Testimony of Jack Remondi, President and CEO of Navient

Before the U.S. Senate Committee on Banking, Housing, and Urban Affairs
Subcommittee on Economic Policy

"The Student Debt Burden and Its Impact on Racial Justice, Borrowers, & the Economy"

April 13, 2021

I. Introduction

Chairperson Warren, Ranking Member Kennedy, and Members of the Subcommittee, I appreciate the opportunity to join the discussion on student debt and its impact on our economy, especially on people of color.

My name is Jack Remondi, and I am president and CEO of Navient. I am proud to represent more than 5,500 Navient employees across 13 states and Washington, D.C., who come to work every day with passion and dedication toward our core mission—to enhance the financial success of our customers. As a leader in education loan management and business process outsourcing, we provide vital services to students, college graduates, state and local agencies, and healthcare institutions. One such client is the U.S. Department of Education, for whom we are the third-largest contractor to provide servicing to federal student loan programs. As a company, Navient was created in 2014 in a spin-off from Sallie Mae, where I had previously served as CEO, as well as several other prior roles. I graduated with a B.A. in economics from Connecticut College and, like millions of others in our country, I took out student loans to pay for my education.

Decades of data shows a college degree is still among the surest paths to prosperity. The median bachelor's degree recipient earns more than $2,000 more per month[1]—and, by some estimates, as much as $1 million over a lifetime[2]—compared to peers with a high school diploma. Further, college graduates typically experience half the rate of unemployment compared to those with a secondary education. The value of college education was particularly clear this past year during the pandemic.

We also know higher education is critical to helping address the racial wealth gap. African Americans who hold degrees are more likely to be employed, earn more at their jobs (1.8 times more on average[3]), own a home, and express higher levels of optimism when considering their future.

---

[1] U.S. Department of Labor Bureau of Labor Statistics, *Unemployment rates and earnings by educational attainment*, Washington, D.C.: 2020. https://www.bls.gov/emp/chart-unemployment-earnings-education.htm.
[2] Anthony P. Carnevale, Ban Cheah, and Andrew R. Hanson, *The Economic Value of College Majors*, Washington, D.C.: 2015. Georgetown University McCourt School of Public Policy Center on Education and the Workforce, https://cew.georgetown.edu/wp-content/uploads/Exec-Summary-web-B.pdf.
[3] American Council on Education, *Race and Ethnicity in Higher Education*, 2019. https://1xfsu31b52d33idlp13twtos-wpengine.netdna-ssl.com/wp-content/uploads/2019/02/REHE-Exec-Summary-FINAL.pdf.

However, while many have benefited from a college degree made possible with student loans, the system has not worked for all. Through my regular call listening, I hear the challenges some borrowers face, including people who left school with debt but no degree, or student borrowers who discovered too late that the value of their education did not match the debt they took on.

And even for many people of color who have earned a college degree, the racial wealth gap has widened.

Importantly, there are steps that can be taken to improve the system and address the unfairness that pervades it—especially unfairness that creates barriers for people of color. Navient stands ready to work with policymakers, members of Congress, and the Biden-Harris Administration to bring about important reforms.

II. <u>Facts About Navient</u>

To today's important discussion, Navient brings over 45 years of experience working with student loan borrowers across multiple economic cycles and challenges. We recognize and see both the success and failures of the federal loan program. We are proud of our work helping people navigate the numerous repayment options so they can select the best program to pay down their loans and achieve financial success. When borrowers pay off their loans we celebrate. When borrowers struggle, we help them select and enroll in the right assistance program for them to avoid default.

Here are facts about our record:

- Navient is the industry leader in helping borrowers avoid the devasting consequences of default. Over the last six three-year cohorts, Navient delivered a 34% better cohort default rate than other companies combined.[4] In other words, our borrowers are 34% less likely to default than borrowers served by other companies.

- Our default prevention expertise has also helped student borrowers who attended Historically Black Colleges and Universities (HBCUs). Due to our support, HBCU alumni were 39% less likely to default when their loan was serviced by Navient rather than another servicer.

- We have developed innovative solutions to reach borrowers and help them navigate the complexity of the approximately 60 federal repayment options. Over the past decade, we assisted 3.6 million people to enroll in income-driven repayment (IDR) plans. Today, 34% of all federal borrowers we serve—51% of balances—are enrolled in IDR plans.

[4] Navient analysis of U.S. Department of Education Office of Federal Student Aid, *Official Cohort Default Rates for Schools*. Washington, D.C.: 2020. https://www2.ed.gov/offices/OSFAP/defaultmanagement/cdr.html. Navient cohort default rate data represents all Navient borrowers entering repayment during the cohort year and defaulting within the 3-year cohort window.

- We also focus on helping borrowers pay off their loans. On average, about half a million Navient-serviced borrowers pay off their loans in full every year—that's 4.6 million people who have become student loan debt free over the last decade.

- Navient has helped more than 400,000 borrowers in default rehabilitate their federal student loans since 2012.

- Navient introduced the first-of-its-kind military benefits team, a highly skilled group of customer care professionals who assist service members with accessing the benefits uniquely available to them. Additionally, we are regularly recognized as a military-friendly employer.

- Throughout the COVID-19 pandemic, we have worked tirelessly with borrowers to meet their needs during these extraordinary times, and we have worked with federal and state officials to support their efforts to help borrowers.

