledge about the history of student loan policy, they "see" the federal government's role in establishing effective student loan policy even if this "role" has decreased in power over the past couple of years. In other words, for scholars the role of government in implementing and creating student loan policy has always been clear even after the political barriers of polarization, policy drift, and interest. But what about the American people? Where do they see the role of the government in federal student loan policy? The next chapter will explore this question as it pertains to Suzanne Mettler's research on the submerged state while also offering a more nuanced and modern reading of the submerged characteristics of federal student loan policy.

Chapter Two

The Invisibility of Federal Student Loan Servicers

Introduction

After 2010, the landscape of federal student loans changed completely. No longer were the banks involved in the servicing and securitization of student loans. The Department of Education became the owner of all federal student loans and established contracts with federal student loan servicers to help distribute the loans to American citizens and to oversee the process of repayment. In 2011, political scientist Suzanne Mettler published influential research on the submerged state of government programs. At that time, she found that most Americans did not consider federal student loans to be a government program, and thus she considered student loans to be part of the submerged state. But is this still true a decade later? Is federal student loan policy still really submerged today?

Part 1: Suzanne Mettler and the Submerged State

The concept of the submerged state is essential to building an understanding about how government social programs function. Many Americans' think government programs are carried out in bureaucratic buildings located in Washington D.C. or through the state and local governments acting as "supporting actors" for the federal government through unemployment insurance and welfare offices (Mettler 2011, 9). However, as Mettler observes, this is not always the case. Instead, in most government programs, the role of the government gets "subverted" and "disguised," making it appear as though the market or private sector is providing the benefits instead of government (Mettler 2011, 9). Put simply, the submerged state is the idea that the role of government in government programs is made invisible due to the presence of other actors responsible for distributing the goods and benefits to the public.

Suzanne Mettler's concept of the submerged state, however, is nothing new. In fact, there has been a variety of past research on the federal government's employment of other actors as a means to indirectly supply, finance, and distribute goods and benefits to Americans. Donald Kettl called it "government by proxy;" Brinton Milward called it the "hollow state;" Christopher Howard wrote about the "hidden welfare state;" Paul Light wrote about the "shadow of government;" and Andrea Campbell and Kimberly Morgan explored what they term as "delegated governance." In other words, the idea that the government is relying on other actors to distribute benefits has become increasingly visible to scholars. But what about the American people: is it just as visible to them? To make her argument, Mettler builds on all of the previous research, but also includes the role of the perception of the American people on the existence and presence of submerged government programs. Mettler observes that the submerged state functions without approval or understanding from most Americans (Mettler 2011, 26). By this Mettler means that due to the submerged characteristics being conducted within certain government programs, the American people have no idea that the submerged state exists. In essence, Mettler is arguing that to a certain extent the submerged state subverts democracy (Mettler 2011, 26). Mettler writes, "democracy depends, first of all, on citizens having the means and capacity to form meaningful opinions about acts of governance. The submerged state interferes with that process, for how can citizens establish their own views about its policies—opinion that reflect their values and interest—if they have only limited or faulty information about those policies, or have never even heard of them?" (Mettler 2011, 26). In other words, the submerged state is a problem. It is a problem for democracy that American citizens have no idea where the benefits they are receiving are coming from or they have no idea that the benefits that they need are even available to them.

Mettler's insights about the submerged state are important because she includes the role of American citizens in her arguments, especially when taking into account the relationship between interest groups and the submerged state. The reality is that over the past 30 years for most Americans the presence of visible governance has decreased while the presence of the submerged state has proliferated (Mettler 2011, 16). In fact, it is now relatively rare for the benefits of government social programs to actually come directly from the federal government (Mettler 2011, 14). As support for direct visible governance has declined, submerged state policies possess several features that make them popular to withstand partisan polarization and congressional gridlock (Mettler 2011, 16). These features are: 1) both Republicans and conservative Democrats find them attractive; 2) other Democrats have shown that they are willing to give their support for these type of policies; 3) the institutional features of Congress make them easier to execute than establishing new direct spending programs; and 4) these submerged state programs have amassed support from interest groups that will fight to preserve them (Mettler 2011, 16). This fourth feature is very important and most connected to Mettler's argument on the relationship between interest groups and the submerged state. Interest groups care and are concerned about the submerged state because government social programs, or at least the ones that employ submerged policy tactics, distribute benefits through other actors. And these other actors are contracted out from the private sector by the federal government. That means that for the most part, a variety of interest groups are attached to the functioning, efficiency, and success of the distribution of benefits and goods to the American public by these private sector actors. As the presence of submerged government programs has grown so has the presence of interest groups—especially in the political arena.

Over the past few years, the relationship between political actors and interest groups has changed. The relationship has transformed from interrelated to a highly intense mutually dependent relationship (Mettler 2011, 19). This new relationship can be traced through the escalating amounts of money being invested in American politics in either campaign donations and or lobbying corporations (Mettler 2011, 33). These interest groups have established relationships and networks of congressmembers through lobbying activities in D.C. (Mettler 2011, 19). These relationships have proved valuable as the cost of campaigns have increased which has resulted in an increased reliance on campaign donations (Mettler 2011, 19). Additionally, these relationships with congressmembers from both sides of the aisle are valuable because bipartisan support over submerged state policies assists with the inability to withstand the prolonged gridlock over partisan issues that currently plagues Congress (Mettler 2011, 19). As a result, these interest groups, who make up the "core" benefiting industries of most submerged state policies, have acquired influence in politics. Ultimately, this newly obtained influence in politics is significant because the connections established by interest groups with political actors means they can continue to protect the submerged state policies that they are benefiting from. This influence in politics by interest groups develops into a reinforcing cycle. Mettler argues that now interest groups, due to their elevated influence in politics, are in a highly favorable position to preserve these policies. In other words, these interest groups who promote these policies are also benefiting from these policies, which exacerbates their ability to maintain the "status quo" of these policies and keep them up and running so they can continue to reap the benefits. (Mettler 2011, 23). Furthermore, the networking capabilities and lobbying efforts cultivated by interest groups of the submerged state afford them the ability to mobilize support should these policies come under fire (Mettler 2011, 32). A result of this reinforcing cycle is the emergence of inequality as a feature of the submerged state because the benefits of these policies are generally filtered towards the rich, wealthy, affluent interest groups who feed off the system and the position it affords them to keep the system running in their favor.

Born out of this feature of inequality is a power imbalance in favor of submerged state-connected interest groups and at the expense of the American public and democracy. As Mettler observes, it is a problem that some citizens do not know, for example, that Medicare, one of the most visible government programs within the spectrum of the submerged state, is in fact a government program (Mettler 2011, 26). But this inability to "see" submerged state government programs is not the fault of the American public. Submerged state policies are actively being masked from the American public by interest groups and the wealthy who not only benefit from masking these policies from the American public but who can afford to maintain the act of masking these policies in U.S. politics. Therefore, the ignorance and inability of the American public to "see" the submerged state is intentional because if the American public is unable to visibly "see" the submerged state policies then they do not know to advocate for any sort of change in their favor or to advocate against the affluent interest groups that are the ones who are actually benefiting (Mettler 2011, 26). Put simply, the submerged state and its policies create an unbalanced system that makes it so the American public cannot possibly compete with interest groups simply because they do not know they are competing in the first place. Ultimately, this inability to compete leads to Mettler's most significant argument: that, to a certain extent, the submerged state is, in fact, subverting the democratic process in America.

Mettler observes that when the government is invisible Americans lose their trust in the effectiveness of the institution's actions (Mettler 2011, 26). Additionally, Mettler observes that these negative feelings become exacerbated when Americans see the benefits afforded to interest groups by the government but cannot see the government working in their favor (Mettler 2011, 26). Thus, as a result, Americans become less inclined to be involved or engaged in politics or any advocating actions. To this point Mettler asks the following very poignant question: “how can citizens establish their own views about government policies-opinions that reflect their values and interest- if they have only limited or faulty information about those policies, or have never even heard of them?" (Mettler 2011, 26). This question gets at the twofold problem underlying the submerged state as it actively undermines democracy. For Americans to advocate against the submerged state they must learn about its existence—the existence is actively being hidden and made invisible from the citizen's view. To overcome this catch-22, Mettler proposes efforts to “reveal” the submerged state and its policies to the American public, but even doing that comes with its challenges

“Revealing” the submerged state and its submerged policies is not as easy as it sounds, but Mettler contends that it is important to try and accomplish. Mettler observes that the effort of “revealing” is a challenge because even after the submerged policy is revealed and made visible to the public, the public has a hard time accepting the value of what was just accomplished (Mettler 2011, 28). In other words, the American public doesn’t consider the reform of submerged policies to be of much significance; a lasting consequence of originally, intended hidden nature of the policy. Nevertheless, despite this challenge, there is a legitimate reason for at least attempting to reveal the submerged state. Scholars have found that when policies are direct and visible it increases Americans' likelihood to engage in politics, or at least be interested in politics, because they can see that the government is working to benefit them (Mettler 2011, 27). For example, beneficiaries of Social Security and the G.I Bill have been reported to engage in politics at higher levels, and report higher trust in government, than otherwise similar people who do not benefit from those policies. And on the flipside is the notion that because beneficiaries have no clue the origin of their benefit, that it, in fact, comes from the government, then they will not participate or become interested in politics because they would perceive the government to not be working for them (Mettler 2011, 27). Therefore, working to reveal the submerged state to the American public and reform indirect programs has the potential to positively influence citizens to become more engaged in government and politics. And, ultimately, engaged citizens would assist in decreasing the power disparity between interest groups involved in the submerged state that are shaping policy that is not only in favor of interest groups but is disadvantageous to the American public.

Overall, Suzanne Mettler's observations on the submerged state are important, as she offers two worthwhile arguments.. First, she argues that the submerged state produces a reinforcing cycle that affords interest groups invested in submerged state government programs with the capability and means to maintain status quo of benefits they are receiving through an elevated influence in politics which ultimately disadvantages the American public. Put simply, this argument is alluding to the notion that the submerged state creates a power imbalance and disparity between interest groups benefiting from hidden policies and the American public who has no idea that the submerged state even exists or that there is even a power imbalance to begin with. Mettler then uses this first argument to build upon her next argument: that because of this power imbalance the submerged state is inherently undemocractic as it leaves the American public without the ability to form opinions or thoughts on submerged government programs that have been intentionally made invisible and that are supposed to benefit them. These two arguments are compelling especially when taking into consideration the supporting literature from others scholars.

As has previously been stated, the phenomenon of the submerged state—the use of other actors to indirectly distribute benefits to the American public—is nothing new. But since Mettler published her findings on the submerged state in 2011, additional work has been published that offers further support to Mettler's arguments. Author Steven M. Teles likens American public policy to what he terms as a "kludgeocracy;" which he defines as, "a clumsy but temporarily effective solution to a particular fault or problem" (Teles, 1). The problem, a problem that Mettler points out as well, is that the American government is choosing to rely more and more on indirect policy approaches to do governance (Teles, 1). As a result, Teles argues that "kludgeocracy" affects both the functioning of democracy and the functioning of liberalism. Like to Mettler, Teles contends that the complexity of government policy not only makes the American public disinterested, but heightens the attention of interest groups (Teles, 3). In other words, the less visible that a policy is to the public, the more invested interest groups become in keeping the policy's invisible features out of the public's eye (Teles, 3). Furthermore, in terms of undermining liberalism, Teles argues that highly complex policies create the perception to the American public that the government is ineffective and or corrupt (Teles, 4). In particular, this argument supports and builds off Mettler because if the American public cannot "see" the submerged policies of federal government programs then they come to the conclusion that government is unproductive.

In addition to Steven M. Teles, the authors Clare Brock and Francis Lee fill in the more political analysis side of Mettler's arguments on the submerged state. Francis Lee contends that congressional political polarization creates what Jacob Hacker writes about as well—policy drift. Even when Congress is in a state of gridlock, the public policy does not remain unchanged (Lee 2015, 274). Instead, public policy can be impacted by social and economic changes (Lee 2015, 274). Therefore, Lee argues that a government that cannot update policy to mirror the changes in society or the economy to better mirror the needs of the people runs the risk of upholding policies that are out of step with the American people (Lee 2015, 274). In other words, policy drift and polarization comprise the legislative process. And as Clare Brock writes, it allows for interest groups to capture the legislative process to their benefit. Lee and Brock's work pertains to Mettler's arguments on the submerged state because together the authors explain that congressional polarization creates policy drift that permits interest groups to move in and shape and keep policy in their favor, thus disenfranchising the American public.

