NCHER

DAILY BRIEFING

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Biden Administration Announces Extension of Federal Student Loan Payment and Collections Pause, Includes “Fresh Start” for Defaulted Borrowers

This morning, the White House announced that it would extend the pause on federal student loan payments, interest, and collections through August 31, 2022. The current pause expires on May 1, 2022. In the announcement, President Joe Biden said that student and parent borrowers are still recovering from the COVID-19 pandemic and, according to the Federal Reserve if loan payments were to resume on schedule, millions of student loan borrowers would face significant economic hardship, and delinquencies and defaults could threaten Americans' financial stability. The President said that the additional four months "will assist borrowers in achieving greater financial security and support the [U.S.] Department of Education's efforts to continue improving student loan programs."

In conjunction with the White House's announcement, the Department **announced** that it will allow defaulted borrowers with federally held student loans to receive a "fresh start" on repayment, which would eliminate the impact of delinquency and default so that borrowers can enter eventual repayment in good standing. While the NCHER staff has heard that the announcement applies to borrowers with loans under the Federal Family Education Loan Program, no further details have been provided to date. According to several officials, the Biden Administration has been working through the details of the proposal for months. The deliberations have been complicated, in part, by how the Department plans to fund the program. The current thought is to use the authority under the Coronavirus Aid, Relief, and Economic Security Act that allowed defaulted borrowers to count the pandemic-suspended payments toward the nine months of payments that are typically required for a borrower to bring their loans out of default through the rehabilitation process. While borrowers usually must fill out paperwork to start that process, the Department may waive that requirement. The Department plans to release more information about how the new initiative will work in the "coming weeks."

As expected, Congressional Democrats and Republicans reacted differently to the White House and Department's announcements. In a **statement**, House Education and Labor Committee Chairman Bobby Scott (D-VA), commended the administration's action. "Across the country, borrowers are continuing to face the economic fallout of COVID-19," he said. "By extending the pause on student loan repayments, collections, and interest accrual, the Biden-Harris Administration has demonstrated that it remains committed to helping borrowers get back on their feet. This extension also has the added benefit of providing the Administration more time to offer impacted borrowers in Income Driven Repayment plans a solution without actively collecting on student loans." But Ranking Member Virginia Foxx (R-NC) released a **statement** saying that such action sends the wrong message to borrowers. "Like clockwork, the Biden administration continues to govern by executive fiat without any consideration for the consequences of its actions," she said. "Today's decision is par for the course. The Education Department has provided zero information to everyone involved, including the servicers who will be tasked with carrying out this 'operation.' This ambiguous and flippant roll out will lead to mass confusion among borrowers likely causing new defaults. This is what happens when reckless ambition supersedes commonsense. By taking the financial consequences of defaulting on student loans out of the equation, any incentive for future borrowers to make good on their obligations to taxpayers goes out the window. Whether its sheer incompetence or an intentional ploy to set the table for widespread forgiveness, President Biden is turning a student loan problem into a full-fledged catastrophe at the expense of borrowers and hardworking taxpayers."

For more coverage, see these articles from ***Politico***, ***The Washington Post***, ***Forbes***, ***CNN***, and ***MSN***.

FSA Releases Quarterly Memo Setting Special Allowance Rates for FFELP Loans

Yesterday, the U.S. Department of Education's Office of Federal Student Aid released a **memorandum** calculating the special allowance rates for the Federal Family Education Loan Program for the quarter ending March 31, 2022. The memo includes the following information:

- The Commercial Paper rate is the average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in such quarter as reported by the Federal Reserve in Publication H-15 (or its successor) for such 3-month period. For the quarter ending March 31, 2022, the average rate used to compute special allowance is 0.45 percent.
- The LIBOR rate is the average of the bond equivalent rates of the quotes of the 1-month London InterBank Offered Rate or LIBOR in effect for each of the days in such quarter as compiled and released by the British Bankers Association. For the quarter ending March 31, 2022, the average rate used to compute special allowance is 0.23 percent.
- The Treasury Bill rate is the average of the bond equivalent rates of the 13-week Treasury bills as published by the U.S. Department of the Treasury. For the quarter ending March 31, 2022, the average of the rates is 0.33 percent.

Federal Reserve Releases FOMC Minutes, Focuses on Heightened Inflation

Today, the Federal Reserve released the **minutes** of the March 15-16 meeting of its

Federal Open Market Committee (FOMC), which revealed concern about elevated levels of inflation. According to the minutes, committee members noted that, while indicators of economic activity and employment had continued to strengthen, inflation continued to significantly exceed the central bank's long-term goal. The minutes also indicated that Russia's invasion of Ukraine, including the related surge in energy prices, would add to near-term inflation pressures. Nonetheless, with appropriate monetary policy firming, committee members said that they expected inflation to return to the committee's 2 percent objective over time. Against this backdrop, the minutes stated that "all participants agreed that it was appropriate to begin a process of removing policy accommodation by raising the target range for the federal funds rate at this meeting." In its announcement, the FOMC raised the federal funds rate 25 basis points, to a range of ¼ to ½ percent. The minutes said that a number of participants said they would have preferred a 50-basis point increase though, given the near-term uncertainty caused by the invasion of Ukraine, all except one member voted for the 25-basis point increase. Participants also agreed that reducing the size of the Fed's balance sheet would play a role in firming monetary policy, which could begin as soon as May. In short, the minutes revealed that the Fed is moving quickly from an accommodative to a neutral monetary posture. The next meeting of the FOMC is scheduled for May 3-4, 2022.

