

Written Testimony
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“Breaking the System Part II: Examining the Implications of Biden’s Student Loan Policies for Students and Taxpayers”
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Subcommittee on Higher Education and Workforce Development
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Chair Owens, Ranking Member Wilson, and Members of the Subcommittee, thank you for the opportunity to testify today alongside Under Secretary Kvaal about the important work of Federal Student Aid (FSA).

The Biden-Harris Administration and Secretary Cardona’s priority to make postsecondary education more accessible, affordable, and accountable continues to guide our work at FSA. Since I last testified here, we have improved in each of these areas to support FSA’s broader mission to build America’s future, one student at a time. While FSA received level funding in fiscal year 2023, my team has worked tirelessly to find ways to meet these priorities. However, to maintain existing service levels to provide aid and service loans in subsequent years, meeting the President's budget request in fiscal year 2024 is critical to continuing progress to make postsecondary education more accessible, affordable, and accountable. So, I will update you on each of those issues in turn.

Accessibility

FSA’s top priority each year is to ensure that students and their families have reliable, uninterrupted access to federal student aid. Many need this financial help to pursue a wide variety of postsecondary educational opportunities – from undergraduate and graduate programs to trade, skills, and career programs. Nearly 18 million students and thousands of schools use the Free Application for Federal Student Aid (FAFSA) form to help access and award financial aid every year, but cumbersome processes and outdated technology have impeded access in too many instances. Over the past four years, we have been hard at work to deliver a phased approach to implement the *FUTURE Act* and the *FAFSA Simplification Act*, two laws you passed to improve the entire student aid process and support educational access for more Americans.

The resulting new FAFSA form is the most ambitious effort to modernize the federal student aid application and delivery system in decades. When the streamlined 2024–25 FAFSA form launches in December, it will be easier and simpler for students and families to apply for and receive the financial support they need, unlocking access to postsecondary education for more students. The new form includes an updated financial aid eligibility calculation and allows applicants to consent to FSA securely accessing crucial tax information directly from the Internal Revenue Service. Some applicants will need to answer as few as 18 questions, down from 103 possible questions on the old form.

We know this is a significant change, especially for our many partners whose work is essential to get crucial financial aid into the hands of students. We have launched a roadmap describing a variety of new resources, some of which are already available, to help students, families, counselors, schools, and states navigate the revamped FAFSA experience and make the best use of the new form as they plan for their futures.¹ More tools and guidance will be coming in the months ahead. We remain focused on our work to deliver a better FAFSA for our millions of applicants.

Affordability

FSA is charged with serving students across the full life cycle of student aid. This means ensuring that the millions of borrowers who are already in repayment have access to affordable options for repaying their loans that reflect their economic circumstances. Income-driven repayment plans typically offer borrowers the most manageable repayment option and provide an opportunity for forgiveness of borrowers' remaining balances after established time periods.

We are making strides to bring borrowers closer to forgiveness on these plans by making one-time account adjustments to address historical inaccuracies in qualifying payment counts.² We are also addressing improper practices by loan servicers that put borrowers into forbearance or deferment instead of encouraging them to enroll in an income-driven repayment plan. The effect of these efforts will be to eliminate student loan debt for many borrowers and advance the payment counts for many more.

For the past two years, we have focused on helping alleviate the effects of the pandemic on borrowers and separately fixing longstanding flaws in our loan forgiveness programs. For example, in October 2021, the Secretary announced the limited Public Service Loan Forgiveness (PSLF) waiver in response to the COVID-19 pandemic to ensure that our public servants can access forgiveness despite the challenges of the pandemic.³ To address the consequences of the pandemic, this waiver temporarily enabled borrowers to get credit for periods of repayment that would not otherwise qualify. The results have been a dramatic amount of relief to public servants, as the Under Secretary described in his testimony, with approximately 616,000 public servants now approved for full forgiveness of their student loan debt, and well over a million more seeing an increase of their payment counts as they work towards the ten years of payments required for total forgiveness of their student loans.⁴ The Department also made similar changes permanent through regulations, ensuring that the program will better serve borrowers well beyond the waiver period.⁵

¹ <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2023-03-21/implementing-2024-25-fafsa-process>

² <https://www.ed.gov/news/press-releases/department-education-announces-actions-fix-longstanding-failures-student-loan-programs>

³ <https://www.ed.gov/news/press-releases/us-department-education-announces-transformational-changes-public-service-loan-forgiveness-program-will-put-over-550000-public-service-workers-closer-loan-forgiveness>

