

NO AID FOR GHOST STUDENTS ACT OF 2026

MAY 26, 2026.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. WALBERG, from the Committee on Education and Workforce,
submitted the following

R E P O R T

together with

S U P P L E M E N T A L V I E W S

[To accompany H.R. 7892]

[Including cost estimate of the Congressional Budget Office]

The Committee on Education and Workforce, to whom was referred the bill (H.R. 7892) to amend the Higher Education Act of 1965 to require to the Secretary of Education to use an identity fraud detection system to review each FAFSA to determine whether the FAFSA presents a reasonable suspicion of identity fraud, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “No Aid for Ghost Students Act of 2026”.

SEC. 2. IDENTITY FRAUD DETECTION SYSTEM.

(a) **IDENTITY FRAUD DETECTION SYSTEM.**—Section 483 of the Higher Education Act of 1965 (20 U.S.C. 1090) is amended by adding at the end the following:

“(e) **IDENTITY FRAUD DETECTION SYSTEM.**—

“(1) **IN GENERAL.**—In addition to or in conjunction with other verification processes carried out under this title, the Secretary shall use an identity fraud detection system to review each application submitted under this section on or after October 1, 2026, to determine whether the application presents a reasonable suspicion of identity fraud. If the Secretary determines that such an application presents a reasonable suspicion of identity fraud, the Secretary shall carry out notifications in accordance with paragraph (2).

“(2) NOTIFICATION OF REASONABLE SUSPICION OF IDENTITY FRAUD.—If the Secretary determines that an application submitted under this section presents a reasonable suspicion of identity fraud, the Secretary shall—

“(A) provide the applicant with notice—

“(i) of such determination and the basis for such determination;

“(ii) that the information described in subparagraph (B) will be transmitted to each institution of higher education designated by the applicant in the application; and

“(iii) that the applicant is subject to additional identity verification requirements in accordance with section 487(a)(15); and

“(B) transmit to each institution designated by the applicant in the application, a notice—

“(i) that such application presents a reasonable suspicion of identity fraud; and

“(ii) that the applicant is subject to identity verification requirements to be carried out by the institution in accordance with section 487(a)(15)(B), before the institution may disburse Federal financial aid under this title to such applicant.

“(3) CONGRESSIONAL NOTICES AND REPORT.—

“(A) NOTICES.—The Secretary shall submit to the authorizing committees—

“(i) not later than November 1, 2026, a written description of the identity fraud detection system required under this subsection; and

“(ii) not later than 30 days after implementing any substantial change to such system, a written description and rationale for such change.

“(B) ANNUAL EVALUATION AND REPORT.—Not later than October 1, 2027, and annually thereafter, the Secretary shall conduct an evaluation of the effectiveness of the identity fraud detection system carried out under this subsection, and submit to the authorizing committees a report on the use and effectiveness of such system.”.

(b) ADDITIONAL VERIFICATION REQUIREMENTS.—

(1) AMENDMENTS.—Section 487(a)(15) of the Higher Education Act of 1965 (20 U.S.C. 1094(a)(15)) is amended—

(A) by striking “(15) The institution acknowledges” and inserting “(15)(A) The institution acknowledges”; and

(B) by adding at the end the following new subparagraph:

“(B) Beginning on October 1, 2026, the institution will not disburse Federal financial aid under this title to an applicant whose application under section 483 presents a reasonable suspicion of identity fraud under section 483(e), unless the institution, in accordance with procedures established by the Secretary—

“(i) determines that a reasonable suspicion of identity fraud is not present by confirming the identity of such applicant using in-person verification or live, synchronous audiovisual verification;

“(ii) notifies the Secretary that the identity of the applicant has been verified; and

“(iii) maintains a record of such identity verification.”.

(2) GUIDELINES ON INSTITUTIONAL VERIFICATION PROCEDURES.—Not later than October 1, 2026, the Secretary of Education shall establish guidelines with respect to identity verification procedures to be carried out by institutions of higher education under subparagraph (B) of section 487(a)(15) of the Higher Education Act of 1965 (20 U.S.C. 1094(a)(15)), as amended by paragraph (1).

PURPOSE

H.R. 7892, *No Aid for Ghost Students Act of 2026*, would strengthen safeguards against fraud in federal student aid by amending the *Higher Education Act of 1965* (HEA) to require the Department of Education (ED) to use an identity fraud detection system to review every Free Application for Federal Student Aid (FAFSA). If a reasonable suspicion of fraud is determined, ED would alert the applicant and designated institutions, and institutions would be required to verify applicant identity either in person or through a live video call before disbursing federal student aid. The bill also requires ED to establish guidelines for the identity

verification procedures institutions must follow when reviewing FAFSA applications flagged for suspected identity fraud, to provide Congress with an initial written description of the detection system, to notify Congress within 30 days of any substantial changes, and to submit annual reports to Congress on the system’s use and effectiveness.

COMMITTEE ACTION

118TH CONGRESS

Second Session—Hearings

On April 10, 2024, the Subcommittee on Higher Education and Workforce Development held a hearing on “FAFSA Fail: Examining the Impact on Students, Families, and Schools.” The purpose of the hearing was to assess the causes and impacts of the failed FAFSA rollout, including the effects of delays and data inaccuracies on students and postsecondary institutions. Testifying before the Subcommittee were Mr. Mark Kantrowitz, President, Cerebly, Inc., Skokie, Illinois; Mr. Justin Draeger, President & CEO, National Association of Student Financial Aid Administrators, Washington, D.C.; Ms. Kim Cook, CEO, National College Attainment Network, Washington, D.C.; and Ms. Rachelle Feldman, Vice Provost, Enrollment, University of North Carolina Chapel Hill, Chapel Hill, North Carolina.

On September 24, 2024, the Subcommittee on Higher Education and Workforce Development held a hearing on “GAO Uncovers Biden-Harris FAFSA Failures.” The purpose of the hearing was to review data and findings from the Government Accountability Office (GAO) on ED’s implementation of the new FAFSA, with a focus on timelines, technical challenges, and transparency and communication with students, institutions, and taxpayers. Testifying before the Subcommittee were Ms. Melissa Emrey-Arras, Director, Education, Workforce, and Income Security Issues, GAO, Washington, D.C.; and Mrs. Marisol Cruz Cain, Director, Information Technology and Cybersecurity Team, GAO, Washington, D.C.

119TH CONGRESS

First Session—Hearing

On September 16, 2025, the Subcommittee on Higher Education and Workforce Development held a hearing on “No More Surprises: Reforming College Pricing for Students and Families.” The purpose of the hearing was to examine ways to make college financial aid more transparent. Testifying before the Subcommittee were Mr. Justin Draeger, Senior Vice President, Affordability, Strada Education Foundation, Washington, D.C.; Mr. Lee Wishing III, Vice President for Student Recruitment and Chief Marketing Officer, Grove City College, Grove City, Pennsylvania; Ms. Amy Laitinen, Senior Director of Higher Education, New America, Washington, D.C.; and Dr. Andrew Gillen, Research Fellow, Cato Institute, Washington, D.C.

Legislative Action

On March 12, 2026, Representative Burgess Owens (R-UT) introduced *No Aid for Ghost Students Act of 2026* (H.R. 7892). The

bill was referred solely to the Committee on Education and Workforce. On March 17, 2026, the Committee considered H.R. 7892 in legislative session and reported it favorably, as amended, to the House of Representatives by a recorded vote of 30–3. The Committee considered the following amendments to H.R. 7892:

1. Representative Owens offered an Amendment in the Nature of a Substitute (ANS) that made technical changes. The amendment passed by voice vote.

2. Representative Robert C. “Bobby” Scott (D–VA) offered an amendment to clarify that a reasonable suspicion of identity fraud must be based on the V4 and V5 verification groups under current regulations. The amendment was offered en bloc and failed by voice vote.

3. Representative Scott offered an amendment to require ED to provide institutions of higher education with technical and financial assistance to comply with the bill. The amendment was offered en bloc and failed by voice vote.

COMMITTEE VIEWS

INTRODUCTION

The federal student aid system plays a vital role in helping students and families afford postsecondary education by providing grants, loans, and work-study assistance through the FAFSA process. In Fiscal Year 2024, the Office of Federal Student Aid delivered approximately \$120.8 billion in aid to more than 9.9 million students.¹ Given both the scale and importance of these programs, durable and effective safeguards are necessary to protect taxpayer funds and ensure aid is awarded only to real, eligible students.

Ghost Student Fraud

“Ghost student” fraud commonly refers to schemes in which bad actors use stolen or counterfeit identities to submit college admission and federal student aid applications, enroll in courses, and extract federal or state aid by capturing the refund portion of the aid after institutional charges are covered. Once the funds are disbursed, the “student” vanishes. This has become a significant issue, costing taxpayers millions of dollars and even crowding real students out of classes.² The problem has only grown in recent years, with California community colleges seeing the share of applicants identified as “likely fake” increase from 20 percent in 2021 to 34 percent in 2024.³

Ghost student fraud schemes often exploit the structure of remote admissions, online enrollment, and federal student aid disbursement. In a typical scheme, fraudsters obtain or fabricate personally identifiable information and use that information to create accounts and submit admissions applications to institutions that offer online programs or otherwise permit students to complete enrollment processes remotely. After securing admission, the fraudster submits a FAFSA in the name of the fraudulent student.

¹ [fy2024-fsa-annual-report.pdf](#).

² “Ghost” students are hijacking millions from colleges—and locking real human students out of classes | Fortune.

³ Financial aid fraud keeps climbing in CA community colleges—CalMatters.

Once the application is processed and the student is enrolled, the institution receives the applicable student aid funds and applies a portion of those funds toward tuition and fees. Any remaining balance is then refunded to the student. Ghost student fraud schemes exploit that refund process by directing the excess aid to accounts controlled by the fraudster. Recent criminal cases demonstrate how these schemes operate in practice. In one such case, the alleged fraudsters used the identities of prison inmates to enroll at a California community college, submit FAFSAs, and divert approximately \$980,000 in federal student aid funds to accounts under their control.⁴

Fraudsters are increasingly adopting new technologies such as artificial intelligence (AI) to increase the scale and sophistication of ghost student fraud.⁵ At a larger scale, ghost student fraud schemes require the creation of plausible identities, the submission of large volumes of admissions and financial aid applications, and the maintenance of activity that appears consistent with legitimate student participation long enough to trigger aid disbursement. AI tools can streamline these steps by generating convincing written materials, automating repetitive application processes, and producing online activity that mimics realistic student behavior. This evolving threat underscores the need for strong, durable safeguards to protect the integrity of federal student aid programs.

Recent Executive Actions

Last year, ED launched a series of measures to combat ghost student fraud. In guidance issued for the summer 2025 semester, ED required institutions to verify the identity of first-time FAFSA applicants and introduced new identity-validation requirements designed to make it more difficult for fraudsters to use stolen or fabricated identities.⁶ For certain flagged applicants, that verification included presenting an unexpired, valid, government-issued photo ID either in person or through a live video conference with an institutionally authorized official.⁷ By December 2025, ED estimated it had blocked more than \$1 billion in attempted financial aid theft.⁸

Most recently, on April 26, 2026, ED implemented a real-time fraud detection system within FAFSA that screens applicants as they complete the form.⁹ The system allows most legitimate applicants to proceed normally, while applicants flagged as high risk must complete an additional online identity confirmation process within the FAFSA workflow. For the highest-risk applicants, as well as high-risk applicants whose identities cannot be confirmed through the online process, Institutional Student Information Records (ISIRs) continue to be generated but are placed in rejected status with fraud-related codes. Institutions can then assist legitimate applicants in resolving the rejected status through in-person

⁴Central District of California | Three Women Indicted for Alleged Scheme that Used Prison Inmates' Identities to Fraudulently Obtain Federal Student Loans | United States Department of Justice.

⁵How scammers are using AI to steal college financial aid.

⁶U.S. Department of Education to Implement New Identity Validation Processes to Combat Student Aid Fraud | U.S. Department of Education.

⁷U.S. Department of Education to Implement New Identity Validation Processes to Combat Student Aid Fraud | U.S. Department of Education.

⁸U.S. Department of Education Prevents More Than \$1 Billion in Federal Student Aid Fraud This Year, Additional Crackdowns Expected in 2026 | U.S. Department of Education.

⁹FAFSA Real-Time Fraud Detection | Knowledge Center.

identity verification and by reporting the result through the FAFSA Partner Portal. By giving high-risk applicants an opportunity to resolve identity concerns online within the FAFSA workflow before institutional review is needed, ED expects to reduce the number of applications that institutions must verify in person, easing the verification burden on institutions while protecting federal student aid dollars from fraud. On May 13, 2026, ED estimated the new real-time fraud detection system had blocked \$60 million in fraudulent student loan applications since launching on April 26.¹⁰

Need for Legislation

ED's authority to address fraud in the federal student aid programs, including ghost student fraud, is rooted in HEA provisions governing student eligibility, institutional participation, and fraud involving Title IV funds. Those provisions establish baseline eligibility requirements for student aid; require participating institutions to administer Title IV funds in accordance with program rules; and provide for civil, administrative, and criminal consequences when Title IV funds are obtained or used improperly.

While granting ED this broad authority, the HEA does not require ED to maintain specific safeguards against ghost student fraud on a continuing basis. As a result, ED retains meaningful discretion over whether and how key screening, verification, and anti-fraud protections are designed, applied, strengthened, or relaxed. That discretion creates the risk that critical anti-fraud protections will not be maintained with the consistency necessary to protect taxpayers and legitimate students. H.R. 7892 will help ensure federal student aid dollars remain protected from evolving fraud threats.

CONCLUSION

Americans should feel confident that federal student aid supports real students rather than enriching ghost student fraudsters. H.R. 7892 accomplishes this by requiring ED to review every FAFSA for indicators of identity fraud, notify applicants and institutions when reasonable suspicion exists, and ensure that flagged applicants undergo identity verification before Title IV funds are disbursed.

SUMMARY

H.R. 7892 SECTION-BY-SECTION SUMMARY

Section 1—Short title

- Names the bill *No Aid for Ghost Students Act of 2026*.

Section 2—Identity fraud detection system

Section 2(a)—Identity Fraud Detection System:

- Amends section 483 of the HEA to require the Secretary of Education to use an identity fraud detection system to review each FAFSA to determine whether it presents a reasonable suspicion of identity fraud.

¹⁰<https://dailycaller.com/2026/05/13/donald-trump-education-department-student-loans-60-million-applications-fraud/>.

