EXAMINING THE POLICIES AND PRIORITIES OF THE OFFICE OF FEDERAL STUDENT AID

HEARING

BEFORE THE

SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE INVESTMENT

OF THE

COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

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EXAMINING THE POLICIES AND PRIORITIES OF THE OFFICE OF FEDERAL STUDENT AID

Wednesday, October 27, 2021

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EDUCATION AND WORKFORCE INVESTMENT,
COMMITTEE ON EDUCATION AND LABOR,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:16 p.m., via Zoom, Hon. Frederica S. Wilson (Chairwoman of the Subcommittee) presiding.

Present: Representatives Wilson, Jayapal, Leger Fernández, Manning, Bowman, Pocan, Castro, Sherrill, Espaillat, Courtney, Bonamici, Scott (*ex officio*), Murphy, Grothman, Banks, Comer, Miller-Meeks, Good, McClain, Harshbarger, Letlow, and Foxx (*ex officio*).

Staff present: Katie Berger, Professional Staff; Jessica Bowen, Professional Staff; Rashage Green, Director of Education Policy; Christian Haines, General Counsel; Rasheedah Hasan, Chief Clerk; Sheila Havenner, Director of Information Technology; Eli Hovland, Policy Associate; Ariel Jona, Policy Associate; Andre Lindsay, Policy Associate; Max Moore, Staff Assistant; Mariah Mowbray, Clerk/Special Assistant to the Staff Director; Kayla Pennebecker, Staff Assistant; Véronique Pluviose, Staff Director; Manasi Raveendran, Director of Education Oversight and Counsel; Banyon Vassar, Deputy Director of Information Technology; Claire Viall, Professional Staff; Cyrus Artz, Minority Staff Director; Caitlin Burke, Minority Professional Staff Member; Michael Davis, Minority Operations Assistant; Amy Raaf Jones, Minority Director of Education and Human Resources Policy; David Maestas, Minority Fellow; Hannah Matesic, Minority Director of Member Services and Coalitions; Eli Mitchell, Minority Legislative Assistant; Chance Russell, Minority Professional Staff Member; Mandy Schaumburg, Minority Chief Counsel and Deputy Director of Education Policy; and Brad Thomas, Minority Senior Education Policy Advisor.

Chairwoman WILSON. Good morning. We are ready to begin. I will count down from five and then we will start. Five, four, three, two, one. The Subcommittee on Higher Education and Workforce Investment will come to order. Welcome everyone.

I note that a quorum is present. I note for the Subcommittee that Mr. Keller of Pennsylvania and Mr. Fitzgerald of Wisconsin are permitted to participate in today's hearing with the understanding that their questions will come only after all Members of the Subcommittee on both sides of the aisle who are present have had an opportunity to question the witnesses.

The Subcommittee is meeting today to hear testimony on policies and priorities of the Office of Federal Student Aid. This is an entirely remote hearing. All microphones will be kept muted as a general rule to avoid unnecessary background noise.

Members and witnesses will be responsible for unmuting themselves when they are recognized to speak, or when they wish to seek recognition. I also ask that Members please identify themselves before they speak. Members should keep their cameras on in the proceeding. Members be present in the proceeding when they are visible on camera, and they should be considered not present when they are not visible on camera.

The only exception to this if they are experiencing technical difficulty and inform Committee staff of such difficulty. If any Member experiences technical difficulties during the hearing you should stay connected on the platform, make sure you are muted, and use your phone to immediately call the Committee's IT director whose number was provided in advance.

Should the Chair experience technical difficulties or need to step away to vote on the floor Representative Bonamici or another majority Member is hereby authorized to assume the gavel in the Chair's absence. This is an entirely remote hearing and as such the Committee's hearing room is officially closed. Members who choose to sit with their individual devices in the hearing room must wear headphones to avoid feedback, echoes, and distortion resulting from more than one person on the same software platform sitting in the same room.

Members are also expected to adhere to social distancing and safe healthcare guidelines, including the use of masks, hand sanitizer, and wiping down their areas both before and after their presence in the hearing room.

In order to ensure that the Committee's five-minute rule is adhered to staff will be keeping track of time using the Committee's field timer. The field timer will appear in its own thumbnail picture, and it will be named 001__timer. There will be no one minute remaining warning. The field timer will show a blinking light when time is up.

Members and witnesses are asked to wrap up promptly when their time has expired. Pursuant to Committee Rule 8(c) opening statements are limited to the Chair and the Ranking Member. This allows us to hear from our witnesses—in this case, our witness sooner, and provides all Members with adequate time to ask questions.

I recognize myself now for the purpose of making an opening statement. Today we meet to discuss the Office of Federal Student Aid work to protect and support student borrowers. Mr. Cordray welcome to the Committee on Education and Labor and your first hearing before Congress in your role as FSA's Chief Operating Officer. We are honored to have you here this morning.

Under your leadership FSA manages Federal financial aid programs including Pell grants, campus-based aid, and Federal student loans. This is a tremendous responsibility as there are 43 million Federal student loan borrowers who owe more than 1.5 trillion dollars.

Alarmingly, under Secretary Devos and President Trump, the Department abandoned his responsibility to America's students and taxpayers, including by withholding debt relief from hundreds of thousands of students who were defrauded by low-quality institutions, allowing predatory institutions to collect millions of dollars from taxpayers, shielding student loan servicing companies from regulatory agencies and State law enforcement, and failing to ensure borrowers receive accurate information about critical programs, such as the public student loan forgiveness program, that are designed to support student borrowers and their families.

So, I am grateful that we now have an education department that is listening to student borrowers and working diligently to better support them. I recently heard from a constituent who was a teacher with nearly $100,000.00 in outstanding student loan debt. His loan balance has ballooned because the monthly payment that he can afford to make have failed to keep pace with interest on his loan.

This experience is not unique, which is why I applaud the transformative actions that the Department of Education has taken under your leadership and the leadership of Secretary Cardona to provide hundreds of thousands of student borrowers with the loan relief they were legally entitled to receive.

And I look forward to the outcome of the Department's ongoing negotiated rulemaking process, which will hopefully provide further relief to low-income borrowers and others and streamline the loan repayment process.

In August the administration took action to discharge the loans of 364,000 borrowers who had a total and permanent disability. The Department also made important changes to streamline and automate relief for eligible borrowers in the future and ensure that their loans are not mistakenly reinstated.

The Biden administration has also approved student loan relief for 92,000 student borrowers who were defrauded by their institutions and secured relief for an additional 115,000 Federal student borrowers who were left stranded by the sudden collapse of ITT Technical Institute.

And most recently the administration announced major changes to the public service loan forgiveness program both through a time limited waiver and the rulemaking process to keep our promise to nurses, teachers, first responders, and other public service workers.

Many public servants across the country have already been notified that help is on the way. In total, the Biden/Harris administration has erased 9.5 billion dollars in loans for 563,000 borrowers. In many cases the relief provided has helped give borrowers and their families a second chance to a better life.

I also applaud the steps the Department has taken to protect students and taxpayers from low-quality institutions, including reinstating the FSA's enforcement unit which was dormant under Secretary DeVos. While the Department's progress has been encouraging, FSA is facing a series of major hurdles that are on the horizon. The upcoming return of loan repayment presents a monumental task for FSA and student loan services.

We must ensure that students receive the education and support they need to begin repaying. They're going to need a lot of support to transition. Many borrowers may be unsure of their rights and responsibilities and are experiencing continued financial hardship caused by this looming pandemic that may entitle them to change their repayment plans.

We have to monitor this very carefully. Loan serving companies need a robust and well-trained workforce to support an increased volume of borrower requests as repayment begins.

And finally, while the shift to Next Gen is a major opportunity to make long needed reforms to student loan servicing, the continuous delays under the Trump administration have left FSA with no margin for error. This hearing is a chance to learn about FSA's plans to address these critical issues, how they are balancing various priorities and what is being done to ensure that low-income borrowers and other risk groups, receive the appropriate attention from their loan services and FSA. Black students are the most impacted by student loans. I look forward to our discussion and the work you have ahead to ensure that all students—all students in this country can access high-quality, higher education without taking on debt they cannot repay, or falling victim to predatory institutions.

Thank you again Mr. Cordray for being with us today and for your work to secure relief for student borrowers. We applaud you. I now recognize the distinguished Ranking Member for the response of making an opening statement. Welcome Dr. Murphy.

[The prepared statement of Chairwoman Wilson follows:]

STATEMENT OF HON. FREDERICA S. WILSON, CHAIRWOMAN, SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE INVESTMENT

Today, we meet to discuss the Office of Federal Student Aid's work to support and protect student borrowers. Mr. Cordray, welcome to the Committee on Education and Labor and to your first hearing before Congress in your role as FSA's chief operating officer. We are honored to have you here this morning.

Under your leadership, FSA manages Federal financial aid programs including Pell Grants, campus-based aid, and Federal student loans.

This is a tremendous responsibility as there are 43 million Federal student loan borrowers who owe more than 1.5 trillion dollars.

Alarmingly, under Secretary DeVos and President Trump, the department abandoned its responsibility to America's students and taxpayers, including by:

- Withholding debt relief from hundreds of thousands of students who were defrauded by low-quality institutions;
- Allowing predatory institutions to collect millions of dollars from taxpayers;
- Shielding student loan servicing companies from regulatory agencies and State law enforcement; and
- Failing to ensure borrowers received accurate information about critical programs, such as the Public Service Loan Forgiveness Program, that are designed to support student borrowers and their families.

I am grateful that we now have an Education Department that is listening to student loan borrowers and working diligently to better support them.

I recently heard from a constituent who is a teacher with nearly a hundred thousand dollars in outstanding student loan debt. His loan balance has ballooned because the monthly payments that he can afford to make have failed to keep pace with the interest on his loan.

This experience is not unique, which is why I applaud the transformative actions that the Department of Education has taken under your leadership and the leadership of Secretary Cardona to provide hundreds of thousands of student borrowers with the loan relief they were legally entitled to receive.

And I look forward to the outcome of the Department's ongoing negotiated rulemaking process, which will hopefully provide further relief to low-income borrowers and others and streamline the loan repayment process.

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And most recently, the administration announced major changes to the Public Service Loan Forgiveness program, both through a time-limited waiver and the rulemaking process, to keep our promise to nurses, teachers, first responders, and other public service workers. Many public servants across the country have already been notified that help is on the way.

In total, the Biden-Harris administration has erased $9.5 billion in loans for 563,000 borrowers. In many cases, the relief provided has helped give borrowers and their families a second chance to a better life.

I also applaud the steps that the Department has taken to protect students and taxpayers from low-quality institutions, including reinstating the FSA's Enforcement Unit, which was dormant under Secretary DeVos.

While the department's progress has been encouraging, FSA is facing a series of major hurdles that are on the horizon.

The upcoming return to loan repayment presents a monumental task for FSA and student loan servicers. We must ensure that students receive the education and support they need to begin repaying. They're going to need a lot of support to help transition. Many borrowers may be unsure of their rights and responsibilities or are experiencing continued financial hardship caused by this looming pandemic, that may entitle them to change their repayment plan. We have to monitor this very carefully.

Loan-serving companies need a robust and well-trained workforce to support an increased volume of borrower requests as repayment begins.

And finally, while the shift to NextGen is a major opportunity to make long-needed reforms to student loan servicing, the continuous delays under the Trump administration have left FSA with no margin for error.

This hearing is a chance to learn about FSA's plans to address these critical issues, how they are balancing various priorities, and what is being done to ensure that low-income borrowers and other at-risk groups receive the appropriate attention from their loan servicers and FSA. Black students are the most impacted by student loans.

I look forward to our discussion and the work we have ahead to ensure that all students—all students—in this country can access high-quality higher education without taking on debt they cannot repay or falling victim to predatory institutions.

Thank you, again, Mr. Cordray, for being with us today and for your work to secure relief for student borrowers. We applaud you. I now recognize the distinguished Ranking Member for the purpose of making an opening statement. Welcome Dr. Murphy.

Mr. MURPHY. Thank you, Madam Chairman. Thank you very much for those opening comments. Before I get to my statement, I appreciate the complexity of this issue. We have so many people that don't understand that signing on a dotted line means that they have to pay money back.

Also we have understanding unfortunately, that so many of our institutions of higher education have not been bastions of financial prudence, and therefore those financial burdens are laid upon those students. So it's really a multifactorial problem. We need to get on our institutions to cut back costs so that students do not have their futures forsaken, so I appreciate the comments.

So you know the Office of Federal Student Aid is an important agency that is responsible for overseeing the disbursement of over 100 billion in grants, loans, and student aid dollars each year.

Through such aid millions of students are able to pursue postsecondary education who would otherwise not have the means to do so, and that's a very, very, just cause.

In addition to this vital function FSA plays in higher education, FSA is also tasked with overseeing one of the greatest challenges that the Department of Education has faced since its inception, returning nearly 45 million borrowers into repayment status after nearly 2-year hiatus in response to the COVID–19 pandemic.

The stakes could not be higher as the consequence of a failed transition would be catastrophic as millions of borrowers, those who signed on the dotted line, could needlessly default on their loans, thus ruining their own financial future. This should be the full focus of FSA, but unfortunately this office has bowed somewhat to partisan politics and put the wishes of a democratic party progressive face over the immediate needs of those students who they serve.

Instead of working with its partners to ensure the transition to repayment runs smoothly, FSA has taken to an us versus them approach, treating these contractors more like adversaries than the critical partners that they really are. It's not a stretch to assume that such rhetoric from the highest levels of FSA contributed to the exit of several Federal student loan services over the last year who have collectively served 16.5 million borrowers.

Further, FSA is currently carrying out the implementation of the FAFSA simplification and the Future Act. Instead of focusing on their implementation, which is critical to the disbursement of Federal student aid dollars, FSA has decided to spend its energy harping on for-profit colleges through the revival of an Obama era enforcement unit, while turning a blind eye to the misdeeds of institutions that serve a vast majority of students.

To make matters worse, the Biden administration is using a permanent pandemic narrative to expand its takeover of higher education, recently announcing an executive action to overhaul the public service loan forgiveness program in direct conflict with the law that democrats unilaterally wrote.

This will undoubtedly take away necessary resources that should be allocated to the soon to be disaster in the Federal student loan program. In addition to the massive overreach of executive authority, this policy is fundamentally unjust. It puts taxpayers—the majority of whom do not own a college degree on the hook for billions of dollars in student loans borrowed by individuals making more than those taxpayers.

This is on top of 100 billion dollars taxpayers are already responsible for due to continuation of the student loan repayment pause. Given FSA has decided to spend its given, on pleasing progressive advocates, it's usurping Cordray's team to pushing others to do FSA's job, including telling states to regulate Federal student loan services.

FSA's lack of leadership will ultimately hurt the very students it claims to care about. For these reasons I'm glad Chairwoman has called this hearing today. Committee republicans have requested information regarding all of these critical issues, but unfortunately, we received little or no response with the exception of an 11th hour letter that sadly did not address our questions.

As I would expect should be and should be the case. Unfortunately rather, we have Chief Operating Officer Cordray here today to provide these answers for us, and I look forward to hearing more details on all of these issues. Thank you, Madam Chairman. With that I will yield back.

[The prepared statement of Mr. Murphy follows:]

STATEMENT OF HON. GREGORY F. MURPHY, RANKING MEMBER, SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE INVESTMENT

The Office of Federal Student Aid (FSA) is an important agency that is responsible for overseeing the disbursement of over $100 billion in grants, loans, and other student aid dollars each year.

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In addition to this vital function FSA plays in higher education, FSA is also tasked with overseeing one of the greatest challenges the Department of Education has faced since its inception—returning nearly 45 million borrowers into repayment status after a near 2-year pause in response to the COVID–19 pandemic.

The stakes could not be higher as the consequences of a failed transition would be catastrophic—as millions of borrowers, those who signed on the dotted line, could needlessly default on their loans, thus ruining their financial future.

This should be the sole focus of FSA, but unfortunately, this office has bowed somewhat to partisan politics and put the wishes of the Democrat party's progressive base over the immediate needs of student borrowers.

Instead of working with its partners to ensure the transition to repayment runs smoothly, FSA has taken an 'us versus them approach,' treating these contractors more like adversaries than the critical partners that they really are. It's not a stretch to assume that such rhetoric from the highest levels of FSA contributed to the exit of several Federal student loan servicers over the last year who collectively serve 16.5 million borrowers.

Further, FSA is also currently carrying out the implementation of the FAFSA Simplification Act and the FUTURE Act. Instead of focusing on their implementation which is critical to the disbursement of Federal student aid dollars, FSA has decided to spend its energy harping on for-profit colleges through the revival of an Obama-era enforcement unit while turning a blind eye to the misdeeds of institutions that serve the vast majority of students.

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This is on top of the $100 billion taxpayers are already responsible for due to the continuation of the student loan repayment pause. We have received little to no response, with the exception of a few 11th hour letters that sadly did not address our questions and I expect you all knew would be the case.

Given FSA has decided to spend its energy on pleasing progressive

advocates, its unsurprising Cordray's team are pushing others to do FSA's job, including telling states to regulate Federal student loan servicers. FSA's lack of leadership will ultimately hurt the very students it claims to care about.

For these reasons, I am glad the Chairwoman has called for this hearing today. Committee Republicans have requested information regarding all these critical issues. But unfortunately, we have received little to no response, with the exception of a few 11th hour letters that sadly did not address our questions as I expect you all knew would be the case.

But fortunately, we have Chief Operating Officer Richard Cordray today and I look forward to hearing more details on all of these issues.

Chairwoman WILSON. Our witness, Mr. Richard Corday is the Chief Operating Officer, COO, of Federal Student Aid, FSA. Prior to his role, Mr. Cordray served for 6 years as the Director of the Consumer Financial Protection Bureau, CFPB. Before joining CFPB, Mr. Cordray served as Ohio's Attorney General and also served as Ohio Treasurer and Ohio State Representative and Ohio's Solicitor General. Welcome. We appreciate—we will now hear from our witness today.

Mr. CORDRAY. All right, thank you, Chair Wilson, Ranking Member Murphy, and Members of the Subcommittee.

Chairwoman WILSON. We appreciate you for participating today and look forward to your testimony. Let me remind you that we have read your written statement, and it will appear in full in the hearing record. Pursuant to Committee Rule 8(d) and Committee practice, you are asked to limit your oral presentation to a 5-minute summary of your written statement.

Before you begin your testimony please remember to unmute your microphone and start your testimony. Staff will be keeping track of time and a light will blink when time is up. Please be attentive to the time, wrap up when your time is over, and remute your microphone.

If you experience technical difficulty during your testimony, or later in the hearing, you should stay connected on the platform, make sure you are muted, and use your phone to immediately call the Committee's IT director whose number was provided to you in advance.

After your presentation we will move to Member questions. When answering the questions please remember to unmute your microphone. The witness is aware of his responsibility to provide accurate information to the Subcommittee, and therefore we will proceed with this testimony. And now, welcome Mr. Cordray.

STATEMENT OF HON. RICHARD CORDRAY, CHIEF OPERATING OFFICER, U.S. DEPARTMENT OF EDUCATION OFFICE OF FEDERAL STUDENT AID

Mr. CORDRAY. Thank you, Chair Wilson. I think I jumped the gun there a moment, Ranking Member Murphy, Members of the Subcommittee, thank you for allowing me to testify today about the Federal student aid's priorities. And though I'm no stranger to testifying before Congress, this is my first occasion in my new position.

Right now at FSA we face great challenges as we seek to provide the quality service that students, borrowers, and families deserve. Everyone has felt the effects of COVID–19 which has produced a notable downturn in both FAFSA completion enrollment rates. This should be of grave concern to all of us who want to see our country achieve its full potential for generations to come.

Our top priority every year is to ensure that students and their families have reliable, uninterrupted access to the financial help they need. The FAFSA form itself is facing huge changes as we implement two new laws you passed to improve the student aid process. The changes you legislated will make it easier to complete the FAFSA form, unlocking aid for many more Americans.

The operational challenges are extensive, and we're being deliberate and strategic in planning to implement them. We're also working to reform the FAFSA verification process to reduce the burden on eligible students and their families helping them secure financial aid while protecting taxpayers. FSA is also charged with serving students across the full lifecycle of student aid. As you know many millions of borrowers already are in repayment, and we're making changes to better serve them.

For example, the Department of Education recently announced dramatic changes to the public service loan forgiveness program that FAFSA will now carry out. We intend finally to fulfill the program's promise to secure loan relief for service Members, teachers, nurses, police, firefighters, and others who have chosen to put community over self.

We're also reviewing and improving other special forgiveness programs such as total and permanent disability. The Department is considering ways to improve these programs through the ongoing negotiated rulemaking process, and we're collaborating with other Federal agencies by leveraging data matching to streamline or automate loan forgiveness.

In addition to better meet the needs of everyone who owes money on their student loans, we just successfully secured contract extensions for the loan services who will continue to work with us over the next 2 years. This is a milestone because for the first time we've secured new performance and accountability metrics that require servicers to put borrowers ahead of their own bottom lines, including penalties to make sure they do so.

We look forward to working with those servicers that stepped up and grasped the shared vision of our responsibilities here. We will also include transparency by expanding required data reporting but let me say here that it was not I, but our negotiating team that did great work to secure these teachings that benefit borrowers with no per account price increase for taxpayers.

To ensure accountability, FSA has created an office of enforcement to boost oversight of schools and reduce risks for students and taxpayers. To do this we will work closely with our colleagues in the Department, with Federal partners such as the FTC, CFBP, Justice Department, and Treasury, and with our State partners as well.

We will also listen and learn from the community groups who advocate for students and borrowers. These relationships will help us achieve the goals that you and the Congress have set for us. Above and beyond all this work however looms an overriding challenge unique to the coming year—the unprecedented task of returning tens of millions of student loan borrowers back into repayment after a pause that was extended multiple times over almost 2 years.

During this time borrowers generally have not been required to make regular payments, have been subject to zero percent interest, and if in default had collections stopped on their outstanding loan balances. In August the Department announced a final extension of these pandemic relief measures until January 31, 2022.

We know this will not be an easy transition for borrowers or loan servicing partners, or any of the other stakeholders involved in the repayment process. This is a defining moment for FSA, and it's crucially important for millions of Americans that we succeed. We're working to execute a comprehensive plan to combine elements of borrower outreach; servicer hiring, training, and preparation; policy enhancements and oversight to help borrowers effectively manage the process of returning the repayment.

The core of our plan is clear communication, quality customer service, and targeted support for those having trouble making their payments. We and our servicers are engaged in informing borrowers about this deadline of what is expected of them. We ask you to help us spread the word so nobody is surprised or unprepared. We want to be sure borrowers know their options, such as applying for an income driven repayment plan to make their monthly payments more affordable.

We also encourage borrowers to sign up for our auto debit program which is the easiest way to make their current monthly payments. There's nothing abstract about the challenges we face. If we're to succeed as a nation we must answer the call for millions of Americans who depend on Federal student aid as a path forward to better their lives.

