STUDENT BORROWER PROTECTION CENTER

Written Testimony of Mike Pierce
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Before the Committee on Health, Education, Labor, and Pensions
United States Senate
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Good morning, Chairman Cassidy, Ranking Member Sanders, members of the committee. My name is Mike Pierce, and I am the executive director of the Student Borrower Protection Center (SBPC). We are a national nonprofit organization fighting to eliminate the burden of student debt, protect people from predatory lenders, and expand access to opportunity across the economy. I'm also a former federal financial regulator, overseeing the student loan market at the Consumer Financial Protection Bureau (CFPB) under both Presidents Obama and Trump.

I'm here today to warn this committee about an unprecedented economic shock facing tens of millions of working families across the country, driven by a set of reckless policy choices made by the Trump Administration. Our partners at the University of California's Student Loan Law Initiative estimate that more than 21 million Americans—that's roughly 1-in-12 U.S. adults—will experience immediate, negative financial harm in the coming months as Education Secretary Linda McMahon pulls back on student borrower protections implemented under both Republican and Democratic administrations, without first fixing the broken student loan.[1] At the same time, the House majority is quickly advancing a radical and destabilizing new framework for American higher education—one that is projected to increase costs even further for working families and push the American dream out of reach for students across the country.[2]

I want to be clear—the coming wave of financial distress facing tens of millions of families is a policy choice. There is nothing preordained about the current course. Policymakers can and must step in to ensure that higher education is once again the vehicle for economic opportunity for all families–-not just the children of millionaires and billionaires. President Trump and Secretary McMahon are intentionally trampling on students and borrowers' rights and making life more expensive for tens of millions of working people, despite repeated campaign promises to do the exact opposite. And as a result, they are putting the broader economy at risk.

[1] Letter from Jonathan Glater, Professor of Law, U.C. Berkeley & Dalie Jiménez, Professor of Law, U.C. Irvine, to Senate Committee on Health, Education, Labor, and Pensions regarding economic analysis of the higher education finance landscape (May 19, 2025) at 3, available at https://protectborrowers.org/wp-content/uploads/2025/05/FINAL-FOR-HELP-SLLI-Economic-Analysis-of-Student-Loan-Market-and-Future-Policy.pdf.
[2] *See, e.g.*, Jennifer Zhang, *Deep Dive: House Reconciliation Bill Makes Paying for College More Expensive and Risky for Students and Working Families*, Student Borrower Protection Ctr. (May 6, 2025), https://protectborrowers.org/deep-dive-house-reconciliation-bill-makes-paying-for-college-more-expensive-risky/.

When Secretary McMahon recently preached in the *Wall Street Journal* that "student loans must always be paid back," she rewrites history to fit her own policy preferences—ignoring decades-old higher education laws invoked repeatedly by administrations of both parties to help borrowers stay afloat.[3] For over three decades, millions of federal student loan borrowers have had broad rights to affordable payments, payment and interest relief, and ultimately, debt cancellation.[4] What makes student debt unique is not that it "must always be paid back," regardless of circumstance, but rather that federal law guarantees that borrowers have an off-ramp when the debt itself becomes burdensome.

The student loan system has failed to keep these promises in the past—denying debt relief outright to eligible borrowers or steering borrowers away from opportunities for debt relief through red tape, predatory practices by student loan companies, and other mismanagement of the student loan system.[5] Recognizing this long history of failure offers important context for Secretary McMahon's effort to claim the moral high ground—the economic, legal, and moral case to broadly cancel student debt is stronger for the government's legacy of mismanagement and abuse.

We deserve to live in a country where public college is free and there is no student debt; where higher education is an engine of upward mobility and no one is forced to forgo their dreams because they cannot afford the rising cost of a degree. I'm incredibly grateful for Ranking Member Sanders' leadership in these fights.

Americans have lost trust in higher education institutions and in the student loan system because lawmakers have repeatedly failed to govern as college costs climbed, predatory schools and private companies siphoned off billions in public "taxpayer dollars," and tens of millions of families were crushed under unaffordable student debt. Rather than make life harder for working people in pursuit of yet another round of tax cuts for billionaires and corporations, we should meet working people where they are—cancelling student debt and making college free for everyone.

A brief history of America's broken student loan system

To understand the stakes of the current moment, we must look back to how student debt became the largest form of non-mortgage household debt for most of the past 15 years.[6] The deterioration of state

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[3] Linda McMahon, Opinion, *Linda McMahon: Accountability Returns to Student Loans*, Wall St. J. (Apr. 21, 2025), https://www.wsj.com/opinion/accountability-returns-to-student-loans-forgiveness-borrower-debt-payment-9508da8d.

[4] For further discussion, *see* Student Borrower Protection Ctr. & Demos, *Delivering on Debt Relief* (Nov. 2020), https://protectborrowers.org/debtreliefreport_lp/.

[5] *See id.*

[6] *See* Fed. Res. Bd., *G.19 Consumer Credit March 2025* (May 7, 2025), https://www.federalreserve.gov/releases/g19/current/g19.pdf (showing student debt as the second largest consumer debt after mortgages from 2020 through 2025); Fed. Res. Bd., *Consumer Credit Outstanding (Levels), Memo* (last updated May 7, 2025), https://www.federalreserve.gov/releases/g19/HIST/cc_hist_memo_levels.html (tracking outstanding student debt beginning in 2006 Q1, and showing outstanding student debt surpassing motor vehicle loan debt in 2009 Q3); Fed. Res. Bank of N.Y., Ctr. for Microeconomic Data, *Quarterly Report on Household Debt and*

budgets[7] combined with the destabilization of family budgets and destruction of family wealth following the Great Recession,[8] along with years of uncertain labor markets, increased the number of families and workers seeking education and training,[9] with debt as the primary financing mechanism. The rise of high-debt for-profit colleges,[10] the rapid rise in costs at public colleges,[11] and continued increases in living expenses, particularly rent,[12] in communities across the country, created a perfect storm that resulted in record increases in student loan debt.

By 2020, on the eve of the COVID-19 pandemic, the rapid increase in college costs and student loan borrowing that followed the Great Recession had stabilized, with each new cohort of students borrowing

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Credit (2025 Q1), at 3 (released May 2025), https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2025Q1 (showing that student debt has been the second-largest consumer debt behind mortgages since 2010, Q2, with the exception of a portion of 2024—likely a function of the pandemic-era pause on interest charges slowing overall growth. Beginning with the resumption of interest charges in the fourth quarter of 2023, the student loan market grew faster than the auto loan market and will likely regain its position as the largest class of non-mortgage consumer debt in 2025).

[7] *See* Michael Mitchell, Michael Leachman & Kathleen Masterson, *A Lost Decade in Higher Education Funding: State Cuts Have Driven Up Tuition and Reduced Quality*, Ctr. on Bud. & Pol. Priorities (Aug. 23, 2017), https://www.cbpp.org/research/a-lost-decade-in-higher-education-funding (finding only a modest increase in state investments in two- and four-year institutions following recession lows, thereby shifting the cost of tuition increases from states to students); Michael Mitchell, Michael Leachman, Kathleen Masterson & Samantha Waxman, *Unkept Promises: State Cuts to Higher Education Threaten Access and Equity*, Ctr. on Bud. & Pol. Priorities (Oct. 4, 2018), https://www.cbpp.org/research/state-budget-and-tax/unkept-promises-state-cuts-to-higher-education-threaten-access-and ("Rising tuition threatens affordability and access leaving students and their families— including those whose annual wages have stagnated or fallen over recent decades—either saddled with onerous debt or unable to afford college altogether. This is especially true for students of color (who have historically faced large barriers to attending college), low-income students, and students from non-traditional backgrounds. Higher costs jeopardize not only the prospects of those individual students but also the outlook for whole communities and states, which are increasingly reliant on highly educated workforces to grow and thrive.").

[8] *See* Fabian T. Pfeffer, Sheldon Danzinger & Robert F. Schoeni, *Wealth Disparities Before and After the Great Recession*, 650 Annals Am. Acad. of Pol. & Soc. Sci. 1, 98-123 (Sept. 25, 2013), https://doi.org/10.1177/0002716213497452 (finding that while all socioeconomic groups experienced a wealth decline following the Great Recession, less advantaged groups suffered the greatest percentage decline, leading to a substantial rise in wealth inequality).

[9] *See, e.g.*, Jill Barshay, *How the last recession affected higher education. Will history repeat itself?*, Hechinger Rep. (Apr. 6, 2020), https://hechingerreport.org/how-the-2008-great-recession-affected-higher-education-will-history-repeat/ (finding that community college enrollment surged after the Great Recession).

[10] *See* Stephanie Riegg Cellini, *The alarming rise in for-profit college enrollment*, Brookings Inst. (Nov. 2, 2020) https://www.brookings.edu/articles/the-alarming-rise-in-for-profit-college-enrollment/ (finding that in Fall 2020, "enrollment in for-profit institutions rose by 13% among first-time students aged 21-24 and rose by 15% among those aged 25-29. Contrast this to public four-year institutions, where enrollment for the same age groups saw declines of over 20%.").

[11] *See* Michael Mitchell, Michael Leachman & Matt Saenz, *State Higher Education Funding Cuts Have Pushed Costs to Students, Worsened Inequality*, Ctr. on Bud. & Pol. Priorities (Oct. 24, 2019), https://www.cbpp.org/research/state-budget-and-tax/state-higher-education-funding-cuts-have-pushed-costs-to-students.

[12] *See* Joint Ctr. Housing Studies of Harvard U., *The State of the Nation's Housing 2020* (Nov. 30, 2020) https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2020_Report_Revised_120720.pdf ("[T]he total number of cost-burdened renters last year was still 5.6 million higher than in 2001. For lowest-income renter households . . . conditions have barely improved since 2011.").

less, on average, than the year prior.[13] Yet despite substantial declines in year-over-year borrowing, by 2020 more Americans owed a student loan and a typical student loan borrower was deeper in debt than at any point in American history.[14]

At that key moment, as nearly 1-in-6 American adults[15] were borrowers contending with the student loan system, there was broad, bipartisan agreement that the system was broken. Fully 1-in-4 student loan borrowers were past-due or in default on a federal student loan.[16] More than 1 million people with student loans defaulted on a debt every year—an average of one loan default every 26 seconds.[17]

This distress persisted year after year, driven in part by well-documented government mismanagement and student loan industry abuses. These illegal acts and practices have affected every type of borrower, with every type of loan, at every stage of repayment.[18] For example, over the past decade, student loan servicers have been caught by regulators:

- Illegally denying regulators' access to data about a company's customers, hindering a government effort to alert these borrowers about their rights to student debt relief.[19]

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[13] *See* U.S. Dep't of Educ., *Student Loans Overview: Fiscal Year 2025 Budget Proposal* https://www.ed.gov/sites/ed/files/about/overview/budget/budget25/justifications/t-sloverview.pdf (accessed May 17, 2025) [hereinafter *ED FY25 Budget Proposal*].

