May 19, 2022

The Honorable Robert C. "Bobby" Scott Chairman House Committee on Education and Labor 2176 Rayburn House Office Building Washington, DC 20515

Dear Mr. Chairman,

During a recent press conference at the White House, President Biden stated that his administration was "taking a hard look" at forgiving federal student loan debt through an unconstitutional executive order. As of April 2022, he has already cancelled more than \$17 billion of this debt for around 700,000 borrowers. In addition, he has extended the student loan payment moratorium four times, which costs the government approximately \$4.3 billion a month. It is irresponsible to bailout student loans without addressing the underlying cause of this crisis – the William D. Ford Federal Direct Loan Program.

In 2010, President Obama signed the Health Care and Education Reconciliation Act, which made all loans under this program direct loans from the U.S. Department of Education. More than 43 million Americans collectively hold almost \$1.8 trillion in student loan debt. Consequently, 91 percent of these student loans are issued by the federal government.<sup>2</sup> In fiscal year 2022, the Department estimated that it would issue an additional \$91.3 billion in new student loans.<sup>3</sup>

Though well-intended, the program has been disastrous for both students and taxpayers. In 2020, the U.S. Department of Education conducted an internal analysis that concluded that of the \$1.37 trillion in student loans, borrowers would only pay back \$935 billion in principal and interest. This means taxpayers will be forced to pay the \$435 billion difference. The Department's reports also show that about 15 to 20 percent of borrowers are in default at any given time, with more than one million student loans entering default each year. The Congressional Budget Office was requested to generate an updated, accurate analysis of our federal student loan programs on April 29, 2022.

<sup>&</sup>lt;sup>1</sup> Committee for a Responsible Budget, *It's Time to Wind Down the Student Loan Moratorium*, Aug. 16, 2021, https://www.crfb.org/blogs/its-time-wind-down-student-loan-moratorium.

<sup>&</sup>lt;sup>2</sup> Melanie Hanson, Student Loan Default Rate, Education Data Initiative, Dec. 19, 2021.

<sup>&</sup>lt;sup>3</sup> Alexandra Hegji, Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers, Congressional Research Service, June 21, 2021.

<sup>&</sup>lt;sup>4</sup> Office of Federal Student Aid, *Default Rates*, U.S. Department of Education, Feb. 24, 2020.

<sup>&</sup>lt;sup>5</sup> Representative Warren Davidson, Letter to CBO, April 29, 2022.

Each year, the Federal Direct Loan Program takes a costly toll on both students and taxpayers. Congress must address this problem since the President has no authority to act on his own. Moreover, student loan bailouts will not solve the issue. Why is the federal government still engaging in a loan program that shackles students with substantial debt and taxpayers with significant financial liability? We call on the committee to evaluate the William D. Ford Federal Direct Loan Program and eliminate it, if necessary. Our nation must set students up for success and spend taxpayer dollars responsibly.

Sincerely,

Warren Davidson

Andrew S. Clyde

Member of Congress

Member of Congress

Paul Gosar, D.D.S. Member of Congress

Mary Miller

Member of Congress

Bob Good

Member of Congress

Louie Gohmert

Member of Congress