Suzanne Mettler's work and subsequent arguments about the submerged state and its submerged policies is further supported in author Desmond King's review essay. King supports Mettler's conclusion that the indirect legislation of government programs leads the American public to misread government effectiveness (King 2012, 154). Furthermore, King is able to build off of Mettler's argument that the submerged state undermines democracy. King writes that invisible government policies decrease democratic control in two ways: 1) invisible policies fly under the radar of the American public; thus they are not obvious areas of reform, and 2) invisible policies establish patterns of economic and social activity that are hard to revert (King 2012, 154). In other words, the submerged state hurts the functioning of democracy because, similarly to what Mettler argues, hidden policies ultimately fulfill their intended goal by remaining hidden from the American public's view and attention; as a result it becomes hard to roll back these submerged policies because they have intertwined themselves into the economy and society. As an example of this, King calls attention to health care in the U.S. King observes that within health care the insurance industry, pharmaceutical industry, and the medical professions all have the influence and knowledge to mobilize support and shape legislation in their favor (King 2012, 156). Meanwhile, the American public (the would-be opposition) lacks knowledge over submerged state policies and even lacks the knowledge that the submerged state exists (King 2012, 156). Again, this is similar to Mettler's arguments: the American public cannot compete with the wealthy and influential interest groups embedded in the submerged state simply because they do not even know what they are competing over and that they are competing in the first place.

Mettler’s work and arguments have been very influential, but have also received criticism for various shortcomings. One of these components is the impact the submerged state has on race. Author Aaron Rosenthal explores the intersectionality of the submerged state and its submerged policies with race. Rosenthal supports Mettler’s concept of the submerged state, however, he contends that her argument neglects to include the role of race within the submerged state. Rosenthal clarifies this argument by writing that while Mettler argues for the presence of a class-based inequality with the submerged state, there is present a race-based inequality as well (Rosenthal 2020, 1101). The race-based inequality of the submerged state appears through a social construct that leads the American public to incorrectly “see” government programs disproportionately rewarding a certain racial group (Rosenthal 2020, 1099). Rosenthal is able to elaborate on this argument by pointing to an increasingly contentious area in American politics: taxes. He writes that in 1970 when a policy of property taxes became more visible, the American public, or more specifically white Americans, began to see themselves as the payers for a government program that disproportionately benefits Black Americans (Rosenthal 2020, 1102).

Put simply, hidden government policies and revealing said hidden government policies exacerbated this notion that the government is taking funds from white Americans to then fund “Black” government programs. Rosenthal concludes his argument by naming race to be the strongest dividing line in government visibility, and that this intersection of race and government visibility should be considered not only among hidden government policies but revealed government policies as well (Rosenthal 2020, 1109). Overall, Rosenthal’s argument is persuasive as it exposes what Mettler has failed to acknowledge, but also recognizes the existence of the concept of the submerged state.

The above mentioned authors are important because they offer additional examinations into Mettler’s work on the submerged state. The authors support and agree with Mettler’s two major arguments on the highly influential role of interest groups within the submerged state and how that influential role subverts democracy in favor of the wealthy organized interests, and at the expense of the American public. While all of the authors accept Mettler’s research on the submerged state, author Aaron Rosenthal takes a different approach. Rosenthal agrees with Mettler but he contends that Mettler is not telling the full story of the submerged state by only focusing on class-based inequality and not including race-based inequality. Put simply, Rosenthal makes a compelling case to consider race when thinking about how the submerged state impacts different individuals.

Part 2: Shortcomings and Amendments to Mettler’s Understanding of the Submerged State as it Relates to Student Loans

Without disregarding Suzanne Mettler’s research and argument on the submerged state, submerged state policies, and the effects of hidden government on the American public, one key area of the submerged state that is under-emphasized in Mettler's book is the important role of federal student loan servicers. I argue that as of 2024 the submerged state of federal student loan policy is actually not as submerged as it was once thought to be. In other words, my argument is proposing that now in American society, student loans have become a more contentious political topic that the American people actually deem the role of government, to a certain extent, to be "visible." In addition, I argue that what is instead still invisible within federal student loan policy is the role of federal student loan servicers as powerful interest groups with a surprisingly capable lobbying reach who also often engage in misconduct. Put differently, my argument accepts and supports the existence of the submerged state but offers an updated reading where the role of government in federal student loan policy is no longer as hidden as it once was, but what remains hidden is the influence of federal student loan servicers.

I have arrived at this argument for two separate reasons. First is the notion that the role of government within federal student loan policy is not as submerged as it was once believed to be. This argument is evident in the discourse and political debate surrounding student loan forgiveness in the U.S. Over the past few years the idea of student loan forgiveness has really taken hold among the American public to the point where 55% of Americans are in favor of student debt forgiveness up to $10,000 per borrower (Education Data Initiative). I believe this level of support for a policy of student debt forgiveness is indicative of wider visibility of the government within federal student loan policy. In addition, under the CARES Act in 2020 there was a pause on student loan repayments as well as the Supreme Court case about President Biden's student loan forgiveness plan in the summer of 2023. These two events could not have gone unnoticed especially since they highlighted the federal government role within federal student loan policy. Overall, this has led me to contend that the American public does in fact consider federal student loan policy to be managed, at least to a certain extent, by the federal government.

The second reason for my diverging, yet still supportive, argument from Suzanne Mettler is specifically focused on the presence of federal student loan servicers within federal student loan policy. Recall from earlier that Obama disbanded the Federal Family Education Loan Program (FFELP) in 2010 and effectively removed the role of private lenders guaranteeing federal student loans. The FFELP was then replaced with the Federal Direct Loan Program (FDLP) which established the Department of Education as the originator and owner of all federal student loans. Mettler considers this policy change to be the most significant transformation of a submerged government program into a more visible government program that the Obama Administration undertook (Mettler 2011, 85). In fact, Mettler writes that the termination of the FFELP with the FDSLP established a “100 percent direct lending” government program (Mettler 2011, 85). To this point, I argue that Obama’s FDLP was not as direct as Mettler suggests it would be due to federal student loan servicers. Mettler writes that the final bill that Obama signed into law on the FDLP stipulates that $1.5 million be set aside for loan servicing companies, private companies with contracts with the federal government, to help service federal student loans (Mettler 2011, 86). Additionally Mettler observes that by the federal government contracting out the distribution of federal student loans, the American public will maintain that the government's role in this government program is invisible (Mettler 2011, 86). In my opinion, this is significant and yet Mettler fails to elaborate on the role of the private servicer. She openly writes that the Obama Administration undertook massive reform in the area of federal student loan policy by making the federal government the new owner of all federal student loans, but then openly contradicts herself by stating that servicer companies do not actually change the visibility of the policy. Mettler's lack of explanation on the servicers is my entrance into her research. While agreeing with her research on the submerged state, I will also fill in this gap in her research by investigating the role of these federal student loan servicers as the submerged feature of federal student loan policy that the American public is actually unaware of and not the role of government.

Part 3: Who and What is a Federal Student Loan Servicer?

43.2 million borrowers have federal student loan debt (Education Data Initiative). This statistic means that the federal government, more specifically the Department of Education, is servicing federal student loans to borrowers in very large quantities. Therefore, The Department of Education, as the distributor and creditor of student loans, requires assistance (Naimon, Leonhardt, Meehan, 271). And this assistance comes in the form of federal student loan servicers.

The three biggest federal student loan servicers are Navient, Nelnet, and Pennsylvania Higher Education Assistance Agency (PHEAA) (Naimon, Leonhardt, Meehan, 272). The Student Aid and Fiscal Responsibility Act (SAFRA) authorized the Department of Education to enter into contracts with designated student loan servicers as a way to ensure loan repayment (Naimon, Leonhardt, Meehan, 272). However, the contracts are very complicated, convoluted, and often problematic. This is due to the fact that for these federal student loan servicers, the federal government is their biggest client and as per their contract it is mandatory that they work cooperatively with the Department of Education to ensure protection of the federal student loan funds (Naimon, Leonhardt, Meehan, 272). Additionally, these contracts outline the majority of the regulation and terms placed on the federal loan servicer, the most important of which states that the federal student loan servicer is solely responsible for distributing the federal student loan (Naimon, Leonhardt, Meehan, 272). In other words, the lender, the Department of Education, has created a sort of symbiotic relationship with the servicer, the federal student loan servicer, that ultimately leaves the student borrower without any voice or say in the repayment contracts they are entering into (Cox, 192). This is potentially problematic because it leaves the student borrower vulnerable to the power of the servicer.

However, despite getting into some of these problematic aspects of federal student loan servicers, there is some truth to the necessity of the role they play in federal student loan policy. Student loans are a little more complicated than the average loan. Education is an investment where the costs are in the present, but the subsequent pay off or benefits are in the future (Dynarski, 3). In most borrower-lender transactions, the borrower puts up collateral to front the "potentially profitable investment" (Dynarski, 3). However, for student loans, the relationship between the borrower and the lender is made slightly difficult due to the fact that education is not an object to be repossessed or offered up as collateral should repayment fail. Which is why, for the private market, student loans are subject to high interest rates to account for a lack of liquidity (Dynarski, 4). Therefore, the federal government is in the most ideal position to give out these student loans (Dynarski, 4). Additionally, the federal government doesn't need to discern the creditworthiness of the student borrower and the terms of the loans are not variable, but instead fixed (Glater, 128). Therefore, student loans distributed by the federal government are much more widely dispersed (Glater, 128). And by establishing contracts with private servicers, federal student loan servicers become the tool by which the federal government can elevate access to higher education through student loans to everyone; which is a fundamental aspect of the American dream.

The Conundrum of Federal Student Loan Servicers

On the one hand federal student loan servicers are inherently necessary because there is no way in which the Education Department could provide student loans at such a high volume if they do not rely on these “other actors” to help distribute federal student loans to student borrowers that need them. On other hand, the practices conducted by these federal student loan servicers are especially convoluted and not too straightforward. These federal student loan servicers lack the necessary oversight and accountability that is required to keep them in line (Cox 2014, 189). As a result, the student borrowers essentially become a victim to these federal student loan servicers (Cox 2014, 189). Basically, despite their integral role in failing federal student loans to student borrowers, federal student loan servicers are actually misleading student borrowers.

One of root causes for failure on the part of federal student loan servicers stems from what is called the principal-agent issue. The principal-agent issue can account for the complex relationship between the lender, the servicer, and the borrower (Cox 2014, 191). To preface, the federal government is the principal and the federal student loan servicer is the agent. In this relationship, the servicers have no incentive to listen to the demands of the lender, the government, and even far less incentive to function in the best interest of the student borrower who is conveniently left out of the relationship completely (Cox 2014, 191). Evidence of the student borrowers' lack of power within this relationship can be found in the fact that these contracts exist between the federal government and the federal student loan servicers; there is no contract for the student borrower and the federal student loan servicer. Ultimately, because the student borrowers are left out of the relationship and outside of a contract, it leaves the student borrowers very vulnerable to abusive practices and misconduct (Cox, 192). This is a huge problem and it is made worse by the fact that student borrowers lack the proper protection from the pervasive practices being conducted by the federal student loan servicers.

The conundrum of federal student loan servicers continues as student borrowers are not only vulnerable and more often than not fall victim to misconduct of federal student loan servicers, but that the student borrowers are not receiving the protection they require. Despite the renegotiation of servicer contracts in 2014 the Consumer Finance Protection Bureau (CFPB) lacks the manpower to supervise the abusive practices and misconduct these private institutions are engaging in (Cox 2014, 192). Therefore, students will still face abuses and deal with the deceptive tactics of servicers because federal student loan policy supremely lacks the infrastructure and resources to control these servicers and more importantly, the student borrowers themselves lack the agency and empowerment to advocate for themselves in this relationship (192). Interestingly, this lack of agency connects to Mettler's observations on the submerged state. Student borrowers are intentionally being left out of the contractual relationship between the federal government and the federal student loan servicers because it benefits both parties to do so. Furthermore, because student borrowers are excluded from the relationship they are not only victims of misconduct but in some cases they have no idea about the very misconduct these federal student loan servicers are committing against them. Put simply, yes, the practices of federal student loan servicers are submerged.