[14] *See ED FY25 Budget Proposal*.

[15] Based on calculations of outstanding student loan borrowers in the United States and total population age 18 and over. Fed. Res. Bank of N.Y., Ctr. for Microeconomic Data, *2025 Student Loan Update* (accessed May 18, 2025), https://www.newyorkfed.org/medialibrary/Interactives/householdcredit/data/xls/Student-loan-update-2025-Mangrum.xlsx?sc_lang=en (finding 43.1 million outstanding student loan borrowers in 2020); Laura Blakeslee, *Age and Sex Composition: 2020*, U.S. Census Bureau (May 2023) at 2 (Table 1), https://www2.census.gov/library/publications/decennial/2020/census-briefs/c2020br-06.pdf (finding 258 million persons age 18 and over in the United States in 2020).

[16] *See* Andrew F. Haughwout et al., *Student Loan Delinquencies Are Back, and Credit Scores Take a Tumble*, Fed. Res. Bank of N.Y., Liberty Street Economics (May 13, 2025), https://libertystreeteconomics.newyorkfed.org/2025/05/student-loan-delinquencies-are-back-and-credit-scores-take-a-tumble/ (showing 22.1% of student loan borrowers as past due in 2020 Q1).

[17] Ben Kaufman, *New Data Show Student Loan Defaults Spiked in 2019–A Warning to DeVos amid Economic Fallout*, Student Borrower Prot. Ctr. (Mar. 13, 2020), https://protectborrowers.org/every-26-seconds/.

[18] *See, e.g.*, Consumer Fin. Prot. Bureau v. Navient Corp., 2017 WL 3380530 (M.D. Pa. Aug. 4, 2017); Lawson-Ross v. Great Lakes Higher Education Corp., No. 18- 14490 (11th Cir. 2020); Grewal v. Navient Corp., No. ESX-C-172-2020 (N.J. Super. Ct. Ch. Div. Oct. 20, 2020); People v. Pennsylvania Higher Educ. Assistance Agency, No. 1:2019cv09155 (S.D.N.Y. Oct. 3, 2019); Vullo v. Conduent Educ. Services (Jan. 4, 2019) (consent order); Nelson v. Great Lakes Higher Education Corp., No. 18-1531 (7th Cir. 2019); People v. Navient Corp., No. CGC-18-567732 (Cal. Super. Ct. Nov. 1, 2018) (first amended complaint); Mississippi v. Navient Corp, No. 25CH1:18-CV-00982 (Miss. Ch. Ct. Hinds Cty. July 17, 2018); Commonwealth v. Navient Corp., No. 19-2116 (M.D. Pa. Oct. 5, 2017); Marek v. Navient Corp., 2017 WL 2881606 (N.D. Ohio July 6, 2017); People v. Navient Corp., No. 17CH761 (Ill. Cir. Ct. Cook Cty. Jan. 18, 2017) (complaint).

[19] *See* Press Release, *DFPI Takes Action Against MOHELA to Protect California Student Loan Borrowers*, Cal. Dep't of Fin. Protection & Innovation (Apr. 24, 2024) https://dfpi.ca.gov/press_release/dfpi-takes-action-against-mohela-to-protect-california-student-loan-borrowers/.

- Illegally denying or failing to approve applications for affordable loan payments under Income-Driven Repayment (IDR), forcing borrowers to pay more than they owe and increasing interest charges.[20]
- Harvesting late fees from borrowers by engaging in a scheme to maximize the number of payments counted as late payments.[21]
- Deceiving borrowers who have made extra payments on their loans about how interest would be charged.[22]
- Covering up improper loan deferments and illegally failing to address the increased interest charges these errors imposed on people with student debt.[23]
- Engineering a scheme to deceive borrowers and maximize interest charges when borrowers used multiple deferments or forbearances over extended periods of time.[24]
- Lying to borrowers about whether late fees may be charged on loans held by the U.S. Department of Education.[25]
- Failing to inform borrowers with private student loans that pausing loan payments will forfeit other consumer protections, including the right to release a co-signer.[26]
- Illegally increasing borrowers' interest rates when one creditor sold student loans to a different investor, resulting in a botched servicing transfer.[27]
- Illegally "auto-defaulting" student loan borrowers when a loan's cosigner filed for bankruptcy, regardless of whether the borrower was current on all payments.[28]

In addition, federal and state law enforcement officials have taken enforcement actions and filed lawsuits against servicers, including, for example:

- In 2014, the Federal Deposit Insurance Corporation (FDIC) and the U.S. Department of Justice each took an enforcement action against Sallie Mae and Navient for a range of abuses, including violations of the Servicemember Civil Relief Act that resulted in $60 million being returned to nearly 78,000 military borrowers.[29]

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[20] *See* Consumer Fin. Prot. Bureau, *Supervisory Highlights* (Fall 2016), https://www.consumerfinance.gov/documents/1389/Supervisory_Highlights_Issue_13__Final_10.31.16.pdf.
[21] *See id*.
[22] *See id*.
[23] *See* Consumer Fin. Prot. Bureau, *Supervisory Highlights* (April 2017), https://www.consumerfinance.gov/documents/4608/201704_cfpb_Supervisory-Highlights_Issue-15.pdf.
[24] *See id*.
[25] *See* Consumer Fin. Prot. Bureau, *Supervisory Highlights* (Fall 2015), http://files.consumerfinance.gov/f/201510_cfpb_supervisory-highlights.pdf.
[26] *See* Consumer Fin. Prot. Bureau, *Supervisory Highlights* (Winter 2016), http://files.consumerfinance.gov/f/201603_cfpb_supervisory-highlights.pdf.
[27] *See id*.
[28] *See id*.
[29] *See, e.g.*, Press Release, U.S. Dep't of Justice, *Nearly 78,000 Service Members to Begin Receiving $60 Million Under Department of Justice Settlement with Navient for Overcharging on Student Loans* (May 28, 2015), https://www.justice.gov/opa/pr/nearly-78000-service-members-begin-receiving-60-million-under-department-

- In 2015, the CFPB took action against Discover Bank for deceiving borrowers about how much they owed each month and making illegal debt collection calls to borrowers early in the morning and late at night.[30]
- In 2016, the CFPB found that Wells Fargo was illegally harvesting late fees from student loan borrowers who paid less than the amount due each month.[31]
- In 2017, the CFPB took action against Navient, along with state attorneys general in Washington, Pennsylvania, and Illinois, for illegally steering borrowers into forbearance—a repayment option designed to assist borrowers experiencing short-term financial hardship—when borrowers have a right under federal law to enroll in repayment plans that allow for lower monthly payments over the long-term and that entitle them to eventual loan forgiveness.[32]
- Enforcement officials' investigation into Navient also found that:
    - Navient failed to properly inform borrowers of the need to renew their IDR repayment plans and failed to properly process those renewals, resulting in interest capitalization on borrowers' loans.[33]
    - Navient was misreporting to credit bureaus that loans were in default when they were in fact discharged under Total and Permanent Disability (TPD) discharge, including loans owed by servicemembers with service-connected disabilities.[34]
    - Navient falsely represented to borrowers with cosigned loans the criteria for cosigner release and denied borrowers with the stated criteria.[35]
- In late 2017, the CFPB took action against Citibank for deceiving borrowers about tax-deduction benefits, incorrectly charging late fees, and, like in the Discover case, overstating the minimum amount owed.[36]
- In 2017, the Commonwealth of Massachusetts brought an enforcement action against the Pennsylvania Higher Education Assistance Agency, finding that the company cheated teachers

justice-settlement. Further, state attorneys general have increased the volume of enforcement actions in this market, bringing high profile cases against a range of actors.

[30] *In Re Discover Bank, The Student Loan Corporation, and Discover Products, Inc.*, Administrative Proceeding File No. 2015-CFPB-0016, Dkt. 1, (July 22, 2015), https://files.consumerfinance.gov/f/201507_cfpb_consent-order-in-the-matter-of-discover-bank-student-loan-corporation.pdf.

[31] *In Re Wells Fargo Bank, N.A.*, Administrative Proceeding File No. 2016-CFPB-0013, Dkt. 1, (Aug. 22, 2016), https://files.consumerfinance.gov/f/documents/2016-CFPB-0013Wells_Fargo_Bank_N.A.--_Consent_Order.pdf.

[32] Consumer Fin. Protect. Bureau v. Navient Corp. et. al., Case No. 3:17-cv-00101-RDM, Dkt. 1 at ¶1-6, (M.D. PA. Jan. 18, 2017), https://files.consumerfinance.gov/f/documents/201701_cfpb_Navient-Pioneer-Credit-Recovery-complaint.pdf [hereinafter *CFPB v. Navient*]; Press Release, *AG Ferguson Files Suit Against Sallie Mae Offshoot Navient Corp., Announces Student Loan Bill of Rights Legislation*, Wash. State Off. of the Att'y Gen. (Jan. 18, 2017), https://www.atg.wa.gov/news/news-releases/ag-ferguson-files-suit-against-sallie-mae-offshoot-navient-corp-announces-student.

[33] *CFPB v. Navient*.

[34] *CFPB v. Navient*.

[35] *CFPB v. Navient*.

[36] *CFPB Takes Action Against Citibank For Student Loan Servicing Failures That Harmed Borrowers,* Consumer Fin. Protect. Bureau (Nov. 21, 2017), https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-citibank-student-loan-servicing-failures-harmed-borrowers/

and other public service workers out of their rights to have debts canceled under the Public Service Loan Forgiveness program.[37] The action was settled in 2021.