- If flagged, the Secretary must notify the applicant and institution that the institution must complete identity verification before disbursing federal student aid.
- Requires the Secretary to provide Congress with:
 - a written description of the fraud detection system by November 1, 2026;
 - a written description and rationale within 30 days of any substantial change to the system; and
 - an annual evaluation and report, beginning October 1, 2027, on the system's use and effectiveness.

Section 2(b)—Additional Verification Requirements:

- Amends section 487(a)(15) of the HEA to add new institutional obligations related to suspected identity fraud.
- Beginning October 1, 2026, an institution may not disburse federal student aid to an applicant whose application was flagged for suspected identity fraud unless the institution verifies the applicant's identity either in person or through live video verification.
- Requires the Secretary of Education to establish guidelines by October 1, 2026, for how institutions must carry out the new identity verification procedures.

EXPLANATION OF AMENDMENTS

The amendments, including the amendment in the nature of a substitute, are explained in the body of this report.

APPLICATION OF LAW TO THE LEGISLATIVE BRANCH

Section 102(b)(3) of Public Law 104–1 requires a description of the application of this bill to the legislative branch. H.R. 7892 amends the HEA to require ED to use an identify fraud detection system to review every FAFSA, notify applicants and institutions when reasonable suspicion exists, and ensure that flagged applicants undergo identity verification before Title IV funds are disbursed. H.R. 7892 applies only to ED, FAFSA applicants, and institutions of higher education, and therefore does not apply to the Legislative Branch.

UNFUNDED MANDATE STATEMENT

Pursuant to section 423 of the *Congressional Budget and Impoundment Control Act of 1974*, Pub. L. No. 93–344 (as amended by section 101(a)(2) of the *Unfunded Mandates Reform Act of 1995*, Pub. L. No. 104–4), the Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office (CBO) pursuant to section 402 of the *Congressional Budget and Impoundment Control Act of 1974*.

EARMARK STATEMENT

H.R. 7892 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of House rule XXI.

ROLL CALL VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee Report to include for each record vote on a motion to report the measure or matter and on any amendments offered to the measure or matter the total number of votes for and against and the names of the Members voting for and against.

Date: 3/17/2026

COMMITTEE ON EDUCATION AND WORKFORCE RECORD OF COMMITTEE VOTE

Roll Call: 6 Bill: H.R. 7892 Amendment Number: N/A

Disposition: Adopted by a Full Committee Roll Call Vote

Sponsor/Amendment: Motion to report bill; as amended

Rep. Owens (UT)

Name & State	Aye	No	Not Voting	Name & State	Aye	No	Not Voting
Mr. WALBERG (MI) (Chairman)	X			Mr. SCOTT (VA) (Ranking)	X		
Mr. WILSON (SC)			X	Mr. COURTNEY (CT)	X		
Mrs. FOXX (NC)	X			Ms. WILSON (FL)			X
Mr. THOMPSON (PA)	X			Ms. BONAMICI (OR)	X		
Mr. GROTHMAN (WI)	X			Mr. TAKANO (CA)	X		
Ms. STEFANIK (NY)	X			Ms. ADAMS (NC)	X		
Mr. ALLEN (GA)	X			Mr. DESAULNIER (CA)			X
Mr. COMER (KY)	X			Mr. NORCROSS (NJ)			X
Mr. OWENS (UT)	X			Ms. MCBATH (GA)	X		
Ms. MCCLAIN (MI)	X			Ms. HAYES (CT)	X		
Mrs. MILLER (IL)	X			Ms. OMAR (MN)		X	
Ms. LETLOW (LA)	X			Ms. STEVENS (MI)	X		
Mr. KILEY (CA)	X			Mr. CASAR (TX)		X	
Mr. RULLI (OH)	X			Ms. LEE (PA)		X	
Mr. MOYLAN (GU)	X			Mr. MANNION (NY)	X		
Mr. ONDER (MO)	X			Ms. GRIJALVA (AZ)	X		
Mr. MACKENZIE (PA)	X						
Mr. BAUMGARTNER (WA)	X						
Mr. HARRIS (NC)	X						
Mr. MESSMER (IN)	X						
Mr. FINE (FL)	X						

TOTALS: Ayes: 30

Nos: 3

Not Voting: 4

Total: 37 / Quorum: 33 / Report: Passed

(21 R - 16 D)

STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

In accordance with clause (3)(c) of rule XIII of the Rules of the House of Representatives, the goal of H.R. 7892 is to combat federal student aid fraud by requiring that ED review every FAFSA for indicators of identity fraud, notify applicants and institutions when reasonable suspicion exists, and ensure that flagged applicants undergo identity verification before Title IV funds are disbursed. The bill also directs ED to create guidelines for identify verification procedures for institutions and requires ED to evaluate the system annually to report on its effectiveness and brief Congress on any major changes.

DUPLICATION OF FEDERAL PROGRAMS

No provision of H.R. 7892 establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, a program that was included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111-139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

STATEMENT OF OVERSIGHT FINDINGS AND RECOMMENDATIONS OF
THE COMMITTEE

In compliance with clause 3(c)(1) of rule XIII and clause 2(b)(1) of rule X of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in the body of this report.

REQUIRED COMMITTEE HEARING

In compliance with clause 3(c)(6) of rule XIII the following hearing held during the 119th Congress was used to develop or consider H.R. 7892: On September 16, 2025, the Committee's Higher Education and Workforce Development Subcommittee held a hearing on "No More Surprises: Reforming College Pricing for Students and Families."

NEW BUDGET AUTHORITY AND CBO COST ESTIMATE

With respect to the requirements of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the *Congressional Budget Act of 1974* and with respect to requirements of clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the *Congressional Budget Act of 1974*, the Committee adopts as its own the cost estimate for the bill prepared by the Director of the Congressional Budget Office.

H.R. 7892, No Aid for Ghost Students Act of 2026			
As ordered reported by the House Committee on Education and Workforce on March 17, 2026			
By Fiscal Year, Millions of Dollars	2026	2026-2031	2026-2036
Direct Spending (Outlays)	0	0	0
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	0	0
Spending Subject to Appropriation (Outlays)	*	*	not estimated
Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2037?	No	Statutory pay-as-you-go procedures apply?	No
		Mandate Effects	
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2037?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No
* = between zero and \$500,000.			

H.R. 7892 would require the Department of Education to use an identity fraud detection system to review federal financial aid applications and would require institutions of higher education to verify the identity of any suspicious aid applicant identified by that system prior to disbursing federal student aid to that applicant. The bill also would require the department to establish guidelines for institutions of higher education to verify the identity of suspicious applicants. Finally, H.R. 7892 would require the department to report annually to the Congress on the effectiveness of its identity fraud detection system.

On June 6, 2025, the department announced it was planning to implement many of the requirements in H.R. 7892, including an identity fraud detection system.¹ On that basis and based on the cost of similar activities, CBO estimates that the cost to implement H.R. 7892 would be less than \$500,000. Any related spending would be subject to the availability of appropriated funds.

The CBO staff contact for this estimate is Leah Koestner. The estimate was reviewed by H. Samuel Papenfuss, Deputy Director of Budget Analysis.

PHILLIP L. SWAGEL,
Director, Congressional Budget Office.

COMMITTEE COST ESTIMATE

Clause 3(d)(1) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison of the costs that would be incurred in carrying out H.R. 7892. However, clause 3(d)(2)(B) of that Rule provides that this requirement does not apply when, as with the present report, the Committee adopts as its own the cost estimate for the bill prepared by the Director of the Congressional Budget Office.

¹ Department of Education, Federal Student Aid Office, "Significant Actions to Prevent Fraud through Identity Verification," APP-25-16 (June 6, 2025), <https://tinyurl.com/mtz6jsvr>.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

HIGHER EDUCATION ACT OF 1965

* * * * *

TITLE IV—STUDENT ASSISTANCE

* * * * *

PART G—GENERAL PROVISIONS RELATING TO STUDENT ASSISTANCE PROGRAMS

* * * * *

SEC. 483. FREE APPLICATION FOR FEDERAL STUDENT AID.

(a) SIMPLIFIED APPLICATION FOR FEDERAL STUDENT FINANCIAL AID.—

(1) IN GENERAL.—Each individual seeking to apply for Federal financial aid under this title for award year 2024–2025 and any subsequent award year shall file a free application with the Secretary, known as the “Free Application for Federal Student Aid”, to determine eligibility for such aid, as described in paragraph (2), and in accordance with section 479.

(2) FREE APPLICATION.—

(A) IN GENERAL.—The Secretary shall make available, for the purposes of paragraph (1), a free application to determine the eligibility of a student for Federal financial aid under this title.

(B) INFORMATION REQUIRED BY THE APPLICANT.—

(i) IN GENERAL.—The applicant, and, if necessary, the parents or spouse of the applicant, shall provide the Secretary with the applicable information described in clause (ii) in order to be eligible for Federal financial aid under this title.

(ii) INFORMATION TO BE PROVIDED.—The information described in this clause is the following:

(I) Name.

(II) Contact information, including address, phone number, email address, or other electronic address.

(III) Social security number.

(IV) Date of birth.

(V) Marital status.

(VI) Citizenship status, including alien registration number, if applicable.

(VII) Sex.

(VIII) Race or ethnicity, using categories developed in consultation with the Bureau of the Census and the Director of the Institute of Education Sciences that, to the greatest extent practicable,

separately capture the racial groups specified in the American Community Survey of the Bureau of the Census.

(IX) State of legal residence and date of residency.

(X) The following information on secondary school completion:

(aa) Name and location of the high school from which the applicant received, or will receive prior to the period of enrollment for which aid is sought, a regular high school diploma;

(bb) name and location of the entity from which the applicant received, or will receive prior to the period of enrollment for which aid is sought, a recognized equivalent of a regular high school diploma; or

(cc) if the applicant completed or will complete prior to the period of enrollment for which aid is sought, a secondary school education in a home school setting that is treated as a home school or private school under State law.

(XI) Name of each institution where the applicant intends to apply for enrollment or continue enrollment.

(XII) Year in school for period of enrollment for which aid is sought, including whether applicant will have finished first bachelor's degree prior to the period of enrollment for which aid is sought.

(XIII) Whether one or both of the applicant's parents attended college.

(XIV) Any required asset information, unless exempt under section 479, in which the applicant shall indicate—

(aa) the annual amount of child support received, if applicable; and

(bb) all required asset information not described in item (aa).

(XV) The number of members of the applicant's family who will also be enrolled in an eligible institution of higher education on at least a half-time basis during the same enrollment period as the applicant.

(XVI) If the applicant meets any of the following designations:

(aa) Is an unaccompanied homeless youth, or is unaccompanied, at risk of homelessness, and self-supporting.

(bb) Is an emancipated minor.

(cc) Is in legal guardianship.

(dd) Has been a dependent ward of the court at any time since the applicant turned 13.

(ee) Has been in foster care at any time since the applicant turned 13.

(ff) Both parents have died since the applicant turned 13.

(gg) Is a veteran of the Armed Forces of the United States or is serving (on the date of the application) on active duty in the Armed Forces for other than training purposes.

(hh) Is under the age of 24 and has a dependent child or relative.

(ii) Does not have access to parental information due to an unusual circumstance described in section 480(d)(9).

(XVII) If the applicant receives or has received any of the following means-tested Federal benefits within the last two years:

(aa) The supplemental security income program under title XVI of the Social Security Act (42 U.S.C. 1381 et seq.).

(bb) The supplemental nutrition assistance program under the Food and Nutrition Act of 2008 (7 U.S.C. 2011 et seq.), a nutrition assistance program carried out under section 19 of such Act (7 U.S.C. 2028), or a supplemental nutrition assistance program carried out under section 3(c) of the Act entitled "An Act to authorize appropriations for certain insular areas of the United States, and for other purposes" (Public Law 95-348).

(cc) The free and reduced price school lunch program established under the Richard B. Russell National School Lunch Act (42 U.S.C. 1751 et seq.).

(dd) The program of block grants for States for temporary assistance for needy families established under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.).

(ee) The special supplemental nutrition program for women, infants, and children established by section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786).

(ff) The Medicaid program under title XIX of the Social Security Act (42 U.S.C. 1396 et seq.).

(gg) Federal housing assistance programs, including tenant-based assistance under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)), and public housing, as defined in section 3(b)(1) of such Act (42 U.S.C. 1437a(b)(1)).

(hh) Refundable credit for coverage under a qualified health plan under section 36B of the Internal Revenue Code of 1986.

(ii) The Earned Income Tax Credit under section 32 of the Internal Revenue Code of 1986.

(jj) Any other means-tested program determined by the Secretary to be appropriate.

(XVIII) If the applicant, or, if necessary, the parents or spouse of the applicant, reported receiving tax exempt payments from an individual retirement plan (as defined in section 7701 of the Internal Revenue Code of 1986) distribution or from pensions or annuities on a Federal tax return, information as to how much of the individual retirement plan distribution or pension or annuity disbursement was a qualified rollover.

(XIX) If the applicant, or, if necessary, the parents or spouse of the applicant, reported receiving foreign income that is exempt from Federal taxation or for which a permanent resident of the United States or United States citizen receives a foreign tax credit, information regarding the amount of such foreign income.

(XX) If the applicant, or, if applicable, the parents or spouse of the applicant, elects to report receiving college grant and scholarship aid included in gross income on a Federal tax return described in section 480(e)(2), information regarding the amount of such aid

(iii) PROHIBITION AGAINST REQUESTING INFORMATION MORE THAN ONCE.—Any information requested during the process of creating an account for completing the free application under this subsection, shall, to the fullest extent possible, not be required a second time for the same award year, or in a duplicative manner, when completing such free application except in the case of an unusual situation, such as a temporary inability to access an account for completing such free application.

(iv) CHANGE IN FAMILY SIZE.—The Secretary shall provide a process by which an applicant shall confirm the accuracy of family size or update the family size with respect to such applicant for purposes of determining the need of such applicant for financial assistance under this title based on a change in family size from the tax year data used for such determination.

(v) SINGLE QUESTION FOR HOMELESS STATUS.—The Secretary shall ensure that—

(I) on the form developed under this section for which the information is applicable, there is a single, easily understood screening question to identify an applicant who is an unaccompanied homeless youth or is unaccompanied, at risk of homelessness, and self-supporting; and

(II) such question is distinct from those relating to an individual who does not have access to parental income due to an unusual circumstance.

(vi) ADJUSTMENTS.—The Secretary shall disclose on the FAFSA that the student may, on a case-by-case basis, qualify for an adjustment under section 479A to the cost of attendance or the values of the data items required to calculate the student's eligibility for a Federal Pell Grant or the student aid index for the student or parent.

