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Warren, Senators Launch Investigation Into Reported Mishandling of Student Loan Transfers by MOHELA, Nelnet and Credit Reporting Agencies

Text of Letters (PDF)

Washington, D.C. – Today, U.S. Senators Elizabeth Warren (D-Mass.), Jeff Merkley (D-Ore.), Ron Wyden (D-Ore.), and Richard Blumenthal (D-Conn.) sent letters to student loan servicers Higher Education Loan Authority of the State of Missouri (MOHELA) and NelNet and credit reporting agencies Experian, Equifax, and TransUnion regarding the botched transfer of student loans from MOHELA to NelNet, causing at least 1.4 million duplicate student loan records to appear on borrowers’ credit reports.

Over the past few years, tens of millions of student loan borrowers’ accounts have been transferred to new private loan servicers. As part of these transfers, borrowers experienced a host of loan servicing errors ranging from “very high” and incorrect payment amounts, to problems accessing loan cancellation programs, to the incomplete transfer of more than five million accounts.

Recent reporting has uncovered a new set of errors faced by borrowers. A mistake in the transfer of accounts from NelNet to MOHELA last year resulted in borrowers' student loan balances appearing twice on their credit reports. These glitches can lower a borrower's credit score, affecting their ability to take out loans, buy a car, or purchase a house. And reports suggest that these errors remain unresolved for an untold number of borrowers.

"Borrowers have spent countless hours trying to resolve these issues. And all the while, MOHELA, NelNet, and the credit agencies have pointed fingers at each other, further delaying relief," **wrote the lawmakers.** "These credit reporting errors suggest that MOHELA, which has a long history of mistreating borrowers, has failed once again."

The credit reporting agencies also likely bear some responsibility for these errors. The Education Department requires the servicer on the receiving end of a student loan transfer to submit a file to the credit agencies about the transfer. But it is possible that those files were not processed correctly by the credit agencies.

"The collective incompetence that MOHELA, NelNet, and the credit reporting agencies have shown in navigating this situation is disgraceful," **concluded the senators.** "Each of these entities must work swiftly to resolve this issue and ensure this mistake does not happen again."

The senators asked the student loan servicers and credit reporting agencies to provide answers about the reporting error.

Senator Warren has led the fight to reform our higher education system, cancel student loan debt, and hold student loan servicers accountable:

- On August 8, 2024 Senator Warren (D-Mass.) and Representative Madeleine Dean (D-Pa.) led over 30 lawmakers in a **letter urging** student loan servicer

Navient to reform its flawed process to cancel the private student loans of borrowers who attended fraudulent, for-profit colleges.

- On July 29, 2024, Senators Warren, Ron Wyden, Chris Van Hollen, and Bernie Sanders, sent a **letter** to Secretary of Education Miguel Cardona, cautioning the Department of Education on Federal Student Aid's transition to the Unified Servicing and Data Solution system.
- On July 22, 2024, Senators Warren, Schumer, and Sanders **released** a joint statement on the American Federation of Teachers' lawsuit against MOHELA for allegedly overcharging and misleading student loan borrowers.
- On May 23, 2024, Senators Warren and King led their colleagues in a **letter** to Education Secretary Miguel Cardona, urging them to provide guidance and communication to borrowers as the Public Service Loan Forgiveness program transfers from MOHELA to the Department of Education.
- On May 9, 2024, Senator Warren led a **growing** coalition of senators in urging the Department of Education to hold student loan servicer MOHELA accountable for its failures.
- On May 7, 2024, Senator Warren and 24 members of the U.S. Senate **sent** a letter to Senator Tammy Baldwin, Chair of the Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies, and Senator Shelley Moore Capito, Ranking Member of the Subcommittee, encouraging them to provide \$2.7 billion in funding to the Office of Federal Student Aid (FSA) in fiscal year (FY) 2025.
- On May 1, 2024, Senators Warren, Carper, Kaine, and Representative Don Davis (D-N.C.) **called on** the Department of Defense (DoD) to release data on the Postsecondary Education Complaint System (PECS), a centralized database to track complaints against schools who participate in the Tuition Assistance (TA) and My Career Advancement Account Scholarship (MyCAA) program.
- In April 2024, Senator Warren **led** eight of her colleagues in sending a letter to David L. Yowan, President and Chief Executive Officer of student loan servicer Navient, urging the servicer to cancel decades-old private student loans pushed onto borrowers attending fraudulent, for-profit colleges.
- In April 2024, Senators Warren, Blumenthal, Markey, and Van Hollen **released** a new report: Servicing Scandals: Student Loan Servicers' Failures During Return to Repayment, which reveals a decades-long pattern of student loan servicer incompetence and misconduct that has affected millions of borrowers nationwide.

