

Testimony of Quinton Lucas
Mayor, City of Kansas City, Missouri
Before the U.S. Senate Committee on Banking, Housing, and Urban Affairs
Subcommittee on Economic Policy
regarding
“MOHELA’s Performance as a Student Loan Servicer”
April 10, 2024

Chairwoman Warren, Ranking Member Kennedy, and other members of the Committee, I appreciate the opportunity to appear before the subcommittee today. My name is Quinton Lucas and I am proud to represent the residents of Kansas City, Missouri as their mayor.

My home state of Missouri has been in the national spotlight as some politicians have worked on behalf of student loan companies to rob more than 40 million Americans—including over 80 thousand residents in my city alone¹—of much-needed student loan debt relief.

Rather than standing up for our constituents, the state’s attorney general is doing the work of loan companies like MOHELA, the Missouri Higher Education Loan Authority, and arguing that student loan relief would harm our communities while exactly the opposite is true.

I would like to take this opportunity to stand with the people of Kansas City and state unequivocally that our state Attorney General is wrong. And I want to thank you, Chairwoman Warren, for your years of leadership on this issue.

Missouri’s attorney general and I both serve the people of Missouri—not student loan companies. We owe it to our people to hold student loan servicers accountable for fueling the student loan crisis in America and failing student loan borrowers and their families. While student loan borrowers bear the most direct burden, we all bear the cost of that failure because it keeps many of our youngest and brightest from being able to reach their potential as local leaders, entrepreneurs, parents, and citizens.

Nearly 45 million borrowers have been crushed by nearly \$1.7 trillion in student loan debt. Across Missouri, more than 849,000 borrowers owe more than \$30 billion in federal student loan debt. These burdens are carried disproportionately by people of color, with Black women and Latinas especially hard hit by student debt. That’s debt that makes it hard to pay for everything else from necessities like healthcare to childcare. And forget about buying a first home. That doesn’t just hurt them, it hurts us all.

¹ Ella Azoulay, New Analysis Shows What’s At Stake for Borrowers Across the Country As President Biden’s Political Opponents Attack Student Debt Relief (Feb. 17, 2023), <https://protectborrowers.org/new-analysis-shows-whats-at-stake-for-borrowers-across-the-country-as-president-bidens-political-opponents-attack-student-debt-relief/>.

I graduated law school nearly 20 years ago, with tens of thousands of dollars of student debt, including college debt serviced by MOHELA, and was lucky enough to be able to pay it all off, but that was nothing compared to the repayment experiences I hear from borrowers today.

I've heard from hundreds of borrowers in Kansas City who say they are experiencing crushing student loan debt, sometimes paying two or three times the cost of their original loan, while trying to afford the increasing cost of necessities. These are young people who are trying to create businesses, become homeowners, and build their careers, but their plans are halted while slowly chipping away at their student loan debt, which in many cases, will take them decades to overcome.

Due to the skyrocketing cost of college, the promise of higher education as the pathway to the American dream has become a nightmare for millions of Americans, particularly working-class Black and brown families, like many of the residents I represent back home.

Beyond the unreasonable upfront costs of an education, millions of working families have been forced to navigate a rigged student loan repayment system. A system where student loan servicing companies like the Higher Education Loan Authority of the State of Missouri or *MOHELA* receives millions in taxpayer dollars only to fail and deceive borrowers at every turn—driving them further into debt and leaving them to fend for themselves.

As you have said many times Chairwoman Warren. It is absolutely shameful. It is absolutely inexcusable. And it is absolutely long past time for accountability and justice.

For too long, student loan servicers have been given a free pass as they stand in the way of relief and exacerbate the student debt crisis plaguing our local communities. Today's hearing is an opportunity to change that.

Cities have been at the forefront of the student debt crisis.

As Mayor, I have witnessed the toll of this crisis firsthand. Residents across Kansas City, from the historically Hispanic Westside, to the predominately Black East Side, have told me their personal stories. They have shared the ways that student debt is holding them back from achieving their personal and economic goals—hindering their ability to purchase a home², save for retirement³, start a small business⁴ and contribute to their local economy, and even start or

² See, Federal Reserve Bank, Consumer and Community Context (Jan. 2019), <https://www.federalreserve.gov/publications/files/consumer-community-context-201901.pdf>.

³ Rutledge, Geoffrey T. Sanzenbacher, and Francis M. Vitagliano. 2016. "How Does Student Debt Affect Early-Career Retirement Saving?" Working Paper 2016-9. Chestnut Hill, MA: Center for Retirement Research at Boston College, <https://crr.bc.edu/how-does-student-debt-affect-early-career-retirement-saving/>.

