

*Bill Cassidy, M.D.*

AMENDMENT NO. \_\_\_\_\_ Calendar No. \_\_\_\_\_

Purpose: In the nature of a substitute.

**IN THE SENATE OF THE UNITED STATES—119th Cong., 2d Sess.**

**S. 4428**

To amend the Higher Education Act of 1965 to require the use of an identity fraud detection system in reviewing Free Applications for Federal Student Aid.

Referred to the Committee on \_\_\_\_\_ and  
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT IN THE NATURE OF A SUBSTITUTE intended to be proposed by Mrs. MOODY (for herself and Ms. HASSAN)

Viz:

1 Strike all after the enacting clause and insert the fol-  
2 lowing:

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “No Aid for Ghost Stu-  
5 dents Act of 2026”.

6 **SEC. 2. IDENTITY FRAUD DETECTION SYSTEM.**

7 (a) IDENTITY FRAUD DETECTION SYSTEM.—Section  
8 483 of the Higher Education Act of 1965 (20 U.S.C.  
9 1090) is amended by adding at the end the following:

10 “(e) IDENTITY FRAUD DETECTION SYSTEM.—

11 “(1) IN GENERAL.—

1           “(A) USE OF SYSTEM.—Beginning not  
2 later than 1 year after the date of enactment of  
3 the No Aid for Ghost Students Act of 2026, in  
4 addition to or in conjunction with other  
5 verification processes carried out under this  
6 title, the Secretary shall use an identity fraud  
7 detection system to review each application sub-  
8 mitted under this section to determine whether  
9 the application presents a reasonable suspicion  
10 of identity fraud.

11           “(B) NOTIFICATIONS.—If the Secretary  
12 determines that an application described in sub-  
13 paragraph (A)—

14           “(i) presents a reasonable suspicion of  
15 identity fraud, the Secretary shall carry  
16 out notifications and provide the applicant  
17 with the opportunity to confirm the appli-  
18 cant’s identity in accordance with para-  
19 graph (4); and

20           “(ii) does not present a reasonable  
21 suspicion of identity fraud, the Secretary  
22 shall transmit to each institution des-  
23 ignated by the applicant in the application  
24 before disbursement of student financial  
25 aid under this title, a notice that the appli-

1                    cation does not present a reasonable sus-  
2                    picion of identity fraud.

3                    “(2) PROCEDURES TO ESTABLISH REASONABLE  
4                    SUSPICION OF IDENTITY FRAUD.—In developing cri-  
5                    teria for or making a determination of reasonable  
6                    suspicion of identity fraud under this subsection, the  
7                    Secretary shall—

8                    “(A) use multiple, specific, objective, and  
9                    articulable indicators of potential fraud risk;

10                   “(B) ensure that the indicators of potential  
11                   fraud risk have been established within the De-  
12                   partment’s internal procedures and system doc-  
13                   umentation; and

14                   “(C) consult with the Department’s Office  
15                   of Inspector General in developing and refining  
16                   the criteria for such determination.

17                   “(3) PROCESS FOR APPEAL.—The Secretary  
18                   shall—

19                   “(A) develop a process for an applicant to  
20                   appeal, directly to the Department of Edu-  
21                   cation, a rejection of the applicant’s Free Appli-  
22                   cation for Federal Student Aid, not later than  
23                   14 days after the date of the rejection, due to  
24                   the determination that the application presents  
25                   a reasonable suspicion of identity fraud if the

1 applicant believes that it was an errant deter-  
2 mination; and

3 “(B) include on the Free Application for  
4 Federal Student Aid an option for the applicant  
5 to indicate an appeal of a rejection described in  
6 subparagraph (A).

7 “(4) NOTIFICATION OF REASONABLE SUSPICION  
8 OF IDENTITY FRAUD.—If the Secretary determines  
9 that an application submitted under this section pre-  
10 sents a reasonable suspicion of identity fraud, the  
11 Secretary shall—

12 “(A) provide the applicant with—

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

15 “(ii) notice that the information de-  
16 scribed in subparagraph (B) will be trans-  
17 mitted to each institution of higher edu-  
18 cation designated by the applicant in the  
19 application;

20 “(iii) notice that the applicant is sub-  
21 ject to additional identity verification re-  
22 quirements in accordance with section  
23 487(a)(15);

24 “(iv) the opportunity to confirm the  
25 applicant’s identity with the Department to

1 resolve the reasonable suspicion of identity  
2 fraud, which may be satisfied concurrently  
3 with submission of the Free Application  
4 for Federal Student Aid as determined by  
5 the Secretary; and

6 “(v) information on how to file an ap-  
7 peal, as described in paragraph (3);

8 “(B) in the case in which an applicant has  
9 not confirmed the applicant’s identity with the  
10 Department in accordance with subparagraph  
11 (A)(iv), transmit to each institution designated  
12 by the applicant in the application, a notice—

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

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

21 “(C) in the case in which an applicant has  
22 indicated an appeal on the Free Application for  
23 Federal Student Aid pursuant to paragraph  
24 (3)(B), transmit to each institution designated  
25 by the applicant in the application, a notice

1           that the applicant has initiated the appeal proce-  
2           ss; and

3           “(D) in the case in which an applicant has  
4           submitted a completed application to support  
5           an appeal and the Secretary has made a deter-  
6           mination on the appeal, transmit to each insti-  
7           tution designated by the applicant in the appli-  
8           cation, a notice of the approval or denial of the  
9           appeal.

