

United States Senate

WASHINGTON, DC 20510

December 13, 2023

Scott Giles
Chief Executive Officer
Higher Education Loan Authority of the State
of Missouri (MOHELA)
633 Spirit Drive
Chesterfield, Missouri 63005-1243

Dear Mr. Giles:

We are writing today regarding your response to our September 2023 letter raising concerns about your services provided to millions of federal student loan borrowers as they return to repayment.¹ In October, borrowers resumed payments for the first time in over three and a half years.² We sought an update about your efforts to reduce harm to borrowers during this period. We appreciate that your response from October 16, 2023 provided some important information about what borrowers are experiencing and how your company is handling the return to repayment, but we are concerned that the information you provided about your customer service is not consistent with reports from borrowers.³

In response to numerous reports of long wait times and dropped calls, we requested information about the experiences of borrowers who attempt to contact your company.⁴ Your response revealed critical details that shed light on the difficulties your borrowers face. MOHELA indicated that its current average wait times for borrowers is 35 minutes (nearly 40 minutes including the time it takes to navigate the interactive voice response), its call abandonment rate is 35 percent,⁵ and its email response time is “approximately 11 *business days*,” which is over two weeks for borrowers to hear back.⁶

¹ Senator Warren, “Ahead of the Federal Student Loan Payment Restart, Senators Warren, Blumenthal, Markey, Van Hollen Call for Updates from Student Loan Servicers,” press release, September 28, 2023, <https://www.warren.senate.gov/oversight/letters/ahead-of-the-federal-student-loan-payment-restart-senators-warren-blumenthal-markey-van-hollen-call-for-updates-from-student-loan-servicers>.

² Federal Student Aid, “COVID-19 Emergency Relief and Federal Student Aid,” <https://studentaid.gov/announcements-events/covid-19>; Politico, “Biden admin will resume interest on federal student loans Sept. 1; monthly payments due in October,” Michael Stratford, June 12, 2023, <https://www.politico.com/newsletters/weekly-education/2023/06/12/biden-admin-will-resume-interest-on-federal-student-loans-sept-1-monthly-payments-due-in-october-00101431>.

³ Letter from MOHELA to Senators Warren, Blumenthal, Markey, Van Hollen, October 16, 2023, <https://www.warren.senate.gov/download/combinepdf-8>.

⁴ Senator Warren, “Ahead of the Federal Student Loan Payment Restart, Senators Warren, Blumenthal, Markey, Van Hollen Call for Updates from Student Loan Servicers,” press release, September 28, 2023, <https://www.warren.senate.gov/oversight/letters/ahead-of-the-federal-student-loan-payment-restart-senators-warren-blumenthal-markey-van-hollen-call-for-updates-from-student-loan-servicers>.

⁵ Letter from MOHELA to Senators Warren, Blumenthal, Markey, Van Hollen, October 16, 2023, p. 2, <https://www.warren.senate.gov/download/combinepdf-8>.

We are appalled by external reports of borrowers struggling to get clarity on the Public Service Loan Forgiveness program, calling MOHELA multiple times and experiencing wait times of over 100 minutes, with no responses to their emails.⁷ And as of October 2023, over one million borrowers had not yet to set up an account with MOHELA.⁸ Also concerning is the fact that almost 20 percent of your staff is still in training.⁹

Furthermore, MOHELA has miscalculated borrowers' payments because it "inadvertently" used outdated guidelines in calculating payment amounts under the new income-driven repayment (IDR) plan or the Saving on a Valuable Education (SAVE) plan.¹⁰ The Department of Education (ED) found that, soon after repayment began, MOHELA sent miscalculated student loan bills to more than 400,000 borrowers.¹¹ Roughly 280,000 of them received higher bills than they should have.¹² For instance, one borrower received a bill for \$355, when that borrower was only supposed to owe \$58.¹³ Another borrower received a bill for \$108,895.19 per month because the servicer incorrectly set the loan term to two months rather than 120 months.¹⁴ Our September letters asked how MOHELA would ensure that borrowers' monthly payment amounts were calculated appropriately.¹⁵ In response, MOHELA indicated that "[t]he system of record calculates the appropriate payment amount based on data, and the calculations are embedded in the system."¹⁶ However, it's clear that the system failed to provide borrowers with accurate bills.¹⁷

⁶ Letter from MOHELA to Senators Warren, Blumenthal, Markey, Van Hollen, October 16, 2023, p. 3, <https://www.warren.senate.gov/download/combinepdf-8>.

⁷ CNBC, "Inaccurate bills, hours on the phone: Student loan borrowers reenter 'a very messy system,'" Annie Nova and Jared Mitovich, October 22, 2023, <https://www.cnbc.com/2023/10/22/student-loan-borrowers-restart-bills-in-a-very-messy-system.html>.

⁸ Letter from MOHELA to Senators Warren, Blumenthal, Markey, Van Hollen, October 16, 2023, pp. 4-5, <https://www.warren.senate.gov/download/combinepdf-8>.

⁹ *Id.*

¹⁰ The New York Times, "More Than 400,000 Student Loan Borrowers Had Wrong Monthly Payments," October 16, 2023, <https://www.nytimes.com/2023/10/16/your-money/student-loans-save-mistakes.html>; Detroit Free Press, "Student loan repayments hit a glitch for 305,000 borrowers: Payment amounts are wrong," Susan Tompor, October 24, 2023,

¹¹ The New York Times, "More Than 400,000 Student Loan Borrowers Had Wrong Monthly Payments," October 16, 2023, <https://www.nytimes.com/2023/10/16/your-money/student-loans-save-mistakes.html>; CBS News, "More than 300,000 student borrowers given wrong repayment information, Education Department says," Aimee Picchi, October 19, 2023, <https://www.cbsnews.com/news/student-loan-repayment-wrong-information-save-idr-plan/>; CNBC, "Inaccurate bills, hours on the phone: Student loan borrowers reenter 'a very messy system,'" Annie Nova and Jared Mitovich, October 22, 2023, <https://www.cnbc.com/2023/10/22/student-loan-borrowers-restart-bills-in-a-very-messy-system.html>.

¹² The New York Times, "More Than 400,000 Student Loan Borrowers Had Wrong Monthly Payments," October 16, 2023, <https://www.nytimes.com/2023/10/16/your-money/student-loans-save-mistakes.html>.

¹³ CNBC, "As student loan payments restart, one borrower got a \$108,895 monthly bill, Education Department memo details," Annie Nova, November 2, 2023, <https://www.cnbc.com/2023/11/02/in-messy-restart-to-student-loan-payments-one-got-a-bill-for-108895.html>.

¹⁴ *Id.*

¹⁵ Senator Warren, "Ahead of the Federal Student Loan Payment Restart, Senators Warren, Blumenthal, Markey, Van Hollen Call for Updates from Student Loan Servicers," press release, September 28, 2023, <https://www.warren.senate.gov/oversight/letters/ahead-of-the-federal-student-loan-payment-restart-senators-warren-blumenthal-markey-van-hollen-call-for-updates-from-student-loan-servicers>.

¹⁶ *Id.*

¹⁷ The New York Times, "More Than 400,000 Student Loan Borrowers Had Wrong Monthly Payments," October 16, 2023, <https://www.nytimes.com/2023/10/16/your-money/student-loans-save-mistakes.html>.

