

Congress of the United States
Washington, DC 20510

November 12, 2019

The Honorable Betsy DeVos
Secretary
U.S. Department of Education
400 Maryland Avenue SW
Washington, D.C. 20202

Major General Mark A. Brown, USAF (Ret.)
Chief Operating Officer
Office of Federal Student Aid
U.S. Department of Education
830 First Street N.E.
Washington, D.C. 20202

Dear Secretary DeVos and General Brown:

We write regarding the recent, unexpected resignation of Dr. A. Wayne Johnson, the former chief strategy and transformation officer and the former chief operating officer of the Office of Federal Student Aid (“FSA”) at the U.S. Department of Education (“the Department”), and one of your senior advisors.

Last week, Dr. Johnson resigned from the administration and announced his support for the cancellation of outstanding student debt—calling the current student-loan system “fundamentally broken” and saying the “time has come for us to end and stop the insanity.”¹ After more than two years serving in the agency responsible for overseeing nearly \$1.5 trillion in federal student debt owed by over 42 million borrowers,² Dr. Johnson has concluded that the current system is “absolutely unsustainable,” “border[s] on predatory,” and the “fabric of America is being destroyed through this process.”³ Based on his firsthand knowledge of the challenges and complexities of the federal student loan program, Dr. Johnson has proposed to cancel a set amount of federal student debt. We have proposed legislation, the Student Loan Debt Relief Act of 2019, which would cancel up to \$50,000 of student loan debt for millions of student borrowers.⁴

¹ The Wall Street Journal, “Trump Education Official to Resign and Call for Mass Student-Loan Forgiveness” Josh Mitchell, October 24, 2019, https://www.wsj.com/articles/trump-education-official-to-resign-and-call-for-mass-student-loan-forgiveness-11571909400?mod=hp_lead_pos6.

² Federal Student Aid, “Data Center,” <https://studentaid.ed.gov/sa/about/data-center/student/portfolio>.

³ CNBC, “‘The Fabric of America is Being Destroyed.’ Why This Ex-Trump Official Says Student Debt Needs to be Cancelled,” Annie Nova, November 3, 2019, <https://www.cnbc.com/2019/11/03/why-this-ex-trump-official-says-student-debt-needs-to-be-cancelled.html>.

⁴ U.S. Senator Elizabeth Warren, “Senator Warren, House Majority Whip Clyburn Introduce Legislation to Cancel Student Loan Debt for Millions of Americans,” Press Release, July 23, 2019,

The public conclusions of Dr. Johnson, a top federal student loan official in the Trump administration until he resigned, represent a stunning departure from the policies of this administration. Over the past few years, the administration has worked to actively delay discharging the loans of students who were defrauded,⁵ proposed policies that would make it nearly impossible for defrauded students to ever see debt relief,⁶ bungled the administration of the Public Service Loan Forgiveness program (PSLF) for federal student loan borrowers working in public service,⁷ and repeatedly proposed eliminating PSLF altogether.⁸

As Secretary of Education, you have been a vocal opponent of any proposals to cancel student debt. Earlier this month, you called proposals to cancel student debt “crazy” and characterized them as “a federal takeover of higher education.”⁹ When you were forced to cancel student loans that had already been approved for discharge by the Obama administration, you noted that you were doing so “with extreme displeasure.”¹⁰ Moreover, the Department is reportedly considering a plan involving “selling all or portions of the debt to private investors”—an unprecedented and highly problematic step to address the urgent student debt crisis.¹¹

The Wall Street Journal reports that Dr. Johnson “arrived at his position to cancel student debt after he joined the administration and had a firsthand look at problems,” and that Dr. Johnson now believes “repayment trends suggest much of the debt will likely never be repaid.”¹² Dr. Johnson has said that earlier this year, “I realized that all I’m doing is making a very, very flawed system work more efficiently. I’m creating the mechanism whereby people are going to get into this state [of debt] in a more streamlined fashion. And it began to worry me.”¹³

<https://www.warren.senate.gov/newsroom/press-releases/senator-warren-house-majority-whip-clyburn-introduce-legislation-to-cancel-student-loan-debt-for-millions-of-americans>.