As each borrower succeeds, we all succeed. This idea is engrained in the mission of FSA which at its core is to enable the American dream. We appreciate your help and support as we move forward together to this end. Thank you, and I look forward to answering your questions.

[The prepared statement of Mr. Cordray follows:]

Prepared Statement of Richard Cordray

Written Testimony
Richard Cordray
Chief Operating Officer of Federal Student Aid
U.S. Department of Education

"*Examining the Policies and Priorities of the Office of Federal Student Aid*"
Before the House Committee on Education and Labor
Subcommittee on Higher Education and Workforce Investment

Wednesday, October 27, 2021

Chair Wilson, Ranking Member Murphy, and Members of the Subcommittee, thank you for the opportunity to testify today about Federal Student Aid's (FSA) priorities. And though I am no stranger to testifying before Congress, this is my first occasion in my new position.

Right now at FSA, we face great challenges as we seek to provide the quality service that students, borrowers, and their families deserve. Like everything else, colleges and universities and their students have felt the effects of the COVID-19 pandemic, which has produced a notable downturn in both FAFSA® completion and enrollment rates. This should be of concern to all of us who want to see our country achieve its full potential for generations to come.

Our top priority each year is to ensure that students and their families have reliable, uninterrupted access to the financial help they need. The FAFSA® form itself is facing huge changes as we implement two new laws you passed to improve the whole student aid process. The changes will make it easier to complete the FAFSA® form, unlocking aid for many more Americans. The operational challenges are extensive, but rest assured that we are being deliberate and strategic about our planning to implement the new requirements. We are also working to reform the FAFSA® verification process to reduce the burden on eligible students and their families, smoothing their path to secure financial aid while still protecting taxpayers.

FSA is also charged with serving students across the full life cycle of student aid. For the many million borrowers already in repayment, we are changing how we do business to better serve them. For example, the Department of Education (Department) recently announced dramatic changes to the Public Service Loan Forgiveness program that FSA will now carry out. We intend finally to fulfill the program's promise to secure loan relief for servicemembers, teachers, nurses, police, firefighters, and others who have chosen to put community over self. Likewise, we are making improvements in other special loan forgiveness programs, such as Total and Permanent Disability, Borrower Defense to Repayment, and Closed School Discharge. To do that, the Department is considering ways to improve these programs through the ongoing negotiated rulemaking process. We are also collaborating with other Federal agencies by leveraging data matching to streamline or automate loan forgiveness.

In addition, we have been hard at work behind the scenes to better meet the needs of everyone who owes money on their student loans. To that end, we just successfully secured contract extensions for the loan servicers who will continue to work with us over the next two years. This is a milestone because, for the first time, we have secured new accountability and performance metrics that require servicers to put borrowers ahead of their own bottom lines, including penalties to make sure they do so. Although some servicers chose not to extend their contracts, we look forward to working with those that stepped up and grasped the shared vision of our responsibilities here. We will also improve servicer accountability and transparency by expanding required data reporting. And let me say here that it was not I, but our negotiating team, that did great work to secure these key changes that benefit borrowers with no per-account price increase to be borne by taxpayers.

FSA's emphasis on accountability is not limited to our contracted servicing partners. We are also creating a new Office of Enforcement, led by a Chief Enforcement Officer, to strengthen oversight of schools and take enforcement actions to reduce risks for students and taxpayers. To accomplish this, we will work closely with our colleagues in the Department; with Federal partners such as the FTC, the CFPB, DOJ, and Treasury; and with our state partners as well. We will also continue to listen and learn from the community and consumer groups who advocate for students and borrowers. By strengthening these relationships, we aim to be more successful in achieving the objectives that you in the Congress have set for us.

Above and beyond all this work, however, looms an overriding challenge that is unique to the coming year: the unprecedented task of returning tens of millions of student loan borrowers back into repayment after a pause that was extended multiple times over almost two years. During this time, borrowers generally have not been required to make regular payments; have been subject to zero percent interest; and, if in default, had collections stopped on their outstanding loan balances. In August, the Department announced a final extension of these pandemic relief measures until January 31, 2022.

We know this will not be an easy transition for borrowers, our loan servicing partners, or any of the other stakeholders involved in the repayment process. This is a defining moment for FSA, and it is crucially important for millions of Americans that we succeed.

We are working to execute a comprehensive plan that combines elements of borrower outreach; servicer hiring, training, and preparation; policy enhancements; and vendor and process oversight to ensure borrowers can effectively manage the process of returning to repayment. The foundations of our plan are clear communication and quality customer service, along with targeted support for those having trouble making their payments. FSA itself, the Department as a whole, and our servicers will be engaged in informing borrowers about the looming deadline and what will be expected of them. We ask you to help us spread the word so that nobody is surprised or unprepared. We want to be sure borrowers know their options, such as applying for an income-driven repayment plan to help make their monthly payments more affordable. We also are encouraging borrowers to sign up for our automatic debit program, which is the easiest and most worry-free way to make their current monthly payments.

There is nothing abstract about the challenges we face. If we are to succeed as a nation, we must answer the call for the millions of Americans who depend on federal student aid as a path forward to better their lives. As each borrower succeeds, we all succeed. This idea is ingrained in the mission of FSA which, at its core, is to enable the American dream. We appreciate your help and support as we move forward, together, to this end.

Thank you, and I look forward to answering your questions.

Ms. BONAMICI. Madam Chair, you are muted.

Chairwoman WILSON. Thank you, Mr. Cordray, thank you for your testimony. Under Committee Rule 9(a) we will now question witnesses under the five-minute rule. I will be recognizing Subcommittee Members in seniority order. Again, to ensure that the Members five-minute rule is adhered to, staff will be keeping track of time, and the timer will show a blinking light when time has expired.

Please, please be attentive to the time. Wrap up when your time is over, and remute your microphone. As Chair I now recognize myself for five minutes.

Mr. Cordray, I applaud the actions taken to restore faith in the public service loan, however for many borrowers 10 years is too long and they can't wait that long for relief. What would be the impact of providing forgiveness on a tiered basis, for example, by allowing borrowers to have a portion of that debt erased for every year of qualifying service?

Mr. CORDRAY. Thank you, Madam Chair. I appreciate the question. And let me start by saying that of course Congress passed the law that provides for a 10-year timeframe, and Congress could change that timeframe if Congress sees fit. It wouldn't be for me to change that timeframe, although we'd be happy to provide technical assistance and input into what the operational effects of that might be.

We are working to implement the changes that are being made in the program currently, important, dramatic changes that are going to benefit, as we say, all the people who deserve public service loan forgiveness but haven't had it in the past. Those are service Members, police officers, firefighters, you know people who have really stepped up during the pandemic and put themselves at risk for the benefit of the rest of us.

And so whatever changes you might want to make in that program we'll be happy to work with you to understand what they are and give you whatever input we can to be of help to you.

Chairwoman WILSON. Thank you. I drafted a bill to address that, so you should—we'll enlist your help in finishing that product. Also, can you explain to us what is Operation Fresh Start?

Mr. CORDRAY. So, I don't know that there's a specific Operation Fresh Start. There are policy matters under consideration at the

Department as to what the effect of the repayment, restart that's happening after January 31, 2022, will be on defaulted borrowers.

It is understood that delinquent borrowers will be returned to current status and will move forward to try to put them in the right position to succeed in returning to repayment. As for defaulted borrowers, those are matters that are under consideration right now, and I don't have more for you on that at this point.

Chairwoman WILSON. Thank you. Studies have shown that disparities in student loan debt are deeply rooted in racial wealth disparities. What is FSA's plan for addressing racial and social economic disparities and student loan default and negative amortization?

Mr. CORDRAY. So in general you know we're looking and looking carefully at how we can improve the repayment programs here. As you mentioned at the outset there's more than 40 million Americans who owe money on student loans. And when you think about 40 million Americans and their families, we're getting to half the population of this country, so it's a major, major issue.

As you say correctly, the number of people who are in default on their loans, or people who have having trouble repaying their loans, there is some racial inequity in those numbers we believe. However, what we want to do here is to administer this program fairly to make the process as easy as possible for borrowers to succeed, which ultimately will benefit taxpayers because what could be repaid will be repaid.

And what is more difficult, there are programs for that, such as income driven repayment, and other programs that borrowers should get signed up for, and we're working hard with our servicers to make sure that borrowers know those options, and then servicers make it as easy as possible for people to access those options, and we've made some changes at the Department to accomplish that as well.

But we're keenly aware of what you say about the differential effectiveness on American people, and we want to make sure that the program works as well as it can, and we think there's lots of room for improvement here.

Chairwoman WILSON. OK. Reportedly President Biden has asked to prepare a memo on the President's legal authority to forgive student loan debt. What is the status of that memo, and when it's finalized, will it be made public?

Mr. CORDRAY. So I think it's widely known that there have been legal memos prepared across the government, and that the White House has been taking them under consideration, and that's a matter for the White House to determine, obviously not for me. Whatever is determined, we will implement it. I do think that student loan forgiveness helps many worthy borrowers, help get back on their feet.

But we will see what happens, and whatever it is we will implement it as best we can, and as smoothly as possible for borrowers and taxpayers.

Chairwoman WILSON. Do you know when that will be made public? And do you have any timelines from the White House?

Mr. CORDRAY. I do not.

Chairwoman WILSON. OK.

Mr. CORDRAY. Madam Chair.

Chairwoman WILSON. Thank you, so much. Thank you. And now I will yield to our Ranking Member for his questions. Dr. Murphy of North Carolina.

Mr. MURPHY. Thank you, Madam Chairman, I'll just turn up my volume here. Thank you for the insightful questions that you had. Let me Mr. Cordray appreciate your coming on today. Let me just run a couple things by you. As you are aware through the CARES Act, an executive action, student loan buyers—borrowers rather, received significant relief since March 2020, and it was significant relief in a very bipartisan act of Congress.

But, in addition to the payment pause, borrowers seeking forgiveness under PSLF have moved nearly 2 years closer to forgiveness because such payments have been counted toward their requirement. This was a significant benefit for these borrowers, would you agree?

Mr. CORDRAY. Yes, I believe it is.

Mr. MURPHY. Great. I mean I do, too. I think it's a major benefit for those borrowers. Is it reasonable then to argue that particularly with respect to those who did not suffer joblessness, such borrowers are in a better position financially in relation to their Federal student loans than they were prior to the pandemic? Would you agree with that?

Mr. CORDRAY. I think it's very hard to say on that question just because the pandemic has affected many public service employees. There are a lot of jobs that have been cut, or people have had their hours cut back because of the budget problems that we all experienced early in the days of the pandemic. Congress provided significant relief that I think helped State and local governments, and the Federal Government in various respects, and that has staunched some of the damage.

In terms of whether borrowers are in a better position today than they were before the pandemic, that's going to vary dramatically from one community to another, and one household to another.

Mr. MURPHY. Sure. I would not disagree. I would just submit however that the vast majority of individuals who have still stayed employed did not have their hours cut back, and they're in a better position. So the reason I ask these questions is because the Department has recently announced a major overall of the PSLF program using authority provided through the Secretary under the HEROES Act of 2003.

And so under this authority the Secretary may waive or modify any statutory or regulatory provision applicable to the student financial assistance programs under Title IV of the HEA to ensure that recipients of student financial assistance under Title IV of the Act who are affected individuals, which are those who suffered direct economic hardship as a result of a military operation or national emergency, but are not placed in a worse position financially in relation to that financial assistance because of their status.

Is that correct is your understanding of what that statement says?

Mr. CORDRAY. It's my understanding that the HEROES Act which was passed of course by Congress, does give the Secretary substantial authority here, and that was exercised, as well as other authorities that are granted to effectuate this relief on the public service loan forgiveness program. Yes.

Mr. MURPHY. So we agree that there's heterogeneity in what all of our programs, and all that our borrowers are facing, and that a one size fits all approach is probably not the actual correct approach. Would you agree?

Mr. CORDRAY. You know, I think that's a broad statement. I would like to know specific instances. I think sometimes a broad approach is simplest to implement, but sometimes a nuanced approach is much more congruent to the situations of individual families and households and communities, so it depends.

Mr. MURPHY. Yes, I would agree. Madam Chairman I'll just take a point of order here. My clock seems to have frozen, and I don't want to take off my time, we're all frozen in time here, so.

Chairwoman WILSON. You're frozen. We gave you a lot of time.

Mr. MURPHY. Well I don't want to, I mean I don't want to talk for the sake of talking, I just want to abide by the rules. So let me go on just to another question. Mr. Cordray, President Biden has made it clear that forgiving student debt is a top priority for his administration and stated on multiple occasions he would sign a bill forgiving $10,000.00 in student debt for all borrowers if Congress wants it sent to his desk.

Do you support this policy? Has anyone in the Department of Education asked you or your team to process to forgive $10,000.00, or some amount for all borrowers, or are there other forgiveness plans that you have undertaken as part of the process?

Mr. CORDRAY. So just to reset my position here, that's a policy decision. I have an operational job. My job is to take whatever policies are adopted, whether by Congress, of course in the first instance through statute, or the Department through regulatory authority, or authority given by Congress, and make sure that's carried out effectively.

We have our hands full to do that job, with all the various things falling on us right now including return to repayment as you noted at the outset is a major, major challenge.

Mr. MURPHY. Sure.

Mr. CORDRAY. So I would just defer on the question of what my personal preference is here.

Mr. MURPHY. All right. So you don't have a personal preference, and so if the President said everybody gets $10,000.00 off, you just do your job and implement it, correct?

Mr. CORDRAY. I think if that were the decision, it would benefit many, many borrowers who are otherwise in trouble, some of whom never finished college, so never got the benefit of the bargain there, and so I can understand why that would be considered important, and we will see what happens, but it is not my decision to make. I just want to be caution on that.

Mr. MURPHY. Yes, and I say to those individuals who didn't finish college is that was a risk that they took, and they're still just because they didn't finish college doesn't mean they didn't have their risk. This blanket forgiveness stuff, especially being paid by people who never even went to college, I think is exceedingly unfair.

So let me just ask you a quick question. Do you have an estimate by any chance if we did implement this $10,000.00 per borrower forgiveness, what it would cost the taxpayers of the country?

Mr. CORDRAY. I do not. I'm sure people are preparing various estimates of that, but my job is to implement the law and the policy as it's established. That is not yet a policy that's been established.

Mr. MURPHY. Yes.

Mr. CORDRAY. And so I'll wait and see on that.

Mr. MURPHY. Yes, so from my understanding the estimates are about $373 billion dollars, you know the Nation goes further and further in debt these days, and so just problematic. I want people to get out to work and not be overrun by debt, but there's also a part about personal responsibility that when you sign on the dotted line you know what you're putting forth.

There's also responsibility from our institutions to not ruin our citizens. So I'm over my time, thank you Madam Chairman and I will yield back.

Chairwoman WILSON. Thank you, thank you, thank you, Mr. Ranking Member, Dr. Murphy. Ms. Jayapal, our progressive champion, welcome.

Ms. JAYAPAL. Thank you, Madam Chair. Appreciate it and thank you so much Mr. Cordray for everything you've been doing, and everything I know that you are going to do. Federal student aid is intended to enrich underserved students, but sadly for-profit colleges have been more interested in using these funds to pad their pockets in exchange for student loan debt and unusable degrees.

63 percent of low-income graduates from these institutions will never earn enough in their lifetime to be better off than a high school graduate; however, by simply enforcing existing laws to hold for-profits accountable, and make them ineligible for Federal student aid, students and taxpayers won't have to endure these enormous costs.

The proliferation of predatory for-profits can be traced back to their ease of access to Federal student aid. I'm going to be reintroducing my bill, the Students Not Profits Act, to stop for-profits from abusing these funds. But the Department of Education already has brought authority to act on its own, provisional program participation agreements are temporary certifications, as you know, that FSA gives to schools to work toward meeting Federal student aid standards.

Predatory colleges are not entitled to student aid therefore these agreements should be limited. Will you ensure that provisional agreements are not treated as entitlements by giving very clear guidance on what factors make a school eligible for one?

Mr. CORDRAY. Thank you for that question, and it touches as you know on a range of areas. So I'll try to give you a response that is not simple, but if it goes on too long feel free to cut me off at some point, OK? Look everybody probably knows the history. When I was the Director of the CFPB, we saw two major chains of for-profit colleges, the Corinthian Colleges set of schools and ITT, that we could see.

We had the data. They were failing students. They were not keeping their promises to students. They were abusing the Federal student aid programs. We took action against them, and both of them were shut down. And there were many, many students, many thousands of students who were affected by that and have gotten student loan relief as a result under the closed school discharge provisions, and so forth.

At FSA we have just created an Office of Enforcement. It's actually reinstituting something that was done 5 years ago that was rolled back under the previous administration. I think it is better for taxpayers, better for the public, and it will be better for borrowers if we have strong oversight over these programs around the country.

Now let me just say it doesn't target a particular category of schools, as between for-profits, non-profits, public schools, but we will go where the risk is greatest and where we see people failing borrowers, where there are high cohort default rates, whatever school that is.

We will look at that and go after that. If there are high delinquency rates, if there are other ways in which these schools are failing borrowers, it may be—and a lot of data would suggest that will be a more frequent problem for-profit schools. If so, those are the ones we will target, not because of their status, but because of what their performance is for borrowers and taxpayers.

And I think that's the right approach, but we'd be happy to have the input from you all as we develop that office and we set its priorities about what the right way is to handle this.

Ms. JAYAPAL. We'll followup for sure with you on that because we have some thoughts on that. I guess you know just following-up on that let me just say one of the things that's really important to us is that schools face repercussions if they violate their provisional agreements because as you know the Department never in its history has actually revoked provisional agreements when they've been violated.

And so that is going to be very, very important for us, and I think you know the other thing that I want to just ask you about. I have limited time. One of the requirements for institutions to receive direct loans includes the timely submission of financial reports, but many fail to do so. And the law clearly requires those audits before an institution can originate loans, and yet to date the Department has never denied their eligibility for direct loans. So will the enforcement unit that you're setting up increase that accountability for participation in the direct loans, and other types of Federal student aid?

Mr. CORDRAY. It's an excellent question. It's part of the answer that I was starting to give that I didn't get to, which is this. You know schools need to be—they need to have agreements that direct their performance, and they need to be held accountable for that performance. And there need to be protections for taxpayers here, whether it's posting of letters of credit, which is appropriate in certain instances, whether it's signature requirements.

These are all things we're looking at; these are all things that probably should be used more substantially than they have in the past. We will look at those things. Again, we'll be glad to take input from you all on that, but we do think the schools can't just walk away from their obligations, leave taxpayers holding the bag, and anybody could think that's a fair and appropriate system.

Ms. JAYAPAL. Great. And I hope you'll make these things transparent as well, you know in terms of warning letters and advisory opinions, so that students can be aware of their school's standings. Thank you so much. Madam Chair I yield back.

Chairwoman WILSON. Thank you. Thank you so much. Mr. Grothman from Wisconsin you're live.

Mr. GROTHMAN. Good thanks. Can you hear me?

Chairwoman WILSON. Yes, we can hear you.

Mr. GROTHMAN. Good. OK. Thank you, Mr. Cordray, for coming on over. First of all, the Office of Financial Student Aid is in charge of producing reports to Congress on the Department's experimental sites.

One of the sites that I'm interested in is called 'Direct Loan Program Limiting Unsubsidized Loan Amounts.? That site was created in 2011, and the Department has yet to submit a report to Congress on its results, despite a clear statutory mandate to do so. Earlier this month Ranking Member Foxx and I sent you a letter to the Department requesting the overdue report, and we haven't even received an answer yet.

Will you commit that you will fulfill your statutory mandate and submit a report on this experimental site by next week?

Mr. CORDRAY. So let me say that to the extent that is the commitment that you think was made and not fulfilled going back to 2011, that's 10 years of the Department not doing that, and I've been here now for a few months, and I have not heard of that before. What I will be happy to do is take that back within the Department, talk that through, and get you an answer to your question which it seems to be you deserve.

If in fact what you're correctly stating is a statutory requirement that hasn't been met over the past 10 years we will understand why that has been so, and we will look to make sure that we're fulfilling all statutory requirements that we're expected to fulfill. So I take that seriously, and we will take that back and we will get you an answer. Whether we will get you a report within a week, depending on how difficult and how comprehensive the report would be, I can't guarantee that.

That's the kind of thing that we will work through with your office as we followup on your question if that's OK.

Mr. GROTHMAN. Thank you. Second thing on a staff call you said that the Office of Federal Student Aid works with the Consumer Financial Protection Bureau to monitor Federal student loan servicers. During the conversation you noted that you were unaware if there was a formal agreement in place such as a memo of understanding, or something more informal, and that you would check on that.

Do you know is there a memo of understanding between FSA and CFPB, and if so, what information does the FSA share with the CFPB and vice-versa?

Mr. CORDRAY. So my understanding is that the proper approach here is one Federal Government, and that different agencies in the Federal Government that have overlapping responsibilities should help one another in service of fulfilling what ultimately are objectives that were set by Congress in the law.

All right. So we want to carry out the law as you gave us most effectively. Sometimes that's done through memorandums of understanding when there's formality that is needed. For example, when I was head of the CFPB we were required by law to have a memorandum of understanding with the Federal Trade Commission. We will be looking at those situations.

Other times the agencies just collaborate and cooperate on a more informal basis. We will look at those situations and determine what's appropriate, and if your office wants to give input into that we will be happy to hear that from you.

Mr. GROTHMAN. OK. Is there a memorandum of understanding there, do you know?

Mr. CORDRAY. Again it's complicated because there are different issues. There might be complaint intake and resolution. There might enforcement and oversight, there are different aspects, but we can get you a very specific answer on that if you would like.

Mr. GROTHMAN. OK. Finally, where is the statutory authority for FSA—where in the statutory authority for FSA does it allow you to cede your responsibility and give authority to another agency? OK?

Mr. CORDRAY. I'm sorry go ahead.

Mr. GROTHMAN. Where in HEA, does it authority CFPB to exercise authority over Federal loan services, or take action against them? And I don't think it does. So you and Secretary Cardona are responsible for running FSA and overseeing the Federal contractors.

Despite partisan policy wishes, the statutory language is clear, and your performance-based metrics are based on your work in FSA, and not handing your work to another agency. Do you believe that's so?

Mr. CORDRAY. Yes. I'd frame it a little differently OK. I don't think that we should hand our work to another agency. That wouldn't be appropriate. We have statutory authority to do certain work, and we need to carry it out, and we will. The CFPB also has its own statutory authority, and they have work that they need to carry out, and they will.

Sometimes those areas of work will overlap, and when they do overlap the right way for us to handle it so it's not to duplicate efforts for taxpayers, or waste effort, is to coordinate and to consult closely together so that we get the best bang for our buck collectively where there is overlap. So that would be how I would frame it I believe.

Mr. GROTHMAN. OK. It's not like a relationship say with FTC because that relationship is authorized under Higher Ed. Is there any reference to CFPB?