Additionally, ED withheld \$7.2 million in payments to MOHELA because the servicer “failed to meet its basic obligation” to send out timely billing statements to 2.5 million borrowers.¹⁸ As a result, more than 800,000 borrowers were delinquent on their loans.¹⁹ ED has directed MOHELA to place all 2.5 million borrowers in forbearance.²⁰

Even beyond MOHELA, serious loan servicing issues have emerged. In October 2023, borrower advocates published a report revealing slow processing times, low-quality customer service, and a failure to provide borrowers with timely and material information about their loans — problems that are “pervasive across all servicers.”²¹ As borrowers have returned to repayment, reports have described the transition as “painful” for borrowers amidst miscalculated bills and difficulty reaching servicers.²² Similarly, a new report by the Consumer Financial Protection Bureau (CFPB) detailed a flurry of problems and errors with borrowers reporting long hold times, incorrect information about payment amounts and due dates, inaccurate payment histories, and issues accessing loan cancellation programs.²³ Borrowers have reported to CFPB that their wait times to reach a representative were as high as 960 minutes.²⁴ The CFPB’s report revealed that “hold times impede borrowers’ ability to address questions and errors on their accounts,” and — even more concerning — “some borrowers report that once they get through to customer service representatives, they receive inaccurate information.”²⁵ Finally, CFPB acknowledged that “[m]any of the challenges highlighted in this report are not new. Complaints submitted to the CFPB suggest that fundamental problems that have been documented in the student loan program persist.”²⁶

¹⁸ U.S. Department of Education, “U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers,” press release, October 30, 2023, <https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers>.

¹⁹ *Id.*

²⁰ *Id.*

²¹ Student Borrower Protection Center, “Delivering Distress: How Student Loan Companies Cheat Borrowers Out of Their Rights,” report, October 2023, <https://protectborrowers.org/wp-content/uploads/2023/10/Delivering-Distress-Report.pdf>.

²² The New York Times, “More Than 400,000 Student Loan Borrowers Had Wrong Monthly Payments,” October 16, 2023, <https://www.nytimes.com/2023/10/16/your-money/student-loans-save-mistakes.html>; CBS News, “More than 300,000 student borrowers given wrong repayment information, Education Department says,” Aimee Picchi, October 19, 2023, <https://www.cbsnews.com/news/student-loan-repayment-wrong-information-save-idr-plan/>; CNBC, “Inaccurate bills, hours on the phone: Student loan borrowers reenter ‘a very messy system,’” Annie Nova and Jared Mitovich, October 22, 2023, <https://www.cnbc.com/2023/10/22/student-loan-borrowers-restart-bills-in-a-very-messy-system.html>.

²³ CFPB, “Report of the CFPB Education Loan Ombudsman,” October 2023, p. 3, https://files.consumerfinance.gov/f/documents/cfpb_annual-education-loan-ombudsman-report_2023.pdf.

²⁴ *Id.*, p. 9.

²⁵ *Id.*, p. 8.

²⁶ *Id.*, p. 4.

In light of serious errors by servicers, we appreciate ED’s efforts to strengthen oversight,²⁷ leverage various tools to hold servicers accountable, and ensure borrowers are protected from harms arising from servicer errors.²⁸ Our September letters also recognized that ED’s Office of Federal Student Aid (FSA) has a difficult role to play in holding servicers accountable as payments resume and implementing reforms to fix the student loan system — on a limited budget, which is why we have called on Congress to ensure FSA has the appropriate resources to protect and support borrowers.²⁹

Meanwhile, servicers are well compensated by taxpayers; ED pays the servicers more than one billion dollars a year.³⁰ And from 2020 to 2023, MOHELA has spent \$810,000 on lobbying, which suggests that it has the resources to improve the service it provides to borrowers.³¹

MOHELA’s response to our September inquiry, and the public reports we have received, indicate that student loan servicers are not effectively providing the servicers that borrowers need in the return to repayment. To address our ongoing questions about this problem, we ask that you provide a response to the following questions by January 2, 2024:

- 1) What is the current average call wait time for borrowers before they are transferred to a customer service representative at your company?
 - a) What percent of borrowers that are placed on hold hang up before they speak with a company representative?
 - i) What is the average hold time borrower experience before they hang up?
 - b) What is your current call abandonment rate?
- 2) What is the current average email response time for borrowers trying to get in touch with your company?
- 3) Of the borrowers that have filed complaints about errors with their monthly payment amounts, what were the causes of these errors?

²⁷ U.S. Department of Education, “U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers,” press release, October 30, 2023, <https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers>; U.S. Department of Education, “Biden-Harris Administration Announces Framework for Student Loan Servicer Accountability To Protect Borrowers Nationwide,” press release, November 9, 2023, <https://www.ed.gov/news/press-releases/biden-harris-administration-announces-framework-student-loan-servicer-accountability-protect-borrowers-nationwide>.

²⁸ U.S. Department of Education, “Biden-Harris Administration Announces Framework for Student Loan Servicer Accountability To Protect Borrowers Nationwide,” press release, November 9, 2023, <https://www.ed.gov/news/press-releases/biden-harris-administration-announces-framework-student-loan-servicer-accountability-protect-borrowers-nationwide>.

²⁹ *Id.*

³⁰ CNBC, “Education Department penalizes Missouri lender for error that made 800,000 student loan borrowers delinquent,” Annie Nova, October 30, 2023, <https://www.cnbc.com/2023/10/30/education-dept-penalizes-student-loan-servicer-mohela-for-errors.html>.

³¹ Open Secrets, “Missouri Higher Education Loan Authority,” <https://www.opensecrets.org/orgs/missouri-higher-education-loan-authority/lobbying?id=D000084958>.

- 4) What is your most recent Service Level Agreements (SLA) performance score in comparison to the minimum threshold for the following metrics?³²
 - a) Customer Satisfaction
 - b) Interaction Quality Monitoring, and
 - c) Accuracy rate.

- 5) What percentage of your staff are fully trained and responding to borrower inquiries?
 - a) How many calls a month are being escalated to a manager or supervisor?
Please breakdown each month from July to November.

- 6) How many borrowers that have been transferred to your company since February 1, 2020 have you made successful contact with?
 - a) How many of these borrowers have set up an account with your company?
 - b) How are you ensuring borrowers set up accounts with your company?

- 7) Of the 2.5 million borrowers serviced by MOHELA received bills with inaccurate payment amounts due to servicer miscalculations, how many borrowers received bills with higher payment amounts? How many borrowers paid the higher payment amounts? Has your company offered to automatically issue a refund?
 - a) For borrowers impacted by your servicing errors from August 1, 2023, to the present, what is your average timeline for resolving servicing errors identified above?

- 8) From August 1, 2023, to present other than the \$7.2 million withholding of payments,³³ what penalty, if any, has been imposed on you by the Department as a result of servicing errors or failure to service borrowers' accounts in accordance with the loan servicing contract?

- 9) What is your Corrective Action Plan (CAP) to fix the servicing errors discussed above and those identified by the Department? Please discuss your plan to remedy harm to affected borrowers and make them whole.

- 10) As of June 1, 2023, to present, what contract modifications, change requests, or other directives have you received from the Department related to the return to repayment and implementation of the SAVE Plan?

- 11) How are you ensuring borrowers' payment histories are accurate when a borrower is transferred to MOHELA from a different loan servicer?

³² EdFinancial provided a response to this question, Letter from EdFinancial to Senators Warren, Blumenthal, Markey, Van Hollen, October 11, 2023, p. 3, <https://www.warren.senate.gov/download/edfinancial-services-october-11-2023>.

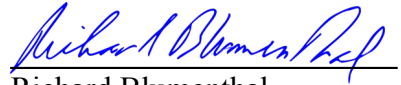
³³ U.S. Department of Education, "U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers," press release, October 30, 2023, <https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers>.

- 12) How many complaints has MOHELA received regarding long call and email wait times?
- 13) What is the current average time it takes MOHELA to approve a new IDR plan application?
- 14) What is the current average time it takes MOHELA to rectify an issue raised by a borrower?

