

Congress of the United States
House of Representatives
Washington, DC 20515-4906

6TH DISTRICT OFFICES:
FOND DU LAC, WI
(920) 922-1180
OSHKOSH, WI
(920) 231-6333

June 3, 2009

The Honorable Arne Duncan
Secretary of Education
400 Maryland Avenue, SW
Washington, D.C. 20202

Dear Secretary Duncan:

On May 28, 2009, the Inspector General released a final audit report that found that between 2001 and 2006, the Kentucky Higher Education Student Loan Corporation (KHESLC) improperly over-billed the Education Department by an estimated \$80 million in improper subsidies under the 9.5 percent floor rate. The Inspector General recommended that KHESLC return the amount of improper special allowance payments based on ineligible refunding (\$9 million) and recommended that the Department monitor, re-calculate, and require return of improper payments based on ineligible recycling (\$79.5 million) if KHESLC is not in compliance with two Department Dear Colleague Letters (DCL). I ask that you fully enforce the Inspector General's recommendations.

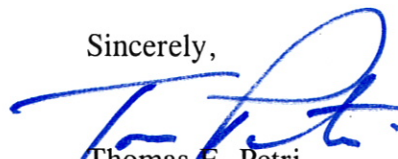
I believe that the Department also should explore all options to recover the illegally obtained 9.5 subsidy payments, including rescinding the previous Administration's guidance regarding the repayment of these subsidies and conditioning participation in the federal student loan program on the return of these illegal subsidies by any offending lender. I strongly believe that those entities that have abused taxpayer funds have lost the trust of the public and should not be allowed to participate and profit from any federal government program.

As I mentioned at the May 20th Education and Labor Committee hearing at which you testified, the Department of Education has continually failed to provide adequate oversight over lenders and guaranty agencies participating in the Federal Family Education Loan Program (FFEL). To my knowledge, no funds have been recovered regarding illegal subsidies claimed by lenders and no disciplinary action has been taken against Department of Education officials who allowed this abuse to occur. I strongly believe the current Administration should work to restore the integrity of this program by getting to the bottom of this scandal.

As you may know, a provision I authored in last year's Higher Education Act requires the Secretary of Education to refer settlements over \$1 million to the Attorney General. I would appreciate being advised if this case will be reviewed by the Attorney General.

Thank you for your attention to this matter, and I look forward to your response on this important issue.

Sincerely,



Thomas E. Petri
Member of Congress