



Congress of the United States
House of Representatives
Washington, DC 20515-0603

April 29, 2022

Dr. Phillip Swagel
Director
Congressional Budget Office
Ford House Office Building
Fourth Floor, Second & D Streets SW
Washington, DC 20515

Dear Director Swagel:

In March 2010, President Obama signed the Health Care and Education Reconciliation Act into law.¹ The Congressional Budget Office (CBO) estimated that these federal student lending programs would save taxpayers \$40 to \$62 billion from 2010 through 2020.²

After almost a decade of stating the program would return a profit, CBO produced a new projection in May 2019 that showed the program would cost taxpayers \$31.5 billion over the next decade.³ In 2020, the Department of Education conducted an internal analysis, which looked at \$1.37 trillion in student loans held by the federal government.⁴ The study concluded that borrowers would only pay back \$935 billion in principal and interest, meaning taxpayers would be left with the signification expense of \$435 billion.⁵

CBO miscalculated the cost of the Healthcare and Reconciliation Act by \$503 billion, before factoring in President Biden's student loan bailouts. Congress may not have passed this bill had CBO appropriately scored it. Congress needs an updated, accurate, and transparent estimate from CBO so it can fix our student lending programs going forward. It is imperative that Members of Congress, and the public, have access to disclosures on the data, programs, models, assumptions, and other details that CBO uses to estimate the cost of legislation. This transparency is necessary to ensure accuracy and confidence in CBO's reports.

We respectfully ask CBO to answer the following questions:

1. Both formulas used by CBO in 2010 showed that the program would yield gross savings. The FCRA methodology did not include the cost of risk that loans impose on taxpayers, but the Fair-value basis "explicitly" included the cost of risk. What process did CBO use to make assumptions on the number of borrowers that could potentially default on their loans?

¹ U.S. Congress, House, *Health Care and Education Reconciliation Act of 2010*, HR 4872, 111th Cong., 2nd sess., introduced in House Mar. 17, 2010.

² Congressional Budget Office, *Letter to Senator Judd Greg*, Mar. 15, 2010, www.cbo.gov/sites/default/files/cbofiles/ftpdocs/113xx/doc11343/03-15-student_loan_letter.pdf.

³ Congressional Budget Office, *Student Loan Programs: CBO's May 2019 Baseline*, www.cbo.gov/system/files?file=2019-05/51310-2019-05-studentloan.pdf.

⁴ Josh Mitchell, *Student Loan Losses Seen Costing U.S. More Than \$400 Billion*, Wall Street Journal, Nov. 21, 2020.

⁵ *Id.*

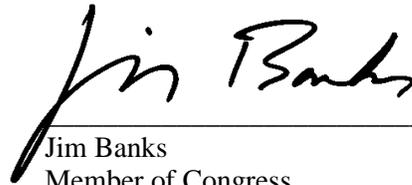
2. In 2019, CBO used both formulas again to calculate the program's budgetary impact but came to a different conclusion – a \$31.5 billion expense to taxpayers. Specifically, what caused this change in cost?
3. Please provide an updated projection on the cost of the Health Care and Education Reconciliation Act that includes the total projected cost of these student lending programs on taxpayers.

Thank you for your attention to this letter and for your prompt response.

Sincerely,



Warren Davidson
Member of Congress



Jim Banks
Member of Congress



Scott Perry
Member of Congress



Dan Meuser
Member of Congress



Mo Brooks
Member of Congress



Byron Donalds
Member of Congress



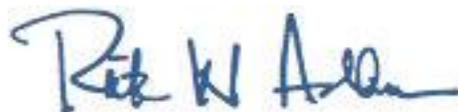
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Member of Congress



Garret Graves
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