⁵ See CNBC, “At the US Education Department, Applications for Loan Forgiveness Languish,” August 3, 2019, <https://www.cnbc.com/2019/08/02/under-betsy-devos-defrauded-students-find-it-hard-to-get-rid-of-debt.html>.

⁶ The New York Times, “DeVos Toughens Rules for Student Borrowers Bilked by Colleges,” Stacy Cowley, August 30, 2019, <https://www.nytimes.com/2019/08/30/business/betsy-devos-student-loan-forgiveness.html>.

⁷ NPR, “Congress Promised Borrowers a Break. Education Dept. Rejected 99% of Them,” Cory Turner, September 5, 2019, <https://www.npr.org/2019/09/05/754656294/congress-promised-student-borrowers-a-break-then-ed-dept-rejected-99-of-them>.

⁸ CNN, “DeVos Wants to Cut Budget Funding for Student Loan Forgiveness, Again,” Katie Lobosco, March 13, 2019, <https://www.cnn.com/2019/03/13/politics/betsy-devos-student-loan-forgiveness-budget/index.html>.

⁹ Fox News, “Betsy DeVos Blasts Democrats’ ‘Crazy’ Plans to Eliminate Student Loan Debt,” Charles Creitz, October 18, 2019, <https://www.foxnews.com/media/betsy-devos-education-interview-student-loan-debt>.

¹⁰ CNBC, “At the US Education Department, Applications for Loan Forgiveness Languish,” August 3, 2019, <https://www.cnbc.com/2019/08/02/under-betsy-devos-defrauded-students-find-it-hard-to-get-rid-of-debt.html>.

¹¹ The Wall Street Journal, “Trump Administration Hires McKinsey to Evaluate Student-Loan Portfolio,” Michelle Hackman, Josh Mitchell, and Lalita Clozel, May 1, 2019, <https://www.wsj.com/articles/trump-administration-hires-mckinsey-to-evaluate-student-loan-portfolio-11556728035>.

¹² The Wall Street Journal, “Trump Education Official to Resign and Call for Mass Student-Loan Forgiveness” Josh Mitchell, October 24, 2019, https://www.wsj.com/articles/trump-education-official-to-resign-and-call-for-mass-student-loan-forgiveness-11571909400?mod=hp_lead_pos6.

¹³ Atlanta Journal Constitution, “The Republican Who Would Grab Student Loan Debt ‘By the Horns,’” Jim Galloway, October 29, 2019, <https://www.ajc.com/blog/politics/the-republican-who-would-grab-student-loan-debt-the-horns/PBBhURjU6R90Ltw43hAK6N/>.

This sudden shift in policy position raises serious questions for lawmakers, borrowers, and the public as to what informed this change, what other Department officials are aware of this information, and how this information informs ongoing work at the Department after Dr. Johnson's departure. We are, therefore, requesting the following no later than November 26, 2019:

1. Please provide any letter of resignation Dr. Johnson provided to either of you.
2. Dr. Johnson, after his resignation, raised concerns about “repayment trends that suggest much of the [student loan] debt will likely never be repaid.”¹⁴ According to *CNBC*, Dr. Johnson believes more than 40% of student loan borrowers may never repay their debt, and “the current \$1.6 trillion portfolio of outstanding debt could swell to \$5 trillion.”¹⁵
 - a. Based on FSA data, does the Department expect this conclusion to be true?
 - b. What internal analyses has the Department prepared regarding debt repayment trends? Please provide them to our offices.
 - c. What conclusions has FSA drawn about these analyses?
 - d. What actions has the Department taken in response to these analyses?
3. According to the *Wall Street Journal*, the Department retained McKinsey, a consulting firm, earlier this year to “estimate potential losses in the U.S. government’s \$1.45 trillion student-loan portfolio”¹⁶ and “how much is likely to be repaid.”¹⁷ What were the findings of this review? Please provide all reports or other deliverables provided by McKinsey related to this contract.
4. Please provide all reports or other deliverables prepared by or for the Department since January 2017 related to the performance and repayment trends of the federal student loan portfolio, including, for example:
 - a. Any analysis of expected performance of loans made to borrowers attending for-profit colleges;
 - b. Any analysis of expected performance of loans made to borrowers who do not complete their program of study; and
 - c. Any analysis of expected performance of loans in default.