All of this said, too many student borrowers are struggling with the amounts they owe, and we are committed to helping the borrowers we serve and providing insights to help policymakers address the larger challenges. The recommendations that follow are drawn from the work our team members do each and every day to listen to borrowers and take action to help them address their loans in a myriad of ways.

While today's hearing is focused on the problems with today's loan program, it is important to recognize the good the program achieves. We see evidence—day in and day out—of people who have successfully attained higher education achievements and upward economic mobility because of the financial assistance from federal student loans. These individuals make a difference in our communities with their education, which for some could only be achieved through borrowing.

I'll share a story from one woman who recently paid off her student loans. Thanks to student loans, she was able to earn a master's degree and is now a successful director at a community ambulatory health care center. She shared that during the years when funds were tight, with Navient's help she was able to take advantage of payment options to make things manageable and then get back on track to pay off her loans three years early. During the pandemic, her courageous team of frontline healthcare workers is supporting the community through telehealth appointments, medication delivery to patient's homes, and, now, as a COVID vaccine center.

Congress and the Biden-Harris Administration should work together in a bipartisan fashion to improve and simplify the current system so that more borrowers can thrive and make a difference because of the value of their education.

III. Today's Student Loan System: The Role of Government and Student Loan Servicers

To understand the proposals for reform we present today, it is important to explain the origins of the current federal student loan system and the role of loan servicers within it.

A. The Role of Congress and the Federal Government

In 2010, Congress passed, and President Obama signed into law, the Health Care and Education Reconciliation Act of 2010[5] (HCERA), which in addition to health care changes made the federal government, through its Direct Loan program, the exclusive originator and owner of all new federal student loans. HCERA also eliminated the Federal Family Education Loan (FFELP) program, a system created by the Higher Education Act growing out of President Johnson's Great Society. Because the federal government owns Direct Loans and guarantees outstanding FFELP loans, Congress sets the terms and conditions for how federal loans are issued and repaid, and the Executive Branch is charged with issuing the rules and regulations to implement the policy that Congress enacts. For example, Congress sets the loan program's interest rates, loan limits, and various repayment and deferment programs, such as income-driven repayment. As of today, Congress has set approximately 60 such repayment options, including nine different income-driven repayment plans, which, while well intentioned, has become a confusing patchwork for borrowers.

Before borrowers and their families take out loans for school, they select their institution of choice. Individual colleges and universities set their own tuition and fees, and borrowers decide the amount needed to borrow based on their resources and the institution's cost and financial aid offers. The U.S. Department of Education then issues the loan according to the terms and conditions set by Congress, disbursing the loan funds directly to the school. Virtually all U.S. citizen students and parents qualify for federal student loans. To increase access to education, Congress designed the process to require no traditional underwriting such as forecasting whether a person is likely to be able to support the monthly payments in the future.

B. The Role of Loan Servicers

For each loan it issues, the U.S. Department of Education appoints a company such as Navient to track loan balances, post payments, and work with borrowers to help them repay their loans. The work includes responding to borrower problems and questions, and helping borrowers assess their many repayment options based on their individual circumstances —all with the objective of helping them to successfully pay off their loans.

The Department of Education selects student loan servicers as government contractors through an extensive and rigorous federal government procurement process.[6] Student loan servicers begin to work with students only after they have borrowed—after Congress has set the

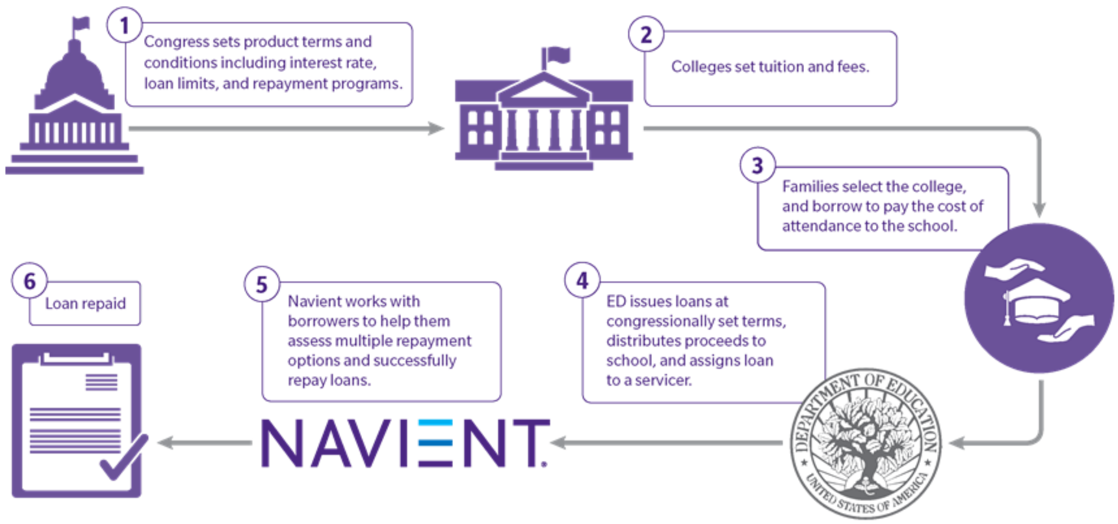
---

[5] Health Care and Education Reconciliation Act of 2010, 42 U.S.C. 1305 (2010): https://www.govinfo.gov/content/pkg/PLAW-111publ152/pdf/PLAW-111publ152.pdf.