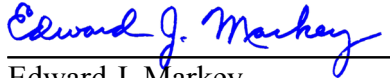
Sincerely,



Elizabeth Warren
United States Senator



Richard Blumenthal
United States Senator



Edward J. Markey
United States Senator



Chris Van Hollen
United States Senator

United States Senate

WASHINGTON, DC 20510

December 13, 2023

Anthony Hollin
Chairman and Chief Executive Officer
EdFinancial
298 North Seven Oaks Drive
Knoxville, TN 37922

Dear Mr. Hollin:

We are writing today regarding your inadequate response to our September 2023 letter raising concerns about the services you provide to millions of federal student loan borrowers as they navigate the return to repayment.¹ In October, borrowers resumed payments for the first time in over three and a half years.² We sought an update about your efforts to reduce harm to borrowers during this time, but were disappointed to find that your October 11, 2023 response provided little detailed information about borrowers' experiences and failed to provide key information that we requested.³

In response to numerous reports of long wait times and dropped calls, we requested information about the experiences of borrowers who attempt to contact your company.⁴ However, your response lacked critical details and failed to shed light on the difficulties your borrowers face. EdFinancial insisted that the current wait times are "not representative of our performance," without indicating the average wait time for borrowers.⁵ EdFinancial also informed us that "abandonment rate fluctuates each day" and that the abandonment rates decreased from "over 20%" in August to "an abandonment rate in the high teens in October," but failed to provide any

¹ Senator Warren, "Ahead of the Federal Student Loan Payment Restart, Senators Warren, Blumenthal, Markey, Van Hollen Call for Updates from Student Loan Servicers," press release, September 28, 2023, <https://www.warren.senate.gov/oversight/letters/ahead-of-the-federal-student-loan-payment-restart-senators-warren-blumenthal-markey-van-hollen-call-for-updates-from-student-loan-servicers>.

² Federal Student Aid, "COVID-19 Emergency Relief and Federal Student Aid," <https://studentaid.gov/announcements-events/covid-19>; Politico, "Biden admin will resume interest on federal student loans Sept. 1; monthly payments due in October," Michael Stratford, June 12, 2023, <https://www.politico.com/newsletters/weekly-education/2023/06/12/biden-admin-will-resume-interest-on-federal-student-loans-sept-1-monthly-payments-due-in-october-00101431>.

³ Letter from EdFinancial to Senators Warren, Blumenthal, Markey, Van Hollen, October 11, 2023, <https://www.warren.senate.gov/download/edfinancial-services-october-11-2023>.

⁴ Senator Warren, "Ahead of the Federal Student Loan Payment Restart, Senators Warren, Blumenthal, Markey, Van Hollen Call for Updates from Student Loan Servicers," press release, September 28, 2023, <https://www.warren.senate.gov/oversight/letters/ahead-of-the-federal-student-loan-payment-restart-senators-warren-blumenthal-markey-van-hollen-call-for-updates-from-student-loan-servicers>.

⁵ Letter from EdFinancial to Senators Warren, Blumenthal, Markey, Van Hollen, October 11, 2023, p. 2, <https://www.warren.senate.gov/download/edfinancial-services-october-11-2023>.

specifics.⁶ The letter confirmed that written response times are “longer than historical response times” and that email responses “require more research than usual.”⁷

Our September letter recognized that the Department of Education’s (ED) Office of Federal Student Aid (FSA) has a difficult role to play in holding servicers accountable as payments resume and implementing reforms to fix the student loan system — on a limited budget, which is why we have called on Congress to ensure FSA has the appropriate resources to protect and support borrowers.⁸ However, ED pays the servicers more than one billion dollars a year to provide adequate service to borrowers.⁹ Borrowers and taxpayers deserve better.

Your failure to provide detailed responses to our questions about borrowers’ experiences is particularly concerning given the public reports indicating that servicers are having significant problems. In October 2023, borrower advocates published a report warning of slow processing times and low-quality customer service, and a failure to provide borrowers with timely and material information about their loans — problems that are “pervasive across all servicers.”¹⁰ As repayment has begun, reports have described the transition as “painful” for borrowers amidst miscalculated bills, late bills, and difficulty reaching servicers.¹¹ For example, ED withheld \$7.2 million in payments to one servicer because it “failed to meet its basic obligation” to send out timely billing statements to 2.5 million borrowers.¹² As a result, more than 800,000 borrowers were delinquent on their loans.¹³ ED has directed the servicer to place all 2.5 million borrowers in forbearance.¹⁴

⁶ *Id.*

⁷ *Id.*

⁸ Senator Warren, “Ahead of the Federal Student Loan Payment Restart, Senators Warren, Blumenthal, Markey, Van Hollen Call for Updates from Student Loan Servicers,” press release, September 28, 2023, <https://www.warren.senate.gov/oversight/letters/ahead-of-the-federal-student-loan-payment-restart-senators-warren-blumenthal-markey-van-hollen-call-for-updates-from-student-loan-servicers>.

⁹ CNBC, “Education Department penalizes Missouri lender for error that made 800,000 student loan borrowers delinquent,” Annie Nova, October 30, 2023, <https://www.cnbc.com/2023/10/30/education-dept-penalizes-student-loan-servicer-mohela-for-errors.html>.

¹⁰ Student Borrower Protection Center, “Delivering Distress: How Student Loan Companies Cheat Borrowers Out of Their Rights,” report, October 2023, p. 105, <https://protectborrowers.org/wp-content/uploads/2023/10/Delivering-Distress-Report.pdf>.

¹¹ The New York Times, “More Than 400,000 Student Loan Borrowers Had Wrong Monthly Payments,” October 16, 2023, <https://www.nytimes.com/2023/10/16/your-money/student-loans-save-mistakes.html>; CNBC, “Inaccurate bills, hours on the phone: Student loan borrowers reenter ‘a very messy system,’” Annie Nova and Jared Mitovich, October 22, 2023, <https://www.cnbc.com/2023/10/22/student-loan-borrowers-restart-bills-in-a-very-messy-system.html>; CBS News, “More than 300,000 student borrowers given wrong repayment information, Education Department says,” Aimee Picchi, October 19, 2023, <https://www.cbsnews.com/news/student-loan-repayment-wrong-information-save-idr-plan/>; CNBC, “Inaccurate bills, hours on the phone: Student loan borrowers reenter ‘a very messy system,’” Annie Nova, October 22, 2023, <https://www.cnbc.com/2023/10/22/student-loan-borrowers-restart-bills-in-a-very-messy-system.html>.

¹² U.S. Department of Education, “U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers,” press release, October 30, 2023, <https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers>.

¹³ *Id.*

¹⁴ *Id.*

ED also found that, soon after repayment began, more than 400,000 borrowers received student loan bills that had been miscalculated; under the new income-driven repayment (IDR) plan, called the Saving on a Valuable Education (SAVE) plan.¹⁵ Due to this error, roughly 280,000 borrowers with one servicer alone received higher payment amounts than they should have.¹⁶ For instance, one borrower received a bill for \$355, when they were only supposed to owe \$58.¹⁷ Another borrower received a bill for \$108,895.19 per month because the servicer incorrectly set the loan term to two months rather than 120 months.¹⁸ In light of these and other serious errors, we appreciate ED’s efforts to strengthen oversight,¹⁹ leverage various tools to hold servicers accountable, and ensure borrowers are protected from harms arising from servicer errors.²⁰

A new report from the Consumer Financial Protection Bureau (CFPB) detailed a flurry of problems and errors with borrowers reporting long hold times, incorrect information about payment amounts and due dates, inaccurate payment histories, and issues accessing loan cancellation programs.²¹ Borrowers have reported to CFPB that their wait times to reach a representative were as high as 960 minutes.²² CFPB’s report revealed that “hold times impede borrowers’ ability to address questions and errors on their accounts,” and — even more concerning — “some borrowers report that once they get through to customer service representatives, they receive inaccurate information.”²³ Finally, CFPB acknowledged that “[m]any of the challenges highlighted in this report are not new. Complaints submitted to the CFPB suggest that fundamental problems that have been documented in the student loan program persist.”²⁴

Our September letter gave your company an opportunity to provide updated information about its readiness to serve borrowers amid recent reports of servicing problems. For example, our letter inquired about the percentage of your company’s staff who are fully trained to respond to

¹⁵ The New York Times, “More Than 400,000 Student Loan Borrowers Had Wrong Monthly Payments,” October 16, 2023, <https://www.nytimes.com/2023/10/16/your-money/student-loans-save-mistakes.html>; Detroit Free Press, “Student loan repayments hit a glitch for 305,000 borrowers: Payment amounts are wrong,” Susan Tompor, October 24, 2023, <https://www.freep.com/story/money/personal-finance/susan-tompor/2023/10/24/student-loan-restart-hits-a-glitch-for-305000-borrowers/71241903007/>.

