August 17, 2026

Senator Bill Cassidy
Chair
Senate Health, Education,
Labor and Pensions Committee
428 Dirksen Senate Office Building
Washington, DC 20510

Senator Bernie Sanders
Ranking Member
Senate Health, Education,
Labor and Pensions Committee
428 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Cassidy and Ranking Member Sanders,

We write to share our concerns with **S. 4428, the *No Aid for Ghost Students Act***. We recognize the importance of stopping identity theft rings that have targeted community colleges and other institutions of higher education. These identity theft rings are real and sophisticated, and it is important to take action to stop them to ensure the integrity of the federal financial aid system. However, we are concerned that the bill as written would create significant new liabilities and risks for the federal, state, local, and institutional aid programs, and urge the Committee not to advance the bill in its current form and to instead direct the Government Accountability Office ("GAO") to evaluate the U.S. Department of Education's ("the Department") existing fraud detection system, examine any needed changes, and to delay any statutory codification or modification until that evaluation is presented publicly to, and assessed by, the Committee.

As drafted, S. 4428 would allow the Secretary of Education ("the Secretary") to withhold federal financial aid from a student on the basis of a statutory standard of "reasonable suspicion" that is not defined in the bill; would permit that student to clear the flag through only two narrow methods, both of which are unavailable to several substantial populations of legitimate students; would give a wrongly flagged student no way to contest the determination; and would write into statute an expansion of a system that has been operating for only a few months and has not been sufficiently evaluated.

It is our understanding that the intent of the legislation is to codify an existing identity verification system, but S. 4428 describes a system that differs in substantial ways and would expand the Secretary's powers to withhold federal funds relative to current law. In the event that the Committee decides to advance the bill, we respectfully urge the Committee to make the following amendments to improve transparency and ensure the bill does not inadvertently impede real students and families from accessing critical financial aid.

I. Concern: It is premature to codify an expansion of the Department's existing fraud detection system without additional information.

Proposed solution: Direct GAO to evaluate the existing system before codifying any version of it. Instead of moving S. 4428 at this time, we instead recommend the Committee direct GAO to evaluate the existing system, including its false-positive rate, its effect on disbursement timing, and the characteristics of applicants flagged, and delay any statutory codification until that evaluation is presented to the Committee.

At a minimum, if moving the bill forward, the Committee should delay the effective date of any provisions until a full GAO evaluation is before Congress with sufficient time to analyze results, and make the bill's recurring evaluation independent and public rather than an internal review by the Secretary of their own system.

Background: The U.S. Department of Education ("the Department") does not currently lack statutory authority to address the challenge of "ghost students," and **the agency is already running a "real-time identity fraud detection system" capable of addressing this challenge.**

On June 6, 2025, the Department announced a nationwide effort to eliminate identity theft and fraud in the federal student aid programs.[1] On April 15, 2026, Federal Student Aid issued an Electronic Announcement describing the new "real-time identity fraud detection system" that sorts applicants into four risk tiers and requires automated identity confirmation from high-risk applicants.[2] The Department has since marketed the results and claimed success in resolving the issues of ghost students; only 0.4 percent of flagged applicants in the *initial iteration* of the tool turned out to be legitimate students,[3] which is to say the Department already believes it can identify suspected fraud with a high degree of precision *and does not need any additional authority to do so*.

Because the Department is already running an identity fraud detection system, the Congressional Budget Office (CBO) estimated that **the *No Aid for Ghost Students Act* would not reduce (save) any federal funds over the 10-year period.[4]**

However, the Department's identity fraud system has now been screening live applications for **less than four months**. S. 4428 would write a similar (but not identical) version of this system into statute before a single independent evaluation of the system has been completed, while creating new problems. The bill's own evaluation requirement does not solve this: the evaluation would be conducted by the Secretary, of the Secretary's own system, and the first report would not be due until October 1, 2027, a full year after the bill's provisions take effect. Further, the U.S. Department of Justice recently created a National Fraud Enforcement Division, but it is not