[6] The Department of Education currently works with multiple servicers: Nelnet/Great Lakes ($469 billion in ED volume), PHEAA ($381 billion in ED volume), Navient ($234 billion in ED volume), and several other smaller organizations including MOHELA, OSLA, and ED Financial (which, combined, service $152 billion in ED volume).

loan terms, the higher education institution has set the tuition cost, and the loan proceeds have been spent.

The graphic below depicts the life cycle of a student loan, detailing the roles of various players within the system.



The role of student loans servicers is defined by the specific terms of our contract with the Department of Education. We recognize that, because we are engaging with and helping borrowers every day, some observers believe that we have more influence over the inner workings of loan policy and rules than we do. This often leads some to believe servicers are responsible for all borrower concerns. Our analysis of federal student loan borrower complaints submitted through the CFPB portal shows that greater than 97% of the complaints related to federal policy or loan term disagreements while only 2.7% were related to servicer error.[7] In fact, federal student loan servicers like Navient have no say in interest rates or repayment terms, and we do not benefit from the interest paid on loans as they are owned by the federal government. Federal student loan servicers also have no authority to lower interest rates or forgive student debts.

IV. Student Debt and Borrowers of Color

While education has unlocked the door to economic opportunity for many, the systemic impacts of racism on family income, wealth, and opportunity in America have created challenges for people of color as they pursue education. Data show that African American students in particular tend to borrow more to pursue higher education, are more likely to leave without completing a degree, and, after college, are more likely to struggle with repayment.

[7] Navient, "Analysis of Submissions from the CFPB Consumer Response Portal," 2019, https://news.navient.com/static-files/f440450e-bb37-46e2-a314-2c52d82b8713.

A national study from Navient and Ipsos[8] on financial health of young people showed that 62% of African American students took out student loans, compared to 38% to 56% of other groups. The same study found that nearly half of African American college students who enroll do not finish their degrees compared to about 38% of other students. In addition, analysis of Department of Education data found that 32% of African American and 20% of Hispanic borrowers defaulted on their loans, compared to 13% of White borrowers.[9]

These are just a few examples of the challenges that African American borrowers face in their pursuit of higher education.

I note here that Navient's distinct success at helping borrowers avoid default and access alternative repayment plans, especially income-driven repayment, has had an especially positive effect on borrowers who attended Historically Black Colleges and Universities (HBCUs).[10] According to the Department of Education's three-year cohort default rate data, over the last six years, Navient-serviced HBCU borrowers defaulted, on average, 39% less often than those serviced by all other servicers.[11] This has real impact. If borrowers at all other student loan servicers saw the same results, nearly 30,000 *fewer* HCBU borrowers would have defaulted during that timeframe.

These disproportionate negative outcomes are unfair. As a nation, we must address this inequity as soon as possible. Since the data shows that borrowers of color carry more student debt and struggle with it more after they leave school, reforms that reduce borrowing at the beginning of college and focus repayment assistance on struggling borrowers will favor borrowers of color, reducing distress and defaults. The expansion of Pell Grants, free community college, and other reforms are some good places to start.

Although the federal student loan borrowing program has worked for millions of Americans, including many borrowers of color, systemic reforms are needed. Congress has the power to pass a number of commonsense measures to help borrowers, detailed below. Navient looks forward to working with you and your colleagues in Congress and with the Biden-Harris Administration to make improvements.

V. Today's $1.6 Trillion in Federal Student Loans: Drivers and Challenges

The U.S. Department of Education is the nation's largest non-mortgage consumer lender, providing loans for students enrolled in certificate programs, associate degrees, undergraduate degrees, law school, medical school, and other graduate programs. The government owns or

---

[8] Navient and Ipsos, *Money Under 35*. 2020. https://about.navient.com/Social-Responsibility/money-under-35.
[9] Ben Miller, Center for American Progress, *The Continued Student Loan Crisis for Black Borrowers*. December, 2019, https://www.americanprogress.org/issues/education-postsecondary/reports/2019/12/02/477929/continued-student-loan-crisis-black-borrowers/.
[10] It should be noted that the federal government's FAFSA financial aid application form does not request data on the race or ethnicity of financial aid applicants, nor do student loan servicers have any such data on borrowers.
[11] Navient analysis of U.S. Department of Education Office of Federal Student Aid, *Official Cohort Default Rates for Schools*. Washington, D.C., FY 2012 to FY 2017. https://www2.ed.gov/offices/OSFAP/defaultmanagement/cdr.html.

guarantees $1.6 trillion in education loans to nearly 43 million borrowers.[12] A number of factors drive this debt level.

First, college enrollment has increased with each generation and by more than 60% during the past 30 years.[13] This has been a hugely positive development resulting in a record high college-educated adult population, but it has been accompanied by lower investment in education by governments at many levels resulting in more students needing to finance their education with loans.