Mr. CORDRAY. So again, I wouldn't only look at the higher education statutes, I'd look at the CFPB's own statutes. They do have authority. I recall it well. I was the director of that agency. They have authority over student loans to a considerable degree. We worked cooperatively with the Department of Education during that period, and vice versa, we will work cooperatively with the CFPB where there are areas of overlap.

And again, I'd be happy to followup with you further on that as you wish.

Mr. GROTHMAN. And we'll give you a followup question thank you.

Chairwoman WILSON. Thank you, thank you. Ms. Leger Fernández, welcome.

Ms. LEGER FERNÁNDEZ. Thank you, so much, Chairman Wilson and Ranking Member Murphy. Also, thank you, Mr. Cordray for the excellent work you're doing on student loans. It's very difficult, it's a very difficult issue, and I think that the path you are leading is so helpful to so many of our students, and what we need to have happen with regards to the you know, FAFSA, which I still am filling out for my students, my children.

I wanted to get your perspective on the importance of financial fitness for students. You know, understanding important financial concepts like saving for retirement, managing student loan repayments, investing is really fundamental to closing the wealth gap in our country.

Tomorrow I'll be introducing the bipartisan Financial Fitness Act with my colleague, Congresswoman Spartz, and I will require the Secretary of Education to create a public financial resources online portal to help students build these financial competencies. Could you speak briefly about whether the ability and the lack of—or the lack of knowledge of important financial concepts makes it difficult for students to stay on track with loan repayments, and increase their wealth in the long run?

Mr. CORDRAY. Yes, and if I could let me just make a quick comment on the beginning of your question and then let me turn to your question which I consider quite important. It's very dear to my heart. The comment I would make as you said at the beginning that I'm doing excellent work. I've been here 6 months. I work as hard as I can every day to do as much as I can.

But I do very little myself. The people at FSA, the 1,400 colleagues I have here I have found to be high performers. They're making a huge difference. They're taking on very significant challenges that the other questioners have touched on, and I'm sure will touch on further, and they're doing a terrific job, and I appreciate that, and I'm grateful for it.

As to your question about financial fitness, this is something that's been near to my heart. I will tell you for 20 years, actually 30 years. It goes back to in the legislature I pushed for a financial fitness provision in the State of Ohio. Later at CFPB I was the Vice Chair of the Financial Literacy Education Commission, which is the Federal Government set of agencies that brings together all the Federal Government departments and agencies that deal with financial fitness, and we work on a number of initiatives.

I've now testified in front of that group for the first time in 4 years, now that I'm back here, last month. I'm looking forward to working with them. There is much we can do as we say to help families understand what their obligations are, what their risks are, and making good choices, with eyes wide open, before they get into a problem. And the College Scorecard, which is something we pioneered when I was the Director of CFPB, and by the why Rohit Chopra was our student ombudsman, now the new Director of the CFPB.

He got that accomplished with the Department of Education, and something we've built on over the years, which again gives his family the right information when they need it to make good choices, and that will make families better off in this country. But these are hard matters as you say, they're complicated issues. People's understanding of money is not always as we would like.

Ms. LEGER FERNÁNDEZ. Yes.

Mr. CORDRAY. And it's something we need to work at every day to make this country stronger.

Ms. LEGER FERNÁNDEZ. Thank you. And you know we use the term financial fitness in a housing organization I help lead for 20 years, so that we talk about it not as illiteracy, but it's what makes us strong.

Quickly, if FSA under your tenure has prioritized improving the public service loan forgiveness program, I know you've talked to borrowers across the country and started a negotiated rulemaking to make permanent changes. You also recently announced a limited time waiver, or some of the eligibility criteria. Can you talk to us about what steps FSA is taking to communicate with borrowers about this, and why it's so important to make sure that student borrowers know about this benefit and can apply?

Mr. CORDRAY. I appreciate that question. It's something we're working hard on right now. I go back to the old saying, if a tree falls in the forest and no one is there to hear it, does it make a sound? You know we have some great advances here on the public service loan forgiveness program. If people don't know about them, or don't know to take advantage of them, many of them will be wasted and there will be missed opportunities for people.

We don't want that to happen. We have already begun communicating to I believe to more than 500,000 current borrowers, and we will be reaching out to all borrowers who may or may ever have applied before for public service loan forgiveness or may in the past have applied and be told it doesn't apply to you, but now there's new, broader criteria.

We will be working to get that message out. But by the way you all can help us get that message out. Your constituents listen to you. They respect you. They know you know things. And if you tell them this is a new day, take a new crack at it, see what you can find out for yourself, direct them to us and we will do our best to serve them. We would appreciate that help.

Ms. LEGER FERNÁNDEZ. Well, thank you very much. My time has expired, and I yield back.

Chairwoman WILSON. Thank you. Thank you so much. We do want, Mr. Cordray, I do want him to know that we totally support the 10,000.00-loan forgiveness from the President of the United States, so that's the Chairman of the Higher Education Workforce, Labor and Workforce Committee, Education and Labor Committee.

Mr. CORDRAY. I'll communicate that back to the Secretary and the people at the Department with your blessing, Madam Chair.

Chairwoman WILSON. I thank you. And we look forward to his memo, and when it is being published to the public. And now Ms. Banks of Indiana. Ms. McClain?

Mrs. MCCLAIN. Thank you, Madam Chair. And as always, you're looking nice today. I appreciate you being here, and I appreciate the opportunity to ask some questions. Mr. Cordray as you spoke earlier is you know you want to protect the taxpayers, and you want there to be some accountability, and I think we're all in agreement on protection for the taxpayers because, at the end of the day, the government cannot give one dollar of which it does not take from someone else.

So with that said, can you help me understand it looks like in January roughly 45 million student loan borrowers, excuse me, will return to the loan payment process. After almost 2 years of not doing so because of the pandemic and whatnot.

But recently under the Biden administration we also have three of those nine loan servicers exit the industry. So I'm curious of the—I have a couple of questions first. Of those three that have exited the industry, what is the dollar amount of the loans that they service?

Mr. CORDRAY. Well I'll give it to you the way I'm most familiar which is the number of accounts that we're talking about is a little more than 15 million, so it's a very significant part of the portfolio I would agree on that.

Mrs. MCCLAIN. Thank you. Who will service those accounts now? Will they go into a new company? Will they go into the other six remaining? How is that going to work?

Mr. CORDRAY. So I can give you a long and detailed answer, and I will if you like. The short answer is there are other servicers who are quite eager to be participating in this program and to have more accounts, and they are stepping up here. So for example, the Granite State portfolio is moving to Ed Financial. The Navient portfolio is moving to Maximus.

The PHEAA portfolio is the largest, and therefore it's having to move to several servicers, but there is great interest in that. Some of those accounts will move to (inaudible), et cetera. I can get that to you.

Mrs. MCCLAIN. Thank you, sir. Thank you. If you could provide a written list of who's servicing those debts that would be helpful. And have those already been determined?

Mr. CORDRAY. So I will say that much of it is determined, some of it is a further work in progress, and the reason some of it is a further work in progress is with the PHEAA portfolio. As we transfer accounts to certain other servicers, we want to kind of keep an eye on the performance.

Mrs. MCCLAIN. Sure.

Mr. CORDRAY. And we want to direct more accounts to those that are performing better so that I can't give you all the determinations yet, because we're at a snapshot in time.

Mrs. MCCLAIN. When do you think you'll be able to give us those determinations because in 3 months, or 4 months, depending on how we count, the people who have the loans will have to begin to write checks to these people.

Mr. CORDRAY. Yes. What I've just stated gives you the answer to that for more than half of the borrowers we're talking about.

Mrs. MCCLAIN. Which is wonderful, but.

Mr. CORDRAY. Yes. I'll find out. We will give you; we will be happy to give you what information we have currently, and what information is not yet known, and keep you updated on that over time since that's an interest of yours if I'm hearing you correctly.

Mrs. McCLAIN. Well, I think it's an interest of mine, and I think it's an interest for the taxpayers wanting to make sure that we hold you know government accountable to making sure that government is really good at spending money.

Mr. CORDRAY. That's fair enough. We agree on that. We agree on that.

Mrs. McCLAIN. We're really—eh, we're working to have a lot of stuff when it comes to loan repayments and getting our taxpayer moneys back. So one of the things I think we should be cognizant of, and I would say I know this from the 30 plus years that I've actually spent in business, having to sign the front of checks, not just the back of checks is before we go out and give a bunch of money, let's make sure that we have the other end of the stick, which is let's also make sure we have a really good solid program to recoup the money of which the taxpayers actually deserve.

Mr. CORDRAY. I think that's where you and I agree, and maybe all of us can agree to the extent we're spending money, we should be making sure we're getting value for that money. If we're not getting value for that money, we should not be spending it. If we are getting value for that money, we can then you know, perhaps debate about it in the next.

Mrs. McCLAIN. I get a little bit—I like the political speak, and I appreciate that, but I'm not talking about value for money. What I'm talking about is if I have a home loan, if I have a mortgage, and I say to the bank give me $200,000.00, the bank also has a really clear, precise contract of which I need to repay that loan. I can't go back to the loan company and say hey, but I'm getting a lot of value from living in the house.

That doesn't really pay the bills, right? So as much as you and I appreciate the value for money, I'm going to take it a step further to protect the taxpayers. It is definitely honorably to give this money. We've got to make sure we have a solid plan to recapture the loan repayment, so I look forward to it and thank you Madam Chair.

Mr. CORDRAY. I appreciate your point, and I understand it thank you.

Chairwoman WILSON. Times up.

Mrs. McCLAIN. Thank you.

Chairman WILSON. He can followup in writing to you.

Mrs. McCLAIN. Thank you.

Chairman WILSON. OK. Thank you so much. And now Representing Manning, you're live from North Carolina.

Ms. MANNING. Thank you, Madam Chair, and thank you, Mr. Cordray for being with us today. During the Obama administration the Department worked cooperatively with State law enforcement agencies like the states Attorneys General, to investigate and hold unscrupulous for-profit colleges accountable.

This priority, like many other policies designed to protect students and taxpayers, was reversed under Secretary DeVos. And I want to applaud the FSA for announcing the reinstatement of its enforcement unit on October 8 to strengthen oversight of predatory institutions.

I am working on a proposal to codify the enforcement unit so that it cannot lay dormant under another administration. I also want to comment the FSA for working with the Federal Trade Commission to increase interagency collaboration and coordination of enforcement actions against predatory for-profit colleges.

So could you talk to us about the multi-level strategy that needs to be used to hold predatory for-profit institutions accountable, and perhaps talk about additional partnerships that you believe would be helpful in this work.

Mr. CORDRAY. Sure. And again, this is as you say, a very important development, and it was an important policy change, you know, the previous administration had basically blocked states from having any effective role here in overseeing companies that have a significant impact on many, many thousands of people within their states.

And it seemed to me that we should be working together. None of us has enough people to do all the oversight of these programs that we would like to do, and that taxpayers should demand. And if we work together and we pool our efforts and our resources, we're going to do a better job. That's what we intend to do here.

So, it's not that we're trying to get other people to do our work for us. They've got work they want to do. We've got work that we need to do, and some of that work overlaps, and if we can do it together, that's effective. For example, I will say right now that we have accounts, and the previous question had asked about this, that are transferring from one servicer to another. We want to make sure that is going smoothly.

There are a lot of State officials who want to make sure that's going smoothly as well. The CFPB wants that to be going smoothly as well. Some of this overlaps with their area. Right now we have FSA people overseeing those transfers together with working with CFPB officials, working with State officials from 17 states I believe, to make sure that goes as well as possible.

With that group of people working together we'll do better than any of us could alone, and that's a good principle for us to follow across the Federal and Federalist government of the United States it seems to me.

Mrs. MANNING. Thank you. I have a particular interest in the conversion of for-profits to non-profits by purchasing or collaborating with non-profit institutions because we have a situation involving that in my State of North Carolina. And the GAO recently investigated the process through which for-profit institutions convert to non-profit status.

We found serious shortcomings, including the possibility of insiders taking advantage of non-profit institutions at student and taxpayer expense through a variety of different creative methods. The GAO also found a disparity between the Internal Revenue Service's approval of non-profit status and the Department's approval.

So what steps has the Department taken to address the risk of insiders taking advantage of the converted institution in for-profit conversions as part of the change in ownership reviews? And can you talk a little bit also about what information, practices, and expertise could be shared by the Department with the IRS in their reviews of such conversions?

Mr. CORDRAY. Sure. And by the way information sharing between FSA and IRS has really moved forward in a very positive way. They are working closely with us. That makes our work more effective, and we appreciate those efforts. To the point you made—and it's an insightful question about conversion status of these institutions.

Let me just put it simply. If you or I had financial obligations, and we went to Court to try to change our name, and the Court let us change our name, that wouldn't let us get out of our financial obligations. And similarly, if you have a for-profit school that thinks that they're going to be treated more lightly if they convert the not-for-profit status, that's inappropriate.

It is not consistent with the demands we should make on these schools, and we will scrutinize those conversions carefully, and we have the ability to deny them if they're not justified, and we have the ability to put conditions on them, again to make sure taxpayers are protected, to make sure students are protected, and we will do that.

Mrs. MCCLAIN. Thank you. My time has expired. I yield back.

Chairwoman WILSON. Dr. Foxx, our Ranking Member of the Committee, welcome.

Ms. FOXX. Thank you, Madam Chair. Mr. Cordray the Committee has written several letters requesting information regarding the return to repayment and have yet to receive responses. Further, the Committee has received just a few briefings from our staff regarding this important issue, and we're left with either vague statements about incoming plans that have yet to be announced or false statements regarding when the repayment pause would expire.

When Congress learns more about the Department's plans for this unprecedented operation from Politco, than it does from the COO of FSA, my question whether such lack of transparency is intentional or just incompetence. So I'd like to give you an opportunity to clarify this for me on the record, and I need quick answers please.

Mr. Cordray on what date did the administrative forbearance go into effect—first go into effect?

Mr. CORDRAY. You mean the payment pause? Is that what I would call the payment pause? You mean in March 2020 when the previous administration recognized the pandemic?

Ms. FOXX. Just give me the date please. What date did the administrative forbearance first go into effect?

Mr. CORDRAY. OK. So if you're taking about the payment pause, I'm not sure how you're defining administrative forbearance, that took effect in March 2020 when the declarations were made, and it was followed up quickly by the CARES Act.

Ms. FOXX. What day was this clause first extended?

Mr. CORDRAY. I believe it was extended multiple times under the Trump administration. I don't recall exactly because I wasn't in this position, but I believe it was again in November, maybe again in January, then it was extended under the new administration right away in January, and then once more, and we now have a final deadline of people will return to repayment after January 31, 2022.

Ms. FOXX. So, what did the press release accompanying that announcement say about when the payments would restart?

Mr. CORDRAY. Well, I assume, and recall that it correctly stated that this is a final deadline on the return to repayment, and that payments will start sometime after January 31, 2022. Not before January 31, but anytime after. What happens with these payments just again, I don't mean to give you too much detail, but is that people don't all pay on the same day of the month.

They're staggered throughout the month depending on you know a variety of things that allows us to process payments in a smoother fashion. So it's not the case that everybody will start paying on February 1, but everybody will start repaying after January 31, and they will all get notice of their specific date ahead of time so that they will know that.

Ms. FOXX. Mr. Cordray, on April 3, 2021, we sent a letter regarding a report that was commissioned by FSA analyzing the true value of student loan portfolio to which your staff responded with a heavily redacted copy of the request document.

I know you sent the response yesterday because Dr. Murphy said in his opening statement you know that response didn't answer our question. I'm asking again for the unredacted copy. Just saying the previous administration redacted it is not an acceptable answer.

You have the report. You can share an unredacted copy. The Secretary testified before the Committee on June 24 and said he'd work with the Committee and shared what the Department has. Why is the Department hiding this report?

Mr. CORDRAY. So again, that's a report that predates my time at FSA and the answer——

Ms. FOXX. But you have the report, just release it. You have it. Release it.

Mr. CORDRAY. Do you want me to answer your question? I'll be happy to answer it shall I?

Ms. FOXX. Yes.

Mr. CORDRAY. OK. So the response to you, which was not from me, but from others at the Department was that this report was released previously, and it was redacted by the previous administration, and we have now released the report again with the same redacted material that the prior administration provided, and that's our understanding of the appropriate response.

If you want to have more followup on that, sounds like you do, I think the Department will be happy to have that discussion with you. By the way I'm also told—may I just, I'm also told that if you would like to have a briefing on the issues in that report, and on the financial underpinnings of it, people would be happy to do that with you and make that possible.

Ms. FOXX. Let me ask my next question. Do you believe taxpayers should be aware about the true value of the student loan portfolio? After all, they are the ones who are ultimately on the hook for any unrecovered funds used to finance this program.

Mr. CORDRAY. Again, I think we should all be aware of the accurate numbers about these things. There's some question whether the methodology used in that particular report, and there have been many other reports over the years, is the most accurate, and again people would be happy to brief you from the Department on the details of that, and we would offer that to you, and hopefully that would help cut through this a bit for you.

Ms. FOXX. OK, now, Mr. Cordray we want the public to know what this is, not just to be briefed on it, and not be allowed then to share that information. You have the report. We should have it, if you don't like the methodology then you explain why the methodology is bad. Thank you, Madam Chair, I yield back.

Chairwoman WILSON. Thank you, thank you, Dr. Fox. I'm sure there will be some followup on that subject. And now Chairman of the Committee, the distinguished Chairman, Dr. Scott.

Mr. SCOTT. Thank you, thank you, Madam Chair, and thank you, Mr. Cordray for your hard work in Ohio and Consumer Finance, and now at Student Loans. The first question is the FAFSA form was redesigned and simplified a couple of years—several months ago to I guess about over a year ago.

And I understand that there are some problems in implementing those changes. It seems to me that we should implement as much of that reform as possible without delay because otherwise the students will miss out on benefits, particularly enhanced Pell grant awards.

Can you work with our staff to make sure that as much of that gets implemented as possible without having to extend the whole program?

Mr. CORDRAY. Yes. Can I say a couple things about that, and first of all we very much appreciate that both the Future Act and the FAFSA Simplification Act many of you worked hard in the Congress to get those enacted, and they represent you know leaps forward in the FAFSA form process.

It simplifies the form, should make it easier for people to fill it out, should get more access to Federal student aid, a clear picture for families of what they're getting into, and information sharing with the IRS helps us be much more efficient and effective about this.

In terms of the current situation, where there's discussions in Congress about how to implement that, and when, and which pieces, we're happy to take our guidance from you all in the Congress on that. We have made it plain that you know this is a matter of cost for taxpayers and cost for borrowers about getting this implemented properly, and we want to make sure that we do that.

And we also have said very frankly that we need more time because we have to replace a 47-year-old main frame system that——

Mr. SCOTT. That's fine. You can either work with us to make sure we can get as much implemented as possible, so students don't miss out on the benefits.

Mr. CORDRAY. Again, we want to make this effective for families and borrowers as quickly as possible. We will do as much as we can, as quickly as possible.

Mr. SCOTT. I have other questions, so I assume you'll be working with our staff to make sure that we do that as quickly as possible. The Congress has given Department of Education broad authority to fine institutions that have refused to make systems to place limitations on their participation of Title IV and to seek recovery of financial losses against owners and executives of such institutions, but the Department of Education has been failing to do that, leaving the taxpayers and students to pay the price when institutions engage in fraudulent activities that leave them stuck with the bill.

And in our hearing, we had in March a witness said we should use that authority. Let me just say that when I say use that authority against the owners and executives, I'm not talking about strict liability. I'm talking about triggering that authority when the executives have personal involvement in the fraud with document consideration, the seriousness of the fraud, and the amount of money the executives made off the fraud, taking that into consideration, how much they profited.

And obviously if we did that it would deter future fraud. Is that something the Committee, the Department is looking at?

Mr. CORDRAY. So I will say we have that letter from you. I heard you loud and clear on that, we see eye to eye on this. We absolutely agree. More needs to be done to prevent people from abusing these student aid programs from cheating taxpayers, from cheating students, that's part of why we're setting up the Office of Enforcement.

We will look forward to keeping you apprised of our progress and dealing with the issues you raised in that letter. I think they are important issues, and we agree on the direction here, and I thought it was a good bit of a kick in the behind for us to make sure that we're moving down the road on this, and we will.

Mr. SCOTT. Thank you. Mr. Cordray the next generation of financial services environment known as Next Gen would simplify the direct student loan borrowers access to information through a website. It was devised by the Obama administration and kind of left and not much happened. Could you explain the status of that? And I hope you have more to explain than you can in the little time we have left. I want to get in another question.

So if you could provide in writing the status of that while I get to another question.

Mr. CORDRAY. That's fine. We will provide you in writing. We have a lot of things we're doing, and they are going to make that much better for borrowers, and I'm exciting about what our team is coming up with. They're doing a great job on this, and we will be happy to give you all the details.

Mr. SCOTT. And my final question is what authority does the Department have in things like reducing interest rates, allowing refinancing, and fixing the public service loan forgiveness. You've done a lot of work on that, and we want to thank you on it. But if you could give us—my time has expired, so you're going to have to do that as a followup and bring us up to date on how that's working.

Another question I'd like would be the $10,000.00 discharge. How much of that is non-performing loans, so the discharge here wouldn't really cost anything other than relieving us of the cost of servicing those loans, and whether or not what you are doing with the loan services to make sure they're doing their jobs, as students sign up in January, to make sure that they're signing up appropriately for student forgiveness, borrower defense, interest-based repayment and all of those, what kind of guidance you're giving.

If you could do that in writing because I'm obviously over time, and I appreciate the Chairwoman's forbearance.

Mr. CORDRAY. OK. Those are good questions, and we'll be glad to give you some good answers, and then you tell us if you need more all right.

Chairwoman WILSON. Thank you.

Mr. SCOTT. Thank you. Thank you, Madam Chair.

Chairwoman WILSON. Yes. It would be helpful if you presented those questions in writing to Mr. Cordray's office so that he could followup with you in writing, those are questions that all of us would like to have answers to, so if the Committee would be so kind as to distribute that to all of the Members of the Subcommittee on Higher Education and Workforce Investment, we would certainly appreciate it.

Mr. SCOTT. Will do, thank you.

Chairwoman WILSON. Thank you. And now we want to welcome Mr. Bowman, you're the Vice President of this Committee, Vice-Chair.

Mr. BOWMAN. Vice President sounds good, thank you, Madam Chair, really, I appreciate the time. Mr. Cordray, I have a little more airtime for you if you don't mind. Thank you so much for joining us today.

As you know I'm a strong advocate for canceling student debt. And I recently joined several of my colleagues on the Committee in a letter led by Representative Omar calling to both President Biden and Secretary Cardona to release the student debt cancellation memo, we were told would be made available more than 6 months ago.

The student debt crisis a racial justice issue. A recent report by the Education Trust described how student debt is steeped in systemic racism and exacerbated by racial inequities in wages, wealth, access to education, and more.