¹⁶ The New York Times, “More Than 400,000 Student Loan Borrowers Had Wrong Monthly Payments,” October 16, 2023, <https://www.nytimes.com/2023/10/16/your-money/student-loans-save-mistakes.html>.

¹⁷ CNBC, “As student loan payments restart, one borrower got a \$108,895 monthly bill, Education Department memo details,” Annie Nova, November 2, 2023, <https://www.cnbc.com/2023/11/02/in-messy-restart-to-student-loan-payments-one-got-a-bill-for-108895.html>.

¹⁸ *Id.*

¹⁹ U.S. Department of Education, “U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers,” press release, October 30, 2023, <https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers>.

²⁰ U.S. Department of Education, “Biden-Harris Administration Announces Framework for Student Loan Servicer Accountability To Protect Borrowers Nationwide,” press release, November 9, 2023, <https://www.ed.gov/news/press-releases/biden-harris-administration-announces-framework-student-loan-servicer-accountability-protect-borrowers-nationwide>.

²¹ CFPB, “Report of the CFPB Education Loan Ombudsman,” October 2023, p. 3, https://files.consumerfinance.gov/f/documents/cfpb_annual-education-loan-ombudsman-report_2023.pdf.

²² *Id.*, p. 9,

²³ *Id.*, p. 8,

²⁴ *Id.*, p. 4,

borrower inquiries. EdFinancial was unable to provide an answer to this question.²⁵ Additionally, our letter asked whether borrowers' monthly payment amounts were calculated appropriately,²⁶ but these questions also went unanswered.²⁷ Other federal student loan servicers were able to provide substantive responses to our questions,²⁸ but your company's failure to provide robust answers leave us unable to understand the challenges borrowers face as they return to repayment.

We are disappointed and troubled by your failure to provide complete answers to our questions. We are therefore writing to you again to reiterate the following questions, which we asked in September and which were not fully answered in your October response. We urge you to provide a response to these questions by January 2, 2024.

- 1) What is the current average call wait time for borrowers before they are transferred to a customer service representative at your company?
 - a) What percent of borrowers that are placed on hold hang up before they speak with a company representative?
 - i. What is the average hold time borrower experience before they hang up?
 - b) What is your current call abandonment rate?
- 2) How many steps does it take a borrower to navigate your Interactive Voice Response (IVR) menu from the time a call is connected until they are able to select an option to speak with a representative?
 - a) How many minutes does it take a borrower, on average, to navigate your IVR and select an option to speak with a representative?
 - b) Is the time it takes to navigate your IVR and select an option to speak with a representative included in the average call wait time metric provided in question #1?
 - i. If no, please provide an additional response that indicates the total amount of time, on average, it takes for a borrower to reach a representative at your company.
 - c) Is the time it takes to navigate your IVR and select an option to speak with a representative included in the abandon rate metric provided in question #1b?
 - i. If no, please provide an additional response that indicates the total share of borrowers who contact your company but hang up before successfully navigating your IVR?
 - d) Have the number of steps changed in the past 12 months and, if so, how?

²⁵ Letter from EdFinancial to Senators Warren, Blumenthal, Markey, Van Hollen, October 2023, <https://www.warren.senate.gov/download/edfinancial-services-october-11-2023>.

²⁶ Senator Warren, "Ahead of the Federal Student Loan Payment Restart, Senators Warren, Blumenthal, Markey, Van Hollen Call for Updates from Student Loan Servicers," press release, September 28, 2023, <https://www.warren.senate.gov/oversight/letters/ahead-of-the-federal-student-loan-payment-restart-senators-warren-blumenthal-markey-van-hollen-call-for-updates-from-student-loan-servicers>.

²⁷ Letter from EdFinancial to Senators Warren, Blumenthal, Markey, Van Hollen, October 2023, <https://www.warren.senate.gov/download/edfinancial-services-october-11-2023>.

²⁸ Letter from Maximus to Senators Warren, Blumenthal, Markey, Van Hollen, October 11, 2023, https://www.warren.senate.gov/download/maximus-response-to-restart-followup_10112023; Letter from MOHELA to Senators Warren, Blumenthal, Markey, Van Hollen, October 16, 2023, <https://www.warren.senate.gov/download/combinepdf-8>.

- 3) What is the current average email response time for borrowers trying to get in touch with your company?
- 4) How many borrowers have been transferred to you through the Department's Fresh Start initiative?
 - a) Describe the specific outreach you have made to borrowers transferred to you through Fresh Start. How many of these borrowers have responded to your outreach?
 - b) How many of these borrowers have been placed in an IDR plan?
 - i. How many of these borrowers have set up an account with your company?
 - c) How many of these borrowers have you made successful contact with?
- 5) For each of the following months, what is your projected average and maximum call and email communication wait times?
 - a) January
 - b) February
 - c) March
- 6) If you offer scheduled callbacks, how many hours is the average borrower having to wait to get a callback?
 - a) What is the contact success rate for scheduled call backs?
- 7) How many borrowers have complained about errors in calculating their monthly payment amounts?
 - a) What are the causes of these errors?
- 8) What steps do you take to ensure borrowers' monthly payments were calculated appropriately?
- 9) What percentage of your staff are fully trained and responding to borrower inquiries?
 - i. How many calls a month are being escalated to a manager or supervisor? Please breakdown each month from July to November.
- 10) What guidance are you receiving from the Department of Education regarding customer service quality assurance in the context of return to repayment?
- 11) What guidance are you receiving from the Department of Education regarding how to report missed student loan payments to credit reporting agencies during the on-ramp?
 - i. What do you report to credit reporting agencies if a borrower misses monthly payments during the on-ramp?
 - ii. What are you telling borrowers regarding the consequences of missed payments during the on-ramp?

- 12) How many borrowers have been transferred to your company since February 1, 2020?
 - a) How many of these borrowers have you made successful contact with?
 - b) How many of these borrowers have set up an account with your company?
 - i) How are you ensuring borrowers set up accounts with your company?
- 13) Describe the outreach to the over 2.5 million ED-backed FFEL borrowers²⁹ about the benefits and risks of loan consolidation.
- 14) How many borrowers had inaccurate payment amounts due to servicer miscalculations?
 - i. How many borrowers had higher payment amounts? How many borrowers paid the higher payment amounts? Has your company offered to automatically issue a refund?
 - ii. How many borrowers that were eligible for \$0 payment plans were affected by this error?
- 15) For borrowers impacted by your servicing errors from August 1, 2023, to the present:
 - i. What is the total number of borrowers impacted by your servicing errors?
 - ii. How many of these borrowers are eligible for placement in administrative forbearance pending resolution of the servicing errors?
 - iii. How many have you placed in an administrative forbearance?
 - iv. How many have been notified about the errors?
 - v. What is your communication strategy for reaching out to impacted borrowers?
 - vi. What is your average timeline for resolving servicing errors identified above?
- 16) From August 1, 2023, to present, what penalty, if any, has been imposed on you by the Department as a result of servicing errors or failure to service borrowers' accounts in accordance with the loan servicing contract?
- 17) What is your Corrective Action Plan (CAP) to fix the servicing errors discussed above and those identified by the Department? Please discuss your plan to remedy harm to affected borrowers and make them whole.
- 18) As of June 1, 2023, to present, what contract modifications, change requests, or other directives have you received from the Department related to the return to repayment and implementation of the SAVE Plan?

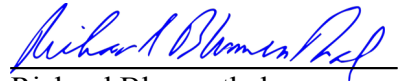
²⁹ Federal Student Aid, "Location of Federal Family Education Loan Program Loans," <https://studentaid.gov/sites/default/files/fsawg/datacenter/library/LocationofFFELPLoans.xls>.

- 19) In reviewing transferred borrowers accounts, how are you ensuring payment histories are accurate?
- 20) How many complaints has EdFinancial received regarding long call and email wait times?
- 21) How many borrower accounts has EdFinancial received since March 2020 as the result of servicing transfers?
- a) Describe in detail the steps that EdFinancial takes to ensure it receives complete and accurate information for each account that it receives due to a servicing transfer.
- 22) What is the current average time it takes EdFinancial to approve a new IDR plan application?
- 23) What is the current average time it takes EdFinancial to rectify an issue raised by a borrower?

