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February 23, 2017

The Honorable Betsy DeVos
Secretary of Education
U.S. Department of Education
400 Maryland Avenue SW
Washington, DC 20202

Dear Secretary DeVos:

Congratulations on your confirmation. I enjoyed meeting with you during the process and I look forward to working with you as our Secretary of Education. In an effort to assist in your transition, I want to follow up on some of the student financial aid issues that we spoke about in-person, and related items I raised during your confirmation hearing.

During the waning days of the last Administration, on January 13, 2017, the Education Department's Office of Federal Student Aid posted a notice concerning its College Scorecard data, in which an agency official acknowledged that, "An error in the original college scorecard coding to calculate repayment rates led to the undercounting of some borrowers who had not reduced their loan balances by at least one dollar, and therefore inflated repayment rates for most institutions."¹

This was no small undercount, as confirmed by several outside researchers. A pair of New America education researchers deemed it a "critical error" upon determining its scope:

The new data reveal that the average institution saw less than half of their former students managing to pay even a dollar towards their principal loan balance three years after leaving school. Previously released data had stated that this average figure was nearly 20 percentage points higher, a still lackluster 66 percent. Even more borrowers are not making progress on their loans than previously thought.²

The repayment rates for the majority of post-secondary institutions were inflated, creating for potential students an exaggerated impression of how quickly they are likely to pay down student debt. Ironically, the Obama Administration created the College Scorecard specifically to provide reliable consumer information to potential post-secondary students; when it was first unveiled in September 2015, President Obama stated in his Weekly Radio address:

¹ <https://ifap.ed.gov/eannouncements/011317UpdatedDataForCollegeScorecardFinAidShopSheet.html>

² <https://www.newamerica.org/education-policy/edcentral/fewer-borrowers-are-repaying-their-loans-previously-thought/>. For similar analysis of the data from a Seton Hall University education professor, see <https://kelchenoneducation.wordpress.com/2017/01/13/how-much-did-a-coding-error-affect-student-loan-repayment-rates/>

As college costs and student debt keep rising, the choices that Americans make when searching for and selecting a college have never been more important. That's why everyone should be able to find clear, reliable open data on college affordability and value – like whether they're likely to graduate, find good jobs and pay off their loans ...So today, my administration is launching a new College Scorecard, designed with input from those who will use it the most – students, families and counselors. Americans will now have access to reliable data on every institution of higher education. You'll be able to see how much each school's graduates earn, how much debt they graduate with, and what percentage of a school's students can pay back their loans -- which will help all of us see which schools do the best job of preparing America for success. And to reach more folks, we're working with partners in the academic, non-profit and private sectors that will help families use this new data to navigate the complicated college process and make informed decisions.³

The same Administration also published late last year a Defense to Repayment (DTR) rule that holds schools accountable for federal loan debt incurred by borrowers who are misled -- even inadvertently -- by institutions of higher education that provide misleading data about, for example, the employability of their graduates.⁴

This begs the question, "Who will hold the Department accountable for debt incurred by borrowers misled by the erroneous College Scorecard data it posted?"

A January 22 *Wall Street Journal* editorial asserts that the Scorecard error "doesn't look innocent or innocuous" because the erroneous repayment data was used as a pretext for requiring in the DTR rule that certain for-profit colleges – but no non-profit schools -- include cautionary warnings in their promotional materials to students.⁵

The error is also in keeping with the prior Administration's inclination to sweep under the rug the consequences of its own actions with respect to its unilateral expansion of Income-Dependent Repayment (IDR) programs. The New America analysts who evaluated the Scorecard error speculated that a primary reason the corrected data shows most recent borrowers aren't reducing their balance is because IDR now enables many to avoid default without paying down a dollar of loan principal.

Similarly, a Government Accountability Office (GAO) study I requested that was issued last November found that the prior Administration consistently underestimated the projected cost of IDR by regularly underestimating the portion of students likely to sign up for it – even assuming, inexplicably, that no GRAD PLUS borrowers at all would select such a repayment plan.⁶

It's important to realize that if the Education Department were a bank, it would be among the largest in the Nation, based on its \$1.3 trillion student loan portfolio.⁷ If Congress is to continue to entrust the

³ <https://www.youtube.com/watch?v=TpaJ9Sm7i7I>

⁴ <https://www2.ed.gov/policy/highered/reg/hearulemaking/2016/bd-unofficialfinalregs-102716.pdf>

⁵ <https://www.wsj.com/articles/obamas-student-loan-fiasco-1485126310>

⁶ <http://gao.gov/assets/690/681064.pdf>

⁷ <https://www.federalreserve.gov/releases/lbr/current/>

\$100 billion annual federal student lending operation to the agency, it must show that it can maintain accurate records of loan transactions, costs and performance -- as any financial institution must.

The current transition provides an ideal opportunity to establish a firm baseline for moving forward. Therefore, I recommend that you conduct a comprehensive audit of all student loan-related data maintained by the Department -- whether used for budgetary, regulatory, public information or other purposes -- and take steps to ensure the integrity of the data going forward, starting with the implementation of recommendations made by the GAO in the aforementioned report.

Please keep me apprised of your efforts in this area, and let me know if I can be of any assistance. I look forward to working with you and other interested parties on these matters going forward.

Sincerely,

A handwritten signature in black ink that reads "Michael B. Enzi". The signature is written in a cursive style and is positioned above a horizontal line.

Mike Enzi
Chairman
Senate Budget Committee