- In April 2024, Senator Elizabeth Warren **led** a hearing on student loan servicer Higher Education Loan Authority of the State of Missouri (MOHELA) and its failures during borrowers' return to repayment, **including** MOHELA's mismanagement of the Public Service Loan Forgiveness program.
- In March 2024, Senators Elizabeth Warren and Ron Wyden (D-Ore.), Chair of the Senate Finance Committee, along with U.S. Representatives Ayanna Pressley (D-Mass.), Pramila Jayapal (D-Wash.), Raúl Grijalva (D-Ariz.), and John Larson (D-Conn.), **led** their colleagues in calling on the Social Security Administration (SSA), the U.S. Department of the Treasury (Treasury), and the U.S. Department of Education to end the practice of offsetting Social Security benefits to pay off defaulted student loans.
- In February 2024, Senator Warren, Majority Leader Chuck Schumer (D-N.Y.), and Senator Bernie Sanders (I-Vt.) released a **statement** calling for an investigation into student loan mismanagement by MOHELA.
- In January 2024, Senators Warren, Schumer, Sanders, Senator Raphael Warnock (D-Ga.), and Senator Alex Padilla (D-Calif.), along with Representative Ayanna Pressley, Assistant Democratic Leader Jim Clyburn (D-S.C.), Representative Frederica Wilson (D-Fla.), and Representative Ilhan Omar (D-Minn.), **led** their colleagues in calling on the Secretary of Education Miguel Cardona to host a fourth session of the student debt negotiated rulemaking to consider relief for borrowers experiencing financial hardship.
- In December 2023, U.S. Senators Warren, Richard Blumenthal, Ed Markey,, and Chris Van Hollen (D-Md.) **sent** follow-up letters to student loan servicers – MOHELA, EdFinancial, Nelnet, and Maximus – raising concerns about borrowers' problems with return to repayment, requesting information about the borrower experience, and pushing back on the servicers' claim that budget shortfalls limit their ability provide quality customer service to millions of borrowers.
- In December 2023, Senators Warren, Schumer, Sanders, Alex Padilla (D-CA), and Representatives Ayanna Pressley (D-Mass.), Ilhan Omar (D-Minn.), and Frederica Wilson (D-Fla.) **sent** a letter to U.S. Secretary of Education Miguel Cardona, urging him to leverage his existing and full authority under the Higher Education Act to provide expanded student debt relief to working and middle-class borrowers.
- In August 2023, Senator Warren, Congresswoman Ayanna Pressley, Senate Majority Leader Chuck Schumer (D-N.Y.), Senators Alex Padilla and Raphael Warnock (D-Ga.) and U.S. Representatives Ilhan Omar, Jim Clyburn, and Frederica Wilson **led** 79 other lawmakers in a letter to President Joe Biden,

urging him to swiftly deliver on his promise to deliver student debt cancellation to working and middle class families by early 2024.

- In October 2022, Senator Warren and Representative Ayanna Pressley (D-Mass.) **visited** communities across Massachusetts to celebrate the Biden administration's student debt cancellation plan and help residents sign up for student loan relief.
- In October 2022, Senator Warren called on the Department of Education to hold for-profit colleges executives accountable for scamming students out of a quality education and loading them up with student debt.
- In March 2022, Senator Warren, along with Senate Democratic Whip Dick Durbin (D-Ill.), Senator Brown and Representatives Pramila Jayapal (D-Wash.) and Mark Takano (D-Calif.), **urged** Secretary of Education Miguel Cardona to swiftly discharge the loans of borrowers defrauded by predatory for-profit colleges and universities, including those operated by Corinthian College.
- In January 2022, Senator Warren, along with Senate Majority Leader Charles E. Schumer (D-N.Y.) and Representatives Jayapal, Pressley, Ilhan Omar (D-Minn.), and Katie Porter (D-Calif.) led more than 80 colleagues in a bicameral **letter** to the Department of Education calling for it to release the memo outlining the Biden administration's legal authority to cancel federal student loan debt and immediately cancel up to \$50,000 of debt for Federal student loan borrowers.
- In October 2021, Senator Warren, along with Senator Markey and Representative Pressley, released a **report** that detailed the ongoing failures of the Public Service Loan Forgiveness program for public servants in Massachusetts.
- In April 2021, Senators Warren and Raphael Warnock (D-Ga.) led a group of colleagues in a letter to Education Secretary Miguel Cardona urging the Department of Education to take swift action to automatically remove all federally-held student loan borrowers from default.

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