

Congress of the United States  
Washington, DC 20510

February 23, 2022

The Honorable Miguel Cardona  
Secretary of Education  
U.S. Department of Education  
400 Maryland Ave, SW  
Washington, D.C. 20202

Dear Secretary Cardona:

We are writing seeking additional detail on the scheduled resumption of federal student loan payments following the expiration of the payment pause on May 1, 2022. While we appreciate the Biden Administration’s actions to extend the payment pause amid the COVID-19 pandemic,<sup>1</sup> we are concerned that with less than 70 days until the scheduled expiration, borrowers may lack clarity about the timeline associated with the resumption of payments. Providing this detail is critical to ensure that borrowers are adequately informed about the restart and that borrower harm is minimized during the transition.

Following a two-year pause, the Department of Education (ED) is scheduled to resume collection of federal student loan payments, interest accrual, and involuntary collection of defaulted loans for more than 42.3 million borrowers on May 2, 2022.<sup>2</sup> About 63% of these borrowers – 26.6 million – will immediately transition to repayment status, requiring them to make monthly payments.<sup>3</sup> Another 7.2 million borrowers have loans that are in default.<sup>4</sup> According to a recent survey of student loan borrowers, 37% percent of respondents said they were “not at all confident” about their ability to make student loan payments when the pause on repayment ends.<sup>5</sup>

We appreciate that ED has begun to put in place protections for borrowers during the transition. In 2021, Senator Warren led a series of letters to loan servicers seeking information on how they intended to assist borrowers in the transition to repayment.<sup>6</sup> Some servicers described

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<sup>1</sup> Senator Elizabeth Warren, “Warren, Schumer, Pressley Applaud Extension of Student Loan Payment Pause, Reiterate Calls for Biden to Cancel Student Debt,” December 22, 2021, <https://www.warren.senate.gov/newsroom/press-releases/warren-schumer-pressley-applaud-extension-of-student-loan-payment-pause-reiterate-calls-for-biden-to-cancel-student-debt>.

<sup>2</sup> Government Accountability Office, “COVID-19: Significant Improvements Are Needed for Overseeing Relief Funds and Leading Responses to Public Health Emergencies,” Jan 27, 2022, <https://files.gao.gov/reports/GAO-22-105291/index.html>.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> The Student Borrower Protection Center, “New Poll: As Inflation Soars, Large Bipartisan Majority Supports President Biden’s Pause on Student Loan Payments,” February 10, 2022, <https://protectborrowers.org/new-poll-as-inflation-soars-large-bipartisan-majority-supports-president-bidens-pause-on-student-loan-payments/>.

<sup>6</sup> Senator Elizabeth Warren. “Warren and Colleagues Press Federal Loan Servicers on Plans to Support Borrowers,” press release, December 3, 2021, <https://www.warren.senate.gov/newsroom/press-releases/warren-and-colleagues->

Federal Student Aid’s “Safety Net Period” that would be in place after the resumption of payments.<sup>7</sup> They indicated that, during this transition, “[b]orrowers who are unable to make payments up to 90 days after their first payment is due will not be adversely affected by negative reporting for credit purposes and the delinquency will be resolved through use of a retroactive non-capping forbearance.”<sup>8</sup> This grace period means “borrowers who miss a payment during that initial 90-day period will not take a hit on their credit reports.”<sup>9</sup> ED also intends to communicate directly with borrowers about resuming repayment, “a change from previous years, when [ED] primarily relied on its loan servicers to contact borrowers.”<sup>10</sup>

However, millions of borrowers appear to be at risk of missing out on vital information about the payment restart. The Government Accountability Office (GAO) estimates that about *half* of all federal student loan borrowers are at increased risk of delinquency and in need of additional, targeted engagement before and after payments resume.<sup>11</sup> While ED selected email as its primary borrower communication method, the agency was missing valid email addresses for approximately 5.5 million borrowers as of December 2021.<sup>12</sup> The contractor managing defaulted loans, moreover, did not have email addresses for about 25% of defaulted borrowers, potentially leaving these borrowers in the dark about options for getting out of default.<sup>13</sup> The report noted that ED could direct loan servicers to reach out to borrowers without valid email addresses via postal mail.<sup>14</sup> However, in response to a letter Senator Warren led to federal loan servicers in December 2021, one servicer noted that postal mail communication for some borrowers transferred to their company required an updated address or was marked as undeliverable.<sup>15</sup>

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[press-federal-loan-servicers-on-plans-to-support-borrowers](#); Senator Elizabeth Warren, “As Student Loan Servicer Maximus Assumes Navient’s Portfolio, Warren Questions Company’s Troubled History and Seeks Assurances that Borrowers Will Receive Protections and Services During Transition,” press release, November 22, 2021, <https://www.warren.senate.gov/oversight/letters/as-student-loan-servicer-maximus-assumes-navients-portfolio-warren-questions-companys-troubled-history-and-seeks-assurances-that-borrowers-will-receive-protections-and-services-during-transition>; Senator Elizabeth Warren, “With Less Than 100 Days Until Student Loan Payments Resume, Warren and Colleagues Call for Exiting Servicers’ Plans to Correct Errors and Smoothly Transition The Accounts of Nearly 16 Million Borrowers,” November 4, 2021, <https://www.warren.senate.gov/oversight/letters/with-less-than-100-days-until-student-loan-payments-resume-warren-and-colleagues-call-for-exiting-servicers-plans-to-correct-errors-and-smoothly-transition-the-accounts-of-nearly-16-million-borrowers>.

