United States Senate
WASHINGTON, DC 20510

July 11, 2018

Dr. Keith Hall
Director
Congressional Budget Office
Ford House Office Building
D St. SW & 2nd St. SW
Washington, DC 20515

Dear Director Hall:

In support of congressional efforts to reauthorize the Higher Education Act and promote a responsible federal budget, we request that the Congressional Budget Office (CBO) examine the effects of federal student loan policies on borrowing, loan repayment, cancellation, discharge, and forgiveness.

We ask that CBO produce a formal report providing a historical overview of federal student loan programs. Specifically, we ask that the report analyze how changes to student loan limits, interest rates, repayment discounts, repayment plans, cancellation, discharge, and forgiveness policies have affected borrowing levels and the repayment of borrowed taxpayer funds. Such an analysis should include the impact of statutory and administrative loan policy changes over the past two decades on balances and defaults, the rate at which borrowers repay their outstanding principal, and the government's servicing costs.

Additionally, we request a separate report on the outstanding federal student loans in income-driven-repayment (IDR) plans. The analysis should cover the past decade during which these plans were implemented and provide forward-looking subsidy estimates.

We are troubled by the financial state of IDR plans. According to the National Student Loan Data System, student loans in these plans account for 46 percent of all federal student loan dollars in repayment, and we are concerned with whether these policies are sustainable. In fact, on January 31, 2018, the Department of Education's Office of the Inspector General reported:

> *Decision makers and others may not be aware of the growth in the participation in these IDR plans and loan forgiveness programs and the resulting additional costs. They also may not be aware of the risk that, for future loan cohorts, the Federal government and taxpayers may lend more money than is repaid from borrowers.*

The Inspector General's statement is deeply concerning, especially because CBO previously estimated that the 2009 federal takeover of the nation's student-lending system would reduce federal spending by $58 billion. Any system that lends more than is repaid will surely become a liability to federal taxpayers, and we request that CBO estimate the date when this will eventually occur, absent changes.

Additional analysis of the loans in IDR plans is imperative to ensure that policymakers have clear estimates of how many dollars will be borrowed, repaid, and forgiven. We ask that CBO provide detailed information on the loans in IDR plans that are expected to be in negative amortization, repaid in full, forgiven at the end of 20 or 25 years, or forgiven at the end of 10 years due to the combination of an IDR plan and Public Service Loan Forgiveness.

We request that these reports include subsidy estimates for the federal student loan terms using net-present value estimating procedures, according to the Federal Credit Reform Act of 1990, and fair-value estimating procedures. These reports will assist us in making informed decisions to ensure the responsible and sustainable use of taxpayer funds on federal student loan subsidies. In order to properly advise Congress in its reauthorization efforts, we ask that CBO issue these reports as soon as possible.

Sincerely,

Michael B. Enzi

Lamar Alexander

Michael B. Enzi
Chairman
Senate Budget Committee

Lamar Alexander
Chairman
Senate Committee on Health, Education, Labor, and Pensions