

A. Wayne Johnson

November 19, 2019

The Honorable Elizabeth Warren
United States Senator

The Honorable James E. Clyburn
U.S. House of Representatives
Majority Whip

Dear Senator Warren and Representative Clyburn,

I am compelled to write to you in order to express my opinion regarding aspects of your November 12, 2019 letter to U.S. Department of Education Secretary Betsy DeVos and Federal Student Aid Chief Operating Officer Major General Mark A. Brown, USAF (Ret.).

My opening opinion is that both of you share with Secretary DeVos and FSA Chief Operating Officer Brown the very same concerns about wanting to properly take care of and protect student loan borrowers, along with meeting responsibilities of being faithful stewards of American taxpayer funds. While I was in office at Federal Student Aid, Secretary DeVos would constantly ask each of us in senior leadership roles the questions of “What are we doing to make things better for students?”, and “What are we doing to look after the interests of the American taxpayer?”. The responses from me and all of my colleagues at FSA and the Department of Education were always that we were continuously striving to make significant positive changes to improving the operational aspects of the programs entrusted to the Office of Federal Student Aid; bounded and governed by the Federal laws under which we are required to operate.

The importance of the words “bounded and governed by the Federal laws under which we are required to operate” cannot be overstated. It is my opinion that the root cause of the ocean of student loan debt that Americans are drowning under is because of Federal law that provides for an unlimited amount of Federal funding being made available to student and parent borrowers. Additionally, students are highly encouraged by schools to take on borrowing obligations in order to satisfy an unquenchable thirst for money by America’s colleges — both not for profit and for profit schools. Moreover, these same Federal laws have established that once loans are taken on by student and parent borrowers, that these loans are subject to the charging of interest on interest, provide for a robust scheme of negative amortization so that balances grow to extreme levels beyond original borrowing amounts, produce loans under highly unorthodox loan structures, and create an array of incredibly difficult to administer payment plans which are basically designed to be back-end grants burdened by debt obligation reporting into credit bureau files. The end result of all of this is that the vast majority of the higher education system

in America is being financed on the backs of student and parents by way of Federal student loan debt — debt from which for many, there is no hope of escape. Currently 80% of all cash that is going into the higher education system in America is coming from the U.S. Government by way of indebtedness obligations of student loan borrowers. Serving to make matters even worse is the fact that schools share no accountability in meeting these indebtedness obligations.

It is my belief that Secretary DeVos, President Trump, and others within the Administration, myself, and you as well have reached the conclusion that leaders within the government of the United States, must take the bull by the horns and go about fixing the student loan debt monster that is destroying the very fabric of America. This is a problem of monumental national importance. The conditions setting forth the creation of the current student debt problem were put in place ten years ago, ostensibly with the best of intentions. However, through a series of changes to law and various players for different reasons serving to extract maximum economic value from the various Federal student loan programs, the situation has gotten significantly out-of-hand; with the result being that the trust and financial well-being of student and parent borrowers has been plundered by the very institutions of education and government that they have been taught to trust. We must move to reestablish this trust, and in order for this to happen, Federal law regarding Federal Student Aid programs must be changed.

As you are aware, my reason for resigning from office at the Department of Education was so that I could put myself forward in seeking to become a member of the United States Senate, where working with each of you in Congress we could undertake the serious work of changing Federal law regarding the government's role in post-high-school education finance. I trust and hope that what each of you and others will interpret from my decision to leave FSA and the Department of Education is that I believe I can make a greater level of contribution to solving the student debt problem by working in Congress, building upon and drawing from my in-depth understanding of the policy and operational aspects of current Federal Student Aid programs. During my time in office at FSA, I did obtain in-depth first-hand knowledge of Federal Student Aid programs; and what I concluded was that no matter how much in the way of operational improvements we could make, the various Federal Student Aid loan programs are broken at the core due to flawed Federal law.