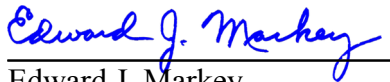
Sincerely,



Elizabeth Warren
United States Senator



Richard Blumenthal
United States Senator



Edward J. Markey
United States Senator



Chris Van Hollen
United States Senator

United States Senate

WASHINGTON, DC 20510

December 13, 2023

Jeffrey R. Noordhoek
Chief Executive Officer
Nelnet
121 South 13th Street, Suite 201
Lincoln, NE 68508

Dear Mr. Noordhoek:

We are writing today regarding your inadequate response to our September 2023 letter raising concerns about the services you provide to millions of federal student loan borrowers as they navigate the return to repayment.¹ In October, borrowers resumed payments for the first time in over three and a half years.² We sought an update about your efforts to reduce harm to borrowers during this time, but were disappointed to find that your October 12, 2023 response provided little information about borrowers' experiences and failed to provide key information that we requested.³

In response to numerous reports of long wait times and dropped calls, we requested information about the experiences of borrowers who attempt to contact your company.⁴ However, your response lacked critical details and failed to shed light on the difficulties your borrowers face. Nelnet's response was deeply concerning as it failed to answer any of our questions, placed blame on others for the challenges borrowers are facing, and refused to acknowledge its own responsibility — despite anticipating a difficult return to repayment.⁵ Our September letter recognized that the Department of Education's (ED) Office of Federal Student Aid (FSA) has a difficult role to play in holding servicers accountable as payments resume and implementing reforms to fix the student loan system — on a limited budget, which is why we have called on

¹ Senator Warren, "Ahead of the Federal Student Loan Payment Restart, Senators Warren, Blumenthal, Markey, Van Hollen Call for Updates from Student Loan Servicers," press release, September 28, 2023, <https://www.warren.senate.gov/oversight/letters/ahead-of-the-federal-student-loan-payment-restart-senators-warren-blumenthal-markey-van-hollen-call-for-updates-from-student-loan-servicers>.

² Federal Student Aid, "COVID-19 Emergency Relief and Federal Student Aid," <https://studentaid.gov/announcements-events/covid-19>; Politico, "Biden admin will resume interest on federal student loans Sept. 1; monthly payments due in October," Michael Stratford, June 12, 2023, <https://www.politico.com/newsletters/weekly-education/2023/06/12/biden-admin-will-resume-interest-on-federal-student-loans-sept-1-monthly-payments-due-in-october-00101431>.

³ Letter from Nelnet to Senators Warren, Blumenthal, Markey, Van Hollen, October 11, 2023, <https://www.warren.senate.gov/download/2023-10-nelnet-response-to-sen-warren>.

⁴ Senator Warren, "Ahead of the Federal Student Loan Payment Restart, Senators Warren, Blumenthal, Markey, Van Hollen Call for Updates from Student Loan Servicers," press release, September 28, 2023, <https://www.warren.senate.gov/oversight/letters/ahead-of-the-federal-student-loan-payment-restart-senators-warren-blumenthal-markey-van-hollen-call-for-updates-from-student-loan-servicers>.

⁵ Letter from Nelnet to Senators Warren, Blumenthal, Markey, Van Hollen, October 12, 2023, p. 1, <https://www.warren.senate.gov/download/2023-10-nelnet-response-to-sen-warren>.

Congress to ensure FSA has the appropriate resources to protect and support borrowers.⁶ However, we disagree with the assertion that the compensation you receive “severely limits” your options for providing quality service to borrowers.⁷ ED pays the servicers more than one billion dollars a year.⁸ According to Nelnet’s most recent filing with the Securities Exchange Commission, Nelnet’s Loan Servicing and Systems segment reported a nearly \$2 million increase in net income when compared to last year due to reductions in operations expenses, primarily salaries and benefits.⁹ Further, the 8-K form revealed that only in August 2023 did the company begin to hire additional associates to support borrowers returning to repayment.¹⁰ Meanwhile, from 2020 to 2023, Nelnet has spent nearly \$1 million on lobbying, which suggests that it has the resources to improve the service it provides to borrowers.¹¹

Your failure to answer questions about borrowers’ experiences is particularly concerning given the public reports indicating that servicers are having significant problems. In October 2023, borrower advocates published a report warning of slow processing times and low-quality customer service, and a failure to provide borrowers with timely and material information about their loans — problems that are “pervasive across all servicers.”¹² As repayment has begun, reports have described the transition as “painful” for borrowers amidst miscalculated bills, late bills, and difficulty reaching servicers.¹³ For example, ED withheld \$7.2 million in payments to one servicer because it “failed to meet its basic obligation” to send out timely billing statements

⁶ Senator Warren, “Ahead of the Federal Student Loan Payment Restart, Senators Warren, Blumenthal, Markey, Van Hollen Call for Updates from Student Loan Servicers,” press release, September 28, 2023, <https://www.warren.senate.gov/oversight/letters/ahead-of-the-federal-student-loan-payment-restart-senators-warren-blumenthal-markey-van-hollen-call-for-updates-from-student-loan-servicers>.

⁷ Letter from Nelnet to Senators Warren, Blumenthal, Markey, Van Hollen, October 12, 2023, p.5, <https://www.warren.senate.gov/download/2023-10-nelnet-response-to-sen-warren>.

⁸ CNBC, “Education Department penalizes Missouri lender for error that made 800,000 student loan borrowers delinquent,” Annie Nova, October 30, 2023, <https://www.cnbc.com/2023/10/30/education-dept-penalizes-student-loan-servicer-mohela-for-errors.html>.

⁹ SEC, “Form 8-K,” November 7, 2023, p. 4, <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001258602/0f3efc56-9a3d-4beb-a7e3-c4118d9054ea.pdf>.

¹⁰ SEC, “Form 8-K,” November 7, 2023, <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001258602/0f3efc56-9a3d-4beb-a7e3-c4118d9054ea.pdf>.

¹¹ Open Secrets, “NelNet Inc,” <https://www.opensecrets.org/orgs/nelnet-inc/lobbying?>.

¹² Student Borrower Protection Center, “Delivering Distress: How Student Loan Companies Cheat Borrowers Out of Their Rights,” report, October 2023, <https://protectborrowers.org/wp-content/uploads/2023/10/Delivering-Distress-Report.pdf>.

¹³ The New York Times, “More Than 400,000 Student Loan Borrowers Had Wrong Monthly Payments,” October 16, 2023, <https://www.nytimes.com/2023/10/16/your-money/student-loans-save-mistakes.html>; CNBC, “Inaccurate bills, hours on the phone: Student loan borrowers reenter ‘a very messy system,’” Annie Nova and Jared Mitovich, October 22, 2023, <https://www.cnbc.com/2023/10/22/student-loan-borrowers-restart-bills-in-a-very-messy-system.html>; CBS News, “More than 300,000 student borrowers given wrong repayment information, Education Department says,” Aimee Picchi, October 19, 2023, <https://www.cbsnews.com/news/student-loan-repayment-wrong-information-save-idr-plan/>; CNBC, “Inaccurate bills, hours on the phone: Student loan borrowers reenter ‘a very messy system,’” Annie Nova, October 22, 2023, <https://www.cnbc.com/2023/10/22/student-loan-borrowers-restart-bills-in-a-very-messy-system.html>.

to 2.5 million borrowers.¹⁴ As a result, more than 800,000 borrowers were delinquent on their loans.¹⁵ ED has directed the servicer to place all 2.5 million borrowers in forbearance.¹⁶