- In 2019, New York law enforcement officials announced a settlement with the student loan servicer Conduent, formerly known as ACS, for steering borrowers into forbearance and other illegal servicing practices.[38]
- In 2020, the CFPB, then under the leadership of a Republican agency head, took another action against Discover Bank for violating the terms of its prior settlement with the agency and continuing to cheat borrowers out of their rights.[39]
- In 2022, following nearly three years of litigation, the Pennsylvania Higher Education Assistance Agency settled charges brought by the New York Attorney General that it cheated public service workers out of their rights to loan forgiveness and affordable loan payments.[40]
- In 2022, Navient settled with 39 state attorneys general to resolve claims related to forbearance steering and predatory subprime lending to students attending for-profit schools.[41] The company agreed to pay $1.85 billion to resolve the allegations.
- In 2024, Navient agreed to a settlement with the CFPB that returned $100 million to student loan borrowers and permanently banned Navient from the federal student loan servicing industry.[42]

Consider the story of one borrower who reached out to SBPC for help after decades of struggle. "Marie" consolidated her loans in 1995 with a loan balance of less than $9,000. More than 25 years later, her loan balance is now over $105,000. Her servicer, American Education Services (AES) never informed her of IDR options and steered her into costly forbearances and deferments, which exacerbated the exponential growth of her loan balance.

During this time, Marie was earning an average gross income of $20,000 for a household of two and would have qualified for $0 or very low payments under IDR. But for her servicer's abusive practices,

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[37] *Commonwealth v. Pennsylvania Higher Educ. Assistance Agency*, No. 1784CV02682-BLS2, 2018 WL 1137520, Dkt. 1. (Mass. Super. Mar. 1, 2018).

[38] Press Release, *Attorney General James And Superintendent Vullo Announce $9 Million Settlement Of Federal Student Loan Servicing Claims With Acs Education Services,* N.Y. Att'y Gen. (Jan. 4, 2019), https://ag.ny.gov/press-release/attorney-general-james-and-superintendent-vullo-announce-9-million-settlement-federal.

[39] Press Release, *Consumer Financial Protection Bureau Settles with Student Loan Servicers Discover Bank, The Student Loan Corporation, and Discover Products, Inc. for Violating a Bureau Consent Order and Other Unlawful Practices,* Consumer Fin. Protect. Bureau (Dec. 22, 2020), https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-settles-with-student-loan-servicers-discover-bank-the-student-loan-corporation-and-discover-products-inc-for-violating-a-bureau-consent-order-and-other-unlawful-practices/.

[40] Press Release, *Attorney General James Secures Student Debt Relief for Thousands of New Yorkers,* N.Y. Att'y Gen., (Apr. 28, 2022), https://ag.ny.gov/press-release/2022/attorney-general-james-secures-student-debt-relief-thousands-new-yorkers.

[41] *See generally* Navient AG Multi-State Settlement, *39 State Attorneys General Announce $1.85 Billion Settlement with Student Loan Servicer Navient* (Jan. 13, 2022), https://www.navientagsettlement.com/Home/portalid/0 (last accessed Apr. 9, 2024).

[42] Press Release, *CFPB Bans Navient from Federal Student Loan Servicing*, Consumer Fin. Prot. Bureau (Sep. 12, 2024), https://www.consumerfinance.gov/about-us/newsroom/cfpb-bans-navient-from-federal-student-loan-servicing-and-orders-the-company-to-pay-120-million-for-wide-ranging-student-lending-failures/.

Marie could have been debt free long ago. Thanks to the assistance of a legal services attorney who helped her consolidate her loan into the Direct loan program, Marie's loans have been cancelled through the IDR Account Adjustment—an initiative enacted by the Biden Administration to rectify these types of servicing failures.

The impact of abuses like those encountered by Marie have caused millions of student loan borrowers to needlessly spend additional years, and in some cases, decades trapped in unaffordable student loan debt.

At its core, President Trump's decision during his first administration to shut down the student loan system in the early days of the pandemic recognized that the Education Department and its private-sector contractors could not be trusted to protect people through an historic economic and public health crisis.

The Trump Administration's student loan policies hurt borrowers and the economy

Within the critical context of these abuses across the student loan market, and then-President Trump's early leadership in delivering debt relief to tens of millions of people, the current administration's actions are all the more shocking and heartbreaking.

As mentioned above, **more than 1-in-12 U.S. adults will be negatively affected by the Trump Administration's early executive actions in the student loan market.**[43] These borrowers include:

- **Nearly 8 million people enrolled in the Saving on a Valuable Education plan (SAVE) and who were then stuck in limbo due to the administration's ham-handed response to legacy right-wing lawfare.**[44] The Biden Administration's effort to deliver payment relief to millions of people has faced ferocious opposition from Republican state attorneys general, who ultimately succeeded in securing a preliminary order from a federal court pausing this critical borrower protection.[45] The Trump Administration inherited this dysfunction and added to the confusion and chaos—blocking these borrowers from switching to other IDR options and allowing an unprecedented backlog of IDR applications to grow to nearly 2 million.[46] Later this year, we

[43] Letter from Jonathan Glater, Professor of Law, U.C. Berkeley & Dalie Jiménez, Professor of Law, U.C. Irvine, to Senate Committee on Health, Education, Labor, and Pensions regarding economic analysis of the higher education finance landscape (May 19, 2025) at 3, available at https://protectborrowers.org/wp-content/uploads/2025/05/FINAL-FOR-HELP-SLLI-Economic-Analysis-of-Student-Loan-Market-and-Future-Policy.pdf.

[44] *Id.* (observing that the U.S. Department of Education's quarterly portfolio data shows that 7.84 million borrowers were enrolled in the SAVE plan as of the second quarter of 2025, and that, according to the Department of Education's website, all of these borrowers are presently in an interest-free forbearance tied to litigation challenging the SAVE plan).

[45] Katie Lobosco, *Student loan payments will be paused for 8 million borrowers after appeals court temporarily halts Biden's repayment plan*, CNN (Jul. 19, 2024), https://edition.cnn.com/2024/07/19/politics/student-loan-save-plan-payments-paused/index.html.

[46] *See* Testimony of Bonnie Latreille before the U.S. Senate, *Stealing the American Dream: How Trump and Republicans are Raising Education Costs for Families* (May 14, 2025), https://protectborrowers.org/wp-

expect these borrowers to be thrown back into repayment and see their monthly payments spike in comparison to what they were paying under SAVE. We know that when borrowers cannot afford their monthly payments, delinquency and default quickly follow.[47]

- **More than 6 million people in default on a student loan who now face wage garnishment and the seizure of their Social Security checks and tax refunds.[48]** On May 5, 2025, the Education Department resumed the process of taking money by force from 5.3 million borrowers in default—restarting a debt collection system that fails to deliver for borrowers or the government.[49] It also gave the green light to the remnants of the guaranteed student loan system to restart forced collections against 750,000 additional borrowers.[50] These are borrowers who had defaulted on their loans before the pandemic—borrowers who are disproportionately lower-income and disproportionately borrowers who never completed a college degree.[51] Education policymakers of both parties have failed these borrowers at multiple points, in some cases over decades—driving economically vulnerable people deep into poverty to repay debts that no private-sector creditor would still pursue. These borrowers are often forced to pay more on their loans than similar non-defaulted borrowers, and yet those payments do not count towards critical relief programs, and rarely do they make a dent in the borrower's balance.[52] Maintaining an

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content/uploads/2025/05/Bonnie-Latreille-Senate-Testimony-May-2025-1.pdf; Status Report at 1, *Am. Fed. of Teachers v. U.S. Dep't of Ed.* (D.D.C., May 15, 2025) (No. 1:25-cv-802-RBW) https://storage.courtlistener.com/recap/gov.uscourts.dcd.278527/gov.uscourts.dcd.278527.36.0.pdf.

[47] For further discussion of the role that income-driven repayment options play in assisting borrowers in avoiding delinquency and default, *see* Improving Income Driven Repayment for the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan Program, 88 Fed. Reg. 43820 (July 10, 2023), available at https://www.federalregister.gov/documents/2023/07/10/2023-13112/improving-income-driven-repayment-for-the-william-d-ford-federal-direct-loan-program-and-the-federal.

[48] Letter from Jonathan Glater, Professor of Law, U.C. Berkeley & Dalie Jiménez, Professor of Law, U.C. Irvine, to Senate Committee on Health, Education, Labor, and Pensions regarding economic analysis of the higher education finance landscape (May 19, 2025) at 3, available at https://protectborrowers.org/wp-content/uploads/2025/05/FINAL-FOR-HELP-SLLI-Economic-Analysis-of-Student-Loan-Market-and-Future-Policy.pdf.

[49] *Id.*; *see also* Press Release, *U.S. Department of Education to Begin Federal Student Loan Collections, Other Actions to Help Borrowers Get Back Into Repayment*, U.S. Dep't of Educ. (Apr. 21, 2025), https://www.ed.gov/about/news/press-release/us-department-of-education-begin-federal-student-loan-collections-other-actions-help-borrowers-get-back-repayment.

[50] Letter from Jonathan Glater, Professor of Law, U.C. Berkeley & Dalie Jiménez, Professor of Law, U.C. Irvine, to Senate Committee on Health, Education, Labor, and Pensions regarding economic analysis of the higher education finance landscape (May 19, 2025) at 3, available athttps://protectborrowers.org/wp-content/uploads/2025/05/FINAL-FOR-HELP-SLLI-Economic-Analysis-of-Student-Loan-Market-and-Future-Policy.pdf.

[51] For further discussion, *see* Tia Caldwell & Sarah Sattlemeyer, *Millions Spend Years in Student Loan Default*, New Am. (Jan. 17, 2024); https://www.newamerica.org/education-policy/edcentral/millions-spend-years-in-student-loan-default/. For a more detailed discussion of the causes and consequences of student loan default, *see* Student Borrower Protection Center, *Beyond Fresh Start Paper Series* (Aug. 2022), https://protectborrowers.org/wp-content/uploads/2022/08/Beyond-Fresh-Start.pdf.

[52] *See* Abby Shafroth & Kyra Taylor, *Delivering Distress to Borrowers in Default*, Nat'l Consumer L. Ctr. (Oct. 2023), https://www.nclc.org/wp-content/uploads/2023/10/Delivering-Distress-to-Borrowers-in-Default.pdf (describing how borrowers end up paying more in default than they would otherwise owe under an income-driven

underclass of borrowers with persistent, long-term student loan defaults is not a series of individual failings, it is a shameful failure of public policy.