(C) NOTIFICATION AND APPROVAL OF REQUEST FOR TAX RETURN INFORMATION.—The Secretary shall notify students and borrowers who wish to submit an application for Federal student financial aid under this title (as well as parents and spouses who must sign such an application or request or a Master Promissory Note on behalf of those students and borrowers) of the authority of the Secretary to require that such persons affirmatively approve that the Internal Revenue Service disclose their tax return information as described in section 494.

(D) AUTHORIZATIONS AVAILABLE TO THE APPLICANT.—

(i) AUTHORIZATION TO DISCLOSE FAFSA INFORMATION, INCLUDING A REDISCLOSURE OF TAX RETURN INFORMATION, TO INSTITUTION, STATE HIGHER EDUCATION AGENCY, AND DESIGNATED SCHOLARSHIP ORGANIZATIONS.—An applicant and, if necessary, the parents or spouse of the applicant shall provide the Secretary with authorization to disclose to an institution, State higher education agency, and scholarship organizations (designated (prior to the date of enactment of the FUTURE Act (Public Law 116–91)) by the Secretary under section 483(a)(3)(E)) as in effect on such date of enactment, as specified by the applicant and in accordance with section 494, in order for the applicant's eligibility for Federal financial aid programs, State financial aid programs, institutional financial aid programs, and scholarship programs at scholarship organizations (designated (prior to the date of enactment of the FUTURE Act (Public Law 116–91)) by the Secretary under section 483(a)(3)(E)) as in effect on such date of enactment, to be determined, the following:

(I) Information described under section 6103(l)(13) of the Internal Revenue Code of 1986.

(II) All information provided by the applicant on the application described by this subsection to determine the applicant's eligibility for Federal financial aid under this title and for the application, award, and administration of such Federal financial aid, except the name of an institution to which an applicant selects to redisclose information shall not be disclosed to any other institution.

(ii) AUTHORIZATION TO DISCLOSE TO BENEFITS PROGRAMS.—An applicant and, if necessary, the parents or spouse of the applicant may provide the Secretary with authorization to disclose to applicable agencies that handle applications for means-tested Federal benefit programs, as defined in section 479(b)(4)(H), all information provided by the applicant on the application

described by this subsection as well as such applicant's student aid index and scheduled Federal Pell Grant award to assist in identification, outreach and application efforts for the application, award, and administration of such means-tested Federal benefits programs, except such information shall not include Federal tax information as specified in section 6103(l)(13)(C) of the Internal Revenue Code of 1986.

(E) ACTION BY THE SECRETARY.—Upon receiving—

(i) an application under this section, the Secretary shall, as soon as practicable, perform the necessary functions with the Commissioner of Internal Revenue to calculate the applicant's student aid index and scheduled award for a Federal Pell Grant, if applicable, assuming full-time enrollment for an academic year, and note to the applicant the assumptions relationship to the scheduled award; and

(ii) an authorization under subparagraph (D), the Secretary shall, as soon as practicable, disclose the information described under such subparagraph, as specified by the applicant, in order for the applicant's eligibility for Federal, State, or institutional student financial aid programs or means-tested Federal benefit programs to be estimated or determined.

(F) WORK STUDY WAGES.—With respect to an applicant who has received income earned from work under part C of this title, the Secretary shall take the steps necessary to collect information on the amount of such income for the purposes of calculating such applicant's student aid index and scheduled award for a Federal Pell Grant, if applicable, without adding additional questions to the FAFSA, including by collecting such information from institutions of higher education participating in work-study programs under part C of this title.

(3) INFORMATION TO BE SUPPLIED BY THE SECRETARY OF EDUCATION.—

(A) IN GENERAL.—Upon receiving and timely processing a free application that contains the information described in paragraph (2), the Secretary shall provide to the applicant the following information based on full-time attendance for an academic year:

(i) The estimated dollar amount of a Federal Pell Grant scheduled award for which the applicant is eligible for such award year.

(ii) Information on other types of Federal financial aid for which the applicant may be eligible (including situations in which the applicant could qualify for 150 percent of a scheduled Federal Pell Grant award and loans made under this title) and how the applicant can find additional information regarding such aid.

(iii) Consumer-tested information regarding each institution selected by the applicant in accordance with paragraph (2)(B)(ii)(XI), which may include the following:

(I) The following information, as collected through the Integrated Postsecondary Education Data System or a successor Federal data system as designated by the Secretary:

(aa) Net price by the income categories, as described under section 132(i)(6), and disaggregated by undergraduate and graduate programs, as applicable.

(bb) Graduation rate.

(cc) Retention rate.

(dd) Transfer rate, if available.

(II) Median debt of students upon completion.

(III) Institutional default rate, as calculated under section 435.

(iv) If the student is eligible for a student aid index of less than or equal to zero under section 473, a notification of the Federal means-tested benefits that they have not already indicated they receive, but for which they may be eligible, and relevant links and information on how to apply for such benefits.

(v) Information on education tax benefits described in paragraphs (1) and (2) of section 25A(a) of the Internal Revenue Code of 1986 or other applicable education tax benefits determined in consultation with the Secretary of the Treasury.

(vi) If the individual identified as a veteran, or as serving (on the date of the application) on active duty in the Armed Forces for other than training purposes, information on benefits administered by the Department of Veteran Affairs or Department of Defense, respectively.

(vii) If applicable, the applicant's current outstanding balance of loans under this title.

(B) INFORMATION PROVIDED TO THE STATE.—

(i) IN GENERAL.—The Secretary shall redisclose, with authorization from the applicant in accordance with paragraph (2)(D)(i), to a State higher education agency administering State-based financial aid and serving the applicant's State of residence, the information described under section 6103(l)(13) of the Internal Revenue Code of 1986 and information described in paragraph (2)(B) for the application, award, and administration of grants and other student financial aid provided directly from the State to be determined by such State. Such information shall include the list of institutions provided by the applicant on the application.

(ii) USE OF INFORMATION.—A State agency administering State-based financial aid—

(I) shall use the information provided under clause (i) solely for the application, award, and administration of State-based financial aid for which the applicant is eligible;

(II) may use the information, except for the information described under section 6103(l)(13) of the Internal Revenue Code of 1986, for State

agency research that does not release any individually identifiable information on any applicant to promote college attendance, persistence, and completion;

(III) may use identifying information provided by student applicants on the FAFSA to determine whether or not a graduating secondary student has filed the application in coordination with local educational agencies or secondary schools to encourage students to complete the application; and

(IV) may share the application information, excluding the information described under section 6103(l)(13) of the Internal Revenue Code of 1986, with any other entity, only if such applicant provides explicit written consent of the applicant, except as provided in subclause (III).

(iii) LIMITATION ON CONSENT PROCESS.—A State may provide a consent process whereby an applicant may elect to share the information described in clause (i), except for the information described in section 6103(l)(13) of the Internal Revenue Code of 1986, through explicit written consent to Federal, State, or local government agencies or tribal organizations to assist such applicant in applying for and receiving Federal, State, or local government assistance, or tribal assistance for any component of the applicant's cost of attendance that may include financial assistance or non-monetary assistance.

(iv) PROHIBITION.—Any entity that receives applicant information under clause (iii) shall not sell, share, or otherwise use applicant information other than for the purposes outlined in clause (iii).

(C) USE OF INFORMATION PROVIDED TO THE INSTITUTION.—An institution—

(i) shall use the information provided to it solely for the application, award, and administration of financial aid to the applicant;

(ii) may use the information provided, excluding the information described under section 6013(l)(13) of the Internal Revenue Code of 1986, for research that does not release any individually identifiable information on any applicant, to promote college attendance, persistence, and completion; and

(iii) shall not share such educational record information with any other entity without the explicit written consent of the applicant.

(D) PROHIBITION.—Any entity that receives applicant information under subparagraph (C)(iii) shall not sell, share, or otherwise use applicant information other than for the purposes outlined in subparagraph (C).

(E) FAFSA INFORMATION THAT INCLUDES TAX RETURN INFORMATION.—An applicant's FAFSA information that includes return or return information as described in section 6103(l)(13) of the Internal Revenue Code of 1986 may be disclosed or redisclosed (which shall include obtaining,

sharing, or discussing such information) only in accordance with the procedures described in section 494.

(4) DEVELOPMENT OF FORM AND INFORMATION EXCHANGE.—Prior to the design of the free application under this subsection, the Secretary shall, to the maximum extent practicable, on an annual basis—

(A) consult with stakeholders to gather information about innovations and technology available to—

- (i) ensure an efficient and effective process;
- (ii) mitigate unintended consequences; and
- (iii) determine the best practices for outreach to students and families during the transition to the streamlined process for the determination of Federal financial aid and Federal Pell Grant eligibility while reducing the data burden on applicants and families; and

(B) solicit public comments for the format of the free application that provides for adequate time to incorporate feedback prior to development of the application for the succeeding award year.

(5) NO ADDITIONAL INFORMATION REQUESTS PERMITTED.—In carrying out this subsection, the Secretary may not require additional information to be submitted by an applicant (or the parents or spouse of an applicant) for Federal financial aid through other requirements or reporting, except as required under a process or procedure exercised in accordance with the authority under section 479A.

(6) STATE-RUN PROGRAMS.—

(A) IN GENERAL.—The Secretary shall conduct outreach to States in order to research the benefits to students of States relying solely on the student aid index, scheduled Pell Grant Award, or the financial data made available, upon authorization by the applicant, as a result of an application for aid under this subsection for determining the eligibility of the applicant for State provided financial aid.

(B) SECRETARIAL REVIEW.—If a State determines that there is a need for additional data elements beyond those provided pursuant to this subsection for determining the eligibility of an applicant for State provided financial aid, the State shall forward a list of those additional data elements determined necessary, but not provided by virtue of the application under this subsection, to the Secretary. The Secretary shall make readily available to the public through the Department's websites and other means—

- (i) a list of States that do not require additional financial information separate from the Free Application for Federal Student Aid and do not require asset information from students who qualify for the exemption from asset reporting under section 479 for the purposes of awarding State scholarships and grant aid;
- (ii) a list of States that require asset information from students who qualify for the exemption from asset reporting under section 479 for the purposes of awarding State scholarships and grant aid;

(iii) a list of States that have indicated that they require additional financial information separate from the Free Application for Federal Student Aid for purposes of awarding State scholarships and grant aid; and

(iv) with the publication of the lists under this subparagraph, information about additional resources available to applicants, including links to such State websites.

(7) INSTITUTION-RUN FINANCIAL AID.—

(A) IN GENERAL.—The Secretary shall conduct outreach to institutions of higher education to describe the benefits to students of relying solely on the student aid index, scheduled Pell Grant Award, or the financial data made available, upon authorization for release by the applicant, as a result of an application for aid under this subsection for determining the eligibility of the applicant for institutional financial aid. The Secretary shall make readily available to the public through its websites and other means—

(i) a list of institutions that do not require additional financial information separate from the Free Application for Federal Student Aid and do not require asset information from students who qualify for the exemption from asset reporting under section 479 for the purpose of awarding institution-run financial aid;

(ii) a list of institutions that require asset information from students who qualify for the exemption from asset reporting under section 479 for the purpose of awarding institution-run financial aid;

(iii) a list of institutions that require additional financial information separate from the Free Application for Federal Student Aid for the purpose of awarding institution-run financial aid; and

(iv) with the publication of the list in clause (iii), information about additional resources available to applicants.

(8) SECURITY OF DATA.—The Secretary shall, in consultation with the Secretary of the Treasury—

(A) take all necessary steps to safeguard the data required to be transmitted for the purpose of this section between Federal agencies and to States and institutions of higher education and secure the transmittal of such data;

(B) provide guidance to States and institutions of higher education regarding their obligation to ensure the security of the data provided under this section and section 6103 of the Internal Revenue Code of 1986; and

(C) provide guidance on the implementation of section 6103 of the Internal Revenue Code of 1986, including how it intersects with the provisions of section 444 of the General Education Provisions Act (commonly known as the “Family Educational Rights and Privacy Act of 1974”), and any additional consent processes that may be available to applicants in accordance with the Internal Revenue Code of 1986 regarding sharing of Federal tax information.

(9) REPORT TO CONGRESS.—

(A) IN GENERAL.—Not later than 1 year after the date of enactment of the FAFSA Simplification Act, the Secretary shall report to the authorizing committees on the progress of the Secretary in carrying out this subsection, including planning and stakeholder consultation. Such report shall include—

- (i) benchmarks for implementation;
- (ii) entities and organizations that the Secretary consulted;
- (iii) system requirements for such implementation and how they will be addressed;
- (iv) any areas of concern and potential problem issues uncovered that may hamper such implementation; and
- (v) solutions determined to address such issues.

(B) UPDATES.—The Secretary shall provide updates to the authorizing committees—

- (i) as to the progress and planning described in subparagraph (A) prior to implementation of the revisions to the Free Application for Federal Student Aid under this subsection not less often than quarterly; and
- (ii) at least 6 months and 1 year after implementation of the revisions to the Free Application for Federal Student Aid.

(b) ADJUSTMENTS AND IMPROVEMENTS.—

(1) IN GENERAL.—The Secretary shall disclose in a consumer-tested format, upon completion of the Free Application for Federal Student Aid under this section, that the student may, on a case-by-case basis, qualify for an adjustment under section 479A to the cost of attendance or the values of the data items required to calculate the Federal Pell Grant or the need analysis for the student or parent. Such disclosure shall specify—

- (A) examples of the special circumstances under which a student or family member may qualify for such adjustment or determination of independence; and
- (B) additional information regarding the steps a student or family member may take in order to seek an adjustment under section 479A.

(2) CONSUMER TESTING.—

(A) IN GENERAL.—Not later than 9 months after the date of enactment of the FAFSA Simplification Act, the Secretary shall begin consumer testing the design of the Free Application for Federal Student Aid under this section with prospective first-generation college students, representatives of students (including low-income students, English learners, first-generation college students, adult students, veterans, servicemembers, and prospective students), students' families (including low-income families, families with English learners, families with first-generation college students, and families with prospective students), institutions of higher education, secondary school and postsecondary counselors, and nonprofit consumer groups.

(B) UPDATES.—For award year 2024–2025 and at least each fourth succeeding award year thereafter, the Secretary shall update the design of the Free Application for Federal Student Aid based on additional consumer testing with the populations described in subparagraph (A) in order to improve the usability and accessibility of the application.

