

United States Senate

WASHINGTON, DC 20510

February 25, 2015

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

Dear Secretary Duncan:

Earlier this month, the President released a budget for the Department of Education indicating that the Department expects to generate several billion less in profits from federal student loans than it had previously estimated. While this progress is encouraging, the Congressional Budget Office's most recent baseline indicates that the federal government is still expected to produce \$110 billion in profits from its student loans over the next decade.

Congress did not create federal student loans to generate revenue for the federal government – to the contrary, it gave the Department of Education a host of tools to ensure that federal student loan borrowers are treated fairly and with dignity. For that reason, we write to ask the Department of Education to commit to reducing federal student loan profits by fulfilling its existing responsibilities under the law to help student loan borrowers manage their debts.

Student loan borrowers are buried in debt. Of the more than 40 million Americans with student loan debt, at least 25% are in deferment, forbearance, or default. With the Treasury, the Federal Reserve, and the Consumer Financial Protection Bureau all sounding the alarm that student debt is threatening to drag down both our families and our economy itself, it is striking that the Department still intends to generate such significant revenue from federal loan programs designed to help young people get an affordable education. While some of these federal profits are the inevitable result of artificially high interest rates on federal student loans locked into place by Congress, much of this revenue will be collected as a direct consequence of the Department's failure to implement congressional directives or to utilize its discretionary authority to protect our most vulnerable borrowers.


We recognize that the President's recent efforts to enroll more students in congressionally-authorized income-based repayment plans have had a positive impact on the ability of these students to repay their loans and, as a result, have contributed to the reduction in the Department's projected profits on these programs. Income-based repayment, however, is only one of the tools Congress has given to the Department to relieve the burden of student debt. Congress has also created additional programs to help distressed borrowers across a host of additional areas, but in these areas, the Department of Education is failing to do what Congress has directed it to do.

The Higher Education Act, for example, directs the Department of Education to implement a plan to cancel student loan borrowers' debts when their colleges act in ways that hurt the quality


of their education or their finances. To date, however, the Department of Education has yet to give borrowers a clear idea of how to exercise this option. Similarly, the Department of Education has broad authority to compromise, modify, discharge, and cancel student debts. Instead, the Department continues to gouge borrowers who struggle to meet their payments, subjecting them to debt collection, wage and benefit withholding, and other harsh penalties even when it is clear that the debtors cannot pay. The Higher Education Act also requires the Department of Education to offer student loan discharges to students whose colleges close their doors. Instead, last year the Department of Education undertook an elaborate plan to use federal funds to bail out the for-profit college chain Corinthian Colleges, Inc. and deprive students of the ability to discharge their federal student loan debts. All the while, the government is overcharging these borrowers and pocketing the profits to spend on unrelated government activities.

It is not the job of the Department of Education to maximize profits for the government at the cost of squeezing students who are struggling to get an education. Federal student loan programs were created by Congress to provide an opportunity for every young person who works hard and plays by the rules to pursue higher education. Congress has also acted to grant more authority to the Department of Education to ensure that borrowers who need relief can, in appropriate circumstances, receive the assistance they need. And Congress has charged the Department of Education with executing these federal student loan programs. Instead of implementing more policies designed to maximize federal profits on the backs of our kids, the Department should take further steps to implement the directives it has been given by Congress to ensure that our most vulnerable young people struggling with the burden of federal student debt have meaningful opportunity to build a strong future for themselves and their families.

Sincerely,



Elizabeth Warren
United States Senator



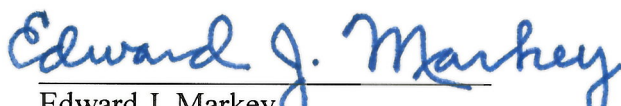
Tammy Baldwin
United States Senator



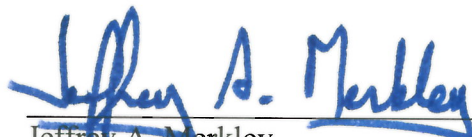
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United States Senator



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