Part 4: Federal Student Loan Servicers are What is Submerged

The practices and functions of federal student loan servicers are supremely complex, probably intentionally so, because it means that federal student loan servicers can continue to abuse student borrowers. To put it into context, as of 2020, the federal student loan program makes up roughly 90% of the total $100 billion student loan funds, private and federal, distributed in the past few years (Darolia, Sullivan 2020, 5). Therefore, the vast majority of student loans are federal student loans; meaning the federal government owns these loans and federal student loans are helping to distribute them.

There are two categories of student loans, federal and private. In comparison to federal student loans, private student loans are much more visibly worrisome. While the bulk of this thesis focuses on federal student loans, the problems with private student loans are just as troubling. Private student loan servicers engage with what are called student loan asset backed securities (or SLABS). Student loan asset backed securities are bundles of student loan debt that are rated and then purchased by hedge funds and other investor firms as a way to mitigate the risk that is linked with defaulting on student loans where there is no liquidity (Watson, 945). Put in the simplest of terms, student loan asset backed securities reduce the high level of risk featured in the relationship of lending a loan. Student loan asset backed securities are a tool for refinancing student debt as a "marketable financial instrument" that generates a profit (Bailey, Ryan Jr, 809). This "profit-building" of the student loan asset backed securities market that private student loan servicers are engaging with, while necessary, is an area of concern. The market profitability of student loan asset backed securities parallels that of the sub-prime mortgage market that ultimately resulted in the 2008 economic meltdown. And while they are different, the basic premise is still there: both the sub-prime mortgage market and the student loan asset backed securities market bundled their debts, student loan debt and mortgages respectively, gave those bundles ratings, and then sold those bundles to investors as a way to mitigate risk and build a profit (Duque, 6). Therefore, it might be easier to assign concern to the private student loan market because people are reminded of the 2008 financial crisis that it seems to mirror. But just because something is more visible does not make it more concerning. In fact, I would like to argue that the federal student loan market is just as and maybe even more alarming than the private student loan market because it is so invisible from citizens' view.

The federal student loans account for practically all of the student loan market and therefore are the most common student loan. And yet, evidence has shown that some student borrowers are not even aware of who their federal student loan servicer is and what repayment options are available to them (Wegner 2017, 750). This is alarming, but it is no fault of the student borrower. Some people may argue that the young age combined with their lack of financial knowledge is the reason for this finding (Cox 2014, 191). And while, yes, this may be true, it is not the only answer for why student borrowers lack knowledge about their federal student loan servicer.

The answer lies in the intentional complexity and submerged abusive practices federal federal student loan servicers. Federal student loan servicers are responsible for managing accounts, processing repayment, and providing customer service and troubleshooting (Wegner 2017, 750) And yet more recent evidence has shown that student borrowers do not know how much they borrow, the terms on the loan, or the burdens that future repayment can create (Darolia, Sullivan 2020, 5). The federal student loan servicer and the student borrowers repayment should be highly identifiable to student borrowers, but they aren't. This is due to two reasons. First, the student borrowers do not choose who they want to be their federal student loan servicer (Wegner 2017, 752). And second, most student borrowers do not get to choose their repayment plan (Wegner 2017, 754). For the student borrower, being intentionally made unaware of these things is detrimental. It is detrimental because the student borrower may be billed additional fees for being late on repayment or they may default on the loan another way. Either way, the deliberately invisible manner in which these federal student loan servicers function is certainly not to the benefit of the student borrower, but instead federal student loan servicers engage in these submerged practices as means to earn a greater profit.

Federal Student Loan Servicer Have Lobbying Influence

Today's interest groups have shifted from banks and private lenders to federal student loan servicers who are influencing policy making to keep the status quo in their favor. For the federal government, distributing student loans to people across the nation is no easy task. For these federal student loan servicers, the federal government is their biggest client and as per their contract it is mandatory that they work cooperatively with the Department of Education to ensure protection of the federal student loan funds (Naimon, Leonhardt, Meehan, 272). However, these contracts are very intricate and complicated. These contracts outline the majority of the regulation and terms placed on the federal loan servicer, the most important of which states that the federal student loan servicer is solely responsible for distributing the federal student loan (Naimon, Leonhardt, Meehan, 272). In other words, the federal government is placing a lot of power in the hands of federal student loan servicers.

Now, while the influence of federal student loan servicers might not be as clear cut as the banking industries was, they are still functioning as any interest group to maintain power. The biggest way to track interest groups' influence is observing the number of lobbyists or revolvers they retain.

The two tables display the lobbying influence and power of two federal student loan servicers. All data is from Open Secrets, an non-profit organization that tracks campaign finance, lobbying, and revolving door personnel.

Navient Corp:

Year	Lobbying $ spent	# of lobbyists hired	# of revolvers
2023	$980,000	12	6 (50%)
2022	$1,660,000	12	8 (66.6%)
2021	$1,680,000	16	11 (68.7%)
2020	$1,710,000	15	11 (73.3%)
2015	$2,365,000	19	17 (89.4%)

Nelnet Inc:

Year	Lobbying $ spent	# of lobbyists hired	# of revolvers
2023	$320,000	6	4 (66.6%)
2022	$270,000	1	1 (100%)
2021	$240,000	4	3 (75%)
2020	$230,000	5	4 (80%)
2015	$680,000	6	5 (83.3%)

What is interesting about these data sets is specifically the number of revolver lobbyists that these two federal student loan servicers have employed. Revolving door lobbyists are former federal public employees who have now taken up roles in the lobbying industry (Blanes, 3731). Furthermore, the theory on the influence of revolving door lobbyists goes like this: former government employees who are now employed as lobbyists bring to the table their previous colleague networks as well as the knowledge of how the federal government truly functions in terms of the policy making process (Blanes, 3731). In other words, revolving door lobbyists can be useful because of their past connections and knowledge of the legislative process. However, the level of "usefulness" of revolving door lobbyists is debated and not clearly researched. It could be argued that the value of revolving door lobbyists is contingent on the enduring presence of former colleagues and connections within government (Strickland, 67). This means that as legislator turnover increases and staff turnover rises, the lobbyist-government employee loses value. However, despite this sentiment, revolving door lobbyists remain attractive hires who have been shown to exacerbate inequalities between interest groups (Strickland, 78). Overall, the presence of revolving door lobbyists cannot be ignored as these lobbyists hold a wealth of knowledge and possible insider connection that can benefit interest groups in their influence over U.S. policymaking.

Navient and Nelnet, two federal student loan servicers, are employing revolving door lobbyists. And while the number of lobbyists hired in total might be relatively small, the number of revolving door lobbyists is not so much. Both Navient and Nelnet have consistently held at or above 50% revolving door lobbyists of the total lobbyists hired. This tells us that these two federal student loan servicers are, at least to some extent, concerned or care about their influence in policymaking.

Areas of Servicer Abuse: Repayment, Additional fees, Forbearance, and Lack of Communication

The bottom line is that federal student loan servicers are abusive towards their student borrowers. As the previously explained principal-agent issue has shown, there is little to no motivation for federal student loan servicers to follow orders from the federal government because they are a necessity to the federal government. Additionally, the lack of the student borrower in the principal-agent issue emphasizes the complete lack of incentive or care to act in the best interest of the student borrower themself. Therefore, the absence and exclusion of the student borrowers within a financial relationship where the student borrower plays a critical role is a huge problem. Furthermore, not only is the student borrower excluded from this relationship, but compounded with the lack of oversight and accountability on the part of the federal government, these student borrowers are unaware of the abuse being conducted. And even if they are aware of the abuse being conducted by their own federal student loan servicers there are few protections in place to help these student borrowers. Ultimately, the abusive practices of these federal student loan servicers are submerged and of great financial benefit towards the federal student loan servicer themselves.

1. Repayment

One area of misconduct takes place during the repayment period for student borrowers. Federal student loan servicers have been found to intentionally increase the length of time the student borrower remains in their period of repayment, even though the borrower could pay off the loan in fewer payments (Cox 2014, 197). By increasing the time period of repayment, the federal student loan servicing is maintaining the payment they themselves are receiving from the student borrower for servicing the loan to them. Federal student servicers are paid in a monthly flat rate that depends on the status of the student borrowers' loan (Cox 2014, 197). And the status of the loan must remain "in repayment" because that means the interest on the loan will increase, which increases the total balance the student borrower will have to pay, and thus the amount of money the federal student loan servicer makes (Cox 2014, 197). Once the loan becomes delinquent, the monthly flat rate for the federal student loan servicer gets smaller (Cox 2014, 197). Therefore, federal student loan servicers are especially incentivized to keep the student loans current and in a status of repayment for a longer period of time so that they can keep accruing these supplementary payments from the student borrower (Cox 2014, 198). In addition to extending repayment plans, student borrowers have complained that federal student loan servicers have "steered" them into unsuitable repayment plans that are more beneficial to the servicer themselves (Wegner 2017, 754). For the student borrower, being placed in the wrong plan can be detrimental, and will negatively affect the student borrower's ability to repay their loan. Ultimately, the longer the federal student servicer can extend the repayment period of the student borrower, the more money the federal student loan servicer can make. In this way federal student loan servicers have been found to conduct themselves in the best interest of their own profits rather than the interests of the student borrower.

2. Additional fees

The second abuse federal student loan servicers engage in is the application of additional and extra fees to the student borrowers loan repayment portfolio. Federal student loan servicers typically charge extra fees for late repayments, and interestingly, federal student loan servicers are permitted to keep the money collected from charging for the extra fees (Cox 2014, 199). This means that federal student loan servicers are especially motivated to charge student borrowers with additional fees wherever possible (Cox 2014, 199). These additional charges to the student borrower's repayment portfolio arise in a variety of ways. For example, student borrowers have reported making payments on time, that is before the due date, but the servicers intentionally processed the payments late, that is past the due date, which resulted in the student borrower receiving a late fee from the servicer (Cox 2014, 199). In another example, student borrowers reported finding out that their loan had not been repaid until well after it had become delinquent (Cox 2014, 199). Other examples include repayment checks to federal student loan servicers being "lost" in the mail (Cox 2014, 199). Overall, student borrowers are being charged intentionally, unnecessarily and unfairly by federal student loan servicers who want to make a profit, because the student borrowers' interest are not the primary concern of the federal student loan servicer.

Where student borrowers report experiencing the most additional fees to their loan portfolio appears when the loan portfolio is transferred to a different federal student loan servicer. Student borrowers report not being notified when their loan changed servicers (Cox 2014, 200). As a result, student borrowers may fulfill loan repayments to their new federal student loan servicers in a way only accepted by their old federal student loan servicer (Cox 2014, 200). Therefore, because of this "mistake,"—a "mistake" manufactured deliberately by the federal student loan servicer—the student borrower is charged with an additional fee on their repayment plan. There is little doubt that these "mistakes" that arise during loan transfers on the part of the federal student loan servicers are accidental. In fact, they are very concerning.

Transfer problems are very common under the student loans that originate from the FDLP, which made the federal government the owner of all federal student loans (Cox 2014, 200). Thus, the high prevalence of this type of abuse being conducted by federal student loans contracted by the federal government could be considered a “sort of government sanctioned abuse” (Cox 2014, 200). This analysis of federal student loan servicer abuse through additional fees is quite alarming, especially considering that student borrowers remain unaware of the federal student loan servicer abuses. Furthermore, it is of no coincidence that extended repayment periods and these additional fees go hand and hand. The more that federal student loan servicers bill and charge student borrowers for invented wrongdoings and deliberately creating circumstances where the student borrower must be charged for late repayment and defaults, the longer the student borrower remains in the period of repayment, a period that is financially beneficial towards the federal student loan servicer.