Second, the cost of college has skyrocketed. Connected to this enrollment growth, since 1983, college costs have grown by more than 700%, an amount that both outpaces increases in health care costs[14] and is five times greater than the rate of inflation.[15] While there are multiple components to higher education tuition pricing, the simple fact remains that the ever-increasing cost of attendance drives an increased need to borrow.

Third, even as the college enrollment rate has surged, many students do not graduate. Department of Education data show that only 62% of students pursuing a bachelor's degree graduate within six years, and the rate is even lower at less competitive or open enrollment colleges.[16] There are several reasons for noncompletion, including lack of academic preparedness, lack of financial resources, and major life events intruding upon the student.

Ultimately, the data show that leaving school without a degree is the single largest factor driving student loan defaults. Economic advisers in the Obama Administration found that non-graduates are nearly three times more likely to default than their peers with degrees. Further, two-thirds of people who default on their student loans owe less than $10,000, while those borrowing more than $40,000—a debt level that generally signals degree completion and graduate or professional degrees—account for only 4% of defaults.[17]

The Navient and Ipsos study of young adults aged 22 to 35 shows that degree completion is critical, including for African Americans. African American graduates are more likely than those without a degree to be employed, earn more at their jobs, and own a home.[18]

---

[12] Board of Governors of the Federal Reserve System (US), *Student Loans Owned and Securitized, Outstanding (SLOAS).* St. Louis, MO: https://fred.stlouisfed.org/series/SLOAS.

[13] U.S. Bureau of Labor Statistics, *Consumer Price Index for All Urban Consumers: Tuition, Other School Fees, and Childcare in U.S. City Average [CUSR0000SEEB].* Washington, D.C.: https://fred.stlouisfed.org/series/CUSR0000SEEB.

[14] U.S. Bureau of Labor Statistics, *Consumer Price Index for All Urban Consumers: Medical Care in U.S. City Average [CPIMEDSL].* Washington, D.C.: https://fred.stlouisfed.org/series/CPIMEDSL.

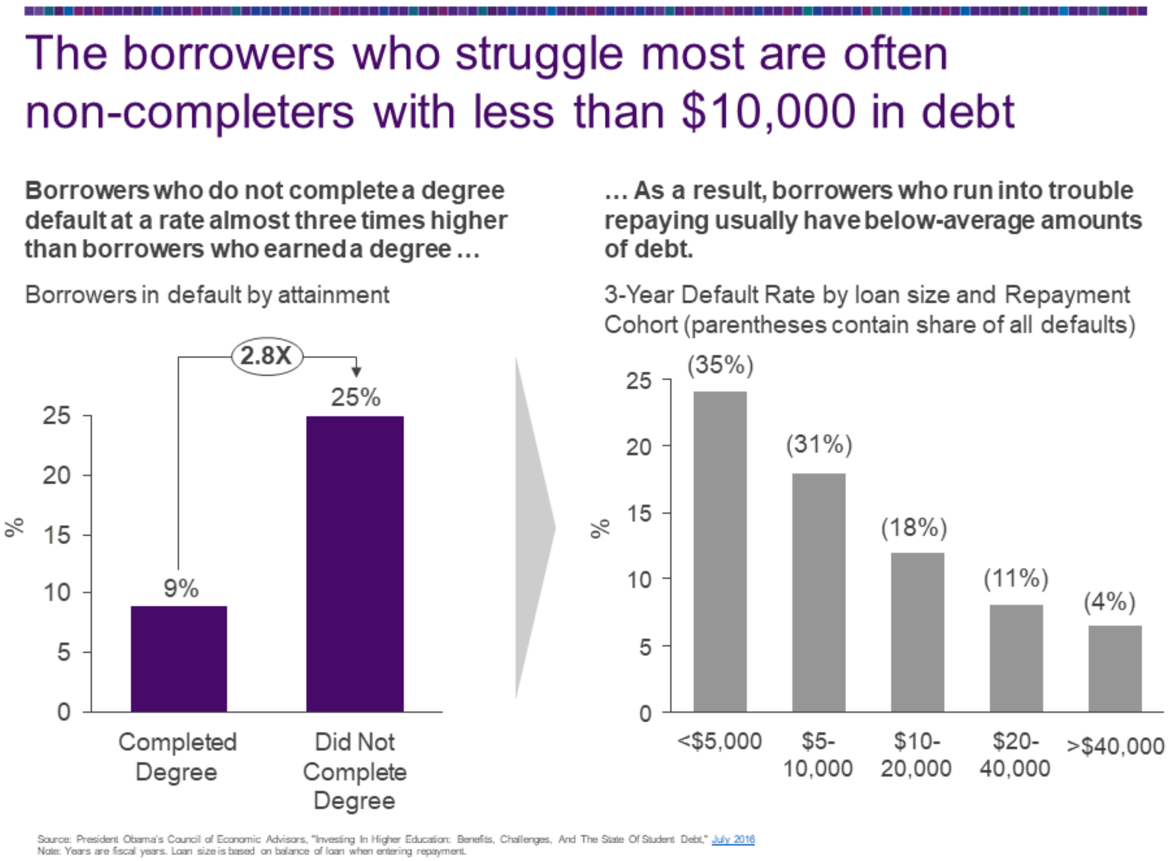
[15] U.S. Bureau of Labor Statistics, *Consumer Price Index for All Urban Consumers: All Items in U.S. City Average [CPIAUCSL],* Washington, D.C.: https://fred.stlouisfed.org/series/CPIAUCSL.