Black borrowers often feel trapped in the vicious cycle of lifelong debt they cannot escape from, and many of them, especially black women, actually face more student debt today than they did when they graduated. The report called this issue Jim Crow debt, and highlighted the voices, experiences and perspectives of black borrowers which are far too often overlooked in our conversations about the student debt crisis.

Researchers concluded that centering these perspectives and addressing the racial inequities in student debt requires that the Federal Government cancel all student debt. Mr. Cordray, how is the Office of Federal Student Aid actively centering and prioritizing the voices and experiences of black borrowers in your work, and how do you respond to the finding that eliminating debt cancellation would harm black borrowers the most?

Mr. CORDRAY. So, I appreciate Representative Bowman the perspective you laid out in your question. And I agree with much of it, and by the way there's a lot of statistical data that I think supports various pieces of what you've said. One of the ways FSA can be most helpful here is we are an operational shop that has access to a great deal of data on Federal student aid, you know, all the data, and we use it to effectively manage the program.

And to the extent we can provide that information to you, or to the Department, or to the White House if they're asking for it, we certainly do so. We want to inform the decisions that are made on this as much as possible.

Again, decisions about general loan forgiveness are not my decisions to make. They will be made elsewhere. We will do our best to implement whatever is done. I do think that loan forgiveness for Americans where it's appropriate and justified makes a huge difference in their lives, gives them a chance to get sound footing and move forward and better their lives, rather than be stuck with this millstone around their necks, and where that's appropriate to do so, and there's authority to do so, you know we will enthusiastically implement that.

And I hear you having that same perspective as well.

Mr. BOWMAN. I appreciate that, and I would love for my office to be in touch with you so we can get access to some of that data that you've mentioned, so we can get a holistic, and a much better and more comprehensive understanding of the issue. So we will definitely love to work with you on that.

And I had another question about Parent Plus loans. I've heard from many of my constituents that depending on how their Parent Plus loan was structured, they may not have benefited from the pause in payments during the pandemic and have been struggling to stay out of default all this time. Specifically, if a parent took out a Parent Plus loan before 2010, they could have come out of the Federal Family Education Loan Program, most of which were held by private lenders.

Parent Plus loans also faced absurdly high interest rates, and exclusion from some income driven repayment plans. These parents, many of whom have faced extraordinary financial hardship and suffering during the pandemic don't get much attention when we talk about the student debt crisis, but they need our help.

They should not have to push off retirement or face financial devastation just because they want to help their kids get an education. Is your office considering improvements to Parent Plus loans, and if so, can you describe your vision for these improvements?

Mr. CORDRAY. Yes, again I'll just say that the issue of what to do about different types of loans. As you know there's a blizzard of different categories of loans under the program that have been developed over many years, and some of it gets to be quite complex.

And actually in preparing for this hearing, we went over the issue of Parent Plus loans where I understand there's some dissatisfaction from some that didn't get all the relief that other loans got. And their reasons for that—I don't have time to necessarily get into in detail, but we are open to hearing more from you all about whether Parent Plus loans should be covered under this program or that program, and having a dialog back and forth, and we would welcome that certainly.

Mr. BOWMAN. So would you say that your office is just beginning the process of sort of engaging around Parent Plus loans, and the strengths or weaknesses of them, and all of that? You are not yet considering improvements. You're just trying to get a better understanding of the complex nature of the Parent Plus loans as well as other loans?

Mr. CORDRAY. I'd say that's mostly right, but not entirely. Certainly, people thought about Parent Plus loans when the payment pause was put in place, and then other forgiveness for public service loan forgiveness and the like. And it's always been a bit of a difficult edge of this in terms of what is included, what is not included.

But I think there's an openness to further discussions about this and trying to think it through. So I don't want to say we're at the beginning of thinking about it, it's something that has come up you know, at various times. But I think there's still an openness to hearing more about it, nothing is closed at this point is my understanding.

Mr. BOWMAN. Thank you, so much, Madam Chair, I yield back.

Chairwoman WILSON. Yes. We would appreciate an answer to that question also in writing for the benefit of the Committee because all of us are interested in the Parent Plus, and unfortunately this hearing only gives you five minutes to answer such an important question.

Mr. CORDRAY. I understand Madam Chair, you're piling up the homework for us, but we'll be glad to take it on, and we'll get it back to you as quickly as we reasonably can.

Chairwoman WILSON. That lets you know how important your work is, and how important this particular issue impacts so many people. And we appreciate your cooperation. And now Representative Pocan.

Mr. POCAN. Thank you, Madam Chair, I appreciate it. And thank you Mr. Cordray, and I just want to say thank you for your long commitment to public service as well. I appreciate that. I have a bill that I introduced back in 2013 that came out of the grass roots of my constituents, on refinancing of student loans.

As you know we're kind of historically low interest rates, yet we've got a lot of people paying 6 percent plus interest rates on old loans, and we had introduced a bill to allow people to be able to refinance their student loans at the lowest available current rate. The idea being that would happen in the free market, but somehow it doesn't happen with student loans.

And as you know it's not necessarily easy to do this process. Can you think of any reason why that shouldn't be the law of the land allowing people to be able to refinance at the lowest available rate?

Mr. CORDRAY. So I've heard over the years various proposals along these lines from leaders like yourself in the House and the Senate that the interest rates are higher, that maybe they're higher than businesses and developers pay, et cetera. You know those interest rates are typically set by statute, as you know, and if they're going to be modified, they need to be modified by statute.

We would be open to providing the kind of I think they call it technical assistance, or other data that we can provide that would be helpful to you in trying to determine what the impact is, but you know I would just say in general I've dealt with financial issues in Federal and State government for years and years. It's obvious that higher interest rates make it harder for people to climb out of debt.

Lower interest rates make it easier. What's fair and what's appropriate, and what the right match is to some sort of Federal funds rate or something, is for you to determine, but if we can help you giving you data so that you can see the consequences are one way or another, we would be happy to try to provide that.

Mr. POCAN. Sure. And I don't want to put words in your mouth, but you don't think there's any reason why that would be a problem to do that at this point?

Mr. CORDRAY. No. Look any time you're talking about numbers and dollars, there is a problem. There's either too much, or too little, and it's for Congress to decide what's the Goldilocks right amount, not for me to decide per se. I may have thoughts about it, but that's not my role here.

Mr. POCAN. Actually I'm asking you that very question as what are your thoughts around this. You are allowed to have thoughts, and I would love to hear them.

Mr. CORDRAY. Yes. I'm allowed to have thoughts, but I don't want to get in front of you know the Secretary, or the White House, or others who have this decision to make. But frankly in this case it's you, the Congress, that has the decision to make.

Look, higher interest rates put borrowers in a more difficult position. And lower interest rates would make it more plausible and feasible for them to pay off their loans. Again, that's a very obvious point. I'm not telling you anything that anybody doesn't know, but in terms of what the right level is, or whether it should be the fed funds rate or something else, again that's a policy decision for you.

And if I were in the Congress, I'd be asking the question and trying to figure out myself, but I don't want to pretend that's my role.

Mr. POCAN. No, I appreciate that. Thank you. So let me ask you another question about tuition creep. Has the administration discussed ways to try to address that? I know that's one of the issues that you know people seem to have is that the cost of higher education is going up at a faster rate than you know the consumer price index, or anything else, and because of that's putting an undue burden on folks. Have you guys discussed that issue at all?

Mr. CORDRAY. You know that's been true for years. We saw that trajectory when I was at the CFPB. It was at that point for the first time that again Rohit Chopra our Student Loan Ombudsman, was able to point out that the total aggregate student loan debt had just exceeded one trillion dollars for the first time.

And by the way it's already now at somewhere between 1.5 and 1.6 trillion. In terms of why that is so, whether schools are charging too much, you know those are policy issues that you know people wrestle with. If we could keep a lid on the higher education costs that would make it easier to finance this program and make it easier on borrowers and their families.

All the mechanics that go into that, including State government laws, Federal Government laws, and what oversight of institutions are. It's not really in my purview to tell institutions how much they can charge students, although obviously we get the back end of that which is people repaying the loans to pay those amounts.

But I would say it's definitely a concern. Higher education costs have outpaced inflation. They have risen to very high levels. Are we pricing families out of the market? Are we doing that by imposing significant debt at the Federal level? These are serious issues, and worthy of serious consideration, and I urge you to keep pressing on them.

Mr. POCAN. Thank you, Madam Chair. I yield back.

Chairwoman WILSON. Thank you, thank you, Mr. Pocan. And now Mr. Good of Virginia.

Mr. GOOD. Thank you, Chairman Wilson, and Ranking Murphy for holding this hearing. I am concerned by the recent announcement of the Biden administration that they're going to continue to freeze the student loan payments through January 31 of 2022.

Continuing the student loan payment freeze will saddle students with an albatross of debt even further down the road, rather than having them start, or continue to pay down their balances. While heavy handed government shutdowns have forced unemployment on many Americans, we all know there's no longer a labor shortage—or there is now a labor shortage with 10 million job openings, so there's no justified reason to continue the student loan freeze.

Mr. Cordray in your past role in the Consumer Financial Protection Bureau you talked a lot about predatory lending. Today the Federal Government itself projects that more than a quarter of all Stafford loans will default. I served 17 years in the lending industry, and I could tell you that no business could survive a 25 percent default rate, it's only the government that would operate with that kind of a default rate.

And any business would have to quickly close its doors. It certainly wouldn't continue the practice of business as usual. However, the government still proceeds with granting loans to millions of borrowers with few restrictions. Knowingly making loans where one in four will default seems the very definition of predatory to me. Making loans to unqualified, and perhaps unsuspecting borrowers who have no demonstrated ability to repay, and the can so easily find themselves caught on the treadmill of automatic annual renewal.

It appears that the Federal Government's policy is let's put our students in as much debt as we can, and just have the taxpayers fund the massively overpriced and ever-expanding budgets of these woke, leftist liberal institutions of so-called higher learning.

The taxpayer is losing in this. The student is losing in this, and it's only that these progressive institutions with these massively increasing, exorbitant prices that are laughing all the way to the bank on the back of the taxpayers and the students.

Mr. Cordray, given your documented flip-flopping both opposing, and now supporting, predatory lending practices, why do you think it's OK to cavalierly lend out taxpayer funds and saddle these students with so much additional debt?

Mr. CORDRAY. Thank you for the question. And what I would say is this. The cost of higher education is high, people need assistance to be able to access that and better their lives, and improve their employment prospects for the future, and some do that, and do that successfully, and some do not.

And it's a major public policy issue. It's an issue really more for Congress to decide, you know, what are the tenants of how we lend to students and their families, and what kind of requirements to be imposed. It's not for me to say, it's for you all to say, and my job is to run the program.

By the way, I don't believe that I've changed position on this at all. I think that the issue of Federal student loans is important in terms of accessing the ability to improve people's lives, but the ability to repay those loans and on the back end of those there's a high number of defaults, and we need to keep working at how we can improve these programs.

So in any event, I mean we can have a debate about the different economic philosophies here that maybe you and I have, and maybe they're not in full agreement, but beyond that I'm going to run this program as best I can. I'm going to do it to protect borrowers and students, and I'm going to do it to protect taxpayers as much as possible, and I'm happy to have your input as we do it, to make sure we do it as effectively as possible.

Mr. GOOD. Well we're certainly not protecting taxpayers and thank you for your answer. We're certainly not protecting taxpayers. The American people are not getting a good investment on their dollar with a 25 percent default rate. And again, students are not coming out ahead if they don't have the ability to repay, and again we are facilitating the rapid inflation on college campuses for frankly non-academic expenses, and there's no end in sight to that.

Mr. Cordray, you've leveled a lot of public criticism at your servicing partners, which seems to me to be quite frankly a bit of blame shifting, especially on public service loan forgiveness and other programs. You know while that can make for some crash to beat up on them, this habit makes for bad partnerships, and you're certainly running a Federal program that needs partners.

And this year alone you've had four key servicers to my understanding, have walked out on you, or ceased the relationship there. Given your history of supporting what I would call again this predatory lending practice here, and the refusal of some service partners now to work with you, I don't know how the administration of the American people can expect you to put the students first here.

What are you going to do to stop the hemorrhaging of these service partners?

Mr. CORDRAY. So I appreciate the question, and in fact as I said, we have servicers—servicing partners if you will who have stepped up and are eager to take more of our portfolio, and we have ample capacity to serve the students and borrowers and we will.

And those who are exiting, look we're putting more performance and accountability into these contracts, and that's not comfortable for everyone, or people just might over time they were in the program, they decided to go different directions. They're free to make those choices, and they have.

But we have good servicers that we're working with here, that we're going to hold accountable. They're going to have to perform. They understand that. The borrowers and taxpayers should demand that they perform at a high level, and we're going to work with them to do that, but if they fail, they're going to be penalized, and that's the way this relationship should be, and that's the way it will be.

Chairwoman WILSON. Your time has expired. Thank you so much.

Mr. GOOD. Thank you Chair.

Chairman WILSON. And now Mr. Espaillat from New York welcome.

Mr. ESPAILLAT. Thank you, Madam Chair. My question is regarding discharging students? loans, which is almost impossible under bankruptcy procedures. Students must bring a separate lawsuit within the bankruptcy matter to seek a discharge of their student loans, and the burden of proof in these cases is very, very high, with students required to show that continuing to pay the debt would impose an undue hardship.

While there are statutory limitations that can and should be changed, the Department can also take steps to reduce the burden on borrowers who are already struggling financially to make it easier for them to secure relief under bankruptcy proceedings.

My question is the Federal student—the FSA considering changing how it approaches bankruptcy procedures by changing how it determines which bankruptcies to contest, or by better defining undue hardship standards to reflect the realities faced by student loan borrowers?

Mr. CORDRAY. Excellent question. I appreciate it very much. The way you described the bankruptcy process, and how it applies to Federal student loans is very much the way I understand that process. And I think that it doesn't work well, and we think that it needs to be reformed and re-evaluated, and we are committed to doing that.

I will tell you that there have been discussions already with the Justice Department. They too are willing to have us review and revise our approach here. We think that would be better fitted to the realities of life for many people who struggle in bankruptcy, and are forced to go into Court, if you can imagine such a thing, and recount how miserable their lives are in order to beg for some kind of bankruptcy relief and rarely get it.

We don't think that's the right place, that this is the right outcome. We are going to review that aggressively, and we will have more to say. We're in the process on that, and we'll have more to say about that hopefully fairly soon. It is a somewhat complex issue as bankruptcy always is, and there's different competing considerations here, but we think that there's more that we can do to reform that process, and we are committed to doing it just as you say, for the reasons that you say.

Mr. ESPAILLAT. My next question is we all know that to help borrowers the Biden administration extended the pause in repayments, interest accrual, and collections through January 2022, for ED-held loans. The administration also extended these protections to all defaulted loans in the Federal Family Education Loan program. However, there are still millions of borrowers who have not received similar protections, including those with private loans.

In what ways, if any, has the Direct Loan Program proven effective in providing protection for these borrowers?

Mr. CORDRAY. So are we talking about what the Secretary just announced recently about public service loan forgiveness?

Mr. ESPAILLAT. That's correct.

Mr. CORDRAY. OK. It was an important announcement, really a dramatic announcement that reflected a lot of hard work that people did to try to figure out what the flaws had been in the public service loan forgiveness program. Sometimes flaws that were made worse because services in the past may have given people wrong information, or people had been confused about whether they had the right to do this or that, and it frustrated a lot of people, and it caused a lot of people to be denied or discouraged from pursuing relief.

The measures that the Secretary announced earlier this month are game changing for a lot of those people. And it's going to make a huge difference. There's an awful lot of work to do to make that announcement into reality. We are going to work to do that, and I believe it will bring relief to hundreds of thousands of people who deserve this.

Again, who are we talking about? We're talking about people who served this country in uniform, we're talking about police officers and firefighters, people very much affected by the pandemic who need to get what they deserve under the law, and under the program, and we're going to make sure that happens, but it's an awful lot of work that are team is going to have to do at FSA.

I'm confident that they will do it. They are high performers they haven't complained about the new burdens that this puts on them because we all understand it's an opportunity to bring important relief and progress to the American people. And what the Secretary said is what we're going to do, and we think that it's a very, very good direction to go, and we're going to do the hard work of making it happen.

Mr. ESPAILLAT. Thank you, Madam Chair, I yield back.

Chairwoman WILSON. Thank you so much. And now we'll hear from Mrs. Miller-Meeks of Iowa. Welcome. I see you walking. Mrs. Miller-Meeks. Some technical difficulty with Mrs. Miller-Meeks, she has frozen. She is frozen. We'll go on to Mrs. Harshbarger.

Mrs. HARSHBARGER. Thank you, Madam Chair. Mr. Cordray, I do have a question for you. On March 30 the FSA announced a program to somehow undefault some borrowers who defaulted during the pandemic. Now that's pretty clear that probably isn't the law but setting that aside.

You know I'm also concerned that it's 7 months later and that still hasn't happened which clearly shows there wasn't even a plan in place in order to achieve that initially. So did somebody just hit the send on the press release before they had a plan in place, I guess is my question?

And I suppose I'm concerned that not only has the Department demonstrated its willingness to ignore the law, but it also doesn't even appear to have a plan on how it's going to ignore the law. So does FSA now just write press releases and then hopes and prays it's all going to work out in the end is my question, and that begs to say that borrowers are just going to sit in limbo for months, so what's the process for this sir?

Mr. CORDRAY. So if the question is does FSA write press releases without thinking about the actual mechanics of carrying out these programs, the answer is no. We don't do that. Having said that, I'd be happy to have you frame your question again as to what exactly you would like me to address here in terms of where you're dissatisfied with what is being done.

Mrs. HARSHBARGER. Well do they have a program? Do they have the mechanics of a program where people who have defaulted on their loans can somehow undefault on those loans I guess is my question.

Mr. CORDRAY. OK. So I'm not quite sure. It could be a variety of things you're referring to. There were people who had FFEL loans at the beginning of the payment clause, they were at that time not covered by the payment clause, and later the payment clause was extended to them. And therefore we had to go to the guarantee agencies, and the lenders, and many of them who had defaulted in the meantime needed to be put back in the position they would have been had the pause applied to them.

If interest had been collected and it was supposed to now be zero percent, that needed to be changed, and there's been a lot of work to do to make that happen. So I'm not sure beyond that what you're getting at, but I'd be happy to hear more and try to be more responsive.

Mrs. HARSHBARGER. Well I'll try to rephrase the question and I'll submit that to you sir, and what I would like to do with the balance of my time is just yield back to the Ranking Member, Dr. Foxx.

Mr. CORDRAY. OK.

Ms. FOXX. Thank you, Congresswoman Harshbarger. I'm going to talk a little bit about borrower defense. Mr. Cordray exactly how many borrower defense applications are still pending adjudications? If you don't know the exact number, we'll expect to get an answer tomorrow.

Mr. CORDRAY. That's fine. We'll be happy to give you exact numbers. What I know is coming into when I came into this position, there was a very, very high number of borrower defense claims that had not been adjudicated, and they had held up frankly over the past 2 years.

Ms. FOXX. OK. Well you can give us that information in the response that you give us.

Mr. CORDRAY. Yes, but I'd be happy do you want me to give you a little more answer here, or do you want me to just go on to something else?

Ms. FOXX. Well let me tell you what questions I'd like to have answered.

Mr. CORDRAY. OK.

Ms. FOXX. How many claims have been adjudicated since the beginning of the Biden administration? How many claims have been filed since the beginning of the Biden administration? Have you set a timeline or goals for how quickly you'll clear the backlog? That's one you might be able to answer.

Mr. CORDRAY. That's fine. And by the way we'll be happy to give you detailed responses that give you more exact numbers, but I will say there have been hundreds of thousands of claims piled up, and we are working down the backlog, however every time we make a new announcement about some kind of school that's closed, or some kind of loan forgiveness, it tends to make more people apply, and so this goes up and down with a variety of circumstances, but happy to give you exact numbers in response to exact questions from you.

And then we won't be jousting about fuzzy particulars here.

Ms. FOXX. OK. Well, we'd like to know why it's taking so long for you all to get through it. You just indicated that's part of the problem. I haven't heard much about schools closing recently, so that's news to me.

Mr. CORDRAY. Well we had several close just recently, CD schools and Vista Schools, that really failed you, me and the borrowers and taxpayers all over the country, didn't do what they were supposed to do, and they've now closed and left everybody high and dry. That's bad performance, but that does happen.

Ms. FOXX. OK. Well, we know from Secretary Cardona's statement when he spoke to us that people have waited a long time, and they want to work swiftly, but shouldn't your announcement from August 24, stating you'd grant 100 percent relief make this process go more quickly?

And why did you stop updating the data center with information on borrower defense claims? Something the previous administration did monthly.

Mr. CORDRAY. So we haven't stopped the data center, although I will say these hearings have a salutary action forcing effect. And we updated the data center yesterday for the most recent quarter. We expect and plan, I think my understanding is that the data center is to be updated quarterly, and it will be updated quarterly on my watch.

I can tell you that. When I came in, we were about 6 months behind, and we're catching up now, and we will keep you posted on that.

Mrs. FOXX. Thank you.

Mr. CORDRAY. In terms of borrower defense claims, you know sometimes it's difficult, sometimes they're one by one type claims, and those are hard to administer in an effective way, but that's something we're thinking through. As you say 100 percent relief will simplify the process somewhat, it's still not a simple process, it's complex in various ways, but we're continuing to work on it, and we'll be glad to give you progress reports on how that's going.

Ms. FOXX. Frankly, I'm glad to hear you say that they're very complicated, because that's what the previous administration said, and it was condemned when it said that. Thank you very much Madam Chair, I apologize for going over.

Chairwoman WILSON. Thank you so much. And I don't know whether Mr. Cordray has another homework assignment, or if he cleared that up in the amount of time that you had.

Mr. CORDRAY. I think I do have another homework assignment. I did want to say to Representative Foxx I missed my chance earlier, congratulations. I saw that your old school had a big win on the football field last week, so I'm sure that your South Carolina colleagues are feeling your overlordship of them for the time being, so.

Chairwoman WILSON. Thank you. Thank you so much. Representative Sherill New Jersey. Still with us? How are you?

Ms. SHERILL. Thank you.

Chairwoman WILSON. Welcome.

Ms. SHERILL. Thank you, Madam Chairwoman. Mr. Cordray this Committee has examined the harm that unscrupulous for-profit colleges have inflicted on students, many of whom are students of color, first generation students, and student veterans. About 2 weeks ago I met with the American Legion representatives in my District, including the County Commander of Morris County.

They specifically brought up how concerned they were about predatory lending. They're concerned about how for-profit schools are targeting veterans because of their GI benefits. And we know that one way the VA has attempted to combat bad actors from taking advantage of our veterans is through the GI Bill comparison tool, which tracks complaints, and FTC settlements against bad actor for-profit institutions.

But this is only one tool designed to help one targeted group. Can you please explain how the Federal Government and states can better work together to effectively monitor and oversee these institutions?

