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**United States Senate**  
COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS  
WASHINGTON, DC 20510-6075

LAURA SWANSON, STAFF DIRECTOR  
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March 29, 2021

James H. Steeley  
Chief Executive Officer  
Pennsylvania Higher Education Assistance Agency  
1200 North 7th Street  
Harrisburg, PA 17102

Dear Mr. Steeley:

I invite you to appear before the Committee on Banking, Housing, and Urban Affairs' Subcommittee on Economic Policy to testify at a hearing entitled "The Student Debt Burden and Its Impact on Racial Justice, Borrowers, & the Economy." The hearing is scheduled to take place virtually at 2:30 p.m. on Tuesday, April 13, 2021.

This hearing will examine the impact of the growing student debt crisis on borrowers, the racial wealth gap, and the economy at large, as well as how our current student loan system is failing to protect borrowers and provide relief.

You and other student loan servicers have the ability to offer a unique perspective on this crisis. The Pennsylvania Higher Education Assistance Agency (PHEAA) is one of the nation's largest student loan servicers, and since 2014 has obtained contracts worth hundreds of millions of dollars from the Education Department to provide student loan servicing.<sup>1</sup> At present, you service more than \$380 billion worth of federal loans.<sup>2</sup>

You also administer the Public Service Loan Forgiveness (PSLF) program – a program that has been so poorly run that more than 98% of nurses, first responders, and other public servants have been denied loan forgiveness to which they are entitled.<sup>3</sup> Investigations by the Consumer Financial Protection Bureau and the Department of Education Inspector General revealed that PHEAA's "flawed payment processing, botched paperwork and inaccurate information" prevented hundreds of public service workers from receiving their earned loan forgiveness, and identified "a pattern of noncompliance at PHEAA" where the servicer's representatives failed to provide borrowers with sufficient information about available repayment options.<sup>4</sup>

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<sup>1</sup> Contract between PHEAA and U.S. Department of Education, effective September 1, 2014, [https://studentaid.gov/sites/default/files/ED-FSA-09-D-0014\\_MOD\\_0072\\_PHEAA.pdf](https://studentaid.gov/sites/default/files/ED-FSA-09-D-0014_MOD_0072_PHEAA.pdf).

<sup>2</sup> PHEAA Quarterly Financial Report, December 31, 2020, <https://www.pheaa.org/about/pdf/financial-reports/quarterly/123120.pdf>.

<sup>3</sup> Forbes, "Bleak New Stats for Public Service Loan Forgiveness – And A Potential Fix," Adam S. Minsky, May 26, 2020, <https://www.forbes.com/sites/adamminsky/2020/05/26/bleak-new-stats-for-public-service-loan-forgiveness---and-a-potential-fix/?sh=122eba724d13>.


<sup>4</sup> Letter from Sen. Elizabeth Warren to CFPB Director Kathy Kraninger, August 22, 2019, <https://www.warren.senate.gov/imo/media/doc/2019.08.22%20Letter%20to%20CFPB%20re-%20Student%20Loan%20Ombudsman%20Appointment.pdf>.

Last month, your company finalized a settlement with Massachusetts Attorney General Maura Healey addressing these problems and other reports of PSLF mismanagement, as well as “allegations that PHEAA delayed in processing Income-Driven Repayment (IDR) applications, causing borrowers to get off track with their payments, and erroneously caused Teacher Education Assistance for College and Higher Education (TEACH) Grant recipients to have their grants wrongly converted to loans.”<sup>5</sup> The settlement agreement requires an individual review of borrowers’ accounts to rectify the financial harms caused by PHEAA’s mismanagement.<sup>6</sup>

Your testimony will provide you with an opportunity to offer context on the burden of student loans on borrowers and the economy and on PHEAA’s role as a student loan servicer. As part of your testimony, please provide the Subcommittee with your assessment of the impact of student loans on the borrowers you service, their ability to repay those loans, the role of loan servicers like PHEAA, the ability of the Education Department to effectively oversee the activities of borrowers and loan servicers, and the administration by your company and the Education Department of the PSLF program.

If you have any questions regarding this hearing, please do not hesitate to contact Abby McCartney at [abby\\_mccartney@warren.senate.gov](mailto:abby_mccartney@warren.senate.gov). Thank you in advance for your cooperation.

Sincerely,

  
Senator Elizabeth Warren  
Chair  
Subcommittee on Economic Policy

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<sup>5</sup> Office of Attorney General Maura Healey, “AG Healey Secures First-of-its-Kind Relief in Settlement with Major Student Loans Servicer,” February 10, 2021, <https://www.mass.gov/news/ag-healey-secures-first-of-its-kind-relief-in-settlement-with-major-student-loan-servicer#:~:text=The%20settlement%20reached%20with%20the,qualifying%20payments%20towards%20loan%20forgiveness.>

<sup>6</sup> *Id.*