(3) ACCESSIBILITY OF THE FAFSA.—The Secretary shall—

(A) in conjunction with the Bureau of the Census, determine the most common languages spoken by English learner students and their parents in the United States;

(B) develop and make publicly available versions of the Free Application for Federal Student Aid form in not fewer than 11 of the most common languages determined under subparagraph (A) and make such versions available and accessible to applicants in paper and electronic formats; and

(C) ensure that the Free Application for Federal Student Aid is available in formats accessible to individuals with disabilities and compliant with the most recent Web Content Accessibility Guidelines, or successor guidelines.

(4) REAPPLICATION IN A SUCCEEDING ACADEMIC YEAR.—In order to streamline an applicant’s experience in applying for financial aid, the Secretary shall allow an applicant who electronically applies for financial assistance under this title for an academic year subsequent to an academic year for which such applicant applied for financial assistance under this title to automatically electronically import all of the applicant’s (including parents’, guardians’, or spouses’, as applicable) identifying, demographic, and school data from the previous application and to update such information to reflect any circumstances that have changed.

(5) TECHNOLOGY ACCESSIBILITY.—The Secretary shall make the application under this section available through prevalent technology. Such technology shall, at a minimum, enable applicants to—

(A) save data; and

(B) submit the application under this title to the Secretary through such technology.

(6) VERIFICATION BURDEN.—The Secretary shall—

(A) to the maximum extent practicable, streamline and simplify the process of verification for applicants for Federal financial aid;

(B) in establishing policies and procedures to verify applicants’ eligibility for Federal financial aid, consider—

(i) the burden placed on low-income applicants;

(ii) the risk to low-income applicants of failing to complete the application, enroll in college, or complete a postsecondary credential as a result of being selected for verification;

(iii) the effectiveness of the policies and procedures in preventing overpayments; and

(iv) the reasons for the source of any improper payments; and

(C) issue a public report not less often than annually that includes the number and percentage of applicants subject to verification, whether the applicants ultimately received Federal financial aid disbursements, the extent to which the student aid index changed for such applicants as a result of verification, and the extent to which such applicants' eligibility for Federal financial aid under this title changed.

(7) STUDIES.—The Secretary shall periodically conduct studies on—

(A) whether the Free Application for Federal Student Aid is a barrier to college enrollment by examining—

(i) the effect of States requiring additional information specified in clauses (ii) and (iii) of subsection (a)(6)(B) on the determination of State financial aid awards, including—

(I) how much financial aid awards would change if the additional information were not required; and

(II) the number of students who started but did not finish the Free Application for Federal Student Aid, compared to the baseline year of 2021; and

(ii) the number of students who—

(I) started a Free Application for Federal Student Aid but did not receive financial assistance under this title for the applicable academic year; and

(II) if available, did not enroll in an institution of higher education in the applicable academic year;

(B) the most common barriers faced by applicants in completing the Free Application for Federal Student Aid; and

(C) the most common reasons that students and families do not fill out the Free Applications for Federal Student Aid.

(c) DATA AND INFORMATION.—

(1) IN GENERAL.—The Secretary shall publish data in a publicly accessible manner—

(A) annually on the total number of Free Applications for Federal Student Aid submitted by application cycle, disaggregated by demographic characteristics, type of institution or institutions of higher education to which the applicant applied, the applicant's State of legal residence, and high school and public school district;

(B) quarterly on the total number of Free Applications for Federal Student Aid submitted by application cycle, disaggregated by type of institution or institutions of higher education to which the applicant applied, the applicant's State of legal residence, and high school and public school district;

(C) weekly on the total number of Free Applications for Federal Student Aid submitted, disaggregated by high school and public school district; and

(D) annually on the number of individuals who apply for federal financial aid pursuant to this section who indicated that they are—

- (i) an unaccompanied homeless youth or unaccompanied, at risk of homelessness, and self-supporting; or
- (ii) a foster care youth.

(2) CONTENTS.—The data described in paragraph (1)(D) with respect to homeless youth shall include, at a minimum, for each application cycle—

- (A) the total number of all applicants who were determined to be individuals described in section 480(d)(8); and
- (B) the number of applicants described in subparagraph (A), disaggregated—
 - (i) by State; and
 - (ii) by the sources of determination as described in section 479D(b).

(3) DATA SHARING.—The Secretary may enter into data sharing agreements with the appropriate Federal or State agencies to conduct outreach regarding, and connect applicants directly with, the means-tested Federal benefit programs described in subsection (a)(2)(B)(ii)(XVII) for which the applicants may be eligible.

(d) ENSURING FORM USABILITY.—

(1) SIGNATURE.—Notwithstanding any other provision of this title, the Secretary may permit the Free Application for Federal Student Aid to be submitted without a signature, if a signature is subsequently submitted by the applicant, or if the applicant uses an access device provided by the Secretary.

(2) FREE PREPARATION AUTHORIZED.—Notwithstanding any other provision of this title, an applicant may use a preparer for consultative or preparation services for the completion of the Free Application for Federal Student Aid without charging a fee to the applicant if the preparer—

(A) includes, at the time the application is submitted to the Department, the name, address or employer's address, social security number or employer identification number, and organizational affiliation of the preparer on the applicant's form;

(B) is subject to the same penalties as an applicant for purposely giving false or misleading information in the application;

(C) clearly informs each individual upon initial contact, that the Free Application for Federal Student Aid is a free form that may be completed without professional assistance; and

(D) does not produce, use, or disseminate any other form for the purpose of applying for Federal financial aid other than the Free Application for Federal Student Aid developed by the Secretary under this section.

(3) CHARGES TO STUDENTS AND PARENTS FOR USE OF FORMS PROHIBITED.—The need for and eligibility of a student for financial assistance under this title may be determined only by using the Free Application for Federal Student Aid developed by the Secretary under this section. Such application shall be produced, distributed, and processed by the Secretary, and no

parent or student shall be charged a fee by the Secretary, a contractor, a third-party servicer or private software provider, or any other public or private entity for the collection, processing, or delivery of Federal financial aid through the use of such application. No data collected on a form for which a fee is charged shall be used to complete the Free Application for Federal Student Aid prescribed under this section, except that a Federal or State income tax form prepared by a paid income tax preparer or preparer service for the primary purpose of filing a Federal or State income tax return may be used to complete the Free Application for Federal Student Aid prescribed under this section.

(4) APPLICATION PROCESSING CYCLE.—

(A) IN GENERAL.—The Secretary shall enable applicants to submit a Free Application for Federal Student Aid developed under this section and initiate the processing of such application, not later than October 1 prior to the applicant's planned year of enrollment.

(B) CERTIFICATION AND TESTIMONY REQUIREMENTS.—The Secretary shall, with respect to each application processing cycle, prior to the initiation of such processing cycle—

(i) on a date that is not later than September 1—

(I) certify to the authorizing committees that the Department will meet the October 1 deadline specified in subparagraph (A) for such processing cycle; or

(II) certify to such committees that the Department will not meet such deadline; and

(ii) in the case of a certification described in clause (i)(II), on a date that is not later than September 30, testify before the authorizing committees on—

(I) the anticipated failure to meet such deadline; and

(II) the financial impact such failure will have on students and families.

(5) EARLY ESTIMATES.—The Secretary shall maintain an electronic method for applicants to enter income and family size information to calculate a non-binding estimate of the applicant's Federal financial aid available under this title and shall place such calculator on a prominent location at the beginning of the Free Application for Federal Student Aid.

(6) ADDITIONAL FORMS.—Notwithstanding any other provision of this title, an institution may not condition the packaging or receipt of Federal financial aid on the completion of additional requests for financial information beyond the Free Application for Federal Student Aid, unless such information is required for verification, a determination of independence, or professional judgement.

(e) IDENTITY FRAUD DETECTION SYSTEM.—

(1) IN GENERAL.—*In addition to or in conjunction with other verification processes carried out under this title, the Secretary shall use an identity fraud detection system to review each application submitted under this section on or after October 1, 2026, to determine whether the application presents a reasonable suspicion of identity fraud. If the Secretary determines that*

such an application presents a reasonable suspicion of identity fraud, the Secretary shall carry out notifications in accordance with paragraph (2).

(2) NOTIFICATION OF REASONABLE SUSPICION OF IDENTITY FRAUD.—If the Secretary determines that an application submitted under this section presents a reasonable suspicion of identity fraud, the Secretary shall—

(A) provide the applicant with notice—

(i) of such determination and the basis for such determination;

(ii) that the information described in subparagraph (B) will be transmitted to each institution of higher education designated by the applicant in the application; and

(iii) that the applicant is subject to additional identity verification requirements in accordance with section 487(a)(15); and

(B) transmit to each institution designated by the applicant in the application, a notice—

(i) that such application presents a reasonable suspicion of identity fraud; and

(ii) that the applicant is subject to identity verification requirements to be carried out by the institution in accordance with section 487(a)(15)(B), before the institution may disburse Federal financial aid under this title to such applicant.

(3) CONGRESSIONAL NOTICES AND REPORT.—

(A) NOTICES.—The Secretary shall submit to the authorizing committees—

(i) not later than November 1, 2026, a written description of the identity fraud detection system required under this subsection; and

(ii) not later than 30 days after implementing any substantial change to such system, a written description and rationale for such change.

(B) ANNUAL EVALUATION AND REPORT.—Not later than October 1, 2027, and annually thereafter, the Secretary shall conduct an evaluation of the effectiveness of the identity fraud detection system carried out under this subsection, and submit to the authorizing committees a report on the use and effectiveness of such system.

* * * * *

SEC. 487. PROGRAM PARTICIPATION AGREEMENTS.

(a) REQUIRED FOR PROGRAMS OF ASSISTANCE; CONTENTS.—In order to be an eligible institution for the purposes of any program authorized under this title, an institution must be an institution of higher education or an eligible institution (as that term is defined for the purpose of that program) and shall, except with respect to a program under subpart 4 of part A, enter into a program participation agreement with the Secretary. The agreement shall condition the initial and continuing eligibility of an institution to participate in a program upon compliance with the following requirements:

(1) The institution will use funds received by it for any program under this title and any interest or other earnings thereon solely for the purpose specified in and in accordance with the provision of that program.

(2) The institution shall not charge any student a fee for processing or handling any application, form, or data required to determine the student's eligibility for assistance under this title or the amount of such assistance.

(3) The institution will establish and maintain such administrative and fiscal procedures and records as may be necessary to ensure proper and efficient administration of funds received from the Secretary or from students under this title, together with assurances that the institution will provide, upon request and in a timely fashion, information relating to the administrative capability and financial responsibility of the institution to—

(A) the Secretary;

(B) the appropriate guaranty agency; and

(C) the appropriate accrediting agency or association.

(4) The institution will comply with the provisions of subsection (c) of this section and the regulations prescribed under that subsection, relating to fiscal eligibility.

(5) The institution will submit reports to the Secretary and, in the case of an institution participating in a program under part B or part E, to holders of loans made to the institution's students under such parts at such times and containing such information as the Secretary may reasonably require to carry out the purpose of this title.

(6) The institution will not provide any student with any statement or certification to any lender under part B that qualifies the student for a loan or loans in excess of the amount that student is eligible to borrow in accordance with sections 425(a), 428(a)(2), and 428(b)(1) (A) and (B).

(7) The institution will comply with the requirements of section 485.

(8) In the case of an institution that advertises job placement rates as a means of attracting students to enroll in the institution, the institution will make available to prospective students, at or before the time of application (A) the most recent available data concerning employment statistics, graduation statistics, and any other information necessary to substantiate the truthfulness of the advertisements, and (B) relevant State licensing requirements of the State in which such institution is located for any job for which the course of instruction is designed to prepare such prospective students.

(9) In the case of an institution participating in a program under part B or D, the institution will inform all eligible borrowers enrolled in the institution about the availability and eligibility of such borrowers for State grant assistance from the State in which the institution is located, and will inform such borrowers from another State of the source for further information concerning such assistance from that State.

(10) The institution certifies that it has in operation a drug abuse prevention program that is determined by the institution

to be accessible to any officer, employee, or student at the institution.

(11) In the case of any institution whose students receive financial assistance pursuant to section 484(d), the institution will make available to such students a program proven successful in assisting students in obtaining a certificate of high school equivalency.

(12) The institution certifies that—

(A) the institution has established a campus security policy; and

(B) the institution has complied with the disclosure requirements of section 485(f).

(13) The institution will not deny any form of Federal financial aid to any student who meets the eligibility requirements of this title on the grounds that the student is participating in a program of study abroad approved for credit by the institution.

(14)(A) The institution, in order to participate as an eligible institution under part B or D, will develop a Default Management Plan for approval by the Secretary as part of its initial application for certification as an eligible institution and will implement such Plan for two years thereafter.

(B) Any institution of higher education which changes ownership and any eligible institution which changes its status as a parent or subordinate institution shall, in order to participate as an eligible institution under part B or D, develop a Default Management Plan for approval by the Secretary and implement such Plan for two years after its change of ownership or status.

(C) This paragraph shall not apply in the case of an institution in which (i) neither the parent nor the subordinate institution has a cohort default rate in excess of 10 percent, and (ii) the new owner of such parent or subordinate institution does not, and has not, owned any other institution with a cohort default rate in excess of 10 percent.

[(15) The institution acknowledges] (15) (A) *The institution acknowledges* the authority of the Secretary, guaranty agencies, lenders, accrediting agencies, the Secretary of Veterans Affairs, and the State agencies under subpart 1 of part H to share with each other any information pertaining to the institution's eligibility to participate in programs under this title or any information on fraud and abuse.

(B) *Beginning on October 1, 2026, the institution will not disburse Federal financial aid under this title to an applicant whose application under section 483 presents a reasonable suspicion of identity fraud under section 483(e), unless the institution, in accordance with procedures established by the Secretary—*

(i) determines that a reasonable suspicion of identity fraud is not present by confirming the identity of such applicant using in-person verification or live, synchronous audiovisual verification;

(ii) notifies the Secretary that the identity of the applicant has been verified; and

(iii) maintains a record of such identity verification.

(16)(A) The institution will not knowingly employ an individual in a capacity that involves the administration of programs under this title, or the receipt of program funds under this title, who has been convicted of, or has pled nolo contendere or guilty to, a crime involving the acquisition, use, or expenditure of funds under this title, or has been judicially determined to have committed fraud involving funds under this title or contract with an institution or third party servicer that has been terminated under section 432 involving the acquisition, use, or expenditure of funds under this title, or who has been judicially determined to have committed fraud involving funds under this title.

(B) The institution will not knowingly contract with or employ any individual, agency, or organization that has been, or whose officers or employees have been—

(i) convicted of, or pled nolo contendere or guilty to, a crime involving the acquisition, use, or expenditure of funds under this title; or

(ii) judicially determined to have committed fraud involving funds under this title.