3. Forbearance

The third abuse federal student loan servicers have been found to engage in is the misapplication and misinformation of forbearance. Student loans, federal or private, cannot be discharged if a student borrower applies for bankruptcy. Therefore, during repayment of a federal student loan there is a policy in place to assist student borrowers facing financial hardships. This policy is called forbearance. Forbearance is actually a common policy of both private and federal student loans. Forbearance gives student borrowers three ideal options to help release the burden of repaying the student loan during a financially difficult time: (1) forbearance allows the student borrower to stop making repayments on the student loan for a limited amount of time, (2) it allows student borrowers to make smaller repayments on their student loan; and (3) it allows the student borrower to extend the repayment deadline (Lewis and Vanatko 2019, 11). However, despite repayment being postponed, in those previously explained varying ways, the interest on the student loan continues to grow and as a result the overall balance on the loan increases as well (Lewis and Vanatko 2019, 12). Regardless of this somewhat "negative" feature of forbearance, the option of forbearance offers student borrowers a way to alleviate the financial pressures and stress of student loan repayment for a short while (Wegner 2017, 754). However, applying for forbearance can be somewhat difficult for student borrowers (Wegner 2017,754). Federal student loan servicers require a written application as evidence of financial troubles in order to receive forbearance. Student borrowers have complained of multiple problems when trying to apply for forbearance where either the application falls through weeks later or the application is completely denied (Wegner 2017, 755). Either way for a student borrower to be denied forbearance results in high levels of late payment, extra fees, and even more important, the possibility of defaulting on the loan altogether.

In addition to denying student borrowers who require forbearance, federal student loan servicers are also intentionally placing student borrowers into the forbearance plan who would not benefit from that plan. Forbearance is actually only beneficial for student borrowers who are facing short term financial hardship because the longer forbearance continues the more interest accrues on the total repayment balance (Lewis and Vanatko 2019, 12). In other words, student borrowers experiencing long term and serious financial circumstances should not be entered into the forbearance plan. Instead, those student borrowers facing long term financial hardship should be entered into the income driven repayment plan (Lewis and Vanatko 2019, 12). The income driven repayment plans allow student borrowers to make monthly repayments at a reduced rate based upon their income, and it offers these student borrowers the opportunity to receive loan forgiveness after a certain number of years maintaining those repayments (Lewis and Vanatko 2019, 12). So, why would student borrowers experiencing long term financial burdens be placed into the incorrect repayment plan? Well, as it has already been established, federal student loan servicers do not cater to the benefits of the student borrower but more often to the interests of the servicer company itself. It is financially advantageous for the federal student loan servicers to steer student borrowers into forbearance because in that repayment plan, even while the repayment is postponed, the increased interest on the loan will be added to the total balance of the whole loan. Additionally, it has been speculated that forbearance steering occurs because income driven repayment plans require that the federal student loan servicers require more resources to be dispensed as opposed to the forbearance plan (Lewis and Vanatko 2019, 12). The forbearance abuse is especially complex because from both sides, student borrowers are being abused by it in that the student borrowers who need a forbearance repayment plan are not being accepted and the student borrowers who should not be entered into the forbearance repayment plan are. But, either way, for federal student loan servicers, abusing the policy of forbearance is advantageous towards the servicer and harmful to student borrowers.

4. Lack of Communication

The abuse repayment plans, additional fees, and forbearance plans all culminate in the complete lack of communication between the federal student loan servicer and the student borrower. Put simply, the failure of proper communication between the federal student loan server and the student borrower is significant because it ultimately fuels the abuse and misconduct federal student loan servicers are actively engaging in and benefiting from. Student borrowers rely on the customer service representatives of federal student loan servicers to supply them with the correct information about their repayment plans and the status of their loans, and when this does not occur, the abuses explained above become even more worrisome (Wegner, 2017, 756). Federal student loan servicers are supposed to provide information on borrowers' loans on an online portal; however, student borrowers report that this information is both hard to find or the information on the online portal is actually incomplete (Wegner, 2017, 756). Without adequate communication with the federal student loan servicers' customer service representatives, student borrowers are out of options. In other words, the customer service representative is basically the only "relationship" the student borrower has with the servicer. (Wegner, 2017, 756). Recall from earlier how there is no contractual relationship between the federal student loan servicer and the student borrower. And because of this lack of contract, student borrowers really do rely on customer service representatives to provide necessary information, and unfortunately they do not. Ultimately, the customer service representative works for the federal student loan servicer and thus functions to the benefit of the servicer and not the student borrower in need of accessing basic information about their student loan so they can make important financial decisions (Wegner, 2017, 756). In an unfortunate culmination of federal student loan servicer abuse, the lack of communication between the servicer and the student borrower proves that federal student loan servicers are actually disinterested in functioning to the benefit of the student borrowers, to whom they service the loans, but instead they are interested in solely benefiting the servicer company whereby engaging in misconduct against student borrowers is actually profit building.

Part 5: Federal Student Loan Servicers Found Guilty of Misconduct

The role of federal student loan servicers within federal student loan policy places a lot of power in the hands of those servicers. And unfortunately, federal student loan servicers act in the interest of the company and not the borrower. The Consumer Finance Protection Bureau (CFPB) is a government agency tasked with protecting the interest of the consumer in the financial market, mostly through hearing grievances and engaging in litigation (Consumerfinance.gov). In 2015, more than 13,000 complaints and grievances had been reported to the CFPB, and more often than not the complaints had to do with servicer error or abuse (Cox, 59). For a closer look at these insidious and abusive practices, the servicers Navient and Maximus provide good examples.

Navient was originally part of Sallie Mae, but in 2014, the companies split off into two different corporations; Sallie Mae became a consumer banking business while Navient became a federal student loan servicer (Naimon, Leonhardt, Meehan, 269). Navient has been particularly abusive towards military service members. In 2015, the federal government took legal action for the first time ever against one of its own federal student loan servicers for charging excess interest on over 78,000 service members' student loans (Department of Justice). A provision of the settlement from the lawsuit required Navient to pay $55,000 in civil penalty to the U.S. as well as the $60 million to the service men and women (Department of Justice). Overall, federal student loan servicers, like Navient, are engaging in insidious practices that are hurting student loan borrowers.

Navient is now servicing student loans under the name Aidvantage which is part of Maximus Federal Services Inc. In January of 2021 Navient handed over its federal student loan portfolio to Aidvantage, and as a result Maximus became the largest student loan company in the world (Student Borrower Protection Center, 2). Maximus now manages $449 billion in student debt from 13 million borrowers (Student Borrower Protection Center, 2). However, since this federal student loan portfolio changeover, more than 150 abuses have been reported to the CFPB (Student Borrower Protection Center, 4). Recall from earlier that the most commonly reported abuses occur when loans are transferred from one servicer to another. The abuses reported include lack of access to accounts in a timely manner, failing to notify the borrower their account has been transferred from Navient to Aidvantage, failing to give the borrower accurate access on the federal student loan pause, and continuing to send payment requests during the federal student loan pause (Student Borrower Protection Center, 13). And while the previously stated abuses and complaints are valid, what is even more important is Maximus's stake in the federal government. The sheer volume of both student debt and student borrowers the company services makes Maximus a powerful actor within the federal student loan program (Student Loan Protection Center, 7). For context, Maximus, as an entire company, receives about $4 billion in taxpayer dollars to help the government service the American people (Student Borrower Protection Center, 7). Therefore, it is clear that the federal government relies on federal student loan servicers, like Maximus. Furthermore, when it comes to oversight and regulation of federal student loan servicers, the federal government is put in a difficult position. The federal government has to both provide student loans to millions of families but at the same time ensure repayment and that these federal student loan servicers can last and endure (Naimon, Leonhardt, Meehan, 271). In other words, the role of federal student loan servicers within the federal student loan program is elevated in importance. This elevated role of federal student loan servicers within federal student loan policy is important because, as Suzanne Mettler has observed, interest groups with increased influence in U.S. politics allows federal student loan servicers to be capable of maintaining the status quo, also known as the servicers' abusive practices that are to their benefit, and most importantly out of view from the American public.

Conclusion

The beginning of this chapter proposed the following question: Is federal student loan policy still really submerged today? And I have answered this question by arguing "no." Scholar Suzanne Mettler researched the submerged state of federal student loan policy a little over a decade ago. And while her observations and arguments are still relevant today I have offered a slight twist on her argument that federal student loan policy is invisible from citizen view. In recent years, student loans, in particular federal student loans, have become pretty visible whether this be from debates on student loan forgiveness, the 2023 Supreme Court case on student loan forgiveness, and the CARES Act pause on federal student loan repayment during Covid-19. Therefore, as a result of these events most Americans would in fact consider, at least to a certain extent, student loans are a responsibility of the federal government. In other words, since 2011, Suzanne Mettler's research on the submerged state (largely based on survey data from 2008), federal student loans have in fact become a visible government program. However, what I have argued is that what is and what remains invisible to Americans' is the role of federal student loan servicers and the misconduct and abusive practices they engage in. It really is alarming how unaware Americans are about federal student loan servicers and their misconduct. However, this lack of awareness is of no fault of the student borrower. As Suzanne Mettler has observed, the less citizens know about the submerged practices of government programs that are actually benefiting "other actors," the less likely citizens will advocate for change. In other words, the abusive practices and misconduct on the part of federal student loan servicers are deliberately hidden. If American citizens were to be made completely knowledgeable about the abusive practices of federal student loan servicers they would most likely argue against them. Therefore, keeping abusive practices invisible means that federal student loans servicers can continue functioning in a way that is solely advantageous for the servicer company and disastrously disadvantageous towards the student borrowers who are just trying to repay their federal student loans to the federal government through this unfortunately necessary "other" actor. In order to test the assertions of government visibility and to probe citizen awareness of servicers and their misconduct, the next chapter turns to original survey data that allow empirical exploration of these issues.

Chapter Three

Student Loans and the Public's Opinion

Introduction

The previous chapter concluded by offering up this notion that federal student loan policy is in fact not as submerged as it was once thought to be, and that instead, federal student loan servicers are what is invisible to the American public. Because while the government's role within federal student loan policy has earned increased media attention on the topic of student loan forgiveness and the Covid-19 repayment pause, the misconduct that federal student loan servicers have remained for the most part out of the public eye. Therefore, in order to test the assertions of government visibility of federal student loan policy and probe citizens' awareness of federal student loan servicers and their misconduct, the next chapter turns to original survey data that will allow for an empirical exploration of these issues. I have chosen to conduct an original survey in order to test empirically what my research has thus far uncovered by exploring the views of the public themselves. As argued in the previous chapter, the submerged state of government policy is reinforced by the fact that the American public is intentionally made unaware and unknowledgeable to its existence (Mettler 2011, 9). Moreover, as chapter one introduced, federal student loan policy has largely been changed, reformed, maintained, and unreformed within a political space. So, where does the American public actually stand on this issue, maybe even crisis, of student loans as they are the ones actually borrowing these loans from the federal government. Does it have to do with how they are "seeing" the role of government and the role of servicers? The survey allows me to address the question that this chapter aims to answer: how hidden--or visible--are various relevant actors in the student loan process, and how does revealing the role of different aspects of student loan policy shift people's views of student loan policy, and of higher education more generally?

Part 1: Public Opinion, Higher Education, and Student Loans

Public opinion in politics is important because it helps to build an understanding about how the public "feels" about certain policies. Some scholars believe that for the most part, public opinion is very slow to change and that on salient issues changes in public opinion are even slower (Quadlin, Powell 6). However, the policy sphere of student loan debt is unique. The issue of student loan debt is becoming more and more present in the media and in politics. Most recently, in June of 2023 the Supreme Court struck down President Biden's plan for student loan forgiveness and declared it unconstitutional. Google Trends, a google website that tracks and analyzes the popularity of top search queries in Google Search, recorded that "student loan forgiveness" reached peak popularity in October of 2022 (Google Trends, 2022). Furthermore, in June of 2022 NPR and Ipsos conducted a national poll about student loans and student debt forgiveness, sampling individuals 18 and older. NPR and Ipsos found that a little more than half of the respondents supported President Biden's plan for forgiving up to $10,000 of debt per person (Newall, 2022). However, when asked whether the government should prioritize student debt forgiveness or making college more affordable, 82% of Americans favor making college more affordable.