⁴ Ambrose, Brent W. and Cordell, Larry and Ma, Shuwei, The Impact of Student Loan Debt on Small Business Formation (July 2015). FRB of Philadelphia Working Paper No. 15-26, Available at SSRN: <https://ssrn.com/abstract=2633951>.

grow their family. Their struggle is our struggle because their inability to pursue opportunity denies us all the ability to share in their success.

We have seen how the crushing weight of student debt is worsening workforce shortages afflicting state and local governments, particularly in rural areas, where it is already difficult to attract and retain workers in high-need areas such as teaching and healthcare.⁵ Shortages in these fields have reached crisis levels, with all 50 states reporting a shortage of K-12 public school teachers in 2022.⁶ In Kansas City, we are already facing stark shortages in our teaching⁷ and healthcare fields⁸ and the student debt crisis has only made these challenges worse.

Further, the student loan debt crisis has exacerbated the mental health crisis and increased reliance on our local and state public health systems. Like other forms of financial insecurity, student loan debt has been found to negatively impact borrowers' mental and physical health⁹—increasing rates of anxiety and depression. Research has also shown that student debt impedes access to routine medical care and prevents borrowers from purchasing medication and even seeking non-emergency care.¹⁰

In all instances, failing these individuals results in communal costs. The repercussions of the student debt crisis hinder the quality of life for our residents and ultimately fall to state and local governments, which provide care and services of last resort.

When borrowers' debt burdens are eliminated or significantly reduced, they start businesses, secure housing, pursue careers in public service, and prioritize their health. These effects improve the quality of life in our communities, enhance revenues for our local and state economies, and reduce reliance on government programs. We aren't doing them a favor, we are investing in the common good.

President Biden's debt relief program would have benefitted millions, spurred economic growth, and strengthened our communities.

⁵ Jesse Rothstein & Cecilia Rouse, Constrained After College: Student Loans and Early Career Occupational Choices, 95 J. Pub. Econ. 149 (2011).

⁶ Emma Garcia et al., Are We at a Crisis Point with the Public Teacher Workforce? Education Scholars Share Their Perspectives, Brookings (Aug. 26, 2022), <https://perma.cc/3KRF-URVM> (citing Department of Education teacher shortage data).

⁷ Jodi Fortino, Missouri's Teachers Are Among the Nation's Worst-Paid. Some Districts are Getting Creative to Fix That, KCUR (Dec. 29, 2022), <https://www.kcur.org/news/2022-12-29/missouri-low-teacher-pay-retention-recruitment-missouri-legislature-session-2023>.

⁸ Michael Ollove, Health Worker Shortage Forces States to Scramble, Pew (Mar. 25, 2022), <https://perma.cc/ZK4U-372E>.

⁹ See Thomas Richardson et al., The Relationship Between Personal Unsecured Debt and Mental and Physical Health: A Systematic Review and Meta-Analysis, 33 Clinical Psych. Rev. 1148 (2013).

¹⁰ Catey Hill, Why Student Loans Are Bad for Your Health, MarketWatch (Oct. 7, 2014), <https://perma.cc/7YWZ-747D>; Snapshot of Older Consumers and Student Loan Debt 13, Consumer Fin. Prot. Bureau (2017), <https://perma.cc/C94YS7HL>.

In August 2022, President Biden gave tens of millions of borrowers a glimmer of hope when he announced his original debt relief plan to cancel up to \$20,000 in student loan debt. The historic proposal would have eliminated student debt balances for an estimated 20 million borrowers.¹¹ By targeting relief to borrowers with the highest economic need, the plan would have made meaningful progress at reducing the racial wealth gap, with one in four Black borrowers seeing their debts entirely forgiven and half of all Latino borrowers becoming debt-free.¹²

Across the state of Missouri, more than 777,000 residents would have been eligible for relief.¹³ In Kansas City alone, more than \$575 million in student debt would have been cancelled for more than 80,000 borrowers and 40,000 of these borrowers would have been completely debt free.¹⁴ Tens of thousands of our own residents would have seen an immediate decrease in their debt-to-income ratios, an improvement in their credit scores, and an enhancement of disposable income that they could have saved towards a down payment on a home, their retirement, or back into our local economy.

This would have been a massive investment in working people with real benefits for everyone.