¹⁴ The Wall Street Journal, “Trump Education Official to Resign and Call for Mass Student-Loan Forgiveness” Josh Mitchell, October 24, 2019, https://www.wsj.com/articles/trump-education-official-to-resign-and-call-for-mass-student-loan-forgiveness-11571909400?mod=hp_lead_pos6.

¹⁵ *CNBC*, “‘The Fabric of America is Being Destroyed.’ Why This Ex-Trump Official Says Student Debt Needs to be Cancelled,” Annie Nova, November 3, 2019, <https://www.cnbc.com/2019/11/03/why-this-ex-trump-official-says-student-debt-needs-to-be-cancelled.html>.


¹⁶ The Wall Street Journal, “Trump Administration Hires McKinsey to Evaluate Student-Loan Portfolio,” Michelle Hackman, Josh Mitchell, and Lalita Clozel, May 1, 2019, <https://www.wsj.com/articles/trump-administration-hires-mckinsey-to-evaluate-student-loan-portfolio-11556728035>.

¹⁷ The Wall Street Journal, “Trump Education Official to Resign and Call for Mass Student-Loan Forgiveness” Josh Mitchell, October 24, 2019, https://www.wsj.com/articles/trump-education-official-to-resign-and-call-for-mass-student-loan-forgiveness-11571909400?mod=hp_lead_pos6.


5. Since 2016, state attorneys general and the Consumer Financial Protection Bureau have alleged widespread abuses by the contractors entrusted with servicing student loans, including practices that may have significant consequences for the expected performance of the portfolio.¹⁸ Please provide all reports, analysis, and internal correspondence related to the effects of these practices on the expected performance of the student loan portfolio, including, but not limited to:
 - a. Any analysis or projection of how loan servicers' excessive use of forbearance;
 - b. Any discouragement of enrollment in income-driven repayment plans; or
 - c. Any mishandling of the application process for Public Service Loan Forgiveness may affect the expected repayment of borrowers' outstanding loans.

6. In an interview given days after his resignation, Dr. Johnson said, "Right now, I know that millions of people have unfair information in their credit files, that's causing them to pay more in car loans, on apartments."¹⁹ Dr. Johnson has alleged that some borrowers have balances of more than \$1.5 million and many have outstanding debts ranging from \$250,000 to \$500,000.²⁰
 - a. Based on FSA data, do you agree with this assessment?
 - b. Please provide any reports or data prepared by or for the Department regarding inaccurate or unfair credit reporting on student loan borrowers.
 - c. Please describe any action the Department is taking to correct inaccurate or unfair credit reports.

Sincerely,



Elizabeth Warren
United States Senator



James E. Clyburn
U.S. House of Representatives
Majority Whip

¹⁸ The Huffington Post, "America's Student Loan Firm Abused Borrowers and Broke the Law, Officials Say," Shahien Nasiripour, April 27, 2016, https://www.huffpost.com/entry/state-prosecutors-navient_n_57214218e4b01a5ebde47a02?fbclid=IwAR20K9kKDvRFliOTuVOU8SLhpWcckTs8G2HLx0XAEEBJg0r8_e2PkeB9POs; Consumer Financial Protection Bureau complaint, January 18, 2017, Case No. 3:17-CV-011-RDM, *Consumer Financial Protection Bureau v. Navient Corporation, et al.*, https://files.consumerfinance.gov/f/documents/201701_cfpb_Navient-Pioneer-Credit-Recovery-complaint.pdf.

¹⁹ Atlanta Journal-Constitution, "The Republican who would grab student loan debt 'by the horns,'" Jim Galloway, October 29, 2019, <https://www.ajc.com/blog/politics/the-republican-who-would-grab-student-loan-debt-the-horns/PBBhURjU6R90Ltw43hAK6N/>

²⁰ CNBC, "'The Fabric of America is Being Destroyed.' Why This Ex-Trump Official Says Student Debt Needs to be Cancelled," Annie Nova, November 3, 2019, <https://www.cnbc.com/2019/11/03/why-this-ex-trump-official-says-student-debt-needs-to-be-cancelled.html>.