ED also found that, soon after repayment began, more than 400,000 borrowers received student loan bills that had been miscalculated under the new income-driven repayment (IDR) plan, called the Saving on a Valuable Education (SAVE) plan.¹⁷ Due to this error, roughly 280,000 borrowers with one servicer alone received higher payment amounts than they should have.¹⁸ For instance, one borrower received a bill for \$355, when they were only supposed to owe \$58.¹⁹ Another borrower received a bill for \$108,895.19 per month because the servicer incorrectly set the loan term to two months rather than 120 months.²⁰ In light of these and other serious errors, we appreciate ED's efforts to strengthen oversight,²¹ leverage various tools to hold servicers accountable, and ensure borrowers are protected from harms arising from servicer errors.²²

A new report from the Consumer Financial Protection Bureau (CFPB) detailed a flurry of problems and errors with borrowers reporting long hold times, incorrect information about payment amounts and due dates, inaccurate payment histories, and issues accessing loan cancellation programs.²³ Borrowers have reported to CFPB that their wait times to reach a representative were as high as 960 minutes.²⁴ CFPB's report revealed that "hold times impede borrowers' ability to address questions and errors on their accounts," and — even more concerning — "some borrowers report that once they get through to customer service representatives, they receive inaccurate information."²⁵ Finally, CFPB acknowledged that "[m]any of the challenges highlighted in this report are not new. Complaints submitted to the

¹⁴ U.S. Department of Education, "U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers," press release, October 30, 2023, <https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers>.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ The New York Times, "More Than 400,000 Student Loan Borrowers Had Wrong Monthly Payments," October 16, 2023, <https://www.nytimes.com/2023/10/16/your-money/student-loans-save-mistakes.html>; Detroit Free Press, "Student loan repayments hit a glitch for 305,000 borrowers: Payment amounts are wrong," Susan Tompor, October 24, 2023, <https://www.freep.com/story/money/personal-finance/susan-tompor/2023/10/24/student-loan-restart-hits-a-glitch-for-305000-borrowers/71241903007/>.

¹⁸ The New York Times, "More Than 400,000 Student Loan Borrowers Had Wrong Monthly Payments," October 16, 2023, <https://www.nytimes.com/2023/10/16/your-money/student-loans-save-mistakes.html>.

¹⁹ CNBC, "As student loan payments restart, one borrower got a \$108,895 monthly bill, Education Department memo details," Annie Nova, November 2, 2023, <https://www.cnbc.com/2023/11/02/in-messy-restart-to-student-loan-payments-one-got-a-bill-for-108895.html>.

²⁰ *Id.*

²¹ U.S. Department of Education, "U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers," press release, October 30, 2023, <https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers>.

²² U.S. Department of Education, "Biden-Harris Administration Announces Framework for Student Loan Servicer Accountability To Protect Borrowers Nationwide," press release, November 9, 2023, <https://www.ed.gov/news/press-releases/biden-harris-administration-announces-framework-student-loan-servicer-accountability-protect-borrowers-nationwide>.

²³ CFPB, "Report of the CFPB Education Loan Ombudsman," October 2023, p. 3, https://files.consumerfinance.gov/f/documents/cfpb_annual-education-loan-ombudsman-report_2023.pdf.

²⁴ *Id.*, p. 9.

²⁵ *Id.*, p. 8.

CFPB suggest that fundamental problems that have been documented in the student loan program persist.”²⁶

Our September letter gave your company an opportunity to provide updated information about its readiness to serve borrowers amid recent reports of servicing problems. For example, our letter inquired about the percentage of your company’s staff who are fully trained to respond to borrower inquiries. Nelnet was unable to provide an answer to this question. Additionally, our letter asked whether borrowers’ monthly payment amounts were calculated appropriately,²⁷ but these questions also went unanswered.²⁸ Other federal student loan servicers were able to provide substantive responses to our questions,²⁹ but your company’s failure to provide robust answers leave us unable to understand the challenges borrowers face as they return to repayment.

We are disappointed and troubled by your failure to provide complete answers to our questions. We are therefore writing to you again to reiterate the following questions, which we asked in September and which were not fully answered in your October response. We urge you to provide a response to these questions by January 2, 2024.

- 1) What is the current average call wait time for borrowers before they are transferred to a customer service representative at your company?
 - a) What percent of borrowers that are placed on hold hang up before they speak with a company representative?
 - i. What is the average hold time borrower experience before they hang up?
 - b) What is your current call abandonment rate?

- 2) How many steps does it take a borrower to navigate your Interactive Voice Response (IVR) menu from the time a call is connected until they are able to select an option to speak with a representative?
 - a) How many minutes does it take a borrower, on average, to navigate your IVR and select an option to speak with a representative?
 - b) Is the time it takes to navigate your IVR and select an option to speak with a representative included in the average call wait time metric provided in question #1?
 - i. If no, please provide an additional response that indicates the total amount of time, on average, it takes for a borrower to reach a representative at your company.
 - c) Is the time it takes to navigate your IVR and select an option to speak with a representative included in the abandon rate metric provided in question #1b?

²⁶ *Id.*, p. 4.

²⁷ Senator Warren, “Ahead of the Federal Student Loan Payment Restart, Senators Warren, Blumenthal, Markey, Van Hollen Call for Updates from Student Loan Servicers,” press release, September 28, 2023, <https://www.warren.senate.gov/oversight/letters/ahead-of-the-federal-student-loan-payment-restart-senators-warren-blumenthal-markey-van-hollen-call-for-updates-from-student-loan-servicers>.

²⁸ Letter from Nelnet to Senators Warren, Blumenthal, Markey, Van Hollen, October 11, 2023, <https://www.warren.senate.gov/download/2023-10-nelnet-response-to-sen-warren>.

²⁹ *Id.*

- i. If no, please provide an additional response that indicates the total share of borrowers who contact your company but hang up before successfully navigating your IVR?
 - d) Have the number of steps changed in the past 12 months and, if so, how?
- 3) What is the current average email response time for borrowers trying to get in touch with your company?
 - 4) How many borrowers have been transferred to you through the Department's Fresh Start initiative?
 - a) Describe the specific outreach you have made to borrowers transferred to you through Fresh Start. How many of these borrowers have responded to your outreach?
 - b) How many of these borrowers have been placed in an IDR plan?
 - c) How many of these borrowers have set up an account with your company?
 - d) How many of these borrowers have you made successful contact with?
 - 5) For each of the following months, what is your projected average and maximum call and email communication wait times?
 - i. January
 - ii. February
 - iii. March
 - 6) If you offer scheduled callbacks, how many hours is the average borrower having to wait to get a callback?
 - i. What is the contact success rate for scheduled call backs?
 - 7) How many borrowers have complained about errors in calculating their monthly payment amounts?
 - a) What are the causes of these errors?
 - 8) What steps do you take to ensure borrowers' monthly payments were calculated appropriately?
 - 9) What percentage of your staff are fully trained and responding to borrower inquiries?
 - a) How many calls a month are being escalated to a manager or supervisor?
Please breakdown each month from July to November.
 - 10) What guidance are you receiving from the Department of Education regarding customer service quality assurance in the context of return to repayment?
 - 11) What is your most recent Service Level Agreements (SLA) performance score in comparison to the minimum threshold for the following metrics?³⁰

³⁰ EdFinancial provided a response to this question, Letter from EdFinancial to Senators Warren, Blumenthal, Markey, Van Hollen, October 11, 2023, p.3, <https://www.warren.senate.gov/download/edfinancial-services-october-11-2023>.