(17) The institution will complete surveys conducted as a part of the Integrated Postsecondary Education Data System (IPEDS) or any other Federal postsecondary institution data collection effort, as designated by the Secretary, in a timely manner and to the satisfaction of the Secretary.

(18) The institution will meet the requirements established pursuant to section 485(g).

(19) The institution will not impose any penalty, including the assessment of late fees, the denial of access to classes, libraries, or other institutional facilities, or the requirement that the student borrow additional funds, on any student because of the student's inability to meet his or her financial obligations to the institution as a result of the delayed disbursement of the proceeds of a loan made under this title due to compliance with the provisions of this title, or delays attributable to the institution.

(20) The institution will not provide any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any persons or entities engaged in any student recruiting or admission activities or in making decisions regarding the award of student financial assistance, except that this paragraph shall not apply to the recruitment of foreign students residing in foreign countries who are not eligible to receive Federal student assistance.

(21) The institution will meet the requirements established by the Secretary and accrediting agencies or associations, and will provide evidence to the Secretary that the institution has the authority to operate within a State.

(22) The institution will comply with the refund policy established pursuant to section 484B.

(23)(A) The institution, if located in a State to which section 4(b) of the National Voter Registration Act of 1993 (42 U.S.C. 1973gg-2(b)) does not apply, will make a good faith effort to distribute a mail voter registration form, requested and received from the State, to each student enrolled in a degree or

certificate program and physically in attendance at the institution, and to make such forms widely available to students at the institution.

(B) The institution shall request the forms from the State 120 days prior to the deadline for registering to vote within the State. If an institution has not received a sufficient quantity of forms to fulfill this section from the State within 60 days prior to the deadline for registering to vote in the State, the institution shall not be held liable for not meeting the requirements of this section during that election year.

(C) This paragraph shall apply to general and special elections for Federal office, as defined in section 301(3) of the Federal Election Campaign Act of 1971 (2 U.S.C. 431(3)), and to the elections for Governor or other chief executive within such State).

(D) The institution shall be considered in compliance with the requirements of subparagraph (A) for each student to whom the institution electronically transmits a message containing a voter registration form acceptable for use in the State in which the institution is located, or an Internet address where such a form can be downloaded, if such information is in an electronic message devoted exclusively to voter registration.

(24) In the case of a proprietary institution of higher education (as defined in section 102(b)), such institution will derive not less than ten percent of such institution's revenues from sources other than Federal funds that are disbursed or delivered to or on behalf of a student to be used to attend such institution (referred to in this paragraph and subsection (d) as "Federal education assistance funds"), as calculated in accordance with subsection (d)(1), or will be subject to the sanctions described in subsection (d)(2).

(25) In the case of an institution that participates in a loan program under this title, the institution will—

(A) develop a code of conduct with respect to such loans with which the institution's officers, employees, and agents shall comply, that—

(i) prohibits a conflict of interest with the responsibilities of an officer, employee, or agent of an institution with respect to such loans; and

(ii) at a minimum, includes the provisions described in subsection (e);

(B) publish such code of conduct prominently on the institution's website; and

(C) administer and enforce such code by, at a minimum, requiring that all of the institution's officers, employees, and agents with responsibilities with respect to such loans be annually informed of the provisions of the code of conduct.

(26) The institution will, upon written request, disclose to the alleged victim of any crime of violence (as that term is defined in section 16 of title 18, United States Code), or a nonforcible sex offense, the report on the results of any disciplinary proceeding conducted by such institution against a student who is the alleged perpetrator of such crime or offense

with respect to such crime or offense. If the alleged victim of such crime or offense is deceased as a result of such crime or offense, the next of kin of such victim shall be treated as the alleged victim for purposes of this paragraph.

(27) In the case of an institution that has entered into a preferred lender arrangement, the institution will at least annually compile, maintain, and make available for students attending the institution, and the families of such students, a list, in print or other medium, of the specific lenders for loans made, insured, or guaranteed under this title or private education loans that the institution recommends, promotes, or endorses in accordance with such preferred lender arrangement. In making such list, the institution shall comply with the requirements of subsection (h).

(28)(A) The institution will, upon the request of an applicant for a private education loan, provide to the applicant the form required under section 128(e)(3) of the Truth in Lending Act (15 U.S.C. 1638(e)(3)), and the information required to complete such form, to the extent the institution possesses such information.

(B) For purposes of this paragraph, the term "private education loan" has the meaning given such term in section 140 of the Truth in Lending Act.

(29) The institution certifies that the institution—

(A) has developed plans to effectively combat the unauthorized distribution of copyrighted material, including through the use of a variety of technology-based deterrents; and

(B) will, to the extent practicable, offer alternatives to illegal downloading or peer-to-peer distribution of intellectual property, as determined by the institution in consultation with the chief technology officer or other designated officer of the institution.

(b) HEARINGS.—(1) An institution that has received written notice of a final audit or program review determination and that desires to have such determination reviewed by the Secretary shall submit to the Secretary a written request for review not later than 45 days after receipt of notification of the final audit or program review determination.

(2) The Secretary shall, upon receipt of written notice under paragraph (1), arrange for a hearing and notify the institution within 30 days of receipt of such notice the date, time, and place of such hearing. Such hearing shall take place not later than 120 days from the date upon which the Secretary notifies the institution.

(c) AUDITS; FINANCIAL RESPONSIBILITY; ENFORCEMENT OF STANDARDS.—(1) Notwithstanding any other provisions of this title, the Secretary shall prescribe such regulations as may be necessary to provide for—

(A)(i) except as provided in clauses (ii) and (iii), a financial audit of an eligible institution with regard to the financial condition of the institution in its entirety, and a compliance audit of such institution with regard to any funds obtained by it under this title or obtained from a student or a parent who has a loan insured or guaranteed by the Secretary under this title,

on at least an annual basis and covering the period since the most recent audit, conducted by a qualified, independent organization or person in accordance with standards established by the Comptroller General for the audit of governmental organizations, programs, and functions, and as prescribed in regulations of the Secretary, the results of which shall be submitted to the Secretary and shall be available to cognizant guaranty agencies, eligible lenders, State agencies, and the appropriate State agency notifying the Secretary under subpart 1 of part H, except that the Secretary may modify the requirements of this clause with respect to institutions of higher education that are foreign institutions, and may waive such requirements with respect to a foreign institution whose students receive less than \$500,000 in loans under this title during the award year preceding the audit period;

(ii) with regard to an eligible institution which is audited under chapter 75 of title 31, United States Code, deeming such audit to satisfy the requirements of clause (i) for the period covered by such audit; or

(iii) at the discretion of the Secretary, with regard to an eligible institution (other than an eligible institution described in section 102(a)(1)(C)) that has obtained less than \$200,000 in funds under this title during each of the 2 award years that precede the audit period and submits a letter of credit payable to the Secretary equal to not less than $\frac{1}{2}$ of the annual potential liabilities of such institution as determined by the Secretary, deeming an audit conducted every 3 years to satisfy the requirements of clause (i), except for the award year immediately preceding renewal of the institution's eligibility under section 498(g);

(B) in matters not governed by specific program provisions, the establishment of reasonable standards of financial responsibility and appropriate institutional capability for the administration by an eligible institution of a program of student financial aid under this title, including any matter the Secretary deems necessary to the sound administration of the financial aid programs, such as the pertinent actions of any owner, shareholder, or person exercising control over an eligible institution;

(C)(i) except as provided in clause (ii), a compliance audit of a third party servicer (other than with respect to the servicer's functions as a lender if such functions are otherwise audited under this part and such audits meet the requirements of this clause), with regard to any contract with an eligible institution, guaranty agency, or lender for administering or servicing any aspect of the student assistance programs under this title, at least once every year and covering the period since the most recent audit, conducted by a qualified, independent organization or person in accordance with standards established by the Comptroller General for the audit of governmental organizations, programs, and functions, and as prescribed in regulations of the Secretary, the results of which shall be submitted to the Secretary; or

(ii) with regard to a third party servicer that is audited under chapter 75 of title 31, United States Code, such audit

shall be deemed to satisfy the requirements of clause (i) for the period covered by such audit;

(D)(i) a compliance audit of a secondary market with regard to its transactions involving, and its servicing and collection of, loans made under this title, at least once a year and covering the period since the most recent audit, conducted by a qualified, independent organization or person in accordance with standards established by the Comptroller General for the audit of governmental organizations, programs, and functions, and as prescribed in regulations of the Secretary, the results of which shall be submitted to the Secretary; or

(ii) with regard to a secondary market that is audited under chapter 75 of title 31, United States Code, such audit shall be deemed to satisfy the requirements of clause (i) for the period covered by the audit;

(E) the establishment, by each eligible institution under part B responsible for furnishing to the lender the statement required by section 428(a)(2)(A)(i), of policies and procedures by which the latest known address and enrollment status of any student who has had a loan insured under this part and who has either formally terminated his enrollment, or failed to re-enroll on at least a half-time basis, at such institution, shall be furnished either to the holder (or if unknown, the insurer) of the note, not later than 60 days after such termination or failure to re-enroll;

(F) the limitation, suspension, or termination of the participation in any program under this title of an eligible institution, or the imposition of a civil penalty under paragraph (3)(B) whenever the Secretary has determined, after reasonable notice and opportunity for hearing, that such institution has violated or failed to carry out any provision of this title, any regulation prescribed under this title, or any applicable special arrangement, agreement, or limitation, except that no period of suspension under this section shall exceed 60 days unless the institution and the Secretary agree to an extension or unless limitation or termination proceedings are initiated by the Secretary within that period of time;

(G) an emergency action against an institution, under which the Secretary shall, effective on the date on which a notice and statement of the basis of the action is mailed to the institution (by registered mail, return receipt requested), withhold funds from the institution or its students and withdraw the institution's authority to obligate funds under any program under this title, if the Secretary—

(i) receives information, determined by the Secretary to be reliable, that the institution is violating any provision of this title, any regulation prescribed under this title, or any applicable special arrangement, agreement, or limitation,

(ii) determines that immediate action is necessary to prevent misuse of Federal funds, and

(iii) determines that the likelihood of loss outweighs the importance of the procedures prescribed under subparagraph (D) for limitation, suspension, or termination,

except that an emergency action shall not exceed 30 days unless limitation, suspension, or termination proceedings are initiated by the Secretary against the institution within that period of time, and except that the Secretary shall provide the institution an opportunity to show cause, if it so requests, that the emergency action is unwarranted;

(H) the limitation, suspension, or termination of the eligibility of a third party servicer to contract with any institution to administer any aspect of an institution's student assistance program under this title, or the imposition of a civil penalty under paragraph (3)(B), whenever the Secretary has determined, after reasonable notice and opportunity for a hearing, that such organization, acting on behalf of an institution, has violated or failed to carry out any provision of this title, any regulation prescribed under this title, or any applicable special arrangement, agreement, or limitation, except that no period of suspension under this subparagraph shall exceed 60 days unless the organization and the Secretary agree to an extension, or unless limitation or termination proceedings are initiated by the Secretary against the individual or organization within that period of time; and

(I) an emergency action against a third party servicer that has contracted with an institution to administer any aspect of the institution's student assistance program under this title, under which the Secretary shall, effective on the date on which a notice and statement of the basis of the action is mailed to such individual or organization (by registered mail, return receipt requested), withhold funds from the individual or organization and withdraw the individual or organization's authority to act on behalf of an institution under any program under this title, if the Secretary—

(i) receives information, determined by the Secretary to be reliable, that the individual or organization, acting on behalf of an institution, is violating any provision of this title, any regulation prescribed under this title, or any applicable special arrangement, agreement, or limitation,

(ii) determines that immediate action is necessary to prevent misuse of Federal funds, and

(iii) determines that the likelihood of loss outweighs the importance of the procedures prescribed under subparagraph (F), for limitation, suspension, or termination, except that an emergency action shall not exceed 30 days unless the limitation, suspension, or termination proceedings are initiated by the Secretary against the individual or organization within that period of time, and except that the Secretary shall provide the individual or organization an opportunity to show cause, if it so requests, that the emergency action is unwarranted.

(2) If an individual who, or entity that, exercises substantial control, as determined by the Secretary in accordance with the definition of substantial control in subpart 3 of part H, over one or more institutions participating in any program under this title, or, for purposes of paragraphs (1) (H) and (I), over one or more organizations that contract with an institution to administer any aspect of the institution's student assistance program under this title, is de-

terminated to have committed one or more violations of the requirements of any program under this title, or has been suspended or debarred in accordance with the regulations of the Secretary, the Secretary may use such determination, suspension, or debarment as the basis for imposing an emergency action on, or limiting, suspending, or terminating, in a single proceeding, the participation of any or all institutions under the substantial control of that individual or entity.

(3)(A) Upon determination, after reasonable notice and opportunity for a hearing, that an eligible institution has engaged in substantial misrepresentation of the nature of its educational program, its financial charges, or the employability of its graduates, the Secretary may suspend or terminate the eligibility status for any or all programs under this title of any otherwise eligible institution, in accordance with procedures specified in paragraph (1)(D) of this subsection, until the Secretary finds that such practices have been corrected.

(B)(i) Upon determination, after reasonable notice and opportunity for a hearing, that an eligible institution—

(I) has violated or failed to carry out any provision of this title or any regulation prescribed under this title; or

(II) has engaged in substantial misrepresentation of the nature of its educational program, its financial charges, and the employability of its graduates,

the Secretary may impose a civil penalty upon such institution of not to exceed \$25,000 for each violation or misrepresentation.

(ii) Any civil penalty may be compromised by the Secretary. In determining the amount of such penalty, or the amount agreed upon in compromise, the appropriateness of the penalty to the size of the institution of higher education subject to the determination, and the gravity of the violation, failure, or misrepresentation shall be considered. The amount of such penalty, when finally determined, or the amount agreed upon in compromise, may be deducted from any sums owing by the United States to the institution charged.

(4) The Secretary shall publish a list of State agencies which the Secretary determines to be reliable authority as to the quality of public postsecondary vocational education in their respective States for the purpose of determining eligibility for all Federal student assistance programs.

(5) The Secretary shall make readily available to appropriate guaranty agencies, eligible lenders, State agencies notifying the Secretary under subpart 1 of part H, and accrediting agencies or associations the results of the audits of eligible institutions conducted pursuant to paragraph (1)(A).

(6) The Secretary is authorized to provide any information collected as a result of audits conducted under this section, together with audit information collected by guaranty agencies, to any Federal or State agency having responsibilities with respect to student financial assistance, including those referred to in subsection (a)(15) of this section.