[16] U.S. Department of Education, National Center for Education Statistics, *The Condition of Education Undergraduate Retention and Graduation Rates.* Washington, D.C.: April, 2020. https://nces.ed.gov/programs/coe/indicator_ctr.asp.

[17] Executive Office of the President of the United States Council of Economic Advisers, *Investing in Higher Education: Benefits, Challenges, and the State of Student Debt*. Washington, D.C.: July, 2016. https://obamawhitehouse.archives.gov/sites/default/files/page/files/20160718_cea_student_debt.pdf.

[18] Navient and Ipsos, *Money Under 35*. 2020. https://about.navient.com/Social-Responsibility/money-under-35.

One of the most important ways to increase student loan success and close the racial wealth gap would be to help more students graduate.



Fourth, graduate degree borrowing is a significant factor in the growth in student debt. In 2006, graduate students became eligible to borrow the full cost of attendance (including living expenses) through the government's Grad PLUS program. Today, people with master's, doctorate and professional degrees hold 56% of outstanding student loan debt.[19] Graduate programs enroll 15% of all students in higher education, yet they account for 40% of federal student loans issued each year.[20] The program has increased access for more people to pursue advanced degrees but at a significant increase in outstanding student debt.

Fifth, loan repayment options have grown exceedingly complex, and some of the options create confusion and challenges for borrowers. There are now nine different income-driven repayment plans—each with different pros and cons and eligibility requirements. IDR plans set a borrower's monthly payment based on their income, using a federal formula, with the potential for loan forgiveness after a certain number of future payments as long as the borrower

---

[19] Sandy Baum and Adam Looney, Brookings Institution, *Who owes the most in student loans: New data from the Fed*. Washington, D.C.: October, 2020. https://www.brookings.edu/blog/up-front/2020/10/09/who-owes-the-most-in-student-loans-new-data-from-the-fed/

[20] Ben Miller, Center for American Progress, *Graduate School Debt; Ideas for Reducing the $37 Billion in Annual Student Loans That No One Is Talking About*. Washington, D.C.: January, 2020. https://www.americanprogress.org/issues/education-postsecondary/reports/2020/01/13/479220/graduate-school-debt/.

remains enrolled in the program. These payment plans greatly increase monthly affordability; however, they have the effect of stretching out payments to as long as 25 years and often increase total loan costs. Further, in many cases the calculated IDR payment does not cover the cost of accruing interest. While there are interest subsidies for limited periods, in many cases, the borrower's balance negatively "amortizes" steadily. In plain language, this means the borrower's loan balance is growing, rather than declining. The number and complexity of loan repayment options needs to be simplified to ensure borrowers can more easily repay their loans.

Today's federal repayment options are numerous and complex

Forbearance

Discretionary Forbearance
- Hardship Forbearance

Mandatory Forbearance
- Medical or Dental Internship Residency
- Department of Defense Student Loan Repayment Programs
- National Service
- Active Military State Duty
- Student Loan Debt Burden
- Teacher Loan Forgiveness

Mandatory Administrative Forbearance
- Local or National Emergency
- Military Mobilization
- Designated Disaster Area
- Repayment Accommodation
- Teacher Loan Forgiveness
- Borrower Defense to Repayment

Forgiveness
1. Teacher Loan Forgiveness
2. Loan Forgiveness for Service in Areas of National Need
3. Civil Legal Assistance Attorney Student Loan Repayment Program
4. Income Contingent Repayment Plan Forgiveness
5. Income Based Repayment Plan Forgiveness
6. Pay As You Earn Repayment Plan Forgiveness
7. Income Based 2014 Repayment Plan Forgiveness
8. REPAYE Repayment Plan Forgiveness
9. Public Service Loan Forgiveness

Deferment
1. School (1)
2. School Full-Time (2)
3. School Half-Time (2)
4. Post Enrollment (1)
5. Graduate Fellowship (3)
6. Unemployment Deferment – 2 years (2)
7. Unemployment Deferment – 3 years (1)
8. Economic Hardship (1)
9. Rehabilitation Training Program (3)
10. Military Service (3)
11. Post-Active Duty Student (3)
12. Teacher Shortage(2)
13. Internship/Residency Training (2)
14. Temporary Total Disability (2)
15. Armed Forces or Public Health Services (2)
16. National Oceanic and Atmospheric Administration Corps (2)
17. Peace Corps, ACTION Program, and Tax-Exempt Organization Volunteer (2)
18. Parental Leave (2)
19. Mother Entering/Re-entering Work Force (2)
20. Cancer Treatment Deferment

Repayment plans
1. DL Standard Pre-HERA
2. FFELP/DL Standard Post-HERA (4)
3. DL Graduated Pre-HERA
4. FFELP/DL Graduated Post –HERA (4)
5. DL Extended Pre-HERA
6. FFELP/DL Extended Post-HERA (4)
7. Income-Sensitive
8. Income-Contingent Ver. 1 (5)
9. Income-Contingent Ver. 2 (5)
10. Income-Contingent Ver. 3
11. Forced Income-Driven
12. Income-Based
13. Pay As You Earn
14. Income-Based 2014
15. Alternative (6)
16. REPAYE

Effective Date Details
(1) Limited to FFELP borrowers with all new loans made on or after July 1, 1993; All DL are eligible.
(2) Limited to FFELP borrowers with all loans made on or after July 1, 1987 and prior to July 1, 1993; DL eligible if borrower has FFELP loan made during this period.
(3) All FFELP and DL loans eligible regardless of disbursement date
(4) HERA aligned FFELP and DL repayment plans for loans first entering repayment on or after July 1, 2006.
(5) Pre July 1, 1996, ICR plans, the DL borrower can choose between ICR1 - the Formula Amount, or ICR2 – the Capped Amount.
(6) The DL borrower can request from 5 alternative repayment plans: Fixed Payment Amount, Fixed Term, Graduated Repayment, Negative Amortization, or Post REPAYE.

