Congress of the United States

Washington, DC 20510

April 27, 2015

Michael S Dunlap
Executive Chairman of the Board
Nelnet Education Planning and Financing
P.O. Box 82561
Lincoln, NE 68501-2561

Dear Mr. Dunlap:

We are writing to request information about how student loan servicers have been advising borrowers when they are eligible for relief under federal law.

Your company and other federal contractors that service student loans act on behalf of the federal government as the primary point of contact for borrowers. When students have questions about their loans, or when they struggle to make their payments, they call their loan servicers. That is why it is critically important that student loan servicers inform borrowers of the full range of protections available to them through the Higher Education Act.

The Higher Education Act includes a range of statutory discharges as well as explicit rights for borrowers to raise defenses to repayment due to forgery, fraud, or other claims resulting from unscrupulous or fraudulent activities by the colleges that the borrowers attended.[1] The Department of Education directs borrowers to contact their servicers if they believe they may be eligible for such remedies.[2]

The most high-profile examples of students who may be eligible for loan relief are those who recently attended Corinthian Colleges. Federal and state regulators found that Corinthian Colleges engaged in unfair and deceptive practices to entice students to enroll and take on loans. Under a 2014 agreement with the Department of Education, Corinthian closed or sold 97 of its campuses.[3]

In addition, two weeks ago, the Department of Education fined Corinthian $30 million for misrepresenting its graduate placement rates in its Heald College system.[4] Because of this pattern of misconduct, students who took out loans to attend Corinthian campuses may be eligible for relief from their payments, but most of these borrowers are not aware that they are making payments on loans that should be discharged or canceled.[5]

Corinthian students are not the only borrowers we believe may be eligible for relief. For example, more than 60,000 borrowers who attended schools owned or operated by Wilfred American Education Corporation were, according to a Department of Education Inspector General report, duped into taking on loans for which

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[1] 20 U.S.C. §1087e(h).

[2] Master Promissory Note, William D. Ford Federal Direct Loan Program, OMB No. 1845-0007, Exp. 2/29/16 http://www.direct.ed.gov/pubs/dlmpn.pdf

[3] Department of Education, U.S. Department of Education Accepts Operating Plan from Corinthian Colleges, Inc. (July 3, 2014) (online at https://www.ed.gov/news/press-releases/us-department-education-accepts-operating-plan-corinthian-colleges-inc).

[4] Department of Education, U.S. Department of Education Fines Corinthian College $30 Million for Misrepresentation (Apr. 14, 2014) (online at https://www.ed.gov/news/press-releases/us-department-education-fines-corinthian-colleges-30-million-misrepresentation).

[5] *See* 20 U.S.C. § 1082(a)(6); 20 U.S.C. §1087e(h); 20 USC 1087(c).

they were not qualified.[6] Since most Wilfred American borrowers are not aware of these findings, the student loan program continues to take their money.[7]

The federal student loan program was created to help hard-working students get an education, not to squeeze struggling Americans who have been misled by educational institutions. Your company and other student loan servicers receive lucrative contracts to handle billing, outreach to borrowers, and other student loan services. We believe these services include informing and advising students when they may be eligible for relief under federal law.

To help clarify the role student loan servicers play in advising students of their options to minimize or discharge debts and to ensure that servicers are providing comprehensive, high quality services under their federal contracts, please provide the following information for the time period covering the previous two years:

1. the number of borrowers (and the total value of their loans) who applied for:

    a. discharge or defense to repayment as a result of an act or omission by the institution;
    b. closed school discharge;
    c. total and permanent disability discharge;
    d. death discharge;
    e. false certification of student eligibility discharge;
    f. unpaid refund discharge;

2. the number of borrowers (and the total value of their loans) who received:

    a. discharge or defense to repayment as a result of an act or omission by the institution;
    b. closed school discharge;
    c. total and permanent disability discharge;
    d. death discharge;
    e. false certification of student eligibility discharge;
    f. unpaid refund discharge;

3. the number of borrowers (and the value of their loans) identified by your company or by the Department of Education who were likely to be eligible for:

    a. discharge or defense to repayment as a result of an act or omission by the institution;
    b. closed school discharge;
    c. total and permanent disability discharge;
    d. death discharge;
    e. false certification of student eligibility discharge;
    f. unpaid refund discharge;

4. the number of borrowers who requested information about:

    a. discharge or defense to repayment as a result of an act or omission by the institution;
    b. closed school discharge;
    c. total and permanent disability discharge;
    d. death discharge;

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[6] *Salazar v. Duncan*, 14 Civ. 1230, 5-6 (S.D.N.Y. 2015) (citing Inspector General report).
[7] *Id.*

e. false certification of student eligibility discharge;
f. unpaid refund discharge;

5. your company's procedures for identifying borrowers who may be eligible for discharges or cancellations of their student loans;

6. guidance that your company provided to its customer service representatives to identify and advise students on their options to discharge or cancel their loans;

7. guidance that the Department of Education provided to your company regarding how to handle borrowers' requests to discharge or cancel their loans; and

8. information regarding trainings or technical assistance that your company provided to its employees regarding discharge or cancellation of student loans.

We would appreciate receiving your response to this letter by May 19, 2015. Should you have any questions regarding this matter, please contact Jimmy Fremgen of the Oversight and Government Reform Committee's Democratic staff at (202) 225-4741 or Brian Cohen of Senator Warren's staff at (202) 224-4543.

Thank you for your attention to this matter.

Sincerely,

Elijah E. Cummings
Ranking Member

Elizabeth Warren
United States Senator

Richard J. Durbin
United States Senator

Al Franken
United States Senator

Jack Reed
United States Senator

Edward J. Markey
United States Senator