- **Nearly 7.5 million people careening towards a preventable default cliff, including nearly 6 million people who have already experienced damaged credit.**[53] Preventing the default of this cohort of distressed borrowers should be the highest priority for Secretary McMahon and for this committee—these borrowers are experiencing direct financial harm at an unprecedented scale. Because the student loan system suppresses negative information about borrowers' repayment status until they are 90 days past due, these borrowers experience a credit shock that is unique to the student loan system.[54] A single student loan falling 90 days past due causes enough damage to borrowers' credit to push even super-prime borrowers down to subprime and push a typical student loan borrower into deep subprime.[55] As a result, these borrowers will be locked out of the traditional mortgage market, see the cost of a car loan double, may lose access to insurance, and may no longer be able to pass a background check to rent an apartment or get a job.[56]

There is a common thread across these three categories of borrowers—these borrowers and the government would both benefit from an affordable loan repayment option that allows borrowers to get back on track and allows the government to responsibly administer the student loan program. This view remains a point of bipartisan consensus—even Chairman Cassidy has introduced legislation that provides for an IDR scheme that would deliver payment relief and expedited cancellation to some borrowers,[57] even if experts believe that it does not go far enough.

That is what makes the Trump Administration's rush to return to repayment all the more shocking—by prioritizing harm over help and moralizing about borrowers' obligations to repay while blocking their attempts to do so, Secretary McMahon isn't just hurting working people, she's mismanaging the student loan portfolio and may cost the government billions of dollars in lost revenue.[58]

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repayment plan); Gov't Accountability Off., *Relief for Older Americans with Student Loans* (Jan. 31, 2017), https://www.gao.gov/blog/2017/01/31/relief-for-older-americans-with-student-loans (finding that many older borrowers subject to Social Security offsets are actually eligible for other debt relief options, including loan discharge, but face obstacles when trying to access these programs).

53 Letter from Jonathan Glater, Professor of Law, U.C. Berkeley & Dalie Jiménez, Professor of Law, U.C. Irvine, to Senate Committee on Health, Education, Labor, and Pensions regarding economic analysis of the higher education finance landscape (May 19, 2025) at 3, available at https://protectborrowers.org/wp-content/uploads/2025/05/FINAL-FOR-HELP-SLLI-Economic-Analysis-of-Student-Loan-Market-and-Future-Policy.pdf.

54 *Id.*

55 *Id.*

56 *Id.*

57 Press Release, Sen. John Cornyn, *Cornyn, Cassidy Introduce Bill to Simplify Student Loan Repayment Process* (June 14, 2023), https://www.cornyn.senate.gov/news/cornyn-cassidy-introduce-bill-to-simplify-student-loan-repayment-process/.

58 *See, e.g.*, U.S. Dep't of Educ., *Student Loans Overview: Fiscal Year 2025 Budget Proposal* (accessed May 17, 2025), https://www.ed.gov/sites/ed/files/about/overview/budget/budget25/justifications/t-sloverview.pdf. According to the Education Department's own estimates, the government recovers between 65% and 75% of every dollar that

That's because, despite the extraordinary debt collection tools available to the federal government, the U.S. Department of Education's own projections show that the government only recovers roughly two-thirds of every dollar of defaulted debt when factoring in collection costs—a recovery rate that has declined significantly when compared to a decade ago.[59] In contrast, helping borrowers avoid default when they have the ability and willingness to pay is a win-win for both borrowers and the government—a rationale for adopting and expanding IDR options embraced by every prior administration for the past three decades, until now.

Consider Aaron, for example. Aaron is a student loan borrower who lives in South Carolina and is one of Senator Scott's constituents. He told us that, without payment relief, he "...[p]robably won't be able to afford it. I'm the only person working and I have two four year olds. After being out of school for over 20 years I just recently found a position with a decent salary but now everything keeps going up."[60]

We also heard from Brittany, a student loan borrower who lives in Missouri and is one of Senator Hawley's constituents. Brittany told us "I am a public educator in Missouri and my income is one of the lowest in the state...It feels very stressful to have to constantly worry about my student loans and the APR on the loans. It feels like no matter what I'm paying, my loans never actually decrease because the APR is so high."[61]

In addition to this written testimony, I have submitted to this committee dozens of other stories from borrowers just like Aaron and Brittany—people who have struggled and scraped and saved to keep their end of the bargain, only to watch President Trump, Secretary McMahon, and the student loan industry cheat them out of their rights, raise the cost of their student debt, or drive them towards default.

This is an extraordinary act of financial mismanagement that mirrors the behavior of the biggest banks in the aftermath of the financial crisis. Economists and policymakers warned that forcing families to lose their homes to foreclosure was bad for these families and for investors—that providing families with affordable loan payments would allow investors to be repaid more than they would recover through foreclosure while shielding families from catastrophic financial distress, and protecting communities and

defaults, depending on the student loan program (*i.e.*, subsidized, unsubsidized, or PLUS). *See also,* @EDSecMcMahon, "On May 5, @usedgov will resume collections for student loans in default. We will not allow taxpayers to take on debts that are not their own. Please visit http://studentaid.gov to learn more about repayment options. [video attached]," X, Apr. 22, 2015, https://x.com/edsecmcmahon/status/1914837885339025890?s=12&t=Fd_knrnZ2uwTDiAd2Z8aXQ.

[59] *Id.*; *but see* U.S. Dep't of Educ., *Student Loans Overview: Fiscal Year 2017* (accessed May 17, 2025), https://www.ed.gov/sites/ed/files/about/overview/budget/budget17/justifications/q-sloverview.pdf (showing that in fiscal year 2017, the government projected that it would recover between 82% and 85% of every dollar that defaults, depending on the loan program (*i.e.*, subsidized, unsubsidized, PLUS).).

[60] Student Borrower Protection Ctr., *Voices Behind the Student Debt Crisis*, https://protectborrowers.org/voices-behind-the-student-debt-crisis/ (accessed May 18, 2025).

[61] Student Borrower Protection Ctr., *Voices Behind the Student Debt Crisis*, https://protectborrowers.org/voices-behind-the-student-debt-crisis/ (accessed May 18, 2025).

the broader economy from a broad range of negative spillover effects.[62] In 2009, Sheila Bair, who served as chairman of the FDIC under both Presidents Bush and Obama, described an effort to modify mortgages as:

> *. . . [A] program of shared responsibility, looking to servicers, investors, borrowers, as well as the government, to all work together and make a contribution to get these loans restructured. [Modifying mortgages to avoid foreclosures aligns] economic incentives in the right way. Because . . . economic incentives have been skewed . . . loan restructurings that make sense, that are more valuable than a foreclosed home, have not been happening*.[63]

Similarly, allowing borrowers to make affordable loan payments in the near term doesn't just protect borrowers from needless loan defaults, it also protects the public's investment in the federal student loan program.

Despite these warnings, banks conspired with loan servicers to cheat homeowners out of access to affordable mortgage payments as economic policymakers looked the other way.[64] These actions forced millions of families to needlessly lose their homes, devastating communities across the country.[65] The prolonged economic hardship faced by these families had the predictable (and predicted) spillover effects across the economy, prolonging the Great Recession and hurting every American.[66]

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[62] *See, e.g.*, *Press Briefing with Treasury Secretary Geithner, HUD Secretary Donovan, and FDIC Chairman Bair* (Feb. 18, 2009), https://obamawhitehouse.archives.gov/the-press-office/press-briefing-with-treasury-secretary-geithner-hud-secretary-donovan-and-fdic-chai (in which Secretary Donovan states, "But within the homeownership market you hear about these toxic assets . . . really toxic mortgages in housing. . . . The other thing, frankly, is the reason they've been toxic is because families haven't been able to pay. And so this will take millions of mortgages that currently aren't affordable to families and make them affordable. That will also help to stabilize the balance sheets of these banks, as well.").

[63] *Id.*

[64] *See* Andrews, E., *How Banks Undermined Federal Foreclosure Assistance* (2017), https://www.gsb.stanford.edu/insights/how-banks-undermined-federal-foreclosure-assistance; *see also* Alys Cohen, Arielle Cohen & Diane Thompson, *At a Crossroads: Lessons from the Home Affordable Modification Program (HAMP)*, Nat'l Consumer L. Ctr (Jan. 22, 2013), https://www.nclc.org/resources/at-a-crossroads-lessons-from-the-home-affordable-modification-program-hamp/.

[65] *See* Alys Cohen, Arielle Cohen & Diane Thompson, *At a Crossroads: Lessons from the Home Affordable Modification Program (HAMP)*, Nat'l Consumer L. Ctr (Jan. 22, 2013), https://www.nclc.org/resources/at-a-crossroads-lessons-from-the-home-affordable-modification-program-hamp/ and Diane Thompson, *Foreclosing Modifications: How Servicer Incentives Discourage Loan Modifications*, 86 Wash. L. Rev. 755 (2011), https://digitalcommons.law.uw.edu/wlr/vol86/iss4/8.

[66] *Id.*, *see also* Ctr. for Responsible Lending, *2013 Update: The Spillover Effects of Foreclosures* (August 2013), https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/2013-crl-research-update-foreclosure-spillover-effects-final-aug-19-docx.pdf.

Now, millions of people like Aaron and Brittany are trying to repay their debts—like the borrowers who submitted the nearly 2 million unprocessed IDR applications.[67] Secretary McMahon and her contracted student loan servicers will not let them.[68]

The cohort of student loan borrowers harmed by McMahon's rush to repayment include at least 21 million people—half of all Americans with student debt.[69] The committee must understand that allowing student loan borrower distress of this unprecedented scale and breadth to manifest and persist is an extraordinary economic policy choice—the scale of which rivals the mass foreclosures more than a decade ago.[70]

These actions will shift tens of billions of dollars away from families at a moment when the economy is beginning to slow and analysts already project a recession on the horizon.[71] More than just driving tens of millions of people into financial hardship, Secretary McMahon's decision to demand payment from borrowers before fixing the broken student loan system may cause catastrophic harm to the U.S. economy and scar the family finances of a generation of working people.[72]

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[67] Status Report at 1, *Am. Fed. of Teachers v. U.S. Dep't of Ed.* (D.D.C., May 15, 2025) (No. 1:25-cv-802-RBW) https://storage.courtlistener.com/recap/gov.uscourts.dcd.278527/gov.uscourts.dcd.278527.36.0.pdf.

[68] *See* Complaint, *Am. Fed. of Teachers v. U.S. Dep't of Ed.* (D.D.C., Mar. 18, 2025) (No. 1:25-cv-802-RBW), https://storage.courtlistener.com/recap/gov.uscourts.dcd.278527/gov.uscourts.dcd.278527.1.0_1.pdf.