Instead of celebrating this crucial relief for our economically-burdened residents, our state attorney general in partnership with politicians across five other Republican-led states, decided to fight the plan in federal court—placing the desire to score political points and the financial interests of MOHELA ahead of the economic prosperity of our own residents and communities.¹⁵

In the suit, the Missouri Attorney General falsely argued that providing student loan debt relief would have harmed MOHELA's bottom line and, therefore would have financially harmed the state of Missouri. In partnership with the Public Rights Project, I joined 40 local leaders across

¹¹ Press Release, The White House, Fact Sheet: President Biden Announces Student Loan Relief for Borrowers Who Need it Most (Aug. 24, 2022), <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/24/fact-sheet-president-biden-announces-student-loan-relief-for-borrowers-who-need-it-most/>.

¹² Kierra Alfonseca, Biden's Loan Forgiveness Plan to Heavily Impact Black Borrowers, ABC News, (Aug. 26, 2022), <https://abcnews.go.com/US/bidens-loan-forgiveness-plan-heavily-impact-black-borrowers/story?id=88900684>

¹³ Press Release, The White House, Fact Sheet: The Biden-Harris Administration's Plan for Student Debt Relief Could Benefit Tens of Millions of Borrowers in All Fifty States (Sep. 20, 2022), <https://www.whitehouse.gov/briefing-room/statements-releases/2022/09/20/fact-sheet-the-biden-harris-administrations-plan-for-student-debt-relief-could-benefit-tens-of-millions-of-borrowers-in-all-fifty-states/>.

¹⁴ Ella Azoulay, New Analysis Shows What's At Stake for Borrowers Across the Country As President Biden's Political Opponents Attack Student Debt Relief (Feb. 17, 2023), <https://protectborrowers.org/new-analysis-shows-whats-at-stake-for-borrowers-across-the-country-as-president-bidens-political-opponents-attack-student-debt-relief/>.

¹⁵ Annelise Hanshaw, Missouri company plays central role in downfall of Biden loan forgiveness, Missouri Independent (Jul. 1, 2023), <https://www.kcur.org/news/2023-07-01/missouri-company-plays-central-role-in-downfall-of-biden-loan-forgiveness-program>.

24 states across the country in filing a brief in support of the program.¹⁶ Collectively, we represented more than 30 million Americans, including almost 20 million people of color. The point we made to the Supreme Court was simple: When the debt burdens of our residents are lifted, we all benefit – as someone else once said – a rising tide lifts all boats.

In the end, the far-right majority on the Supreme Court callously struck down President Biden’s debt relief program, leaving millions of borrowers and their families waiting for much-needed relief and forcing them back into the jaws of a fundamentally broken student loan system.

The Biden Administration has continued to make progress to deliver on debt relief and hold servicers accountable, but more is desperately needed.

Thankfully, the Biden Administration has not abandoned our constituents. It has worked to make good on the President’s promise to deliver debt relief using all legal tools at their disposal. Within hours of the Supreme Court’s callous decision to strike down the debt relief program, President Biden announced that he would be pursuing a new plan utilizing his authority under the Higher Education Act.¹⁷ Over the last several months, the U.S Department of Education has been making critical progress in finalizing this plan, which would grant the Secretary of Education broad authority to provide debt relief for specific categories of borrowers—including borrowers who went to low value schools, borrowers who have been stuck in repayment for more than two decades, borrowers drowning in runaway student loan interest, and those who may be eligible for debt relief but are not enrolled in a relevant program. The plan would also provide authority to support borrowers experiencing hardship due to their student loan debt. This new debt relief pathway has the potential to wipe away debt for millions of borrowers and finally make dreams of economic mobility a reality.¹⁸

In the meantime, the Biden Administration has been working to fix the underlying student loan system and bring justice for borrowers cheated by their servicers. In April 2022, the U.S. Department of Education announced an effort to address historical student loan servicing failures in the administration of the federal student loan programs through a one-time student loan account adjustment to ensure that borrowers receive credit toward student loan forgiveness under the Public Service Loan Forgiveness (PSLF) and Income-Driven Repayment (IDR) programs.¹⁹

¹⁶ Brief of Amici Curiae Local Governments in Support of Petitioners, *Biden v. Nebraska*, 600 U.S. 477, 143 S. Ct. 2355 (2023), <https://protectborrowers.org/wp-content/uploads/2023/01/Biden-v.-Nebraska-Local-Govt-Amicus-Brief-01.11.23-final.pdf>.

¹⁷ Press Release, The White House, Fact Sheet: President Biden Announces New Actions to Provide Debt Relief and Support for Student Loan Borrowers, (Jun 30, 2023), <https://www.whitehouse.gov/briefing-room/statements-releases/2023/06/30/fact-sheet-president-biden-announces-new-actions-to-provide-debt-relief-and-support-for-student-loan-borrowers/>.