The debt relief programs of Public Service Loan Forgiveness, Temporary Expanded Public Service Loan Forgiveness, and Borrower Defense to Repayment are, unfortunately, noteworthy examples of where the law behind these programs is highly flawed in terms of how to enable the stated intent of Congress through Executive Branch action. It is also my opinion that the Public Service Loan Forgiveness program, as was written into law, is one of the greatest false promises ever made by Congress to the citizens of America due to the unreasonable conditions that someone must comply with in order to become eligible for debt relief. Secretary DeVos, Chief Operating Officer Mark Brown and the dedicated staff of FSA are working very hard to deal with this program, and to properly administer this and the other various debt relief programs which were inherited from the previous administration. As it relates to these programs, I believe

Congress should be asking how can they help with regard to law change and law clarification instead of leveling continuously repetitive criticisms.

As mentioned in your letter, you are aware that in concert with my announcement to seek becoming a member of the United States Senate, I have set forth a plan to cancel up to \$50,000 of Federal student loan debt for each of the more than 44 million Federal student loan borrowers. It is interesting to note that this \$50,000 of debt cancellation for each borrower would eliminate in total Federal student loan debt for approximately 37 million Americans. The ideas around my plan are my own, and have no grounding from policy concepts of the Department of Education or any other part of the Administration.

My plan for student loan debt cancellation differs from others — such as your plan and proposed legislation — which would also provide for up to \$50,000 of debt cancellation. Under my plan, debt cancellation is not conditioned upon income or wealth limits — it would represent equity for all. However, the most important aspect of my plan for debt cancellation is that my plan calls for the total elimination of all Federal student loans going forward. This would also mean no Federal guaranteed student loans. I very much look forward to hearing what you plan to do about student loan debt going forward after overall debt cancellation. As you are aware, continuing to make Federal student loans after debt cancellation would certainly create a moral hazard regarding how future indebtedness would be handled.

My plan also calls for a lifetime Education Allowance Grant amounting to \$50,000 that could be used for either skills training or academic pursuit as the alternative to continuation of unlimited Federal student loan funding. It is also intended to provide for up to \$50,000 in tax credits for people who never used Federal funding or who paid off their Federal student debt.

As to my opinion with regard to the statement by Secretary DeVos that the outright canceling of student loan debt is “crazy”, I do concur with her that it is in fact crazy if student loan debt cancellation were to occur without the total elimination of the Federal student loan program going forward. To be absolutely clear, I insist on no more Federal student loans as a condition to the overall canceling out of Federal student loan debt. While on the subject of “crazy”, I also concur with Secretary DeVos that any go-forward program that limits Federal financial support to only public institutions is crazy in that it limits school choice, and would make it prohibitively expensive for those people who could not, or would chose not to attend a public institution. And yes, given the magnitude of Federal funds, any plan which only supports public institutions would indeed amount to a Federal takeover of higher education.

In conclusion, please understand that it was with reluctance that I made the decision to resign from FSA and the Department of Education. I did not leave because of anything negative that I saw or experienced regarding our quest for, and commitment to, operational improvements. Instead, while I was in office at FSA, I left work every day feeling proud that we at the Department of Education, under the leadership of Secretary DeVos, had served that day to undertake making things better for students and being

ever vigilant in our responsibility to taxpayers. I resigned for the important reason to see if I could change the venue for my contribution of public service to being that as a member of the United States Senate, where I can serve to undertake changes in law that are necessary to deal with our nation's student debt crisis.

As to informing other certain specifics of your letter, or what may be other elements of interest to you or your Congressional colleagues, I hereby offer to meet with you at any time for discussion. Also, I would like to propose that working group discussions between the Administration and Congress be held, and I offer to provide whatever assistance that would be deemed appropriate to supporting these working discussions. Perhaps at this moment in time I do have a unique view of the overall situation and can be of service in helping others to better understand potential solutions, and not just dwell on admiring the student debt problem situation that we, as a nation, are in.

Most Sincerely,

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