United States Senate

WASHINGTON, DC 20510

September 2, 2026

The Honorable Linda McMahon
Secretary of Education
U.S. Department of Education
400 Maryland Ave SW
Washington, DC 20202

Dear Secretary McMahon:

We write to learn how the Department of Education (ED) has spent the $1 billion that Republicans' *One, Big, Beautiful Bill Act* (OBBBA) allotted for student loan administration and to learn why ED appears to have been unable to meaningfully alleviate the ongoing student loan default crisis with this fund. While ED has disclosed that it has already spent hundreds of millions of dollars from the fund,[1] the agency has displayed a worrying lack of public transparency about what this vast sum of money has been spent on or will be spent on in the future.

Since the Trump administration took office in January 2025, the number of federal student loan borrowers in default has nearly doubled to nine million — more borrowers than in any other year on record.[2] The crisis has already been exacerbated by the administration's policies[3] and could worsen significantly due to the administration's elimination of the Saving on A Valuable Education (SAVE) student loan repayment plan, which seven million borrowers will be forced to exit in the coming months.[4] ED has announced that it will automatically place borrowers who remain enrolled in SAVE into the Standard repayment plan, which is far more expensive for many borrowers.[5] This will dramatically raise monthly payments, potentially putting millions of additional borrowers at an elevated risk of default.[6] Instead of making it a priority to lower costs for borrowers and alleviate the default crisis, the Trump administration has dedicated its energy to transferring student loan administration to the Treasury Department — a change that will do nothing to help borrowers, violates federal law, and only serves to advance the administration's blatantly political crusade to dismantle ED.[7]

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[1] U.S. Department of Education, "Student Aid Administration Fiscal Year 2027 Budget Request," p. 3, https://www.ed.gov/media/document/fy-2027-congressional-justification-student-aid-administration-113832.pdf.
[2] U.S. Department of Education, "Portfolio by Loan Status (DL, FFEL, ED-Held FFEL, ED-Owned)," https://studentaid.gov/data-center/student/portfolio.
[3] Letter from U.S. Senator Elizabeth Warren, U.S. Senator Jeff Merkley, and U.S. Representative Ayanna Pressley et al. to ED Secretary McMahon, June 7, 2026, https://www.warren.senate.gov/newsroom/press-releases/warren-merkley-pressley-carson-lead-60-lawmakers-in-urging-trump-administration-to-immediately-address-largest-student-loan-default-crisis-on-record/.
[4] National Consumer Law Center, "Department Begins Kicking Over 7 Million People Out of Most Affordable Student Loan Payment Plan," March 27, 2026, press release, http://nclc.org/department-begins-kicking-over-7-million-people-out-of-most-affordable-student-loan-payment-plan/.
[5] *Id.*
[6] *Id.*

Although other provisions of OBBBA brazenly raise costs for student loan borrowers to help pay for tax breaks for the wealthy,[8] Section 82005 of this law granted $1 billion to ED[9] that the agency could — and should — use to support borrowers by alleviating the default crisis. Yet, ED has declined to provide assurances that it is doing so. ED has reported that it spent approximately $216 million of this fund as of the start of Fiscal Year 2026,[10] but it is unclear what the Department has spent this vast sum of money on or what it plans to use the rest of the fund for in the future. While OBBBA specifies that the $1 billion fund must be used to cover "administrative costs" of the federal student loan program, including "the costs of servicing" federal student loans, it does not include any mechanism for accountability or transparency regarding how the money is spent.[11] This has allowed the Department to make minimal public disclosures about how it has spent the fund, leaving borrowers, advocates, and lawmakers in the dark.[12]

In addition to increasing transparency regarding its use of the fund, ED should spend the money on whatever measures are necessary to address the default crisis by bringing borrowers out of default and preventing additional borrowers from defaulting. For example, ED should consider spending the money on expanding outreach to borrowers at risk of default or who have already defaulted, on improving Federal Student Aid customer service so that struggling borrowers can more easily enroll in affordable repayment plans, or on rehiring ED's servicer oversight team — which the Trump administration cut in early 2025[13] — to ensure that servicer errors do not raise the risk of default.