¹⁸ Aissa Canchola Banez, President Biden’s Student Debt Relief “Plan B” Must Not Leave Millions of Borrowers in Hardship Behind, (Jan. 18, 2023), <https://protectborrowers.org/bidens-student-debt-relief-plan-b-must-not-leave-millions-in-hardship-behind/>.

¹⁹ Press Release, U.S. Dep’t of Educ., Department of Education Announces Actions to Fix Longstanding Failures in the Student Loan Programs (Apr. 19, 2022), <https://www.ed.gov/news/press-releases/department-education-announces-actions-fix-longstanding-failures-student-loan-programs>.

As a result of the Biden Administration's efforts, almost \$144 billion in student loan debt has been cancelled for nearly 4 million Americans.²⁰ Many of these borrowers are teachers, nurses, and first responders who were cheated by their servicer out of relief that they were entitled to under federal law through the PSLF program. Across the State of Missouri, nearly 20,000 public service workers have benefitted from more than \$1.2 billion in student loan debt relief under PSLF.²¹ These are 20,000 residents across our state whose lives will forever be changed by policies implemented by the Biden-Harris Administration to simply ensure that our government programs work.

Prior to the Biden-Harris Administration's fixes to the PSLF program, only about 7,000 borrowers had ever received forgiveness. **Today, more than 100 times more borrowers are finally getting the public service loan forgiveness that they are due. Real Americans, with real families, freed to pursue the American dream.**

While this progress is unprecedented, and the relief enacted thus far is historic, more must be done. Unfortunately, tens of millions of borrowers remain vulnerable and subject to student loan servicing failures that will drive them further into the red. Thankfully, the Biden Administration has made it clear that they will not simply look the other way as student loan servicers fail to do their job. In October 2023, as millions of borrowers were forced to navigate the rocky return to repayment process, the U.S. Department of Education (the Department) found that MOHELA failed to meet its basic obligations to borrowers and American taxpayers. According to the Department, MOHELA failed to send billing statements on time to 2.5 million borrowers—causing more than 800,000 borrowers to fall into delinquency.²² As a result, it withheld \$7.2 million in payment to MOHELA and directed them to protect borrowers by placing them in a forbearance until the issues were resolved. Earlier this year, the Department announced a second round of actions to withhold payments from student loan servicers failing to do their job—this time for the companies Aidvantage, EdFinancial, and Nelnet.²³

Efforts to withhold payments from student loan servicing companies that are failing to meet their basic responsibilities to borrowers and the American taxpayers are part of a larger effort by the

²⁰ Press Release, U.S. Dep't of Educ., Biden-Harris Administration Approves Additional \$5.8 Billion in Student Debt Relief for 78,000 Public Service Workers (Mar. 21, 2024), <https://www.ed.gov/news/press-releases/biden-harris-administration-approves-additional-58-billion-student-debt-relief-78000-public-service-workers>.

²¹ *Id.*

²² Press Release, U.S. Dep't of Educ., U.S. Department of Education Announces Withholding of Payment to Student Loan Servicer as Part of Accountability Measures for Harmed Borrowers, (Oct. 30, 2023), <https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers>.

²³ Press Release, U.S. Dep't of Educ., Biden-Harris Administration Takes Additional Action to Hold Student Loan Servicers Accountable for Failing to Meet Contractual Obligations, (Jan. 5, 2024), <https://www.ed.gov/news/press-releases/biden-harris-administration-takes-additional-action-hold-student-loan-servicers-accountable-failing-meet-contractual-obligations>.

Biden-Harris Administration to increase oversight and accountability into these companies and mitigate borrower harm.²⁴

In closing, Chairwoman Warren and Ranking Member Kennedy, industry representatives will try to present hollow talking points and spin to make excuses for MOHELA and other student loan servicers that have been failing to do right by borrowers and American taxpayers.

However, it is quite simple that student loan servicers have one job—to support borrowers as they work to manage their student loan debt. For too long, they, like MOHELA, have failed to do their job, and as a result, borrowers are further in the red and we continue to miss out on the contributions they could be making to our communities. Student loan providers can and must be held accountable.

Thank you.

²⁴ Press Release, U.S. Dep't of Educ., Biden-Harris Administration Announces Framework for Student Loan Servicer Accountability To Protect Borrowers Nationwide, (Nov. 9, 2024), <https://www.ed.gov/news/press-releases/biden-harris-administration-announces-framework-student-loan-servicer-accountability-protect-borrowers-nationwide>