Overall, the public opinion of student loan debt is a complicated topic where many individuals have multiple viewpoints. That is why public opinion is important; it consistently shapes and reshapes the directions of policy (Quadlin, Powell 28). In other words, public opinion on salient topics should be taken seriously as a tool to change policy. In fact, debt and more specifically personal debt policy, has already been shaped by public opinion. In the 1990s, there was a huge decline in social programs that recognized the uncertainties of the economy as a shared risk (Hacker, 27). There was a growing rhetoric to address financial risk as a personal, individual problem and not a shared risk (Hacker, 27). In other words, the public opinion in favor of government programs that protected against individual financial risks shifted and became viewed as an intervention that was doing more harm than good. This shift in rhetoric and public opinion was propelled by the Personal Responsibility Crusade. The Personal Responsibility Crusade believed that the individual American citizens should be in charge of their own individual financial risks and that shared social programs had created a “moral hazard” that protects individuals from economic risks which disincentives the individuals from repeating those financial mistakes (Hacker, 35). This change in rhetoric and public opinion was a diversion from the previous policies and reshaped personal debt policy into a new direction.

As a result of this shift in public opinion in the area of debt, a new American sentiment emerged onto the scene of American politics; one that placed the burden of coping with economic risk and uncertainties on the individual, and not the shared public. And student loan debt, an area of personal debt, was not immune to policy changes. As discussed in chapter one, President Reagan introduced (ultimately unsuccessful) federal student loan policy reform in the form of means tests to the student loan program as well as implementing budget limits on Pell grants (Mettler, 65). Overall, the Personal Responsibility Crusade changed the public's opinion on shared risk which ultimately changed the direction of federal government policies on social programs, demonstrating that public opinion can be a powerful force that can change policy.

So, if public opinion changed the direction of policy surrounding debt once before, how do we make it happen again? In the previous chapter, Mettler argues that Americans just aren’t “seeing” where these benefits are coming from and that policy reform is required to make these benefits less invisible, and that revealing the submerged state of student loan policy to the citizens will make them engaged in politics surrounding the policy (Mettle 2011, 27). But like I argued in chapter two as well, I believe that the role and presence of federal student loan servicers operating within federal student loan policy, as contracted by the federal government, is what is actually submerged about federal student loan policy. And that the invisible role servicers' who have immense lobbying influence and who have been accused of misconduct contributes is what is actually contributing to the lack of engagement on the part of the American public about student loan policy. Therefore, by revealing the role of servicers to the American public I expect public opinion about federal student loan policy, and the role of servicers', to become more negative and to be indicative of a larger blueprint to create reform in the area of student loans and student debt. In this chapter I test these claims empirically through an original survey and an information experiment.

Methods:

To explore these questions, I created an original survey conducted through Amazon's mechanical turk. The survey contains a mix of likert scale questions and open-ended questions to gather insight into the public's opinion and perception towards the current state of federal student loan policy. The survey contains a variety of targeted questions to gather a better understanding of what Americans think of federal student loan policy, including the degree to which they are aware of its more submerged elements.

To explore dynamics around student loan policy and to address my research question the survey broadly aims to measure four different things:

1. Citizens' general knowledge of federal student loan policy and financial student loan literacy.
2. Citizens' ability to "see" where federal student loan policy originates and whether they believe the federal government has a hand in implementing it.
3. Citizens' understanding of the role that specialized interest and private federal student loan servicer companies play in influencing or not influencing federal student loan policy.
4. How citizens feel about student debt and how concerned citizens are with the current state of federal student loan policy.

At its core, the goal of this survey is to learn how and who the general public connects the submerged nature of federal student loan policy with. Do they identify the federal government as the controller of federal student loan policy? Or do they "see" specialized interests and private federal student loan servicers as disrupting and ultimately influencing what is supposed to be a federally direct governmental benefit.

The survey was fielded from March 29 to April 2, 2024 300 people (150 of whom were categorized as ages 18-25 and 150 who were supposed to be ages 25-30. In total, the survey yielded responses from 300 individuals. Ultimately, older aged individuals got into the survey and many were over the age of 30, so the age range had to be rescaled. Nevertheless, I had originally chosen to target responses from ages 18-30 because these people are all from the same generation and are the ones who have most recently engaged, are currently engaged, and will engage with student loan debt repayment and federal student loan policy as a whole. The lowest age group, 18, was chosen to gather data and information from students who have not yet, but are about to enter into the world of student loans. Their perceptions of student loans and what knowledge they have about them prior to going into institutions of higher education could be valuable. The second age group, 18-25, is intended to account for individuals who are currently in college or who have graduated college. This age group was chosen because as recent graduates of undergraduate college their potential knowledge of student loans and impending student debt has allowed them to develop perceptions and feelings about student loans that they might not have had a few years prior. And finally, the last age group, 24-30, was chosen to capture individuals who are currently in graduate school or who have graduated from a graduate institution. Not only has this age group most likely taken out graduate school loans but they have mostly likely started to pay off some of their undergraduate school debt. Therefore, this age group is in the unique position of having developed student loan financial literacy as well as possibly developing strong feelings and perceptions about the current state of federal student loan policy.

Not only will this survey account for age but this survey will include additional demographic questions. This survey will ask respondents to fill out questions pertaining to gender, annual household income, highest level of education completed, ethnic group, and political party affiliation. Asking the demographic questions are important as they will offer additional insights in the respondents' answers. It is obvious that race, ethnicity, and socioeconomic class play a crucial and undeniable role in how people access student loans, how people are able to pay off student debt, and the occupations people end up with post-graduation from institutions of higher educations due to the sheer volume of student debt they have accumulated. It would be a huge error to ignore and leave out these essential elements when aiming to understand the public opinions on the federal student loan policy system. Therefore, the respondents' answers to these demographic questions will be very valuable. Nevertheless, these questions will not make up the bulk of the survey questions at all, but instead considered in an in-addition capacity with the necessary level of importance attached to them.

The survey will be beneficial to my research question because it will give me the ability to assess the public's knowledge, thoughts, opinions, and perception of the role, if any, they believe the federal government plays in enacting student loan policy. Conducting these questions through a survey will allow me to compare and compile responses into multiple categories. I want to know how the American public “sees” the federal government's role in federal student loan policy. The survey also allows exploration of young people’s knowledge of--and opinions about--the role of specialized interests and private federal student loan servicers. To put it simply, I want to know what the American public knows about federal student loan policy, and to what degree the role of government and the role of servicers is visible to them. Answering these questions requires sampling populations of the American public and asking these questions directly.

Hypotheses

In sum, my hypotheses based on the submerged state literature and the literature on higher education more broadly are:

H1-H2: Submerged State Hypotheses

In sum, I expect that:

(1) Respondents will recognize student loans as a government program.

(2) Respondents will have little knowledge of the role of federal student loan servicers.

H3-H4: Revealing The Role of Servicers

In sum, I expect that:

(1) Revealing information about the role of servicers in student loan provision will lead to more negative views of student loan policy in general; and

(2) Revealing information about the role of servicers in student loan provision will be associated with more negative views of servicers in particular.

H5-H6: The Influence of Having Student Loans

I expect that:

(1) Having student loans, and having experience with student loan debt, will lead to more negative views and opinions of federal student loan policy.

(2) Not having student loans, and not having experience with student loans will lead to significantly less negative views and opinions of federal student loan policy.

H7-H8: The Role of Identity Characteristics

Certain identity characteristics will be significant drivers of views on student loans. In particular, I expect that:

(1) Older and non-white respondents will have more negative views on federal student loan policy.

(2) Republicans will be significantly more likely to be either content with or supportive of the current state of federal student loan policy.

The Survey Experiment

I will test these hypotheses through an original survey and survey experiment designed to test whether providing information about particular aspects of federal student loan policy (such as the role of the federal government and the role of servicers) influences views of student loan policy. I wanted to create a survey experiment grounded in Suzanne Mettler's theory about the importance of revealing the submerged state to the American public. But this time I wanted to focus on the visibility or invisibility of the role of federal student loan servicers with federal student loan policy. This survey experiment is based on other studies that used survey experiments to assess the effects of "revealing" the submerged state (SoRelle and Shanks; Mettler 2011). In SoRelle's survey experiment she has divided the literature into three separate information treatments as a way to test for the social policy acknowledgement gap (SoRelle and Shanks, 4). In my survey experiment, I have categorized the literature into information treatments as a way to test for the increased visibility of the government in federal student loan policy and the maintained invisibility of federal student loan servicers. By conducting this survey experiment I can test for certain answers just by adjusting the information I give to the survey respondents. This allows me to test for the power of knowledge and information, thus "revealing" the submerged state as Mettler suggests (Mettler 2011, 27).

The participants of this survey were randomly assigned into five groups: a control group receiving a generic message about student loans, a treatment testing for the visibility of the federal government, and three other treatments that make visible the role of private federal student loan servicer. These three groups differed by the information given, either (1) providing basic information about the role of servicers (2) another providing that basic information, then highlighting the lobbying activity of private federal student loan servicers, and (3) a final group receiving the basic information about servicers, then noting the misconduct of some servicers. To start off the survey experiment, the control group was given the following statement:

> Student loans have been available since the Higher Education Act of 1965 signed by President Lyndon B. Johnson. The Education Data Initiative has found that about one third of adults under the age of 30 have student debt and that the average debt owed per borrower is around $38,000. In total, 43.6 million borrowers have federal student loan debt. And overall, student loan debt in the U.S. totals $1.77 trillion.

The first treatment group was given the full text of the control, as well as information aiming to isolate how much respondents see the role of the federal government in student loan policy. This test group received the following information treatment statement:

> Student loans have been available since the Higher Education Act of 1965 signed by President Lyndon B. Johnson. The Education Data Initiative has found that about one third of adults under the age of 30 have student debt and that the average debt owed per borrower is around $38,000. 43.6 million borrowers have federal student loan debt. And overall, student loan debt in the U.S. totals $1.77 trillion. **As of 2010, federal student loans all originate from and are owned by the federal government, who sets the interest rate and determines repayment plan options.**

The second test group was given an information treatment statement aimed to isolate how well respondents see the role of federal student loan servicers as just the necessary tool to distribute federal student loans to student borrowers. This test group received the following information treatment statement:

> Student loans have been available since the Higher Education Act of 1965 signed by President Lyndon B. Johnson. The Education Data Initiative has found that about one third of adults under the age of 30 have student debt and that the average debt owed per borrower is around $38,000. 43.6 million borrowers have federal student loan debt. And overall, student loan debt in the U.S. totals $1.77 trillion. **The federal government contracts with private companies such as Naviant, Nelnet, MOHELA, Edfinancial, Aidvantage, and ECSI to service and distribute its student loans, meaning that borrowers are billed by these companies, rather than directly by the federal government.**

The third test group was given an information treatment statement aimed to isolate how well respondents see the role of the lobbying capabilities of federal student loan servicers. This test group received the following information treatment statement:

> Student loans have been available since the Higher Education Act of 1965 signed by President Lyndon B. Johnson. The Education Data Initiative has found that about one third of adults under the age of 30 have student debt and that the average debt owed per borrower is around $38,000. 43.6 million borrowers have federal student loan debt. And overall, student loan debt in the U.S. totals $1.77 trillion. **The federal government contracts with private companies such as Naviant, Nelnet, MOHELA, Edfinancial, Aidvantage, and ECSI to service and distribute its student loans, meaning that**

borrowers are billed by these companies, rather than directly by the federal government. Research tells us that special interest groups spend a significant amount of dollars each year lobbying in Congress on specific policy issues. In 2023, OpenSecrets recorded an increase in lobbying spending at $4.22 billion and an increase in lobbying personnel at 12,935. Private federal student loan companies, like Naviant and Nelnet, who assist the federal government in its distribution of federal student loans, have all, as recently as 2023, hired lobbying firms.