- a) Customer Satisfaction
 - b) Interaction Quality Monitoring, and
 - c) Accuracy rate.
- 12) What guidance are you receiving from the Department of Education regarding how to report missed student loan payments to credit reporting agencies during the on-ramp?
- a) What do you report to credit reporting agencies if a borrower misses monthly payments during the on-ramp?
 - b) What are you telling borrowers regarding the consequences of missed payments during the on-ramp?
- 13) How many borrowers have been transferred to your company since February 1, 2020?
- a) How many of these borrowers have you made successful contact with?
 - b) How many of these borrowers have set up an account with your company?
 - i) How are you ensuring borrowers set up accounts with your company?
- 14) Describe the outreach to the over 2.5 million ED-backed FFEL borrowers³¹ about the benefits and risks of loan consolidation.
- 15) How many borrowers had inaccurate payment amounts due to servicer miscalculations?
- a) How many borrowers had higher payment amounts? How many borrowers paid the higher payment amounts? Has your company offered to automatically issue a refund?
 - b) How many borrowers that were eligible for \$0 payment plans were affected by this error?
- 16) For borrowers impacted by your servicing errors from August 1, 2023, to the present:
- a) What is the total number of borrowers impacted by your servicing errors?
 - b) How many of these borrowers are eligible for placement in administrative forbearance pending resolution of the servicing errors?
 - c) How many have you placed in an administrative forbearance?
 - d) How many have been notified about the errors?
 - e) What is your communication strategy for reaching out to impacted borrowers?
 - f) What is your average timeline for resolving servicing errors identified above?
- 17) From August 1, 2023, to present, what penalty, if any, has been imposed on you by the Department as a result of servicing errors or failure to service borrowers' accounts in accordance with the loan servicing contract?

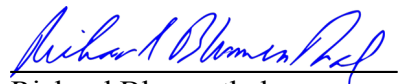
³¹ Federal Student Aid, "Location of Federal Family Education Loan Program Loans," <https://studentaid.gov/sites/default/files/fsawg/datacenter/library/LocationofFFELPLoans.xls>.

- 18) What is your Corrective Action Plan (CAP) to fix the servicing errors discussed above and those identified by the Department? Please discuss your plan to remedy harm to affected borrowers and make them whole.
- 19) As of June 1, 2023, to present, what contract modifications, change requests, or other directives have you received from the Department related to the return to repayment and implementation of the SAVE Plan?
- 20) What procedures or actions have you taken to ensure that your loan servicing website, written notices, and other communications with borrowers accurately reflect the recent changes to the Total & Permanent Disability (TPD) program?
- 21) In reviewing transferred borrowers accounts, how are you ensuring payment histories are accurate?
- 22) How many complaints has Nelnet received regarding long call and email wait times?
- 23) How many borrower accounts has Nelnet received since March 2020 as the result of servicing transfers?
 - a) Describe in detail the steps that Nelnet takes to ensure it receives complete and accurate information for each account that it receives due to a servicing transfer.
- 24) What is the current average time it takes Nelnet to approve a new IDR plan application?
- 25) What is the current average time it takes Nelnet to rectify an issue raised by a borrower?

Sincerely,



Elizabeth Warren
United States Senator



Richard Blumenthal
United States Senator

Edward J. Markey

Edward J. Markey
United States Senator

Chris Van Hollen

Chris Van Hollen
United States Senator

United States Senate

WASHINGTON, DC 20510

December 13, 2023

Bruce Caswell
President and Chief Executive Officer
Maximus Federal Services, Inc.
3120 Fairview Park Drive, Suite 400
Falls Church, Virginia 22042

Dear Mr. Caswell:

We are writing today regarding your response to our September 2023 letter raising concerns about your services provided to millions of federal student loan borrowers as they return to repayment.¹ In October, borrowers resumed payments for the first time in over three and a half years.² We sought an update about your efforts to reduce harm to borrowers during this period. We appreciate that your response from October 11, 2023 provided some important information about what borrowers are experiencing and how your company is handling the return to repayment, but we are concerned that the information you provided about your customer service is not consistent with reports from borrowers.³

In response to numerous reports of long wait times and dropped calls, we requested information about the experiences of borrowers who attempt to contact your company.⁴ Maximus indicated that the company “began planning, in coordination with [the Office of Federal Student Aid], well in advance of payment resumption,” and that “Maximus is steadfast in [its] effort to support borrowers and Federal Student Aid as we collectively navigate this unique period in student loan history.”⁵

Your response revealed critical details that shed light on the difficulties your borrowers’ face. Maximus indicated that its average phone wait time is approximately 30 minutes, and that in

¹ Senator Warren, “Ahead of the Federal Student Loan Payment Restart, Senators Warren, Blumenthal, Markey, Van Hollen Call for Updates from Student Loan Servicers,” press release, September 28, 2023, <https://www.warren.senate.gov/oversight/letters/ahead-of-the-federal-student-loan-payment-restart-senators-warren-blumenthal-markey-van-hollen-call-for-updates-from-student-loan-servicers>.

² Federal Student Aid, “COVID-19 Emergency Relief and Federal Student Aid,” <https://studentaid.gov/announcements-events/covid-19>; Politico, “Biden admin will resume interest on federal student loans Sept. 1; monthly payments due in October,” Michael Stratford, June 12, 2023, <https://www.politico.com/newsletters/weekly-education/2023/06/12/biden-admin-will-resume-interest-on-federal-student-loans-sept-1-monthly-payments-due-in-october-00101431>.

³ Letter from Maximus to Senators Warren, Blumenthal, Markey, Van Hollen, October 11, 2023, https://www.warren.senate.gov/download/maximus-response-to-restart-followup_10112023.

⁴ Senator Warren, “Ahead of the Federal Student Loan Payment Restart, Senators Warren, Blumenthal, Markey, Van Hollen Call for Updates from Student Loan Servicers,” press release, September 28, 2023, <https://www.warren.senate.gov/oversight/letters/ahead-of-the-federal-student-loan-payment-restart-senators-warren-blumenthal-markey-van-hollen-call-for-updates-from-student-loan-servicers>.

⁵ *Id.*

September, “48.2% of borrowers hang up before speaking with a company representative.”⁶ And Maximus indicated that it offers no scheduled callbacks for borrowers who cannot spend time on hold waiting to speak to a representative. The company also revealed that its average wait time for an email response is 11 *business* days — over two weeks for borrowers.⁷ And as of October 2023, nearly three million borrowers — about one third of all borrowers serviced by the company — had not yet set up accounts with Maximus.⁸ These long wait times, high abandonment rates, and high share of borrowers without an account represent a failure by Maximus.

Even beyond Maximus, serious loan servicing issues have emerged. In October 2023, borrower advocates published a report revealing slow processing times, low-quality customer service, and a failure to provide borrowers with timely and material information about their loans — problems that are “pervasive across all servicers.”⁹ As borrowers have returned to repayment, reports indicate that servicers are having significant problems and that the transition has been “painful” for borrowers amidst miscalculated bills, late bills, and difficulty reaching servicers.¹⁰ For example, the Department of Education (ED) found that, soon after repayment began, more than 400,000 borrowers received student loan bills that had been miscalculated.¹¹ Some miscalculations have been substantial. For instance, one borrower received a bill for \$355, when that borrower was only supposed to owe \$58.¹² Another borrower received a bill for \$108,895.19 per month because the servicer incorrectly set the loan term to two months rather than 120 months.¹³ Further, ED withheld \$7.2 million in payments to one servicer because it “failed to meet its basic obligation” to send out timely billing statements to 2.5 million borrowers.¹⁴ As a

⁶ Letter from Maximus to Senators Warren, Blumenthal, Markey, Van Hollen, October 11, 2023, p. 2, https://www.warren.senate.gov/download/maximus-response-to-restart-followup_10112023.

⁷ *Id.*, p. 3.

⁸ *Id.*, p. 5.

⁹ Student Borrower Protection Center, “Delivering Distress: How Student Loan Companies Cheat Borrowers Out of Their Rights,” report, October 2023, <https://protectborrowers.org/wp-content/uploads/2023/10/Delivering-Distress-Report.pdf>.

¹⁰ The New York Times, “More Than 400,000 Student Loan Borrowers Had Wrong Monthly Payments,” October 16, 2023, <https://www.nytimes.com/2023/10/16/your-money/student-loans-save-mistakes.html>; CNBC, “Inaccurate bills, hours on the phone: Student loan borrowers reenter ‘a very messy system,’” Annie Nova and Jared Mitovich, October 22, 2023, <https://www.cnbc.com/2023/10/22/student-loan-borrowers-restart-bills-in-a-very-messy-system.html>; CBS News, “More than 300,000 student borrowers given wrong repayment information, Education Department says,” Aimee Picchi, October 19, 2023, <https://www.cbsnews.com/news/student-loan-repayment-wrong-information-save-idr-plan/>; CNBC, “Inaccurate bills, hours on the phone: Student loan borrowers reenter ‘a very messy system,’” Annie Nova, October 22, 2023, <https://www.cnbc.com/2023/10/22/student-loan-borrowers-restart-bills-in-a-very-messy-system.html>.

