

Congress of the United States

Washington, DC 20515

March 27, 2020

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

Dear Secretary DeVos,

We appreciate the steps you and the Administration have taken to provide relief to borrowers, including halting all collection activity on certain defaulted federal student loans during the COVID-19 national emergency. Earlier this week, you announced that the Department of Education (Department) would return approximately \$1.8 billion that had been garnished from borrowers since March 13, 2020. While this decision provides meaningful relief to those borrowers, we ask you also to consider returning to all borrowers all amounts collected from federal tax refunds through the Treasury Offset Program (TOP) during this filing season, which began on January 27, 2020, and to halt collections on all federal student loans not covered by your initial action.

By March 13, the Internal Revenue Service already had processed 73.5 million federal tax returns. Of those, 59.2 million were eligible for a federal tax refund, which then would have been subject to offset through TOP, including for delinquent student loans.

Traditionally, low-income taxpayers file their tax returns at the start of the filing season, as they rely on their federal tax refunds to purchase basic necessities and pay their rent. Many of these taxpayers receive refundable tax credits, such as the Earned Income Tax Credit (EITC) and the Additional Child Tax Credit (ACTC), which are powerful anti-poverty tools that provide needed assistance for millions of low- and moderate-income families. Since taxpayers receiving the EITC and ACTC tend to file early in the filing season, it is very likely that offsets to their federal tax refunds would have been made before March 13.

For context, during the 2019 tax filing season, about \$3.2 billion was offset through TOP from one million federal tax refunds containing the EITC and ACTC refundable credits. According to the National Consumer Law Center, the consequences of offsets are devastating.¹ And, in light of the COVID-19 pandemic, we are deeply concerned that the economic impact of these offsets could be even more devastating this year unless the money is returned immediately to these borrowers.

¹ See National Consumer Law Center, [*Voices of Despair: Student Borrowers Trapped in Poverty When the Government Seizes Their Earned Income Tax Credit*](#) (May 2018).

Additionally, it is not clear that your policy applies to all federal loans. The Department's announcement indicates that it has instructed "private collections agencies... to halt all proactive collections activities." Because the Department's private collections agencies only collect on defaulted debts owned by the government, which exclude some older, commercially held loans in the Federal Family Education Loans program, some borrowers may not be impacted by this action.² Roughly 15 percent of borrowers with federal student loans (about 6.2 million individuals) hold at least one commercially held Federal Family Education Loan.³ We encourage you to extend all halted collections to these borrowers.

Accordingly, we respectfully request that the Department return all amounts collected through offset of federal tax refunds for delinquent student loans since January 27 to taxpayer-borrowers and extend halted collections to the borrowers mentioned above. Thank you, in advance, for your consideration.

Sincerely,



Richard E. Neal
Chairman
Committee on Ways & Means
United States House of Representatives



Ron Wyden
Ranking Member
Committee on Finance
United States Senate



Robert C. "Bobby" Scott
Chairman
Committee on Education and Labor
United States House of Representatives



Patty Murray
Ranking Member
Committee on Health, Education, Labor &
Pensions
United States Senate



Linda T. Sánchez
Member of Congress

² Dept. of Education, *Secretary DeVos Directs FSA to Stop Wage Garnishment, Collections Actions for Student Loan Borrowers, Will Refund More Than \$1.8 Billion to Students, Families*, (Mar. 25, 2020) available at <https://www.ed.gov/news/press-releases/secretary-devos-directs-fsa-stop-wage-garnishment-collections-actions-student-loan-borrowers-will-refund-more-18-billion-students-families>.

³ Dept. of Education, *Federal Student Aid Portfolio Summary*, last accessed Mar. 26, 2020.