The fourth and final test group was given an information treatment statement aimed to isolate how well respondents see the role of federal student loan servicers and the misconduct they have been accused of. This test group received the following information treatment statement:

> Student loans have been available since the Higher Education Act of 1965 signed by President Lyndon B. Johnson. The Education Data Initiative has found that about one third of adults under the age of 30 have student debt and that the average debt owed per borrower is around $38,000. 43.6 million borrowers have federal student loan debt. And overall, student loan debt in the U.S. totals $1.77 trillion. **The federal government contracts with private companies such as Naviant, Nelnet, MOHELA, Edfinancial, Aidvantage, and ECSI to service and distribute its student loans, meaning that borrowers are billed by these companies, rather than directly by the federal government. In recent years, some federal student loan servicers have been investigated for servicer misconduct for acting in the interest of their company, rather than acting in the best interest of the student borrower.**

Discussion of Findings

Submerged State

In chapter two I had argued that the role of the government in federal student loan policy is no longer submerged. Instead, what is submerged about federal student loan policy is the role of federal student loan servicers in distributing the student loans to student borrowers.

Since Mettler's groundbreaking study based on 2008 data, the role of government within federal student loan policy has increased in visibility due to the 2023 U.S. Supreme Court case on student loan forgiveness as well as the Covid-19 pause on student loan repayments. Yet, despite the awareness of the government within federal student loan policy, federal student loan servicers, who do the necessary job of distributing federal student loans, remain mostly invisible to the student borrower. In fact, recent research has shown that most student borrowers do not know who their federal student loan servicer is or even what type of repayment plan they have (Wegner 2017, 750). These two justifications led me to my submerged state hypothesis.[1] I came to this hypothesis because I wanted to test the validity of my own argument, and a survey aimed to gather data on public opinion, knowledge, and "feelings" on federal student loans seemed the most fitting way to do so.

Ultimately, the data confirmed my expectations (see figure 1 below). Federal student loan servicers are invisible, while the role of government within federal student loan policy is very visible to respondents. To test for the invisibility of federal student loan servicers I asked respondents two questions. I asked respondents to self-report their knowledge of federal student loan policy.[2] Among the responses, 28% of respondents self-reported being very knowledgeable about federal student loan policy, 40% of respondents self-reported being somewhat

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[1] Submerged state hypothesis: (1) Respondents will recognize student loans as a government program. (2) Respondents will have little knowledge of federal student loan servicers.

[2] Full question: How knowledgeable do you feel about federal student loan policy?

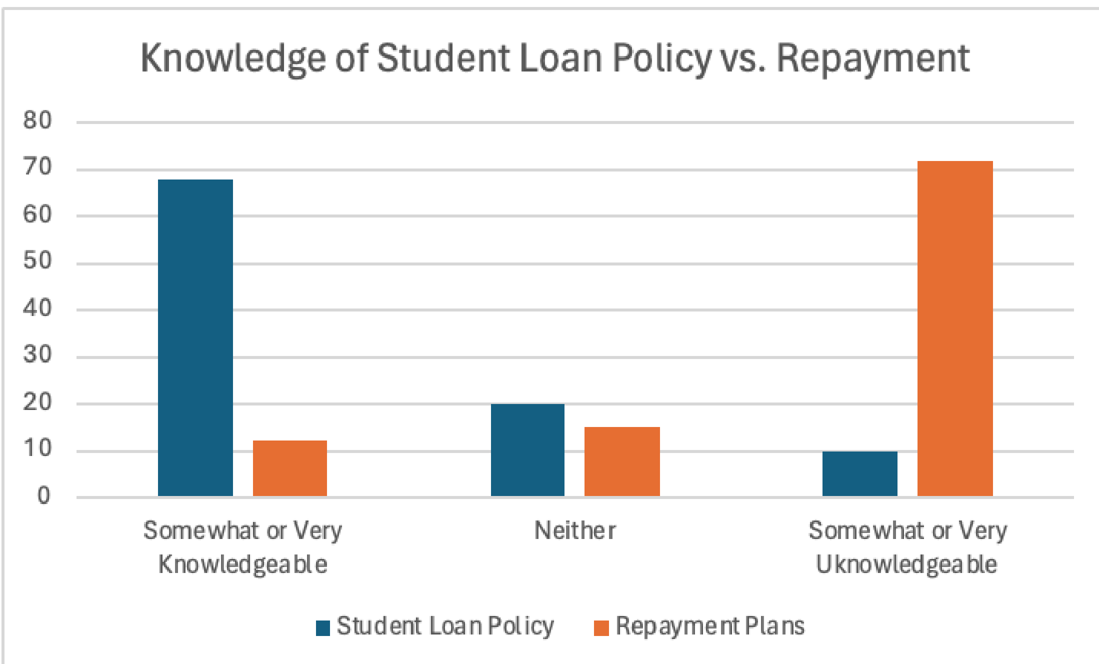
knowledgeable about federal student loan policy, 20% of respondents self-reported being neither knowledgeable nor unknowledgeable about federal student loan policy, and roughly 10% of respondents self-reported being somewhat unknowledgeable and very unknowledgeable about federal student loan policy. The findings from this question tell us that for the most part, a majority of survey respondents consider themselves generally knowledgeable about federal student loan policy.

Despite reporting generally good knowledge of student loan policy overall, when it comes to knowledge on repayment rules and options, alarmingly, the majority of respondents report very low levels of knowledge.[3] 23% of respondents self-reported being not knowledgeable at all on student loan repayment options and rules. 49% of respondents self-reported being not very knowledgeable on student loan repayment options and rules. And 15% of respondents self-reported being somewhat unknowledgeable about student loan repayment options and rules. Meanwhile, only a combined total 12% of respondents self-reported being either very or somewhat knowledgeable on student loan repayment options and rules. These findings underscore that while people may think they know about student loan policy, when pressed on specific (yet very important) areas like repayment, knowledge reports fall dramatically, with 68% reporting very knowledgeable and somewhat knowledgeable to the general question, and only 12% reporting very knowledgeable to the specific repayment question. Together, these findings are very important and they are made more significant because 86% of respondents reported that they consider student loans to be a government program.[4] This finding is in contrast to what Suzanne Mettler discovered over a decade ago and displays a “ceiling effect” in response to the lack of “significant effect” among treatment types where even before reading the randomized

[3] Full question wording: How knowledgeable are you about the rules and options surrounding student loan repayment?
[4] Full question wording: Do you consider student loans to be a government program?

information treatment respondents already considered student loans to be a government program. Ultimately, the fact that when asked about knowledge over repayment plans and options, respondents self-report low levels of knowledge is certainly concerning. And not only is this finding concerning, but it is indicative of the larger issue within federal student loan policy; the invisibility of federal student loan servicer to the American public.

Figure 1:



Revealing The Role of Servicers

In theory revealing the submerged state is a valuable tool to make Americans aware and engaged in reform of submerged policies (Mettler 2011, 27). In my survey experiment, I have incorporated Mettler's observation of revealing submerged policies through the use of knowledge treatments that each provide context about a certain area of federal student loan policy. The previous findings on the submerged characteristic of federal student loan servicers within federal student loan policy. But what would happen if I revealed those characteristics to respondents? Would being made aware of the role of federal student loan servicers, their lobbying capabilities, and their misconduct, change respondents' views of federal student loan policy negatively?

In designing the survey experiment, I intentionally made the third and fourth treatments disclose more information on the role of federal student loan servicers within federal student loan policy as a means of embodying Mettler's theory of revealing the submerged state. Therefore, I expected that respondents who read the third[5] and fourth[6] treatments (which offered information about servicer lobbying and misconduct) would become "aware" of and made more knowledgeable about the role of federal student loan servicers within federal student loan policy.

[5] Third treatment: student loans have been available since the Higher Education Act of 1965 signed by President Lyndon B. Johnson. The Education Data Initiative has found that about one third of adults under the age of 30 have student debt and that the average debt owed per borrower is around $38,000. 43.6 million borrowers have federal student loan debt. And overall, student loan debt in the U.S. totals $1.77 trillion. The federal government contracts with private companies such as Naviant, Nelnet, MOHELA, Edfinancial, Aidvantage, and ECSI to service and distribute its student loans, meaning that borrowers are billed by these companies, rather than directly by the federal government. Research tells us that special interest groups spend a significant amount of dollars each year lobbying in Congress on specific policy issues. In 2023, OpenSecrets recorded an increase in lobbying spending at $4.22 billion and an increase in lobbying personnel at 12,935. Private federal student loan companies, like Naviant and Nelnet, who assist the federal government in its distribution of federal student loans, have all, as recently as 2023, hired lobbying firms.

[6] Fourth treatment: student loans have been available since the Higher Education Act of 1965 signed by President Lyndon B. Johnson. The Education Data Initiative has found that about one third of adults under the age of 30 have student debt and that the average debt owed per borrower is around $38,000. 43.6 million borrowers have federal student loan debt. And overall, student loan debt in the U.S. totals $1.77 trillion.The federal government contracts with private companies such as Naviant, Nelnet, MOHELA, Edfinancial, Aidvantage, and ECSI to service and distribute its student loans, meaning that borrowers are billed by these companies, rather than directly by the federal government. In recent years, some federal student loan servicers have been investigated for servicer misconduct for acting in the interest of their company, rather than acting in the best interest of the student borrower.

And thus, those respondents would "stand out" as evidence of changing perspectives and opinions when made aware of the full scope federal student loan policy and federal student loan servicers. Ultimately, my hypotheses[7] are reflective of this expectation. Providing respondents with more information about federal student loan servicers (especially their lobbying activities and their misconduct) will change respondents' views of federal student loan policy and more specifically federal student loan servicers to be more negative.

For the most part, my findings confirmed my hypotheses. Among certain post-treatment questions there were three significant results. First, after receiving the different treatments I asked respondents who they blamed for an impending student loan crisis.[8] The respondents who read the second treatment[9] (highlighting only the government's role in federal student loan policy) were found to have assigned a higher value of blame on federal student loan servicers and Congress than those in the control group. Meanwhile, the respondents in the third treatment (that revealed the role of special interest groups along with their influential lobbying capabilities) were found to have assigned a significantly higher level of blame on the individual than those who received the control treatment. Overall, in terms of assigning "blame" there were fewer significant findings than I had originally expected. This may be due to the combination of having a high number of variables and five treatment groups which resulted in the difficulty of a single variable to rise to the top.

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[7] Revealing The Role of Servicers: (1) Revealing information about the role of servicers in student loan provision will lead to more negative views of student loan policy in general; and
(2) Revealing information about the role of servicers in student loan provision will be associated with more negative views of servicers in particular.

[8] Full question wording: Who do you think is most to blame for the impending student loan crisis?

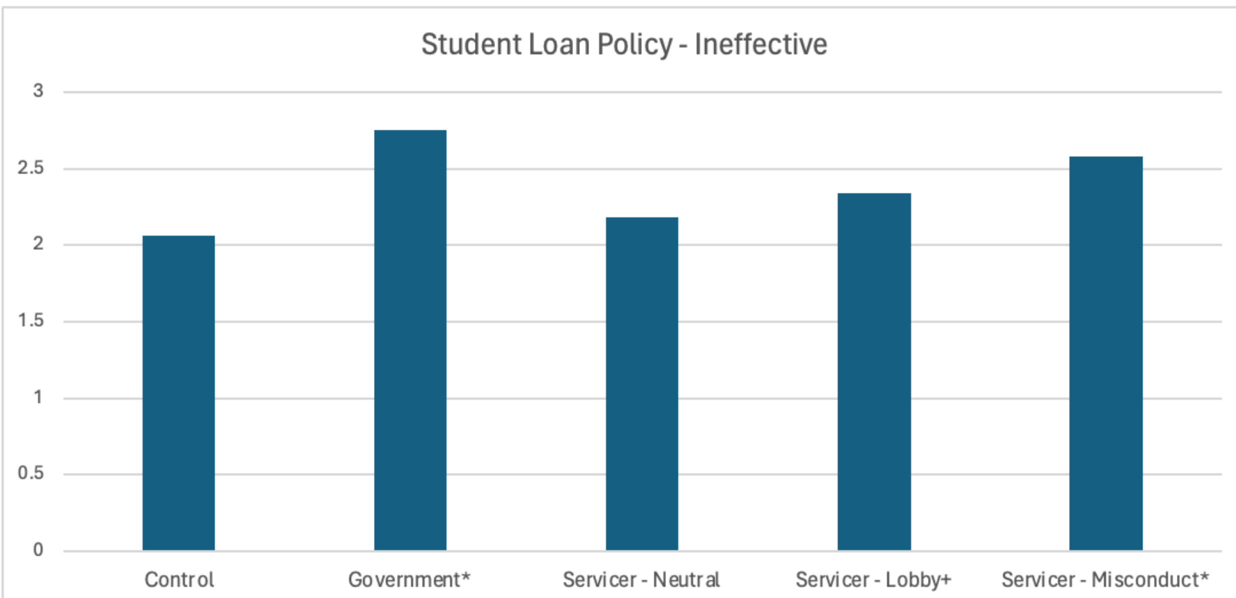
[9] Second treatment: Student loans have been available since the Higher Education Act of 1965 signed by President Lyndon B. Johnson. The Education Data Initiative has found that about one third of adults under the age of 30 have student debt and that the average debt owed per borrower is around $38,000. 43.6 million borrowers have federal student loan debt. And overall, student loan debt in the U.S. totals $1.77 trillion.The federal government contracts with private companies such as Naviant, Nelnet, MOHELA, Edfinancial, Aidvantage, and ECSI to service and distribute its student loans, meaning that borrowers are billed by these companies, rather than directly by the federal government.

