

# United States Senate

WASHINGTON, DC 20510

March 19, 2020

The Honorable Betsy DeVos  
Secretary of Education  
U.S. Department of Education  
400 Maryland Avenue, SW  
Washington, DC 20202

Dear Secretary DeVos:

We write in response to the Administration's announcement it would waive interest accumulation for certain federal student loan borrowers in response to the novel coronavirus (COVID-19) pandemic. The U.S. Department of Education ("Department") has indicated borrowers of both Direct Loans and Department-held Federal Family Education Loans (FFEL) will receive this waiver for the foreseeable future. While we appreciate the step to waive interest and soften the longer-term financial burden on student loan borrowers, we believe there are better ways to help those with student debt that will provide immediate financial benefits to borrowers and the economy. We strongly urge the Administration to take additional steps, including those outlined below, to help federal student loan borrowers impacted by COVID-19 and to help stabilize the economy.

Federal student loan borrowers face a range of severe challenges in the coming weeks and months. Those who become infected and cannot work temporarily, lose their jobs, have their work hours cut, juggle increased child care needs, or struggle to afford medical treatment will face significant economic strain as a result of COVID-19. These concerns, however, are not isolated to individual borrowers.

As economic concerns about the impact of the virus continue to mount, the country is already beginning to face substantial job losses and which, as it accelerates, will lead to the dramatic erosion of individual family's economic stability. This confluence of events has a proven and dramatic impact on the ability of federal student loan borrowers to manage or repay their loans, driving up both student loan delinquency and default.<sup>1</sup> At this critical time, providing immediate relief to the borrowers of the nation's \$1.5 trillion student debt balance also would provide a much-needed lift to the economy that would benefit all of us.

Congress is currently considering measures to provide additional relief to federal student loan borrowers. However, it is critical the Department also act immediately to use available Administrative authorities that protect borrowers from unnecessary harm. Accordingly, we urge the Department to take the following actions to provide relief to federal student loan borrowers:

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<sup>1</sup>Blagg, K. and Blom, E. Urban Institute. "Student debt repayment fell during the Great Recession. Borrowers from low-income backgrounds saw the steepest decline." May 16, 2018. <https://www.urban.org/urban-wire/student-debt-repayment-fell-during-great-recession-borrowers-low-income-backgrounds-saw-steepest-decline>

- 1. Cease all involuntary collections activity, including the garnishment of wages, tax refunds, and Social Security benefits.** The Department must instruct its contractors to halt all involuntary collections activity associated with student loan debt. The federal government seizes approximately \$3.6 billion from borrowers by offsetting their Social Security benefits, seizing parts of paychecks, and holding back tax refunds each year.<sup>2</sup> This collections activity puts a significant strain on low-income individuals who are already beginning to feel the economic shocks of COVID-19, and particularly the high-risk populations like seniors and the immunocompromised who should reserve all of their available financial resources to keep themselves and their families safe and healthy. As a result, the Administration should cease administrative wage garnishment, stop seizing tax refunds from any borrowers who filed tax returns for tax year 2019 or before, and end all garnishment of Social Security payments. Additionally, this policy should affect both currently delinquent and defaulted accounts, as well as those that become delinquent or default during the COVID-19 outbreak; the Department should temporarily stop making new referrals to agencies for offset under the Debt Collection Improvement Act of 1996.
- 2. Halt interest capitalization that occurs after the President’s announcement.** While the President’s announcement and subsequent Department guidance suggested borrowers would not see interest accumulate after March 13, 2020, no information was provided on how the Department plans to handle interest capitalization from interest that was accumulated prior to this date. For borrowers who are exiting their grace period following enrollment in higher education, those leaving income-driven repayment and returning to a different repayment plan, and borrowers exiting a previous deferment or forbearance, the accumulated interest will capitalize into the principal balance of the loan—increasing the lifetime cost of these loans dramatically. Interest capitalization unnecessarily penalizes borrowers and puts them further into debt. The Department should take immediate steps to halt interest capitalization during the same period that interest accumulation is waived.
- 3. Provide an emergency operations plan to continue essential servicing operations regardless of COVID-19 disruptions.** We are concerned that some federal student loan servicers that contract with the Department may be closing or reducing their call center operations. If customer service during the COVID-19 outbreak degrades, borrowers will not be able to get the help they need with their student loans, and could experience additional financial challenges on top of the significant economic distress they are already facing. Servicing operations often involve the handling of sensitive tax and income data, and employees of the servicers must be able to provide the help they need to borrowers even if those employees are working from home. The Department should put forward a comprehensive plan to ensure that student loan servicers are able to continue all essential operations during the COVID-19 outbreak.
- 4. Ensure that borrowers are always fully informed about their options.** If borrowers call their student loan servicer for assistance, these borrowers need to understand their full range of options. If borrowers enter student loan deferment or forbearance, these

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<sup>2</sup> *Improvements to Program Design Could Better Assist Older Student Loan Borrowers with Obtaining Permitted Relief*, United States Government Accountability Office, Figure 1. December, 2016. <https://www.gao.gov/assets/690/681722.pdf>.

borrowers will lose credit during that period toward forgiveness under income-driven repayment (IDR) plans or toward Public Service Loan Forgiveness (PSLF). However, deferment and forbearance are not always in the best financial interest of the borrower. Roughly 40 percent of all borrowers in IDR receive a “\$0 payment,” meaning they do not have any amount due on their monthly bill.<sup>3</sup> But unlike periods of deferment and forbearance, these IDR payments still count toward forgiveness. If the Department or its servicers agree to apply deferment or forbearance to any borrower, or groups of borrowers, it should not result in additional time or costs in repaying their loans.

