

United States Senate

WASHINGTON, DC 20510

May 8, 2024

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

Dear Secretary Cardona:

We write to share our concerns about the Higher Education Loan Authority of the State of Missouri's (MOHELA) performance as a student loan servicer and to urge you to hold MOHELA accountable for its failures using the full extent of your authority.

Last week, the Department of Education (ED) announced that MOHELA borrowers will be transferred to other federal student loan servicers to "improve borrowers' experiences."¹ According to public reporting, more than one million borrowers will be transferred following MOHELA's request for a "lighter load."² This massive transfer of loans reveals the extent to which MOHELA was wholly unprepared and unable to properly support its larger portfolio, ultimately harming millions of borrowers.

This was an important action by ED to improve borrowers' experiences moving forward. We trust that ED and MOHELA will prioritize minimizing the processing delays and errors borrowers experience during the transfer. But ED must also act to impose accountability for MOHELA's failures that occurred prior to this transfer.

There is ample evidence of the scope of MOHELA's problems. A new report, released on April 10, 2024, by Senators Warren, Blumenthal, Markey, and Van Hollen documented a host of failures by MOHELA during the return to repayment after the COVID-19 pause on student loan payments, interest, and collections ended.³ While every servicer failed to adequately prepare for the return to repayment, MOHELA made over 1.5 million more billing-related errors than all other servicers combined.⁴ MOHELA sent the wrong bills to approximately 280,000 borrowers⁵

¹ U.S. Department of Education, "Update for MOHELA student loan borrowers," April 29, 2024, <https://blog.ed.gov/2024/04/update-for-mohela-student-loan-borrowers/>.

² Business Insider, "More than 1 million student-loan borrowers could soon be transferred to a new company after their servicer requested a lighter load, the Education Department says," Ayelet Sheffey, April 29, 2024, <https://www.businessinsider.com/student-loan-borrowers-being-transferred-from-mohela-to-new-servicers-2024-4>.

³ Offices of Senators Elizabeth Warren, Richard Blumenthal, Ed Markey, and Chris Van Hollen, "Servicing Scandals: Student Loan Servicers' Failures During Return to Repayment," April 2024, pp. 3-4, <https://www.warren.senate.gov/imo/media/doc/Loan%20Servicer%20Report%20PDF.pdf>.

⁴ Calculation based on the 2,780,000 billing-related errors made exclusively by MOHELA subtracted by the 1,166,000 errors made by all other servicers. *Id.* p. 3.

⁵ Approximately 280,000 borrowers were affected by MOHELA's miscalculations regarding the Saving on Valuable Education (SAVE) repayment plan. New York Times, "More Than 400,000 Student Loan Borrowers Had Wrong Monthly Payments," Tara Siegel Bernard, October 16, 2023,

and failed to send timely billing statements to 2.5 million borrowers, leading 800,000 borrowers to become delinquent on their loans.⁶ After making those errors, MOHELA employed a “call deflection” scheme to push borrowers away from customer service representatives, even though many of the borrowers affected by MOHELA’s errors could only get those errors corrected by contacting a customer service representative and MOHELA’s website where borrowers were deflected often had incomplete information.⁷

MOHELA borrowers who were able to get in touch with a customer service representative endured the longest average call wait time of any servicer’s customers, reaching 38 minutes as reported by MOHELA.⁸ In fact, more than one in three MOHELA borrowers who tried to reach a customer service representative via phone abandoned their calls due to excessive wait times or other problems.⁹ Borrowers who emailed MOHELA fared no better. MOHELA borrowers waited, on average, nearly six weeks to receive a response to their emails during the return to repayment, again facing longer wait times than any other servicer’s customers.¹⁰

Unsurprisingly, MOHELA received the most borrower complaints of any student loan servicer between July 2022 and December 2023.¹¹ And as the sole servicer for Public Service Loan Forgiveness (PSLF) for nearly two years, MOHELA’s errors disproportionately harmed millions of teachers, nurses, service members, firefighters, and other public service workers trying to access relief to which they were legally entitled.¹² The backlog of PSLF forms reached 1.2 million under MOHELA’s watch and did not drop below 800,000 forms for nearly half a year.¹³

On April 10, 2024, Senator Warren led a hearing of the Senate Banking, Housing, and Urban

<https://www.nytimes.com/2023/10/16/your-money/student-loans-save-mistakes.html>.