Second, I asked respondents if they believed federal student loan policy to be either effective or ineffective.[10] Overall, the respondents who read the third and fourth treatment were more likely to believe that federal student loan policy is ineffective: a negative view (see figure 2 below). More specifically, while the responses of an ineffective view were more significant in the fourth treatment (misconduct), responses of an ineffective view were only marginally significant in the third treatment (lobbying). This finding is important because it shows that the amount of knowledge revealed to the respondents influenced the "strength" that respondents felt federal student loan policy was ineffective. In other words, by just receiving slightly more information on the alleged misconduct of federal student loan servicers, respondents felt more strongly that federal student loan policy in America is less effective. Additionally, the respondents who read the first treatment (receiving information about only the government's role in federal student loan policy) were found to feel extremely strongly that federal student loan policy in America is ineffective in comparison to the respondents who received the control treatment. To a certain extent this was somewhat surprising. My hypothesis did not account for this. However, this finding is significant and I do think it makes sense. I believe that this finding is indicative of respondents' visibility of the role of government within federal student loan policy as well as the broad lack of trust in government that is prevalent in American society today. The Pew Research Center found that as of 2023, Americans' trust in government is at a new low (Pew Research Center, 2023). A low 16% of Americans' say they trust the government to do the right thing (Pew Research Center, 2023). Moreover, the Pew Research Center found that on feelings towards the federal government, 21% of Americans' report being angry, 59% report being frustrated, and just 18% of Americans report being basically content (Pew Research

[10] Full question wording: Do you believe the current state of student loan policy in America is effective or ineffective?

Center, 2023). Overall, most respondents had negative attitudes about federal student loan policy after being made aware of the lobbying and misconduct that federal student loan servicers engage in.

Figure 2:

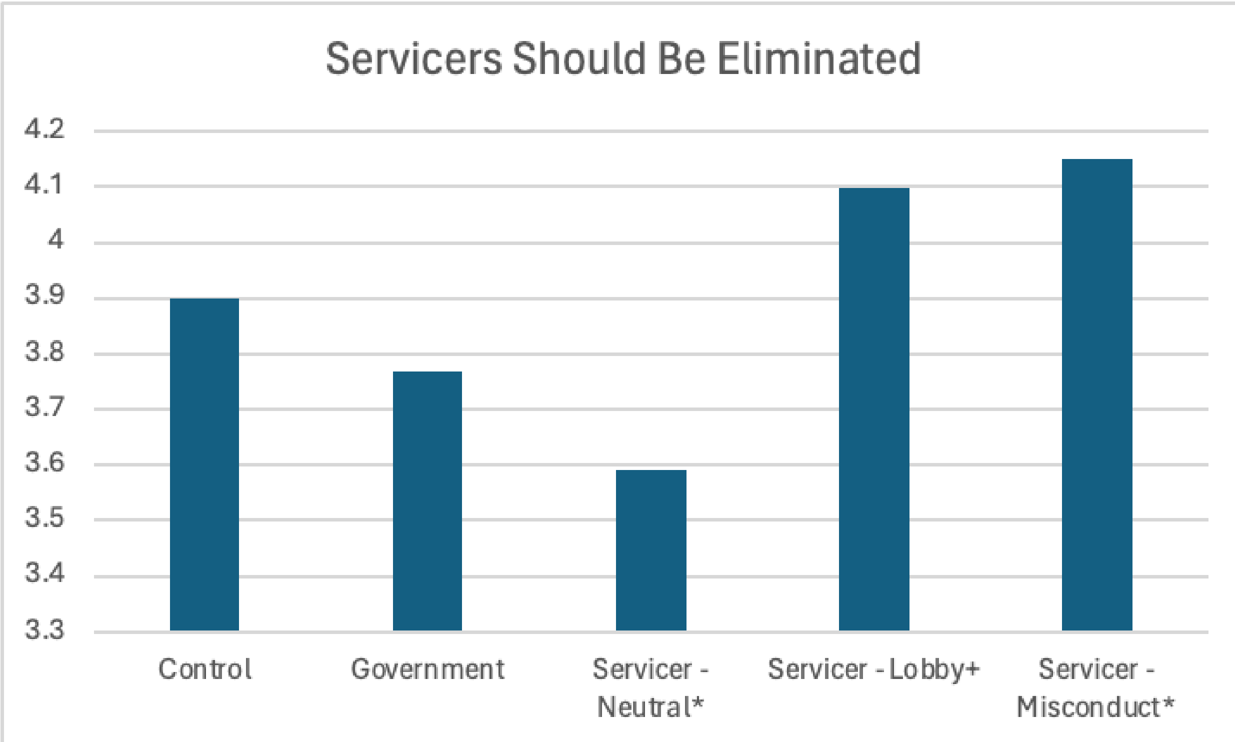


Third, I asked respondents their views on eliminating the role of federal student loan servicers from federal student loan policy after reading the treatments.[11] My expectation about respondents who read the third and fourth treatment holds true here as well (see figure 3 below). The respondents who read the fourth treatment (about federal student loan servicers and their alleged misconduct) were more likely to strongly agree with the removal of federal student loan

[11] Full question wording: To what degree do you agree or disagree with the following statement: The federal government should eliminate the role that private companies and their specialized interests play in distributing student loans to student borrowers.

servicers from federal student loan policy at a much higher value than respondents who read the control treatment. The respondents who read the third treatment (about only the lobbying capabilities of federal student loan servicers) were found to strongly agree with the removal of federal student loan servicers from federal student loan policy at a marginally higher value than the respondents who read the control treatment. These two findings are substantively important because they show that revealing the role of federal student loan servicers, lobbying capabilities, and misconduct, does play an influential role in the respondents' negative views of federal student loan policy. Additionally, and just as significant, the respondents who read the second treatment (about only the contracts the federal government has with federal student loan services to help distribute student loans to student borrowers) were more likely to disagree with the removal of federal student loan servicers from federal student loan policy than the respondents who read the control treatment. This finding shows that without being made aware of lobbying capabilities and misconduct of federal student loan servicers, then respondents will not generate negative views towards federal student loan policy or more importantly federal student loan servicers. This suggests the importance of providing detailed information about what servicers actually do, rather than statements suggesting a neutral (if private) intermediary role.

Figure 3:



Overall, these findings are particularly important as they suggest that revealing the role of special interest--even in providing fairly basic information--can significantly change understandings of their role in federal student loan policy. Not only do these findings support many of my own hypotheses, but they also lend support to Mettler's concept of revealing the submerged state. I hypothesized that revealing the role of federal student loan servicers would lead to respondents' more negative views on federal student loan policy and federal student loan servicers. Ultimately, my hypothesis was supported. The survey results on these particular questions showed that the more information that is revealed to the respondent about the role of federal student student loan servicers within federal student loan policy, the more likely the respondent is going to come to the conclusion of a more negative view towards the policy as a whole and the servicers as well.

The Influence of Having Student Loans

There is no doubt that the role of having student loan debt versus not yet having student loans is influential in how people feel about student loan policy. However, there is a more specific influential factor that might make people develop negative attitudes toward student loans. On the one hand, research indicates that the financial burden and hardship is felt the most by those student borrowers completing student loan debt repayments. This financial "distress" takes the form of bankruptcy, career choices, lower-homeownership rates, and delayed decisions to start a family (Jabbari et al. 2023, 1). Additionally, student borrowers (after graduating college or grad school) engaged in student debt repayments notably cite feelings of anxiety, depression, and other mental health issues resulting from the stress of dealing with student debt (Noval 2023, 2). Now, on the other hand, student borrowers enrolled in schools of higher education, but not actively repaying student debt, are having a slightly different experience. Research shows that the reality of student debt increases right after the student borrower graduates from their institution of higher education (Elliot and Lewis 2015, 626). All this is to say that post graduating from an institution of higher education, the reality of dealing with repaying student debt is causing significant complications on the post-grad student borrowers' quality of life, so much so that the student borrower, who is only anticipating to engage with student loan debt, is supremely unprepared to fully comprehend.

The above research has led me to hypotheses on the influence of having student loans.[12] I expect my findings to be consistent with the above research where only student borrowers beyond collect and actively engaged in student debt repayment will feel more negatively about

[12] The Influence of Having Student Loans: (1) Having student loans, and having experience with student loan debt, will lead to more negative views and opinions of federal student loan policy. (2) Not having student loans, and not having experience with student loans will lead to significantly less negative views and opinions of federal student loan policy.

federal student loan policy. Ultimately, my findings confirmed this expectation. At the beginning of the survey, respondents were asked to report on whether or not they have student loans. In total, an extraordinary 83% of the respondents reported having student loans and 16% of respondents reported never having student loans. Within the 83% of respondents who reported having student loan debt, 37% of respondents reported that they expect to graduate from an institution of higher education with student debt, and 45% of respondents reported that they have graduated from an institution of higher education with student debt.

Among the 45% of respondents who reported that they have graduated from an institution of higher education with student debt we can look at their "views" about federal student loan policy. Overall, as I had hypothesized, their views turned out to be mostly negative. Asked on their opinion if federal student loan policy is either effective or ineffective,[13] respondents who reported having graduated with student loan debt were more likely to believe that student loan policy is less effective in comparison to respondents who expect to graduate with student debt. Asked about who they think the responsibility of paying for college and paying for student loans,[14] respondents who have graduated with student loan debt were significantly more likely to say that the government, not the individual, is the most responsible above and beyond the treatment effect. This finding is not unsurprising. No doubt feelings of frustration and annoyance creep in as repayment periods, overseen by federal student loan servicers, get extended or as additional fees get charged to the loans balance. When asked about the importance of higher education,[15] respondents who have graduated with student loan debt unfortunately report significantly lower views of higher education. This finding, while both alarming and saddening,

[13] Full question wording: Do you believe the current state of student loan policy in America is effective or ineffective?
[14] Full question wording: To what degree do you agree or disagree with the following statement: The responsibility of paying for college and paying for student loans should be shouldered by the student borrower only and of no concern to the federal government.
[15] Full question wording: How important do you think higher education is in American society?

is also not surprising, especially when taken with the “financial reality” of post-grad life. Furthermore, having versus not currently having student debt changes respondents levels’ of concern over the negative impact student loan debt is causing the economy.[16] Respondents who have graduated with student loan debt are associated with a significantly higher concern of student debt and its impact on the economy in comparison with those respondents who have not yet graduated with their student loan debt. Again, this finding is not unsurprising as it is consistent with previously explained research. Finally, having student loan debt versus expecting to have student loan debt yields different levels of self-reported knowledge on repayment plans and options.[17] Using question logic embedded into the survey, this particular question was only asked of student loan borrowers and soon-to-be student loan borrowers. The results found that having student loans after graduating is not significantly related to a difference in self-reported knowledge in comparison to those still in school expecting to have student loans. However, the findings' lack of significance is actually quite substantively significant in and of itself. I would have expected that respondents who have graduated with student loan debt to report higher values of self-knowledge on student loan repayment rules and options because they are ones who are actively engaged in loan repayment as opposed to respondents who only anticipate graduating with student debt. Therefore, the lack of significant difference between those who have graduated with student loan debt and those who expect to graduate with student loan debt is quite alarming. As chapter two argued, federal student loan servicers and their repayment practices are in fact invisible. This particular finding adds as further support to that argument, showing that no matter whether you are actively engaged in the federal student loan repayment

[16] Full question wording: How much of a concern do you consider the emerging inability for individuals to pay off their student loans to be to the American economy.
[17] Full question wording: How knowledgeable are you about the rules and options surrounding student loan repayment?

or expect to be, there is a combined lack of knowledge surrounding the topic; a hugely concerning finding about federal student loan policy.

