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April 25, 2023

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

Dear Secretary Cardona:

As you know, on March 20, 2020, the U.S. Department of Education's ("ED") Federal Student Aid began "providing temporary relief on [ED]-managed [f]ederal student loans by allowing students to opt into a temporary suspension of loan payments and instituting a 0 percent interest rate."¹ The *Coronavirus Aid, Relief, and Economic Security Act* ("CARES Act") extended relief through September 30, 2020, and multiple extensions have been granted since that date.² Not quite two years later, on August 24, 2022, the Biden administration announced its massive student debt relief plan which is now the subject of litigation in the U.S. Supreme Court.³

In addition, a little over four months ago, ED announced that "payments will resume 60 days after the Department is permitted to implement the program or the litigation is resolved, which will give the Supreme Court an opportunity to resolve the case during its current Term."⁴ If the administration's debt relief plan has not been implemented and the litigation has not been resolved by June 30, 2023, payments will resume 60 days thereafter.⁵

Considering the foregoing, and given the proximity of the potential restart of loan payments and interest, we write seeking answers to several questions, and request several documents, as indicated:⁶

¹ FY 2024 Justifications of Appropriations Estimates to Congress, U.S. DEPARTMENT OF EDUCATION at 19, <https://www2.ed.gov/about/overview/budget/budget24/justifications/q-saa.pdf>.

² *Id.*

³ *Id.*; see also *State of Nebraska et al. v. Biden, et al.*, 52 F.4th 1044 (8th Cir. 2022), *cert. granted* (U.S. Dec. 1, 2022) (No. 22-506), *U.S. Department of Education, et al. v. Brown, et al.*, 2022 WL 1658525 (N.D. Tex. Nov. 10, 2022), *cert. granted* (U.S. Dec. 12, 2022) (No. 22-535).

⁴ <https://www.ed.gov/news/press-releases/biden-harris-administration-continues-fight-student-debt-relief-millions-borrowers-extends-student-loan-repayment-pause>. Collectively, referred to herein as "restart."

⁵ *Id.*

⁶ The instructions for responding are attached.

- (1) Has ED provided an overall plan of action for the restart to loan servicers? If so, please provide a copy of the plan.
- (2) What are the specific interim and final action steps, as well as respective deadlines, that ED has advised servicers to take in preparation for the restart of loan servicing? Please provide copies of all interim and final action steps and deadlines provided to servicers by ED.
- (3) Please provide copies of all communications from ED to loan servicers regarding the restart of loan servicing covering the period November 22, 2022, through the date of your response.
- (4) Please provide the amount of Fiscal Year 2023 Student Aid Administration funds designated for the restart of loan servicing and the number of Full Time Equivalent staff designated to support the restart of loan servicing.
- (5) Please provide copies of all change requests (change orders) issued to Direct Loan servicers for the period April 1, 2022, through the date of your response to this letter.
- (6) Please provide copies of all contract modifications to Direct Loan servicers' contracts for the period April 1, 2022, through the date of your response to this letter.
- (7) What is the aggregate amount of rate cuts to Direct Loan servicers during the period October 1, 2022, through the date of your response to this letter?
- (8) What is the amount of funds expended for purposes of Public Service Loan Forgiveness waivers from the period October 1, 2022, through the date of your response to this letter?
- (9) What is the amount of funds expended for purposes of the Biden debt relief plan from date of its announcement on August 24, 2022,⁷ through the date of your response to this letter?
- (10) The Department's largest loan servicer, Nelnet, Inc, filed two Forms 8-K, dated March 22, 2023, and March 27, 2023, with the Securities and Exchange Commission, noting it received contract modifications from ED with an effective date of April 1, 2023. The modifications outlined ED's intent to amend the student loan servicing contracts between ED and two of Nelnet, Inc.'s subsidiaries to reduce the current prices earned by the subsidiaries. Under the servicing contracts, the subsidiaries earn a monthly fee from ED for each unique borrower they service on behalf of ED. The modifications reduce the monthly fee by \$0.19 per borrower. On March 23, 2023, Nelnet, Inc. issued a press release announcing a reduction in staff due to the modifications and the previously disclosed transfer of ED servicing borrowers to another servicer. In February 2023, ED notified Nelnet, Inc. of its intention to transfer up to one million borrowers of Nelnet, Inc.'s

⁷ See <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/24/fact-sheet-president-biden-announces-student-loan-relief-for-borrowers-who-need-it-most/>.

existing ED servicing borrowers to another servicer. The transfer of these borrowers, which was not based on Nelnet, Inc.'s performance, is scheduled to occur over the next few weeks.⁸

Did these same contract modifications apply to other Direct Loan servicers as well? If yes, please provide the names of the other loan servicers to whom the modifications apply. If alternate contract modifications applied to other Direct Loan servicers, please provide copies of those modifications as well as the names of such servicers.

(11) What is the total amount of savings that will be realized from the contract modifications of Direct Loan servicers?

(12) Over each of the last three fiscal years including Fiscal Year 2023, what is the monthly fee per borrower received by each Direct Loan servicer?

We look forward to receiving your responses and documents no later than two weeks after the date of this letter.

Sincerely,



Virginia Foxx
Chairwoman, U.S. House Committee on
Education and the Workforce



Burgess Owens
Chairman, Subcommittee on Higher
Education and Workforce Development

Enclosure

⁸ See <https://d18m0p25nwr6d.cloudfront.net/CIK-0001258602/48e43346-775f-45f6-9c16-740c8623d43d.pdf>.