June 25, 2020

The Honorable Betsy DeVos
Secretary
Department of Education
400 Maryland Avenue SW
Washington, D.C. 20202

The Honorable Steven Mnuchin
Secretary
Department of Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Secretaries DeVos and Mnuchin,

We write to express our deep concern that the Departments of Education and Treasury may be continuing to offset tax refunds from federal student loan borrowers in default. Congress was clear in Section 3513 of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act (P.L. 116-136) that all collections on federally-held defaulted student loans must be suspended until September 30, 2020. Unfortunately, the Administration has demonstrated significant and repeated flaws in implementing CARES Act requirements. For example, the wages of tens of thousands of borrowers continued to be illegally garnished by employers months after these collections were prohibited by law, and one of the Department of Education’s largest student loan servicers incorrectly provided negative information to credit bureaus on nearly 5 million borrowers. In a time of extreme economic distress, borrowers simply cannot afford these failures. Therefore, we seek information regarding your Departments’ implementation of Congress’s mandate under the CARES Act to stop offsetting federal and state tax refunds to pay defaulted student loans.

The COVID-19 pandemic has caused the deaths of over 120,000 Americans and has wreaked economic havoc. Even before the pandemic, nearly 70 percent of college students took out loans for higher education, and those students graduated with an average debt of over $32,000. More than 1 million borrowers default on their loans each year. At a time when income inequality is increasing at a staggering rate, rents are skyrocketing and wages are stagnant, this massive debt on the backs of nearly 45 million Americans is too heavy to bear. Now, unemployment is at the highest level since the Great Depression and millions of Americans are facing impossible financial choices. Congress recognized the financial strain on student loan borrowers and was clear in the CARES Act: student loan borrowers need relief during this ongoing economic upheaval caused by the COVID-19 pandemic.
Section 3513 of the CARES Act clearly expresses congressional intent to lessen the economic impact of student debt during the national coronavirus emergency by suspending payments for federal student loan borrowers. Payments due for any loans made under part D and part B (that are held by the Department of Education) of Title IV of the Higher Education Act were suspended by Section 3513 of the CARES Act. Subsection(e) of that section mandates the Secretary of Education to suspend “all involuntary collection related to the loan,” which includes wage garnishments, reduction of any Federal benefits, reduction of a tax refund, or any other involuntary collection activity.

In order to fully understand the steps the Departments are taking to comply with the CARES Act and stop involuntary collection activity through tax offsets, we request that you respond to the following questions in writing by July 10, 2020:

1. Did the Department of Education adequately and promptly notify Treasury that it should cease collections of tax refunds from borrowers in default after March 13, 2020, including providing a list of those borrowers to Treasury?
   a. If so, did Treasury immediately stop offsetting defaulted borrowers’ federal and state income tax refunds after it was provided a list of borrowers?

2. Please provide a detailed and documented timeline showing communication between agencies regarding all efforts to stop the collection of tax refunds after March 13, 2020.

3. Regarding federal tax return offsets since March 13, 2020:
   a. How many federal student borrowers in default have been subject to federal tax refund offsets?
   b. What steps has Treasury taken to return tax refunds taken from borrowers in violation of the CARES Act?
   c. What is the total amount of federal tax refunds that have been offset?

4. Regarding state tax offsets since March 13, 2020:
   a. How has the U.S. Treasury worked with states to ensure state income tax refunds are not seized?
   b. How many federal student loan borrowers in default have been subject to state tax refund offsets?
   c. What steps has Treasury taken to return tax refunds from borrowers in violation of the CARES Act.
   d. What is the total amount of state tax refunds that have been offset?

5. For borrowers whose federal and state tax refunds were offset since March 13, what is the status of returning those refunds?

6. When will the Department of Treasury complete full refunds, and are there any borrowers for whom Treasury believes there will be delays in returning the funds?

We urge you to immediately stop all offsets of tax refunds and return these amounts to borrowers in accordance with the CARES Act. We look forward to receiving a detailed account of the steps
that your Departments are taking to stop offsetting federal and state tax refunds to pay defaulted student loans, and immediately return refunds that were taken from borrowers.

Sincerely,

Ron Wyden
United States Senator

Patty Murray
United States Senator

/s/ Sherrod Brown
Sherrod Brown
United States Senator

/s/ Thomas R. Carper
Thomas R. Carper
United States Senator

/s/ Jeffrey A. Merkley
Jeffrey A. Merkley
United States Senator

/s/ Tina Smith
Tina Smith
United States Senator

/s/ Richard J. Durbin
Richard J. Durbin
United States Senator

/s/ Tammy Baldwin
Tammy Baldwin
United States Senator

/s/ Edward Markey
Edward Markey
United States Senator

/s/ Sheldon Whitehouse
Sheldon Whitehouse
United States Senator

/s/ Elizabeth Warren
Elizabeth Warren
United States Senator

/s/ Robert P. Casey
Robert P. Casey
United States Senator

/s/ Richard Blumenthal
Richard Blumenthal
United States Senator

/s/ Kamala D. Harris
Kamala D. Harris
United States Senator
Letter to Deps. of Treasury and Education
June 25, 2020

/s/ Kirsten Gillibrand
Kirsten Gillibrand
United States Senator

/s/ Angie S. King, Jr.
Angus S. King, Jr.
United States Senator

/s/ Mazie K. Hirono
Mazie K. Hirono
United States Senator

/s/ Tim Kaine
Tim Kaine
United States Senator

/s/ Amy Klobuchar
Amy Klobuchar
United States Senator

/s/ Dianne Feinstein
Dianne Feinstein
United States Senator

/s/ Jack Reed
Jack Reed
United States Senator

/s/ Patrick J. Leahy
Patrick J. Leahy
United States Senator

/s/ Brian Schatz
Brian Schatz
United States Senator

/s/ Charles Schumer
Charles Schumer
United States Senator

/s/ Cory Booker
Cory Booker
United States Senator

/s/ Bernard Sanders
Bernard Sanders
United States Senator

/s/ Tammy Duckworth
Tammy Duckworth
United States Senator

/s/ Robert Menendez
Robert Menendez
United States Senator