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Federal Student Loan Interest Rates Set to Increase on July 1st

Today, the U.S. Department of Treasury held the auction of 10-year Treasury notes that will be used to determine the interest rate on federal student loans. Under the Higher Education Act, interest rates for new federal student loans (other than Consolidation Loans) change every July 1 based on market rates that are indexed to the “high yield” of the 10-year Treasury note auctioned at the final action held by Treasury prior to the preceding June 1st, plus an add-on amount that is different for each loan type. The add-on amount for Subsidized and Unsubsidized Stafford Loans for undergraduate students is 2.05 percent, for Unsubsidized Stafford Loans for graduate/professional students is 3.6 percent, and for PLUS Loans is 4.6 percent. Once a loan is originated, the interest rate
remains fixed for the life of the loan.

As a result of today’s auction, the "high yield" on the 10-year note was 2.943 percent, more than one and a quarter higher than the rate at the comparable auction last year. While the U.S. Department of Education will make the formal announcement, unofficially, the interest rates on new Direct Loans made beginning July 1, 2022 will be:

- For new undergraduate federal student loans, the interest rate will increase to 4.99 percent, up from the current 3.73 percent.
- For new graduate federal student loans, the interest rate will increase to 6.54 percent, up from this year’s 5.28 percent.
- For new PLUS loans, both for graduate students and parents, the interest rate will be 7.54 percent, up from the current 6.28 percent.

The new interest rates take effect for new Direct Loans disbursed beginning July 1, 2022. The changes affect only new federal student loans, not existing loans. The interest rate on all federally-held student loans has been set to zero percent since March 2020. The Biden Administration has extended this pandemic relief through at least the end of August as it weighs a broader decision about whether to cancel large swaths of federal student loan debt through executive action.

Secretary of Education Cardona Discusses PSLF and Affordability During Axios Event

Yesterday, Axios held an event with U.S. Secretary of Education Miguel Cardona about initiatives that the U.S. Department of Education was engaged in to address barriers to higher education for at-risk students. During the discussion, Axios reporter Erica Pandey asked Secretary Cardona why addressing college affordability and access to higher education was important. Secretary Cardona replied that everyone should have an opportunity to pursue the American Dream through access to higher education. He went on to discuss the importance of removing obstacles to recruiting and retaining high-quality teachers, specifically by “revamping and fixing” the Public Service Loan Forgiveness (PSLF) program. The Secretary cited federal data that over 98 percent of PSLF applications were denied in the past, but that 113,000 applications have been accepted in just this year alone - a sign of progress in PSLF reform. Secretary Cardona added that a lot of the issues in the PSLF system were due to “benign neglect,” but there were also instances where the Department was “not doing enough to get the job done right.” He said that the Department is also working on other efforts related to student
loan debt, including examining comprehensive student loan forgiveness and addressing issues that lead to student debt, such as college affordability. He cited that the Department has also discharged the loans of over 250,000 borrowers that were taken advantage of and misled by institutions of higher education.

**CFPB Orders Student Loan Debt Processors to Pay More than $8 Million to Misled Borrowers**

Today, the Consumer Financial Protection Bureau (CFPB) announced that it finalized an enforcement action against debt-relief payment-processors, RAM Payment and Account Management Systems (AMS), and its two cofounders. The Bureau charged AMS with collecting debt-relief fees from consumers, lying to consumers about when the fees would be paid to debt-relief companies, sending illegal advance fees to debt-relief companies before they were legally allowed to do so, and failing to return funds to borrowers that cancelled student loan debt relief arrangements. Under the action, AMS will be required to refund $8.7 million to consumers enrolled in their student loan debt-relief services, in addition to paying a $3 million penalty to be used toward the CFPB’s victims’ relief fund. In a statement on the enforcement decision, CFPB Director Rohit Chopra said, “Too often, bad actors take advantage of student loan borrowers and others who are seeking to get out of debt. Our law enforcement action bans the facilitators and their ringleaders for their illegal acts.”

**National Student Clearinghouse Report Finds Increase of Students with Some College, No Credential**

Earlier this week, the National Student Clearinghouse Research Center published its Some College, No Credential (SCNC) Student Outcomes: Annual Progress Report – Academic Year 2020/21. In the report, the clearinghouse identified that there were 39 million adults who had some college, but no credential as of July 2020. The organization defines the SCNC category as those adults who had some postsecondary experience but had yet to earn any type of credential and were no longer enrolled. The report focuses on three metrics to track SCNC students: re-enrollment after initial stop-out, first credential, and perseverance as indicated by continuous enrollment beyond first enrollment. Overall, the Research Center found that 48 states and the District of Columbia experienced an increase of SCNC students between 2019 and 2020. The report found that, during the academic year 2020/21, 944,200 SCNC students re-enrolled and
60,400 students earned their first-ever postsecondary credential. An additional 531,700 students were still enrolled after re-enrolling the previous year. In terms of demographics, women outnumbered men in re-enrollment, credential earning, and perseverance. The share of re-enrollees among minority women was substantially higher than men—63.5 percent versus 34.6 percent. The clearinghouse found, however, that the overall re-enrollment rate showed little variability across race and ethnicity, while white and Asian students had higher rates of perseverance than other groups. The report also noted that the COVID-19 pandemic’s effect on overall enrollment is likely linked to the increase in SCNC students, and added that subsequent reports on this topic will further examine this impact. For additional coverage, see this article from The Chronicle of Higher Education.

U.S. Department of Education News

For today’s Federal Register, click here. The following announcement was posted to Federal Student Aid’s Knowledge Center website:

- (ANN-22-03) Live Internet Webinar – Pell Grant Eligibility for Incarcerated Students

General News

Inside Higher Ed (podcast) features a conversation with Under Secretary James Kvaal, the U.S. Department of Education’s senior official on higher education.

CNBC reports that student loan debt hit another record high despite payment forbearance, according to data released by the Federal Reserve Bank of New York.

Time reports on what is known so far about President Joe Biden’s plan to forgive federal student loans.

Financial Advisor publishes a column reporting that financial advisers rarely recommend not paying off debt, but this time is different. They are advising students and parents not to bother paying off student debt right now.

Higher Ed Dive reports that law schools may no longer have to require applicants to provide standardized exam scores, including the Law School Admission Test, under a
recommendation being considered by the American Bar Association.

*The Wall Street Journal* includes an op-ed by Theatine Partners Founder Richard Shinder who argues that student loan relief should come in bankruptcy court. Blanket debt forgiveness would be a massive and unfair transfer of wealth with perverse consequences.

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