⁴ <https://studentaid.gov/sites/default/files/fsawg/datacenter/library/limited-waiver-pslf-forgiveness-borrowers.xls>

⁵ <https://www.ed.gov/news/press-releases/education-department-announces-permanent-improvements-public-service-loan-forgiveness-program-and-one-time-payment-count-adjustment-bring-borrowers-closer-forgiveness>

The true effects of these programs transcend the mere numbers. We have heard from public servants of all kinds – teachers, police officers, firefighters, social workers, and many others – who describe the life-changing effects of student loan forgiveness. We are finally fulfilling the program’s promise to provide relief to those who have chosen to put community over self. Many of your own staff members – and millions of your constituents – no doubt qualify as well for the benefits they can earn through years of dedicated public service work. Talk about bringing home the bacon! – you can help us do that in each of your districts.

FSA has also made major progress on "borrower defense to repayment," which targets relief to students who were misled into taking out loans by their school’s misrepresentation. We found that prior accountability efforts focused on various programs that failed to deliver promised results, but our efforts had not always followed through by delivering relief for the students who were harmed by those bad practices. Under the current Administration, we have approved loan relief for 875,000 borrowers associated with Corinthian Colleges, Inc., ITT Tech, Marinello Schools of Beauty, the Kaplan Career Institute in Massachusetts, and Westwood College.⁶ Last year, we approved the first borrower defense claims against an open school, DeVry University, and are currently seeking to recoup the costs of those loan discharges from that school.⁷ Our excellent team is focused on documenting further instances of students who were defrauded and should be granted much-deserved relief.

Accountability

Accountability is another area of intense focus at FSA – to protect the investment made by all students who seek to achieve the American dream through postsecondary education. We will hold schools responsible for any malfeasance in the Title IV programs. To do so, we have been rebuilding our Enforcement Office as well as bolstering our other school oversight work to prevent or mitigate risks to both students and taxpayers.⁸

For example, just this month, we announced that FSA is denying the application of Florida Career College to continue to participate in the federal student aid programs.⁹ This decision came after a thorough investigation into the school’s practices by FSA’s Enforcement Office that uncovered serious violations of our regulations that protect students. We also continue to look beyond FSA to strengthen our relationships with state and federal partners – such as the Consumer Financial Protection Bureau, the Federal Trade Commission, the Department of

⁶ <https://www.ed.gov/news/press-releases/education-department-approves-238-million-group-discharge-28000-marinello-schools-beauty-borrowers-based-borrower-defense-findings>; <https://www.ed.gov/news/press-releases/education-department-approves-58-billion-group-discharge-cancel-all-remaining-loans-560000-borrowers-who-attended-corinthian-colleges>; <https://www.ed.gov/news/press-releases/education-department-approves-15-billion-debt-relief-79000-borrowers-who-attended-westwood-college>

⁷ <https://www.ed.gov/news/press-releases/education-department-approves-415-million-borrower-defense-claims-including-former-devry-university-students>; <https://www.ed.gov/news/press-releases/education-department-approves-39-billion-group-discharge-208000-borrowers-who-attended-itt-technical-institute>

⁸ <https://www.ed.gov/news/press-releases/us-department-education-establish-enforcement-office-within-federal-student-aid>

⁹ <https://www.ed.gov/news/press-releases/federal-student-aid-denies-florida-career-college-application-continue-offering-federal-grants-loans-and-work-study-funds>

Veterans Affairs, state attorneys general, and other state officials – to share information and pool our efforts to hold schools accountable when they deceive or defraud students.

Our enforcement efforts reinforce the robust oversight work that FSA already performs at schools throughout the country. Through our program reviews and related work, we identify schools that carry special risks and impose measures to protect students and taxpayers against abuses of the federal student aid programs. We also recently issued new guidance outlining the circumstances in which we will require leaders of schools that pose a large financial risk to the United States or that fail to operate in a financially responsible way to assume personal liability for the cost of unpaid debts owed to the Department.¹⁰

FSA’s emphasis on accountability is not limited to schools. We have also been hard at work behind the scenes planning for a modernized loan servicing environment known as the Unified Servicing and Data Solution (USDS), which will better meet the needs of everyone who has a student loan.¹¹ Under USDS, we have now awarded new loan servicing contracts that will allow FSA to make long-desired changes to the repayment system to improve borrowers’ experiences and outcomes, provide servicers with clear and consistent requirements, and hold servicers more accountable for preventing delinquency and default, especially among at-risk borrowers.¹² To ensure an orderly transition to USDS, we also recently announced that we intend to exercise the authority granted to us by Congress to extend our current loan servicers’ contracts for another year, through December 2024. We will continue to prioritize performance and accountability through this transition period to better serve and protect student loan borrowers.

