

Student loans to go to Treasury Department as Trump continues to dismantle Education Department

BY COLLIN BINKLEY
ASSOCIATED PRESS

WASHINGTON (AP) — The U.S. Education Department is handing off a portion of its student loan portfolio to the Treasury Department, a first step toward shedding management of all student loans as Trump administration officials dismantle the federal education agency.

Under an agreement announced Thursday, the Treasury Department will take over management of student loans whose borrowers are in default, meaning they are months behind on payments. Those loans add up to about \$180 billion, or 11% of the government's \$1.7 trillion student loan portfolio.

Eventually, the Treasury Department is to take responsibility for all student loans, according to the agreement. A second phase with no timeframe says Treasury will "assume operational responsibility" over non-defaulted loans, "to the extent practicable."

Breaking off the student loan operation would mark the biggest step yet

in closing the department, which President Donald Trump ordered to be dismantled almost exactly a year ago. Many Americans know the department mostly for its role doling out grants and loans for college, and those streams of funding are by far the agency's largest.

Borrowers do not need to do anything as the change goes through, the administration says. They will continue to work with the same loan servicer and repay their loans the same way.

The 17-page agreement outlines a stunning realignment of the nation's federal student loan programs, which have been overseen by the Education Department since it was created more than 40 years ago.

The agreement "marks an intentional and historic step toward breaking up the Federal education bureaucracy and dramatically improving the administration of Federal student aid programs," Education Secretary Linda McMahon said in a statement.

In justifying the change, Trump officials said the Education Department is "ill-equipped" to handle

such a big loan portfolio. They blamed the Biden administration for focusing on efforts to cancel student loans rather than help borrowers get back on track with payments. Officials cited recent data showing that fewer than half of all borrowers are currently making payments on their loans, with almost a quarter in default.

OPPOSITIONS RAISE CONCERNS ABOUT BORROWER CONFUSION

The agreement is likely to invite legal challenges. Some opponents note that federal law requires student loans to be overseen by the Education Department. Trump officials believe they've found a workaround by framing it as a partnership, with some components, including the policies underpinning student loans, remaining at the Education Department.

Student loan advocates condemned the move, saying it only adds to confusion as the Trump administration overhauls student loan programs.

"The Department of Education has issued a dizzying series of rule changes

that make it harder for borrowers to figure out what their options are on their federal student loans," said Kyra Taylor, an attorney at the National Consumer Law Center. She warned that any errors in loan collection would have "devastating effects on families."

The move is part of Trump's campaign to shutter the Education Department, an agency he says was overrun by liberal thinking. Only Congress has authority to close the department, but Trump officials are picking it apart through a series of inter-government agreements that relocate the department's operations to other federal offices.

The future of the government's enormous student loan portfolio has been one of the biggest unanswered questions. At her Senate confirmation hearing, Education Secretary Linda McMahon called Treasury a "natural" place for student loans. Trump later said they would be overseen by the Small Business Administration.

CONSERVATIVES HAVE TRIED PREVIOUSLY TO

MOVE STUDENT LOANS

During Trump's first term, his education chief talked about setting up a semi-private bank to manage student debt. The conservative Heritage Foundation promoted something similar in its Project 2025 plan, calling for a new "government corporation with professional governance and management."

The Treasury Department often has been discussed as an option, yet student loans are seen as a particularly complex form of debt and some question whether the agency has the right technical expertise. In a 2015 pilot, Treasury tried to collect payments from a sample of thousands of borrowers in default. Its success rate was lower than that of the private collection agencies contracted by the Education Department.

Federal student loan borrowers are typically considered in default if they haven't made a payment in more than 270 days. About 9.2 million Americans are in default on student loans, according to Education Department data released this month. Going into default

can bring a heavy hit to credit scores, and the government can withhold pay and Social Security benefits.

The latest deal from the administration indicates a willingness to open up the hood of student loan operations at a perilous moment. About 12 million Americans are behind on federal student loan payments in some way, and the industry is bracing for a potentially historic surge in loan defaults as pandemic-era protections come to an end.

Earlier this year, Trump officials postponed their plans to restart involuntary collections on defaulted loans, which could have meant withheld earnings for millions of Americans. It's seen as a politically volatile issue during a tough midterm year where affordability is already on voters' minds.

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TOURISM

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was let go around the same time as Jerrica Flynn resigned as the primary Tourism Director after almost two years in that role.

As assistant, Mills went about preparing for Burnside's key upcoming projects — the annual Emma Lou Jones Easter Egg Hunt, which is coming up Saturday, April 4 at Cole Park; participation in Lake Cumberland 250, celebrating the nation's birthday milestone this July 4; and the year-round effort that is putting together Christmas Island — while Burnside Mayor Robert Lawson waited on a candidate from Georgia to accept the offer of tourism director.

Lawson told the Commonwealth Journal that the other candidate was given a deadline of March 16 to show up for work; if she did, she would have the job, and if not, then Mills would be promoted. The latter scenario is what ended up happening, unfolding last Monday according to Lawson, and Burnside is now looking for an assistant to slide into the role Mills had been working in.

"We started interviews (Thursday)," he said. There will be more interviews Monday, and applications will likely continue to be received for another week after that and by mid-April, Law-



AIMEE MILLS

son hopes to have a new assistant tourism director in place.

Lawson said he'd stayed in touch with the Georgia candidate, but was not given a final answer until just before March 16.

He said that Mills has been "doing such a good job" in the meantime. "She's already hit the ground running. She's already on top of things."

Mills is pleased to have the new opportunity; "I was hopeful that this may happen and I was glad that it did," she said.

"Right now, we're just treading through it all,"

she added. "I had to come in and hit the ground running, just because I felt a little bit behind, but we are kind of up to par right now. ... The Tourism Board and everything has been great and awesome. I'm very happy that I took a leap of faith from where I was at to go into a different role."

Mills is a Somerset native, and her mother, Debra, is originally from Burnside. She comes to Burnside Tourism with extensive experience in the banking industry, including almost 16 years at Cumberland Security

Bank locally and another year and a half at U.S. Bank in Lexington, but decided that "maybe it's time for change," she noted in February.

In terms of what she's looking for in an assistant, Mills said that she needs someone to help with administrative work to better allow Mills to get out and allow people to get to know her as the new head of tourism in Burnside, so others can "put a face with an email (or) a face with an envelope."

So far, she said, the city has "had a lot of really good candidates."

The hiring of Mills as tourism director brings Burnside to its fifth in the last four years. Her predecessor Flynn had been an intern for the city, then assistant tourism director under Alison Pyles, and later city clerk, stepped away from the city early in 2024, but returned later that year as a consultant and took over the tourism job — which she had held on an interim basis in late 2023 following Pyles' departure — from Amy Sweet, whose resignation letter was read to the city council in May 2024.

Pyles had taken over for Frank Crabtree, Jr. in March 2022, who had taken the job over from Farrah Dobbs in May 2019, who had taken it two years earlier following the departure of Sherry Sabine — and those were only more recent changes with the position trading hands multiple times go-

ing back to its creation in the late 2000s, resulting from the city's decision to allow alcohol sales in 2004.

Lawson noted that all of the above individuals left for different reasons, all to better themselves in some way and most of them, he said, he'd "hire right back." Still, Lawson is

ready to now have to make any more tourism hires for the foreseeable future.

"(Mills has) actually done better than what I expected her to do; we never would have promoted her to tourism director if she hadn't been (capable)," said Lawson. "... I'm hoping this one's for good."

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