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February 25, 2014

John (Jack) F. Remondi
President and Chief Executive Officer
SLM Corporation
300 Continental Drive
Newark, DE 19713

Dear Mr. Remondi:

Sallie Mae has made several representations recently about its success rates at keeping borrowers out of default. These statements, however, lacked key information about the means by which Sallie Mae accomplishes this goal. Not all strategies to reduce default rates result in a path to successful repayment, and some may even leave borrowers deeper in debt. For this reason, I am writing to request more information about the precise means that Sallie Mae uses to help borrowers avoid default.

On December 20, ten organizations sent a letter to the Department of Education requesting that it step up its oversight of Sallie Mae. In response, Sallie Mae issued a statement defending its performance and asserting that it has been more effective than any other servicer at helping borrowers avoid default. On January 9, a Sallie Mae press release echoed that statement, and on a January 17 earnings call, you stated that Sallie Mae does a better job at helping borrowers manage their loans than anyone else. None of these statements have explained how the company accomplishes this goal.

Federal student loan servicers have a number of tools to help prevent student loan default. They can offer borrowers a different repayment plan – including an income-based repayment program – or they can place the loan into a deferment or forbearance. But these tools are not all equally beneficial for students. Some, like deferment or forbearance, provide short-term relief but ultimately may not help borrowers get on a path to repayment. And these default prevention strategies result in capitalized interest that can actually harm borrowers in the long-term, leaving them with more debt and bigger monthly payments.

Current federal contracts give loan servicers like Sallie Mae little incentive to keep borrowers from falling behind on their payments or to help borrowers find solutions that are best for them when they do fall behind. Without any other incentives, I am concerned that Sallie Mae too often takes steps that hurt its student borrowers. For example, for many struggling borrowers, an income-based plan that decreases a borrower's payment and offers loan forgiveness would be the best option. But data suggest that Sallie Mae is opting to place borrowers in deferments, forbearances, or other repayment plans even when an income-based plan is the best choice for the borrower. Although Sallie Mae holds about 37 percent of all privately-held, federally-guaranteed loans, its borrowers represent only about 15 percent of the borrowers in income-based repayment plans. This raises questions about whether Sallie Mae is failing to offer this option to borrowers, or otherwise discouraging them from enrolling in an income-based repayment plan.

I am writing to request that you publicly disclose the following information about Sallie Mae's performance relating to servicing federal loans, distinguishing Sallie Mae's servicing performance on its portfolio of privately-held FFEL loans, Federal Direct Loans, and federally-owned FFEL loans:

1. The share of borrowers who successfully moved directly from a deferment or forbearance into an income-based repayment plan in the last year.

2. Any phone scripts or guidance that your customer service employees use when counseling students who are delinquent on their student loans.

3. Any phone scripts or guidance that your customer service employees use when counseling students on the benefits and drawbacks of particular repayment options, including capitalization of interest.

4. The portion of borrowers not currently in school who have used multiple forbearances or deferments (excluding in-school deferments).

5. The portion of non-defaulted loans (by dollar value and number of borrowers) that fall into the following categories:

    a. Hardship deferment

    b. In-school deferment

    c. Other deferment

    d. Forbearance

    e. An income-based repayment plan, including Pay As You Earn and Income-Based Repayment

    f. A graduated repayment plan

    g. An extended repayment plan

    h. An extended graduated repayment plan

6. Of loans that became delinquent in the last fiscal year, the percentage (by dollar value and number of borrowers) that are currently:

    a. Current on their payments

b. In a hardship deferment

c. In an in-school deferment

d. In any other deferment

e. In forbearance

f. In an income-based repayment plan

g. In a graduated repayment plan

h. In an extended repayment plan

i. In an extended graduated repayment plan

j. In default

7. The number of defaulted loans assigned to Pioneer Credit Recovery that were originally serviced by Sallie Mae, as well as the amount paid in commissions for these loans.

We have a responsibility to address the $1.2 trillion of student debt that are holding back our economy and threatening the futures of so many young Americans. With about one in five student loan borrowers delinquent on their student debt, the government and the public should be able to look more closely at the role that servicers and lenders play in keeping students on the path to successful repayment. Your response will help us determine how we can better serve both student borrowers and the taxpayers who are investing in them.

If Sallie Mae has confidence that its efforts at helping students avoid default are truly in the long-term interest of its distressed borrowers, it should be more transparent about the details of those efforts.

Sincerely,

Elizabeth Warren

Elizabeth Warren
United States Senator