



Mr. Richard Cordray
Chief Operating Officer
Office of Federal Student Aid
Union Center Plaza
830 First Street, NE
Room 112G1
Washington, DC 20202

November 8, 2022

Dear Mr. Cordray:

This letter is intended to provide FSA with survey data to support successful communications with borrowers, especially borrowers who are vulnerable to delinquency and default or who have experienced default, as they are scheduled to reenter repayment on January 1, 2023. The Office of Federal Student Aid (FSA) faces challenges in the next several months that are virtually unprecedented in their scope and scale. This includes the end of the almost three-year moratorium on most federal student loans and transitioning millions of borrowers back into repayment, ongoing [loan transfers](#) across servicers, implementation of the fresh start initiative for defaulted borrowers, debt cancellation, and the creation of a new income-driven repayment (IDR) plan.

Most borrowers have not been in repayment since March 2020 and many of these new policies will require borrowers to “opt in” to access support while implementation occurs on a rolling basis that will extend beyond the restart to repayment. It will be crucial that FSA communicates the goals, as well as the enrollment requirements and timing, of these initiatives in a clear, concise, and streamlined manner that is closely coordinated with servicers. Pew is especially focused on the importance of providing effective and consistent communication to borrowers who are more vulnerable to default, including those who have previously experienced default, exhibited warning signs of being at risk of delinquency and default, or who have never had to make a payment.

The data stems from Pew’s 2021 nationally representative survey of 1,600 borrowers who took out their first federal undergraduate student loans for their own education between 1998 and 2018. Half of the sample consisted of borrowers who had defaulted on their loans and are often the most difficult to establish communication with, which could undermine FSA’s efforts. Key takeaways include:

- Nearly [two-thirds](#) of borrowers who have experienced default did so multiple times, making borrowers with default experience especially vulnerable to redefault. We urge FSA to provide these borrowers with proactive, consistent, and clear communications about its initiatives to ensure they fully benefit.

- Prior to their loans defaulting, borrowers with default experience were more likely than those who never experienced default to report ever having communicated with their servicer. However, they were least likely to say that they usually initiated the communication with their servicer.
- Regardless of default experience, most borrowers reported phone calls as the most effective mode of communication. Phone communications may be crucial for the successful roll out of FSA's plans and servicers must be prepared to support increased call volume by prioritizing phone outreach, both outbound and inbound.

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Pew's survey findings on the prevalence of redefault underscores how vulnerable borrowers who have ever had a defaulted loan are to experiencing default again.

And prior research has identified several borrower groups with increased vulnerability to experiencing default, such as [Black and Hispanic](#) borrowers, [older](#) borrowers, those who entered school as [first-generation](#) students, and those who were unable to complete their program of study, to name a few. Pew's survey builds on prior research by identifying those who have experienced [past defaults](#) as a vulnerable group, and will be publishing information on additional characteristics and other factors associated with higher rates of default in the coming months.

The prevalence of redefault indicates that participation in the repayment system remains difficult for many borrowers, including those who get their loans back in good standing. This may raise concerns about how effectively struggling borrowers will be able to engage with FSA's rollout of the repayment restart and programs that would assist these borrowers. In fact, survey data revealed that 56% of borrowers who exited default with a remaining balance reported that they worried about their loans redefaulting and 31% said they had never made a payment after exiting default (an additional 18% were unsure), suggesting that some borrowers struggle to make progress on repayment from the moment their loans exit default. Given that most borrowers exiting default have historically worried about redefault and many have struggled to make even a single payment after exiting default, these borrowers will likely find it challenging to navigate the rollout of multiple relief programs in conjunction with resuming repayments after a nearly three-year pause. To help ensure borrowers overcome these hurdles, it will be vital for FSA to target proactive, consistent, and clear communication throughout all phases of its loan relief plans to those likely to struggle to repay.

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While borrowers with default experience were actually more likely than those who never experienced default to have ever been in communication with their servicer before their loans defaulted (74% vs. 61%), they were also less likely to say that they proactively reached out to their servicer than those who never experienced default (35% vs. 65% respectively). This could be in large part because borrowers reported that they did not know how to contact their servicer prior to experiencing default, regardless of whether they were receiving communication from them at the time. In fact, borrowers with default experience were nearly twice as likely than borrowers who never experienced default to report this communication barrier (48% vs. 25% respectively). Considering these findings and the end of private collection agencies' (PCA) involvement in default servicing during the pandemic, as well as the transfer of millions of borrower accounts between servicers over the last year, proactive and effective outreach by FSA to defaulted and previously defaulted borrowers will be crucial as it implements its plans. We urge FSA to further examine why so many borrowers that experience default report not knowing how to contact their servicers prior to their loans defaulting.

However, it is worth noting that the survey data does not account for the motivations as to why these borrowers interacted with their servicers. It is possible that more struggling borrowers would proactively reach out to their servicers if they are provided with a positive prompt from FSA (e.g., fresh start to exiting default or receiving debt cancellation).

Regardless of default experience, most borrowers reported phone calls as the most effective mode of communication.

Pew's survey found that the large majority of borrowers, regardless of default experience, felt that phone calls were the most effective form of communication with servicers (60% among those with default experience and 67% among those without default experience). Email was ranked as a distant second for being the most effective form of communication, with 27% of those who have experienced default selecting it and 23% of those who never experienced default selecting it.

Given that most borrowers reported phone calls to be the most effective mode of communication, we urge FSA to bolster this form of outreach in time for the beginning of "fresh start," debt relief, and the launch of a new IDR plan. FSA should work with its partners to ensure that

servicers are fully staffed, and customer service representatives are prepared and trained for the surge in outreach required to help borrowers as programs roll out. It is critical that FSA provides servicers with the information that borrowers need in a way that is timely, actionable, and consistent. We understand that phone calls can be an expensive form of communication, especially if multiple attempts are needed or the calls are long. Yet, this type of outreach, for those who have historically struggled the most in repayment, may help maximize the number of borrowers who benefit from these efforts.

Thank you for the opportunity to share this data and hope these insights support the implementation of FSA's current policy agenda. We welcome the opportunity to provide more data and analyses that further support FSA's work. Please contact Ilan Levine at ilevine@pewtrusts.org if we can be of additional assistance.

Sincerely,

Ilan Levine

Ilan Levine
Associate, Student Loan Research

Phillip Oliff

Phillip Oliff
Project Director, Student Loan Research

Ama Takyi-Laryea

Ama Takyi-Laryea
Manager, Student Loan Research

Regan Fitzgerald

Regan Fitzgerald
Manager, Student Borrower Success