

June 2, 2017

Chairman Lamar Alexander
Committee on Health, Education, Labor, and Pensions
United States Senate
455 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Alexander:

Last week, James Runcie, the Chief Operating Officer of the Education Department's Office of Federal Student Aid ("FSA") resigned, citing numerous management failures under the new leadership of Education Secretary Betsy DeVos.¹

Secretary DeVos will appoint Mr. Runcie's successor. While the position does not require Senate approval, the scope of the problems cited by Mr. Runcie—and the risks they pose to millions of students and taxpayers, and a trillion-dollar student loan portfolio—must be examined and addressed by the Senate. Moreover, Mr. Runcie's successor will be only the second person appointed to the role of FSA chief since 2010, when Congress transitioned the federal student loan program to direct lending, and since the federal student loan program became a trillion-dollar loan enterprise. When Secretary DeVos names a new FSA chief, it is imperative that the Health, Education, Labor, and Pensions ("HELP") Committee hold a hearing on this nominee and the role of FSA.

I have been critical of Mr. Runcie in the past, because I did not believe he took sufficient steps to protect students from predatory colleges, debt collectors, and student loan servicers that failed to follow the rules. But in an email he reportedly sent to colleagues discussing the reasons for his resignation, he leveled stunning charges about political meddling and grave mismanagement of the program under Secretary DeVos. Mr. Runcie wrote:

I am incredibly concerned about significant constraints being placed on our ability to allocate and prioritize resources, make decisions and deliver on the organization's mission. We have dozens of pages of decisions that have been typically made within Federal Student Aid that are now required to be elevated to the Department level. Once at the Department level, the decision making framework and process is not clear to anyone at FSA and

¹ Runcie, J. [Electronic Mail, quoted in *The Washington Post*]; Danielle Douglas-Gabriel, "Federal Student Aid Chief Quits, Warning of Management Issues under DeVos," *Washington Post* (May 25, 2017) (<https://www.washingtonpost.com/news/grade-point/wp/2017/05/24/federal-student-aid-chief-quits-warning-of-management-issues-under-devos/>).

the cycle time continues to increase risk for our work streams and stakeholders.²

Mr. Runcie cited a slew of ongoing FSA projects that are reportedly not receiving adequate support and resources, which include implementing a massive student loan servicing contract competition (in which the Department plans to consolidate the administration of nearly \$1 trillion in federal student loans to just one servicer), implementing year-round Pell Grants, processing a growing backlog of borrower defense loan discharge applications for defrauded students (including thousands in Massachusetts), and shoring up cybersecurity.

Mr. Runcie said he asked Secretary DeVos for a waiver to hire additional staff to help manage these critically important projects and this growing volume of work, but did not receive a response. This revelation is shocking, considering that Congress explicitly gave FSA flexibility and independence regarding hiring and staffing authority. Although it is unclear whether FSA has used this authority, the Higher Education Act states that FSA “shall not be subject to any ceiling relating to the number...of employees,”³ and that FSA “shall exercise independent control of its budget allocations and expenditures, personnel decisions and processes, procurements, and other administrative and management functions.”⁴ The email also indicated that the Trump Administration is considering transferring all or a portion of the functions of FSA to the Treasury Department.⁵

The issues and concerns raised by Mr. Runcie are serious matters. FSA manages a \$1.3 trillion direct and guaranteed student loan portfolio with debt held by over 40 million Americans.⁶ The size of this portfolio has grown dramatically since Mr. Runcie took office—becoming an even more critical lifeline for students as the cost of college rapidly outstrips inflation. Americans cannot afford for the office to be mismanaged or under-resourced. Given these concerns, it is critical that Secretary DeVos rapidly choose a highly qualified FSA chief who isn’t affiliated with the profit-hungry student loan industry or predatory colleges, and who will put the interests of students and families first in every decision.

According to the Higher Education Act, the Secretary must appoint an FSA chief “on the basis of demonstrated management ability and expertise in information technology...and without regard to political affiliation or activity.”⁷ Congress, therefore, has an important oversight role to play in ensuring that Secretary DeVos complies with the law in appointing someone with demonstrated management ability and expertise.

² *Id.*

³ 20 USC § 1018(g)(1)

⁴ 20 USC § 1018(b)(4)

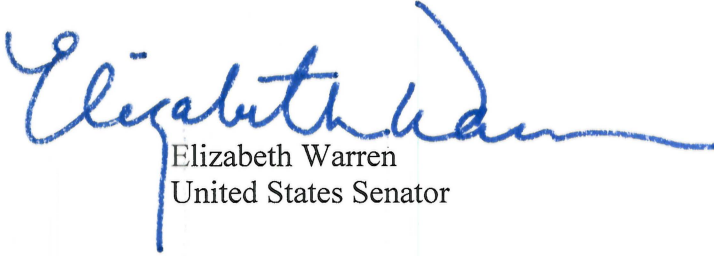
⁵ Jessica Silver-Greenberg, Stacy Cowley, and Patricia Cohen, “Trump Administration Considers Moving Student Loans from Education Department to Treasury,” *New York Times* (May 25, 2017) (<https://www.nytimes.com/2017/05/25/business/dealbook/trump-administration-considers-moving-student-loans-from-education-department-to-treasury.html>).

⁶ “Federal Student Loan Portfolio,” Federal Student Aid, U.S. Department of Education (accessed June 2, 2017) (<https://studentaid.ed.gov/sa/about/data-center/student/portfolio>).

⁷ 20 USC § 1018(d)(1)

As such, I request that the HELP Committee hold a hearing immediately after Secretary DeVos selects the next chief of FSA. The hearing should address the qualifications of the new FSA chief, as well as Secretary DeVos's leadership of the program, program funding, and other issues raised in Mr. Runcie's resignation announcement. I appreciate your prompt response to this request and am happy to work with you to plan this hearing. If you have any questions, please do not hesitate to contact Josh Delaney of my office at 202-224-4543.

Sincerely,



Elizabeth Warren
United States Senator