

# United States Senate

WASHINGTON, DC 20510

June 23, 2021

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

Dear Mr. Steeley:

We write to seek information on what appears to be false and misleading testimony that you provided at a hearing before the Committee on Banking, Housing, and Urban Affairs' Subcommittee on Economic Policy on April 13, 2021. New information provided by the Department of Education reveals numerous inaccuracies in the statement that you provided to the Subcommittee that your company, the Pennsylvania Higher Education Assistance Agency (PHEAA) "ha[s] not" been "penalized in any way" for its errors and mismanagement in handling the Public Service Loan Forgiveness (PSLF) program. The Subcommittee will be holding a follow-up hearing to focus on the apparent inaccuracies in your statements and PHEAA's overall record as a student loan servicer, and we ask that you come to that hearing prepared to explain your testimony.

In fact, nine Department reviews conducted since 2016 revealed problems with PHEAA's implementation of the program, resulting in four corrective action plans and two fines, each of more than \$100,000. This is a serious matter. Our hearing was held in part to understand the role of student loan servicers, and the extent to which they bear responsibility for the myriad failures of the student loan program. But it appears that you failed to provide accurate information about your company, undermining our Subcommittee's fact-finding role, and potentially misleading committee members and the public. And your testimony, if it was "knowingly and willfully" false, subjects you to fines and criminal charges.<sup>1</sup>

You made your statements in response to questions from Senator Warren at the hearing, during the following exchange about your compliance record.<sup>2</sup>

**Sen. Warren:** Mr. Steeley, just to take one example, the Education Department audits dating back to 2016 have shown that PHEAA's automated system creates errors and mistakenly disqualifies payments. Is that correct?

**Mr. Steeley:** I'm sorry, Senator, I do not believe that that is correct. You know, anytime we identify an issue, whether it's a regulator like the Education Department or

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<sup>1</sup> 18 U.S.C. § 1001

<sup>2</sup> Hearing before the Senate Committee on Banking, Housing, and Urban Affairs Subcommittee on Economic Policy The Student Debt Burden and Its Impact on Racial Justice, Borrowers & the Economy Tuesday, April 13, 2021.

through our own control procedures, we actively investigate it and we work to make it right for the borrowers.

...

**Sen. Warren:** ... You know, it seems clear to me that PHEAA presides over a so-called Public Service Loan Forgiveness program that has proven itself nearly incapable of ever actually granting public servants any loan forgiveness. Mr. Steeley, has the Department of Education terminated your contract or penalized your company in any way for its errors and mismanagement that have prevented teachers, and firefighters, and other public servants from getting the debt cancellation that the law provided them?

**Mr. Steeley:** Senator, I'd like to answer your question at first by saying, no they have not.

Twice in this series of questions, you made clear denials: first denying that PHEAA had failed audits because of errors made by their automated system for counting qualifying payments, and second denying that PHEAA had ever been "penalized in any way" for errors or mismanagement.

But we have recently obtained a letter from the Department of Education that raises questions about the veracity of both of these assertions. Specifically, the Department provided us with new information regarding its PHEAA-related quality assurance actions, beginning in February 2016 and running through March 2021.<sup>3</sup> This letter appeared to reveal what you claimed not to be true: that PHEAA has a long record of mismanagement, and numerous penalties or fines from the Education Department related to this mismanagement.

Specifically, the Department informed us that:

- In February and April, 2016, PSLF reviews by the Department revealed qualifying payment counter errors of 28% - which were reduced to 3% in October 2016 after "implementation of the Department's recommendations and FedLoan's automation of qualifying payment counts."
- In 2017, the Department conducted two "PSLF reviews with a focus on employer certification and qualifying payment counters. Both reviews highlighted discrepancies in consolidation loans (subsidies), as well as incorrect evaluations for accounts in which the borrower paid more than was required. As a result of the October review, the Department assessed a work plan ... due to inaccurate counting of qualifying payments. This work plan ... require[d] FedLoan to correct the accounts."
- In 2020, "the Department conducted three PSLF reviews. The first was on TEPSLF denials and resulted in the Department issuing a [Corrective Action Plan] and requiring FedLoan to repay \$108,000 to the Department in June 2020. The second review, on PSLF CARES Act denials in June 2020, had a 20% error rate, and resulted in the Department

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<sup>3</sup> Letter from Richard Cordray, Chief Operating Officer, Federal Student Aid, U.S. Department of Education, to Sen. Elizabeth Warren, May 10, 2021.

issuing a Change Request to FedLoan. The third review, conducted in September 2020, focused on qualifying payments for consolidation loans; based on the high number of borrowers affected (approximately 38,500), the Department will be reviewing these matters for potential work plans and/or [Corrective Action Plans].”

- “In October 2020, the Department issued a [Corrective Action Plan] and required FedLoan to repay approximately \$136,000 due to failure to properly apply automatic forbearance for income-driven repayment plan (IDR) applications, affecting over 65,000 borrowers.”
- “In March 2021, the Department conducted a PSLF review of military PSLF applications, finding a 20% error rate.”
- The Department also revealed that it “is in the process of drafting additional CAPs related to” the 2020 and 2021 reviews.

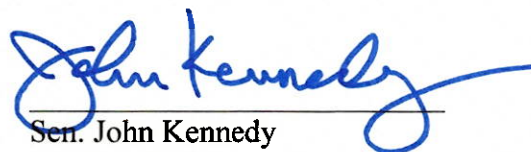
To summarize: you denied that Education Department audits dating to 2016 had revealed problems with PHEAA’s management of the PSLF program, and you denied that PHEAA had been “penalized in any way” for its failures. But the new information provided to me by the Education Department reveals that nine Department reviews conducted since 2016 revealed problems with PHEAA’s implementation of the program, resulting in four corrective action plans and two fines, each of more than \$100,000.

It is not clear how or why you provided information that appears to be inaccurate: while it is inexplicable that you were not aware of this series of Education Department findings and penalties relating to your company, it is equally incomprehensible that you would have subjected yourself to criminal penalties by “knowingly and willfully” providing false information to Congress. We therefore ask that you provide us with an explanation for your statements no later than July 7, 2021.

Sincerely,



Senator Elizabeth Warren  
Chair  
Subcommittee on Economic Policy



Sen. John Kennedy  
Ranking Member  
Subcommittee on Economic Policy