10          “(5) CONGRESSIONAL NOTICES AND PUBLIC RE-  
11          PORTING.—

12                 “(A) NOTICES.—The Secretary shall sub-  
13                 mit to the authorizing committees, the Com-  
14                 mittee on Appropriations of the Senate, and the  
15                 Committee on Appropriations of the House of  
16                 Representatives—

17                         “(i) not later than 1 year after the  
18                         date of enactment of the No Aid for Ghost  
19                         Students Act of 2026, a written descrip-  
20                         tion of the identity fraud detection system  
21                         required under this subsection; and

22                         “(ii) not later than 30 days after im-  
23                         plementing any substantial change to such  
24                         system, a written description and rationale  
25                         for such change.

1           “(B) ANNUAL PUBLIC REPORTS.—Not  
2 later than 1 year after the date of enactment of  
3 the No Aid for Ghost Students Act of 2026,  
4 and annually thereafter, the Secretary shall  
5 conduct an evaluation of the effectiveness of the  
6 identity fraud detection system carried out  
7 under this subsection, and publish, in a publicly  
8 accessible manner, including on an internet  
9 website, information—

10               “(i) on the use and effectiveness of  
11 such system;

12               “(ii) that includes the number and  
13 percentage of applications determined to  
14 present a reasonable suspicion of identity  
15 fraud, disaggregated by the institutional  
16 sector, fraud type, applicant’s State of  
17 legal residence, dependency status, Federal  
18 Pell Grant eligibility, national origin, and  
19 any other demographic category collected  
20 on the Free Application for Federal Stu-  
21 dent Aid; and

22               “(iii) that includes, of the applications  
23 determined by the Secretary to present a  
24 reasonable suspicion of identity fraud—

1                   “(I) the number and percentage  
2                   who confirm the applicant’s identity  
3                   with the Department to resolve the  
4                   reasonable suspicion of identity fraud  
5                   in accordance with paragraph  
6                   (4)(A)(iv);

7                   “(II) the number and percentage  
8                   for which the Department does not  
9                   confirm the applicant’s identity in ac-  
10                  cordance with paragraph (4)(A)(iv)  
11                  but whose identity is verified by the  
12                  institution in accordance with section  
13                  487(a)(15)(B);

14                  “(III) the percentage for which  
15                  the Department does not confirm the  
16                  applicant’s identity in accordance with  
17                  paragraph (4)(A)(iv) and whose iden-  
18                  tity is not verified by the institution in  
19                  accordance with section  
20                  487(a)(15)(B); and

21                  “(IV) the number and percent-  
22                  age—

23                         “(aa) who seek an appeal of  
24                         such determination in accordance  
25                         with paragraph (3); and

1 “(bb) of those who seek such  
2 an appeal—

3 “(AA) who succeed in  
4 such appeal process; and

5 “(BB) who fail in such  
6 appeal process.

7 “(6) RULE OF CONSTRUCTION.—Nothing in  
8 this subsection shall be construed to—

9 “(A) prohibit the Secretary from meeting  
10 the requirements of paragraph (1), in whole or  
11 in part, through a capability or system used by  
12 the Secretary on or before the date of enact-  
13 ment of the No Aid for Ghost Students Act of  
14 2026;

15 “(B) modify the provisions of section  
16 498A(b);

17 “(C) limit or alter the rights and protec-  
18 tions of individuals under the Individuals with  
19 Disabilities Education Act, section 504 of the  
20 Rehabilitation Act of 1973 (29 U.S.C. 794), the  
21 Americans with Disabilities Act of 1990 (42  
22 U.S.C. 12101 et seq.), title VI of the Civil  
23 Rights Act of 1964 (42 U.S.C. 2000d et seq.),  
24 title IX of the Education Amendments of 1972,

1           and the Age Discrimination Act of 1975 (42  
2           U.S.C. 6101 et seq.); or

3           “(D) limit the Secretary’s ability to utilize  
4           enforcement discretion with respect to the pro-  
5           visions of this subsection in response to de-  
6           clared emergencies.

7           “(7) HOLD HARMLESS.—The Secretary shall  
8           not require an institution of higher education to re-  
9           imburse to the Federal Government student aid  
10          funding provided under this title that is obtained  
11          through identity fraud if—

12                 “(A) the funds were provided for an appli-  
13                 cant whose application submitted under this  
14                 section was not determined by the Secretary to  
15                 present a reasonable suspicion of identity fraud  
16                 under this subsection and that determination  
17                 was communicated to the institution of higher  
18                 education, as described in paragraph (1)(B)(ii),  
19                 before disbursement of Federal financial aid;  
20                 and

21                 “(B) the institution verified the applicant’s  
22                 identity using the process described in this sub-  
23                 section.”.

