

April 27, 2023

The Honorable Joseph R. Biden, Jr.  
President of the United States  
The White House  
1600 Pennsylvania Ave, NW  
Washington, D.C. 20500

The Honorable Charles Schumer  
Senator Majority Leader  
322 Hart Senate Office Building  
Washington, D.C. 20510

The Honorable Kevin McCarthy  
Speaker of the House  
H-232, The Capitol  
Washington, D.C. 20515

The Honorable Mitch McConnell  
Senate Minority Leader  
317 Russell Senate Office Building  
Washington, D.C. 20510

The Honorable Hakeem Jeffries  
House Minority Leader  
2433 Rayburn House Office Building  
Washington, D.C. 20515

Dear President Biden, Leader Schumer, Speaker McCarthy, Leader McConnell, and Leader Jeffries:

In 2020, Congress and the Administration took decisive action to combat the immediate negative effects of COVID-19 for millions of federal student loan borrowers by halting monthly payments and dropping interest rates to zero. The once-in-a-century pandemic required an unprecedented emergency response, and we appreciate the efforts of Congress to give aid to those in need.

But the extraordinary relief Congress and the Administration authorized on behalf of borrowers of federally-held student loans has led to another unprecedented challenge today. Later this year, regardless of how the Supreme Court of the United States decides *Joseph R. Biden, Jr., President of the United States, et al., v. State of Nebraska, et al.* and *Department of Education, et al. v. Myra Brown, et al.*, tens of millions of borrowers are scheduled to start making monthly payments for the first time in over 40 months.

We urge you to act swiftly to help federal student loan borrowers successfully navigate the return to repayment and offer our assistance in its implementation.

### **Scale of the Challenge**

The task ahead will be challenging, requiring that we collaborate with you and others who are committed to supporting borrowers as they repay their student loan obligations. According to the Office of Federal Student Aid (FSA) Data Center, 400,000 borrowers with \$12.3 billion in outstanding debt opted out of the payment pause and were in active repayment at the beginning of the 2023 calendar year. This means the remaining 30+ million borrowers who have a cumulative balance of nearly \$1.2 trillion in outstanding debt must be transitioned into repayment by the federal government. FSA must take the lead and work with federal student loan servicers for this endeavor to be successful.

From an administrative perspective, this conversion will require costly systems updates and considerable time to train call center employees and to find and assist borrowers who have lost contact with their

servicer. Simultaneously, the federal government must initiate an extensive communication effort for borrowers to have the information they need to prepare for this significant change.

### **At-Risk Borrowers**

A top priority in transitioning borrowers into repayment will be to identify those “at risk” of delinquency and default. These borrowers should receive outreach immediately to help prepare and guide them through the transition. Examples of at-risk borrowers include those who: (1) were assigned a new servicer during the pandemic, (2) are entering repayment for the first time, (3) were in delinquency or default in the two years leading up to March 2020, (4) take advantage of Fresh Start to get out of default, or (5) received a partial debt cancellation but still have an outstanding balance.

Should the Supreme Court rule in favor of the plaintiffs, the at-risk borrower pool will expand to those who received notifications confirming the Department of Education (Department) approved their debt relief application, were refunded for payments made during the pandemic with the expectation of loan forgiveness and consolidated from the Federal Family Education Loan Program to the Direct Loan program assuming eligibility for debt relief. These borrowers will need more time and attention to ensure they enter repayment without falling into delinquency or default.

### **More Time is Needed Following Supreme Court Decision**

The payment pause is set to expire 60 days after the Supreme Court decision or 60 days after June 30, 2023, whichever comes first. Establishing and communicating key data points to borrowers including expected payment amount, expected payment date, and total amount owed are basic elements that a borrower should receive as they prepare for repayment – and this cannot be done until the Supreme Court decision has been announced. Should debt relief occur, the Department and its federal servicers will need time to re-amortize and redisclose borrower accounts and then prepare billing statements. The Department, federal servicers, and borrowers will need much more than 60 days post-Supreme Court announcement. Regardless of the outcome, in addition to re-amortization and disclosing accounts, servicers will need to perform additional skip tracing activities, collect new mobile consent permissions, and help borrowers select the repayment plan that works best for them. Borrowers will also need time to readjust their budgets and spending plans to accommodate their loan payments. Frequent communication with borrowers (and even over-communication) will be key to a more successful payment restart and result in less borrower confusion.

### **Recommended Executive Branch Actions**

We offer the following recommendations for Executive Branch consideration as they do not require congressional authorization and can be adopted in short order.

- **Communicate to borrowers and servicers the exact date payments will resume and what borrowers must do between now and then to prepare to enter repayment.**

Leveraging the direct-to-borrower communication infrastructure and efforts exhibited during the Biden-Harris Debt Relief announcements, the Department and FSA should use every method of contact at its disposal to begin communications with borrowers to help them prepare now for repayment. Borrowers give more credence to information that comes directly from the federal government than they do from other sources, including servicers and other trusted partners. Once the repayment start date has been identified, all available communications channels should be utilized to inform borrowers of their obligations and next steps.