Mr. CORDRAY. Thank you. It's a great question, and by the way the example you gave which I know is near to your heart of service Members in particular, is a very important constituency, and if there one that we were going to pick out as a priority that certainly would have one of the best cases to make.

And I'm glad to see that some of that has gotten itself in place. And we are doing data matches with DOD now. That's something that we can do. And we're getting much more relief to more people, and we want to get relief to everyone frankly who deserves it.

In general, though to your question, we can work together with State officials. We want to work together with State officials. Under prior policy, the prior administration, they blocked the Department and the FSA from working with State officials, and frankly it led to—what did it lead to? State officials suing the Federal Government just to get information they thought they needed to oversee these programs.

That's not the way we should be working together, and we have stopped that. Going forward where we have complaints—by the way, states will hear from people, we will hear from people. The FTC will hear from people, we need to bring all this together, CFPB as well, and talk together and think together about how to solve these problems. That's what we will do, and I think we'll be more effective as a result.

And in terms of how we will address these issues it will be a variety of different means, sometimes it will be data matching, sometimes it will be going after high-risk operators that we think are letting people down. Sometimes it will be other things, but we will work closely with our State partners on this rather than pushing them away and I think that's the right answer.

Ms. SHERRILL. Thank you. And we went over some of what you're going to do with the State actors. Are there other actions that FSA is taking, or planning to take to improve the oversight of the for-profit sector?

Mr. CORDRAY. Yes. And again you know some people would say we're targeting the for-profit sector. We're not. We are targeting any schools that are not performing as they should, that are violating the law, that are abusing and mistreating students and borrowers and their families. Whoever those are, that's who we're going to go after, and we will, and we need to.

And people need to see that we're doing that so that the other schools get the message and shape up. That's the way law enforcement works. It has a deterrent effect, and that deterrent effect is important because it brings more people into line. We're going to be working with the Federal Trade Commission. They've signed up to work with us, and they will be a very effective partner.

They have 100 years of history. They know what they're doing. They're eager to take on schools that are violating the law. We will work with them in a strategic way. We will work with states where that's appropriate. We will work with the CFPB where that's appropriate, and the Justice Department.

So that's how we plan to proceed here. I don't know if I quite answered your question. If I didn't feel free to renew it.

Ms. SHERRILL. No I appreciate that, and I think that is a good flag. We're thinking of my specific concerns were those bad actors that have been really taking advantage of some of our students. You know finally, I just wanted to ask the American Rescue Plan included a historic provision to close the 90/10 loophole.

Mr. CORDRAY. Yes. I was actually going to go there in response to your last question but forgot.

Ms. SHERRILL. And I'll go there.

Mr. CORDRAY. And that's where you went. Sorry, yes.

Ms. SHERRILL. I'll go there, I'll go there. And so as a result of the closure of the loophole for-profit institutions will be required to derive not less than 10 percent of revenue from funds other than Federal education systems funds, and now including the GI Bill, which I think is important.

So this will protect the integrity of the 120 billion dollars spent on Federal financial aid every year, and guard against a waste of taxpayer dollars. The 90/10 rule also helps ensure that Federal resources are not funneled to institutions that are fully reliant on taxpayer funded programs for financial viability.

So now that the Department's beginning the negotiations to close the loophole, the 90/10 rule will protect veterans and service Members, who until recently, as I mentioned we were just discussing, have been targets of predatory recruiting practices by low quality providers.

So since the closure of the loophole will start applying to institutions, to fiscal years beginning on or after January 1, 2023, what steps can FSA take in the interim to better enforce that rule?

So for example, are you considering additional consequences for institutions that fail the 90/10 rule in the first year as part of a provisional program participation agreement?

Mr. CORDRAY. Yes. We will do whatever we can to help bridge the gap between now and when that law takes effect. I will just say I wrote a book about my time at CFPB, the 90/10 loophole was one of the frustrations that we experienced, and I talked about it in my book.

And in the end, you all have now fixed that. Thank goodness. Good work by the Congress there. In the meantime, if there's things we can do—and I don't know what they all may be to try to enforce that, even though it's not yet law, we'll try to protect taxpayers on that, but it was a terrible loophole that people were driving the truck through and it was hurting us, and I appreciate the Congress stepping up and fixing that, that was good work.

Ms. SHERRILL. Well, thank you. I'm not sure Congress gets too many atta boy's, so thank you so much, and with that I will yield back Madam Chairwoman.

Chairwoman WILSON. Thank you so much. Mrs. Miller-Meeks you're now ready? Good welcome.

Mrs. MILLER-MEEKS. Yes ma'am, I'm ready. Thank you all. I'll try not to go over my time. So Mr. Cordray as of April 2020, nearly 1.3 million borrowers had their employment certified by the Department and were on track to receive public service loan forgiveness.

My democrat colleagues would like to say that this program is a way to reward first responders, and frontline workers for their dedication to public service, but according to FSA data, the average balance forgiven as of April 2020, was approximately $83,000.00.

And let me say that I am a 24-year military veteran, so I have no issues and have used the GI Bill, and I have also instructed people about joining the military when they are in the healthcare fields, utilizing loan forgiveness. But these statistics suggest that graduate degree holders are the vast majority of beneficiaries under this program.

Now we certainly want American workers to be educated and to be competitive in the workforce, but this highlights a real concern where the statute is drafted so broadly that public service employees currently account for 25 percent of the U.S. workforce. Do you have any indication as to what share of the PSLF population work in an authentic actual public service like teaching, or being a first responder, or doctors at a tribal healthcare setting, or a free medical clinic rather than their own clinic, or a not-for profit that still is highly successful?

Mr. CORDRAY. Yes. And if I may let me say several things. First of all, I appreciate the point you made early on, which is as you say you made use of the GI Bill. You know the transformational effect that can have on your life in your own life, and the same is true for many of your colleagues around the country. So we want to make sure that people who are entitled to public service loan forgiveness actually get that, and we follow through on that promise that was made to them in the law.

At the same time as you note, we don't want anybody to be taking advantage of that program who doesn't really deserve public service loan forgiveness, and so one of the things we do at FSA is we have to determine employer eligibility and any kind of doubtful close call, and we will make those calls, and we will make them you know, faithfully to the intent of the law.

Anybody who's working for the government is entitled to public service loan relief, and if you——

Mrs. MILLER-MEEKS. OK sir, thank you for that. I'd ask what share of the population. Let me go to my next question. Do you believe that a researcher at the Brookings Institution is doing public service?

Mr. CORDRAY. It may depend on exactly what the nature of the job is. I would say generally, I would think no, but——

Mrs. MILLER-MEEKS. What about a researcher at the Heritage Foundation?

Mr. CORDRAY. Again, generally I would say no, but maybe they could make a particular case. I'd have to see the case to be persuaded by it, but in general——

Mrs. MILLER-MEEKS. Do you believe that Turning Point USA, a 501 C–3 performs a public service?

Mr. CORDRAY. Look, I'm not familiar with that organization, so I can't really speak to it.

Mrs. MILLER-MEEKS. What about Planned Parenthood. It's a 501 C–3. Do you believe that taxpayers should be shouldering the cost to forgive the loans of a Planned Parenthood employee?

Mr. CORDRAY. Again, and you know as to all the groups you stated, not specifically to any one of them, there are certain jobs that depending on what people actually do, it may be that the bulk of their time is devoted to actual public service, but if it's not, then they should not get the relief, and that's generally how we would approach these issues.

Mrs. MILLER-MEEKS. So having left home at 16 as the fourth of eight children, I served as a nurse and a physician in the United States Army. The former director of the Iowa Department of Public Health, a State Senator, and now a U.S. Congresswoman. I am not against public service, obviously, and I am not against the PSLF, but I am concerned that the eligibility for the program is so vast and so broad, that we are using a program intended to incentivize public service on industries and jobs that ultimately do not fit that definition.

Can your office commit to providing this Committee a breakdown of the PSLF borrowers by occupation, and by undergraduate and graduate degree?

Mr. CORDRAY. We would be glad to if you followup with a specific data request and I guess you just made one, and we'll try to take it down, but if you want to convey it in writing so we have the exact particulars, we'll make sure we get the answer right. We'll provide you with whatever information we have.

And by the way it's a fair point you raised. Public service loan forgiveness should go to people doing public service. It should not go to people pretending to do public service who are really doing something else. And we'll be glad to ferret out anybody who is trying to take advantage of the program.

At the same time these are very situational instances that we have to deal with case by case sometimes, although as I say, everything you've described in your background, every bit of that would qualify for public service loan forgiveness, and I hope that you fared reasonably well through the GI Bill and others because you deserve it.

Mrs. MILLER-MEEKS. Well thank you for that, and I certainly have, as I said, made a request. I hope that you'll fulfill the request. And I hope that the information will get to us as soon as possible, hopefully no later than Thanksgiving. Thank you so much. I yield back my time, Madam Chair.

Chairwoman WILSON. Thank you, so much Ms. Miller-Meeks, and we look forward to the response because all of us are interested in your question. In fact, I have a bill that I'm crafting on public service to look at that also, so thank you. Now Representative Castro has joined us, welcome.

Mr. CASTRO. Thank you, Chairwoman. And thank you Mr. Cordray for coming before this Committee to discuss these issues relating to Federal student aid. Under the public service loan forgiveness, borrowers who have made 10 years of payments while working for certain public service jobs, would have their Federal student loan balances forgiven in full as you know. But in 2019, the U.S. Government Accountability Office, the GAO, reported that the Department of Education had denied 99 percent of public service loan forgiveness applications.

And many public servants were rejected because they received misinformation from their servicer, or were enrolled in the wrong payment plan, among other issues. The Department of Education recently shared new data about Federal student aid programs, including a new report on the PSLF program demonstrating that most borrowers are not yet eligible for forgiveness because they have not been in repayment for 10 years.

However, for many of those borrowers, this is due to the fact that they had the wrong type of loan, and as a result, had to consolidate into the direct loan program which caused their repayment clock to reset and increase their time to reach forgiveness.

The Federal student aid has recently announced a limited waiver to help borrowers access forgiveness through the PSLF program. So I wanted to ask you, moving forward, how will the FSA ensure that loan servicers are equipped to help borrowers access PSLF, both during the time limited waiver, and into the future, especially given the upcoming return to payment?

Mr. CORDRAY. Thank you. It's a good question, and I don't mean to refer to my book again, but again at CFPB the book I wrote, Watchdog is about some of the failures that I saw that I wished we could have corrected that we didn't, the 90/10 rule was one, the PSLF program was another as you described. Very, very few people over the years have gotten any relief under that program.

I think it was just a few thousand at the beginning of this year. The changes that are being made here that the Secretary announced, and due to a lot of hard work by people at the Department and at FSA are going to result in the numbers of people receiving public service loan forgiveness before the end of this year will be into the tens of thousands and a multiple of four or five over what was done before.

And we're on the road to hundreds of thousands of others getting their monthly count of how many qualifying months boosted forward and the relief being made easier for them. Those are all things that we're going to do.

Now, having said that, that was an announcement. There's a lot of hard work that follows on an announcement that has to be done to make it effective. You know that. You know government very well. It's our job to do that. We have to work with our servicer. In this case it's PHEAA, they're our loan forgiveness—public service loan forgiveness servicer, and that will be transitioning at some point, but they work on this program.

They do hard work every day to try to deliver this relief. We're going to be overseeing that to make sure that's happening, and we're going to be working closely together. I want to see this succeed. The Secretary wants to see it succeed. I think all of us want to see this succeed.

That people who deserve forgiveness based on many years of public service are getting their payment accounts proper, they're getting their relief after 10 years, and this program will finally deliver what it was supposed to deliver. That's our job here, and we're going to do it.

Mr. CASTRO. And can I ask you what were the consequences if any, to the servicers or others involved in administering this program, and the fact that 99 percent of applicants were rejected, and the program was not working as it was intended?

Mr. CORDRAY. So I can't speak to what may have happened before I came here. But what I will say is there are some who are rejected outright, there are many who are not rejected, but they're told that they're on their path to it. They may not be nearly as far along that path as they thought they were, and there's been a lot of frustration about that, too.

The changes the Secretary announced which are significant, put people much farther forward toward 10 years, pushed at least 20,000 and actually close to 50,000 with a few further changes past 10 years, and deserving now and entitled to full relief and they'll get it.

And there are hundreds of thousands who have had their payment account advanced many, many months in some cases, and if they consolidate their loans, which is the step they need to take if they're FFEL borrowers, they may actually go all the way from nothing to full forgiveness. So we're encouraging everyone to do that, we would like you to help us encourage everyone to do that.

Mr. CASTRO. Let me just make one more point.

Mr. CORDRAY. Sorry.

Mr. CASTER. Well I just want to be sure that there wasn't some malfeasance there, that somebody wasn't trying to make money off of a scheme.

Mr. CORDRAY. Yes, actually I'll say two more things if I may. No. 1, we are concerned about that, and that's why one of the pieces that the Secretary announced is a redetermination program for people who might have applied before and been rejected, that they can reapply, and that they should seek reconsideration.

So we want to correct those errors where possible. The other is there are scams and frauds that develop around these programs. It's true of everything in government. If there's something we're doing that's good for people, there are scammers and fraudsters who will try to get into it, use it as a way to get people's personal information and so forth.

We try to fight that as much as we can, but in terms of the actual program we will give people a chance to have reconsider here.

Mr. CASTRO. I have to yield back, the Chairwoman is cutting me off here, I yield back Chairwoman.

Chairwoman WILSON. This is a very, very interesting meeting, so you could see why we keep going over time because so many questions, and so many concerns. I told you before the meeting started how impactful this was going to be, but we appreciate your cooperation.

Mr. CORDRAY. You warned me very clearly, yes.

Chairwoman WILSON. I don't know if Mr. Castro wants anything in writing. You're fine with your responses?

Mr. CASTRO. Yes. If there's anything else in writing, anything else left to answer on those questions if you could put it in writing. Thank you, Chairwoman.

Chairwoman WILSON. Thank you. And next Representative Comer Kentucky.

Mr. COMER. Thank you, Madam Chair. Mr. Cordray I'm sure you're very aware that Ranking Member Foxx and I, along with several of our colleagues on the House Oversight Committee sent a letter to Secretary Cardona in July requesting the release of a report commissioned by former Secretary Devos detailing budget projections and information related to the value of the Federal Government's entire student loan portfolio.

This letter followed several requests. So we invoked the statutory seven-Member rule requiring executive branch entities to produce documents when seven Members from the Oversight Committee make the request. Now this seven-Member rule has just started this year. This was the result of a lawsuit by Elijah Cummings and the minority at that time, the minority democrats of the Oversight Committee, because they were having difficulty getting information from the Trump administration.

So now there's a process for the minority to get documentation from the executive branch if they refuse to comply with our request, and it's called the seven-Member rule. We invoked the seven-Member rule. We've only done that a couple of times this Congress.

Yet the Department of Education refused to respond with appropriate documents. So we went and we sent another followup letter 2 weeks ago. Again, I have received no response from the Department. Now Mr. Cordray this information would be very useful in determining the scope of the student loan debt we're discussing in this hearing today, and the debt American students are living with every day.

I encourage you to work with your colleagues to provide this information to the Oversight Committee as soon as possible, and I might remind you that Ranking Member Foxx is also a very active Member on the House Oversight Committee. So is that a reasonable request?

Mr. CORDRAY. So, and again Ranking Member Foxx asked me about that same report I believe earlier in the hearing, and I'll simply give you the same answer I gave her, which is what I know on the subject, which is—and by the way, if you haven't received a response on that, I believe one is forthcoming. You should get it immediately, and again these hearings do have a way of kind of pushing forward the work for us, it's just the nature of life, I guess.

But let me just say what I understand is that the report had been provided in a redacted form. The redactions were imposed by the previous administration. It's been looked at, and it's thought that was again the appropriate response, and I think it's again being provided in the same redacted form, and there's some concern about some of the metrics in that report that we think are not accurate, and we're offering—the Department is offering to provide a briefing to everybody who's interest in the subject of that report to go through it in some detail.

And if that's helpful to you, it might be worth doing that, and then see if you're satisfied, and if you're not you could followup at that point. But I think that's what would be responsive to your request.

Mr. COMER. When you ask any Member of Congress whether they're republican or democrat, there's a big difference between the republicans and democrats from an ideologic standpoint up here, and every American sees that. If you say name the 20–25 biggest issues that affect people in your District, student loan debt is going to be in just about every Member's list of 25 issues.

And it shouldn't be this hard-to-get information to help us determine the extent of this student loan debt, and it's been a frustrating process. I hope that from this point on the Department of Education will comply with the House Oversight Committee's simple request for information. Let me switch gears.

Mr. CORDRAY. Sure.

Mr. COMER. Recently Department of Education gave the negotiated rulemaking process to make changes once again to the borrower defense regulations. In the highly irregular move, the Department announced that it planned to retroactively change the borrower defense rules for all Federal student loans, thus applying the new regulation to borrowers whose claims have already been adjudicated.

Retroactively in law, is highly disfavored,—the Supreme Court precedent is quite clear that rules should not be retroactive, unless authorized exclusively by Congress. The Biden administration's proposal runs counter to this settled area of the law on retroactivity without an authorization evident in the Higher Education Act, permitting the Department to establish retroactive rules.

Even the Obama administration's borrowers defense rule did not attempt to make such an extraordinary change. Mr. Cordray HEA does not authorize such actions. What authority does the Department have to make retroactive changes to the borrower defense regulations?

Mr. CORDRAY. Boy, I got about 5 seconds, and that's about a 10 minute answer I need to give you. So I don't know if you're going to need that one in writing, or just what. But what I'll say is I know the borrower defense program is very complicated. There have been three or four changes of direction by different either rulemakings or policy differences under the prior administrations.

One of the things I know is that's one of the issues that's going to be taken up in negotiated rulemaking process, which will be a very public process the Department's undertaking. I'm not running that process, but we have input into it. Everybody will have input into it.

We're happy to have your input into it, and get that rule into the right position, and we'll work to do that. In general though, in terms of the zig and zag in this that there has been in the past, you're absolutely right about that. We could give you chapter and verse on that, but it would probably be better to do that in writing if you will.

Mr. COMER. I'll look forward to receiving that.

Chairwoman WILSON. Thank you. Thank you so much. Representative Courtney, how are you? Connecticut.

Mr. COURTNEY. I'm good. Thank you, Madam Chair, and thank you Mr. Cordray for being here today. I agree with your earlier testimony that Secretary Cardona's decision on October 6 to untangle the public service loan program is very significant and powerful decision that will help hundreds of thousands of student loan borrowers.

I think probably every Member who got frustrated with constituents calling them over the last 3 years, about the fact that the Department of Education and the loan servicers were just you know really arbitrarily denying their 10 years of hard work in terms of complying with the program. I was here back in 2007 when the College Cost Reduction Act was passed that created the public service loan forgiveness program.

I think it's important to remember it had strong bipartisan support and was signed into law by George W. Bush. So you know again, I think if there's a consensus area in terms of student loan relief, certainly people who you know either wear the uniform of this country, or step up as cops, or teachers, nurses, etc. in public service jobs who are earning their discharge, is something we should all pull together and work hard to implement.

Particularly, I want to again note that you know we're already hearing from constituents that have gotten the good news in terms of emails from the Department, so it's happening in real time, you know, where people are getting the good news that payments are being recognized and moving up their discharge date.

The fact that again, people who are in the military are also going to have their time overseas counted under you know the deferred payments that occurred when they were overseas are going to be counted as qualifying payments.

Again, I just want to confirm that's something that's going to be implemented by the Department of Education in conjunction with DOD, so it's really going to be done internally in terms of an administrative function is that correct?

Mr. CORDRAY. Yes. We have worked hard to get automated data matching with DOD, and by the way we're trying to get it across the Federal Government through Office of Personnel Management, we think we will. It takes a little bit of time to do some of these things, but yes, we're going to make it as easy as possible.

And we also would like to work with states, and local governments as well, and maybe you and your staff could help us with that on some outreach on that and so forth. We want everybody who is entitled to the benefits of this under the law to get the benefits of this.

And by the way every day I work with people here at FSA and the Department. They're all public servants too as you know. I'm really proud of the work they're doing. Some days you're especially proud because really good work has gotten done, and the day of that announcement about public service loan forgiveness was a day I was especially proud of the people at FSA.

Mr. COURTNEY. Sure. So you know and again just on that point. You know this Committee reported out as part of the Build Back Better Act, a provision to clean up the problem with the military service Members. Again, the Secretary's order kind of obviated the need to include that into the BBB when we do final passage.

I want to again thank your staff who helped work with Committee staff, in terms of fashioning the language, and again clearly the commitment was there within your agency. The other part of the Secretary's order, just I have a question, I just really want to get through this is that you know some people as Congressman Castro eluded, are going to actually have to file a waiver request to get the consolidation relief, which the Secretary's order included.

And you know we're already hearing from constituents that servicers who are getting calls, because I mean this is something that people are watching like a hawk, you know back home. Are already being told they don't have the guidance to implement the PSLF changes.

And again, we want to make sure because there's a deadline here of October of next year for people to file these requests, what steps FSA is going to take. We want to be partners with you to get the word out to people in terms of making sure that you know, they don't get caught in another sort of bureaucratic gymnastics that would affect their eligibility for discharge.

Mr. CORDRAY. Yes. It's a very fair question, and by the way we're operating in real time here. It's been a matter of days since the Secretary's announcement, and we want to make sure that people have the right guidance here, and you know sometimes quick is the enemy of the good, but we're working on that.

And we will work with the servicer, which is PHEAA, to make sure that they have the guidance to provide it to people. We've heard some of the same things you've heard, and we want to get these things sorted out as quickly as possible, but we do intend, and we will deliver, on the announcement that was made, and get relief to people, and we will communicate closely with them going forward.

And by the way to the extent you hear things, pass them on to us because we're probably hearing the same things, but if we aren't, we want to hear from you, too. OK?

Mr. COURTNEY. So when you have a form developed for the waiver application, I mean please share that with Member offices because that's obviously that's the tangible document that is going to trigger relief for folks, and again we definitely want to work with you.

One last point, Mr. Pocan talked about the refinance issue. Again I've introduced a bill to actually track the Federal reserve benchmark, and allow people to refinance down, so there already is something actively in the hopper. You know with this Congress, the 117th Congress to go that route and look forward to hopefully working with the Secretary and your office to you know provide something that is screamingly obvious, which is that people should be able to refinance their debt with student loans just like you do with a home mortgage or other forms of consumer debt.

Mr. CORDRAY. I understand your point on that, and whatever you do we will be glad to implement.

Mr. COURTNEY. Thank you, sir. I yield back.

Chairwoman WILSON. Thank you so much. Representative Letlow?

Ms. LETLOW. Thank you, and Mr. Cordray thank you for taking the time to testify before the Committee today. As you know the pandemic brought on many challenges, especially for students and borrowers. So Congress provided a temporary pause on Federal student loan repayments.