[69] Letter from Jonathan Glater, Professor of Law, U.C. Berkeley & Dalie Jiménez, Professor of Law, U.C. Irvine, to Senate Committee on Health, Education, Labor, and Pensions regarding economic analysis of the higher education finance landscape (May 19, 2025) at 3, available at https://protectborrowers.org/wp-content/uploads/2025/05/FINAL-FOR-HELP-SLLI-Economic-Analysis-of-Student-Loan-Market-and-Future-Policy.pdf.

[70] *See* William R. Emmons, *The End is in Sight for the U.S. Foreclosure Crisis,* Fed. Res. Bank of St. Louis (Dec. 2, 2016), https://www.stlouisfed.org/on-the-economy/2016/december/end-sight-us-foreclosure-crisis ("This nearly 10-year nationwide foreclosure crisis will have been longer and deeper than anything we've seen since the Great Depression. As many as 10 million mortgage borrowers may have lost their homes.").

[71] *See, e.g.*, Bruce Kasman, *The probability of a recession remains at 60%*, J.P. Morgan (Apr. 15, 2025), https://www.jpmorgan.com/insights/global-research/economy/recession-probability ("Even with the latest step-back from the draconian Liberation Day measures, what remains is still enough to push the U.S. and China — and thus likely the global economy — into a recession this year.").

[72] *See generally* Michel Grosz & Tomas Monarrez, *The Effect of the Great Recession on Student Loan Borrowing and Repayment*, Fed. Res. Bank of Phila. (Apr. 2025), https://www.philadelphiafed.org/-/media/FRBP/Assets/working-papers/2025/wp25-13.pdf (finding that the Great Recession accounted on average for between 19-32% of the total increase in undergraduate student debt and 10-25% of the total increase in defaults); Cameron Dean, *'It may officially put us into a recession": Colorado Springs economist reacts to student loan repayments taking effect this week*, KKTV (May 7, 2025), https://www.kktv.com/2025/05/07/it-may-officially-put-us-into-recession-colorado-springs-economist-reacts-student-loan-repayments-taking-effect-this-week/ (quoting Tom Binnings, Senior Partner at Summit Economics, "[Student loan payments] would not be a major hit, however, it's sort of one more layer . . . You have the federal layoffs, tariffs, which are increasing the cost of goods . . . I wouldn't say a major downturn, but it could soften the economy. It may officially put us into a recession towards the end of the year or maybe even before . . . The bottom line is you can't get blood from a turnip, and you can't get money from somebody who is broke.").

The U.S. Department of Education has become a carnival of corruption, and Secretary McMahon is the ringmaster

Private-sector companies paid billions in public money to help borrowers navigate their options are failing to deliver—borrowers are experiencing hours-long wait times, dropped calls, lost paperwork, and endless backlogs when seeking to get back on track.[73]

Across administrations of both parties, these student loan contractors have faced consumer protection lawsuits, negative headlines, and aggressive Congressional oversight, including from this committee. The U.S. Department of Education has long struggled to manage the private-sector financial firms hired to administer the student loan system—but now, the Trump Administration is giving these companies a free pass.

We all saw this coming.

The Trump Administration tapped James Bergeron, a long-time student loan industry lobbyist, to act as the nation's top higher education official.[74] Secretary McMahon then tapped Bergeron to simultaneously serve as the Chief Operating Officer of Federal Student Aid—the senior official tasked with running the trillion dollar student loan program.[75] Public reporting indicates that, under Bergeron's leadership, the Department, working closely with Department of Government Efficiency (DOGE), has engaged in an extraordinary campaign to sideline or fire every single official responsible for overseeing the practices of Bergeron's former clients—shielding these firms from any accountability for their role in fomenting the coming wave of financial devastation.[76]

At the same time, Office of Management and Budget Director and acting CFPB chief Russell Vought has dismantled the independent financial watchdog tasked with overseeing these same companies. CFPB leadership even proclaimed publicly that it had "deprioritized" oversight in the student loan market, while repeatedly attempting to mass fire the government officials responsible for enforcing the consumer

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[73] *See* Testimony of Bonnie Latreille before the U.S. Senate, *Stealing the American Dream: How Trump and Republicans are Raising Education Costs for Families* (May 14, 2025), https://protectborrowers.org/wp-content/uploads/2025/05/Bonnie-Latreille-Senate-Testimony-May-2025-1.pdf (describing the obstacles faced by student loan borrowers who are trying to access affordable repayment options).

[74] *See* Press Release, *U.S. Department of Education Announces Additional Incoming Trump-Vance Appointees*, U.S. Dep't of Educ. (Feb. 6, 2025), https://www.ed.gov/about/news/press-release/us-department-of-education-announces-additional-incoming-trump-vance-appointees.

[75] *See* Press Release, *U.S. Department of Education Announces Retirement of FSA Chief Operating Officer*, U.S. Dep't of Educ. (Apr. 2, 2025), https://www.ed.gov/about/news/press-release/us-department-of-education-announces-retirement-of-fsa-chief-operating-officer.

[76] *See* Jordan Weissmann, *How Trump has wiped out the teams that protect student borrowers*, Yahoo! Finance (Apr. 19, 2025), https://finance.yahoo.com/news/how-trump-has-wiped-out-the-teams-that-protect-student-borrowers-173450503.html.

protection laws that protect borrowers.[77] Under Vought, CFPB has dropped enforcement actions against major student loan companies and failed to distribute relief checks to students harmed by scam schools and servicing abuses.[78]

At a moment when borrowers face unprecedented financial hardship and economic policymakers are forced to grapple with spillover effects that extend far beyond these families' kitchen tables, a corrupt and coordinated effort to shield student loan companies from the consequences of their actions is the last thing we need.

Two weeks ago, we joined the AFT in petitioning the inspectors general for the Education Department and the CFPB to open a joint probe into the mass firings at the Department and the CFPB and, specifically, to scrutinize the role Bergeron played in engineering the withdrawal of oversight in this critical market.[79] Today, I urge this committee to act as well—probing the obvious conflicts of interest by Trump education policymakers and any actions taken that favor Bergeron's former clients, including the Higher Education Loan Authority of Missouri (MOHELA).

The ongoing effort by Bergeron and McMahon to shield MOHELA from the consequences of its abuses comes on the heels of more than 18 months of oversight, litigation, and scandals that have exposed the student loan giant's many failures. For example:

- In October 2023, the Education Department disclosed that MOHELA failed to send monthly student loan bills to 2.5 million borrowers, resulting in 800,000 borrowers missing a monthly payment.[80]
- In November 2023, four U.S. Senators, led by Senator Ed Markey and Senator Elizabeth Warren, sent a letter to MOHELA CEO Scott Giles demanding immediate action by the servicer to remedy the servicer's failure to notify borrowers about their obligations to repay.[81]

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[77] Ayelet Sheffey, *A new internal memo from the CFPB says it will 'deprioritize' its student-loan oversight in Trump's latest move to overhaul the consumer watchdog*, Business Insider (Apr. 16, 2025), https://www.businessinsider.com/new-internal-memo-cfpb-deprioritize-student-loans-medical-debt-trump-2025-4.

[78] Press Release, *California and Eleven States Call for Answers from the CFPB Over Restitution Delays*, Cal. Dep't Fin. Protection & Innovation (May 6, 2025), https://dfpi.ca.gov/press_release/california-and-eleven-states-call-for-answers-from-the-cfpb-over-restitution-delays/; Reuters navient checks article Douglas Gillison, *Consumer watchdog payouts in limbo as agency defanged by Trump administration*, Reuters (Mar. 3, 2025), https://www.reuters.com/world/us/consumer-watchdog-payouts-limbo-agency-defanged-by-trump-administration-2025-03-03/.

[79] Press Release, *Advocates Warn Watchdogs of Trump Scheme to Protect Corrupt Student Loan Giant MOHELA*, Student Borrower Protection Ctr. (May 7, 2025), https://protectborrowers.org/advocates-warn-watchdogs-of-trump-scheme-to-protect-corrupt-mohela/.

[80] Press Release, *U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers*, U.S. Dep't of Educ. (Oct. 30, 2023), https://web.archive.org/web/20250115232342/https://www.ed.gov/about/news/press-release/us-department-of-education-announces-withholding-of-payment-student-loan.

[81] Press Release, *Markey, Warren, Van Hollen, Blumenthal Blast Student Loan Servicer MOHELA Following Repeated Billing Mistakes, Failure to Inform 2.5 Million Borrowers of Payment Deadline,* Senator Markey (Nov. 7, 2023), https://www.markey.senate.gov/news/press-releases/markey.

- In February 2024, AFT and SBPC published *The MOHELA Papers*, the product of a years-long investigation into the company's mismanagement of its federal student loan servicing business.[82]
- In March 2024, AFT and SBPC petitioned the Education Department's Office of the Inspector General to audit MOHELA's performance under its federal servicing contract.[83]
- In March 2024, eight U.S. Senators, led by Senator Ed Markey, demanded answers from MOHELA CEO Scott Giles in response to allegations that his company engaged in a "call deflection" scheme to deny service to borrowers during the return to repayment.[84]
- In April 2024, the U.S. Senate Banking Committee held a hearing examining MOHELA's "truly shocking" track record of borrower harm.[85]
- In July 2024, AFT sued MOHELA for a wide range of unlawful practices, including illegally executing a "call deflection" scheme to deny service to borrowers who need help.[86]
- In September 2024, over 50 Members of Congress, led by Congressman Jim Clyburn and Senator Elizabeth Warren, called on the Education Department to probe MOHELA's servicing practices under its federal contract and take action to protect borrowers "including the potential termination of MOHELA's federal contract…"[87]
- In October 2024, AFT and SBPC warned federal financial regulators that MOHELA forced its customers to waive their rights to hold the financial firm accountable, potentially violating a range of federal and state laws.[88]

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[82] Student Borrower Protection Ctr. & Am. Fed. of Teachers, *The MOHELA Papers* (2024), https://www.mohelapapers.org/.

[83] Press Release, *MOHELA's "Cease and Desist" Letter Offers New Evidence of MismanagementAbuse by the Scandal-Ridden Company Student Loan Company,* Student Borrower Protection Ctr. and Am. Fed. of Teachers (Mar. 29, 2024), https://www.aft.org/press-release/mohelas-cease-and-desist-letter-offers-new-evidence-mismanagement-abuse-scandal (in which SBPC and AFT petition the Education Department Office of the Inspector General Regarding MOHELA).

[84] Press Release, *Markey, Schumer, Colleagues Demand MOHELA Remedy Harms to Millions of Borrowers Following Ergegious Business Practices*, Sen. Edward Markey (March 15, 2024), https://www.markey.senate.gov/news/press-releases/markey-schumer-colleagues-demand-mohela-remedy-harms-to-millions-of-borrowers-following-egregious-business-practices.