(7) Effective with respect to any audit conducted under this subsection after December 31, 1988, if, in the course of conducting any such audit, the personnel of the Department of Education discover, or are informed of, grants or other assistance provided by an insti-

tution in accordance with this title for which the institution has not received funds appropriated under this title (in the amount necessary to provide such assistance), including funds for which reimbursement was not requested prior to such discovery or information, such institution shall be permitted to offset that amount against any sums determined to be owed by the institution pursuant to such audit, or to receive reimbursement for that amount (if the institution does not owe any such sums).

(d) IMPLEMENTATION OF NON-FEDERAL REVENUE REQUIREMENT.—

(1) CALCULATION.—In making calculations under subsection (a)(24), a proprietary institution of higher education shall—

(A) use the cash basis of accounting, except in the case of loans described in subparagraph (D)(i) that are made by the proprietary institution of higher education;

(B) consider as revenue only those funds generated by the institution from—

(i) tuition, fees, and other institutional charges for students enrolled in programs eligible for assistance under this title;

(ii) activities conducted by the institution that are necessary for the education and training of the institution's students, if such activities are—

(I) conducted on campus or at a facility under the control of the institution;

(II) performed under the supervision of a member of the institution's faculty; and

(III) required to be performed by all students in a specific educational program at the institution; and

(iii) funds paid by a student, or on behalf of a student by a party other than the institution, for an education or training program that is not eligible for funds under this title, if the program—

(I) is approved or licensed by the appropriate State agency;

(II) is accredited by an accrediting agency recognized by the Secretary; or

(III) provides an industry-recognized credential or certification;

(C) presume that any Federal education assistance funds that are disbursed or delivered to or on behalf of a student will be used to pay the student's tuition, fees, or other institutional charges, regardless of whether the institution credits those funds to the student's account or pays those funds directly to the student, except to the extent that the student's tuition, fees, or other institutional charges are satisfied by—

(i) grant funds provided by non-Federal public agencies or private sources independent of the institution;

(ii) funds provided under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low-income individuals who are in need of that training;

(iii) funds used by a student from savings plans for educational expenses established by or on behalf of the student and which qualify for special tax treatment under the Internal Revenue Code of 1986; or

(iv) institutional scholarships described in subparagraph (D)(iii);

(D) include institutional aid as revenue to the school only as follows:

(i) in the case of loans made by a proprietary institution of higher education on or after July 1, 2008 and prior to July 1, 2012, the net present value of such loans made by the institution during the applicable institutional fiscal year accounted for on an accrual basis and estimated in accordance with generally accepted accounting principles and related standards and guidance, if the loans—

(I) are bona fide as evidenced by enforceable promissory notes;

(II) are issued at intervals related to the institution's enrollment periods; and

(III) are subject to regular loan repayments and collections;

(ii) in the case of loans made by a proprietary institution of higher education on or after July 1, 2012, only the amount of loan repayments received during the applicable institutional fiscal year, excluding repayments on loans made and accounted for as specified in clause (i); and

(iii) in the case of scholarships provided by a proprietary institution of higher education, only those scholarships provided by the institution in the form of monetary aid or tuition discounts based upon the academic achievements or financial need of students, disbursed during each fiscal year from an established restricted account, and only to the extent that funds in that account represent designated funds from an outside source or from income earned on those funds;

(E) in the case of each student who receives a loan on or after July 1, 2008, and prior to July 1, 2011, that is authorized under section 428H or that is a Federal Direct Unsubsidized Stafford Loan, treat as revenue received by the institution from sources other than funds received under this title, the amount by which the disbursement of such loan received by the institution exceeds the limit on such loan in effect on the day before the date of enactment of the Ensuring Continued Access to Student Loans Act of 2008; and

(F) exclude from revenues—

(i) the amount of funds the institution received under part C, unless the institution used those funds to pay a student's institutional charges;

(ii) the amount of funds the institution received under subpart 4 of part A;

(iii) the amount of funds provided by the institution as matching funds for a program under this title;

(iv) the amount of funds provided by the institution for a program under this title that are required to be refunded or returned; and

(v) the amount charged for books, supplies, and equipment, unless the institution includes that amount as tuition, fees, or other institutional charges.

(2) SANCTIONS.—

(A) INELIGIBILITY.—A proprietary institution of higher education that fails to meet a requirement of subsection (a)(24) for two consecutive institutional fiscal years shall be ineligible to participate in the programs authorized by this title for a period of not less than two institutional fiscal years. To regain eligibility to participate in the programs authorized by this title, a proprietary institution of higher education shall demonstrate compliance with all eligibility and certification requirements under section 498 for a minimum of two institutional fiscal years after the institutional fiscal year in which the institution became ineligible.

(B) ADDITIONAL ENFORCEMENT.—In addition to such other means of enforcing the requirements of this title as may be available to the Secretary, if a proprietary institution of higher education fails to meet a requirement of subsection (a)(24) for any institutional fiscal year, then the institution's eligibility to participate in the programs authorized by this title becomes provisional for the two institutional fiscal years after the institutional fiscal year in which the institution failed to meet the requirement of subsection (a)(24), except that such provisional eligibility shall terminate—

(i) on the expiration date of the institution's program participation agreement under this subsection that is in effect on the date the Secretary determines that the institution failed to meet the requirement of subsection (a)(24); or

(ii) in the case that the Secretary determines that the institution failed to meet a requirement of subsection (a)(24) for two consecutive institutional fiscal years, on the date the institution is determined ineligible in accordance with subparagraph (A).

(3) PUBLICATION ON COLLEGE NAVIGATOR WEBSITE.—The Secretary shall publicly disclose on the College Navigator website—

(A) the identity of any proprietary institution of higher education that fails to meet a requirement of subsection (a)(24); and

(B) the extent to which the institution failed to meet such requirement.

(4) REPORT TO CONGRESS.—Not later than July 1, 2009, and July 1 of each succeeding year, the Secretary shall submit to the authorizing committees a report that contains, for each proprietary institution of higher education that receives assistance under this title, as provided in the audited financial statements submitted to the Secretary by each institution pursuant to the requirements of subsection (a)(24)—

- (A) the amount and percentage of such institution's revenues received from sources under this title; and
 - (B) the amount and percentage of such institution's revenues received from other sources.
- (e) CODE OF CONDUCT REQUIREMENTS.—An institution of higher education's code of conduct, as required under subsection (a)(25), shall include the following requirements:

(1) BAN ON REVENUE-SHARING ARRANGEMENTS.—

(A) PROHIBITION.—The institution shall not enter into any revenue-sharing arrangement with any lender.

(B) DEFINITION.—For purposes of this paragraph, the term “revenue-sharing arrangement” means an arrangement between an institution and a lender under which—

(i) a lender provides or issues a loan that is made, insured, or guaranteed under this title to students attending the institution or to the families of such students; and

(ii) the institution recommends the lender or the loan products of the lender and in exchange, the lender pays a fee or provides other material benefits, including revenue or profit sharing, to the institution, an officer or employee of the institution, or an agent.

(2) GIFT BAN.—

(A) PROHIBITION.—No officer or employee of the institution who is employed in the financial aid office of the institution or who otherwise has responsibilities with respect to education loans, or agent who has responsibilities with respect to education loans, shall solicit or accept any gift from a lender, guarantor, or servicer of education loans.

(B) DEFINITION OF GIFT.—

(i) IN GENERAL.—In this paragraph, the term “gift” means any gratuity, favor, discount, entertainment, hospitality, loan, or other item having a monetary value of more than a de minimus amount. The term includes a gift of services, transportation, lodging, or meals, whether provided in kind, by purchase of a ticket, payment in advance, or reimbursement after the expense has been incurred.

(ii) EXCEPTIONS.—The term “gift” shall not include any of the following:

(I) Standard material, activities, or programs on issues related to a loan, default aversion, default prevention, or financial literacy, such as a brochure, a workshop, or training.

(II) Food, refreshments, training, or informational material furnished to an officer or employee of an institution, or to an agent, as an integral part of a training session that is designed to improve the service of a lender, guarantor, or servicer of education loans to the institution, if such training contributes to the professional development of the officer, employee, or agent.

(III) Favorable terms, conditions, and borrower benefits on an education loan provided to a student employed by the institution if such terms,

conditions, or benefits are comparable to those provided to all students of the institution.

(IV) Entrance and exit counseling services provided to borrowers to meet the institution's responsibilities for entrance and exit counseling as required by subsections (b) and (l) of section 485, as long as—

(aa) the institution's staff are in control of the counseling, (whether in person or via electronic capabilities); and

(bb) such counseling does not promote the products or services of any specific lender.

(V) Philanthropic contributions to an institution from a lender, servicer, or guarantor of education loans that are unrelated to education loans or any contribution from any lender, guarantor, or servicer that is not made in exchange for any advantage related to education loans.

(VI) State education grants, scholarships, or financial aid funds administered by or on behalf of a State.

(iii) **RULE FOR GIFTS TO FAMILY MEMBERS.**—For purposes of this paragraph, a gift to a family member of an officer or employee of an institution, to a family member of an agent, or to any other individual based on that individual's relationship with the officer, employee, or agent, shall be considered a gift to the officer, employee, or agent if—

(I) the gift is given with the knowledge and acquiescence of the officer, employee, or agent; and

(II) the officer, employee, or agent has reason to believe the gift was given because of the official position of the officer, employee, or agent.

(3) **CONTRACTING ARRANGEMENTS PROHIBITED.**—

(A) **PROHIBITION.**—An officer or employee who is employed in the financial aid office of the institution or who otherwise has responsibilities with respect to education loans, or an agent who has responsibilities with respect to education loans, shall not accept from any lender or affiliate of any lender any fee, payment, or other financial benefit (including the opportunity to purchase stock) as compensation for any type of consulting arrangement or other contract to provide services to a lender or on behalf of a lender relating to education loans.

(B) **EXCEPTIONS.**—Nothing in this subsection shall be construed as prohibiting—

(i) an officer or employee of an institution who is not employed in the institution's financial aid office and who does not otherwise have responsibilities with respect to education loans, or an agent who does not have responsibilities with respect to education loans, from performing paid or unpaid service on a board of directors of a lender, guarantor, or servicer of education loans;

(ii) an officer or employee of the institution who is not employed in the institution's financial aid office but who has responsibility with respect to education loans as a result of a position held at the institution, or an agent who has responsibility with respect to education loans, from performing paid or unpaid service on a board of directors of a lender, guarantor, or servicer of education loans, if the institution has a written conflict of interest policy that clearly sets forth that officers, employees, or agents must recuse themselves from participating in any decision of the board regarding education loans at the institution; or

(iii) an officer, employee, or contractor of a lender, guarantor, or servicer of education loans from serving on a board of directors, or serving as a trustee, of an institution, if the institution has a written conflict of interest policy that the board member or trustee must recuse themselves from any decision regarding education loans at the institution.

(4) INTERACTION WITH BORROWERS.—The institution shall not—

(A) for any first-time borrower, assign, through award packaging or other methods, the borrower's loan to a particular lender; or

(B) refuse to certify, or delay certification of, any loan based on the borrower's selection of a particular lender or guaranty agency.

(5) PROHIBITION ON OFFERS OF FUNDS FOR PRIVATE LOANS.—

(A) PROHIBITION.—The institution shall not request or accept from any lender any offer of funds to be used for private education loans (as defined in section 140 of the Truth in Lending Act), including funds for an opportunity pool loan, to students in exchange for the institution providing concessions or promises regarding providing the lender with—

(i) a specified number of loans made, insured, or guaranteed under this title;

(ii) a specified loan volume of such loans; or

(iii) a preferred lender arrangement for such loans.

(B) DEFINITION OF OPPORTUNITY POOL LOAN.—In this paragraph, the term "opportunity pool loan" means a private education loan made by a lender to a student attending the institution or the family member of such a student that involves a payment, directly or indirectly, by such institution of points, premiums, additional interest, or financial support to such lender for the purpose of such lender extending credit to the student or the family.

(6) BAN ON STAFFING ASSISTANCE.—

(A) PROHIBITION.—The institution shall not request or accept from any lender any assistance with call center staffing or financial aid office staffing.

(B) CERTAIN ASSISTANCE PERMITTED.—Nothing in paragraph (1) shall be construed to prohibit the institution from requesting or accepting assistance from a lender related to—

(i) professional development training for financial aid administrators;

(ii) providing educational counseling materials, financial literacy materials, or debt management materials to borrowers, provided that such materials disclose to borrowers the identification of any lender that assisted in preparing or providing such materials; or

(iii) staffing services on a short-term, nonrecurring basis to assist the institution with financial aid-related functions during emergencies, including State-declared or federally declared natural disasters, federally declared national disasters, and other localized disasters and emergencies identified by the Secretary.

(7) ADVISORY BOARD COMPENSATION.—Any employee who is employed in the financial aid office of the institution, or who otherwise has responsibilities with respect to education loans or other student financial aid of the institution, and who serves on an advisory board, commission, or group established by a lender, guarantor, or group of lenders or guarantors, shall be prohibited from receiving anything of value from the lender, guarantor, or group of lenders or guarantors, except that the employee may be reimbursed for reasonable expenses incurred in serving on such advisory board, commission, or group.

(f) INSTITUTIONAL REQUIREMENTS FOR TEACH-OUTS.—

(1) IN GENERAL.—In the event the Secretary initiates the limitation, suspension, or termination of the participation of an institution of higher education in any program under this title under the authority of subsection (c)(1)(F) or initiates an emergency action under the authority of subsection (c)(1)(G) and its prescribed regulations, the Secretary shall require that institution to prepare a teach-out plan for submission to the institution's accrediting agency or association in compliance with section 496(c)(3), the Secretary's regulations on teach-out plans, and the standards of the institution's accrediting agency or association.

(2) TEACH-OUT PLAN DEFINED.—In this subsection, the term “teach-out plan” means a written plan that provides for the equitable treatment of students if an institution of higher education ceases to operate before all students have completed their program of study, and may include, if required by the institution's accrediting agency or association, an agreement between institutions for such a teach-out plan.

(g) INSPECTOR GENERAL REPORT ON GIFT BAN VIOLATIONS.—The Inspector General of the Department shall—

(1) submit an annual report to the authorizing committees identifying all violations of an institution's code of conduct that the Inspector General has substantiated during the preceding year relating to the gift ban provisions described in subsection (e)(2); and

(2) make the report available to the public through the Department's website.

