

United States Senate
WASHINGTON, DC 20510

June 21, 2021

Raymond H. Bayer, Jr.
Chief Executive Officer
Higher Education Loan Authority of the State of Missouri
633 Spirit Drive
Chesterfield, Missouri 63005-1243

Dear Mr. Bayer:

We are writing to request information about Higher Education Loan Authority of the State of Missouri's (MOHELA) plans to support the millions of federal student loan borrowers who are scheduled to transition into repayment once the pause on their loan payments and interest ends in September. The United States faces a historic student debt crisis, with nearly 43 million Americans crushed under \$1.6 trillion in federal student loan debt¹ and millions of borrowers defaulting on their loans every year.² Millions of borrowers have had relief from their student loan payments and interest for more than a year during the coronavirus disease 2019 (COVID-19) pandemic – but they now risk being thrown into extraordinary financial hardship when their payments resume. We support cancelling \$50,000 of debt for each borrower to relieve this burden on our economy, but in the interim, we are requesting information on how your company is preparing for this transition to repayment and the steps it is taking to ensure that it adequately supports borrowers.

On March 20, 2020, the U.S. Department of Education (ED) provided temporary relief for federal student loan borrowers due to the COVID-19 pandemic, which included setting a 0% interest rate on direct federal student loans, suspending loan payments, and halting collections on defaulted loans.³ The *CARES Act*, which was signed into law on March 27, 2020, extended these relief measures through September 30, 2020. Recognizing the significant burden that student debt places on borrowers during an economic crisis, both President Trump and President Biden extended this pause during the pandemic.⁴ In one of his first acts in office, President Biden, on January 2, 2021, extended the waived interest period and payment suspensions through September 30, 2021, at which point loan payments are scheduled to resume.⁵ This suspension applies to roughly 37 million borrowers with direct federal loans – about 87% of borrowers.⁶

¹ Department of Education, Office of Federal Student Aid, "Federal Student Loan Portfolio," <https://studentaid.gov/sites/default/files/fsawg/datacenter/library/PortfolioSummary.xls>.

² Educationdata.org, "Student Loan Default Rate," accessed on April 2, 2021, <https://educationdata.org/student-loan-default-rate>.

³ Federal Student Aid, U.S. Department of Education, "Coronavirus and Forbearance Info for Students, Borrowers, and Parents," accessed on March 30, 2021, <https://studentaid.gov/announcements-events/coronavirus>.

⁴ *Id.*

⁵ *Id.*

⁶ Consumer Financial Protection Bureau, "The state of student loans during the COVID-19 pandemic," March 2021, https://files.consumerfinance.gov/f/documents/cfpb_student-loans-during-covid_infographic_2021-03.pdf.

Borrowers have reaped significant benefits from this payment pause, taking the opportunity to pay down other debts, relieve financial pressures from lost jobs or decreased earnings, and support their families' needs.⁷ To date, ED has waived more than \$60 billion in interest – funds that have been used to stave off individuals' financial disasters and have been reinvested into the economy.⁸ This relief has been and continues to be badly needed, as the COVID-19 pandemic wreaks havoc on our economy and causes prolonged unemployment for many households.⁹ The dire financial situation faced by many borrowers, particularly borrowers of color who disproportionately shoulder the burden of student debt,¹⁰ will continue into and beyond September, even amidst an improving economy.¹¹

According to the Office of Federal Student Aid (FSA), borrowers who were previously making auto-debit payments will see those payments “resume automatically [in October 2021 on the] first due date when payments begin again,” unless borrowers contact their loan service or private collection agency ahead of time.¹² Servicers are required to give only three weeks' notice before these auto-payments resume.¹³ This sets up a potentially disastrous situation where borrowers may see their auto-payments resume with only minimal warning, even if their financial circumstances have significantly changed. If struggling borrowers are dropped back into repayment on their student loans with no adjustments or support, then they could find themselves in default or distress, facing disastrous long-term economic consequences that will echo across generations. Following past emergency suspensions of student loans during natural disasters, increased numbers of borrowers became delinquent or defaulted on their loans.¹⁴ A wave of student loan defaults would cause long-term damage to borrowers' credit and financial stability and could put a sudden and unnecessary drag on the recovering economy.

⁷ Wall Street Journal, “A Year Without Student-Loan Payments,” Amber Burton and Julia Carpenter, March 20, 2021, <https://www.wsj.com/articles/a-year-without-student-loan-payments-11616252402>.

