United States Senate
WASHINGTON, DC 20510

August 4, 2015

The Honorable Kathleen Tighe
Inspector General
U.S. Department of Education
400 Maryland Ave. SW
Washington, DC 20202

Dear Ms. Tighe:

We are writing to ask that you conduct an examination of the Department of Education's (ED) reviews of student loan servicers' compliance with the Servicemembers Civil Relief Act (SCRA).

The ED reviews were conducted in order to determine if Navient and the other servicers included in the reviews "complied with the Higher Education Act and [ED] regulations and contracts,"[1] and if not, what action the Department should take. In announcing the review, Education Secretary Duncan declared that it would be "thorough," and that "every option [wa]s on the table" with regard to the contract status of Navient and other student loan servicers.[2] These results of the ED reviews were released on May 26, 2015, and upon their release ED officials stated "that in less than 1 percent of cases, borrowers were incorrectly denied the 6 percent interest rate cap required by the [SCRA]." Based on these results, ED officials took no action against the student loan servicers.

Unfortunately, the review the Department conducted has left us with more questions than answers. A detailed staff analysis of the ED reviews and the descriptions of their findings raises doubts regarding whether ED officials adequately reported the results of these reviews to the public.

The ED reviews included only a small subset of the types of SCRA violations identified in 2014 by DOJ and FDIC. In fact, the reviews analyzed in detail only 14 cases in which student loan borrowers requested and qualified for but were denied SCRA interest rate caps. The small number of cases reviewed is quite extraordinary, considering newly released data from a recent DOJ and FDIC investigation concluding that Navient alone denied appropriate SCRA relief to

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[1] Denise Horn, ED Spokesperson, quoted in Boston Globe, *Elizabeth Warren Calls for More Oversight of For-Profit Colleges* (June 10, 2015) (https://www.bostonglobe.com/news/politics/2015/06/10/elizabeth-warren-chastising-department-education-over-for-profit-college-rules/Pfn1X3iW9RXDZ9DVBbLj5O/story.html).

[2] Politico, *Sallie Mae Agrees to $97M Settlement Over Servicemembers' Student Loan Interest Rates* (June 4, 2014) (www.politico.com/story/2014/05/sallie-mae-military-student-loan-interest-rates-106638.html).

more than 75,000 federal and private loan borrowers.[3] In other words, the Department of Education based its conclusion on an examination of a tiny fraction of the relevant cases.

Moreover, the ED reviews identified high error rates in the small number of cases included in the reviews, finding at least one student loan servicer error in almost 30% of the cases in which borrowers requested rate caps, and finding that deserving borrowers were denied SCRA rate caps in 8% of reviewed cases. Finally, the description of the findings from the ED reviews by ED officials did not provide appropriate context and failed to fully describe the findings of the report to the public and the press. These findings are explained in more detail in the attached report prepared by Senator Warren's staff; further review by HELP Committee staff is ongoing.

Given the numerous problems identified with these reviews, and the deeply flawed descriptions that ED officials used to present their findings, we request that you conduct your own independent assessment of the adequacy and accuracy of the review process.

Please feel free to contact Beth Stein of Sen. Murray's staff at 202-224-4841 or Brian Cohen of Sen. Warren's staff at 202-224-4345, and James Mikolowsky with Sen. Blumenthal's office at 202-224-2823, if you have any additional questions.

Sincerely,

Patty Murray
United States Senator

Elizabeth Warren
United States Senator

Richard Blumenthal
United States Senator

[3] Huffington Post, *Education Department Vastly Undercounted Troops Overcharged by Student Loan Giant, New Data Show* (June 24, 2015) (http://www.huffingtonpost.com/2015/06/24/navient-service-members-education_n_7648132.html).