The CARES Act provided the Secretary of Education authority to suspend all interest accumulation and monthly payments on federally held loans through September 30, 2020. Additional executive action extended the repayment pause by the previous and current administrations.

However, most recently the Biden administration has extended repayment one final time until January 31, 2022. Unfortunately, to date neither the Department, nor FSA has made public a comprehensive plan for returning borrowers into repayment status.

The repayment date is just around the corner, and this lack of clarity is unhelpful to the 45 million borrowers. These individuals need to have an explicit understanding on all requirements and expectations when the payment suspensions end. In fact, law requires borrowers to receive no less than six notices when normal payment obligations are about to resume.

Additionally, this uncertainty has made it difficult for loan collection agencies to have adequate time to plan and hire employees. As many businesses, these agencies had to let people go during the pandemic. Now loan collection agencies will be expected to resume their business as usual and meet the same collection requirements for the Department as soon as repayment begins again.

These agencies need time to ensure they have employees hired and trained so they can deliver on the Department's and borrower's expectations. Mr. Cordray loan rehabilitation has been a key tool to assist borrowers. In fact, Congress recognized the value of this tool, and it was included as a provision in the CARES Act.

Why did FSA decide that private collection agencies should not proactively explain the benefits of loan rehab to borrowers?

Mr. CORDRAY. So I think you have accurately and admirably described the challenges here of the multiple extensions of the repayment pause, and now the moving to a final deadline. And what I'll say in terms of a communications plan, we have extensive communication plans that we're already activating and operating under.

We have been for the last couple of months now that we know this is the final deadline. We will be reaching out to tens of millions of borrowers here, and they will get the required, as you noted correctly, at least six communications from us on this subject, and that's what Congress said we should do, and it will be more than six in many cases.

Some of those communications are coming directly from us, some of them will be coming from their servicers. We will have input into what those communications are, just to make sure the message isn't getting mixed here. We're also working, and we'll be awfully glad to work with you and your offices to make sure the message gets out that way as well.

That's another way we can reach people. Some of them will listen to FSA. Some of them may listen to their servicer. Some of them will listen to neither of those, but they will listen to you. You know your voice is respected in your community, and other community groups, and others whether it's alumni associations, or student associations, or teacher's associations, or anybody can help us get this message out.

We don't want anybody to mistake this, fall into delinquency default because they just didn't understand this was happening. They just didn't hear about it. Our job is to get this a blanket communication across the country, but all of you can help us do that and we would appreciate it.

Now I can go into more detail and more plans.

Ms. LETLOW. I have one followup to that. I appreciate that.

Mr. CORDRAY. Sure.

Ms. LETLOW. I'd like to followup. There are 11 private public collection agencies, PCAs on contract with the department, and it's my understanding that PCAs are at the ready to assist borrowers with rehabilitation when return to loan repayment begins. Will FSA allow PCAs to begin calls to defaulted borrowers on February 1, 2022?

Mr. CORDRAY. So in terms of what's going to happen with defaulted borrowers, there are active consideration being given to that. There is various schools of thought as to what the pandemic pause has meant for defaulted borrowers. As you know the PCAs that you're talking about have not been able to engage in collection activity for the most part during the payment pause because there's been no debt to collect because it's all been paused right?

So that's been a difficult situation for them we understand, and coming out of this, depending on decisions that are made about after January 31, you know, it's a difficult situation. We will communicate with people as we can, that is the PCAs, and we want to make sure we have plenty of capacity for reaching borrowers to make sure that they get this message, and that they don't misunderstand it, or fail to hear it.

So I agree with you that's a prime consideration for us, and we're working hard to do that.

Ms. LETLOW. Thank you, Mr. Cordray. I yield back.

Chairwoman WILSON. Thank you so much. And now Ms. Bonamici, thank you Ms. Bonamici for being here.

Ms. BONAMICI. Thank you so much Madam Chair and thank you Mr. Cordray. I agree with my colleagues who have noted the importance of this issue. A recent estimate from the Federal Reserve found that Americans owe more than 1.7 trillion in student loan debt, and in my home State of Oregon the average graduate has more than $27,000.00 in debt. So it's clear we need to work together to find the best policies to support student borrowers.

So Mr. Cordray, we know of the three loan servicers that have announced that they do not plan to renew their contracts. We've talked about that. Navient Real EState Management, Fed Loan, these three companies serve about 16 million borrowers, so I want to ask about how the non-renewal of these contracts is going to affect borrowers and their families.

So how will the developer let borrowers know if it's changing, and how can Congress help you make this transition as easy and cost effective as possible for borrowers, their families, and for taxpayers?

Mr. CORDRAY. Yes. Thank you for the question and the numbers you have cited I believe are pretty much accurate. You know in fact are accurate. What I will say is there have been times in the past as I understand it, and it's history for me, I'm new to the job, that FSA hasn't always handled transfer of accounts well, and the servicers haven't transferred the accounts well, and there have been problems for borrowers.

More recently and most of the most recent examples have been smaller universes of borrowers, but those have been handled better, and the communication plans are sounder, and the hand off is better, and by the way here the hand offs are being overseen very closely, and the servicers know that, by a coalition of overseers including FSA, CFPB, and 17 states.

So that gives me more confidence. But at the same time you know we need to make this work. The way we do it is we start by transferring a small cohort of borrowers, and make sure that we work the kinks out in that, then we gradually move the larger cohorts of borrowers. That is well in process right now for the Granite State portfolio, the Navient portfolio is going to be handled we think more easily because it's a move directly from one servicer to another of the entire account all on the same platform, but we'll see.

And we'll make sure that's done well. The PHEAA transfers are a little bit more complex because they're so big they have to go to multiple recipient servers. Not everybody on the same platform, so we will be bulldogging that to make sure that goes as well as we can.

Ms. BONAMICI. Thank you. And I want to get to another issue, but I know we'll be following up on that to see how it's going throughout the process.

Mr. CORDRAY. Sure.

Ms. BONAMICI. So the Department of Education recently moved to provide targeted forms of loan relief, including people with permanent disabilities, those discharges to borrowers without requiring them to go through a process. And I've been a long-time supporter of helping borrowers with permanent disability, and perhaps I included some protections in my Simple Act, which will work to get more borrowers into driven repayment plans by automating the annual process of recertifying borrowers? income.

Similar provisions to this Simple Act included in the Future Act, which as you know was signed into law last Congress, and even though income driven repayment is not a one size fits all solution, but it's a very effective tool.

So how can automatic processes remove major barriers for borrowers, and get them the benefits they're entitled to under the law, and are there additional programs, including automatically updating income for borrowers on IDR plans that you would like to see automated in a similar way that would help streamline the process?

Mr. CORDRAY. So excellent question, and I would say significant work in progress on all of the fronts you mentioned. No. 1, the total permanent disability announcement recently, that is vastly being automated, and the relief is being delivered to people, and it's significant numbers of people as you've said, several hundred thousand people.

So that's an example of how we're starting to do this work better. The IRS relationship with FSA has really made progress over the last year or so, and there are ways that they can help us automate some of this, including as you say, income driven repayment.

We want that to be as easy as possible for borrowers. Frankly, every borrower of student loans, who is now repaying student loans, we want them as much as possibly, in one of two plans. Either on an auto debit, if they're able to stay current and able to make those payments so they don't forget, they don't screw up, it's just regular, routine, you know the way you automatically debit an account for an expected amount, no surprises.

That's what we want, and we're pushing people to make sure that they get into that as much as possible. If they're having trouble making their payments, or if they're going to struggle to make their payments, we want them to be on an income driven repayment. That's the right answer.

It allows them to lower their monthly payment to an appropriate amount, and then going forward we can continue to adjust it to their circumstances year in, year out. That's a big deal for us. We're trying to make that simpler for people, and we want everybody out there, and help us spread the word among your constituents.

If you're able to make your payment easily, get on auto debit. If you're having trouble making your payments, get on income driven repayment, and the process should be easier now than it was before, and don't take no for an answer on that.

Ms. BONAMICI. I appreciate that, and when we were working on the Simple Act, and this is over the last several years we found that there were many students who just did not meet that strict deadline on updating their income. And then they'd be in default, and then it was harder to get them out. So streamlining that process of automating I think has been a tremendous help. As I yield back Madam Chair, I do want to align myself to ask about the jobs that the loan forgiveness program, on that Mr. Cordray. Thank you, Madam Chair, I yield back.

Chairwoman WILSON. Thank you. Mr. Keller welcome to our Committee.

Mr. KELLER. Thank you, Madam Chair. Mr. Cordray several FSA contractors have exited the Federal student loan servicing industry since the beginning of this year. As a result, over 16 million borrowers will be placed with a new servicer at the same time they return to repayment status after nearly a 2-year pause. As you've noted, the return to repayment was challenging and was not only tasked without—excuse me, but it was also a challenging task even without losing any service.

Among the servicers that have announced their exit was Pennsylvania Higher Education Assistance Agency, or PHEAA. This is an entity that does tremendous work in Pennsylvania, and has received some unfair criticism from congressional democrats, progressive advocates, and sometimes quite frankly your Department.

You've repeated noted and eluded to it in your testimony that the reason some services made the decision not to renew or extend their contracts was that they were either unable, or unwilling to meet, or increased ability or performance metrics.

For example, speaking at a conference in September attended by several FSA stakeholders, you noted that note everybody was thrilled with the new standards, but FSA stuck to its guns, and some of the servicers decided to exit the program rather than contend with these new realities.

Does that statement, or does that include PHEAA?

Mr. CORDRAY. So I'm not trying to——

Mr. KELLER. Does it include PHEAA or doesn't it, I've only got five minutes, yes or no?

Mr. CORDRAY. PHEAA is exiting our program. They had reasons of their own for exiting. They have freedom of choice here. They've decided to exit.

Mr. KELLER. OK.

Mr. CORDRAY. However, they are a big servicer. It's going to take time to move their portfolio. They're going to have to continue to work with us.

Mr. KELLER. OK. You've answered my question, I've got to keep moving. I can't have a filibuster I have to keep moving here.

Mr. CORDRAY. OK. I was trying to answer your question.

Mr. KELLER. So you've talked to PHEAA about why they decided to exit? Again that's a yes or a no.

Mr. CORDRAY. I have had conversations with PHEAA's leadership since I became head of FSA yes.

Mr. KELLER. OK. Now the contract extension for the remaining servicers, these new guidelines, were they made aware that—were the servicers made aware of these new guidelines on September 24 of this year?

Mr. CORDRAY. Actually they were made aware of those guidelines sooner because we had to negotiate the contracts, and it took more than 2 months of hard work.

Mr. KELLER. OK. So when were they made aware of them. What date were they made aware of them?

Mr. CORDRAY. It would have varied with different ones with them, but I think my very first conversation with loan servicer leaders, including PHEAA, I would have made a claim that this is what we intended, however can I say something?

Mr. KELLER. No. I'd just like to know what date that was.

Mr. CORDRAY. Can I? Well I don't know what date that was, but it——

Mr. KELLER. Can you get us the date?

Mr. CORDRAY. It was early. Let me say in context here, loan servicing is a hard job. I know it's a hard job. And I'll say this to you, and I'll say it to PHEAA, and I'll say it to all the loan servicers. I have seen mortgage loan servicing as head of CFPB. It's a very hard job. Having said that, we need to do a good job, and we have to have performance and accountability metrics in these contracts, and people have to meet them.

Mr. KELLER. I'm not going to disagree with that. I'm going to take my time back. I'm not going to disagree with that. We need to have transparency, and we need to make sure everybody understands what they're doing, and they have to provide a good job.

And I know PHEAA does in Pennsylvania because they service all of Pennsylvania.

But for people to make accusations that PHEAA is doing this because they don't want accountability is not fair. I'd like to know, and I'd like to know when you can provide me with the date you talked to PHEAA. When can I expect to have the information on when PHEAA was made aware of this?

Mr. CORDRAY. Well look I don't know exactly what the situation here is on a request like this, but if you're asking for a specific question about a factual date.

Mr. KELLER. Yes.

Mr. CORDRAY. We can provide it.

Mr. KELLER. OK.

Mr. CORDRAY. If it would help.

Mr. KELLER. OK. I would expect—sir, it's my time. I would expect that by Friday of this week you can provide my staff, or the Committee with the date on which you made PHEAA aware of what the guidelines would be. I'd just like to know that. OK, because that goes to the timeline of when they decided or did not decide to continue the contract here.

Again, it's all about accountability. And I've heard a lot of discussions today regarding student loans and educational institutions. In fact, the Secretary, Secretary Cardona said a couple months ago that everybody should be treated the same as far as educational institutions regardless of their tax debts. I'm still waiting for his plan on holding everybody to the same metrics. It's been going on forever.

Mr. CORDRAY. Let me add something that may complicate your question. You asked when I told PHEAA something. When I first came in as head of FSA on May 4 and started speaking publicly about my job, I started talking about accountability and performance. And so that was in the air, whether I had said it directly to PHEAA say on the phone, or whether I said it generally and they heard it, everybody began hearing that after I became the head of FSA.

That was not a message that was hidden or somehow sugar coated, that was part of what we expected.

Mr. KELLER. Well sir, here's a little bit of accountability that you and the Department can provide OK. I want to know the date when they were made aware, and I also want to see the Secretary's plan. When he agreed that everybody should be treated the same, here's accountability for you guys. OK? I want to see the plan. I want to see the plan to treat everybody the same from the Department of Education.

Mr. CORDRAY. OK. Whatever you're expecting or requiring, or demanding, just put it in writing to us and we'll try to respond to you in writing. We would be happy to do that.

Mr. KELLER. You either do something or you don't. I will submit you my request in writing.

Mr. CORDRAY. OK. But again, as to when PHEAA would have learned something, I had been talking about this from the first day on the job. They probably would have——

Mr. KELLER. No sir. That's—let's not dodge the question. There was a date when they were given the expectations OK?

Mr. CORDRAY. OK I guess we'll leave it at that.

Chairwoman WILSON. Time. Mr. Fitzgerald of Wisconsin, welcome to our Committee.

Mr. FITZGERALD. Thank you, Madam Chair, and thank you Mr. Cordray for being here. This is somebody kicked the hornet's nest here, and that's I think obvious based on the question and the back and forth that's going on today. I think what's been exposed by the pause is that we have a system that is flawed.

And whether it's the 60 Minutes story, or certainly secondary stories about parent plus loans, you know I think we're kind of in a territory where this is not going away, and I think it's something that's going to grow as we try and tackle the very complex issues of bringing people back online after they have been not making these payments obviously for some time.

And it's only going to get worse I think with the extension of that. So my question is, and you know we have another freshman class that's attending college throughout this Nation. So are there things that are being changed beyond just the order that's already been offered when it comes to the entire student loan system?

And I want to go back to the parent plus loans a little bit because that has been one of I think the most frustrating parts of this entire program in that what you have is and you know just a specific story, it was just counted in the Wall Street Journal where a woman had two children, they went through Baylor University, and she ends up with over $200,000.00 in student loans under her name, under a parent plus loan, and no ability to pay it back.

And you just scratch your head. How could this possibly happen? I think part of it is that the universities continue to increase tuition, not really concerned about whether or not there is a collateral involved, or whether or not it can be paid back, and it just becomes more and more complex.

Although the thing that will not go away in our constituents—it doesn't matter which side of the aisle you're on, are now completely engulfed in how do I do this, how do I get my loan forgiveness in place?

I mean is the Department looking at you know moving forward where are we now? And how can we deal with the issues before us when it comes to new students as well as the repayment plans?

Mr. CORDRAY. So there was a lot there. In general, I agree with you. Look it's an unusual form of lending that we do with student loans in this country where it is not risk-based, as most private sector lending is. And that does lead to some difficulties down the road.

Having said that, you know the student loan programs as I understand it, and again Congress has designed these programs and put them in place. It's meant to strengthen this country by giving more access on a more even-handed basis to higher education, and what that means for improving people's prospects in life, their economic prospects and the like.

However, you know there are challenges in this program. No doubt about it. There's challenges in ensuring that loans are repaid and making sure that's done on an even handed basis. There's challenges in making sure that schools are providing value for the money, and I think we have an obligation to have protective oversight there, and I don't know if I'm answering your specific question or not, but if I'm not, feel free to reframe it, but that's just my reaction to your—to what you had to say.

Mr. FITZGERALD. Yes, I think Representative Castro kind of touched on it. You know it borders on malfeasance, and I'm really worried about that part of this. That if there's predatory loaning, and loans being made, if there are sequences within the program where you know there absolutely is some other type of motive involved, I'm really concerned about that.

Because I think that's what the pause exposed. It exposed a system that quite honestly, I think many people are standing back and saying, listen, this is not just about loan forgiveness, this is about holding people accountable, and it's very shady. I mean this is starting to feel like you know something that quite honestly deserves a lot more scrutiny than it has been receiving in the past.

Mr. CORDRAY. Well, we will do our best to hold people accountable, you know, maybe schools in some instances, maybe services in some instances, maybe borrowers in some instance. And would be happy to have more input from you as to how we can best do that as we go. It's not an easy job, no question, but it's an important job and we'll try to do it.

Mr. FITZGERALD. Thank you, Madam Chair I yield back, thank you.

Chairwoman WILSON. Thank you. Thank you so much. I remind my colleagues that pursuant to Committee practice, materials for the submission for the hearing record must be submitted to the Committee Clerk within 14 days following the last day of the hearing, so by close of business on November 10, 2021, preferably in Microsoft Word format.

The materials submitted must address the subject matter of the hearing. Only a Member of the Subcommittee, or an invited witness may submit materials for inclusion in the hearing record. Documents are limited to 50 pages each.

Documents longer than 50 pages will be incorporated into the record by way of an internet link that you must provide to the Committee Clerk within the required timeframe, but please recognize that in the future the link may no longer work.

Pursuant to House rules and regulations, items for the record should be submitted to the clerk electronically by emailing submissions to edandlabor.hearing@mail.house.gov. Witness, again I want to thank our witness for his dedication today, for his participation.

We learned so much, and we look forward to working with you. I told you this was an issue that was impacting America, and I guess you found out from testifying here today.

Mr. CORDRAY. I guess I did. Yes.

Chairwoman WILSON. Members of the Subcommittee may have additional questions for you, and they will submit those in writing to you. We ask the witness to please respond to those questions in writing. The hearing record will be held open for 14 days in order to receive those responses.

I remind my colleagues that pursuant to Committee practice, witness questions for the hearing record must be submitted to the Majority Committee Staff or Committee Clerk within 7 days. The questions submitted must address the subject matter of the hearing.

I now recognize the distinguished Ranking Member, Dr. Murphy, for a closing statement. Dr. Murphy.

Mr. MURPHY. Thank you, Madam Chairman, and thank you for holding this meeting, and thank you Mr. Cordray for participating today. I just want to make a few points as we close out. I appreciate all the effort put into this today, but to be very honest with you I'm a little disappointed in some of the responses made by the witness.

There was a lot of deflection saying that was for "Congress to decide." You know many issues, like PSLF where Congress already has decided, we had kind of a giant truck driven through the statute using authority that everyone knows was never intended for the purpose.

And as I said in my opening statement, the Department of Education, and quite frankly, yourself, have been less than transparent, and to put it bluntly. And I mean that's just the fact. We hoped you would be more prepared to answer the questions that this Committee proposed, because largely they're the same questions we sent in our letters months ago and didn't get very valid responses.

And so it appears your lack of answers unfortunately, so it's par for the course for this administration. There seems to not be consistent measures of moving forward and answering specific questions for accountability.

I want to reiterate as the Chairwoman just said, that we want and we expect answers to the questions given to you, ones that you said you were going to provide. Thank you, but regardless to your testimony, we look forward to the answers that this Committee has asked you to put back in writing to the Members who submitted them. Thank you, Madam Chairman, I will yield back.

Chairwoman WILSON. Thank you. I now recognize myself for the purpose of making my closing statement. Thank you, Mr. Cordray, for your time and your work to support students and protect borrowers. Today we discussed the major steps the Biden-Harris administration has taken to support Federal student loan borrowers.

In just 9 months the administration has provided 563,000 borrowers with 9.5 billion in relief they were legally entitled to receive under the Higher Education Act. And as Mr. Cordray shared the Education Department continues to develop stronger, consumer protections for students and for taxpayers. While the Department's progress has been encouraging, the approaching restart of student loan requirements, and the longer-term shift to next gen poses major challenges for FSA.

Student borrowers and servicers need clear guidance to ensure the transition back to the repayment goes smoothly, and that next gen fulfills the promise of a simpler, more consumer friendly student loan system.

I look forward to our work ahead to ensure all student borrowers receive the support they need. Thank you again Mr. Cordray for your leadership and commitment to supporting students and their families. If there's no further business, without objection, the Subcommittee stands adjourned. Thank you.

[Questions submitted for the record and the responses by Mr. Cordray follow:]

COMMITTEE ON
EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES
2176 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6100

November 4, 2021

The Honorable Richard Cordray
Office of Federal Student Aid, Chief Operating Officer
U.S. Department of Education
830 First Street, NE
Washington, D.C. 20002

Dear Mr. Cordray:

I would like to thank you for testifying at the Subcommittee on Higher Education and Workforce Investment hearing entitled "*Examining the Policies and Priorities of the Office of Federal Student Aid*" held on Wednesday, October 27, 2021.

Please find enclosed additional questions submitted by Committee Members following the hearing. Please provide a written response no later than Thursday, November 11, 2021, for inclusion in the official hearing record. Your responses should be sent to Rasheedah Hasan (Rasheedah.Hasan@mail.house.gov), Mariah Mowbray (Mariah.Mowbray@mail.house.gov), and Manasi Raveendran (Manasi.Raveendaran@mail.house.gov) of the Committee staff. They can be contacted at 202-225-3725 should you have any questions.

I appreciate your time and continued contribution to the work of the Committee.

Sincerely,

ROBERT C. "BOBBY" SCOTT
Chairman

Enclosure

Subcommittee on Higher Education and Workforce Investment Hearing
"Examining the Policies and Priorities of the Office of Federal Student Aid"
Wednesday, October 27, 2021
10:15 a.m. (Eastern Time)

Chairman Robert C. "Bobby" Scott (D – VA)

1. Mr. Cordray, the Next Generation Financial Services Environment, better known as Next Gen, has been in the works for a while, stretching as far back as the Obama Administration. This initiative envisions a single website where all 42 million Direct Loan borrowers will access their accounts and make loan payments, providing more consistent information to borrowers about their loans and improving FSA's ability to oversee the student loan system. Unfortunately, due to the delays under the Trump Administration, the vast majority of Next Gen remains incomplete.
    a) What is the timeline for fully implementing Next Gen, and what steps is FSA taking to ensure a smooth transition for student loan borrowers?
    b) How will the recently announced changes related to servicers impact Next Gen?
    c) What contingency plans has FSA considered and put into place if procurement continues to be unsuccessful?

