

Congress of the United States
Washington, DC 20510

July 13, 2021

President Joseph R. Biden
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear President Biden:

We write to share the results of our recent inquiry into federal loan servicers' support for student loan borrowers during the current payment pause and their preparations to return millions of borrowers to active repayment.¹ The resumption of payments is presently scheduled to begin on October 1, 2021, but the information we received in our inquiry strongly supports an extension of the pause on student loan payments and interest. The responses to our inquiry indicate that neither student loan borrowers nor student loan servicers are prepared for payments to resume, and servicers will need significant time to ensure that staffing and procedures are ready to provide borrowers with a high level of support. One servicer described the complexity of the resumption of payments as "unprecedented," noting that "the Federal Student Aid Servicers have never attempted to move 43+ million accounts into a repayment status all at once across the country."² We therefore urge you to extend the current pause on payments and interest until at least March 31, 2022.

On June 21, 2021, we sent a letter to each of the federal student loan servicers,³ asking for information about their activities to support borrowers during the payment pause and their preparations for payments to resume. We received responses from each of the servicers, and the majority provided substantive responses to our questions and data on their borrowers' experiences during the pandemic. These responses overwhelmingly indicate that more time is needed to ensure that borrowers are supported when reentering payment on their student loans. The responses revealed that:

- **The payment pause has provided significant relief to borrowers.**

It is clear from the student loan servicer responses that the pause on payments and interest has provided economic relief for many borrowers. According to data provided by five

¹ "Warren, Smith, Markey Call on Student Loan Servicers to Support Borrowers Before Repayments Resume," June 21, 2021, <https://www.warren.senate.gov/newsroom/press-releases/warren-smith-markey-call-on-student-loan-servicers-to-support-borrowers-before-repayments-resume>.

² Letter from PHEAA to Senators Warren, Markey, and Smith, July 2, 2021, pg. 1.

³ "Warren, Smith, Markey Call on Student Loan Servicers to Support Borrowers Before Repayments Resume," June 21, 2021, <https://www.warren.senate.gov/newsroom/press-releases/warren-smith-markey-call-on-student-loan-servicers-to-support-borrowers-before-repayments-resume>.

loan servicers, nearly 2.5 million student loans have been fully repaid during the payment pause,⁴ suggesting borrowers have taken advantage of the current zero percent interest rate to pay down the principal balance owed on their loans. In addition, the Pennsylvania Higher Education Assistance Agency (PHEAA), which administers the Public Service Loan Forgiveness Program (PSLF) and the Temporary Expanded Public Service Loan Forgiveness Program (TEPSLF), reported that the number of borrowers achieving forgiveness under those programs has more than doubled during the pandemic.⁵ Each suspended payment has counted as a qualifying month of repayment for PSLF and TEPSLF applicants,⁶ helping them to overcome some of the bureaucratic hurdles that have plagued those programs.⁷ PHEAA reported that approximately 18,000 borrowers have successfully achieved forgiveness under PSLF and TEPSLF – still just a small fraction of the hundreds of thousands of public servant borrowers who have applied for relief.⁸ In addition, student loan servicers reported that an additional 194,000 borrowers have been placed in modified repayment plans during the pause after contacting their loan servicer.⁹ Providing additional time for the pause on repayments will allow many more borrowers to address their student loan burdens via repayments, PSLF forgiveness, or modifications of their repayment plans.

- **Most borrowers have had very little contact with their federal loan servicer during the pandemic payment pause.**

One student loan servicer provided information indicating that they have had extensive and ongoing outreach to discuss affordable repayment options, including supporting borrowers through the complex and time-consuming enrollment process for income-driven repayment (IDR) plans. Since April 2020, this servicer has conducted three rounds of outreach targeting different groups of borrowers, such as those who had not previously been in repayment and those who were delinquent prior to the start of the payment pause.¹⁰ None of the other servicers reported a similar level of outreach to support their borrowers: two servicers did not report any

⁴ MOHELA, EdFinancial, Nelnet, PHEAA, and OSLA collectively reported that 2,498,859 loans had been repaid in full. Letter from MOHELA to Senators Warren, Markey, Smith,” July 6, 2021; Letter from EdFinancial to Senators Warren, Markey, and Smith, July 1, 2021; Letter from Granite State to Senators Warren, Markey, and Smith, July 2, 2021; Letter from PHEAA to Senators Warren, Markey, and Smith, July 2, 2021; Letter from OSLA to Senators Warren, Markey, and Smith, July 2, 2021.

⁵ Letter from PHEAA to Senators Warren, Markey, and Smith, July 2, 2021, pg. 4.

⁶ Federal Student Aid, “Coronavirus and Forbearance Info for Students, Borrowers, and Parents: Public Service Loan Forgiveness,” accessed July 12, 2021, <https://studentaid.gov/announcements-events/coronavirus#public-service-loan-forgiveness>.