The Department should immediately direct all servicers to notify borrowers who place inbound calls to servicers about the opportunity for IDR and provide borrowers with an estimated payment amount if they provide their income and family size. If borrowers inquire about the President’s announcement on interest accrual, ask about deferment or forbearance, or indicate any difficulty in making payments for any reason, servicers should use a standard call script to ask borrowers if they would be interested in lowering their monthly payments through IDR to as low as \$0, including that individuals who recently lost their job due or saw their income reduced are eligible to have payments that reflect their current financial circumstances. Additionally, borrowers should be notified that, consistent with the President’s March 13, 2020 announcement, no interest will accumulate on the borrower’s loans under an IDR plan, even with a low or \$0 payment and regardless of the borrower’s outstanding balance, for the foreseeable future.

- 5. Move forward to immediately implement automatic-recertification for IDR plans in accordance with the FUTURE Act.** Borrowers must annually recertify their income and family size in order to stay in an IDR plan. Those who do not recertify on-time will see the capitalization of interest into their loans and an increase in monthly payments. IDR recertification deadlines that come due during the COVID-19 will present an added stress on borrowers. Pursuant to the FUTURE Act (Public Law No: 116-91), the Secretary now has the authority to allow borrowers to automatically share their tax data and recertify their participation in IDR. The Department should accelerate current efforts to implement the FUTURE Act to remove these burdensome processes for borrowers, saving them both time and money.
- 6. Lower the barriers to enroll in income-driven repayment plans.** While IDR options provide significant benefits to borrowers, the process for enrolling in IDR has been a historically burdensome process. Under current processes, borrowers have to disconnect from servicers’ customer service representatives to fill out forms online or by hand. However, there is no statute or regulation prohibiting the Secretary from implementing a more user-friendly experience. The circumstances of COVID-19 require a more streamlined process. The Secretary should allow borrowers to verbally attest to their income and family size to receive an IDR payment amount for 12 months. A previous

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<sup>3</sup> Holger M. Mueller & Constantine Yannelis, *Reducing Barriers to Enrollment in Federal Student Loan Repayment Plans: Evidence from the Navient Field Experiment*, U. of Chicago Booth Sch. of Bus. November 2019. <https://faculty.chicagobooth.edu/constantine.yannelis/IBR.pdf>.

pilot program showed that streamlined IDR enrollment was feasible and financially sound; the pilot increased IDR uptake and benefitted borrowers financially.<sup>4</sup>

- 7. Ensure borrowers who take a leave of absence do not trigger loan repayment.** With the effects of COVID-19 reaching most college campuses across the country, many institutions of higher education have been forced to close in part or in full. Many campuses have switched from in-person classes to distance education. Some campuses have closed their housing and food facilities, causing significant disruption to students with few places to turn to meet their basic needs. As a result, a large number of students will withdraw or take a leave of absence from their institution until the effects of COVID-19 have subsided and they can return to their studies. The Higher Education Act provides for a 180-day window for these leaves of absence. However, due to barriers associated with institutional practices and Return of Title IV procedures, many such students will be reported to the federal government as withdrawn, which will immediately engage a student's one-time student loan grace period or, for those who have previously used their grace period, force them directly into repayment. The Department should issue guidance to communicate that all students needing to take a leave of absence for any reason will not be reported as withdrawn (triggering repayment) until the full 180-day period has expired. Further, the Department should reiterate to institutions that they are liable for any violations of federal student aid reporting rules by a third party servicer, including any company or contractor hired by schools to manage required reporting on student enrollment.

The Department has numerous tools at its disposal to mitigate the effects of COVID-19 and the resulting damage to our economy. The President's announcement that student loan interest will be waived is simply not enough. The outbreak of this global pandemic necessitates bold action to provide real and timely relief to students, borrowers, and their families. As Congress considers current proposals to provide additional support to struggling student loan borrowers, we urge you to also take swift action to implement these requests using the statutory and regulatory flexibilities afforded to the Secretary during a time of national emergency. Thank you for your consideration of these requests and your timely response.

Sincerely,



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PATTY MURRAY  
United States Senator



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CHARLES E. SCHUMER  
United States Senator

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<sup>4</sup> *Supra*, see note 3.

*Dick Durbin*

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RICHARD J. DURBIN  
United States Senator

*Ron Wyden*

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RON WYDEN  
United States Senator

*Sherrod Brown*

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SHERROD BROWN  
United States Senator

*Elizabeth Warren*

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ELIZABETH WARREN  
United States Senator