[85] Clayton Vickers, *Warren hammers student loan servicer MOHELA at hearing" 'Truly shocking',* The Hill (Apr. 11, 2024), https://thehill.com/homenews/education/4588003-warren-hammers-student-loan-servicer-mohela-at-hearing-truly-shocking/.

[86] Press Release, *Embattled Student Loan Servicing Giant MOHELA Hit with Groundbreaking Consumer Protection Lawsuit for Failing 8 Million Student Borrowers*, Am. Fed. of Teachers (July 22, 2024), https://www.aft.org/press-release/embattled-student-loan-servicing-giant-mohela-hit-groundbreaking-consumer-protection.

[87] Press Release, *Over 50 Members of Congress Call on Department of Education to Consider Terminating Contract with MOHELA,* Sen. Elizabeth Warren (Sept. 10, 2024), https://www.warren.senate.gov/newsroom/press-releases/over-50-members-of-congress-call-on-department-of-education-to-consider-terminating-contract-with-mohela.

[88] *See* Press Release, *MOHELA Was Caught Lying to Student Loan Borrowers, and Now it is Quietly Forcing Them to Waive Their Rights*, Student Borrower Protection Ctr. (Oct. 10, 2024), https://protectborrowers.org/mohela-was-caught-lying-to-student-loan-borrowers-and-now-it-is-quietly-forcing-them-to-waive-their-rights.

- In October 2024, the Education Department reportedly found that MOHELA had committed widespread servicing failures, violating its government contracts.[89]
- In February 2025, three U.S. Senators opened a new probe into MOHELA's scheme to force its customers to waive their rights to hold the financial firm accountable.[90]
- In April 2025, *Yahoo Finance* reported that nine state attorneys general and financial regulators were investigating MOHELA's abuses, including its illegal call deflection scheme.[91]

As millions of borrowers are driven toward default on a federal student loan, we need to demand better than predatory financial firms like MOHELA. Instead, we have a level of corruption never seen before at the U.S. Department of Education, as the Secretary and her former-lobbyist deputy dismantle every remaining safeguard against mismanagement and abuse by MOHELA and its peers.

Public Service Loan Forgiveness is the next front in Trump's culture war

The graft and corruption at the U.S. Department of Education is far from the only threat to students and families at this moment. From the White House, President Trump issued an order to transition the Public Service Loan Forgiveness (PSLF) program into an extension of his ongoing war against his perceived opponents across civil society.[92] This executive order is illegal and unconstitutional.[93] Despite this fact, the Department has already announced plans to establish a negotiated rulemaking process this summer in response to this executive order.[94]

Though it claims to merely target illegal or undesirable activity, taken in the context of this administration's other illegal actions, it is an attack on working families everywhere and will have a chilling effect on our public service workforce doing the work every day to support our local

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[89] Danielle Douglas-Gabriel, *Student loan servicer MOHELA faces new punishment from Biden administration*, Wash. Post (Oct. 17, 2024), https://www.washingtonpost.com/education/2024/10/16/mohela-student-loans-punishment/?itid=ap_danielledouglas-gabriel.
[90] Press Release, *Warren, Blumenthal, Duckworth Ramp Up Investigation Into MOHELA's Predatory Website Terms of Use,* Sen. Elizabeth Warren (Feb. 27, 2025), https://www.warren.senate.gov/newsroom/press-releases/warren-blumenthal-duckworth-ramp-up-investigation-into-mohelas-predatory-website-terms-of-use.
[91] Jordan Weissmann, *Widely criticized student loan servicer MOHELA faces investigation by multiple state attorneys general*, Yahoo! Finance (Apr. 28, 2025), https://finance.yahoo.com/news/widely-criticized-student-loan-servicer-mohela-faces-investigation-by-multiple-state-attorneys-general-100000033.html.
[92] Stacy Cowley, *Trump Seeks to Bar Student Loan Relief to Workers Aiding Migrants and Trans Kids*, N.Y. Times (Mar. 7, 2025), https://www.nytimes.com/2025/03/07/us/politics/trump-executive-order-student-loan-forgiveness.html.
[93] Press Release, *Advocates Blast Trump Plans to Sign Executive Order to Weaponize Public Service Loan Forgiveness and Stifle Free Speech Across America*, Student Borrower Protection Ctr. & Am. Fed. of Teachers (Mar. 7, 2025), https://protectborrowers.org/advocates-blast-trump-plans-to-sign-executive-order-to-weaponize-public-service-loan-forgiveness-and-stifle-free-speech-across-america/.
[94] Proposed Rule, *Intent to Receive Public Feedback for the Development of Proposed Regulations and Establish a Negotiated Rulemaking Committee*, 90 Fed. Reg. 14741 (Apr. 4, 2025), https://www.federalregister.gov/documents/2025/04/04/2025-05825/intent-to-receive-public-feedback-for-the-development-of-proposed-regulations-and-establish.

communities. Under this new regime, the next generation of highly trained public service workers—including healthcare workers, legal services attorneys, and teachers—would have to decide whether to serve the most vulnerable members of our community knowing that, at any moment, the President of the United States can deem their career unworthy and retroactively revoke their accumulated progress towards PSLF. I fear that for many service-minded students, the financial pressure will prove too great. This will hurt all of us.

This radical and illegal action will raise costs for working people while doing nothing to make America safer or healthier. Teachers, nurses, servicemembers, first responders and other public service workers deserve better than to be used as pawns in Donald Trump's radical right-wing political project to destroy civil society.

Republicans' "big, beautiful bill" is a radical and dangerous vision for a higher education system that will push opportunity further out of reach for working families

As this committee meets today to consider the "State of Higher Education," your colleagues on the other side of the Capitol rush to radically transform higher education into something altogether different. Under the guise of budgetary policy, Congressional Republicans are proposing massive policy changes that will affect every aspect of our higher education system. Others have written extensively about the wide-ranging effects of this "big, beautiful bill." I'm here today to talk specifically about the economic effects on students and families.

As I describe above, the Trump Administration's approach to the student loan system is reckless and corrupt, harming tens of millions of people right now. Rather than take seriously Congress's constitutional duty to check the excesses of the executive branch, House Republicans appear ready to use the reconciliation process to reshape higher education—shrinking access to federal financial aid, cutting grant aid for students who are least able to meet college costs, removing guardrails that protect students from predatory schools, and shredding the student loan safety net. These changes will have profound, immediate financial consequences for schools and for students.

Among the most damaging provisions, the bill that advanced through the House Education & Workforce Committee would:

- Increase the number of credits required to meet the definition of full-time enrollment for Pell Grant eligibility, penalizing working students, parenting students, and those who cannot increase their course load, and reducing grants by up to $1,500 for up to 3 million students.[95]
- Eliminate the ability of students attending less than-half-time from receiving Pell Grants, which would eliminate awards entirely for up to 1.4 million students.[96]

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[95] Sara Partridge, *Congressional Republicans' Proposed Budget Reconciliation Bill Imperils 4.4 Million Pell Grant Recipients*, Ctr. for Am. Progress (May 13, 2025), https://www.americanprogress.org/article/congressional-republicans-proposed-budget-reconciliation-bill-imperils-4-4-million-pell-grant-recipients/.
[96] *See id.*

- Eliminate subsidized student loans, which would increase student loan debt by tens of thousands of dollars for over 4 million low- and middle-income students.[97]
- Create new caps on federal financial aid for students attending programs above the median cost of attendance, jeopardizing aid eligibility for students in half of all programs, and making it so students could not be sure how much grant aid or loans they could rely on from year to year.[98]
- Eliminate Graduate PLUS loans and set new caps on Parent PLUS loans that will force more students and their families into the private student loan market to fill gaps in aid and cover the cost of college.[99]
- Force borrowers into a far less equitable and fair system of income-driven student loan repayment, by eliminating the Saving on a Valuable Education (SAVE) plan and other IDR options and creating a new "standard plan" and a new "Repayment Assistance Plan" that extends the current forgiveness window from 20 to 30 years, eliminates borrowers' rights to a $0 payment, and forces higher monthly payments for borrowers in every income bracket, including those who earn less than $10,000 per year. Our and other independent analyses indicate that borrowers, including those with and without degrees, would pay thousands more per year under this new plan.[100]
- Decimate safeguards that aim to protect students and borrowers, including student veterans, from low-quality degree programs and provide a pathway to debt relief if a student has been defrauded by their school or if their school suddenly closes.[101]

In addition to upending our federal financial aid system to fund tax breaks for billionaires and corporations, the House bill would also place a dramatic squeeze on state budgets, through deep cuts and changes to programs like SNAP and Medicaid that could force states to cut vital services and public goods including public higher education, which comprises the third-largest category of state spending.[102]

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[97] Michele Zampini & Ellie Bruecker, *House Republican Proposal to Eliminate Subsidized Student Loans Would Spike College Costs for Low-Income Students*, The Inst. for College Access & Success (May 7, 2025), https://ticas.org/affordability-2/subsidized-loans-reconciliation2025/.
[98] Rachel Fishman, *The Median Cost of College: A Recipe for Student Aid Chaos*, New Am. (Apr. 29, 2025), https://www.newamerica.org/education-policy/edcentral/the-median-cost-of-attendance-plan-a-recipe-for-student-aid-chaos/.
[99] Mark Huelsman & Aissa Canchola Banez, *Eliminating Grad Plus Loans Without Making Higher Education More Affordable Would Be a Disaster for Students and Borrowers*, Student Borrower Protection Ctr. (April 25, 2025), https://protectborrowers.org/eliminating-grad-plus-loans-without-making-higher-education-more-affordable-would-be-a-disaster-for-students-and-borrowers/.
[100] Jennifer Zhang, *Deep Dive: House Reconciliation Bill Makes Paying for College More Expensive and Risky for Students and Working Families*, Student Borrower Protection Center (May 6, 2025), https://protectborrowers.org/deep-dive-house-reconciliation-bill-makes-paying-for-college-more-expensive-risky/; Michele Zampini & Ellie Bruecker, *House Republican Proposal to Eliminate Subsidized Student Loans Would Spike College Costs for Low-Income Students*, The Inst. for College Access & Success (May 7, 2025), https://ticas.org/affordability-2/subsidized-loans-reconciliation2025/.
[101] Kyle Southern, *House Education Bill Would Weaken Borrower Protections, Leave Students Vulnerable to Predatory and Low-Quality Institutions*, The Inst. for College Access & Success (May 5, 2025), https://ticas.org/accountability/borrower-protections-reconciliation-2025/.
[102] Nat'l Assoc. of State Budget Off., *2024 State Expenditure Report: Fiscal Years 2022-2024* (2024), https://www.nasbo.org/reports-data/state-expenditure-report.