Further, the enrollment and renewal requirements are challenges. Regulations require a borrower to complete a 10-page form online or via the Department of Education website, along with submitting income documentation. This process must be completed annually to stay enrolled in the IDR plan. Under the federally mandated process, servicers educate borrowers about payment plans, tell borrowers how to enroll, and send follow up emails encouraging borrowers to visit the Department of Education website, fill out the forms, and submit the applications. Unfortunately, this complexity has been a barrier and many borrowers are not able to complete the process.

Recognizing the challenges borrowers were having, Navient took steps to help borrowers we work with enroll in income-driven repayment plans. To make IDR more accessible, we initiated a pilot eSign IDR program focusing on past-due FFELP borrowers. Under the pilot, we gathered the necessary information from borrowers over the phone to complete the IDR application, and then securely transmitted the completed application to the borrower to confirm and add their electronic signature. Throughout this pilot program, we nearly tripled the IDR enrollment rate for past-due borrowers[21] and have now expanded the program to include all the federal borrowers we serve. We have shared this program and its results with the Department of Education and, as always, are ready to partner to explore other ways of improving the customer experience.

VI. Actionable Solutions

The good news is that there are several practical, achievable measures that Congress can pass to help present and future borrowers avoid or overcome these challenges. We group these in three categories and discuss in more detail below.

1. **Increase assistance to those who borrowed in the past but did not attain their hoped-for education outcomes and are unlikely to do so in the future.** Recognizing there are many people who borrowed in the past but did not attain the hoped-for outcomes and are unlikely to in the future, Congress and the Administration should consider several targeted, practical loan forgiveness programs. (We recognize there are policy debates currently underway about larger, broader-based loan forgiveness programs and leave it to Congress to decide whether it should forgive more loans. Our point is that you cannot have meaningful reform unless you at least forgive the loans we identify here.)

2. **Implement faster forgiveness programs for current and future borrowers, through enactment of a "Forgive-As-You-Go" plan.** Congress can simplify the numerous repayment programs by combining similar programs into one that prevents loan balances from increasing and eases the enrollment process.

3. **Provide better support before people borrow and while they are in school to help more students achieve their goal of graduation.** As described above, borrowers who do not graduate face much higher challenges than those who do. This support would help students and their families understand the total cost to earn their degree, what they might need to borrow and how their program of study and career choices will help them repay their debt. The government, colleges and universities and others can work together to improve these outcomes for current and future students.

[21] Navient, *Navient is simplifying repayment for borrowers: esign IDR pilot program*, https://navientnavigator.com/site/wp-content/uploads/2020/02/eSign-IDR-Pilot-Fact-Sheet-4-4-18-FINAL.pdf

Detailed Recommendations

The following recommendations are designed to support the student loan borrowers who tend to struggle the most, including borrowers of color, first generation college students, and others who for myriad of reasons need additional support.

1. **Increase assistance to those who borrowed in the past but did not attain their hoped-for education outcomes and are unlikely to do so in the future.**

    - ***Loan cancellation for borrowers who have been attempting to pay for a long time.*** For borrowers with loans who have been in repayment for more than 30 years, The Institute for College Access and Success (TICAS) has put forward a recommendation to discharge them.[22] There are good reasons for such forgiveness, including the fact that borrowers took out these loans well before the availability of more generous IDR plans and, if they struggled early on, they likely only had a handful of deferment and forbearance options available to them. Furthermore, with higher interest rates in the 1990s, these borrowers may have built up their balances, making repaying their loans more difficult to achieve. We believe these loans should be forgiven.

    - ***Cancel loans in default for more than 10 years.*** Congress should also act to forgive loans that have been in default for over 10 years and the Biden-Harris Administration should explore its own ability to write off these loans, where possible. Currently about $190 billion of federal student loans are in default, owed by more than 8 million borrowers.[23] There is no public data showing how long these borrowers have been in default, but there are clear indications that a large portion defaulted over 10 years ago.[24] These borrowers can see their wages garnished or tax refunds seized or reduced, many times when they can least afford it.

      As a general principle, defaulted federal student loans are the only obligations that the federal government does not write off. Additionally, there is no comparable practice in consumer lending for the federal government to hold on to delinquent or defaulted debt without a limit. Even past-due federal income taxes are canceled after 10 years. The government should do the same in this context.

    - ***Make student loans dischargeable in bankruptcy.*** Congress should allow borrowers to discharge federal and private student loans in bankruptcy after a good-faith period of repayments. Student loan borrowers should have bankruptcy protections like consumers of other credit products.