The Role of Identity Characteristics

Finally, I expected certain identity characteristics to be significant indicators of opinions and perspectives on federal student loans policy and its resulting issues. Furthermore, as my hypotheses[18] suggest, I expect that non-white and older aged respondents would be more likely to hold negative views surrounding federal student loan policy, meanwhile, respondents who identify as Republican would be more likely to be satisfied with the current state of federal student loan policy. I arrived at these hypotheses based on existing research. Recent data shows that non-white college students, especially Black college students, take on student loans more and larger amounts of loans than white students, and are more likely to default on them as well (Jackson and Reynolds 2013, 249). Furthermore, research shows that these findings are indicative of the racial-socio-economic gaps that exist which results in Black students relying more on student loans (Jackson and Reynolds 2013, 249). Moreover, as a result of depending on student loans, Black borrowers will experience more of the burden of student loan debt and the financial stress of making repayments (Jackson and Reynolds 2013, 356). Therefore, it is expected that non-white student borrowers will most likely hold more negative views of federal student loan policy. In terms of age, recent research shows that 16.3% of federal student borrowers are under the age of 25, meanwhile, 34.6% of federal student borrowers are between the ages of 25-34 (Education Data Initiative, 2024). In other words, this data shows that most

[18] The Role of Identity Characteristics: (1) Older and non-white respondents will have more negative views on federal student loan policy. (2) Republicans will be significantly more likely to be either content with or supportive of the current state of federal student loan policy.

borrowers are in between the ages of 24-34 (the higher end of my targeted age group in my survey). Additionally, a CNN poll on student loans conducted by SSRS found that 70% of adults under the age of 35 believed the federal government was not doing enough on student loan debt, and that number dropped to 35% among adults aged 50 and older (Edwards-Levy 2022, 2). In other words, positive views of the government on federal student loan policy decrease in older populations of borrowers. Finally, previous research political party affiliation and student loan views has been shown to be indicative of differing views of federal student loan policy. The same CNN poll as above found that 69% of respondents who described themselves as liberals believed the federal government is doing too little about student loan debt and only 33% of self-described Republicans feel similar sentiments (Edwards-Levy 2022, 2). This finding shows that Republicans are less likely to believe the federal government should do more about student loan debt.

For the most part I expected my findings from my own survey to be consistent with the previous research. Ultimately, my hypotheses[19] were proved somewhat correct and thus only somewhat supportive of previous research for different reasons. The factor of race (non-white student borrowers) influencing how people "feel" about federal student loan policy proved to be non-significant in my survey. This is because most online tend to receive a majority of responses from white individuals in comparison to minority individuals; and this survey was not an exception to this. Unfortunately, my online survey follows the trend, as only 10% of the respondents were reported as non-white. Thus, non-white negative views were not significant because there were hardly any non-white survey respondents.

[19] The Role of Identity Characteristics: (1) Older and non-white respondents will have more negative views on federal student loan policy. (2) Republicans will be significantly more likely to be either content with or supportive of the current state of federal student loan policy.

My hypothesis on older age respondents proved to be mostly true; older respondents had more negative views of federal student loan policy. Evidence of this can be found in two significant findings where older respondents were less likely they were to consider student loan policy to be effective[20] and more likely to report feeling that the federal government has a responsibility[21] in paying for college and student loans. This finding is consistent with the financial stress burden of prolonged repayment periods as well as the previously explained research. When asked about support for student loan forgiveness for lower and middle income individuals[22], age did not yield any significant results. There was also a lack of significant results over age when asked about the importance of higher education and concern over student loan debt and the economy.[23] Overall, I would have expected that among age there would be more significant findings but this may be due to the limitations of a smaller sample size. However, the results that proved to be significant are in fact consistent with current research among age and more negative views on federal student loan policy.

My hypothesis on political party affiliation where Republicans would be most likely to believe federal student loan policy is satisfactory also proved to be mostly true. Evidence of this can be found in the result that respondents who have identified as Republican, were marginally more likely to assign the responsibility[24] of paying for college onto the individual rather than the federal government. Furthermore, respondents who identify as Republican were less likely to

[20] Full question wording: Do you believe the current state of student loan policy in America is effective or ineffective?
[21] Full question wording: To what degree do you agree or disagree with the following statement: The responsibility of paying for college and paying for student loans should be shouldered by the student borrower only and of no concern to the federal government.
[22] Full question wording: How supportive are you of student loan forgiveness for low and middle class individuals?
[23] Full question wording: How much of a concern do you consider the emerging inability for individuals to pay off their student loans to be to the American economy.
[24] Full question wording: To what degree do you agree or disagree with the following statement: The responsibility of paying for college and paying for student loans should be shouldered by the student borrower only and of no concern to the federal government.

support student loan forgiveness for low and middle class individuals.[25] These two findings display that Republicans are mostly content with federal student loan policy which is consistent with previous research as well. However, in terms of views over federal student loan policy effectiveness or ineffectiveness,[26] there was a lack of significant findings. We might speculate that this is because the divide of student loan views among partisan identification might not be as divisive as we are made to believe. Additionally, the same non-significant finding was found when asked about the importance of higher education in America.[27] We might speculate that this lack of significant finding appears because the majority of the respondents reported having student loans, and therefore, at least to a certain extent, believe in the importance of higher education in American society. For the most part, my findings on political party identification were somewhat confirmed and did display slight support for previous research that shows that Republicans are for the most part content with the current state of federal student loan policy.

Conclusion

Overall, the results of my original survey and information experiment exposes two very important components of federal student loan policy. First, is that my argument on the submerged role of federal student loan servicers is, in fact, correct. The majority of respondents believe the student loans to be a government program, and therefore "see" the role of government in implementing federal student loan policy. But what they do not "see" is the role of student loan servicers; as evidenced in the majority of respondents self-reporting a lack of knowledge about repayment plans and options. Second, the information treatment shows that

[25] Full question wording: How supportive are you of student loan forgiveness for low and middle class individuals?
[26] Full question wording: Do you believe the current state of student loan policy in America is effective or ineffective?
[27] Full question wording: How important do you think higher education is in American society?

revealing the submerged nature of federal student loan servicers is a significantly valuable way to change people's views of federal student loan policy. The respondents who read information that told them about lobbying and misconduct of federal student loan servicers were more likely to develop negative views of federal student loan policy in general and federal student loan servicers in particular. Ultimately, there is power in revealing the role of federal student loan servicers within federal student loan policy as it will change public opinion. Which might be able to lead to broader change in the policy sphere of federal student loan policy and overcome the barriers to reform that exist right now.

Conclusion

Areas For Future Research and Policy Implications

Student loans are an essential part of American society and yet student loan debt remains at $1.64 trillion. That is an absolutely astounding amount of debt. And what's more is that the federal government has funded the majority of it. Roughly 92% of student loan debt is held by the federal government. This means that for the most part, the stress, anxiety, depression, and life choices that go along with repaying student loan debt are a result of the federal government. So, why don't we see more Americans' enraged or motivated to change federal student loan policy? Because it can't just be that student borrowers do not care about their current or impending student loan debt; there has to be another reason. Suzanne Mettler argues that this lack of citizen mobilization surrounding federal student loan policy is the submerged state of the policy itself that disguises the role of government from the American public's view. But I have found this understanding to be incorrect as it doesn't account for the scope of federal student loan policy and hidden role of federal student loan servicers.

This thesis paper asked the following question: how does the submerged nature of student loan policy influence the politics around it? And I think I have successfully answered this question. I showed in chapter one how the federal government had a highly influential and motivated hand in shaping student loan policy, but that post 2008 the political forces of polarization, policy drift, and interest groups have acted as barriers to necessary reform student loan policy requires. I argued in chapter two how Suzanne Mettler's concept of the submerged state of government within federal student loan policy is in fact incorrect--or at least incomplete-- as she leaves out the truly submerged role of federal student loan servicers. And finally, in chapter three, I tested my argument from chapter two through an original survey that displayed that revealing the "submerged-delegated state" of federal student loan servicers to respondents can change their views of federal student loan policy.

In total, these three chapters work together to explain how the submerged nature of federal student loan policy, the visible role of government versus the invisible role of federal student loan servicers, makes it so that federal student loan policy sits at the intersection of a political minefield that is reinforced by the lack of awareness on the issue from the American public. And as a result, the American public lacks the motivation to push for change in the area of federal student loan policy, not because they not see the government role in the policy, but because they are intentionally made unaware to the power, abuse, and misconduct of the federal student loans servicers that handle their student debt repayment plans. However, my original survey shows that revealing to survey takers the lobbying and misconduct of federal student loan servicers can change whether and how people "see" the role of federal student loan servicers and federal student loan policy as a whole.

My survey displayed significant findings on the influence of revealing the lobbying and misconduct of federal student loan servicers. And moving forward, I believe my survey can be used as a starting point for even more research about how American citizens "see" the role of servicers with federal student loan policy. First, in future iterations, it will be important to increase the proportion of respondents that are non-white. This is a critical change because how student loan debt and student loan policy impacts non white individuals is quite different from how it impacts white respondents. The racial wealth gap that is present in American society makes it so that Black borrowers experience a heavier financial burden when repaying loans and in this particular case, student loans. Second, I would like to increase the age range of respondents. For the purposes of this thesis' original survey I was interested in targeting a younger age group of 18-30 year olds as they are all of the same generation and have been most recently engaged in student loan policy. However, targeting older respondents, including those ages 18-65 could capture an older generation that will no doubt have differing opinions and feelings about federal student loan policy than the younger generation. Third, I would most definitely want to increase the volume of responses. In my survey, because I had 300 respondents, this meant each treatment and the control had only 60 respondents reading their information. And while my hypotheses on revealing the role of servicers were still supported, often at levels of statistical significance, I would want to see what more people reading the treatments might reveal.

Still, even with the small number of respondents, the implications of my original survey are clear and they connect back to my overall thesis hypothesis as well. The submerged nature of federal student loan policy makes it so the policies surrounding student debt are supremely complex, with many pieces invisible to the American public. But not in the way we have been told. The government has historically held quite an influential role in establishing and reforming student loan legislation. And it is in the past couple decades that political forces have diminished the federal government's ability to conduct reauthorization maintenance. But, unlike Suzanne Mettler's observation on the submerged state of student loan policy, the public does in fact“see” the government role. Instead, what they do not see is the role of federal student loan servicers that is being intentionally made hidden from them by the servicers as a means to keep profiting from student loan lending. Therefore, the public is unmotivated to engage in any sort of call for change in the politics of federal student loan policy.

However, as the results of my survey show, the public opinion of federal student loan policy changes when people are made aware of the lobbying and misconduct of federal student loan servicers. As a result, I believe that there should be a huge incentive to reveal this "submerged-delegated state" to the general public as a means to create a larger movement to reform federal student loan policy so that it benefits the student borrowers and not the servicers. Furthermore, I believe my original survey and its information experiment can act as a blueprint for more research into how revealing the role of servicers to Americans can be used to raise public awareness and lead for demands for change within student loan policy and the mountains of student loan debt people are facing are long overdue for an overhaul in public opinion.

In essence, the submerged nature of student loan policy intentionally keeps the American public out of the politics of this critical policy area that is deeply impacting them. Which is why we should work hard to reveal the "submerged-delegated state" to Americans so they can have an empowered voice in politics and within student loan policy. Because after all, student loans are supposed to benefit the student borrower. And right now they are not. Right now student loans are benefiting private servicers contracted by the Department of Education to distribute the loans to the American people. Thus, making the American people aware of this system that is supposed to be benefiting them, but not, will I believe undoubtedly create the necessary push for change that student loan policy so desperately requires. And I hope that this push for change will mean that the "deal" of taking on crushing student loan debt to attend institutions of higher education will no longer be a burden the millions of Americans are left to face.

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