During times of fiscal stress, states often use public higher education as a balance wheel,[103] cutting funding which institutions fill through higher tuition, fees, reductions in student aid or vital student services, or other mechanisms that ultimately reduce access to college.

Pushing families into the private student loan market is more dangerous than ever

President Trump and his allies in Congress appear set on slashing critical financial aid programs with the goal of forcing more students and families to have to finance a higher education in the private market. The private student loan industry is already preparing their plans to capitalize on these efforts to boost their profits. In a recent earnings call, the CEO of Navient—one of the largest private student loan companies recently banned from servicing student loans after years of failures and lawbreaking[104]—touted confidence that the company will "take our fair share" of an expanded market for student loans.[105] Separately, private student lender SoFi Technologies leaders recently shared with investors that they would "absolutely capture that opportunity" should the government limit access to federal student lending.[106]

It's important for lawmakers to understand that firms like Navient and SoFi do not want to lend to all students from all families. These executives are salivating at the opportunity to seize market share at the very top—making loans to the most credit-worthy students, particularly students at elite graduate programs and students with families able to co-sign loans. In the end, this slice of students and families may still be able to pursue a higher education under the House Republican plan—it will be more expensive, but the gates will remain open. Everyone else, especially working students, community college students, and Black and Latino/a students who may not be able to draw on a history of family wealth, will have to hope for the best and trust the underbelly of the financial services industry to help them fill the gap—the firms that specialize in "predatory inclusion,"[107] including high-cost, high-risk subprime student loans to working people.

In the same legislation that would push more students and families into the private market, the CFPB—the main federal regulator and consumer watchdog charged with protecting student loan borrowers—is

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[103] Jennifer A. Delaney & William R. Doyle, *State Spending on Higher Education: Testing the Balance Wheel Over Time*, 36 J. of Educ. Fin. 4, 343-368 (2011), https://eric.ed.gov/?id=EJ926831; Douglas A. Webber, *State divestment and tuition at public institutions*, 60 Econ. of Educ. Rev. 1 (2017), https://www.sciencedirect.com/science/article/abs/pii/S0272775717303618.

[104] Press Release, *CFPB Bans Navient from Federal Student Loan Servicing and Orders the Company to Pay $120 Million for Wide-Ranging Student Lending Failures*, Consumer Fin. Protection Bureau (Sep. 12, 2024), https://www.consumerfinance.gov/about-us/newsroom/cfpb-bans-navient-from-federal-student-loan-servicing-and-orders-the-company-to-pay-120-million-for-wide-ranging-student-lending-failures/.

[105] Transcript of Navient Corporation 2025 Earnings Call (Apr. 30, 2025), https://seekingalpha.com/article/4780084-navient-corporation-navi-q1-2025-earnings-call-transcript.

[106] Transcript of Sofi Technologies First Quarter 2025 Earnings (Apr. 29, 2025), https://s27.q4cdn.com/749715820/files/doc_financials/2025/q1/SOFI-Q1-2025-Transcript_Edited_4-29-25-docx.pdf.

[107] Louise Seamster & Raphaël Charron-Chénier, *Predatory Inclusion and Education Debt: Rethinking the Racial Wealth Gap*, 4 Soc. Currents 199-207 (2017), https://journals.sagepub.com/doi/10.1177/2329496516686620.

facing the prospect of a 70 percent reduction in its budget.[108] Put plainly, the House Republicans' reconciliation bill does not just pull back on federal financial aid, it also kneecaps the regulator tasked with protecting the same students and families who will be forced to navigate the private market should this bill pass.[109]

On its own, this plan would be catastrophic for working class students and their families. Unfortunately, the Trump Administration is rushing to front-run this legislation's passage, engineering an illegal attempt to cut 90 percent of the CFPB's staff.[110] Under CFPB Director Vought, the agency has already deprioritized supervision and enforcement of the student loan market writ large.[111]

Taken together, these efforts make up a perfect storm that will make students and families even more vulnerable in an opaque private student loan market already rife with risk.

Today, there are more than $133 billion in private student loans originated by banks, credit unions, and other mainstream private lenders.[112] While private student loan debt makes up roughly 8 percent of the total outstanding student loan debt—a relatively small percentage of the overall student loan debt owed by Americans—these loans are notable for their lack of consumer protections relative to other products, particularly federal student loans.[113] Importantly, private student loan borrowers are not eligible for the same cancellation options, such as PSLF and TPD discharge.[114] They are also not guaranteed flexible repayment options, such as deferments, forbearances, and IDR.[115] Moreover, the CFPB has found that private student loan borrowers have limited options to modify their payments during periods of financial

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[108] James Baratta, *House Republicans Take Their Turn at Ravaging CFPB*, The Am. Prospect (May 1, 2025), https://prospect.org/economy/2025-05-01-house-republicans-take-turn-ravaging-cfpb/.

[109] Jennifer Zhang, *Deep Dive: House Reconciliation Bill Makes Paying for College More Expensive and Risky for Students and Working Families*, Student Borrower Protection Center (May 6, 2025), https://protectborrowers.org/deep-dive-house-reconciliation-bill-makes-paying-for-college-more-expensive-risky ("[T]he [reconciliation] bill will push students in half of all programs to potentially borrow private loans to cover the amount above the median cap. Since private student loan lenders primarily lend to more affluent students with cosigners and assets, many students without these advantages will have to choose between being denied financing and not attending, or taking on more predatory forms of debt.").

[110] Chris Megerian, *Nearly 90% of Consumer Financial Protection Bureau cut as Trump's government downsizing continues*, Associated Press (Apr. 17, 2025), https://apnews.com/article/donald-trump-doge-cfpb-elon-musk-456b747c367fccbcf3b74d2893cd1a35.

[111] Ayelet Sheffey, *A new internal memo from the CFPB says it will 'deprioritize' its student-loan oversight in Trump's latest move to overhaul the consumer watchdog*, Business Insider (Apr. 16, 2025), https://www.businessinsider.com/new-internal-memo-cfpb-deprioritize-student-loans-medical-debt-trump-2025-4.

[112] See Testimony of Aissa Canchola Banez, *Back to School: Shedding Light on Risks and Harm in the Private Student Lending and Servicing Market*, Hearing before the Subcomm. on Fin. Institutions & Consumer Protection of the Comm. on Banking, Housing, and Urban Affairs (Sep. 17, 2024), https://protectborrowers.org/wp-content/uploads/2024/09/Banez_Written-Testimony_PSL-Senate-Banking_9-17-2024.pdf.

[113] For further discussion, see Prentiss Cox, Judith Fox, & Stacey Tutt, *Forgotten Borrowers: Protecting Private Student Loan Borrowers Through State Law*, 11 U.C. Irvine L. Rev. 43, 47 (2020).

[114] Nat'l Consumer Law Ctr, Student Loan Law § 16.2.1 *Comparing Private Loans and Federal Loans* (7th ed. 2023), updated at www.nclc.org/library.

[115] *Id.*

distress,[116] and that cosigners (who are generally required) struggle to access promised release from these debts even after years of repayment.[117]

Despite making up a relatively smaller percentage of the overall student loan debt market, the CFPB reported that 1-in-4 student loan-related complaints received between September 1, 2022, through August 31, 2023, concerned private student loans.[118] These troubling complaints trends suggest that private student loan borrowers continue to face significant challenges getting the support they need when experiencing financial distress.

Further, unlike other areas of consumer finance which have robust data transparency regimes—such as mortgage and credit card markets—the absence of comprehensive data reporting requirements in the private student loan space means that borrowers, policymakers, and advocates know vanishingly little about the full scope of the market in real time.[119]

But even in the absence of comprehensive data, it is clear that the private student loan market is a unique locus for borrower harm, particularly for groups who have historically been marginalized.[120] While industry-funded analyses claim that private student loan repayment rates and borrower outcomes are largely positive,[121] these market-level analyses fail to capture the lived experiences of borrowers in critical segments of the market, especially those from historically disenfranchised communities. For example, almost 1-in-5 Black borrowers with private student loans reports falling behind on at least one private student loan payment due to economic hardship, nearly four times higher than the proportion of white borrowers.[122] When considering Black borrowers with bachelor's degrees, that rate rises to almost half of Black borrowers with private student loans, and the disparity in hardship rises to almost 10 times higher than the proportion for white borrowers with bachelor's degrees.[123]

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[116] *2017 Annual Report of the CFPB Student Loan Ombudsman*, Consumer Fin. Prot. Bureau (Oct. 2017), https://files.consumerfinance.gov/f/documents/cfpb_annual-report_student-loan-ombudsman_2017.pdf.

[117] *Mid-Year Update on Student Loan Complaints*, Consumer Fin. Prot. Bureau (June 2015), https://files.consumerfinance.gov/f/201506_cfpb_mid-year-update-on-student-loan-complaints.pdf.

[118] *2023 Annual Report of the CFPB Student Loan Ombudsman,* Consumer Fin. Prot. Bureau (Oct. 2023),https://files.consumerfinance.gov/f/documents/cfpb_annual-education-loan-ombudsman-report_2023.pdf.

[119] *Private Student Lending*, Student Borrower Prot. Ctr. at 15 (Apr. 2020), https://protectborrowers.org/wp-content/uploads/2020/04/PSL-Report_042020.pdf.

[120] *Id.*

[121] *See* Press Release, *Latest Edition of Enterval Private Student Loan Report Highlights Steady Private Student Loan Repayment Trends*, Enterval Analytics (Aug. 22, 2024), https://www.enterval.com/media/files/enterval/press-releases/enterval-psl-press-release-august-2024.pdf; *see also* Press Release, *Vast Majority of Students and Families Successfully Managing Private Student Loans According to Latest MeasureOne Private Student Lending Research Report*, MeasureOne, PR Newswire (Dec. 20, 2019), https://www.prnewswire.com/news-releases/vast-majority-of-students-and-families-successfully-managing-private-student-loans-according-to-latest-measureone-private-student-lending-research-report-300978406.html.

[122] Ben Kaufman, *New Data Show Dramatic Disparities for Borrowers of Color with Private Student Loans*, Student Borrower Prot. Ctr. (Oct. 14, 2020), https://protectborrowers.org/new-data-show-dramatic-disparities-for-borrowers-of-color-with-private-student-loans/.