¹¹ The New York Times, “More Than 400,000 Student Loan Borrowers Had Wrong Monthly Payments,” October 16, 2023, <https://www.nytimes.com/2023/10/16/your-money/student-loans-save-mistakes.html>; CBS News, “More than 300,000 student borrowers given wrong repayment information, Education Department says,” Aimee Picchi, October 19, 2023, <https://www.cbsnews.com/news/student-loan-repayment-wrong-information-save-idr-plan/>; CNBC, “Inaccurate bills, hours on the phone: Student loan borrowers reenter ‘a very messy system,’” Annie Nova and Jared Mitovich, October 22, 2023, <https://www.cnbc.com/2023/10/22/student-loan-borrowers-restart-bills-in-a-very-messy-system.html>.

¹² CNBC, “As student loan payments restart, one borrower got a \$108,895 monthly bill, Education Department memo details,” Annie Nova, November 2, 2023, <https://www.cnbc.com/2023/11/02/in-messy-restart-to-student-loan-payments-one-got-a-bill-for-108895.html>.

¹³ *Id.*

¹⁴ U.S. Department of Education, “U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers,” press release, October 30, 2023,

result, more than 800,000 borrowers were delinquent on their loans.¹⁵ ED has directed the servicer to place all 2.5 million borrowers in forbearance.¹⁶

Similarly, a new report by the Consumer Financial Protection Bureau (CFPB) detailed a flurry of problems and errors with borrowers reporting long hold times, incorrect information about payment amounts and due dates, inaccurate payment histories, and issues accessing loan cancellation programs.¹⁷ Borrowers have reported to CFPB that their wait times to reach a representative were as high as 960 minutes.¹⁸ The CFPB’s report revealed that “hold times impede borrowers’ ability to address questions and errors on their accounts,” and — even more concerning — “some borrowers report that once they get through to customer service representatives, they receive inaccurate information.”¹⁹ Finally, CFPB acknowledged that “[m]any of the challenges highlighted in this report are not new. Complaints submitted to the CFPB suggest that fundamental problems that have been documented in the student loan program persist.”²⁰

In light of serious errors by servicers, we appreciate ED’s efforts to strengthen oversight,²¹ leverage various tools to hold servicers accountable, and ensure borrowers are protected from harms arising from servicer errors.²² Our September letter also recognized that ED’s Office of Federal Student Aid (FSA) has a difficult role to play in holding servicers accountable as payments resume and implementing reforms to fix the student loan system — on a limited budget, which is why we have called on Congress to ensure FSA has the appropriate resources to protect and support borrowers.²³

Meanwhile, servicers are well compensated by taxpayers; ED pays the servicers more than one billion dollars a year.²⁴ And from 2021 to 2023, Maximus has spent over \$1.6 million on lobbying, which suggests that it has the resources to improve the service it provides to borrowers.²⁵

<https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers>.

¹⁵ U.S. Department of Education, “U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers,” press release, October 30, 2023, <https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers>.

¹⁶ *Id.*

¹⁷ CFPB, “Report of the CFPB Education Loan Ombudsman,” October 2023, p. 3, https://files.consumerfinance.gov/f/documents/cfpb_annual-education-loan-ombudsman-report_2023.pdf.

¹⁸ *Id.* p. 9.

¹⁹ *Id.*, p. 8.

²⁰ *Id.*, p. 4.

²¹ *Id.*

²² U.S. Department of Education, “Biden-Harris Administration Announces Framework for Student Loan Servicer Accountability To Protect Borrowers Nationwide,” press release, November 9, 2023, <https://www.ed.gov/news/press-releases/biden-harris-administration-announces-framework-student-loan-servicer-accountability-protect-borrowers-nationwide>.

²³ *Id.*

²⁴ CNBC, “Education Department penalizes Missouri lender for error that made 800,000 student loan borrowers delinquent,” Annie Nova, October 30, 2023, <https://www.cnbc.com/2023/10/30/education-dept-penalizes-student-loan-servicer-mohela-for-errors.html>.

²⁵ Open Secrets, “Maximus Inc,” <https://www.opensecrets.org/orgs/maximus-inc/lobbying?id=D000027466>.


Maximus's response to our September inquiry, and the public reports we have received, indicate that student loan servicers are not effectively providing the servicers that borrowers need in the return to repayment. To address our ongoing questions about this problem, we ask that you provide a response to the following questions by January 2, 2024:

- 1) What is the current average call wait time for borrowers before they are transferred to a customer service representative at your company?
 - a) What percent of borrowers that are placed on hold hang up before they speak with a company representative?
 - i) What is the average hold time borrower experience before they hang up?
 - b) What is your current call abandonment rate?
- 2) What is the current average email response time for borrowers trying to get in touch with your company?
- 3) How many borrowers have complained about errors in calculating their monthly payment amounts?
 - a) What are the causes of these errors?
- 4) What steps do you take to ensure borrowers' monthly payments were calculated appropriately?
- 5) What is your most recent Service Level Agreements (SLA) performance score in comparison to the minimum threshold for the following metrics?²⁶
 - a) Customer Satisfaction
 - b) Interaction Quality Monitoring, and
 - c) Accuracy rate.
- 6) How many calls a month are being escalated to a manager or supervisor? Please breakdown each month from July to November.
- 7) How many borrowers that have been transferred to your company since February 1, 2020 have you made successful contact with?
 - a) How many of these borrowers have set up an account with your company?
 - b) How are you ensuring borrowers set up accounts with your company?
- 8) How many borrowers serviced by Maximus received bills with inaccurate payment amounts due to servicer miscalculations?
 - a) How many borrowers received bills with higher payment amounts? How many borrowers paid the higher payment amounts? Has your company offered to automatically issue a refund?
 - b) How many borrowers that were eligible for \$0 payment plans were affected by this error?

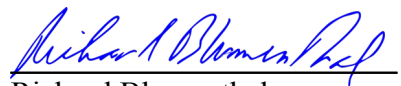
²⁶ EdFinancial provided a response to this question, Letter from EdFinancial to Senators Warren, Blumenthal, Markey, Van Hollen, October 11, 2023, p. 3, <https://www.warren.senate.gov/download/edfinancial-services-october-11-2023>.

- 9) For borrowers impacted by your servicing errors from August 1, 2023, to the present:
 - a) What is the total number of borrowers impacted by your servicing errors?
 - b) How many of these borrowers are eligible for placement in administrative forbearance pending resolution of the servicing errors?
 - c) How many have you placed in an administrative forbearance?
 - d) How many have been notified about the errors?
 - e) What is your communication strategy for reaching out to impacted borrowers?
 - f) What is your average timeline for resolving servicing errors identified above?
- 10) From August 1, 2023, to present, what penalty, if any, has been imposed on you by the Department as a result of servicing errors or failure to service borrowers' accounts in accordance with the loan servicing contract?
- 11) What is your Corrective Action Plan (CAP) to fix the servicing errors discussed above and those identified by the Department? Please discuss your plan to remedy harm to affected borrowers and make them whole.
- 12) As of June 1, 2023, to present, what contract modifications, change requests, or other directives have you received from the Department related to the return to repayment and implementation of the SAVE Plan?
- 13) How are you ensuring borrowers' payment histories are accurate when a borrower is transferred to Maximus from a different loan servicer?
- 14) How many complaints has Maximus received regarding long call and email wait times?
- 15) What is the current average time it takes Maximus to approve a new income-driven repayment plan application?
- 16) What is the current average time it takes Maximus to rectify an issue raised by a borrower?

Sincerely,



Elizabeth Warren
United States Senator



Richard Blumenthal
United States Senator

Edward J. Markey

Edward J. Markey
United States Senator

Chris Van Hollen

Chris Van Hollen
United States Senator