

# United States Senate

WASHINGTON, DC 20510

November 3, 2021

Christiana Thornton  
Chief Executive Officer  
Granite State Management & Resources  
4 Barrell Court  
Concord, NH 03301-8543

Dear Ms. Thornton:

We request an update on your company's efforts to ensure a smooth transfer of tens of millions of borrowers' accounts to new student loan servicers. In the past few months, the Pennsylvania Higher Education Assistance Agency (PHEAA), Granite State Management & Resources (Granite State), and the Navient Corporation (Navient) have announced they are not renewing their contracts or transferring their contract to a new operator, meaning about 16 million borrowers will have their accounts moved.<sup>1</sup> Student loan servicers have a long history of misleading borrowers about available options, mismanaging programs, and cheating borrowers out of protections developed to help them pay back their student loans. In previous transfers, failures to transfer complete and accurate information left hundreds of thousands of borrowers with account problems that continue to plague the federal loan portfolio today.<sup>2</sup>

For years, government agencies and advocacy groups have identified missteps by loan servicers, especially PHEAA and Navient, that have harmed borrowers. The Consumer Financial Protection Bureau (CFPB), New York Attorney General Letitia James, and the Department of Education (ED) have all investigated PHEAA's mismanagement of the Public Service Loan Forgiveness (PSLF) program.<sup>3</sup> Borrowers failed to receive relief to which they were entitled because PHEAA delayed recertifying their enrollment in an income-drive repayment (IDR) plan,

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<sup>1</sup> CNBC, "Nearly 10 million borrowers are about to see a change in student loan service- here's what that means, the good and bad," Abigail Johnson Hess, October 18, 2021, <https://www.cnbc.com/2021/10/18/9point8-million-student-loan-borrowers-will-have-servicer-switched-by-2022.html>.

<sup>2</sup> Student Borrower Protection Center, "New Report Exposes More Than Five Million Student Loan Servicing Errors Hindering Public Service Loan Forgiveness," October 13, 2020, [https://protectborrowers.org/acs\\_investigation/](https://protectborrowers.org/acs_investigation/).

<sup>3</sup> The Washington Post, "Watchdog agency blasts government contractor for mishandling student loan forgiveness program", Danielle Douglas-Gabriel, June 22, 2017, <https://www.washingtonpost.com/news/grade-point/wp/2017/06/22/watchdog-agency-blasts-government-contractor-for-mishandling-student-loan-forgiveness-program/>; The Consumer Financial Protection Bureau, "Staying on track while giving back", June 2017, pp. 39-40, [https://files.consumerfinance.gov/f/documents/201706\\_cfpb\\_PSLF-midyear-report.pdf](https://files.consumerfinance.gov/f/documents/201706_cfpb_PSLF-midyear-report.pdf); New York State Attorney General, "AG James Sues Student Loan Servicer For Mismanaging Loan Forgiveness Program", press release, October 3, 2019, <https://ag.ny.gov/press-release/2019/ag-james-sues-student-loan-servicer-mismanaging-loan-forgiveness-program>; Letter from Richard Cordray, Chief Operating Officer, Federal Student Aid, U.S. Department of Education, to Senator Elizabeth Warren, May 10, 2021, <https://www.warren.senate.gov/imo/media/doc/Warren%20response%20FINAL%205.10.21%20signed.pdf>.

placed borrowers in forbearance or deferment, and miscounted qualifying payments.<sup>4</sup> Navient has been scrutinized by the Federal Communications Commission, the National Consumer Law Center, and the CFPB, for “harassing and abusing” their borrowers and “ma[king] it difficult for borrowers to repay their loans.”<sup>5</sup> Navient also has repeatedly provided inaccurate information, incorrectly processed payments, and been unresponsive to borrowers concerns.<sup>6</sup>

Given this history, we are concerned that the upcoming transition of 16 million borrowers to a new servicer will result in further harm. During past servicer transitions, millions of mistakes and problems caused borrowers to lose months of qualifying payments toward forgiveness in the PSLF and IDR programs, deal with incorrect loan balances, or face penalties due to incorrectly processed payments.<sup>7</sup> The CFPB found that even in normal circumstances, service transfers are a cause for concern, as they can mean surprise fees and a loss of benefits for borrowers: “Servicing transfers can create confusion when companies have different policies and procedures. . . payments may be lost, consumers may incur surprise late fees, and processing problems and missing account records can knock borrowers off track on repaying their loans.”<sup>8</sup> These risks are even greater when there will be a mass transfer of millions of accounts.