[123] *Id.*

These outcomes suggest inequitable financial opportunities across the private student loan market that will only be magnified should millions of students and families be forced to pursue financing in the private market. On one extreme, certain private student loan companies are targeting super-prime, wealthy, or high-earning-potential borrowers for loans and refinancing. At the other end, predatory players that are less represented in market-level data target vulnerable populations with products that feature high fees and interest rates.

Making matters worse, a growing, opaque, and lightly-regulated market for so-called "shadow student debt" has continued to proliferate. "Shadow student debt" is an umbrella term for the wide variety of risky loans and specialty credit often used as the linchpin of predatory college business models which include personal loans, line of open-ended revolving credit, "Buy Now, Pay Later" debt, institutional loans owed to schools and other products tied to higher education and workforce training.[124] High-profile investigations and lawsuits revealed that this debt and credit exposes borrowers to high fees, harsh contractual terms, and abusive collections strategies that empower profiteers and facilitate harmful practices.[125] Shadow student debt keeps disgraced colleges afloat, ranging from questionable for-profit vocational "bootcamps"[126] to massive for-profit school chains whose scandals were guideposts to the last decade of the student debt crisis.[127]

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[124] *Shadow Student Debt,* Student Borrower Prot. Ctr. (Dec. 2020), https://protectborrowers.org/wp-content/uploads/2020/12/Shadow-Student-Debt.pdf.

[125] *See, e.g.*, Press Release, *Income Share Agreement Company and For-Profit School Sued for Deceptive Practices and Illegal Lending*, Student Borrower Prot. Ctr. (Dec. 17, 2021), https://protectborrowers.org/income-share-agreement-company-and-for-profit-school-sued-for-deceptive-practices-and-illegal-lending; Press Release, *Income Share Agreement Provider, For-Profit School Operator Sued by Dozens of Former Students for Illegal Lending and Deceptive Practices*, Student Borrower Prot. Ctr. (July 1, 2021), https://protectborrowers.org/make-school-vemo-lawsuit/; Student Borrower Prot. Ctr., *Pushing Predatory Products: How Public Universities are Partnering with Unaccountable Contractors to Drive Students Toward Risky Private Debt and Credit* (June 11, 2021), https://protectborrowers.org/pushing-predatory-products-how-public-universities-are-partnering-with-unaccountable-contractors-to-drive-students-toward-risky-private-debt-and-credit/; Press Release, *PayPal's Partnerships With Over 150 For-Profit Schools Drive Students to Take on High-Cost Education Debt, Advocates Warn*, Student Borrower Prot. Ctr. (Aug. 21, 2021), https://protectborrowers.org/150-2/; Benjamin Roesch & Ben Kaufman, *The CFPB Must Investigate Climb Credit and Protect Borrowers Across the Dangerous, High-Cost Shadow Student Debt Market*, Student Borrower Prot. Ctr. (Oct. 21, 2021), https://protectborrowers.org/the-cfpb-must-investigate-climb-credit-and-protect-borrowers-across-the-dangerous-high-cost-shadow-student-debt-market/; Student Borrower Prot. Ctr., *Point of Fail: How a Flood of "Buy Now, Pay Later" Student Debt is Putting Millions at Risk* (Mar. 3, 2022), https://protectborrowers.org/point-of-fail-how-a-flood-of-buy-now-pay-later-student-debt-is-putting-millions-at-risk/; Ben Kaufman, *A Predatory School is Dragging 290 Defrauded Students into Court in the Latest Example of the Exploitative State of the Income Share Agreement Market*, Student Borrower Prot. Ctr. (Feb. 28, 2022), https://protectborrowers.org/a-predatory-school-is-dragging-290-defrauded-students-into-court-in-the-latest-example-of-the-exploitative-state-of-the-income-share-agreement-market/.

[126] *Id.*

[127] *See, e.g.*, Consumer Fin. Prot. Bureau, Enforcement Action: Student CU Connect CUSO, LLC, https://www.consumerfinance.gov/enforcement/actions/student-cu-connect-cuso-llc/ (last visited May 4, 2022); Consumer Fin. Prot. Bureau, Enforcement Action: PEAKS Trust 2009-1 et al., https://www.consumerfinance.gov/enforcement/actions/peaks-trust/ (last visited May 4, 2022); Press Release, *CFPB Takes Action Against Aequitas Capital Management for Aiding Corinthian Colleges' Predatory Lending Scheme*, Consumer Fin. Prot. Bureau (Aug. 17, 2017), https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-aequitas-capital-management-aiding-corinthian-colleges-predatory-lending-scheme/; CFPB Sues For-

At the heart of the subprime private student loan market is a simple truth: an ever-growing set of actors offering increasingly exotic forms of credit will continue to target students as a path to riches. For as long and as much as policymakers let them, they will continue to engineer increasingly extractive plots to profit at students' expense.

Washington keeps missing what it means to go to college

Despite focusing on the experience of the vast majority of students, families, or student borrowers, lawmakers in Washington routinely try to throw blame at the feet of a handful of elite colleges for a wide range of very real problems that hurt people in communities across the country.

College is too expensive. The drive to enroll more Americans in college has failed to grapple with the shift toward debt as the primary way to finance an education. Too many students have been promised a shot at the middle-class and a steady career by high-cost predatory colleges, only to be met with empty promises once their job search starts and the loan bill comes due. The government will never get paid back for much of the student debt on the books today.

Whatever truth there is to these arguments, the relentless focus on Ivy League and other private institutions and the failure to take action to address the fundamental flaws in our higher education financing system is, at its core, an empty political stunt. Students and families deserve better than cheap theater. Tens of millions of students enroll in higher education and training programs every year in order to better themselves, to improve the opportunities for their families, and to be able to serve their communities.

The typical student enters college at a community college; they enroll not as an 18 year old, but years after they graduated from high school.[128] The vast majority are working a job while enrolled,[129] and 1-in-5 has a child of their own.[130] Three out of every five struggles with food insecurity, housing insecurity, or homelessness.[131] Among community colleges, our nation's lowest-cost institutions, the net price of

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Profit Corinthian Colleges for Predatory Lending Scheme, Consumer Fin. Prot. Bureau (Sept. 16, 2014), https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-for-profit-corinthian-colleges-for-predatory-lending-scheme/.

[128] Today's Students Coalition, *Today's Students* (accessed May 16, 2025), https://todaysstudents.org/todays-students/.

[129] Lumina Foundation, *Working Adults* (accessed May 16, 2025), https://www.luminafoundation.org/topics/todays-students/working-adults/.

[130] Theresa Anderson et al., *Who are Undergraduates with Dependent Children*, Spark Collaborative (Sep. 2024), https://studentparentaction.org/assets/r-file/Who-Are-Undergraduates-with-Dependent-Children.pdf.

[131] The Hope Center 2023-2024 Student Basic Needs Survey Report, The Hope Ctr. for Student Basic Needs, Temple U. (Feb. 26, 2025), https://hope.temple.edu/research/hope-center-basic-needs-survey/2023-2024-student-basic-needs-survey-report.

attendance equals three-quarters of the annual income for students from the bottom quartile.[132] These students, families, borrowers, and even institutions deserve a United States Congress committed to following through on politicians' promises to lower costs, including the cost of college. Instead, elite colleges—and their students—are Republicans' props in this staging of America's never-ending culture war.

I came to Washington today to lift up the experience of these students and borrowers. Earlier this month, we had the chance to talk to "Alice," a student loan borrower and former truck driver who now trains the next generation of truck commercial truck drivers at a community college in the Midwest. Alice went to college. She took on student debt along the way—as do many truck drivers who get trained at community college or are driving as a second career. She enrolled in SAVE because she found the financial burden of her student loans overwhelming. Alice's story is one shared by millions of other students across the country who go to college and get training—mostly at community colleges and other public colleges that never make it on the front page of the *New York Times* and barely get a mention at hearings like this one.

Workforce training is college. English degrees and engineering degrees are both college, too.

When you total up the number of the Americans who go to a public college for training, those who earn two-year degrees from community colleges, and those who are awarded a bachelor's degree or more, you see a population of current and former students who look like America. Taken together, more than 6-in-10 working-age adults—including fully two-thirds of working-age adults under 34—have gone to college.[133]

These are the households that need a real public option, both for themselves and for their children's education. These are the same families who for decades have been on the phone for hours about their student loan bill, waiting for answers from loan servicers who are more than happy to either ignore them or steer them into a plan that boosts student loan companies' bottom lines.

These are the households who will be most harmed when there is no U.S. Department of Education working to ensure their degree program is not a predatory financial time bomb but one they can use to better themselves, earn a living, and give back to their community.

Students, borrowers, families, and the U.S. economy are balancing on a knife's edge; what this committee does next will seal all of our fates

America's grand experiment with debt-financed higher education has failed. There remains a strong, bipartisan agreement that the student loan system is broken. We disagree on what comes next.

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[132] Mark Huelsman, *Families and Voters Expect Policymakers to Take Action on College Affordability and Student Debt* (Dec. 4, 2024), https://protectborrowers.org/families-and-voters-expect-policymakers-to-take-action-on-college-affordability-and-student-debt/.

[133] *Student Borrower Protection Center analysis of U.S. Census Bureau data,* on file with author; *see also* U.S. Census Bureau, *Educational Attainment in the United States: 2022*, Table 3 (accessed May 18, 2025), https://www.census.gov/data/tables/2022/demo/educational-attainment/cps-detailed-tables.html.

One thing is clear: Congress should reject Donald Trump's Project 2025 vision for American higher education. Americans deserve more than a higher education system that acts as a finishing school for the children of millionaires and billionaires while systematically denying economic and educational opportunities to the rest of us. Our government should be relentlessly focused on making markers of middle class American life—including education—cheaper for working families, not more expensive.

Critics of aggressive federal action to make college free and cancel student debt often ignore the vast majority of working people who take classes or receive training across our higher education system—using our fixation on a handful of private colleges that collectively enroll less than one percent of students,[134] to hide the true beneficiaries of these policies: all of us.

Thank you.

[134] Raj Chetty, David Deming, & John Friedman, *Diversifying Society's Leaders? The Determinants and Consequences of Admission to Highly Selective Colleges*, Opportunity Insights (Oct. 2023), https://opportunityinsights.org/wp-content/uploads/2023/07/CollegeAdmissions_Nontech.pdf.