COMMITTEE ON EDUCATION AND LABOR

U.S. HOUSE OF REPRESENTATIVES
2176 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6100

May 6, 2021

The Honorable Gene Dodaro
Comptroller General
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Dodaro:

Taxpayers rely on policymakers to be honest stewards of their hard-earned tax dollars. In turn, policymakers rely on accurate estimates provided by the Congressional Budget Office (CBO) and Office of Management and Budget (OMB) to reform the *Higher Education Act*. Budget projections are critical in gauging the impact proposed policies will have on the federal budget and taxpayers' wallets.

Over the last few decades, both Congress and the executive branch have amended and added repayment plans and loan forgiveness programs. These actions make previous budget projections less accurate. Any discrepancies between policy ideals and real-world practice are magnified if the initial underlying assumptions do not reflect the updated policies. Former Secretary of Education Betsy Devos began sounding the alarm about the performance of the loan portfolio in 2018 when she noted, "only 24 percent of FSA borrowers – one in four – are currently paying down both principal and interest."[1] We understand the Department of Education is hiding information from the public that could provide a more accurate depiction of the budgetary impact of the federal student loan program.[2]

[1] https://www.ed.gov/news/speeches/prepared-remarks-us-secretary-education-betsy-devos-federal-student-aids-training-conference
[2] https://www.wsj.com/articles/is-the-u-s-student-loan-program-in-a-deep-hole-one-banker-thinks-so-11619707091?mod=searchresults_pos1&page=1

Over 40 million borrowers owe more than $1.5 trillion in federal student loans. The performance of the federal student loan program has been a concern for a long time and has been exacerbated by the current health crisis. Effective public policy and reliable budgetary projections are only possible with accurate information. The report, compiled at the request of the Department of Education , reportedly details a gap of hundreds of billions of dollars between what the government estimates the taxpayer impact of the federal loan program is and the actual cost.

With the official national 3-year cohort default rate at nearly 10 percent, [3] the Secretary of Education contemplating additional repayment pauses,[4] and some policymakers contemplating significant forgiveness proposals, taxpayers and borrowers deserve better. The stakes are simply too great for Congress to look the other way and allow these accounting games to continue.

Specifically, we are interested in learning more about the following:

1. What principles from the private sector are used to build the economic assumptions for scoring the federal student loan program?
2. How frequently, if ever, did OMB change its underlying budgetary model and assumptions about the federal student loan program when new repayment plans, forgiveness programs, and regulations (including regulations related to federal student loan defaults) took effect?
3. What is the historical accuracy, when using private sector accounting principles, of the cost estimate of the federal student loan program by OMB and CBO?
4. If scored utilizing generally accepted accounting principles, what is the projected cost of the federal student loan program over the next five and ten years? Please also provide recommendations for an updated methodology the federal government can use to calculate the true cost to the taxpayer.

Thank you for your attention to this matter. If you have additional questions or comments, please contact Mandy Schaumburg (mandy.schaumburg@mail.house.gov) and Alex Ricci (alex.ricci@mail.house.gov) of the Committee staff at (202) 225-4527.

Sincerely,

Virginia Foxx

Virginia Foxx
Ranking Member

Greg F. Murphy

Greg Murphy
Ranking Member
Subcommittee on Higher Education
and Workforce Investment

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[3] https://www2.ed.gov/offices/OSFAP/defaultmanagement/cdr.html#:~:text=The%20FY%202017%20national%20cohort,(NSLDS)%20Professional%20Access%20website.

[4] https://www.forbes.com/sites/zackfriedman/2021/05/03/biden-could-pause-student-loans-beyond-september-30-although-may-be-uphill-battle/?sh=719149356016