2. Mr. Cordray, what authority does the Department have to address the issues in reducing interest rates, allowing refinancing of student loans, and fixing the Public Service Loan Forgiveness (PSLF) program, especially to make it easier for military personnel to access the PSLF program, without legislative action?

3. Mr. Cordray, what percentage of the loans that are currently being discussed under broad-based debt relief, up to $10,000 in student loan discharges, are loans in default? If those loans are discharged, what would be the impact on the cost of providing services related to those loans, such as trying to collect on that debt?

4. Mr. Cordray, what work is FSA doing to ensure that loan servicers have the right information and guidance as we move to Return to Repayment to ensure that borrowers are able to properly sign up for repayment, student loan forgiveness, borrower's defense claims, and income-based repayment?

Chairwoman Frederica S. Wilson (D – FL)

1. FSA is carrying out a series of ambitious initiatives all while preparing to oversee the restart of student loan payments and changes in the loan servicer landscape.
    a) Does FSA have the capacity to manage all these priorities well?

2. Mr. Cordray, as student loan payments are set to resume early next year, how is the Department planning to support borrowers who are in default and most at-risk of default?

3. Mr. Cordray, Studies have shown that disparities in student loan debt are deeply rooted in racial wealth disparities. As many as one-third of Black borrowers' default on their

student loans and nearly half of Black graduates owe more on their federal undergraduate loans after four years than they did at graduation.
   a) What are FSA's plans for addressing racial and socioeconomic disparities in student loan default and negative amortization rates?

4. The average borrower graduates with roughly 30 thousand dollars in student loan debt and Black borrowers, on average, owe substantially more. Studies have shown that loan forgiveness can significantly help to reduce the racial wealth gap. President Biden has asked the Education Department to prepare a memo on the President's legal authority to forgive student loan debt.
   a) What is the status of this memo and once finalized, will it be made public?

Representative Joaquin Castro (D – TX)

1. Through the next year, while borrowers access the time limited Public Student Loan Forgiveness (PSLF) program waiver, does FSA plan to increase oversight of the PSLF program to ensure that borrowers are not given inaccurate information?

2. How does FSA plan to rebuild trust with borrowers who felt they were misled about the promise of the PSLF program?

Ranking Member Virginia Foxx (R – NC)

1. What is FSA's future plans for PCAs?

2. According to reports, the Department is reviewing plans to automatically pull 7.5 million borrowers out of default on their federal student loans, which is internally referred to as "Operation Fresh Start."[1]
   a) When will this initiative be implemented?
   b) How much does the Department estimate this action will cost?
   c) To ensure that these borrowers do not redefault on their loans, what steps is FSA taking to ensure that struggling students and parents are enrolled into an income-driven repayment plan and have adequate counseling and support services so that they get into a regular payment history?
   d) Does the Department plan to relieve PCAs from their contractual duties to implement this proposal?

3. Earlier this year, the Department of Education extended the benefits under the CARES Act to defaulted borrowers with Federal Family Education Loans and required guaranty agencies to assign those loans to the agency.
   a) What legal authority is the Department using to take these privately-held loans from state and nonprofit organizations?
   b) What specific benefits will student and parent borrowers realize from FSA that they could not receive from guaranty agencies, other than having their loans transferred to a new federal student loan servicer?

[1] https://www.politico.com/news/2021/10/18/biden-student-loan-payment-restart-516194

c) Please detail how this mandatory assignment meets the requirements of the *Higher Education Act* with respect to the action being in the "federal fiscal interest?" How much does the Department estimate this will cost versus leaving borrowers with guaranty agencies?

4. For the last two administrations, FSA has been working on efforts to reform the federal student loan servicing system.
   a) What is currently happening with the Next Generation Financial Services Environment, including the transition to Business Processing Operations vendors, and what are your plans for the future?
   b) What's the timeline for reform, and how much money is this new approach going to cost taxpayers in the end?
   c) What role will private collection agencies play in the future of the federal student loan program?
   d) The Senate Appropriations Committee included language in the Labor, HHS, Education appropriations text for Fiscal Year 2022 requiring that FSA's future servicing environment provide for a single, centralized website and phone line with Department branding for all federally held student loan borrowers to manage account information and make payments. What are the Department's plans for implementing this provision?

5. On October 6, 2021, the Department announced it would be issuing a limited waiver for borrowers seeking forgiveness through the PSLF program.
   a) When did FSA provide all of the change requirements and specifics to servicers regarding the news announcements of the PSLF waiver of law and regulations?

6. On September 28, 2021 Navient announced it would end its federal student loan servicing contract and their portfolio would be transferred to Maximums.
   a) What monitoring has been done on the transfer between Navient and Maximus?
   b) At what point were you told of Navient's decision to exit?
   c) Was the agreement for Navient's contract extension, which was approved on September 24, contingent on approval of the transfer to Maximus?

7. Mr. Cordray, why were Parent PLUS loans excluded from the Public Service Loan Forgiveness (PSLF) waiver issued by the Department of Education (Department) on October 6th, 2021?

Representative Jim Banks (R – IN)

1. Mr. Cordray, do you support proactive disclosure of interest rates to federal student loan borrowers before loan disbursement, as required by Sec. 433(a) of the *Higher Education Act*?

2. Mr. Cordray, on June 25, 2021, Rep. Emanuel Cleaver, Sen. Tim Scott, Sen. Joe Manchin, and myself sent a letter to the Department regarding the issue of disclosure of the terms on Direct Loans.[2] On what date should we expect a response to that letter?

Representative Mariannette Miller-Meeks (R – IA)

1. Mr. Cordray, please provide this committee with the following data regarding the PSLF program:
   a) A breakdown of borrowers who have received forgiveness under the PSLF program, disaggregated by degree level (i.e. associates, undergraduate, graduate, and professional degrees).
   b) A breakdown of borrowers who have had an employment certification form (ECF) approved but have not yet received forgiveness under the PSLF program, disaggregated by degree level (i.e. associates, undergraduate, graduate, and professional degrees).
   c) A breakdown of borrowers who have received forgiveness under the PSLF program, disaggregated by Direct Subsidized Loans, Direct Unsubsidized Loans, Direct Consolidation Loans, and Graduate PLUS Loans.
   d) A breakdown of borrowers who have had an ECF approved but have not yet received forgiveness under the PSLF program, disaggregated by Direct Subsidized Loans, Direct Unsubsidized Loans, Direct Consolidation Loans, and Graduate PLUS Loans.
   e) A breakdown of borrowers who have received forgiveness under the PSLF program, disaggregated by their employer using the North American Industry Classification System (NAICS) at the 2-, 3-, 4-, and 6-digit level, and the average income of such borrowers in the final year of repayment when they're loan is forgiven for each NAICS classification.
   f) A breakdown of borrowers who have had an ECF approved but have not yet received forgiveness under the PSLF program, disaggregated by their employer using NAICS at the 2-, 3-, 4-, and 6-digit level.
   g) The average income of borrowers in the final year of repayment when they're loan is forgiven under the PSLF program.

Representative Lisa C. McClain (R – MI)

1. What is the total dollar value of the outstanding loans held by borrowers serviced by Navient, Granite State Management and Resources, and FedLoan?

Representative Julia Letlow (R – LA)

1. Mr. Cordray, loan rehabilitation has been a key tool to assist borrowers. In fact, Congress recognized the value of this tool and it was included as a provision in the CARES Act. Why did FSA decide that private collection agencies (PCAs) should not proactively explain the benefits of loan rehab to borrowers?

[2] https://banks.house.gov/uploadedfiles/6.25.21_letter_to_sec_cardona.pdf

2. There are 11 PCAs on contract with the Department. It is my understanding the PCAs are at the ready to assist borrowers with rehabilitation when return to loan repayment begins. Will FSA allow PCAs to begin calls to defaulted borrowers on February 1, 2022?

3. When will FSA make public their comprehensive repayment plan? Will you commit to giving borrowers adequate time to plan for repayment and PCAs suitable notice so they can train employees and comply with the law and Departmental guidance?

Committee on Education and Labor
Subcommittee on Higher Education and WorkforceInvestment

"Examining the Policies and Priorities of the Office of Federal Student Aid"
Hearing with Department of Education
Federal Student Aid Chief Operating Officer Richard Cordray
Wednesday, October 27, 2021

Questions for the Record

Chairman Robert C. "Bobby" Scott (D – VA)

1. Mr. Cordray, the Next Generation Financial Services Environment, better known as Next Gen, has been in the works for a while, stretching as far back as the Obama Administration. This initiative envisions a single website where all 42 million Direct Loan borrowers will access their accounts and make loan payments, providing more consistent information to borrowers about their loans and improving FSA's ability to oversee the student loan system. Unfortunately, due to the delays under the Trump Administration, the vast majority of Next Gen remains incomplete.

a) What is the timeline for fully implementing Next Gen, and what steps is FSA taking to ensure a smooth transition for student loan borrowers?

In 2017, Federal Student Aid (FSA) introduced the Next Generation Financial Services Environment (Next Gen), an initiative that sought to transform FSA's operations and approach to serving more than 70 million students, parents, borrowers, and partners at approximately 5,600 postsecondary institutions. The Next Gen approach applies not only to student loan servicing, but to all stages of a customer's journey, including learning about, applying for, receiving, and repaying federal student aid. The goals for Next Gen include:

- providing a high-quality customer and partner experience throughout the student aid life cycle;
- improving operational flexibility by creating an environment that can efficiently and effectively integrate new capabilities and features, continuously improve, innovate, and adjust to stay in compliance with applicable laws and regulations;
- driving greater operational efficiency; reducing complexity; improving the stability, resiliency, enterprise risk management, and cybersecurity of systems; and ensuring effective and efficient use of taxpayer dollars; and
- improving customer and partner outcomes and overall portfolio performance and facilitating compliance with consumer protection standards.

Since the Next Gen initiative launched in 2017, FSA has accomplished the following:

1. Launched a modernized StudentAid.gov, which consolidated the functionality of four of FSA's most-visited websites and serves as the primary source of information and tools for FSA's customers.

2. Launched and improved more than 15 tools for students, parents, and borrowers on StudentAid.gov, including the Public Service Loan Forgiveness (PSLF) Help Tool, which guides borrowers through the process of certifying their employment for PSLF, and three Loan Simulator modules that help borrowers identify the repayment plan that best meets their needs, figure out options when they are struggling to repay, and determine how their repayment trajectory will change if they borrow more.
3. Launched a new and improved myStudentAid mobile app and a mobile responsive, role-based FAFSA form that customers can access by using the app or their mobile browser.
4. Built the Enterprise Data Management and Analytics Platform Services (EDMAPS) environment, which is capable of ingesting, storing, and sharing data from FSA and vendor systems, allowing it to be accessed by a variety of systems and vendors.
5. Rebuilt the National Student Loan Data System (NSLDS), a repository for student loan borrower data, to increase the security and functionality of the platform, provide a modern interface for users, and collect and store additional data on student loans.
6. Developed a Marketing and Communications Platform, which has allowed FSA to send over one billion specific, targeted emails to millions of customers related to the FAFSA, return to repayment, PSLF, Borrower Defense to Repayment discharges, and other information about program eligibility for Federal student aid.
7. Launched FSA Partner Connect, which provides a hub for FSA's institutional partners to get information on the Title IV programs and connect to other systems.
8. Awarded contracts to Business Process Operations (BPO) vendors, who perform contact center activities for six of FSA's legacy call centers and will be responsible for debt collection and other servicing work after the payment pause ends.

FSA's strategy to establish a long-term student loan servicing environment, titled the Unified Servicing and Data Solution (USDS), includes the solicitation and award of new servicing contracts, as well as accompanying improvements across FSA systems, such as development of customer-facing functionality and back-end processing capability for the specialty loan servicing programs (TEACH Grants, Total and Permanent Disability (TPD) discharges, and PSLF/TEPSLF), and single sign-on functionality across servicer websites and StudentAid.gov. On May 19, 2022, the Department published the USDS solicitation a procurement to bring on board multiple servicers who will help guide more than 35 million federally managed student loan borrowers through repayment. We anticipate the awarding of new loan servicing contracts and completion of development of the system in time for the expiration of the legacy loan servicing contracts in December 2023, provided there are not significant disruptions to the schedule as a result of policy shifts; new laws; procurement protests and lawsuits; or insufficient funding. As single sign-on functionality is a core part of the USDS strategy, once live in December 2023, customers will experience an immediate improvement to their repayment experience through better integration between StudentAid.gov and servicer websites. After the implementation of the USDS improvements, FSA will continue to build out account management and repayment functionality on StudentAid.gov, ultimately resulting in the decommissioning of servicer websites and complete consolidation of functionality onto StudentAid.gov. FSA anticipates that this transition will occur before the end of the base contract term (e.g. five years post-award), provided there are no significant disruptions caused by policy shifts, or inadequate funding.

b) How will the recently announced changes related to servicers impact Next Gen?

In October 2021, FSA and Department leadership announced several loan-servicing changes, including new contracts to address long-standing deficiencies related to servicer performance, transparency, and security. The changes also enable FSA to standardize borrower data, simplify the process to transfer borrowers from one servicer to another, and improve security and privacy across our systems.

These improvements support the Next Gen vision and FSA's longer-term effort to improve federal student loan servicing by providing greater accountability and better outcomes for borrowers while FSA works to build and implement a new approach to loan servicing. They also complement short-term changes being made to better support borrowers as they transition back into repayment.

c) What contingency plans has FSA considered and put into place if procurement continues to be unsuccessful?

I, as well as Department leadership, have thoroughly reviewed previous procurement considerations and are now actively developing a long-term servicing strategy (see Request for Information published February 23, 2022: SAM.gov). We look forward to providing additional information in the upcoming months.

Based on a review of previously unsuccessful efforts to procure a new servicing system, FSA has identified and worked to mitigate the following root causes of failure from prior procurements:

1) Overly optimistic cost and procurement expectations, leading to budget deficiencies and poorly scoped solutions;

2) Unclear and overly complex solicitation requirements, which led to poor proposals from offerors;

3) Inadequate time and resources dedicated to implementation, with artificial timelines imposed;

4) Inadequately defined changes in strategy and failure to account for constituent feedback, leading to confusion and frustration among stakeholders, including Congress; and

5) Changes in direction under previous Administrations.

The USDS strategy has set an aggressive yet reasonable timeline for contract award and development and includes a phased implementation in order to mitigate time constraints. It also includes a pricing structure that we believe will realize economies of scale while also setting more realistic expectations for servicer compensation. Should the implementation timeline of the new contracts be delayed by protests, lawsuits, or policy shifts, FSA is exploring options that will allow for a short-term bridge between the legacy and USDS contracts.

2. Mr. Cordray, what authority does the Department have to address the issues in reducing interest rates, allowing refinancing of student loans, and fixing the Public Service Loan Forgiveness (PSLF) program, especially to make it easier for military personnel to access the PSLF program, without legislative action?

The Department believes that it is critical that military service members receive have access to the benefits Congress has provided for them, and we are taking steps to make this happen. In August, the Department implemented a data match process to ensure that deployed service members receive the interest reduction to which they are entitled under the Servicemembers Civil Relief Act (50 U.S.C. APP. § 3901 et seq.). Using this data match, the Department retroactively waived interest on loans held by more than 47,000 current and former active-duty service members.

In October, the Department committed to providing military service members an easier path to access Public Service Loan Forgiveness (PSLF), including allowing individuals on active duty to count all periods of deferment and forbearance toward PSLF under the HEROES Act of 2003. Additionally, FSA is working on implementing another data match with DOD in order to automatically provide military service members credit toward PSLF.

The Department is also proposing new regulations for PSLF and income-driven repayment (IDR) that, once enacted, will help military service members count time during certain deferments and forbearances toward forgiveness under both programs.

We will continue to look for opportunities to make it easier for military service members to repay their student loans and to better implement the benefits Congress has provided to members of the military.

3. Mr. Cordray, what percentage of the loans that are currently being discussed under broad- based debt relief, up to $10,000 in student loan discharges, are loans in default? If those loans are discharged, what would be the impact on the cost of providing services related to those loans, such as trying to collect on that debt?

The answer provided below is responsive only to your hypothetical question and is not reflective of any current deliberations. In general, third-party studies using ED survey data have shown that borrowers in default are more likely to come from lower-income families and not have finished college than other loan borrowers. Assuming broad-based debt relief of up to $10,000, approximately 46% of the 7.5 million borrowers in default would have their entire balance forgiven. As a result, servicing costs for defaulted borrowers during the first year following debt relief would be reduced by an estimated $39 million. It is important to note, however, that these savings are on the mandatory side and would not reduce spending in the Student Aid Administration discretionary account.

4. **Mr. Cordray, what work is FSA doing to ensure that loan servicers have the right information and guidance as we move to Return to Repayment to ensure that borrowers are able to properly sign up for repayment, student loan forgiveness, borrower's defense claims, and income-based repayment?**

FSA has engaged in ongoing dialogue with our current loan servicers since the CARES Act was passed in March 2020. During the payment pause, FSA has clearly communicated our expectations for loan servicers' engagement with borrowers. This has included providing guidance on how and when to send borrower communications, and clearly articulating FSA's expectations with regard to loan servicer actions to reduce delinquency and assist borrowers as they return to repayment. To prepare for return to repayment, FSA has provided loan servicers detailed and routinely updated communications "playbooks" to follow.

Chairwoman Frederica S. Wilson (D – FL)

1. FSA is carrying out a series of ambitious initiatives all while preparing to oversee the restart of student loan payments and changes in the loan servicer landscape.

   a) **Does FSA have the capacity to manage all these priorities well?**

   Yes. FSA is working closely with other Department and Administration leadership to ensure resources are deployed to support all key initiatives, including the return to repayment and more targeted efforts, such as the enhancements to Public Service Loan Forgiveness, implementation of the FAFSA Simplification Act, and broader efforts to improve service and modernize systems and processes. The critically needed resources provided in the 2022 omnibus and proposed in the President's FY 2023 Budget would allow us to stay on track to reach those goals.

2. **Mr. Cordray, as student loan payments are set to resume early next year, how is the Department planning to support borrowers who are in default and most at-risk of default?**

In March 2020, FSA launched a comprehensive, multi-channel communications and engagement campaign to provide borrowers with clear messaging about available CARES Act benefits and the eventual transition to repayment. Since then, FSA has engaged in continuous communications to encourage student loan borrowers to take actions to select the best repayment plan for their economic situation before repayment resumes. As part of our efforts, we are segmenting the borrower population and tailoring messages to each borrower segment. Through borrower segmentation, we have identified and targeted at-risk populations, including previously delinquent borrowers, and are tailoring communications with specific information to help them manage their repayment obligations.

More recently we announced our 'Fresh Start' initiative. As you know, the student loan payment pause cured delinquencies for student loan borrowers, putting them back in good standing. ED has announced our intention to ensure that borrowers in default will get the same treatment, in essence allowing them to receive a "fresh start." At the end of the payment pause, the negative mark of default will be removed from their credit, and they will not be subject to involuntary collections like Treasury Offset or wage garnishment.

3. Mr. Cordray, Studies have shown that disparities in student loan debt are deeply rooted in racial wealth disparities. As many as one-third of Black borrowers' default on their student loans and nearly half of Black graduates owe more on their federal undergraduate loans after four years than they did at graduation.

   a) What are FSA's plans for addressing racial and socioeconomic disparities in student loan default and negative amortization rates?

   The student loan crisis among Black borrowers should weigh heavily on all our consciences. Systemic racism and inequality leave many Black families unable to pay for college out of pocket, and many Black students start the college process with far less generational and household wealth than their white peers. The Department is taking several steps to address the challenges faced by Black borrowers.

   First, FSA recently agreed to new student loan servicing contract extensions that contain stronger provisions for accountability and performance. These terms should result in servicers delivering better results for Black borrowers who are more likely to struggle on their loans.

   Second, the Department is proposing new regulations that will establish a better and stronger safety net for student loan borrowers. This improved safety net includes a new income-driven repayment plan that will help struggling borrowers stay out of delinquency and default, new rules for granting a borrower-defense discharge when a college takes advantage of a student, and improvements to closed-school discharges.

   Third, the Department will also propose regulations aimed at increasing accountability in the career training space. These programs disproportionately enroll Black borrowers. Proprietary school borrowers represent the largest segment of higher student loan defaulters[1].

   Finally, we are working with Congress to invest in Historically Black Colleges and Universities, as well as other Minority-Serving Institutions, to boost grant aid for students with demonstrated need and decrease the amounts students may need to borrow, as proposed in the President's Budget.

4. The average borrower graduates with roughly 30 thousand dollars in student loan debt and Black borrowers, on average, owe substantially more. Studies have shown that loan forgiveness can significantly help to reduce the racial wealth gap. President Biden has asked the Education Department to prepare a memo on the President's legal authority to forgive student loan debt.

[1] https://www2.ed.gov/offices/OSFAP/defaultmanagement/schooltyperates.pdf

a) **What is the status of this memo and once finalized, will it be made public?**

The Department shares your commitment to helping borrowers who struggle with paying their loans and doing so in a manner that advances this Administration's commitment to equity. The Department has extended the interest-free student loan payment pause through August 31, 2022, saving borrowers billions of dollars each month. We are also providing billions of dollars in loan relief to hundreds of thousands of borrowers who are eligible for discharges due to disabilities, closed schools, and school misconduct. Providing debt relief via executive action is something we are continuing to assess. Because this work is ongoing, we are unable to provide more information at this time.

Representative Joaquin Castro (D – TX)

1. **Through the next year, while borrowers access the time limited Public Student Loan Forgiveness (PSLF) program waiver, does FSA plan to increase oversight of the PSLF program to ensure that borrowers are not given inaccurate information?**

The Department is committed to holding all student loan servicers to high standards of accuracy, quality, and accountability, and that includes PSLF servicing. We recently announced stronger standards for performance, transparency, and accountability for our student loan servicers aimed at protecting borrowers. The new contract terms give FSA greater ability to monitor and address servicing issues as they arise; require compliance with federal, state, and local laws relating to loan servicing; and hold servicers accountable for their performance, including withholding new loans and associated revenue for poor performance. We regularly conduct a variety of oversight activities, including call monitoring, to ensure the PSLF servicer is providing accurate information to borrowers. We also are working with other partners, including the Consumer Financial Protection Bureau (CFPB) and state officials, to achieve our oversight objectives.

Additionally, over the next year, we will complete an internal data review of denied PSLF applications and an independent external review of PSLF processing practices to identify and address errors. As part of the external review, an independent contractor will provide an assessment of FedLoan's (designated PSLF/TEPSLF servicer) administration of the PSLF and TEPSLF program, including adherence to statutory, regulatory, contractual and vendor guidance requirements and other related relevant criteria. The assessment will be used to identify areas for remediation or improvement regarding the administration of the PSLF and TEPSLF programs as we transition these programs to Mohela. Borrowers who allege errors in processing their PSLF application, after the internal and external reviews described above, will be able to use an interim reconsideration[2] process to receive a second individual review of their application.