Return to Repayment

Beyond all of this important work looms the unprecedented task of returning tens of millions of student loan borrowers to repayment after a pause that has been extended multiple times over more than three years. During this time, borrowers generally have not been required to make regular payments; have not had interest accrue on their loans; and, if in default, have had collections stopped on their outstanding loan balances.¹³ This essential lifeline has helped many borrowers deal with the changes and hardships of the COVID-19 pandemic.

We know the transition back into repayment will not be easy for borrowers, and we are committed to giving them the information and resources they need to succeed when payments resume. As I said during my last appearance here, millions of Americans are counting on us to get this right. We are working closely with our loan servicing partners and other stakeholders to execute a comprehensive plan founded on clear communication, high-quality customer service, and targeted support for those having trouble making their payments.

¹⁰ <https://www.ed.gov/news/press-releases/education-department-takes-steps-hold-leaders-risky-colleges-personally-liable>; <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2023-03-01/establishing-personal-liability-requirements-financial-losses-related-title-iv-programs>

¹¹ <https://blog.ed.gov/2022/05/announcing-the-next-generation-of-federal-student-loan-servicing/>

¹² <https://www.ed.gov/news/press-releases/us-department-educations-office-federal-student-aid-awards-new-contracts-five-companies-serve-borrowers-reduce-delinquency-and-improve-accountability>

¹³ <https://studentaid.gov/announcements-events/covid-19>

Our support for borrowers reentering repayment includes those with loans already in default. Through the Fresh Start initiative, we are eliminating the negative credit effects of default for all borrowers and giving them the opportunity to enroll in an income-driven repayment plan and access other repayment options that suit their circumstances.¹⁴ We also have restored eligibility for federal student aid to more than 7 million borrowers. These efforts are offering borrowers with defaulted loans a brand-new opportunity to complete their credential or degree, get on track to compete more effectively in the job market, and ultimately improve their ability to repay their student loan.

Finally, another notable aspect of our preparations to return borrowers to repayment was the Administration's announcement last August to provide one-time student loan debt relief to address the financial harms of the pandemic for tens of millions of borrowers.¹⁵ The purpose of the debt relief program is to ensure the lower and middle-income borrowers are not left in a worse position with respect to their loans because of an unprecedented pandemic and to position borrowers to return to repayment without entering delinquency or default. There is no doubt that the program will greatly help achieve these goals.

The application process for debt relief was an enormous success and demand for the program undeniable. Despite heavy volumes of traffic, FSA was able to serve record numbers of people in the days immediately following the application's launch. The application itself was praised as uniquely simple and straightforward, with most borrowers finding that they could complete it easily in less than five minutes. Over the first few weeks, we obtained the necessary eligibility information from 26 million borrowers, most of whom do not need to do anything more to qualify for their debt relief.¹⁶

FSA approved 16 million borrowers for relief before opponents seeking to block the plan obtained court orders preventing us from discharging loans or accepting additional applications. Until those legal proceedings are resolved, the fate of the program continues to hang in the balance. The Biden-Harris Administration remains confident in the legal authority to provide this essential relief.

Moving Forward

As you can see, the breadth and depth of FSA's work is substantial, and it affects many students, borrowers, and families in each of your districts. Yet FSA's ability to deliver on this important work will be severely curtailed without adequate funding to accomplish these crucial tasks. There is no doubt that a highly educated population benefits the whole of society, not merely those who graduate with a degree. To that end, we must continue these efforts to make aid more accessible for those most in need, improve service for our borrowers, and hold bad actors accountable for profiteering off our nation's students. Much more work lies before us, yet we are

¹⁴ <https://studentaid.gov/announcements-events/default-fresh-start>

¹⁵ <https://www.ed.gov/news/press-releases/biden-harris-administration-announces-final-student-loan-pause-extension-through-december-31-and-targeted-debt-cancellation-smooth-transition-repayment>

¹⁶ <https://www.whitehouse.gov/briefing-room/statements-releases/2023/01/27/fact-sheet-biden-harris-administration-releases-new-data-showing-26-million-people-in-all-50-states-applied-or-were-automatically-eligible-for-one-time-student-debt-relief/>

as committed as ever to doing our part to support students and borrowers in their pursuit of a better life. As always, we appreciate your partnership as we work together toward this common goal.

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