24          (b) ADDITIONAL VERIFICATION REQUIREMENTS.—

## 11

1           (1) AMENDMENTS.—Section 487(a)(15) of the  
2       Higher Education Act of 1965 (20 U.S.C.  
3       1094(a)(15)) is amended—

4           (A) by striking “(15) The institution ac-  
5       knowledges” and inserting “(15)(A) The insti-  
6       tution acknowledges”; and

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

9       “(B) Beginning not later than 1 year after the  
10      date of enactment of the No Aid for Ghost Students  
11      Act of 2026, the institution will not disburse Federal  
12      financial aid under this title to an applicant whose  
13      application under section 483 has been determined  
14      by the Secretary as presenting a reasonable sus-  
15      picion of identity fraud under section 483(e), if the  
16      applicant did not confirm the applicant’s identity  
17      with the Department to resolve the reasonable sus-  
18      picion of identity fraud under section 483(e)(3)(iv),  
19      and the institution received the notice described in  
20      section 483(e)(3)(B), unless the institution, in ac-  
21      cordance with procedures established by the Sec-  
22      retary—

23           “(i) before the disbursement of such Fed-  
24      eral financial aid, determines that a reasonable  
25      suspicion of identity fraud is not present by

1 confirming the identity of such applicant  
2 using—

3 “(I) in-person identity verification;

4 “(II) live, synchronous audiovisual  
5 verification;

6 “(III) identity verification compliant  
7 with National Institute of Standards and  
8 Technology Identity Assurance Level 2  
9 (NIST IAL2), or an equivalent successor;

10 “(IV) an alternative identity  
11 verification method approved by the Sec-  
12 retary that provides a level of identity as-  
13 surance that is equal to or greater than  
14 the level of assurance provided by an iden-  
15 tity verification method described in sub-  
16 clause (I), (II), or (III); or

17 “(V) a combination of 2 of more  
18 verification methods described in sub-  
19 clauses (I) through (IV);

20 “(ii) notifies the Secretary that the identity  
21 of the applicant has been confirmed; and

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

24 (2) GUIDELINES ON INSTITUTIONAL  
25 VERIFICATION PROCEDURES.—

1           (A) IN GENERAL.—Not later than 120  
2           days after the date of enactment of this Act,  
3           the Secretary of Education shall establish  
4           guidelines with respect to identity verification  
5           procedures to be carried out by institutions of  
6           higher education under subparagraph (B) of  
7           section 487(a)(15) of the Higher Education Act  
8           of 1965 (20 U.S.C. 1094(a)(15)), as amended  
9           by paragraph (1).

10          (B) CONSULTATION.—

11           (i) IN GENERAL.—The Secretary of  
12           Education shall consult, not less often than  
13           annually, with institutions of higher edu-  
14           cation and other stakeholders, including  
15           those described in clause (ii), to revise, as  
16           necessary, the guidelines described in sub-  
17           paragraph (A).

18           (ii) STAKEHOLDERS.—The institu-  
19           tions of higher education and other stake-  
20           holders described in this clause include—

21           (I) such institutions and stake-  
22           holders located in States with signifi-  
23           cant numbers of indigenous residents,  
24           rural communities, and roadless com-

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1 munities, and those located in non-  
2 contiguous States; and

3 (II) stakeholders that rep-  
4 resent—

5 (aa) populations of student  
6 who experience homelessness, are  
7 involved in the foster care sys-  
8 tem, or are currently or formerly  
9 incarcerated; or

10 (bb) other non-traditional  
11 student populations.

12 (c) GAO REPORT.—Not later than 1 year after the  
13 date of enactment of this Act, the Comptroller General  
14 of the United States shall submit a report to Congress  
15 that evaluates the performance and effects of the identity  
16 fraud detection system described in section 483(e) of the  
17 Higher Education Act of 1965 (20 U.S.C. 1090(e)), as  
18 added by this Act. Such report shall include—

19 (1) the rate of applicants determined to have a  
20 reasonable suspicion of identity fraud, but are later  
21 found not to be fraudulent;

22 (2) an analysis of delays in aid to applicants  
23 that are not determined to have a reasonable sus-  
24 picion of identity fraud;

1           (3) feedback from institutions of higher edu-  
2           cation on the implementation of the fraud detection  
3           system; and

4           (4) any other performance evaluation of the  
5           fraud detection system determined by the Secretary  
6           to be in the interest of protecting student aid fund-  
7           ing provided under title IV of the Higher Education  
8           Act of 1965 (20 U.S.C. 1070 et seq.) from fraud or  
9           applicants from identity fraud.