<sup>7</sup> Letter to Senators Warren, Blumenthal, Smith, and Van Hollen from Wm. Anthony Hollin, December 16, 2021; Letter to Senators Warren, Blumenthal, Van Hollen, and Smith from MOHELA, December 16, 2021; Senator Elizabeth Warren, “Warren and Colleagues Press Federal Loan Servicers on Plans to Support Borrowers,” press release, December 3, 2021, <https://www.warren.senate.gov/newsroom/press-releases/warren-and-colleagues-press-federal-loan-servicers-on-plans-to-support-borrowers>.

<sup>8</sup> Letter to Senators Warren, Blumenthal, Smith, and Van Hollen from Wm. Anthony Hollin, December 16, 2021.

<sup>9</sup> Politico, “Inside the Biden administration’s plan to restart student loan payments,” Michael Stratford, October 18, 2021, <https://www.politico.com/newsletters/weekly-education/2021/10/18/inside-the-biden-administrations-plan-to-restart-student-loan-payments-798263>.

<sup>10</sup> Government Accountability Office, “COVID-19: Significant Improvements Are Needed for Overseeing Relief Funds and Leading Responses to Public Health Emergencies,” Jan 27, 2022, <https://files.gao.gov/reports/GAO-22-105291/index.html>.

<sup>11</sup> *Id.*; Federal Student Aid, “COVID-19 Relief: Loans in Default,” <https://studentaid.gov/announcements-events/covid-19/default>.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> Letter to Senators Warren, Blumenthal, Van Hollen, and Smith from MOHELA, December 16, 2021.

The last few months have also seen major transitions in federal student loan servicing that risk compounding borrowers' lack of clarity around the restart. In 2021, three servicers announced they were leaving the federal student program.<sup>16</sup> About 12.2 million borrowers held loans with these three servicers as of December 2021.<sup>17</sup> ED officials have said that transferring these borrowers' loans to new servicers "will be challenging because some borrowers will have to adjust to new servicers at the same time they will be adjusting to resuming loan repayment."<sup>18</sup>

As the restart date approaches, we are seeking updated information about key dates associated with the resumption of student loan payments on May 2, 2022, and your plans to notify borrowers. We ask you provide answers to the following questions no later than March 9, 2022:

1. When is the first date that student loan payments are due? Will all borrowers have the same payment due date? If not and payment due dates are staggered, when will be the latest first payment due date?
2. Given the safety net period, when is the first date that borrowers who have not made payments following the resumption of payments on May 1:
  - a. become delinquent;
  - b. are charged late fees;
  - c. have negative credit reports triggered;
  - d. receive collection notices;
  - e. are placed into default status;
  - f. are subject to wage garnishment or other involuntary collections?
3. When will ED obtain information on how many borrowers are delinquent, charged late fees, have negative credit reports triggered, receive collection notices, are placed into default status, and are subject to wage garnishment or other involuntary collections?
  - a. Will ED commit to collecting and publicly release this information at the first available opportunity and on an ongoing basis?
4. Will borrowers who were in default prior to the payment pause have their loans rehabilitated prior to the resumption of payments?
5. If the Department does not rehabilitate all defaulted borrowers prior to the resumption of payment, what is the first date that defaulted borrowers may experience:
  - a. Administrative wage garnishment;
  - b. Social Security Offset;
  - c. Tax refund offset;
  - d. Any other involuntary collections?

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<sup>16</sup> Government Accountability Office, "COVID-19: Significant Improvements Are Needed for Overseeing Relief Funds and Leading Responses to Public Health Emergencies," Jan 27, 2022, <https://files.gao.gov/reports/GAO-22-105291/index.html>.


<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

6. What processes are in place to prevent borrowers from entering delinquency, being charged late fees, having negative credit reports triggered, receiving collection notices, being placed into default status, and being subject to involuntary collections?
7. Given that ED does not have valid email addresses for millions of borrowers, how does it intend to notify these borrowers and protect them from entering delinquency and other negative impacts?


Sincerely,

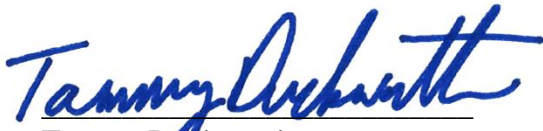
  
Elizabeth Warren  
United States Senator

  
Lauren Underwood  
Member of Congress


  
Colin Allred  
Member of Congress

  
Maggie Hassan  
United States Senator

  
Dina Titus  
Member of Congress

  
Tammy Duckworth  
United States Senator

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Bill Foster  
Member of Congress

  
Lucy McBath  
Member of Congress