---

[22] The Institute for College Access & Success, "Student Debt and the Class of 2019: 15th Annual Report," *TICAS.org.* October, 2020, https://ticas.org/wp-content/uploads/2020/10/classof2019.pdf.
[23] U.S. Department of Education Office of Federal Student Aid, *Portfolio by Loan Status,* Washington, D.C.: https://studentaid.gov/sites/default/files/fsawg/datacenter/library/PortfoliobyLoanStatus.xls (accessed April 7, 2021).
[24] U.S. Department of the Treasury, *Report on Initial Observations from the Fiscal-Federal Student Aid Pilot for Servicing Defaulted Student Loan Debt.* Washington, D.C.: July, 2016. https://www.treasury.gov/connect/blog/Documents/student-loan-pilot-report-july-2016.pdf.

2. **Implement faster forgiveness programs for current and future borrowers, through enactment of a "Forgive-As-You-Go" income-driven repayment plan.**

To improve the success and fairness of income-driven repayment programs, we recommend simplifying into one, new "Forgive-As-You-Go" repayment plan going forward. This simple straightforward approach would remove the complexity of today's nine different plans, creating a more visible path to repayment success.

Since June 2013, the number of Direct Loan borrowers who have enrolled in IDR plans has increased five-fold and as of today represents 32% of all borrowers and more than 50% of loan volume.[25] Yet because most IDR payments do not cover the interest that accrues each month, many IDR borrowers see their balances grow despite the various interest subsidies embedded in the current IDR plans. Data from the Department of Education shows that the average balances of borrowers who are out of school have grown by 76% as a result of this negative amortization.

Consider a young professional worker with a master's degree, student debt of $50,000 and a salary of $51,000. If this worker enrolls in an IDR plan to benefit from lower monthly payments, each month their loan balance continues to grow. After 10 years the worker will have made nearly $27,000 in payments, yet their loan balance will have ballooned to $65,000. Even with the prospect of loan forgiveness 10 years further in the future, the growing loan balance can feel overwhelming.

IDR plans also do not provide an attractive solution for many low-balance, low-income borrowers—often those who have not completed their degree. Offering a 20-year repayment option with annual enrollment requirements to a borrower who dropped out after a semester or two is not very appealing.

Rather than wait for years to realize loan forgiveness, under "Forgive-As-You-Go" borrowers would see their balance decline each month as they make their payments adjusted to their income and receive monthly loan forgiveness.[26] For example, the professional worker with a $50,000 initial balance would see their balance decline each month as they make their income-adjusted payments, and after 10 years, the balance would've already declined to $33,000 rather than grown to $65,000. A single program that rewards borrowers with monthly loan forgiveness as they continue to make their affordable payments can be especially beneficial to those who have low balances or who have not experienced value from their degrees.

The Forgive-As-You-Go program would go hand in hand with the Public Service Loan Forgiveness program so our nation's teachers and other public service workers do not experience the added stress of a growing loan balance while they complete their payment period. Forgive-As-You-Go, Public Service Loan Forgiveness, and related loan

[25] U.S. Department of Education Office of Federal Student Aid, *Federal Student Loan Portfolio*, Washington, D.C.: https://studentaid.gov/data-center/student/portfolio (accessed April 7, 2021).

[26] Depending on total balance, the payment period would extend 10 to 15 years for undergraduate borrowers or 20 to 25 years for graduate borrowers (10 years if the borrower is in public service), after which time any remaining balance would also be forgiven.

forgiveness should be available to all borrowers of federally owned or guaranteed student loans to reduce complexity and treat borrowers equally.

3. **Provide better support before people borrow and while they are in school to help more students achieve their goal of graduation.**

- ***Provide better information and counseling before people borrow.*** In the course of providing $40 billion in grants and $95 billion in student loans each year, the federal government collects a significant amount of information about students—information that could be used to provide individualized counseling before a loan is made. Congress and the Department of Education could implement a customized counseling program with a special focus on first-generation college students, Pell Grant recipients and borrowers of color, which we believe would easily pay for itself in better outcomes for borrowers.

  Research shows that young African American and Hispanic students who have access to supportive mentors and who pursue college with strong career goals are more likely to complete college and avoid dropping out. Navient has a long history of giving and volunteering in our communities to organizations that work to promote equity for young people impacted by some of the nation's greatest challenges. These organizations include the YMCA Black Achievers program, Reading Is Fundamental, Habitat for Humanity, Head Start, and United Way in various locations. Navient is developing a program with the Boys & Girls Clubs of America to provide educational resources to assist young people to explore careers and college, helping to promote equity and inclusion for all. Boys & Girls Clubs serves more than 4 million young people across the country and has the capacity to deliver innovative programming through their trained staff and virtual platforms. We believe this program can make a meaningful difference for many. We are committed to continuing these efforts and acknowledge the important opportunity the U.S. government has to deliver personalized counseling and support as part of the Pell Grant and federal student loan financial aid process.

- ***Improve the graduation rate.*** Today, only six out of 10 students who start a bachelor's degree complete it in six years or less, and that declines to three out of 10 at open-enrollment colleges.[27] Congress can help improve this measure of success by incentivizing schools to improve their graduation rates through rewards and shared responsibility. Those schools that admit students while receiving proceeds from taxpayer-funded loans should share the risk and consequences if their students do not graduate and are unable to repay their loans. Congress has the power to implement such accountability measures.