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[1] U.S. Department of Education, "U.S. Department of Education to Implement New Identity Validation Processes to Combat Student Aid Fraud" (June 6, 2025).
[2] Federal Student Aid, "FAFSA Real-Time Fraud Detection," Electronic Announcement (Apr. 15, 2026).
[3] Community College Daily, "ED's plan to weed out fake student aid applications" (Apr. 2026).
[4] Congressional Budget Office. "H.R. 7892, No Aid for Ghost Students Act of 2026," (May 13, 2026).

clear how this effort interfaces with the Department's current efforts in financial aid.[5] **We are concerned that Congress would be locking in an opaque new system before learning whether it works or the extent of any unintended negative impacts on vulnerable student populations.**

II. Concern: The bill raises two significant transparency concerns: the phrase "reasonable suspicion of identity fraud" is undefined, and the bill includes no public reporting requirements.

Proposed solutions: The bill should be amended in two ways to address this concern.

First, tightly define "reasonable suspicion of identity fraud." Require specific and articulable grounds consistent with the term's established legal meaning. At minimum, indicators of fraud risk should be established before use; prohibit reliance on protected characteristics, receipt of means-tested benefits, homelessness or foster status, the immigration status of an applicant's contributors, or proxies for such characteristics; and make the new system expressly subject to the burden considerations and annual public reporting requirements.

Second, require public reporting on who is flagged and what happens to them. The Secretary should be required to publish quarterly the number and share of applicants flagged; disaggregated by state, institutional sector, and the demographic categories already collected on the FAFSA; the share who resolve the flag through the Department's online step, through institutional verification, and not at all; the share ultimately confirmed to be legitimate students, the number of students needing to repeat verification at multiple institutions; and the comparative effect on disbursement timing.

Background: The phrase *"reasonable suspicion of identity fraud"* is the operative trigger throughout S. 4428 that determines whether an applicant is flagged, whether an institution is barred from disbursing aid, and what an institution must do to lift that bar. This phrase could be easily abused or weaponized and should be clearly defined to ensure transparency, consistency, and fairness.

In Title IV administration, "reasonable suspicion" has generally functioned as a threshold for referral to the Office of Inspector General, where career investigators gather facts and develop evidence before any consequence attaches. S. 4428 upends this longstanding practice: under the bill, the Secretary (and his or her political appointees) would form the suspicion, and aid would be withheld automatically, with no transparency or adjudication by other actors or accountability to the public or Congress.

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[5] U.S. Dep't of Justice, "[Acting Attorney General Todd Blanche Issues Memorandum on the Creation of the National Fraud Enforcement Division]" (Apr. 7, 2026).

Unfortunately, nothing in the bill constrains what may serve as a “reasonable” indicator of suspicion, and nothing requires the indicator(s) to be established or disclosed *before* it is used. The Secretary could decide to target specific institutions (or groups of institutions, such as those in a specific sector or state) or specific students before establishing the indicators that then disproportionately select them, in other words “working backward” to get to a predetermined outcome. This would allow the system to be used to withhold financial aid to disfavored entities.

Additionally, the student characteristics most readily available to an automated screening system could also very easily be measures of poverty, mobility, and imperfect documentation. Absent statutory guardrails, a future Secretary could construct a risk model around any of the following:

- Unaccompanied homeless youth, students without a fixed residential address, and current or former foster youth;
- Independent students, including those seeking a dependency override due to parental abuse, estrangement, or neglect;
- Applicants who receive means-tested benefits, like SNAP, WIC, Medicaid, or TANF;
- Applicants who are not required to file taxes, and applicants with a zero or negative Student Aid Index;
- Applications submitted from shared IP addresses, such as a public library, a campus computer lab, a high school counseling office, or a community-based organization running a FAFSA completion event;
- Applicants whose names do not match Social Security Administration records because of hyphenation, marriage, diacritics, or non-Western naming conventions;
- Applicants whose contributors lack Social Security numbers but file with approved Individual Taxpayer Identification Numbers (ITINs);
- Applicants who are themselves eligible non-citizens (permanent residents, refugees, asylees, certain visa holders, and victims of human or labor trafficking that are assisting law enforcement with prosecution of traffickers); or
- Applicants who file from a mobile device only, or who cannot complete automated identity confirmation within whatever response window the Department sets.