⁶ U.S. Department of Education, “U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers,” press release, October 30, 2023, <https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers>.

⁷ Student Borrower Protection Center, “The MOHELA Papers: The Rise of a Student Loan Servicing Giant and the Fall of the Student Loan System,” February 2024, p. 28, <https://protectborrowers.org/wp-content/uploads/2024/02/MOHELA-Papers-Report.pdf>.

⁸ Letter from MOHELA to Senator Elizabeth Warren, October 16, 2023, <https://www.warren.senate.gov/imo/media/doc/Servicer%20Responses.pdf>; Letter from MOHELA to Senator Elizabeth Warren, January 9, 2024, <https://www.warren.senate.gov/imo/media/doc/2023.%20MOHELA%201.9%20Warren%20Response.pdf>.

⁹ Letter from U.S. Department of Education to Senator Elizabeth Warren, March 20, 2024, https://www.warren.senate.gov/imo/media/doc/23-013018_Warren.pdf.

¹⁰ Offices of Senators Elizabeth Warren, Richard Blumenthal, Ed Markey, and Chris Van Hollen, “Servicing Scandals: Student Loan Servicers’ Failures During Return to Repayment,” April 2024, p. 11, <https://www.warren.senate.gov/imo/media/doc/Loan%20Servicer%20Report%20PDF.pdf>.

¹¹ Offices of Senators Elizabeth Warren, Richard Blumenthal, Ed Markey, and Chris Van Hollen, “Servicing Scandals: Student Loan Servicers’ Failures During Return to Repayment,” April 2024, p. 16, <https://www.warren.senate.gov/imo/media/doc/Loan%20Servicer%20Report%20PDF.pdf>.

¹² Student Borrower Protection Center, “The MOHELA Papers: The Rise of a Student Loan Servicing Giant and the Fall of the Student Loan System,” February 2024, p. 15, <https://protectborrowers.org/wp-content/uploads/2024/02/MOHELA-Papers-Report.pdf>.

¹³ MOHELA has stated that, as of April 2024, they had fewer than 7,000 PSLF forms pending processing. Letter from Kirkland & Ellis to Senator Elizabeth Warren, April 16, 2024, p. 4 [On File with the Office of Senator Elizabeth Warren]; Student Borrower Protection Center, “The MOHELA Papers: The Rise of a Student Loan Servicing Giant and the Fall of the Student Loan System,” February 2024, p. 15, <https://protectborrowers.org/wp-content/uploads/2024/02/MOHELA-Papers-Report.pdf>.

Affairs Subcommittee on Economic Policy to further investigate MOHELA's record as a servicer.¹⁴ Mr. Giles refused to testify and provided no rationale for his unwillingness to do so.¹⁵ Nonetheless, the Subcommittee heard powerful testimony from a retired public service worker who waited a year and a half to receive PSLF relief from MOHELA and, because of MOHELA's delays, was forced to restart her nearly \$400 monthly student loan payments last October on debt that should have been cancelled.¹⁶ The Subcommittee heard further testimony about MOHELA's use of its quasi-state status to avoid accountability. In response to consumer protection lawsuits, MOHELA has repeatedly asserted sovereign immunity as an "arm of the state of Missouri," essentially arguing that it cannot be held accountable in court for any of its failures despite agreeing to comply with all federal, state, and local laws in its contract with the Department of Education (ED).¹⁷ This ongoing effort to evade accountability is yet another reason why ED action is critical.

Subsequent developments have only affirmed the need for ED action. New information provided by MOHELA to the Subcommittee reveals that the company was paid nearly \$180 million under its Direct Loan servicing contract in fiscal year 2023 and received nearly \$70 million in PSLF revenue in fiscal year 2023.¹⁸ These payments make the company's failures even starker – and provide ample rationale for ED to act to ensure accountability for MOHELA's failures.

