Congress of the United States
Washington, D.C. 20515

June 2, 2021

Delivered via E-Mail

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

Dear Secretary Cardona,

Student loan borrowers faced pandemic-related difficulties in 2020. Debt obligations and limited job prospects meant many borrowers could not afford their monthly student loan payments.

Congress acted quickly to temporarily relieve borrowers with federally-held student loans by suspending all payments due, interest accrual, and collection processes through September 2020.[1] Subsequent actions by both President Trump and President Biden extended this special repayment freeze status through September 30, 2021.

As of today, 60 percent of Americans have at least one vaccination shot, cases of COVID-19 are down in all 50 states, and job openings are at an all-time high. It is time to ensure the Department of Education (Department) has a robust plan to transition borrowers into an active repayment status. Existing federal student loan repayment options, including income-driven repayment (IDR) plans, are a sufficient safety net for borrowers in financial distress. Navigating the numerous plans can be a challenge, so it is imperative the Department do what it can to provide borrowers a smooth transition back to repayment.

Another extension of the temporary pandemic student loan benefit would be unnecessary and actively work against the interests of students and taxpayers. The loan pause through executive action has cost taxpayers $40 billion in fiscal year (FY) 2020. These costs do not include the costs that have accrued for FY 2021, or the $63 billion in loan re-estimates added to the program costs in FY 2020 due to previously unanticipated levels of forgiveness.

Your recently released FY 2022 budget documents estimate that the loan pause currently set to expire at the end of FY 2021 will cost an additional $36 billion to taxpayers. Further, for FY 2021 the Department's budget documents indicate that there will be another re-estimate in costs due to unanticipated levels of forgiveness in the future, currently estimated to cost $53 billion.[2]

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[1] H.R. 748, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), section 3513

[2] Department of Education, *Fiscal Year 2022 Budget Proposal: Student Loans Overview*, p. 3.

Millions of families will depend on the Department's ability to reactivate the frozen loan portfolio. Your job is to plan and execute a seamless transition, which we expect you have been preparing for since you were confirmed in March.

In order to understand how you will ensure a smooth shift back to repayment with clear communication to borrowers and servicers, we request answers to these questions no later than June 7, 2021:

- The CARES Act mandated a minimum of six communications to borrowers in the weeks leading up to the transition back to repayment status.
    - What form will those communications take?
    - Are you mandating the same language across all student loan servicers?
    - Will you create more than six notices for borrowers? If so, will those be sent to all borrowers or just those in financial distress? If those are just being sent to borrowers in financial distress, how will you determine which borrowers are financially distressed?
    - Will you clearly communicate that Income Driven Repayment programs are a good option for borrowers in financial distress and provide clear directions on how to enroll?
    - Will you communicate how borrowers enrolled in auto-debit payments prior to the loan pause will be treated reentering repayment?

- Student loan servicers made personnel and budget cuts in order to keep doors open long-term because the Department changed the compensation structure during the pandemic.
    - Have you completed any assessment of the current capacity of student loan servicers?
    - Will student loan servicers' compensation structure return to pre-pandemic levels?
    - Given the expected demands on the servicing system, what additional resources or financial investment is the Department making to ensure that it can meet the heightened demand of moving the entire Direct Loan portfolio back into repayment status?
    - Can you confirm the student loan portfolio will indeed return to active repayment in October so the servicers can onboard personnel to meet the increase in demand?
    - What steps have you taken to ensure background checks for servicers' hiring processes will be completed by the government in an expedited manner?
    - Will you provide guidance to student loan servicers regarding auto-debit payments, enrolling borrowers in an IDR plan, or any other anticipated challenges associated with returning to repayment?
    - What, if any, communications have you had with student loan servicers about the Administration's plans for restarting repayments?

- The Department has longstanding authority to provide borrowers a disaster forbearance.[3] The Department also has the authority to relax regulatory requirements for verbal certification of income for IDR plans for those who may still be impacted financially by the pandemic.[4] Will you leverage those existing authorities to allow for better servicing for borrowers in financial distress during the upcoming transition into repayment?

- Is there any strategy in which the Department will allow borrowers to remain in the auto-debit agreements entered prior to the pause, which come with benefits such as a lowered interest rate and automated payments?

- The return to active repayment status will mean borrowers' credit reports will once again have delinquencies and other statuses reported as usual. This will undoubtedly be confusing for many borrowers who use credit reporting services. What is the Department doing to ensure federal government policy decisions are understood by borrowers? Will you communicate these policies to servicers, private debt collectors, and credit reporting services?

Please contact Lauren Schwensen (lauren_schwensen@help.senate.gov) of Ranking Member Burr's committee staff or Mandy Schaumburg (mandy.schaumburg@mail.house.gov) and Chance Russell (chance.russell@mail.house.gov) of Ranking Member Foxx's committee staff should you have any questions about the request. We look forward to your reply on this pressing issue.

Sincerely,

Virginia Foxx

Richard Burr
Ranking Member
U.S. Senate Committee on Health, Education, Labor and Pensions

Virginia Foxx
Ranking Member
U.S. House Committee on Education and Labor

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[3] 34 CFR§ 682.211(f)(12)
[4] 34 CFR § 685.209 (a)(5)(i)(A)