⁸ *Id.*; \$4.8 billion per month for 14 months equals \$67.2 billion in waived interest.

⁹ The New York Times, “Why Are Jobless Claims Still High? For Some, It’s the Multiple Layoffs,” Ben Casselman, March 18, 2021, <https://www.nytimes.com/2021/03/18/business/economy/unemployment-claims.html>.

¹⁰ Data for Progress, “The President Doesn’t Need Congress to Cancel Student Loan Debt. Democrats Will Push for Action in 2021,” September 17, 2020, <https://www.dataforprogress.org/blog/2020/9/17/the-president-doesnt-need-congress-to-cancel-student-loan-debt-democrats-will-push-for-action-in-2021>; Center for American Progress, “New Federal Data Show a Student Loan Crisis for African American Borrowers,” Ben Miller, October 16, 2017, <https://www.americanprogress.org/issues/education-postsecondary/news/2017/10/16/440711/new-federal-data-show-student-loan-crisis-african-american-borrowers/>; Brookings, “Black-white disparity in student loan debt more than triples after graduation,” Judith Scott-Clayton and Jing Li, October 20, 2016, <https://www.brookings.edu/research/black-white-disparity-in-student-loan-debt-more-than-triples-after-graduation/>.

¹¹ Bloomberg, “The Booming U.S. Recovery Is Leaving Some Communities Completely Behind,” Andre Tartar, Olivia Rockeman, Christopher Cannon and Catarina Saraiva, May 4, 2021, <https://www.bloomberg.com/graphics/2021-covid-race-and-recovery/>.

¹² Federal Student Aid, U.S. Department of Education, “Coronavirus and Forbearance Info for Students, Borrowers, and Parents,” accessed on March 30, 2021, <https://studentaid.gov/announcements-events/coronavirus>.

¹³ *Id.*

¹⁴ The Chronicle of Higher Education, “Student-Loan Borrowers Now Have More Breathing Room. It Won’t Last Forever,” Danielle McLean, August 11, 2020, https://www.chronicle.com/article/student-loan-borrowers-now-have-more-breathing-room-it-wont-last-forever?cid2=gen_login_refresh&cid=gen_sign_in.

Student loan servicers have an abysmal track record of helping borrowers navigate financial problems and complex repayment plans,¹⁵ and this lack of borrower support has continued throughout the pandemic. According to a Pew survey, two-thirds of borrowers did not think the payment pause applied to them, even though nearly 90% of federal borrowers have at least one eligible loan, and almost 40% of borrowers did not know when their payments would resume.¹⁶ As the pause on payments and interest runs out, these confused borrowers may reach out to their loan servicer asking for guidance. By some estimates, servicers could receive as many borrower calls in the month that payments resume as they would normally receive in a year.¹⁷ Because loan servicers are receiving lower payments than usual while student loans are not in active repayment during the pause, many servicers have laid off staff, leaving them unprepared for the anticipated wave of borrower outreach.¹⁸ To ensure that servicers can continue to support borrowers during the pandemic, FSA agreed to pay servicers more than twice the usual rate for loans in forbearance,¹⁹ and Congress appropriated \$91 million in the American Rescue Plan for outreach to borrowers.²⁰

The student loan payment and interest pause presents MOHELA and other servicers with an opportunity to enroll borrowers in an appropriate repayment plan and to avoid dropping them into an untenable situation when their payments resume, but this will require a coordinated and proactive approach that goes beyond blanket emails and form letters. Borrowers will need individualized support to assess their current circumstances, identify the repayment plan that best meets their needs, and navigate enrollment or re-enrollment – a process that is likely to take weeks for any one borrower and that must be repeated on a scale of millions.

In order to better understand how your company plans to ensure a smooth transition to repayment and protect at-risk student loan borrowers, we ask that you provide answers to the following questions no later than July 6, 2021:

- 1) How many borrowers whose loans you service will be transitioning back to repayments in October 2021?

¹⁵ See, for example, U.S. Department of Education Office of the Inspector General, “Federal Student Aid: Additional Actions Needed to Mitigate the Risk of Servicer Noncompliance with Requirements for Servicing Federally Held Student Loans,” February 12, 2019, <https://www2.ed.gov/about/offices/list/oig/auditreports/fy2019/a05q0008.pdf>.

¹⁶ Pew Charitable Trusts, “Outreach From Borrowers Could Overwhelm Student Loan System When Pandemic Pauses End,” Sarah Sattelmeyer and Lexi West, November 3, 2020, <https://www.pewtrusts.org/en/research-and-analysis/articles/2020/11/03/outreach-from-borrowers-could-overwhelm-student-loan-system-when-pandemic-pauses-end>.

