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COMMITTEE ON
EDUCATION AND THE WORKFORCE
U.S. HOUSE OF REPRESENTATIVES
2176 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6100

June 14, 2023

The Honorable Miguel Cardona
Secretary
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, D.C. 20202

Dear Secretary Cardona:

As Chairwoman of the Committee on Education and the Workforce, and on behalf of American taxpayers, Subcommittee Chairman Owens and I write to express our deep concern about the potential for fraud within the Biden student loan debt transfer plan. Specifically, the U.S. Department of Education's (Department) borrower application for student loan debt relief allows, or otherwise affirmatively endorses, self-certification of income. Allowing borrowers to self-attest that they fall under the income threshold will undoubtedly lead to fraud and abuse.¹

As the Government Accountability Office's (GAO) Comptroller General Gene Dodaro observed earlier this year in his testimony about fraud in pandemic spending, "[federal] agencies should have been much better prepared in order to prevent fraud."² With this as an observation and warning, it is obvious the student loan debt transfer plan and its income self-certification are fundamentally ill-advised given their potential for fraud. Moreover, the Department's Federal Register notice, "Federal Student Loan Debt Relief Application and Verification Forms Request," does not contemplate a required verification of income unless requested by the Department.³

¹ See Exhibit A (Application for Federal Student Loan Debt Relief) at 2. The application provides for proof of income only "if requested" by the Department - creating the intended or unintended implication the Department's default position is to not request proof of income. ("I request federal student loan debt relief of up to \$20,000. *If requested*, I will provide proof of income to the U.S. Department of Education.") (emphasis added).

² *Federal Pandemic Spending: A Prescription for Waste, Fraud and Abuse*: Before the H. Comm. On Oversight and Accountability, 118th Cong. 6 (2023) (statement of Gene L. Dodaro, Comptroller Gen. of the United States).

³ 87 Fed. Reg. 62834, 62835 (Oct. 17, 2022).

A May 12, 2023, letter⁴ expressed similar concerns about the income self-certification requirements for applicants enrolling in income-driven repayment (IDR). Specifically, IDR does not require an applicant to provide tax documentation to the Department for verification of one's income used to calculate monthly payments.⁵ A GAO IDR report in 2019 expressed similar concerns, noting “[the] data indicate the possibility that some borrowers misrepresented or erroneously reported their income.”⁶ It found that 11 percent of all IDR plans analyzed were “held by borrowers who may have had sufficient wages to warrant a monthly student loan payment.”⁷ Further, GAO observed that as a result of borrowers falsely reporting zero income, “[the Department of Education] could lose thousands of dollars per borrower each year in student loan payments . . . potentially increas[ing] the ultimate cost to the federal government and taxpayers.”⁸

During our Education and the Workforce Committee hearing on May 16, 2023, you responded to Rep. James Comer's questions about fraud, stating, “[w]ith regard to the reporting of information, we are working to improve the system, to make sure that we have the information directly from the IRS, to reduce paperwork and make sure that the information is accurate.”⁹

With this as context, please respond to the following questions (instructions attached) no later than two weeks after the date of this letter:

- (1) Why, specifically, does the Department continue with self-certification in the Biden student debt transfer plan given the Comptroller General's statement about the potential for fraud and given the findings of the 2019 GAO report?
- (2) According to the 2019 GAO IDR report, all GAO recommendations continue to remain “open,” meaning the Department has not implemented or fully implemented the recommendations. Please provide specific status reports on each recommendation and provide your expected date of completion of implementation of each recommendation.
- (3) With respect to your testimony of May 16, 2023, what specifically has the Department done from January 20, 2021, to the present to “improve the system” for the reporting of information under both the Biden student loan debt transfer plan and IDR? What improvements have been implemented to reduce paperwork and ensure the information is accurate?

⁴ Joint letter from Chairwoman Virginia Foxx of the Committee on Education and the Workforce, Chairman James Comer of the Committee on Oversight and Accountability, and Chairman Pete Sessions of the Subcommittee on Government Operations and the Federal Workforce of the Committee on Oversight and Accountability to Secretary Miguel Cardona, U.S. Department of Education (May 12, 2023).

⁵ Federal Student Aid, COVID-19 Relief: Income-Driven Repayment (IDR) Plans, <https://studentaid.gov/announcements-events/covid-19/income-driven-repayment>, (“If all your loans are Direct Loans, you can now self-report your income when applying for or recertifying an IDR plan. This means you can report your income without needing to submit tax documentation.”).

⁶ Gov't Accountability Off., GAO-19-347, Federal Student Loans: Education Needs to Verify Borrowers' Information for Income-Driven Repayment Plans (June 2019) at 7.

⁷ *Id.* at 12.

⁸ *Id.* at 14.

⁹ *Examining the Policies and Priorities of the Department of Education: Hearing Before the H. Comm. on Educ. and the Workforce*, 118th Cong. 110 (2023).

- (4) During a question-and-answer exchange between Rep. Nathaniel Moran and Office of Federal Student Aid Chief Operations Officer Richard Cordray at a May 24, 2023, hearing before the Subcommittee on Higher Education and Workforce Development, Mr. Cordray testified the Department would use sampling to root out potential fraud with self-certification of income. Sampling is never sufficient to root out fraud. The Department should confirm that every applicant qualifies. Mr. Cordray's statement raised more questions than provided answers. What are the specific protocols for sampling? If sampling uncovers fraud, does the Department intend to seek a return of the funds? If sampling uncovers fraud, what are the Department's plans to implement more rigorous income certification protocols to prevent additional fraud?
- (5) What is the current status of the Department's efforts to obtain information directly from the IRS under the *Fostering Undergraduate Talent by Unlocking Resources for Education* (FUTURE) Act, and what is your projected completion date for full implementation?
- (6) For Pell Grant recipients who are eligible to receive a student loan discharge of up to \$20,000, what specific documentation is required from the applicant to demonstrate the applicant, in fact, received a Pell Grant?
- (7) In instances where an applicant uses a "parent income waiver," what safeguards are in place to verify they truly are independent from their parents and are not attempting to circumvent parental income qualifications?

Thank you for your prompt attention to these questions.

Sincerely,



Virginia Foxx
Chairwoman
U.S. House Committee on Education and the
Workforce



Burgess Owens
Chairman
Subcommittee on Higher Education and
Workforce Development
U.S. House Committee on Education and
the Workforce

Enclosure