It is therefore imperative that your company conduct a full review of your borrowers’ accounts to address any inaccuracies or other problems before transferring the accounts to a new servicer. Furthermore, your company must maintain documents and adequate staffing for a sufficient transitional period after leaving the federal student loan servicing program, in order to ensure that errors discovered at a future date can be corrected.

This matter is made more urgent because there are only 90 days until the end of the pause in student loan payments that has been in place since the beginning of the COVID-19 public health emergency, which will result in a resumption of payments of scheduled payments on

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<sup>4</sup> *Id.*

<sup>5</sup> The New York Times, “Consumer Groups Take Aim at Navient for Phone Harassment,” Anne Carrns, June 16, 2017, <https://www.nytimes.com/2017/06/16/your-money/consumer-groups-accuse-navient-phone-harassment.html>; Consumer Financial Protection Bureau, “CFPB Sues Nation’s Largest Student Loan Company Navient for Failing Borrowers at Every Stage of Repayment,” Jan 18, 2017, <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-nations-largest-student-loan-company-navient-failing-borrowers-every-stage-repayment/>;

CNET, “Navient exits the student loan business: Here’s what will happen to your student loans,” Cynthia Paez Bowman and Courtney Johnston, October 8, 2021, <https://www.cnet.com/personal-finance/your-money/navient-exits-the-student-loan-business-heres-what-will-happen-to-your-student-loans/>

<sup>6</sup> Consumer Financial Protection Bureau, “CFPB Sues Nation’s Largest Student Loan Company Navient for Failing Borrowers at Every Stage of Repayment,” Jan 18, 2017, <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-nations-largest-student-loan-company-navient-failing-borrowers-every-stage-repayment/>.

<sup>7</sup> Student Borrower Protection Center, “New Report Exposes More Than Five Million Student Loan Servicing Errors Hindering Public Service Loan Forgiveness,” October 13, 2020, [https://protectborrowers.org/acs\\_investigation/](https://protectborrowers.org/acs_investigation/); Student Loan Hero, “5 Ways People Got Screwed Over by Their Student Loan Servicer,” Elyssa Kirkham, October 3, 2019, <https://studentloanhero.com/featured/screwed-over-by-student-loan-servicer/>; Money Geek, “Unfair Student Loan Practices,” Whitney Barkley, October 18, 2021, <https://www.moneygeek.com/financial-planning/paying-for-college/resources/unfair-student-loan-practices/>.

<sup>8</sup> Consumer Financial Protection Bureau, “CPFB Concerned About Widespread Servicing Failures Reported by Student Loan Borrowers,” September 29, 2015, <https://www.consumerfinance.gov/about-us/newsroom/cfpb-concerned-about-widespread-servicing-failures-reported-by-student-loan-borrowers/>.

January 31, 2022 for tens of millions of borrower's accounts.<sup>9</sup> This restart is expected to be an unprecedented logistical challenge for borrowers, the Department of Education, and loan servicers.<sup>10</sup> After having their payment and interest suspended for nearly two years, more than a third of all federal borrowers will also be returning to repayment with a new servicer, which has the potential to lead to confusion, delays, and an unusually high need for customer service support.

Finally, ED recently announced an overhaul of the Public Service Loan Forgiveness (PSLF) program, which will give hundreds of thousands of public servants an opportunity to move closer to forgiveness.<sup>11</sup> A recent survey conducted by Sen. Warren's office found that borrowers of color are less likely to know about PSLF and to have taken steps to access the program.<sup>12</sup> With PHEAA exiting the loan servicing program and borrowers who intend to pursue PSLF being transferred to new servicers, there is a heightened risk that important information about these limited-time waiver opportunities will not reach all borrowers. It is especially important to correct errors in these borrowers' accounts so that they can take advantage of this chance to qualify for the loan forgiveness they deserve.

