

# United States Senate

WASHINGTON, DC 20510

November 7, 2023

Scott Giles  
Chief Executive Officer  
Higher Education Loan Authority of the State of Missouri  
633 Spirit Drive  
Chesterfield, MO 63005-1243

Dear Mr. Giles:

On October 30, 2023, the U.S. Department of Education (the Department) announced that it was withholding \$7.2 million in payment to the Higher Education Loan Authority of the State of Missouri (MOHELA) — a loan servicer handling payments from millions of student loan borrowers — because it “failed to meet its basic obligation by failing to send billing statements on time to 2.5 million borrowers.”<sup>1</sup> This failure left more than 830,000 borrowers delinquent on their loans.<sup>2</sup> Consequently, the Department directed MOHELA to place up to 2.5 million student loan borrowers in “administrative forbearance,” pausing borrowers’ obligations to make loan payments.

We are distressed by this initial failure, and even more troubled to learn that MOHELA has not accurately communicated the cause and implications of this change to borrowers, leading to even more confusion for them. Unfortunately, this is not the first time MOHELA has failed to provide clear, timely, and accurate loan-status information to borrowers.<sup>3</sup> We demand that MOHELA immediately inform borrowers of its most recent error and the impact on their loans, and take concrete steps to improve customer service and communication.

MOHELA services 8 million of the more than 40 million borrowers who restarted their student loan repayments in October 2023, after a pause during the COVID-19 pandemic.<sup>4</sup> Mistakes MOHELA made when that pause was lifted have caused those borrowers confusion and financial distress. For example, the Department recently identified “discrepancies” in payment amounts from service providers, including MOHELA. The majority of those

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<sup>1</sup> Press Release, U.S. Dep’t of Ed., U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers (Oct. 30, 2023), <https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers>.

<sup>2</sup> Danielle Douglas-Gabriel, *Biden Administration Begins Punishing Servicers for Student Loan Errors*, Wash. Post (Oct. 30, 2023), <https://www.washingtonpost.com/education/2023/10/30/student-loan-servicing-errors-mohela/>.

<sup>3</sup> *Id.*

<sup>4</sup> Katie Lobosco, Student loan servicer MOHELA penalized for sending late bills, CNN, (Oct. 30, 2023), <https://www.cnn.com/2023/10/30/politics/student-loan-mohela-late-bills/index.html>; Kelly Tyko, *Student loan payments resume after 3-year pause*, Axios (Oct. 1, 2023), <https://www.axios.com/2023/10/01/student-loan-payments-october-2023>.

discrepancies caused payments to be higher than necessary.<sup>5</sup> Additionally, in determining the amount of income exempted in loan-repayment calculations, MOHELA used 2022 poverty guidelines — not the current 2023 guidelines — resulting in about 280,000 borrowers receiving erroneously high billing statements.<sup>6</sup> These blunders impacted more than 420,000 borrowers.<sup>7</sup> These mistakes can be extraordinary stressful for borrowers who may mistakenly be asked to make higher-than-necessary monthly payments.

Most recently, MOHELA failed to give 2.5 million borrowers timely notice of their billing statements<sup>8</sup> — even though these were the first student loan bills borrowers had received after an over three-year pause. Of those 2.5 million borrowers, MOHELA sent notices to 741,000 borrowers fewer than 21 days ahead of the first bill due date, in violation of the Department’s requirement to give 21 days’ notice of a bill before it is due.<sup>9</sup> Even worse, 515,000 borrowers were sent billing notices less than 14 days ahead of their due dates, and some were sent less than one week ahead.<sup>10</sup> The failure to send timely statements resulted in loan delinquency for at least 830,000 borrowers.<sup>11</sup>

The Department subsequently required MOHELA to place all of these borrowers in administrative forbearance while MOHELA cleans up its mess.<sup>12</sup> Thereafter, MOHELA sent notices to borrowers stating that “MOHELA has placed an Administrative Forbearance on your account.”<sup>13</sup> These notices were inadequate. MOHELA needs to provide clearer communication to borrowers so they understand MOHELA’s latest mistake and how it might impact their loans, payments, and credit score.

