

United States Senate
WASHINGTON, DC 20510

December 2, 2021

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Dear Addressee:

We are writing to request updated information on your company's plans to support the millions of federal student loan borrowers who are scheduled to resume payment on their loans in 60 days.¹ This simultaneous restart of 32 million borrowers' loans, half of whom will also be transferring to a new loan servicer, marks an unprecedented event with a heightened risk of borrower harm.² At the same time, the Office of Federal Student Aid (FSA) recently announced new contract extensions with higher standards for customer service and borrower support, a long overdue step to address a long history of poor performance by the federal loan servicing program.³ With the scheduled resumption of payments fast approaching, we are requesting an

¹ Federal Student Aid, U.S. Department of Education, "Coronavirus and Forbearance Info for Students, Borrowers, and Parents," <https://studentaid.gov/announcements-events/coronavirus>.

² Consumer Financial Protection Bureau, "Report of the CFPB Education Loan Ombudsman," October 2021, pp. 4, https://files.consumerfinance.gov/f/documents/cfpb_education-loan-ombudsman-annual-report_2021.pdf.

³ The Department of Education, "U.S. Department of Education Increases Servicer Performance, Transparency, and Accountability Before Loan Payments Restart", October 15, 2021, <https://www.ed.gov/news/press-releases/us-department-education-increases-servicer-performance-transparency-and-accountability-loan-payments-restart>.

update on how your company is preparing for this historic transition to repayment while clearing the new higher bar for supporting borrowers.

In June 2021, we wrote to you and other federal loan servicers inquiring about your readiness to resume loan repayments.⁴ All but one servicer reported that they had little contact with borrowers during the payment pause.⁵ Most servicers reported that borrowers had gone more than a year without significant, proactive outreach from their loan servicer during the pandemic, with servicers attributed delays in contacting their borrowers to the lack of FSA guidance on when payments would restart.⁶ Additionally, all servicers reported needing more time to ensure that staffing was adequate to support borrowers, estimating that they would need from 57 to as many as 900 hires.⁷ While some servicers said that they had begun the hiring process, no servicer was able to report that all of their necessary staff had been hired and trained.⁸ The training and onboarding process is a significant time investment due to the complexity of federal loan programs: servicers reported that this process takes anywhere from 17 days to ten weeks,⁹ with most servicers requiring new hires to be supervised by more experienced call agents after they complete their formal training process.¹⁰ All told, the process of recruiting, hiring, training, and supervising additional staff was expected to take three to four months.

In June, servicers also indicated that they were seeking flexibility and streamlined processes from the Education Department to facilitate moving borrowers back into repayment more smoothly. These include allowing borrowers to verbally certify their income over the phone when enrolling in an Income Driven Repayment (IDR) plan; eliminating the requirement for a five-dollar payment when switching from one IDR plan to another; increasing the maximum number of months eligible for deferments; phasing in return to repayment for various groups of at-risk borrowers; lengthening the grace period for borrowers who have recently left school to allow them more time to find a job; and targeted, tax-free loan forgiveness for certain groups of borrowers.¹¹ All of these changes would require additional training for staff members and support from FSA to implement effectively.

⁴ U.S. Senator Elizabeth Warren, “Warren, Smith, Markey Call On Student Loan Servicers To Support Borrowers Before Repayments Resume”, June 21, 2021, <https://www.warren.senate.gov/newsroom/press-releases/warren-smith-markey-call-on-student-loan-servicers-to-support-borrowers-before-repayments-resume>.

⁵ U.S. Senator Elizabeth Warren, “In Response to Warren and Markey, Student Loan Servicers Indicate They Are Not Prepared for Payments to Resume,” July 14, 2021, <https://www.warren.senate.gov/newsroom/press-releases/in-response-to-warren-and-markey-student-loan-servicers-indicate-they-are-not-prepared-for-payments-to-resume>.

⁶ *Id.*

⁷ Letter from Granite State to Senators Warren, Markey, and Smith, July 2, 2021; Letter from PHEAA to Senators Warren, Markey, and Smith, July 2, 2021, <https://www.warren.senate.gov/imo/media/doc/Student%20Loan%20Servicer%20Responses.pdf>.

