

October 14, 2026

The Honorable Scott Bessent
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Bessent,

We are writing to sound the alarm on a critical issue with regard to the collection of defaulted federal student loans.¹ As Secretary Linda McMahon continues to [threaten to restart involuntary debt collection](#) against more than 9 million defaulted student loan borrowers, mounting evidence suggests the U.S. Department of Education (ED) may not have the data it needs to certify these debts for collection in the first place—a legal prerequisite the government cannot skip no matter which vendor is holding the file—raising major doubts that these debts are even legally collectable in the first place.

As you are aware, before an agency can refer a debt to Treasury for offset or cross-servicing, the head of the agency (or a delegate) must [certify in writing](#) that the debt is valid, legally enforceable, and that there are no legal bars to collection, and that the agency has complied with all prerequisites to collection under applicable law.

Certifying that a debt is accurate requires having accurate data on the debt in the first place. According to industry experts, the default database is rife with [incomplete or inaccurate records](#). Former federal officials described ongoing “material deficiencies” in DMCS, such as dummy Social Security numbers, inaccurate loan balances, missing communication records.

For years, [advocates have warned](#) about systemic issues with borrowers’ loan records missing, in some cases, years worth of data. Abuses by [Affiliated Computer Services \(ACS\)](#), a [notoriously](#) shoddy company that once managed the largest portfolio of student loans, combined with a mass exodus of some of the largest servicers and the ensuing loan transfers, has meant that significant portions of the loan portfolio face real documentation issues.

Put together, the record supports a straightforward conclusion: given documented, persistent gaps in DMCS’s underlying data, **the Secretary is not in a position to certify that the debts sitting in that system are accurate, legally enforceable, and free of legal bars to collection.** That is true whether the certifying official sits at ED or, following the March 2026 interagency agreement, at Treasury. A borrower whose loan balance is wrong, whose default date is wrong, or whose account was never properly flagged for a pause that should have

¹ This letter is a collaboration between Protect Borrowers, Project on Predatory Student Lending, and the researchers at the Debt Collection Lab. The Debt Collection Lab collaborated in diagnosing how debt is operating in the sector, and Protect Borrowers and Project on Predatory Student Lending developed the policy recommendations.

applied to it, is not a borrower whose debt can lawfully be certified, no matter how many times the underlying contract changes hands.

Wrongful collection causes significant harm to the lowest-income student loan borrowers and communities of color. A [2024 survey by Pew](#) found that half of Black borrowers and 40 percent of Hispanic borrowers report having defaulted on a student loan, compared with less than a third of white borrowers. Among borrowers who have ever defaulted, roughly three-quarters of Black and Hispanic borrowers have redefaulted, compared with a much smaller share of white borrowers. More [recent analysis of the 2025 default cliff](#) found that a new borrower entered default roughly every nine seconds, and those borrowers were disproportionately borrowers of color. In fact, the delinquency rate of Black borrowers was double the overall national rate.

As millions of lower-income and working families struggle to make ends meet during a worsening affordability crisis, it would be unconscionable for the federal government to consider resuming its forced collections system to seize wages, tax refunds, and Social Security benefits—critical resources that Americans rely on. Further, stripping Americans of these vital financial resources without the legal authority to do so poses legal risk to the agency and the entities collecting on the debt.

ED has changed vendors, changed agencies, and changed collection tools [four times](#) in the span of a few years, and at no point has it paused to audit whether the data underneath any of those systems is actually accurate and whether these loans are still legally collectible. We are therefore writing to demand that the Treasury Department perform a full audit of the more than 9 million borrowers currently in default. Any borrower accounts that are incomplete or show evidence of errors should be deemed uncollectable and immediately removed from collection and cancelled.

A collections apparatus that shuffled between vendors cannot credibly certify the very debts it wants to collect. Any attempt to use administrative wage garnishment or the Treasury Offset Program tools (e.g., tax refund and Social Security offsets) without a proper audit will likely result in liability for whichever contractor takes over the debt collection contract. But more importantly, collecting on uncollectable debt will illegally siphon money from the most vulnerable borrowers who can afford it the least.

Sincerely,

Protect Borrowers
Project on Predatory Student Lending
The Debt Collection Lab at Princeton University