Specifically, the notices MOHELA provided to borrowers regarding their errors fail to explain how or why borrowers were placed in administrative forbearance, including omitting any mention of MOHELA’s error being the cause. Without any explanation, borrowers may reasonably believe they were responsible and seek to end the forbearance. In fact, MOHELA’s notice tells borrowers that they may decline or request to end the forbearance. If that happens, resumed payment amounts may still be incorrect — due to MOHELA’s error — and borrowers may face financial hardship.

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<sup>5</sup> Tara Siegel Bernard, *More Than 400,000 Student Loan Borrowers Had Wrong Monthly Payments*, N.Y. Times (Oct. 16, 2023), <https://www.nytimes.com/2023/10/16/your-money/student-loans-save-mistakes.html>.

<sup>6</sup> *Id.*

<sup>7</sup> Danielle Douglas-Gabrielle, *Rollout of Biden’s new student loan repayment plan hits early snags*, Wash. Post (Oct. 7, 2023), <https://www.washingtonpost.com/education/2023/10/07/save-student-loan-payment-errors/>.

<sup>8</sup> Press Release, *supra* note 1; Cheyenne Haslett, *Student loan payment restart has been marred by errors, from late notices to incorrect bills*, ABC News (Oct. 31, 2023), <https://abcnews.go.com/Politics/student-loan-restart-marred-errors-late-notices-incorrect/story?id=104487395>.

<sup>9</sup> Douglas-Gabriel, *supra* note 2.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> Email from MOHELA to loan borrower (Oct. 27, 2023) (on file with Office of Senator Edward J. Markey).

Furthermore, we understand that MOHELA has informed borrowers that “[d]aily interest continues to accrue on [their] loans” during administrative forbearance,<sup>14</sup> despite the Department’s announcement that it would “adjust to zero any interest that accrues.”<sup>15</sup> Borrowers trying to ascertain the implications of forbearance have been left with conflicting information from MOHELA and the Department.

Finally, we understand that MOHELA has not informed borrowers that the Department will “credit [borrowers] with progress toward public service loan forgiveness and income-driven payment” during this administrative forbearance.<sup>16</sup> Without that credit, delinquent payments could put borrowers’ progress in loan forgiveness programs at risk. Delinquent payments could also lead to ineligibility for subsidies in the new income-driven repayment plan, the SAVE plan.<sup>17</sup> In short, MOHELA’s inadequate communication with borrowers has left them uncertain about the effect of administrative forbearance on programs meant to aid public servants and low- and middle-income borrowers.

In July and September of this year, we raised concerns that MOHELA would make these very mistakes.<sup>18</sup> Now, they have come to pass within the first month of the return to loan repayments, increasing our frustration with MOHELA’s customer service failures that harm borrowers. The administrative forbearance ordered by the Department helps borrowers, but it is ultimately MOHELA’s responsibility to correct its errors and provide adequate customer service to those seeking to repay their student loans. Borrowers rightly rely on MOHELA for timely and accurate loan information to ensure they make timely and accurate loan payments. Your failure to meet this fundamental loan-servicing responsibility places hundreds of thousands of borrowers at risk of financial anxiety and insecurity. MOHELA must get its house in order immediately.

We support the Department’s decision to withhold payment to MOHELA as it has failed to do its job.<sup>19</sup> To help us understand the steps MOHELA will be taking to correct the systemic errors causing repeated disruptions for borrowers, we ask that you provide a staff-level briefing and written answers to the following questions by November 21, 2023:

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<sup>14</sup> Letter from MOHELA to loan borrower (Oct. 23, 2023) (on file with Office of Senator Edward J. Markey).

<sup>15</sup> Press Release, *supra* note 1.