Given our concern that ED may not be appropriately utilizing the $1 billion student loan administration fund established by OBBBA, we request that ED answer the following questions by September 16, 2026:

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[7] Letter from U.S. Senators Elizabeth Warren, Ron Wyden, Bernard Sanders, et al. to ED Secretary McMahon and Treasury Secretary Bessent, April 1, 2026, https://www.warren.senate.gov/wp-content/uploads/media/doc/letter_from_senator_warren_dems_to_education_department_and_treasury_department_on_treasury-ed_interagency_agreement.pdf.
[8] Protect Borrowers, "Deep Dive: The OBBBA Law Makes Paying for College More Expensive and Risky," Jennifer Zhang, September 11, 2025, https://protectborrowers.org/resource/deep-dive-the-obbba-law-makes-paying-for-college-more-expensive-and-risky/.
[9] Public Law 119-21.
[10] U.S. Department of Education, "Student Aid Administration Fiscal Year 2027 Budget Request," p. 3, https://www.ed.gov/media/document/fy-2027-congressional-justification-student-aid-administration-113832.pdf.
[11] 20 U.S.C. 1087h(a)(1)
[12] ED's only public disclosure regarding its use of the fund states that an unspecified amount will be used to hire attorneys to adjudicate the *Sweet v. McMahon* class action lawsuit. See Declaration of James Bergeron, Theresa Sweet et al. v. Linda McMahon and United States Department of Education, No. 19-cv-03674-WHA, Northern District of California, November 6, 2025, p. 21, https://storage.courtlistener.com/recap/gov.uscourts.cand.344091/gov.uscourts.cand.344091.492.1.pdf.
[13] Yahoo Finance, "How Trump has wiped out the teams that protect student borrowers," Jordan Weissman, April 19, 2025, https://finance.yahoo.com/news/how-trump-has-wiped-out-the-teams-that-protect-student-borrowers-173450503.html; Government Accountability Office, "Federal Student Loans: Education Needs to Address Gaps in Servicer Oversight," March 5, 2026, https://www.gao.gov/products/gao-26-108534.

1) According to ED's FY27 Congressional budget justification, it had obligated about $216 million of the $1 billion fund as of the start of FY26.[14]
    a. Please provide an itemized list of all activities this funding was spent on. How much of the $216 million, if any, was:
        i. Used to pay student loan servicers? What activities were any such funds designated for?
        ii. Used to facilitate the ED-Treasury interagency agreement?
        iii. Used to hire new FSA personnel?
        iv. Used to maintain or update FSA's website?
        v. Used to support FSA outreach to borrowers in default?
        vi. Used to support FSA outreach to borrowers at risk of default?
    b. How did ED decide to spend this money the way it did? Please provide a list of all criteria and considerations that ED used to determine which activities or purposes the fund should be spent on.

2) ED's FY27 budget justification projects that by the start of FY27, over $450 million of the fund will remain unspent.[15]
    a. How much of the fund has ED spent since the beginning of FY26?
        i. Please provide an itemized list of all activities this funding was spent on. How much of the funding spent since the beginning of FY26, if any, was:
            1. Used to pay student loan servicers? What activities were any such funds designated for?
            2. Used to facilitate the ED-Treasury interagency agreement?
            3. Used to hire new FSA personnel?
            4. Used to maintain or update FSA's website?
            5. Used to support FSA outreach to borrowers in default?
            6. Used to support FSA outreach to borrowers at risk of default?
        ii. How did ED decide to spend this money the way it did? Please provide a list of all criteria and considerations that ED used to determine which activities or purposes the fund should be spent on.
    b. Does ED still expect that over $450 million of the fund will be unspent by the start of FY27? If not, how much does ED expect to be unspent by then?
    c. Please provide an itemized list of all activities that ED plans to spend this fund on before the start of FY27.
    d. Please provide an itemized list of all activities that ED plans to spend this fund on after the start of FY27.

3) Will ED commit to reporting what it has spent the $1 billion fund on, on a monthly basis, and making all such reports available to the public?

Thank you for your attention to this important matter.

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[14] U.S. Department of Education, "Student Aid Administration Fiscal Year 2027 Budget Request," p. 3, https://www.ed.gov/media/document/fy-2027-congressional-justification-student-aid-administration-113832.pdf.
[15] *Id.*

Sincerely,

Elizabeth Warren
United States Senator

Jeffrey A. Merkley
United States Senator

Chris Van Hollen
United States Senator

Cory A. Booker
United States Senator