To address this unprecedented restart and the transfer of around 16 million borrowers, we write to seek information about your transition plan to ensure that borrowers' accounts and information are accurate, and your plans for document retention and transitional staffing. We ask that you provide answers to the following questions no later than November 17, 2021:

1. What is your plan to communicate with borrowers about the transition?
  - a. Have you already conducted outreach to borrowers about the transfer? If so, please describe the notices that were sent out, their format, and how many borrowers were reached.
  - b. How have you communicated information to borrowers about the recently announced waiver and appeals opportunities in the PSLF program?
2. Has your company conducted an interval review of borrowers' accounts ahead of the transition?
  - a. Specifically, has your company conducted an interval review of borrowers' income driven repayment (IDR) plans ahead of the transition?
    - i. If so, what are the most common errors?
    - ii. If so, what are the most common reasons for errors?

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<sup>9</sup> Federal Student Aid, "Coronavirus Info for Students, Borrowers, and Parents," <https://studentaid.gov/announcements-events/coronavirus>.

<sup>10</sup> Written Testimony of Richard Cordray to the U.S. House Committee on Education and Labor Subcommittee on Higher Education and Workforce Investment, October 27, 2021, <https://edlabor.house.gov/imo/media/doc/CordrayRichardTestimony102721.pdf>.

<sup>11</sup> U.S. Department of Education, "Fact Sheet: Public Service Loan Forgiveness (PSLF) Program Overhaul," October 6, 2021, <https://www.ed.gov/news/press-releases/fact-sheet-public-service-loan-forgiveness-pslf-program-overhaul>.

<sup>12</sup> Office of Senator Elizabeth Warren, "Fight for Forgiveness: Massachusetts' Public Servants Struggle to Navigate Public Service Loan Forgiveness," October 28, 2021, <https://www.warren.senate.gov/download/pslf-report-final-102721>.

- b. Do you expect all errors to be corrected before borrowers are transferred to a new servicer?
      - i. If not, what are the barriers to implementing necessary corrections?
      - ii. If not, what actions are you taking to assist borrowers in having these errors corrected by their new servicer?
3. Please describe your company's document retention plan. Please provide specific details on your company's document retention plan pertaining to records of borrowers eligible for PSLF.
  - a. How long will your company maintain records for its current borrowers?
  - b. How are these records being made available to the borrower now and in the future, and to their future servicer?
  - c. How does your company document complaints or other notes and information from borrower communications and will these be made available to their future servicer?
4. Please describe your company's transitional staffing plan and how it will ensure that borrowers and their future servicers can obtain support from your company with correcting any problems discovered after their transition to a new servicer. Please provide specific details on your company's transitional staffing plan as it relates to supporting borrowers eligible for PSLF.
  - a. For what period of time does your company plan to maintain staff?
  - b. How many staff members does your company plan to maintain to specifically help borrowers with questions and concerns during the transitional period?
  - c. How is your company sharing training materials, lessons learned, and other materials with ED and other servicers?
5. Please describe your company's compliance management system and how it will ensure senior leadership will be made aware of issues that arise related to the transition.
  - a. Will your company self-report issues that implicate compliance with federal consumer financial law to the Consumer Financial Protection Bureau, or the relevant state financial regulator or state attorney general?
  - b. Where your company has self-reported an issue to a federal or state consumer protection official, will your company automatically notify the appropriate staff at the Office of Federal Student Aid?

Sincerely,



Elizabeth Warren  
United States Senator

\_\_\_\_\_/s/\_\_\_\_\_  
Chris Van Hollen  
United States Senator

/s/

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Tina Smith  
United States Senator

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Sherrod Brown  
United States Senator

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Richard Blumenthal  
United States Senator

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Edward J. Markey  
United States Senator

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Robert Menendez  
United States Senator