<sup>16</sup> *Id.*

<sup>17</sup> Douglas-Gabriel, *supra* note 2.

<sup>18</sup> Press Release, Office of Senator Edward J. Markey, Senators Markey, Warren, Blumenthal, Brown, Menendez, Van Hollen Seek Answers from Federal Loan Service on Plans to Support Borrowers Ahead of Student Loan Payment Restart (July 19, 2023), <https://www.markey.senate.gov/news/press-releases/senators-markey-warren-blumenthal-brown-menendez-van-hollen-seek-answers-from-federal-loan-servicers-on-plans-to-support-borrowers-ahead-of-student-loan-payment-restart>; Press Release, Office of Senator Elizabeth Warren, Ahead of the Federal Student Loan Payment Restart, Senators Warren, Blumenthal, Markey, Van Hollen Call for Updates from Student Loan Servicers (Sept. 28, 2023), <https://www.warren.senate.gov/oversight/letters/ahead-of-the-federal-student-loan-payment-restart-senators-warren-blumenthal-markey-van-hollen-call-for-updates-from-student-loan-servicers>.

<sup>19</sup> Press Release, U.S. Dep’t of Ed., U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers (Oct. 30, 2023), <https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers>.

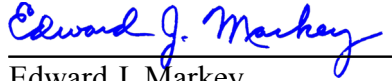
1. Please describe MOHELA's planned outreach to borrowers on administrative forbearance regarding:
  - a. MOHELA's errors that resulted in the administrative forbearance;
  - b. the consequences of administrative forbearance;
  - c. the additional protections that the Department has offered to affected borrowers, including zero-interest accrual and credit towards Public Service Loan Forgiveness and Income-Driven Repayment;
  - d. the timeline to transition borrowers off administrative forbearance and back on repayment; and
  - e. ensuring notice to borrowers at least 21 days ahead of their return to repayment, including the date of their next payment and the amount.
2. Please provide copies of all notices, factsheets, customer service scripts, or any other information provided by MOHELA to borrowers regarding these errors, their implications, and how they will be resolved.
3. How many borrowers have declined or requested to end their administrative forbearance since October 1, 2023, if they were placed in forbearance for MOHELA's mistakes rather than as is standard for pending IDR applications?
4. How many complaints about errors with calculating monthly payment amounts has MOHELA received from its borrowers since September 1, 2023?
5. Your response to our July 18, 2023 letter stated that, to ensure the accurate calculation of monthly payments, MOHELA utilizes "a system of record" that "calculates the appropriate payment amount based on data, and the calculations are embedded in the system of record to comply for the particular plan for any Income Driven plans or Standard Repayment (Standard, Graduated, etc.), plans."<sup>20</sup> Given evidence of incorrectly calculated monthly payments, what steps has MOHELA taken to evaluate the system of record or the calculations?
6. Please describe how MOHELA obtains the information that it uses to calculate borrowers' monthly payments and any policies or procedures used to ensure the accuracy and completeness of that information, including whether this information is received from prior student loan servicers as part of any account transfer or whether the information is provided by the Department.

We look forward to promptly receiving responses to our questions and a demonstration of MOHELA's commitment to fixing the problems that have caused so many errors and so much distress for student loan borrowers.

Sincerely,

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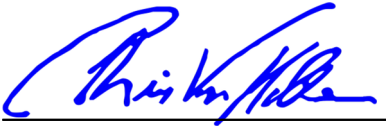
<sup>20</sup> Letter from MOHELA to Senator Elizabeth Warren et al. at 7 (Aug. 8, 2023), <https://www.warren.senate.gov/imo/media/doc/Servicers%20Responses.pdf>.



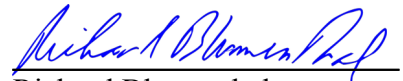
Edward J. Markey  
United States Senator



Elizabeth Warren  
United States Senator



Chris Van Hollen  
United States Senator



Richard Blumenthal  
United States Senator