



May 7, 2025

Office of the Inspector General
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, DC 20202

Office of the Inspector General
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
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Dear Colleagues:

We are writing to alert you to new evidence of potential mismanagement and corruption at the U.S. Department of Education (ED) and the Consumer Financial Protection Bureau (CFPB), and to petition your offices to jointly probe these agencies' handling of their shared oversight responsibility over the \$1.6 trillion federal student loan market.

On Monday, April 28, *Yahoo Finance* reported that nine state attorneys general and financial regulators had opened investigations into the Missouri Higher Education Loan Authority (MOHELA)—probes that may now be in jeopardy due to political interference by Trump Administration officials.¹ MOHELA is a large nonbank financial services company hired by ED's Office of Federal Student Aid (FSA) to administer vast portions of the student loan system, handling billing, customer service, and paperwork processing functions that affect millions of borrowers nationwide.

The existence of these open investigations, which were not previously public, sheds new light on the alleged abuses committed by the scandal-plagued student loan giant and suggests that officials at the highest levels of the Trump Administration may be working to deny justice to borrowers harmed by MOHELA.

According to *Yahoo Finance*:

Sources who spoke with Yahoo Finance suggested that the investigations could potentially be hampered by the recent mass layoffs at the Department of Education, which eliminated its oversight divisions that supervised the servicers. Those teams were also responsible for fulfilling information requests from state attorneys general; without them, inquiries may get bogged down, the sources said.

¹ Jordan Weissmann, *Widely criticized student loan servicer MOHELA faces investigation by multiple state attorneys general*, *Yahoo Finance* (April 28, 2025), <https://finance.yahoo.com/news/widely-criticized-student-loan-servicer-mohela-faces-investigation-by-multiple-state-attorneys-general-100000033.html>.

The states have also lost a potentially important federal ally in the Consumer Financial Protection Bureau, which has partnered with them in past lawsuits against servicers. Under the Trump administration, the bureau's staff has been told to "deprioritize" student loan cases.

This reporting builds on declarations filed by current and former officials at both agencies in litigation against the Trump Administration. In February of this year, CFPB officials attempted to terminate CFPB Student Loan Ombuds Julia Barnard. Barnard warned in a February 2025 declaration that:

...prior to my termination, I was working with my colleagues on non-public law enforcement matters and was meeting regularly with the state-based Student Loan Ombudsmen to help share knowledge, provide technical assistance, and increase collaboration.²

Barnard was reinstated following a court order by a federal judge, but in the wake of her reinstatement, CFPB leadership issued a directive to all agency staff to "deprioritize" the agency's enforcement and supervisory activities in the student loan market.³ As of the date of this letter, it is our understanding that this directive remains in effect.

At the same time, evidence suggests the Education Department has systematically dismantled its own internal contractor oversight function, leaving student loan companies like MOHELA free to cheat borrowers and the government.⁴ For example, as detailed in an April 18, 2025 declaration filed in a lawsuit brought against Education Secretary Linda McMahon by 20 state attorneys general, a former senior FSA official warned that mass layoffs across ED may fatally compromise FSA's oversight functions in the student loan market:

I am concerned that without the Vendor Oversight Division and Vendor Performance Division, borrowers and taxpayers will be harmed either because servicers are not following requirements or regulations, or because FSA may implement or misinform servicers to do something incorrectly.⁵

As we stated in our letter to the Education Department's Office of the Inspector General (ED OIG) in March 2024, MOHELA has already admitted to "improprieties that compromise the integrity of the student loan program ... [costing] the federal government millions of dollars in remediation and forgone loan payments."⁶ Since we first contacted ED OIG last year, AFT filed a lawsuit in federal court alleging

² Declaration of Julia Barnard, *NTEU v. Vought* (D.D.C.), <https://storage.courtlistener.com/recap/gov.uscourts.dcd.277287/gov.uscourts.dcd.277287.38.10.pdf>

³ Appendix to Declaration of Mark Paoletta, *NTEU v. Vought* (D.D.C.), https://storage.courtlistener.com/recap/gov.uscourts.dcd.277287/gov.uscourts.dcd.277287.109.0_4.pdf

⁴ Weissmann, Jordan, *How Trump has wiped out the teams that protect student borrowers*, Yahoo Finance (April 19, 2025), <https://finance.yahoo.com/news/how-trump-has-wiped-out-the-teams-that-protect-student-borrowers-173450503.htm>. ("At the Department of Education, meanwhile, mass layoffs have wiped out the Federal Student Aid office teams that were in charge of regularly checking loan servicers' work for mistakes and getting them fixed, multiple former officials told Yahoo Finance.")

⁵ Declaration of Lisa Tessitore, *New York v. McMahon* (D. Mass), <https://storage.courtlistener.com/recap/gov.uscourts.mad.281941/gov.uscourts.mad.281941.102.11.pdf>

⁶ Weingarten and Pierce, *Letter to the Education Department Inspector General Regarding MOHELA* (March 29, 2024),

many of the improper practices identified in our letter are also unlawful, in violation of the District of Columbia's prohibition on unfair and deceptive acts and practices.⁷ This recent *Yahoo Finance* report reveals that the issues outlined in our petition and in AFT's lawsuit are at the center of these ongoing state law enforcement investigations.⁸

This new evidence raises troubling questions about the role of the Acting Under Secretary of Education and head of FSA James Bergeron, who oversaw the mass firing of FSA officials tasked with administering the broken student loan system and protecting students and borrowers from abusive student loan companies. Prior to joining the Trump Administration, Bergeron led a student loan industry trade association composed of many of the companies he now regulates.⁹ Bergeron's former employer, the National Council of Higher Education Resources, is now chaired by MOHELA CEO Scott Giles.¹⁰

Given Bergeron's background as a student loan lobbyist working on MOHELA's behalf and new evidence that actions taken under Bergeron's oversight may have impeded law enforcement scrutiny of his former client, it is critical that both of your offices scrutinize Bergeron's role, specifically. Any conflict of interest or obstruction of investigations would be unlawful fraud and abuse and must be rooted out and ended to maintain the agencies' effectiveness and integrity.

Based on the foregoing, we urge your offices to immediately audit the activities of ED,CFPB, and both agencies' political leadership with respect to the student loan system broadly, the private financial firms that dominate this marketplace, and, specifically, any actions taken by any government officials, including James Bergeron, that delayed or derailed independent law enforcement activities underway by any federal, state, or local enforcement agency or financial regulator.

Thank you in advance for your consideration in this matter.

Sincerely,

/s/
Randi Weingarten
President
AFT, AFL-CIO

/s/
Mike Pierce
Executive Director
Student Borrower Protection Center

<https://protectborrowers.org/mohelas-cease-and-desist-letter-offers-new-evidence-of-mismanagement-abuse-by-the-s-candal-ridden-student-loan-company/>

⁷ See *AFT v. MOHELA* (D.D.C.),

<https://www.courtlistener.com/docket/69753739/american-federation-of-teachers-v-us-department-of-education/>

⁸ Supra note 1.

⁹ U.S. Department of Education, *Press Release: U.S. Department of Education Announces Additional Incoming Trump-Vance Appointees* (accessed on April 29, 2025),

<https://www.ed.gov/about/news/press-release/us-department-of-education-announces-additional-incoming-trump-vance-appointees>

¹⁰ National Council of Higher Education Resources, *Board and Staff* (accessed on April 29, 2025),

<https://ncher.org/about/board-staff/>.