⁷ CNBC, “Just 5% of people who applied for public service loan forgiveness have qualified,” Annie Nova, June 18, 2021, <https://www.cnbc.com/2021/06/18/just-5-percent-of-those-applying-for-public-service-loan-forgiveness-got-it.html>.

⁸ Federal Student Aid, “April 2021 PSLF Report,” accessed July 12, 2021, <https://studentaid.gov/data-center/student/loan-forgiveness/pslf-data>.

⁹ EdFinancial, Granite State, PHEAA, and OSLA collectively reported that 194,000 borrowers have been placed in modified repayment plans. Letter from EdFinancial to Senators Warren, Markey, and Smith, July 1, 2021; Letter from Granite State to Senators Warren, Markey, and Smith, July 2, 2021; Letter from PHEAA to Senators Warren, Markey, and Smith, July 2, 2021; Letter from OSLA to Senators Warren, Markey, and Smith, July 2, 2021.

¹⁰ Letter from EdFinancial to Senators Warren, Markey, and Smith, July 1, 2021

outbound outreach to borrowers during the pandemic,¹¹ and four others reported that they have begun reaching out by phone, email, and/or text to confirm demographic and contact information in May or June 2021, more than a year into the payment pause.¹² This failure to contact borrowers could have devastating effects: as one servicer noted, “Only when we are able to connect with borrowers are we able to assist them in navigating the myriad of complex repayment options and help them avoid default.”¹³

Notably, servicers indicated that they were waiting on additional guidance from the Education Department’s office of Federal Student Aid (FSA) before they could fully contact borrowers and begin planning for payments to resume. Given the short time frame between now and October 1, and the complicated nature of the student loan program, it appears clear that servicers will need additional time to implement FSA guidance once it is provided. One servicer noted that “time is quickly passing and with less than three months now until the currently stated restart of repayment date, our concerns over being best prepared to provide a smooth transition for FSA borrowers continues to grow.”¹⁴

- **Servicers will need more time to ensure that staffing is adequate to support borrowers.**

Approximately 30 million borrowers are set to reenter repayment on October 1, 2021, which will require loan servicers to hire additional trained staff to field calls and support borrowers in the transition.¹⁵ Five loan servicers reported that they plan to hire additional customer service staff to support borrowers in the transition to repayment. While only one servicer reported laying off call center staff during the pandemic¹⁶, others reported that they had declined to backfill some open roles and therefore would need to supplement their staff before payments resume.¹⁷ The estimated need for new staff ranged from 57 to as many as 900 hires.¹⁸ While some servicers said that they had begun the hiring process, no servicer was able to report that all of their needed staff had been hired and trained. One student loan servicer reported that “much of the hiring will be based on” the “actual date for reentry in repayment” that is confirmed from the Department of Education.¹⁹ The training and onboarding process is a significant time investment due to the complexity of federal loan programs. Servicers reported

¹¹ Letter from PHEAA to Senators Warren, Markey, and Smith, July 2, 2021; Letter from OSLA to Senators Warren, Markey, and Smith, July 2, 2021.

¹² Letter from MOHELA to Senators Warren, Markey, Smith, July 6, 2021; Letter from Navient to Senators Warren, Markey, and Smith, July 6, 2021; Letter from Granite State to Senators Warren, Markey, and Smith, July 2, 2021; Letter from Nelnet to Senators Warren, Markey, and Smith, July 6, 2021.

¹³ Letter from Nelnet to Senators Warren, Markey, and Smith, July 6, 2021, pg. 4.

¹⁴ Letter from PHEAA to Senators Warren, Markey, and Smith, July 2, 2021, pg. 2.

¹⁵ Inside Higher Ed, “Borrowers on Hold,” Kery Murakami, December 10, 2020, <https://www.insidehighered.com/news/2020/12/10/student-loan-servicers-worry-about-being-overwhelmed>.

¹⁶ Letter from MOHELA to Senators Warren, Markey, Smith, July 6, 2021.

¹⁷ Letter from PHEAA to Senators Warren, Markey, and Smith, July 2, 2021, pg. 3.

¹⁸ Letter from Granite State to Senators Warren, Markey, and Smith, July 2, 2021; Letter from PHEAA to Senators Warren, Markey, and Smith, July 2, 2021.

¹⁹ Letter from Navient to Senators Warren, Markey, and Smith, July 6, 2021.

that this process takes anywhere from 17 days to ten weeks,²⁰ with most servicers requiring new hires to be supervised by more experienced call agents after they complete their formal training process. All told, the process of recruiting, hiring, training, and supervising additional staff may take three to four months. As of this writing, the scheduled resumption of payments is only 11 weeks away.