None of these characteristics describes someone more likely to commit fraud. These are also the students least likely to be able to absorb a delay in their disbursements or to navigate additional barriers. The bill also includes no transparency requirements and no public reporting on the numbers and types of students being selected by the Department’s current identity verification system, or a future iteration of it codified by S. 4428. Therefore, **Congress and the public**

would have no information on whether there were unintended consequences associated with the Department's secret selection criteria.

If S. 4428 advances, it should tightly define "reasonable suspicion of identity fraud" to require articulable, credible grounds; require that the indicators be established in advance of them being deployed (preventing specific institution, geographic or student targeting); require consultation with the Office of Inspector General in making designations; prohibit reliance on protected characteristics and their close proxies; and require public, disaggregated reporting on how many applicants are flagged, in which states and sectors, and what share are ultimately confirmed to be legitimate students.

III. Concern: The bill's verification burdens will make it harder for legitimate students to access aid and enroll in school.

Proposed solution: Create a resolution pathway for flagged students. Add administrative review of the Department's determination, deadlines binding on the Department and institutions alike, and authority for provisional or retroactive disbursement. Ensure the resolution pathway continues to allow institutions to clear verification flags for students who have applied to multiple institutions and have already completed the clearance procedure elsewhere (and are not penalized for doing so).

Background: The narrow verification methods permitted under the bill would directly impact applicants already navigating a complex system of financial aid. S. 4428 only allows an institution to clear a flag through in-person verification or live, synchronous audiovisual verification.

The synchronous audiovisual verification of the current system has also been further limited by the Department to smart mobile devices only; students cannot use a laptop or desktop with a camera to complete it. Restricting verification to these narrow methods could easily fall on students who have done nothing wrong, such as:

- Working and commuting students at large community colleges, for whom a scheduled appointment during business hours is a genuine obstacle;
- Prospective students who do not live near the institution they are applying to, including out-of-state students;
- Students with disabilities that make live video participation difficult or impossible;
- Students in rural areas without broadband sufficient to sustain a synchronous video session;

- Applicants without access to a mobile device at the moment they fill out the FAFSA or who cannot readily borrow one in real-time (including older students);
- Students studying abroad, on military deployment, or separated from their institution by many time zones; or
- Incarcerated students in Second Chance Pell programs, where facilities routinely prohibit personal devices and synchronous video.

Assigning verification burdens to these students is likely to impede these students' ability to successfully enroll in higher education. Additionally, documentation can be difficult to maintain for students during periods of housing insecurity, when aging out of foster care, during and after incarceration, and when there are substantial costs or logistical barriers for replacing records.

Finally, the narrow methods provided by S. 4428 require an institutional staff member and an applicant to be present at the same moment. The bill fails to recognize or permit secure identity verification methods the Department already accepts under current V4/V5 verification guidance, including asynchronous third-party proofing at National Institute of Standards and Technology Identity Assurance Level 2 (NIST IAL2), verification by approved third-party contractors, and verification by an authorized official at a correctional facility for students in prison education programs. It is a significant step backward.

IV. Concern: The bill creates new barriers to accessing aid for legitimate students without providing them a pathway to resolution.

Proposed solution: Preserve the online self-resolution step and secure asynchronous options. Codify the opportunity for a flagged applicant to confirm identity within the FAFSA workflow before any verification requirement falls on the institution. Adopt at least the House-passed flexibility for NIST Identity Assurance Level 2 remote proofing and Secretary-approved equivalents, and add an exceptions process for students who cannot access any permitted method, including incarcerated students and students without adequate broadband.

Background: Under the current real-time identity verification system, "high-risk" applicants are given an opportunity to confirm their identity online, within the FAFSA workflow, before any institutional review is required. Only those who cannot resolve the flag that way are routed to institutional verification. The Department's purpose in designing it this way was to *reduce* the number of applications institutions must verify in person.

S. 4428 contains no such step within the FAFSA workflow. Instead, the responsibility to resolve a flag via in-person or audiovisual requirement is assigned to institutions via Section 487(a)(15). Even if S. 4428 envisions using a FAFSA-based process similar to what is already underway today, it fails to mention this online self-resolution step; therefore, the bill is not locking in the current real-time identity verification system as it exists today, but an inferior one.