2. **How does FSA plan to rebuild trust with borrowers who felt they were misled about the promise of the PSLF program?**

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[2] https://studentaid.gov/announcements-events/reconsideration-for-pslf

The Department believes that it is imperative to ensure that PSLF lives up to its promise. The limited PSLF waiver is an important step to restoring faith in the program by showing that the Department is listening to the borrowers concerns about barriers to accessing PSLF. Borrowers have already started to feel the effects of the waiver. As of May 2022, FSA has approved over $7.3 billion in discharges for more than 127,000 public servants. Prior to this action, just over 16,000 borrowers had ever received forgiveness under PSLF. FSA estimates that about 1.1 million borrowers will see increases in the number of qualifying payments made to date. Having these borrowers see that the improvements to the program are real and sharing their stories is crucial for restoring faith in the program. In addition, the Department is leveraging its direct communication tools so that these borrowers hear from FSA without going through servicers. This direct contact is designed to help these borrowers understand that the Department is taking their concerns seriously and working hard to address challenges.

Ranking Member Virginia Foxx (R – NC)

1. **What is FSA's future plans for PCAs?**

   FSA notified private collection agencies (PCAs) of its intent to recall the defaulted federal student loans they held and ended FSA's relationship with them at the end of November 2021. The recall has been completed and the accounts have been transitioned to FSA's Business Process Operations (BPO) providers. This step was taken during the payment pause as part of a long-term strategy to improve defaulted federal student loan collections and help FSA more effectively support borrowers who are at risk of defaulting on their student loans. FSA will also streamline the process for all borrowers to get assistance with any federal student aid issue, which will lead to more efficiency.

   MAXIMUS Federal Services, which manages FSA's system for defaulted federal student loan accounts, will continue to assist borrowers in the short term. Given the COVID-19 pause on federal student loan collections, this change should have minimal impact on borrowers. After student loan payment and collections resume, FSA expects to continue to support borrowers with defaulted student loans through the BPO providers, which include firms and subcontractors with extensive debt-collection experience (including some organizations that previously served as PCAs to FSA). The BPOs received competitively awarded contracts in 2020 as part of FSA's long-term Next Gen strategy. FSA will continue working with MAXIMUS and the BPOs to ensure that defaulted borrowers get the support and resources they need to get back on the path to repayment. FSA is committed to putting students and borrowers at the center of our work, so they are supported and not taken advantage of by servicers or collection agencies.

2. **According to reports, the Department is reviewing plans to automatically pull 7.5 million borrowers out of default on their federal student loans, which is internally referred to as "Operation Fresh Start."**

   a) **When will this initiative be implemented?**

On April 6, 2022, the Department announced that borrowers in default will be provided a "fresh start" when repayment resumes. The student loan payment pause cured delinquencies for student loan borrowers, putting them back in good standing. Borrowers in default will get the same treatment, in essence allowing them to receive a "fresh start" on repayment by eliminating the impact of delinquency and default and allowing them to reenter repayment in good standing. At the end of the payment pause, the negative mark of default will be removed from their credit, and they will not be subject to involuntary collections like Treasury Offset or wage garnishment.

b) How much does the Department estimate this action will cost?

Fresh Start cost estimates depend on the results of ongoing conversations with vendors, and we will provide a complete cost estimate when one is available.

c) To ensure that these borrowers do not redefault on their loans, what steps is FSA taking to ensure that struggling students and parents are enrolled into an income- driven repayment plan and have adequate counseling and support services so that they get into a regular payment history?

The Department is committed to giving borrowers who benefit from Fresh Start a meaningful opportunity to stay out of default in the long term. That includes informing borrowers of the benefits of Fresh Start, ensuring they have information about affordable repayment options like Income Driven Repayment plans (e.g., as low as $0/month), and to the extent possible, matching them with other student loan relief options that they may benefit from, like total and permanent disability discharge or closed school discharge.

FSA will conduct direct outreach to affected borrowers about these options and will work with vendors to coordinate additional outreach, and we will look for additional opportunities to help guide borrowers toward the repayment plan that is right for them. Additionally, under the recent contract extensions FSA's non-default loan servicers are incentivized to focus on the success of borrowers who were previously in default.

d) Does the Department plan to relieve PCAs from their contractual duties to implement this proposal?

As noted above, FSA notified PCAs of its intent to recall the defaulted federal student loans they held and ended FSA's relationship with them at the end of November 2021. The recall has been completed and the accounts have been transitioned to FSA's BPO providers.

3. Earlier this year, the Department of Education extended the benefits under the CARES Act to defaulted borrowers with Federal Family Education Loans and required guaranty agencies to assign those loans to the agency.

a) What legal authority is the Department using to take these privately-held loans from state and nonprofit organizations?

Long-standing federal statute and regulation permits the Department to require guaranty agencies to assign defaulted loans to the Department. [See section 428(c)(8) of the HEA, 20 U.S.C. § 1078(c)(8) and 34 C.F.R. § 682.409 regarding mandatory assignment by guaranty agencies of defaulted loans to the Secretary].

FFEL loans are federal student loans. Guaranty Agencies (GAs) use federal funds to pay loan holders for defaulted loans and are reimbursed with additional federal funds. The GAs do not have a legal right to continue to hold the loans. As participants in a federal program, their actions regarding the loans are tightly controlled by federal regulations.

b) What specific benefits will student and parent borrowers realize from FSA that they could not receive from guaranty agencies, other than having their loans transferred to a new federal student loan servicer?

The Department wants to ensure that the privately held FFEL borrowers who defaulted during the COVID-19 national emergency have a consistent experience with Direct Loan borrowers in being moved back into good standing, as the Department announced in March 2021. Moving these borrowers to the Department first and then putting borrowers back into good standing allows the Department to deliver a more consistent experience, provides greater visibility, and provides the ability to correct any issues that might arise to ensure that these borrowers do not face default again.

c) Please detail how this mandatory assignment meets the requirements of the Higher Education Act with respect to the action being in the "federal fiscal interest?" How much does the Department estimate this will cost *versus* leaving borrowers with guaranty agencies?

The Department believes that, by assigning the privately held FFEL borrowers who defaulted during the COVID-19 national emergency to the Department and then putting such borrowers back into good standing, we will be able to provide those borrowers a more consistent experience and have greater visibility into any problems that may arise. The Department believes that this approach will make it easier for these borrowers to repay their loans, which is a better outcome for the federal fiscal interest. This action fits within the Department's statutory right to request assignment of defaulted loans when the federal government has already paid a claim on the loan.

4. For the last two administrations, FSA has been working on efforts to reform the federal student loan servicing system.

a) What is currently happening with the Next Generation Financial Services Environment, including the transition to Business Processing Operations vendors, and what are your plans for the future?

The purpose of Next Gen is to modernize FSA's technology, processes, and operations with the goal of improving experiences and outcomes for students, parents, borrowers, and partners, including more than 5,600 postsecondary institutions. The Next Gen initiative consists of multiple projects across the federal student aid lifecycle, from aid awareness and application through loan repayment and debt collection. Many key components – including Digital and Customer Care, the Enterprise Data Management and Analytics Platform Services (EDMAPS), Business Process Operations (BPO), and FSA Partner Connect – have been successfully launched and are now being enhanced to add functionality and improve service. Other components of the Next Gen initiative are on schedule across their various stages of production, including modernization of the National Student Loan Data System (NSLDS) and the Postsecondary Education Participants System (PEPS), to be launched later in FY 2022.

On November 5, 2021, BPO vendors began incrementally providing call center and back-office processing support for FSA, thus bringing on this component of the Next Gen initiative to improve how we operate and serve our customers on a day-to-day basis. For the recovery phase of the BPO program (i.e., collections), we are currently collaborating with the incumbent recovery system provider to develop an implementation plan. We anticipate that we will have a better understanding of the schedule by summer of 2022. The long-term strategy for collection and specialty programs during and after the payment pause is still under discussion.

On February 23, 2022, the Department published a Request for Information (SAM.gov) seeking feedback from potential offerors, higher education stakeholders, and the general public regarding the Unified Servicing and Data Solution (USDS). On May 19, 2022, the Department published the USDS solicitation a procurement to bring on board multiple servicers who will help guide more than 35 million federally managed student loan borrowers through repayment. The new procurement leverages the progress made and knowledge gained under previous loan servicing initiatives and related investments. This work, which falls under the umbrella of the Next Gen initiative, will improve FSA's technical infrastructure and allow FSA to transition from the current loan servicing contracts into a more stable, long-term servicing environment that provides student loan borrowers a better experience, holds servicers accountable to a high level of performance, and allow the Department of Education to focus on important objectives like reducing delinquency and default.

USDS leverages the BPO vendors immediately by shifting work related to specialty programs (e.g. PSLF, TEPSLF, TEACH Grants, and TPD) to the BPO vendors at go-live, which is scheduled for December 2023. This strategy shifts more work to the BPO vendors, provides borrowers with better tools and interfaces for managing their eligibility for these programs, and keeps servicers focused on core servicing work. As functionality is moved to StudentAid.gov, FSA will assess how the BPO vendors are performing under the specialty programs and determine if more servicing-related work can shift to the BPO vendors.

b) What's the timeline for reform, and how much money is this new approach going to cost taxpayers in the end?

Learning from development efforts over the last five years, FSA understands that accomplishing all of our goals on day one is not possible. Rather, FSA will take an appropriate amount of time to implement major initiatives, such as transitioning all repayment to StudentAid.gov, which will help manage our budget, capacity, and risk. As such, at go-live, USDS servicers will be required to modify borrower-facing communications to co-brand with FSA and provide account authentication through the FSA ID. This approach will help transition borrowers from associating repayment only with their servicer to a more FSA-centered approach and will help borrowers better access forms and tools on StudentAid.gov. Within the first five years of the contract period, FSA will expand functionality on StudentAid.gov, eventually transitioning full account management, branding and repayment away from USDS servicers' websites.

On February 23, 2022, the Department published a Request for Information (SAM.gov) seeking feedback from potential offerors, higher education stakeholders, and the general public regarding the USDS. On May 19, 2022, the Department published the USDS solicitation.

The President's FY23 budget request includes $230.1 million for the Long-Term Servicing Solution. In fiscal year 2023, the Department plans to award contracts that will realize two long-term goals: one, providing a single, FSA-branded servicing interface for all Direct Loan borrowers; and two, and holding servicers more accountable. This request builds on progress made and knowledge gained through prior initiatives and investments that have improved FSA's technical infrastructure and paved the way for FSA to transition from current loan servicing contracts into a more stable, long-term contract and servicing environment. These new contracts will upgrade the cybersecurity posture of the servicing ecosystem, enhance system integration across the FSA enterprise, improve data collection, and eventually build out loan servicing functionality on StudentAid.gov by with a variety of tools that will allow borrowers to manage their account through the website. To improve upon the current system, the Department intends for the long-term loan servicing environment to achieve the following six goals:

1) more servicer accountability;
2) simplified, effective, transparent interactions with borrowers;
3) improved use of data to better target and provide borrower assistance;
4) increased borrower access to clear, accurate, and timely information;
5) better protection of borrower data through enhanced cybersecurity; and
6) long-term stability of the underlying servicing system.

c) What role will private collection agencies play in the future of the federal student loan program?

Please see response to question 1, above.

d) The Senate Appropriations Committee included language in the Labor, HHS, Education appropriations text for Fiscal Year 2022 requiring that FSA's future servicing environment provide for a single, centralized website and phone line with Department branding for all federally held student loan borrowers to manage account information and make payments. What are the Department's plans for implementing this provision?

FSA is hard at work finalizing plans for the Unified Servicing and Data Solution (see response to question 4a above). Single sign-on functionality across StudentAid.gov and servicer websites will deliver a more consolidated borrower repayment experience when

USDS goes live in December 2023, placing access to making payments on servicer websites behind the same login and basic branding as FSA-developed tools that sit on StudentAid.gov, like *Loan Simulator*, the Public Service Loan Forgiveness (PSLF) Help Tool, FSA's virtual assistant Aidan℠, a personalized Aid Summary and dashboard, and tailored entrance and exit counseling. The Department will continue to roll out new products, tools, and enhanced platforms that comply with all applicable statutes and further advance the goals of ensuring optimal service delivery by providing all borrowers with a cohesive, modern, customer-focused experience that will ultimately improve repayment outcomes after USDS is live, with the full transition to repayment and account management functionality planned within the base USDS contract period (e.g. within five years of initial contract award).

5. On October 6, 2021, the Department announced it would be issuing a limited waiver for borrowers seeking forgiveness through the PSLF program.

   a) When did FSA provide all of the change requirements and specifics to servicers regarding the news announcements of the PSLF waiver of law and regulations?

   FSA began working with FedLoan Servicing on the limited PSLF waiver in September 2021. FSA sent call center notifications to its vendors in September and October 2021. The formal change request with business requirements for partial implementation of the limited PSLF waiver was approved to proceed on October 21, 2021. A second change request with business requirements was developed and submitted to FedLoan for an impact analysis in early November 2021. It is important to note that FSA took on many of the tasks associated with the early stages of implementing the waiver itself, which is why the Department was able to notify more than 500,000 borrowers of the impacts of the waiver on their PSLF accounts in the first few weeks and cancel loans for more than 30,000 borrowers under the waiver while these change requests were in process. We continue to work closely with FedLoan and Mohela who will assuming the portfolio as FedLoan exits federal loan servicing on the new PSLF flexibilities. As of May 2022, FSA has approved over $7.3 billion in discharges for more than 127,000 public servants.

6) On September 28, 2021 Navient announced it would end its federal student loan servicing contract and their portfolio would be transferred to Maximums.

   a) What monitoring has been done on the transfer between Navient and Maximus?

   The contract novation between Navient and Maximus will have a limited impact on borrowers. Loans have remained on the same system and borrowers continue to have access to their complete account history. Borrowers did not need to create a new web account or change their payment or auto-debit information. Borrowers have seen new branding on correspondence, websites, and their credit reports and will received communications in advance from FSA, Navient, and Maximus (under the brand name AidVantage) regarding the changes.

   FSA closely monitored and engaged with Navient and Maximus during the contract novation process. This included, among other things, daily meetings with all parties to discuss issues of concern and FSA involvement in all branding and communication discussions between Navient and Maximus.

b) At what point were you told of Navient's decision to exit?

FSA was notified of Navient's intent to stop servicing federal student loans on July 15, 2021.

c) Was the agreement for Navient's contract extension, which was approved on September 24, contingent on approval of the transfer to Maximus?

No.

7. Mr. Cordray, why were Parent PLUS loans excluded from the Public Service Loan Forgiveness (PSLF) waiver issued by the Department of Education (Department) on October 6th, 2021?

The limited PSLF waiver represented the Department's first steps to address issues in the PSLF program. We are continuing to review the effectiveness of the program and as we identify other problems that may not have been solved by the initial waiver. We are taking these issues into consideration as we consider further improvements to PSLF – whether through executive action, regulation, or legislation.

Representative Jim Banks (R – IN)

1. Mr. Cordray, do you support proactive disclosure of interest rates to federal student loan borrowers before loan disbursement, as required by Sec. 433(a) of the Higher Education Act?

The Department shares your commitment to helping federal student loan borrowers make informed decisions about financing their education. As we noted in the response to your June 25, 2021, letter, the Department publishes current interest rates, fees, and other important information about the material terms of federal student loans owned by the Department on StudentAid.gov. This website, which is regularly updated to provide consumers with the best available information, also provides prospective borrowers with information about interest rates, loans, and borrowing through its tools and forms, including Loan Entrance Counseling for undergraduate and graduate/professional students, the Master Promissory Note, and the Loan Simulator. Should students or parents choose to take out federal student loans offered by the Department, the borrower's assigned loan servicer also sends notices shortly after disbursement about applicable interest rates and other terms. As noted in our response to your letter, we are reviewing your recommendations and our existing disclosures and communications as we continuously work to ensure that borrowers are fully informed about the terms of their federal student loans and related obligations.

2. Mr. Cordray, on June 25, 2021, Rep. Emanuel Cleaver, Sen. Tim Scott, Sen. Joe Manchin, and myself sent a letter to the Department regarding the issue of disclosure of the terms on Direct Loans. On what date should we expect a response to that letter?

The Department provided a response to the letter on November 24, 2021.

Representative Mariannette Miller-Meeks (R – IA)

1. Mr. Cordray, please provide this committee with the following data regarding the PSLF program:

   a) A breakdown of borrowers who have received forgiveness under the PSLF program, disaggregated by degree level (i.e., associates, undergraduate, graduate, and professional degrees).

   We are unable to disaggregate the data by degree level, but we can provide it by academic level. The below data is based on the academic level of all federal student loans originally taken out by borrowers who received forgiveness. Please see table under b), below, for data.

   b) A breakdown of borrowers who have had an employment certification form (ECF) approved but have not yet received forgiveness under the PSLF program, disaggregated by degree level (i.e., associates, undergraduate, graduate, and professional degrees).

Academic Level	a. Borrowers with PSLF Forgiveness	b. Borrowers with ECF but not forgiven
Borrowers with Undergraduate Loans Only	3,200	450,600
Borrowers with Graduate Loans Only	3,200	238,000
Borrowers with Both Undergraduate and Graduate Loans	12,300	648,800

   c) A breakdown of borrowers who have received forgiveness under the PSLF program, disaggregated by Direct Subsidized Loans, Direct Unsubsidized Loans, Direct Consolidation Loans, and Graduate PLUS Loans.

   The requested data is provided below under d). Please note that borrowers can have more than one loan type, so totaling the borrower count would result in duplication.

   d) A breakdown of borrowers who have had an ECF approved but have not yet received forgiveness under the PSLF program, disaggregated by Direct Subsidized Loans, Direct Unsubsidized Loans, Direct Consolidation Loans, and Graduate PLUS Loans.

Loan Type	c. Borrowers with PSLF Forgiveness	d. Borrowers with ECF but not forgiven
Unsubsidized Loans	2,800	620,300
Subsidized Loans	2,900	487,000
PLUS Loans	500	164,000
Consolidation Loans	16,600	839,400

e) **A breakdown of borrowers who have received forgiveness under the PSLF program, disaggregated by their employer using the North American Industry Classification System (NAICS) at the 2-, 3-, 4-, and 6-digit level, and the average income of such borrowers in the final year of repayment when they're loan is forgiven for each NAICS classification.**

We cannot provide the requested breakdown because FSA does not receive NAICS information about employers.

f) **A breakdown of borrowers who have had an ECF approved but have not yet received forgiveness under the PSLF program, disaggregated by their employer using NAICS at the 2-, 3-4-, and 6-digit level.**

We cannot provide the requested breakdown because FSA does not receive NAICS information about employers.

g) **The average income of borrowers in the final year of repayment when they're loan is forgiven under the PSLF program.**

Below, we have provided the adjusted gross income (AGI) for borrowers who have received forgiveness, based on their most recent income-driven repayment (IDR) application. Please note that their most recent IDR applications may not be in their final year of repayment, especially since IDR borrowers have not been required to recertify their income during the COVID-related student loan flexibilities.

AGI	Borrowers
Less than $30,000	1,900
$30,000 to $49,999	2,100
$50,000 to $74,999	4,100
$75,000 to $99,999	2,800
$100,000 to $149,999	2,700
$150,000 to $199,999	900
$200,000 and greater	1,000
Not Reported	2,100

Please note: The answers to questions 1(a) and 1(c) were sourced from NSLDS; 1(b) and 1(d) were sourced from the Enterprise Data Warehouse. Data is as of early November 2021. As such, forgiveness resulting from the Limited PSLF Waiver is not reflected in these numbers.

Please note: While we are unable to break down the data by degree level, we are able to provide academic level. The data provided in response to questions 1(a) and 1(b) is based on the academic level of all federal student loans originally taken out by borrowers who received forgiveness.

Representative Lisa C. McClain (R – MI)

1. **What is the total dollar value of the outstanding loans held by borrowers serviced by Navient, Granite State Management and Resources, and FedLoan?**

The requested information is provided below as of April 2022.

	Amount (in billions)		
AidVantage*	$299.1		
FedLoan	$208.2		
Granite State	$.0		

*AidVantage assumed Navient's federal student loan servicer portfolio and provider code in December 2021.

Representative Julia Letlow (R – LA)

1. **Mr. Cordray, loan rehabilitation has been a key tool to assist borrowers. In fact, Congress recognized the value of this tool and it was included as a provision in the CARES Act. Why did FSA decide that private collection agencies (PCAs) should not proactively explain the benefits of loan rehab to borrowers?**

FSA did not decide or communicate to PCAs that they should not proactively explain the benefits of loan rehabilitation to borrowers. On the contrary, FSA explicitly instructed PCAs that they could counsel borrowers on the benefits of loan rehabilitation. In 2020, PCAs rehabilitated a significant number of borrowers.

2. **There are 11 PCAs on contract with the Department. It is my understanding the PCAs are at the ready to assist borrowers with rehabilitation when return to loan repayment begins. Will FSA allow PCAs to begin calls to defaulted borrowers on February 1, 2022?**

FSA informed PCAs that we would be recalling all defaulted loan accounts by the end of November 2021. FSA communicates directly with these borrowers using existing capability on our Debt Management and Collection System (DMCS) and Digital and Customer Care (DCC) contracts; in addition, Maximus has capability, through the existing Default Resolution Group, to take calls and work with borrowers as they prepare for the return to repayment. Over the longer term, the BPO providers will manage contact center and back-office processing activities for borrowers in default.

The shift from PCAs to the BPOs was part of a multi-year plan to improve service and outcomes for borrowers; increase vendor accountability and transparency; and provide better value for taxpayers. We believe that using DMCS, DCC, and the BPOs in concert will allow for a more consistent, borrower-focused approach that provides FSA with more insight into, and control over, borrower interactions. PCAs and other debt-collection vendors have been aware of this plan for years and had the opportunity to compete for future work as part of the BPO procurement process. In fact, some of the same firms that were under contract with the Department as PCAs are now part of the BPO teams, and all BPOs have extensive experience with the federal student aid programs.

3. **When will FSA make public their comprehensive repayment plan? Will you commit to giving borrowers adequate time to plan for repayment and PCAs suitable notice so they can train employees and comply with the law and Departmental guidance?**

On April 6, 22, 2021, the Department announced that it would extend the student loan payment pause until August 31, 2022. We believe that this announcement will provide borrowers and vendors the time and information needed to plan for the restarting of payments. However, as noted above, FSA has recalled all defaulted loan accounts from PCAs; as a result, PCAs will have no need to hire or train staff or communicate with borrowers.

The Department's goal is to achieve a smooth transition that minimizes the risk of borrower harm due to confusion, lack of awareness, and insufficient servicing capacity. To this end, the Department has developed a comprehensive plan that combines elements of borrower outreach, servicer hiring, training and preparation, policy enhancements, and vendor and process oversight to ensure that borrowers have the resources they need to effectively manage the process of returning to repayment once the pause ends on August 31, 2022.

[Whereupon, at 1:06 p.m., the Subcommittee hearing adjourned.]

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