- ***Lower the "penalty" for college-tryers.*** People who did not graduate are nearly three times more likely to default than their peers with a college degree. Lowering the need to borrow to pursue the first two years of college is one important way to help.

[27] U.S. Department of Education, National Center for Education Statistics, *The Condition of Education Undergraduate Retention and Graduation Rates*. Washington, D.C.: April, 2020. https://nces.ed.gov/programs/coe/indicator_ctr.asp.

Congress should pass legislation to enact free tuition for community college either directly or through Pell Grant expansion. By making a high-quality community college education accessible to all, Congress can provide a needed alternative to traditional college that will not compromise students' finances. This would partially reverse decades of underinvestment in education and reduce the overall volume of students applying for student loans.

VI. Navient and COVID-19: Helping Borrowers, Our Workforce, and States

With the onset of COVID, Navient has worked hard to help borrowers and our own employees navigate these extraordinary times. I am proud of our work to keep our employees safe and employed, help states meet pandemic-related challenges, provide payment relief options to student loan borrowers, and maintain robust and clear communications with borrowers to keep them apprised of updates on loan status.

A. The Pandemic and Student Loans

We have met or exceeded all of our obligations to provide needed assistance to borrowers during the pandemic. The following are some of the steps we have completed:

- We implemented the student loan provisions of the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act within days of it being signed into law.

- We acted quickly to implement disaster relief to federal and private loan borrowers impacted by the pandemic or job loss, including providing options to suspend payments for short periods.

- For the FFELP loans we own, we saw a significant surge of borrowers requesting assistance. We helped nearly one-in-five of these borrowers get into suspended payment plans. For many, the need was only temporary, and today, suspensions are only slightly elevated from pre-pandemic levels while delinquency rates are at or near historic lows.

- At the beginning of the pandemic, we urged Congress to extend 0% interest benefits to borrowers with FFEL student loans, going beyond federally owned, Department of Education loans, to ensure that all who struggle with student debt could have the same opportunity for relief. We continue to support extending the 0% interest to these FFELP borrowers, but believe that given their success in reentering repayment, broad payment suspension is not necessary.

- We launched a dynamic "COVID-19 Student Loan Support Center" web presence, with constantly updated COVID-19 information that has attracted more than 5 million visits to date.

Regulators and state officials broadly supported our relief efforts, including 10 states that had requested such actions from student loan servicers.

Our people have eagerly risen to the occasion and helped during this time. One of many recent stories I've appreciated is from a self-employed borrower who lost significant income during the pandemic. One of our employees helped her understand the options available to her. "The kind woman on the phone was very helpful and expressed more compassion for my situation than possibly any other customer service person has this entire year," she wrote to us. "I was pleasantly surprised by her kindness and how much that kindness actually made a difference for me that day."

Importantly, because of the continued suspension of federally owned student loan interest and payments until at least September, we now have the rare opportunity to bring about real change to the status quo for borrowers without disrupting their payments, since those payments are already suspended. We look forward to working with you on such efforts, as detailed in some of our recommendations above.

In the short term, we also believe the following steps should be implemented to ease the transition back to repayment:

- *Support student loan borrowers impacted by COVID-19*
    - Target borrower outreach to likely distressed borrowers and enhance safety nets against default.
    - Streamline income-driven repayment applications and processes.
    - Provide additional grace period for students separating from school in 2020 and 2021.
- *Support borrowers emerging from payment suspension*
    - Start early outreach plans to ensure smooth reentry to repayment for those who can pay and provide additional support for those still impacted by COVID-19.

B. Expanding Our Workforce to Help States Amid the Pandemic

Within days of the pandemic's onset, more than 90% of Navient's workforce transitioned to remote work, including those who staff our call centers and back-office processing teams. Not only did we make this transition in rapid time, but we did so with no disruption in service to borrowers. Other than the occasional barking dog, our borrowers hear little to no difference from our pre-pandemic calls, something I know from personal experience due to my weekly call listening sessions. I have been pleased to hear firsthand the empathy and thoughtfulness displayed by Navient teammates as they help borrowers cope with difficult issues arising from the pandemic. We also extended flexible hours, expanded leave programs, and encouraged employees to take advantage of telemedicine and employee assistance programs to ensure we cared for our company's most valuable resource—our people. In addition, at the beginning of the health crisis when face masks were impossible to find, we donated 10,000 N95 respirator masks to hospitals and first responders in 19 locations.

We also have helped states adjust to the new challenges from the COVID-19 pandemic, assisting them with critical functions while simultaneously ensuring our teammates could continue to work without furlough due to the suspension of so much of the work we do around loan repayments. For example, we offered our call center expertise to help states serve their residents impacted by the pandemic with unemployment insurance claims, contact tracing, and vaccination rollouts. Currently, we support numerous states with such functions, and have hired thousands of additional staff on a temporary basis during the economic downturn.

VII. Conclusion

Thank you again for this opportunity to speak with you today about Navient and to hear our proposals for Congress to improve federal student loan outcomes. We appreciate your consideration and very much hope to work with you collaboratively and productively on these important issues.