(h) PREFERRED LENDER LIST REQUIREMENTS.—

(1) IN GENERAL.—In compiling, maintaining, and making available a preferred lender list as required under subsection (a)(27), the institution will—

- (A) clearly and fully disclose on such preferred lender list—
- (i) not less than the information required to be disclosed under section 153(a)(2)(A);
 - (ii) why the institution has entered into a preferred lender arrangement with each lender on the preferred lender list, particularly with respect to terms and conditions or provisions favorable to the borrower; and
 - (iii) that the students attending the institution, or the families of such students, do not have to borrow from a lender on the preferred lender list;
- (B) ensure, through the use of the list of lender affiliates provided by the Secretary under paragraph (2), that—
- (i) there are not less than three lenders of loans made under part B that are not affiliates of each other included on the preferred lender list and, if the institution recommends, promotes, or endorses private education loans, there are not less than two lenders of private education loans that are not affiliates of each other included on the preferred lender list; and
 - (ii) the preferred lender list under this paragraph—
 - (I) specifically indicates, for each listed lender, whether the lender is or is not an affiliate of each other lender on the preferred lender list; and
 - (II) if a lender is an affiliate of another lender on the preferred lender list, describes the details of such affiliation;
- (C) prominently disclose the method and criteria used by the institution in selecting lenders with which to enter into preferred lender arrangements to ensure that such lenders are selected on the basis of the best interests of the borrowers, including—
- (i) payment of origination or other fees on behalf of the borrower;
 - (ii) highly competitive interest rates, or other terms and conditions or provisions of loans under this title or private education loans;
 - (iii) high-quality servicing for such loans; or
 - (iv) additional benefits beyond the standard terms and conditions or provisions for such loans;
- (D) exercise a duty of care and a duty of loyalty to compile the preferred lender list under this paragraph without prejudice and for the sole benefit of the students attending the institution, or the families of such students;
- (E) not deny or otherwise impede the borrower's choice of a lender or cause unnecessary delay in loan certification under this title for those borrowers who choose a lender that is not included on the preferred lender list; and
- (F) comply with such other requirements as the Secretary may prescribe by regulation.
- (2) LENDER AFFILIATES LIST.—
- (A) IN GENERAL.—The Secretary shall maintain and regularly update a list of lender affiliates of all eligible lenders, and shall provide such list to institutions for use in carrying out paragraph (1)(B).

- (B) USE OF MOST RECENT LIST.—An institution shall use the most recent list of lender affiliates provided by the Secretary under subparagraph (A) in carrying out paragraph (1)(B).
- (i) DEFINITIONS.—For the purpose of this section:
- (1) AGENT.—The term “agent” has the meaning given the term in section 151.
- (2) AFFILIATE.—The term “affiliate” means a person that controls, is controlled by, or is under common control with another person. A person controls, is controlled by, or is under common control with another person if—
- (A) the person directly or indirectly, or acting through one or more others, owns, controls, or has the power to vote five percent or more of any class of voting securities of such other person;
- (B) the person controls, in any manner, the election of a majority of the directors or trustees of such other person; or
- (C) the Secretary determines (after notice and opportunity for a hearing) that the person directly or indirectly exercises a controlling interest over the management or policies of such other person’s education loans.
- (3) EDUCATION LOAN.—The term “education loan” has the meaning given the term in section 151.
- (4) ELIGIBLE INSTITUTION.—The term “eligible institution” means any such institution described in section 102 of this Act.
- (5) OFFICER.—The term “officer” has the meaning given the term in section 151.
- (6) PREFERRED LENDER ARRANGEMENT.—The term “preferred lender arrangement” has the meaning given the term in section 151.
- (j) CONSTRUCTION.—Nothing in the amendments made by the Higher Education Amendments of 1992 shall be construed to prohibit an institution from recording, at the cost of the institution, a hearing referred to in subsection (b)(2), subsection (c)(1)(D), or subparagraph (A) or (B)(i) of subsection (c)(2), of this section to create a record of the hearing, except the unavailability of a recording shall not serve to delay the completion of the proceeding. The Secretary shall allow the institution to use any reasonable means, including stenographers, of recording the hearing.

* * * * *

SUPPLEMENTAL VIEWS

INTRODUCTION

H.R. 7892, the *No Aid for Ghost Students Act of 2026* amends the *Higher Education Act of 1965* (HEA) to require the Department of Education (Department) to establish an identity fraud detection system within the Free Application for Federal Student Aid (FAFSA) process.¹ The bill would work in conjunction with H.R. 7891, the *Student Aid Fraud Oversight and Accountability Act of 2026*, which codifies an expedited program review and investigation process for institutions of higher education that disburse federal student aid to a student whose application the Department has previously deemed as presenting a reasonable suspicion of identity fraud.² While, in theory, the framework proposed under the bill would help mitigate identity fraud in student aid, Committee Democrats have concerns around the necessity of the legislation and potential weaponization new oversight mechanisms to target specific institutions. At the time this bill was marked up, Ranking Member Bobby Scott (D-VA) was committed to work with the Majority to perfect the language of H.R. 7892 before it was brought to the floor and voted to report it out of Committee. Subsequently, that negotiation process stalled, and these views outline the problems with the bill as drafted.

IDENTITY FRAUD IN FEDERAL STUDENT AID

It is critical for Office of Federal Student Aid (FSA) to prevent any waste, fraud, and abuse of the federal student aid system. One rising challenge within the student aid system is the increased number of individuals enrolling specifically to commit fraud. In most cases, these individuals, often referred to as “ghost students”,³ are fraudulent applicants that enroll using fake or stolen identities and obtain federal student aid, including Pell Grants, with no intention of attending classes or earning a degree. These students “use their access to register for low-cost classes and apply for grants only to withdraw upon receipt of tuition reimbursement.”⁴

Over the past several years, these fraudulent activities have been traced to fraud rings targeting institutions, primarily targeting low-cost community colleges and distance education programs due to their lower barriers of access.⁵ Institutions have reported that

¹No Aid for Ghost Students Act of 2026, H.R. 7892, 119th Cong. (2026).

²Student Aid Fraud Oversight and Accountability Act of 2026, H.R. 7981, 119th Cong. (2026).

³U.S. Dep’t of Educ., Off. of the Inspector Gen., *Glossary—Ghost Students-Higher Education*, <https://oig.ed.gov/taxonomy/term/146>.

⁴Jeremy Green & James Densley, *Pell Grant Fraud Awareness: White-Collar Crime Challenges*, FBI Law Enforcement Bulletin, Fed. Bur. of Investigation (Feb. 4, 2014), <https://leb.fbi.gov/articles/featured-articles/pell-grant-fraud-awareness-white-collar-crime-challenges>.

⁵Sara Weissman, *California Community Colleges Battle Against the Bots*, Inside Higher Ed (May 23, 2025), <https://www.insidehighered.com/news/institutions/community-colleges/2025/05>

some of these fraudulent individuals are using artificial intelligence and bots to pose as real students.⁶ For example, the California Community College system has reported several instances where individuals used AI and bots to submit FAFSAs for nonexistent students. The individuals were disbursed student aid under these fake identities, and then disappeared with the funds, leaving no ties to their actual identities. These schemes divert federal student aid from legitimate students and have forced institutions to use additional resources to identify and prevent fraudulent enrollment and improve their identity verification processes.⁷

ONGOING FRAUD DETECTION AND PREVENTION EFFORTS

Federal law enforcement, including the Department's Office of Inspector General (OIG), have been aware of these matters for many years and have taken a variety of actions to address the issue.⁸ For example, the OIG noted in its most recent Semiannual Report to Congress,

Prosecutive actions were taken against the leaders and participants in student aid fraud rings that targeted millions in Federal student aid, including the arrest of 2 people for allegedly running separate 10-year schemes in Michigan involving more than 1,200 people, 100 schools in 24 States, and more than \$12 million in Federal student aid. Additionally, a 5-year prison sentence was handed down for the leader of a North Carolina-based ring who recruited approximately 80 people to participate in the scam that targeted more than \$5 million in Federal student aid.⁹

The OIG has also produced materials aimed at informing the public on this issue¹⁰ and has provided resources to help financial aid administrators identify and stop fraud rings.¹¹

Efforts Under the Biden Administration

Despite the Trump Administration claiming the Biden Administration “created a prime opportunity for fraudsters to exploit the

⁶23/calif-community-colleges-ramp-battle-against-bots; Sharon Lurye, *How scammers are using AI to steal college financial aid*, Assoc. Press (Jun. 10, 2025), <https://apnews.com/article/ai-scam-college-financial-aid-identity-theft-aa1bc8bcb4c368ee6bafcf6a523c5fb2>.

⁷*How scammers are using AI to steal college financial aid*, Identity Theft Resource Center (Jan. 5, 2026), <https://www.idtheftcenter.org/post/ai-steal-college-financial-aid/>.

⁸Weissman *supra* note 5.

⁹See e.g., U.S. Dept of Educ., Off. of Inspector Gen., Title IV of the Higher Education Act Programs: Additional Safeguards Are Needed to Help Mitigate the Risks That Are Unique to the Distance Education Environment (Feb. 2014), <https://oig.ed.gov/sites/default/files/reports/2024-05/a0710001.pdf>; U.S. Dept of Educ., Off. of Inspector Gen., Final Management Information Report: Student Aid Fraud Ring Assessment (Jan. 17, 2013), <https://oig.ed.gov/sites/default/files/reports/2024-04/x18m0001.pdf>; U.S. Dept of Educ., Off. of Inspector Gen., Investigative Program Advisory Report: Distance Education Fraud Rings (Sep. 26, 2011), <https://oig.ed.gov/sites/default/files/reports/2023-06/14210001.pdf>.

¹⁰U.S. Dept of Educ., Off. of Inspector Gen., *Semiannual Report to Congress, No. 91*, ii (Feb. 17, 2026), https://oig.ed.gov/sites/default/files/reports/2026-02/FY25%20SAR%2091%20%282.17.26%29v101_508_SECURED.pdf.

¹¹See e.g., U.S. Dept of Educ., Off. of Inspector Gen., *Eye on ED Podcast—Episode 12 Student Aid Fraud Rings* (Sep. 30, 2024), https://oig.ed.gov/sites/default/files/document/2024-09/fy24_student_aid_fraud_podcast_transcript_9.30.24v100_508.pdf.

¹²U.S. Dept of Educ., Off. of Inspector Gen., *Student Aid Administrators: Help Spot and Stop Student Aid Fraud Rings*, (updated Sep. 2024), https://oig.ed.gov/sites/default/files/document/2024-09/fy24_identify_and_stop_student_aid_fraud_ring_info_sheet_8.27.24v100_508_secured.pdf.

[FAFSA] process,” the Department has consistently worked to mitigate fraud while trying to decrease verification burdens for institutions. On December 27, 2020, Congress passed the *FAFSA Simplification Act*,¹² which streamlined the federal student aid application process. One key provision of the Act required the Department “to the maximum extent practicable, streamline and simplify the process of verification for applicants.”¹³ In July of 2021, recognizing the need to address fraud prevention while responding to the unique challenges of the COVID–19 pandemic, “the Department issued a waiver of certain verification requirements in order to provide relief to students and colleges facing challenges resulting from the COVID–19 emergency while retaining a strict focus on identity and fraud. In accordance with that policy, requirements remain for institutions to verify identity.”¹⁴ Financial aid officers and student aid stakeholders supported this decision because “too many vulnerable students were flagged for verification in the standard process, which yielded little evidence of fraud. They argued that focusing on identity theft, which requires a different form of verification, made more sense.”¹⁵ In July 2024, the Department announced further verification rate reductions, in an effort to continue reducing institutional burdens by leveraging partnerships with the IRS for income verification processes.¹⁶ The Department emphasized this was done to “more effectively target verification efforts” to identity verification.¹⁷

Efforts Under the Trump Administration

Admittedly, the Trump Administration has taken several steps to build on the ongoing fraud prevention efforts. In June 2025, the Department announced that it would “require institutions of higher education to validate the identity of certain first-time applicants . . .” and required an applicant to “present, either in person or on a live video conference, an unexpired, valid, government-issued photo identification to an institutionally authorized individual and the institution must preserve a copy of this documentation.”¹⁸ In response, advocates highlighted the importance of fighting against fraud and abuse, but emphasized that there must be a stronger balance between that and student access and burden on under-resourced schools.¹⁹ In December 2025, the Department claimed that their recent efforts “halted more than \$1 billion in attempted

¹² Pub. L. No. 116–260, Title VII, Div. FF (2020).

¹³ 20 U.S.C. § 1090(b)(6).

¹⁴ U.S. Dep’t of Educ., Off. of Fed. Stud. Aid, Electronic Announcement, Reminder—Identity Verification (Sep. 2, 2021), <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2021-09-02/reminder-identity-verification-ea-id-general-21-54>.

¹⁵ Danielle Douglas-Gabriel, *Students applying for financial aid will face stricter ID verification*, The Wash. Post (Jun. 6, 2025), <https://www.washingtonpost.com/education/2025/06/06/student-aid-identification-verification-requirements-change/>; see Press Release, Nat’l Assn of Stud. Fin. Aid Admins., NASFAA Statement on 2021–22 Verification Changes (July 13, 2021), <https://www.nasfaa.org/nasfaa—statement-on-2021-22-verification-changes>.

¹⁶ U.S. Dep’t of Educ., Off. of Fed. Stud. Aid, Electronic Announcement, 2024–25 Award Year Flexibilities and Department Letters to Presidents (Feb. 13, 2024), <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2024-02-13/2024-25-award-year-flexibilities-and-department-letters-presidents-updated-july-31-2024>.

¹⁷ *Id.*

¹⁸ Press Release, U.S. Dep’t of Educ., U.S. Department of Education to Implement New Identity Validation Processes to Combat Student Aid Fraud (Jun. 6, 2025), <https://www.ed.gov/about/news/press-release/us-department-of-education-implement-new-identity-validation-processes-combat-student-aid-fraud>.

¹⁹ Douglas-Gabriel *supra* note 15.

financial aid theft by fraudsters, including coordinated international fraud rings and AI bots pretending to be students.”²⁰

Last month, the Trump Administration launched a new fraud prevention framework built into the FAFSA process.²¹ Starting with the 2026–2027 FAFSA cycle, FSA will implement a new screening technology embedded into the FAFSA that places applicants into various risk categories, to help target verification efforts.²² This framework will be launched “in coordination” with the newly launched White House Task Force to Eliminate Fraud.²³ Again, the Department estimates these upcoming efforts will prevent over \$1 billion in federal student aid fraud.²⁴

H.R. 7892 CODIFIES CURRENT FRAUD PREVENTION FRAMEWORK

H.R. 7892 would require the Department to use an identity fraud detection system to review each FAFSA application. Applications that present a “reasonable suspicion of identity fraud” would trigger a notification from the Secretary informing the applicant of the determination, that the application is subject to additional identity verification, and that such information will be transmitted to the institutions that the applicant designated in its application. Institutions would then be required to assert that a “reasonable suspicion of identity fraud is not present by confirming the identity of such applicant using in-person verification or live, synchronous audiovisual verification” prior to disbursing any federal student aid. This language generally aligns with the framework described above and would effectively codify FSA’s current practices.