House Education and Labor Committee Approves Workforce Innovation and Opportunity Act

Yesterday, the House Education and Labor Committee met in executive session to consider H.R. 7309, Workforce Innovation and Opportunity Act of 2022 (WIOA). The legislation would reauthorize the current statute governing the nation's workforce development programs. In his opening statement, Chairman Bobby Scott (D-VA) said that the new bill would remedy "decades of underfunding so we can finally meet the needs of both workers and businesses. In FY 2023, this legislation will more than double the number of those receiving training services, according to an estimate by the National Association of Workforce Boards. Taken together, the bills before us today strengthen our nation's workforce and retirement systems and support our nation's economic recovery." In her opening statement, Ranking Member Virginia Foxx (R-NC) said that the bill "fails to empower workers to gain the skills they need for a successful career. However, it does spend a lot of hardworking taxpayer dollars that are unnecessary to spend. Additionally, this bill would allow federal bureaucrats to define 'job quality' measures for on-the-job programs, which will take power out of the hands of employers. This is another Washington-knows-best policy that will end up hurting job creators and workers." Following opening statements and votes on amendments, the committee approved the bill by a party-line vote of 29-21. It now heads to the U.S. House of Representatives for further consideration.

For further information, including an archived webcast of the markup session, visit the committee website.

APLU Report Finds that Public Research Universities Spent Over 70 Percent of COVID Relief Funds

The Association of Public and Land-Grant Universities (APLU) recently published a report detailing how public research universities have utilized federal COVID-19 relief funds provided by Congress. The report stated that APLU members received over $20 billion in Higher Education Emergency Relief Fund (HEERF) aid, which went toward supporting 4.2 million undergraduate and 1.2 million graduate students. By the end of 2021, APLU members had already spent around $14.5 billion, or 70 percent, of HEERF funds to support students and campus communities. The report highlighted the ways in which several institutions of higher education utilized their HEERF funds:

- The University of Florida used funding to benefit over 33,962 students through pre-set emergency grant aid to students with demonstrated financial aid with an additional campus-wide application for emergency grant aid.
- North Carolina Agricultural and Technical State University invested $6 million in HEERF funds to support students with housing and dining scholarships.
- The State University of New York utilized $24 million in HEERF institutional aid on various mental health support programs.
- Northern Arizona University invested $5 million in HEERF aid to make technology upgrades on campus to better support a hybrid learning environment.

The report concluded that emergency funds have played a significant role in supporting students and colleges and universities through the challenges posed by the pandemic.

U.S. Department of Education News

For today's *Federal Register*, click here.

Member News

FAME
FINANCE AUTHORITY OF MAINE

The Finance Authority of Maine (FAME) announces that it is promoting financial wellness opportunities through its new Employer Financial Wellness Roadmap. The tool provides a step-by-step guide to employers who may be interested in offering financial wellness programs to their employees. The roadmap features resources, best practices, technical support, and research to aid employers in the development and implementation of wellness programs. In a statement, FAME Financial Education Programs Manager Mary Dyer said, "One-third of employees rank financial wellness programs as their top employee benefit, and studies show that employees want help with their finances but may be too embarrassed to ask. In 2018, we implemented our own employee financial wellness program and the benefits have far exceeded the monetary costs. Despite the challenges of the pandemic, our employees have been able make significant financial gains, including reductions in debt, increased savings, and improvement in their overall financial well-being."

iGrad announced that it has partnered with Wake Forest University to provide its students with the customized and interactive financial wellness platform. iGrad's platform for Wake Forest students features information on everything from building and maintaining good credit, budgeting and money management, to student loan/debt management and loan calculators. "We know it is incredibly important for Wake Forest students to leave campus fully prepared for the challenges of life after graduation," said Wake Forest Director of Student Financial Aid Tom Benza. "Financial empowerment is a critical skill our students need to succeed. We are pleased to be able to offer iGrad, with its robust suite of financial wellbeing and planning tools, to all students, faculty and staff."

General News

Saving for College reports on the six signs that it might be time to switch College Savings Plan, 529 plans.

Forbes publishes an article examining five options that President Joe Biden can take on student loan relief.

Newsweek reports on comments from political commentator Megyn Kelly who criticized the push for President Joe Biden to forgive federal student loans, saying she does not want to pay for the education of "elite graduates."

Yahoo reports that a group of House Democrats are pushing three bills that focus on repairing the credit histories of federal student loan borrowers who fell behind and then worked to pay off their debt.

Inside Higher Ed reports that a recent study published by the National Bureau of Economic Research found that grade-forgiveness policies incentivize students to study

STEM, take harder courses and stay in college - not slack off or simply boost their Grade Point Averages, as critics claim.

An online version of this Daily Briefing is available to view and print from the Daily Briefing Section of the NCHER e-Library.

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