⁸ U.S. Senator Elizabeth Warren, “In Response to Warren and Markey, Student Loan Servicers Indicate They Are Not Prepared for Payments to Resume,” July 14, 2021, <https://www.warren.senate.gov/newsroom/press-releases/in-response-to-warren-and-markey-student-loan-servicers-indicate-they-are-not-prepared-for-payments-to-resume>.

⁹ Letter from Nelnet to Senators Warren, Markey, and Smith, July 6, 2021; Letter from Granite State to Senators Warren, Markey, and Smith, July 2, 2021, <https://www.warren.senate.gov/newsroom/press-releases/in-response-to-warren-and-markey-student-loan-servicers-indicate-they-are-not-prepared-for-payments-to-resume>.

¹⁰ U.S. Senator Elizabeth Warren, “In Response to Warren and Markey, Student Loan Servicers Indicate They Are Not Prepared for Payments to Resume,” July 14, 2021, <https://www.warren.senate.gov/newsroom/press-releases/in-response-to-warren-and-markey-student-loan-servicers-indicate-they-are-not-prepared-for-payments-to-resume>.

¹¹ *Id.*

On June 23, 2021, we shared these findings with President Biden and asked that the Department of Education (ED) delay the repayment restart date.¹² In August 2021, ED announced they were pushing back the restart date to January 31, 2022.¹³ This date is now approximately ten weeks away.

The last few months have also seen major transitions in federal student loan servicing, with two of the largest servicers leaving the program.¹⁴ The servicers who are remaining in the loan servicing program will have to take on the added responsibility of serving millions of new borrowers, many of whom may not even realize that their servicer has changed during the pandemic payment pause.

Furthermore, last month FSA announced new contract extensions with new and higher standards for the level of service student borrowers will receive.¹⁵ These new contracts require servicers to be evaluated each quarter on several new performance metrics, including customer service representatives' ability to answer borrower questions and help with navigation of repayment options. They also require expanded call center hours and more Spanish-speaking customer service representatives. Given the short time frame between now and January 31 and the complicated nature of the student loan program, servicers will need to work urgently to hire and train staff to meet these higher thresholds in time for the payment restart.

As this restart date approaches, we are seeking updated information on your company's readiness for the restart of payments and to meet FSA's stronger standards for protecting borrowers. We ask that you provide answers to the following questions no later than December 16, 2021:

- 1) Please provide specific steps your company has taken and will take to ensure borrowers that its services successfully transition back to student loan repayments after January 31, 2022.
- 2) How is your company communicating with borrowers previously enrolled in auto-debit about the restart of payments?
 - a) How many rounds of outreach have you done about auto-debits so far?
 - b) What method of communication have had the best response rates? What is the response rate for each method of communication you have used?
- 3) How is your company communicating with borrowers not enrolled in auto-debit about the restart of payments?

¹² U.S. Senator Elizabeth Warren, "Warren, Schumer, Pressley, Courtney Lead Call On Biden to Extend Pause on Student Loan Payments", June 23, 2021, <https://www.warren.senate.gov/imo/media/doc/Letter%20to%20Biden%20re%20extension%20of%20payment%20pause%20final%206.23.21%20final.pdf>.

¹³ U.S. Department of Education, "Biden Administration Extends Student Loan Pause until January 31, 2022," press release, August 6, 2021, <https://www.ed.gov/news/press-releases/biden-administration-extends-student-loan-pause-until-january-31-2022>.

¹⁴ Forbes, "Student Loan Servicing: What's Changing for 14 Million Borrowers, and When? Here's the Latest," Adam S. Minsky, November 17, 2021, <https://www.forbes.com/sites/adamminsky/2021/11/17/student-loan-servicing-whats-changing-for-14-million-borrowers-and-when-heres-the-latest/?sh=f1f75aa52248>.

¹⁵ The Department of Education, "U.S. Department of Education Increases Servicer Performance, Transparency, and Accountability Before Loan Payments Restart", October 15, 2021, <https://www.ed.gov/news/press-releases/us-department-education-increases-servicer-performance-transparency-and-accountability-loan-payments-restart>.