While Committee Democrats appreciate the recognition of the work FSA is doing to prevent fraud, we believe this legislation is not required in order for FSA to continue this work. In fact, we have no sense from Committee Republicans or the Department that the codification in H.R. 7892 will remain the most effective practice moving forward. FSA only launched their current aligned framework in April, and fraud rings remain very skilled at adapting to ongoing prevention efforts. There is concern that in several years, the framework outlined in H.R. 7892 and H.R. 7891 could be rendered ineffective or potentially even burdensome as fraud rings evolve. Congress must make informed policy decisions prior to codifying a process.

²⁰ Press Release, U.S. Dep’t of Educ., U.S. Department of Education Prevents More Than \$1 Billion in Federal Student Aid Fraud This Year, Additional Crackdowns Expected in 2026, (Dec. 11, 2025), <https://www.ed.gov/about/news/press-release/us-department-of-education-prevents-more-1-billion-federal-student-aid-fraud-year-additional-crackdowns-expected-2026>.

²¹ Press Release, U.S. Dep’t of Educ., U.S. Department of Education Launches Comprehensive, Nationwide Federal Student Aid Fraud Prevention Effort (Apr. 27, 2026), <https://www.ed.gov/about/news/press-release/us-department-of-education-launches-comprehensive-nationwide-federal-student-aid-fraud-prevention-effort>.

²² U.S. Dep’t of Educ., Off. of Fed. Stud. Aid, Electronic Announcement, FAFSA Real-Time Fraud Detection (Apr. 15, 2026), <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2026-04-15/fafsa-real-time-fraud-detection>.

²³ *Id.*; Exec. Order No. 14395, 91 Fed. Reg. 13485 (2026).

²⁴ Press Release, U.S. Dep’t of Educ., U.S. Department of Education Launches Comprehensive, Nationwide Federal Student Aid Fraud Prevention Effort (Apr. 27, 2026), <https://www.ed.gov/about/news/press-release/us-department-of-education-launches-comprehensive-nationwide-federal-student-aid-fraud-prevention-effort>.

H.R. 7892 IS TOO BROAD TO NARROWLY DETECT IDENTITY FRAUD

H.R. 7892 establishes a new term, “reasonable suspicion of identity fraud,” that is not currently utilized in higher education statutes or regulations. Reasonable suspicion is a legal evidentiary standard stronger than simple speculation but lower than probable cause necessary to support a search warrant.²⁵ Generally reasonable suspicion requires law enforcement to present specific and articulable facts beyond a “hunch” to justify a search.²⁶ H.R. 7892 does not include any definition of “reasonable suspicion of identity fraud” to clarify how this standard will operate in the identity fraud verification setting. Following from the common law concept of reasonable suspicion, it is foreseeable that H.R. 7892 could be interpreted as giving the Secretary fairly broad power to identify institutions for potential investigations and program reviews since the standard for determining if an application presents a reasonable suspicion of identity fraud would be relatively low.

During the markup, Democrats expressed that, consistent with established law, “reasonable suspicion” should be a standard based on specific, articulable facts to prevent any administration from being able to target specific institutions or student populations due to concerns unrelated to identity fraud. Some stakeholders even urged Congress to ensure “such powers cannot be weaponized against perceived political enemies—perhaps a state or college that isn’t politically aligned with the Administration.”²⁷

To successfully implement the proposed verification framework, we believe the definition of reasonable suspicion must be narrowed to protect institutions and student populations from being politically targeted due to founded or unfounded concerns unrelated to identity fraud and to mitigate longstanding concerns about the impact of verification on real students flagged for additional reviews. Ranking Member Scott also offered an amendment to narrow the definition of “reasonable suspicion” and to require the Department to provide colleges with resources to implement the verification framework. This amendment failed on voice vote after Members of the Majority and Minority publicly discussed working together to establish a narrow and articulable standard of reasonable suspicion before the bill reaches the House Floor.

H.R. 7892 COULD DISPROPORTIONATELY IMPACT CERTAIN STUDENT POPULATIONS

During consideration of H.R. 7892, Committee Democrats expressed concerns that certain student populations may be disproportionately impacted by the proposed fraud detection framework. As stakeholders point out, “the bill contains no guardrails to ensure that legitimate students, particularly first-generation applicants, students without traditional forms of identification, students

²⁵Cassandra J. Barnum & Peter G. Berris, Cong. Rsch. Serv., IF13169, Fourth Amendment Search Warrant Requirements (2026).

²⁶*E.g.* Terry v. Ohio, 392 U.S. 1, 27 (1968) (“And in determining whether the officer acted reasonably in such circumstances, due weight must be given not to his inchoate and unparticularized suspicion or “hunch,” but to the specific reasonable inferences which he is entitled to draw from the facts in light of his experience.”).

²⁷Bryce McKibben & Michael H. Gavin, *The Hidden Power Grab in “Fraud Prevention”—and the Students Who Will Pay*, Hope Ctr. For Stud. Basic Needs (Apr. 29, 2026), <https://hope.temple.edu/newsroom/hope-blog/hidden-power-grab-fraud-prevention-students-who-will-pay>.

with limited access to smartphones or reliable internet, and students experiencing homelessness or without a fixed residential address, are not disproportionately screened out or delayed.”²⁸ For example, homeless and foster youth have had longstanding issue navigating the student aid process, specifically producing the required documentation to access federal student aid.²⁹ Similarly, students from mixed-status families and eligible noncitizen students, particularly refugees with a history of displacement, may have challenges accessing approved identification due to issues like “housing disruption” or fears around family immigration status.³⁰ Further, as the Trump Administration continues to target communities based on their race, ethnicity, national origin, and religion, Democrats need more assurance that students in these communities, and institutions or states that serve them, will not be targeted for increased verification flags simply due to their identities.

Before codifying the Department’s proposal via H.R. 7892, Committee Democrats would value reviewing any analysis conducted by the Department around which student populations are most effected by identity verification, data on false-positive and false-negative rates, and whether the verification process leads to any delays in student aid disbursements.

H.R. 7892 COULD BE WEAPONIZED TO ADVANCE THE TRUMP
ADMINISTRATION’S ATTACKS ON POLITICAL ENEMIES

Since the time this Committee has considered H.R. 7892, the Trump Administration has launched a White House taskforce to eliminate fraud³¹ and a new National Fraud Enforcement Division at the Department of Justice (DOJ).³² It is still unclear how the new division or taskforce would work in conjunction with the Department to conduct investigations and other oversight for FAFSA and fraud prevention. Additionally, in every press release related to federal student aid fraud, the Trump Administration has aggressively marketed their targeting of those they perceive as non-citizens and Democrat-led states, rather than focusing purely on detecting and eliminating fraud rings.³³ For example, one press release boasts about the Department’s partnership with the Department of Homeland Security (DHS) to “ensure illegal aliens no longer receive federal student aid funds,” despite the Department

²⁸ *Id.*

²⁹ U.S. Gov’t Acct. Offic. *Higher Education: Actions Needed to Improve Access to Federal Financial Assistance for Homeless and Foster Youth*, <https://www.gao.gov/products/gao-16-343>.

³⁰ Navigating Financial Aid for Immigrant and Mixed-Status Students Experiencing Homelessness, SchoolHouse Connections, (Jan. 2026), <https://schoolhouseconnection.org/article/navigating-financial-aid-for-immigrant-and-mixed-status-students-experiencing-homelessness>.

³¹ Exec. Order No. 14395, 91 Fed. Reg. 13485; White House, *Fact Sheet: President Donald J. Trump Establishes the Task Force to Eliminate Fraud* (Mar. 16, 2026), <https://www.whitehouse.gov/fact-sheets/2026/03/fact-sheet-president-donald-j-trump-establishes-the-task-force-to-eliminate-fraud/>.

³² Press Release, U.S. Dep’t of Just., Acting Attorney General Todd Blanche Issues Memorandum on the Creation of the National Fraud Enforcement Division (Apr. 7, 2026), <https://www.justice.gov/opa/pr/acting-attorney-general-todd-blanche-issues-memorandum-creation-national-fraud-enforcement>.

³³ See, e.g. Press Release, U.S. Dep’t of Educ., U.S. Department of Education Launches Comprehensive, Nationwide Federal Student Aid Fraud Prevention Effort (Apr. 27, 2026), <https://www.ed.gov/about/news/press-release/us-department-of-education-launches-comprehensive-nationwide-federal-student-aid-fraud-prevention-effort>, Press Release, U.S. Dep’t of Educ., U.S. Department of Education Fights Fraud in Student Aid to Protect the American Taxpayer (May 28, 2025), <https://www.ed.gov/about/news/press-release/us-department-of-education-fights-fraud-student-aid-protect-american-taxpayer>.

never presenting data that documentation status correlates with instances of identity fraud in student aid. Further, the recent targeting of Democrat-led Minnesota³⁴ and the state’s Somali community³⁵—through levers including Immigrations and Customs Enforcement (ICE) officer deployment³⁶ and federal fraud investigations—underscore how willing the Trump Administration is to leverage alleged fraud violations as a politicized tool for immigration enforcement. This administration has pursued investigations and indictments of perceived enemies of the President, often without apparent regard to the underlying merit of the allegations.³⁷ Since his return to the White House, we have already seen the Department of Justice investigate or attempt to prosecute individuals like Federal Reserve Board Chief Jerome Powell who deliberately disobeyed him, individuals like Former FBI Director James Comey who publicly disagreed with him, or individuals like New York Attorney General Tish James who successfully prosecuted him.³⁸ The most recent occurrence came this month: Virginia State Senator L. Louise Lucas (D Portsmouth) had her political office and place of business searched by the FBI.³⁹ It should be noted that this occurred just two weeks after State Sen. Lucas helped lead the successful effort by Virginia voters to reject President Trump’s attempt to rig the midterm elections, and one day after the President took political revenge on at least five state legislators for failing to follow his orders to gerrymander in Indiana.

When coupled with the continued political weaponization like this across the federal government, stakeholders fear that H.R. 7892 would exacerbate “the Administration’s continuous weaponization of federal funding and its move to threaten institutions and individuals” who do not support this weaponization, the Trump Administration would have “complete control, not oversight, of access and [higher education’s] operations.”⁴⁰ Until the Trump Administration makes clear the plans of its new taskforce and DOJ division and any potential partnerships with the Department, Democrats are hesitant to support H.R. 7892 without tighter enforcement guardrails to mitigate concerns of targeting perceived political adversaries.

³⁴ Rachel Leingang, *What is it about Minnesota that made it a target for Trump’s ICE crackdown?* The Guardian (Feb. 14, 2026), <https://www.theguardian.com/us-news/2026/feb/14/why-minnesota-ice-crackdown-trump>.

³⁵ Ashleigh Fields, *Trump targets Somali community in Minnesota: What to know*, The Hill (Dec. 3, 2025), <https://thehill.com/homenews/state-watch/5631530-trump-targets-minnesota-somali-community/>.

³⁶ Rebecca Santana & Mike Balsamo, *Homeland Security plans 2,000 officers in Minnesota for its ‘largest immigration operation ever’*, Assoc. Press (Jan. 6, 2026), <https://apnews.com/article/immigration-enforcement-ice-noem-minnesota-somali-db661df6de1131a034da2bda4bb3d817>; Joshua Barajas, *Shooting deaths climb in Trump’s mass deportation effort*, PBS News (Jan. 29, 2026), <https://www.pbs.org/newshour/nation/a-look-at-shootings-by-federal-immigration-officers>.

³⁷ Protect Democracy, *Tracking retaliatory use of arrests, prosecutions, and investigations by the Trump administration*, <https://protectdemocracy.org/work/retaliatory-action-tracker/#tracker> (last updated May 5, 2026).

³⁸ *E.g.*, Bill Barrow, *With action against Powell and the Fed, Trump’s list of targeted opponents grows longer*, PBS News (Jan. 12, 2026), <https://www.pbs.org/newshour/nation/with-action-against-powell-and-the-fed-trumps-list-of-targeted-opponents-grows-longer>.

³⁹ Eric Tucker, et al., *FBI searches Virginia Senate leader’s office as part of corruption probe*, AP sources say, Assoc. Press (May 6, 2026), <https://apnews.com/article/l-louise-lucas-corruption-fbi-virginia-redistricting-845b64e5f9df0beb5dbd10676f1be436>.

⁴⁰ McKibben & Gavin, *supra* note 27.

DEMOCRATIC AMENDMENTS OFFERED DURING MARKUP OF H.R. 7892

Committee Democrats put forward one amendment to define the standard of reasonable suspicion and require the Department to provide resources to institutions about the new verification framework, in an effort to narrowly tailor identity verification and prevent weaponization of the law. Committee Republicans rejected this amendment but agreed to work with Committee Democrats to narrow the language.

Amendment	Offered By	Description	Action Taken
#1	Mr. Scott	Clarifies that a reasonable suspicion of identity fraud is based on the current high-risk Verification Groups; Requires the Department of Education to provide guidance and resources to institutions regarding their responsibilities under the new identity verification framework.	Defeated

CONCLUSION

It is critical to protect federal student aid from waste, fraud, and abuse, including identity fraud by ghost students and fraud rings. Due to the severity of this issue, Congress must work closely and thoughtfully with a wide range of stakeholders to ensure narrow fraud enforcement, decrease institutional verification burdens, and support students flagged for verification.

Committee Democrats unanimously supported H.R. 7892 when the Committee on Education and Workforce considered it on March 17, 2026, under the condition of addressing the concerns discussed earlier in these views. As those negotiations produced no meaningful changes to the bill text, we cannot support this bill on the floor in its current form. Given the ongoing politicization of federal fraud prevention efforts and broad language, we have concerns with how the Trump Administration may further weaponize federal student aid laws to unfairly target students or institutions. We urge the House of Representatives to oppose H.R. 7892 unless there is a significant revision, evidence provided of Departmental success of current practices, and wider consultation of higher education stakeholders.

ROBERT C. “BOBBY” SCOTT,
Ranking Member.