Without an in-FAFSA workflow, institutions will experience a substantial increase in verification burden. And by pushing all of that verification burden onto institutions, a flagged student who has applied to multiple institutions could need to resolve their verification at each institution before even receiving an offer of aid.

Additionally, the bill's system only gives a flagged applicant notice that they've been selected for verification, but **the bill does not provide any mechanism to contest the Department's determination, any option for administrative review, or any deadline for the student.** No provision requires the Department to respond within any timeframe, permits provisional disbursement while verification is pending, or holds an institution harmless for a good-faith determination that later proves incorrect.

A student who is flagged when they file the FAFSA in March who can't complete the online process at that time, and whose institution cannot schedule in-person verification before the term begins in August, may not receive a financial aid offer and will go without critical financial aid for months until they can complete the verification process. Nothing in the bill prevents that outcome or makes the student whole afterward. Many students would likely be forced to drop out without aid to start the term. Students who are incorrectly caught up in the new system, particularly one that could be abused, deserve the opportunity to appeal.

V. Concern: Institutions would continue to bear absolute financial liability for a system they cannot inspect, compounding existing transparency concerns.

Proposed solution: Provide a safe harbor. Provide a safe harbor for institutions that comply in good faith with the Department's own determinations, so that schools are not held financially liable for the failures of a screening system they cannot inspect.

Background: In guidance issued July 17, 2026, the Department confirmed that institutions must return all Title IV funds disbursed to a student later determined to be "fraudulent" even **when the institution had no indication of fraud at the time of disbursement, and even when the student was never selected for identity verification in the first place.**[6] In the Department's words, "the financial responsibility for improper payments lies with the school."[7]

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[6] Federal Student Aid, "Real-Time FAFSA Fraud Detection and Identity Confirmation — Frequently Asked Questions," Electronic Announcement (July 17, 2026).
[7] J. Hermes, "Colleges responsible for aid disbursed to fraudulent applicants," Community College Daily (July 23, 2026).

These penalties are notable and alarming considering the lack of transparency. The Department designs the detection system. The Department selects the indicators. The Department decides who is flagged. The institution is then required to verify each flagged applicant before disbursing and would absorb the entire cost when the system misses someone it should have caught. S. 4428 would codify this financial obligation and risk directly into the Program Participation Agreement (PPA), meaning **institutions would carry unlimited financial exposure for the failures of a screening system whose criteria they have no ability to see or inform.**

For students needing in-person verification, the cost and burden will also fall to institutions. But community colleges already spend roughly a quarter of their financial aid office operating budgets on verification, compared with about one percent at private universities,[8] and financial aid administrators are coming off several years of extraordinary strain.[9] Requiring a staffed, scheduled, synchronous appointment for every flagged applicant will land hardest on the open-access and large online institutions that serve large numbers of students. The flaws of the current system should not be written into statute.

During the upcoming consideration of S. 4428, we encourage the Committee to solicit bipartisan perspectives and the views of technical experts on the potential negative consequences of both the current real-time identity verification system and the potentially modified system that would exist under S. 4428. Additionally, we urge the Committee to seek clarity from the Department on whether it needs any additional legislative authority to address the challenge of "ghost students."

These concerns were raised in April but were not addressed in the version of the bill that passed the House or was introduced in the Senate.[10] We hope the Committee will heed these suggestions before any further consideration of S. 4428. We would welcome the opportunity to work with the Committee and the sponsors on amendments along these lines. Thank you for your consideration.

Sincerely,

The Hope Center for Student Basic Needs
Alliance for Higher Education
AFT: Education, Healthcare, Public Services
American Association of University Women (AAUW)
Communities for Our Colleges
Complete College America

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[8] A. Guzman-Alvarez & L. Page, "FAFSA verification: An undue burden for students and public colleges," Brookings Institution (2022).
[9] See Inside Higher Ed, "Financial aid officers are burnt out after the FAFSA fiasco" (May 31, 2024).
[10] B. McKibben & M. H. Gavin, "The Hidden Power Grab in 'Fraud Prevention' — and the Students Who Will Pay," The Hope Center for Student Basic Needs (Apr. 29, 2026), cited in H.R. Rep. No. 119–669.

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Young Invincibles

CC: Senator Ashley Moody
Senator Maggie Hassan