- a) How many rounds of outreach have you done so far?
- b) What method of communication have had the best response rates? What is the response rate for each method of communication you have used?
- 4) How is your company communicating with new borrowers that have been or will be transferred to your company?
 - a) How many rounds of outreach have you done so far?
 - b) What method of communication have had the best response rates? What is the response rate for each method of communication you have used?
- 5) Since our last correspondence,¹⁶ what proactive approaches has your company taken to ensure that student loan borrowers are in the right payment plan once their payments resume? Please provide details on these outreach efforts.
- 6) Since our last correspondence,¹⁷ please describe the targeted outreach efforts, if any, that your company has taken or intends to take to prepare at-risk borrowers for the reactivation of their student loan payments in January 2022.
- 7) Since our last correspondence,¹⁸ are you on track to complete hiring in advance of the loan payment pause being lifted?
 - a) How many additional staff do you need to hire before January 31, 2022? How many staff total will you have at that point, and what will the ratio of borrowers to staff be at that point? How will it compare to the ratio you had in February 2020?
 - b) How many of these staff will be Spanish-speaking? How many total Spanish-speaking customer service representatives do you plan to have on staff? How many primarily Spanish-speaking borrowers do you estimate that you will be servicing?
 - i) What are the guidelines to ensure borrowers are able to get in touch with a Spanish speaking representative in a timely manner?
- 8) Since January 1, 2021, how many student loan borrowers whose loans you service have contacted you about a change in their financial circumstances? How many of these individuals have been placed in income-driven repayment (IDR) plans that will take effect in February 2022?
 - a) How many of these individuals have been placed in income-driven repayment (IDR) plans that will take effect in February 2022?
 - b) What steps has your company taken to be prepared to handle many of these circumstantial changes simultaneously when the pause in payments is scheduled to end in February 2022?
 - c) What is the current processing time for entering into an IDR plan or recertifying with a new payment in an existing IDR plan?
- 9) What steps has your company taken to ensure that borrowers who would be better served by IDR than a forbearance are supported in successfully entering IDR?
 - a) What training are you providing to customer service staff to ensure borrowers receive such support and are not steered into forbearances?
- 10) What steps has your company taken to ensure that borrowers who would be better served by IDR than a forbearance are supported in successfully entering IDR?


¹⁶ U.S. Senator Elizabeth Warren, “In Response to Warren and Markey, Student Loan Servicers Indicate They Are Not Prepared for Payments to Resume,” July 14, 2021, <https://www.warren.senate.gov/newsroom/press-releases/in-response-to-warren-and-markey-student-loan-servicers-indicate-they-are-not-prepared-for-payments-to-resume>.

¹⁷ *Id.*

¹⁸ *Id.*

- 11) Do you expect to be able to meet FSA’s expectations for expanded call center hours and Spanish-speaking call center staff by the time payments resume in February 1, 2022? Do you expect to be able to meet FSA’s target thresholds for the following performance metrics by February 1, 2022?¹⁹
- a) The percentage of borrowers who end a call before reaching a customer service representative by phone.
 - b) How well customer service representatives answer borrower questions and help them navigate repayment options.
 - c) Whether servicers process borrower requests accurately the first time. And,
 - d) The overall level of customer service provided to borrowers.
- 12) Please describe your process for responding to borrower complaints made to state and federal agencies. How has this process been changed to support increased accountability?
- 13) What protections has your company put in place to ensure that account and payment histories are fully and accurately transferred for accounts being transferred between servicers?
- 14) What protections has your company put in place to ensure that borrowers are not harmed if their current servicer does not receive an on time payment due to uncertainty about how to make a payment, where to send a payment, the amount due or date due, or because of a change in financial circumstances that has not yet been fully addressed through completion of the recertification process or provision of a requested deferment or forbearance?
- 15) Do you expect to be able to implement any policy changes, such as streamlined enrollment processes, extended grace periods, or targeted or broad-based debt forgiveness, before payments resume on February 1, 2022?

Sincerely,



Elizabeth Warren
United States Senator



Chris Van Hollen
United States Senator



Richard Blumenthal
United States Senator



Tina Smith
United States Senator

¹⁹ U.S. Department of Education, “U.S. Department of Education Increases Servicer Performance, Transparency, and Accountability before Loan Payments Restart”, October 15, 2021, <https://www.ed.gov/news/press-releases/us-department-education-increases-servicer-performance-transparency-and-accountability-loan-payments-restart>.