- **Provide servicers written guidance detailing how they should process borrower accounts depending on how the Supreme Court rules on student loan forgiveness.**

While the Supreme Court deliberates on the student loan forgiveness cases, the Department should move forward with developing guidance for student loan servicers and their call center

employees that responds to the potential outcomes. Advanced content sharing would ensure federal servicers have consistent and ready information to share with borrowers.

- **Provide targeted information to at-risk groups of borrowers.**  
We recommend that at-risk borrowers, as identified above, receive specific information about how to navigate student loan repayment. To accomplish this task, the Department should temporarily relieve federal servicers from state requirements that severely limit contact between federal servicers and borrowers. Without this reprieve, some borrowers, depending upon the state in which they reside, may not be able to receive the same level of outreach and communication from their servicer as others.
- **Establish servicer compensation commensurate with the needs of borrowers at this critical time.**  
FSA's current compensation structure was not developed to meet the needs of borrowers in this environment. We would urge FSA to revise compensation based on the increased needs of borrowers at this moment rather than negotiate a reduction in service levels to meet current rates. This is not the time to limit a servicers' ability to support borrowers – it is a time when FSA should ensure borrowers can receive the care they need to successfully resume repayment.
- **Expedite security checks for student loan servicing call center job candidates.**  
The impending deluge of calls to student loan servicers could quickly overwhelm customer service call centers and lead to frustrated borrowers. The executive branch can alleviate some of this by accelerating the federal background check process for job candidates.
- **Leverage the reach of all relevant agencies to crack down on scammers.**  
There are several federal agencies empowered to disrupt the activities of those companies poised to prey on vulnerable student loan borrowers and their families. We appreciate your monitoring of these activities and urge additional vigilance through the FSA, Federal Communications Commission, Federal Trade Commission, and Consumer Financial Protection Bureau to upend the criminal activities of student loan scam companies.

### **Recommended Legislative Actions**

Congress also has an important role to play. We urge your consideration of the following borrower-centric actions:

- **Provide struggling borrowers with an additional 90-day safety net.**  
We appreciate the Department's guidance that provides delinquent borrowers with up to a 90-day safety net once repayment resumes, however, we believe additional time will be needed to prepare borrowers for the full responsibility of student loan repayment. Congress should consider giving FSA the temporary flexibility to provide delinquent borrowers with an additional 90-day safety net if they need it.

The additional 90-day safety net will provide more time for borrowers to receive their new payment information, get financially settled, and select the best repayment plan and method of repayment for their circumstances. It also provides FSA and student loan servicers the time they need to ensure the accuracy of borrower accounts, responsibly resume normal operations, and help at-risk borrowers.

The Department and its federal servicers are not just bringing over 30 million borrowers into repayment all at once, there are other factors that must be considered and completed before the resumption of payments can successfully occur. Regardless of how the Supreme Court rules on

the matter of forgiveness, FSA and servicers must adjust borrower accounts and borrowers will need counseling before they can be placed into repayment. In addition, under Fresh Start, already underway, defaulted borrower accounts must be adjusted, and outreach must be done to set them up for success as they enter repayment.

- **Authorize and appropriate emergency funding for the Office of Federal Student Aid for the sole purpose of student loan servicing, implementing return to repayment activities, and the FAFSA Simplification Act.**

We support Congress providing the Department with the financial resources it needs to execute statutorily authorized policies such as the return to repayment and implementation of the *FAFSA Simplification Act*.

- **Simplify access to economic hardship deferment and remove barriers to IDR enrollment.** Congress should also consider simplifying borrower access to the economic hardship deferment and reducing barriers that prevent borrowers from enrolling in an income-driven repayment plan.

### Conclusion

Thank you for your interest in our shared concerns. Please know we stand ready to help and to answer any questions or provide additional information to support the recommendations we have outlined above.

Sincerely,



Gail daMota  
President  
Education Finance Council

Cc: The Honorable Miguel Cardona, Secretary, Department of Education  
Senator Patty Murray, Chair, Committee on Appropriations  
Senator Susan Collins, Ranking Member, Committee on Appropriations  
Senator Bernie Sanders, Chair, Committee on Health, Education, Labor, and Pensions  
Senator Bill Cassidy, Ranking Member, Committee on Health, Education, Labor, and Pensions  
Representative Kay Granger, Chair, Committee on Appropriations  
Representative Rosa DeLauro, Ranking Member, Committee on Appropriations  
Representative Virginia Foxx, Chair, Committee on Education and the Workforce  
Representative Bobby Scott, Ranking Member, Committee on Education and the Workforce