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## United States Senate

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May 18, 2016

The Honorable Keith Hall  
Director  
Congressional Budget Office  
Ford House Office Building, Fourth Floor  
441 S Street SW  
Washington, DC 20002

Dear Dr. Hall:

I want to thank you for incorporating into the budget baseline backup detail for student loans CBO issued last month important information about the fair value cost of the various federal student loan programs.<sup>1</sup> Your data indicates that, under fair value scoring, every type of student loan except Parent PLUS has a cost to the government, and the collective cost of all student loans originated during the next decade is projected to be \$190 billion. This contrasts with the \$39 billion in claimed *savings* when measured under Federal Credit Reform Act (FCRA) procedures.

I am writing to request a cost estimate for S. 2677, the "In the Red Act of 2016," which was introduced in the Senate by Senator Baldwin and 28 original cosponsors on March 15, 2016. S. 2677 includes provisions concerning community college and Pell Grants that also appeared in the President's Fiscal Year 2017 budget proposal. The other provision of S. 2677 is a student loan refinancing program that mirrors a proposal CBO scored in June 2014, days after it was introduced in the 113<sup>th</sup> Congress as a stand-alone measure, S. 2432, the Bank on Students Emergency Loan Refinancing Act.

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<sup>1</sup> Posted on CBO website at <https://www.cbo.gov/sites/default/files/51310-2016-03-StudentLoan.pdf>

Section 3105 of the Conference Report of the Concurrent Resolution on the Budget for Fiscal Year 2016 (S. Con. Res. 11) requires that any CBO cost estimate of a student loan provision performed under FCRA procedures include an additional cost estimate measured on a fair value basis. Section 3105 states, in pertinent part:

*“(b) Estimates for Housing and Student Loan Programs- Any estimate prepared by the Congressional Budget Office under title V of the Congressional Budget Act of 1974 (2 U.S.C. 661 et seq.) of the cost of a provision in a measure relating to a housing, residential mortgage, or student loan program shall include an additional estimate of the cost, measured on a fair-value basis--*

*(1) in the Senate, for any bill, joint resolution, amendment, amendment between the Houses, conference report, or motion; and*

*(2) in the House of Representatives, for any bill or joint resolution, or amendment thereto or conference report thereon.”*

The loan refinancing provision in S. 2677 would facilitate the refinancing of private student loans onto the balance sheet of the U.S. Treasury. When CBO scored S. 2432 last Congress, under FCRA scoring, this refinancing of private student loans -- at borrower rates lower than those charged by the original lender -- generated claimed savings to the government of several billion dollars. This provision has never been scored by CBO on a fair value basis, however. I am therefore asking that you score the student loan portion of S. 2677 under both a fair value and a FCRA approach.

I appreciate your assistance in this matter. If you have any questions regarding this request please contact me, or have your staff speak with Peter Warren of the Senate Budget Committee Republican staff, at 202-224-0642.

Sincerely,



Mike Enzi  
Chairman