Given the sheer scope of MOHELA's documented billing errors, poor customer service record, and other problems, alongside the company's decision to avoid public and private accountability at every turn, ED should take further action to hold MOHELA responsible for its harms and to protect borrowers from future abuses. We are encouraged by the work the Department has already done to hold servicers accountable, including by withholding \$7.2 million in payments

¹⁴ Office of Senator Elizabeth Warren, "ICYMI: Chairing Economic Policy Subcommittee, Warren Highlighted MOHELA's Failures During Return to Repayment and Its Impact on Borrowers, Urged Accountability," press release, April 11, 2024,

<https://www.warren.senate.gov/newsroom/press-releases/icymi-chairing-economic-policy-subcommittee-warren-highlighted-mohelas-failures-during-return-to-repayment-and-its-impact-on-borrowers-urged-accountability>.

¹⁵ Politico, "Searching for Fed breadcrumbs," April 5, 2024, <https://www.politico.com/newsletters/morning-money/2024/04/05/searching-for-fed-breadcrumbs-00150751>; Letter from Kirkland & Ellis LLP to Senator Elizabeth Warren, April 3, 2024, <https://static.politico.com/5a/15/cd6e18374b62bacfcfe5c89d105f/letter-to-senator-warren.pdf>.

¹⁶ Written testimony of Kathleen White to the U.S. Senate Committee on Banking, Housing, and Urban Affairs, April 10, 2024, <https://www.banking.senate.gov/download/white-testimony-4-10-24>.

¹⁷ Washington Post, "Student loan servicer MOHELA tells advocacy group to stop 'misleading claims,'" Danielle Douglas-Gabriel, March 31, 2024, <https://www.washingtonpost.com/education/2024/03/29/mohela-student-borrower-protection-center-report/>; Office of Senator Elizabeth Warren, "ICYMI: Chairing Economic Policy Subcommittee, Warren Highlighted MOHELA's Failures During Return to Repayment and Its Impact on Borrowers, Urged Accountability," press release, April 11, 2024,


<https://www.warren.senate.gov/newsroom/press-releases/icymi-chairing-economic-policy-subcommittee-warren-highlighted-mohelas-failures-during-return-to-repayment-and-its-impact-on-borrowers-urged-accountability>; U.S. Department of Education, "U.S. Department of Education Increases Servicer Performance, Transparency, and Accountability Before Loan Payments Restart," press release, October 15, 2021, <https://www.ed.gov/news/press-releases/us-department-education-increases-servicer-performance-transparency-and-accountability-loan-payments-restart>.

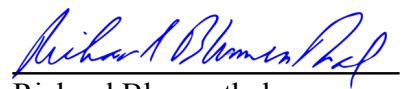
¹⁸ MOHELA indicated that net income, after expenses, was approximately \$29.6 million, and that these estimates were not final because "Direct Loan Servicing fees, which are audited regularly, are also subject to claw backs and offsets." Letter from Kirkland & Ellis to Senator Elizabeth Warren, April 16, 2024, p. 2 [On File with the Office of Senator Elizabeth Warren].

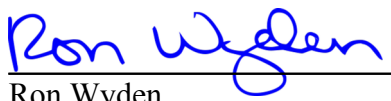
from MOHELA last October.¹⁹ But the totality of the harms caused by MOHELA’s failures cannot be remedied solely by withholding payments that amount to a drop in the bucket of MOHELA’s total revenue. We urge ED to hold MOHELA fully accountable for its harms to borrowers and request a briefing on your efforts to do so no later than May 22, 2024.

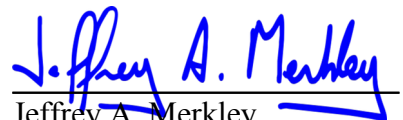
Thank you for your attention to this important matter.


Sincerely,



Elizabeth Warren
United States Senator

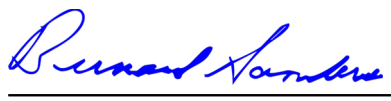

Richard Blumenthal
United States Senator



Ron Wyden
United States Senator


Jeffrey A. Merkley
United States Senator


Raphael Warnock
United States Senator


Laphonza Butler
United States Senator


Bernard Sanders
United States Senator


Chris Van Hollen
United States Senator

¹⁹ U.S. Department of Education, “U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers,” press release, October 30, 2023, <https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers>.

Edward J. Markey

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United States Senator

Peter Welch

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United States Senator