Servicers have advocated for a number of flexibilities and streamlined processes in order to move borrowers back into repayment more smoothly. These include allowing borrowers to verbally certify their income over the phone when enrolling in an IDR plan; eliminating the requirement for a five-dollar payment when switching from one IDR plan to another; increasing the maximum number of months eligible for deferments; phasing in return to repayment for various groups of at-risk borrowers; lengthening the grace period for borrowers who have recently left school to allow them more time to find a job; and targeted and tax-free loan forgiveness for certain groups of borrowers. All of these changes would require additional training for staff members and support from FSA to implement effectively. Servicers also expressed that certainty and clarity regarding the date that payments resume would be extremely helpful to their preparations.

- **Transitioning PHEAA borrowers to new servicers will require additional time to ensure that borrowers are not harmed**

On top of the existing challenges inherent in moving borrowers back into repayment, PHEAA's recent announcement that it will not seek an extension of its contract creates additional complexity for borrowers.²¹ As the specialty servicer for the Public Service Loan Forgiveness (PSLF), Temporary Expanded Public Service Loan Forgiveness (TEPSLF), and TEACH Grant programs, PHEAA has a documented track record of errors and mismanagement that have denied thousands of borrowers debt relief.²² The process of transferring borrower accounts managed by PHEAA to another servicer introduces new possibilities for errors, which could compound existing inaccuracies, preventing deserving public servants from qualifying for loan forgiveness. The last time the PSLF program was transferred from one servicer to another, inaccurate records of payment amounts and terms and mishandled records derailed thousands of borrowers from progress toward debt relief.²³

With PHEAA's contract set to end in December 2021, attempting to restart payments only weeks before transferring more than eight million borrowers between servicers could

²⁰ Letter from Nelnet to Senators Warren, Markey, and Smith, July 6, 2021; Letter from Granite State to Senators Warren, Markey, and Smith, July 2, 2021.

²¹ Chronicle of Higher Education, "The Plan to Resume Federal Student-Loan Repayments in October Just Hit an Obstacle," Eric Kelderman, July 8, 2021, <https://www.chronicle.com/article/the-plan-to-resume-federal-student-loan-repayments-in-october-just-hit-an-obstacle>.

²² Reuters, "Student loan servicer agrees to borrower relief in Massachusetts settlement," Nate Raymond, February 9, 2021, <https://www.reuters.com/article/us-massachusetts-studentloans/student-loan-servicer-agrees-to-borrower-relief-in-massachusetts-settlement-idUSKBN2A92TA>.

²³ Student Borrower Protection Center, "New Report Exposes More than Five Million Student Loan Servicing Errors Hindering Public Service Loan Forgiveness," October 13, 2020, https://protectborrowers.org/acs_investigation/.

overwhelm an already broken student loan system.²⁴ Borrowers – especially public servants – should not be left struggling under the burden of unaffordable payments while loan servicers work with the Department of Education to navigate multiple major transitions at the same time. Extending the payment pause until at least March 31, 2022, would give the Department and loan servicers enough time to plan for an orderly transition that supports and protects student borrowers. It would also provide an opportunity to review PSLF applicants’ accounts and grant administrative relief to those who have been making payments and working in public service for at least ten years, rather than transferring their accounts to a new servicer and imposing additional stress and confusion.

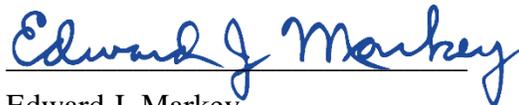
Borrowers have reaped significant benefits from the ongoing payment pause, taking the opportunity to pay down other debt, relieve financial pressures from lost jobs or decreased earnings, and support their families’ needs.²⁵ To date, ED has provided approximately \$72 billion in relief on student loan interest alone – money that has been reinvested into communities that badly need it.²⁶ As the economy recovers from this unprecedented crisis, borrowers should not be faced with an administrative and financial catastrophe just as they are beginning to regain their footing. We strongly urge you to extend the pause on student loan interest and payments in order to allow time to begin to repair the broken student loan system.

Thank you for your attention to this important matter.

Sincerely,



Elizabeth Warren
United States Senator



Edward J. Markey
United States Senator

²⁴ Chronicle of Higher Education, “The Plan to Resume Federal Student-Loan Repayments in October Just Hit an Obstacle,” Eric Kelderman, July 8, 2021, <https://www.chronicle.com/article/the-plan-to-resume-federal-student-loan-repayments-in-october-just-hit-an-obstacle>.

²⁵ Wall Street Journal, “A Year Without Student-Loan Payments,” Amber Burton and Julia Carpenter, March 20, 2021, <https://www.wsj.com/articles/a-year-without-student-loan-payments-11616252402>.

²⁶ *Id.*; \$4.8 billion per month for 15 months (since March 2020) equals \$72 billion in waived interest.