¹⁷ *Id.*

¹⁸ Insider Higher Ed, “Borrowers on Hold,” Kery Murakami, December 10, 2020, <https://www.insidehighered.com/news/2020/12/10/student-loan-servicers-worry-about-being-overwhelmed>.

¹⁹ According to information provided in response to a FOIA request from the Student Borrower Protection Center, servicers are being paid a rate of \$2.19 per borrower per month, versus the usual forbearance rate of \$1.05 per borrower per month, under contract change CR 5055. FOIA production available upon request.

²⁰ H.R. 1319, American Rescue Plan Act of 2021, Section 2007, <https://www.congress.gov/117/bills/hr1319/BILLS-117hr1319enr.pdf>.

- 2) Please provide specific steps your company has taken and will take to ensure borrowers that it services successfully transition back to student loan repayments in October 2021.
- 3) How is your company informing borrowers enrolled in auto-payment that their accounts will be auto-debited as of October 2021?
 - a) How is your company providing borrowers with the option of cancelling or delaying auto-debits?
 - b) How is your company accommodating borrowers enrolled in auto-payment whose financial circumstances have changed?
- 4) What proactive approaches has your company taken to ensure that student loan borrowers are in the right payment plan once their payments resume? Please provide details on these outreach efforts.
- 5) Millions of borrowers have allegedly been denied the benefits of programs intended to protect borrowers, including IDR, Public Service Loan Forgiveness, and the TEACH Grant program, as a result of government mismanagement and abuses by the student loan industry.²¹ What steps have you taken to ensure all eligible borrowers can benefit from these protections before payments resume?
- 6) Has your company identified at-risk student loan borrowers who struggled prior to the pandemic and so are likely to struggle once their payments go back into effect?
 - a) Of these at-risk borrowers, how many were enrolled in auto-debit payments prior to the pandemic?
 - b) Please describe the targeted outreach efforts, if any, that your company has taken or intends to take to prepare these at-risk borrowers for the reactivation of their student loan payments in October 2021.
- 7) To date, how many student loan borrowers whose loans you service have contacted you about a change in their financial circumstances?
 - a) How many of these individuals have been placed in modified repayments plans that will take effect in October 2021?
 - b) What steps has your company taken to be prepared to handle many of these circumstantial changes simultaneously when the pause in payments is scheduled to end in October 2021?
- 8) How much financial assistance did your company receive as a part of the American Rescue Plan package that went toward FSA? Please explain how this funding was used to improve service for borrowers.
- 9) Did your company lay off any of its customer service staff during the pandemic?
 - a. If so, how many staff positions have been eliminated and when were they laid off?

²¹ Yahoo Finance, "Senator Elizabeth Warren breaks down America's 'broken student loan system,'" Aarthi Swaminathan, April 14, 2021, <https://finance.yahoo.com/news/senator-warren-student-loans-153037171.html>.

- b. How many of those positions have been or will be restored before September 1, 2021?

10) Has your company hired any new staff in advance of the loan payment pause being lifted?

- a. If so, how many new customer service staff have you hired or do you intend to hire?
- b. How will you ensure that these new staff members are fully trained in advance of payments being restarted so that they can provide accurate information to borrowers and help them navigate complex processes (e.g., enrollment in income-driven repayment plans)?

11) Please provide a breakdown of the number of federal direct loans you service that have:

- a. Received a Total and Permanent Disability discharge during the pandemic;
- b. Received a Death discharge during the pandemic;
- c. Enrolled in an IDR program during the pandemic;
- d. Achieved forgiveness under an IDR program during the pandemic;
- e. Received a closed school discharge during the pandemic;
- f. Received a false certification discharge during the pandemic;
- g. Received a unpaid refund discharge during the pandemic; and
- h. Been fully repaid during the pandemic.

12) Have you advocated for policy changes, such as streamlined enrollment processes, a penalty-free period for non-payment, or debt cancellation, that would ease the transition back into repayment? Please describe any policy changes you have advocated for in conversations with ED, the White House, or Members of Congress.

Thank you for your attention to this important matter, and we look forward to your response.

Sincerely,

_____/s/_____

Elizabeth Warren
United States Senator

_____/s/_____

Edward J. Markey
United States Senator

_____/s/_____

Tina Smith
United States Senator