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Weekly Rundown

The NCHER Weekly Rundown, which includes the latest information on important events in Washington, DC, is available today and can be downloaded from the NCHER website.

Politico: Federal Student Loan Forgiveness Splitting the Democratic Party

This morning, Politico reported that the debate over federal student loan forgiveness is splitting the Democratic Party as President Joe Biden continues to deliberate over the matter. Today, The New York Times Editorial Board published an op-ed firmly in opposition to providing widespread forgiveness. The editorial said that canceling student loan debt “would set a bad precedent and do nothing to change the fact that future students will graduate with yet more debt — along with the blind hope of another, future amnesty.” The NY Times said that the idea was also “legally dubious, economically unsound, politically fraught and educationally problematic.” The column follows other left-leaning voices in the party such as Paul Begala and Bill Maher who have pushed back against the idea of providing federal student loan forgiveness. Several prominent economist, such as Larry Summers who worked in the Clinton Administration, have been skeptics of cancellation
saying that it will lead to a rise in inflation. At the same time, other key constituencies of the Democratic Party are mobilizing in the other direction. Last week, for example, the AFL-CIO came out in favor of student loan forgiveness. "After all that we have endured in the wake of the COVID-19 pandemic, we cannot ask working people to make further sacrifices," President Liz Shuler said in a statement. The NAACP also held its latest rally in front of the White House to call for debt forgiveness.

Separately but related, Politico reported that Senate Democrats are pushing for one last chance to convince the President to provide $50,000 in federal student loan forgiveness. Senate Majority Leader Chuck Schumer (D-NY), as well as Sens. Elizabeth Warren (D-MA) and Raphael Warnock (D-GA), have communicated to the White House that they want the President to hold tight on any executive action until they can press him one last time, according to two people familiar with the matter. The three senators met last week to plot student loan strategy and are seeking a meeting with the President as soon as he will do it, one of the people said.

For additional coverage, see the following:

KATV News reports that progressive pressure is mounting on the Biden Administration as millions of Americans wait for a decision on federal student loan debt forgiveness.

Central Labor Council reports that the AFL-CIO has called on the Biden Administration to do its part to assist borrowers hampered by crippling student loan debt.

Fox News reports that the White House’s plan to cancel federal student loan debt could lead to higher inflation and perceived inequality, several experts are warning.

Verve Times reports that the President federal student loan forgiveness plan is a raw deal for taxpayers.

NBC’s Today Show includes a report on how the President’s promise for federal student loan forgiveness has stirred controversy.

House Republicans Send Letter Saying President Does Not Have Authority to Forgive Student Loans

On Friday, 23 House Republicans, led by Rep. Glenn Grothman (R-WI), sent a letter to
President Joe Biden raising concerns about his remarks last month indicating that he is considering canceling some federal student loan debt. “We in Congress firmly believe you lack the statutory authority to do so, and such an action would be a display of a grossly backwards policy,” the lawmakers wrote, adding that he cannot “unilaterally forgive federal student loan debt.” To back up their argument, the Republicans pointed to the fact that a memo the President had called on Education Secretary Miguel Cardona to write in April 2021 to outline the legal powers to cancel federal student loan debt has yet to be made public. The lawmakers cited the Biden Administration’s refusal to release it as a sign that the White House believes they “have no such authority either.” The lawmakers also argued that loan forgiveness would be costly and exacerbate inflation, and it would punish borrowers who repaid their loans. They say that such a proposal would benefit wealthy Americans and could also open the door for future presidents to waive other types of debt.

**NASFAA Releases Recommendations to Reform Federal Student Loan Program**

The National Association of Student Financial Aid Administrators (NASFAA) recently released a report titled, [*Protecting Borrowers and Advancing Equity: Systemic Solutions to Improve Federal Student Loan Servicing and Repayment*](https://ncher.org/?mailpoet_router&endpoint=view_in_browser&action=view&data=WzIxMiwiZWM2ZjZmYzY2ZmUtYmE2MC00MThmLTk2NWUtZDgzMTdhMTk5MmYtZjliOC00ODI5LThiNi02MTg2LWI5Yzg0NTUzNjE3), which seeks to provide policy solutions to address underlying flaws in the federal student loan repayment and servicing systems that lead borrowers into financial hardship. Overall, the report outlines recommendations to improve student loan servicing practices, rethink the terms and conditions of student loan repayment, increase institutional and program accountability, and reform federal student loan default. “As the President and Congress debate and consider widespread debt forgiveness, we call attention to the noticeable absence and urgently needed policy reforms that will prevent borrowers from being in this same exact position in the future,” said NASFAA President and Chief Executive Officer Justin Draeger.

The recommendations in the report include the following:

- Simplifying and making federal student loans more affordable by eliminating origination fees, lowering interest rates, and consolidating existing repayment plans into three easy-to-understand plans.

- Eliminating negative amortization that creates a pernicious cycle where too many borrowers end up with larger loan balances years after they have entered repayment.
Reforming the Public Service Loan Forgiveness Program to allow for rolling, ongoing forgiveness and ensuring borrowers benefit from current flexibilities that waive program restrictions that may have prevented some borrowers from qualifying for forgiveness.

Bringing all borrowers who are currently in default with a one-time reset and developing safety nets for borrowers going forward that allows them to quickly rehabilitate their defaulted student loans at reduced cost and penalty.

Moving forward, automatically enrolling delinquent borrowers in income-driven repayment before they enter default, whenever possible.

Requiring the Office of Federal Student Aid (FSA) to implement a comprehensive set of servicer policies and procedures that allow transparency into student loan servicing and require all servicers to use common branding and a single servicing system to interact with all borrowers.

Revamping and updating the FSA, as specified in statute, to focus more specifically on effectively managing the student loan portfolio.

Creating incentives and funding for best-in-class servicing that simultaneously leverages competition between servicers while also promoting best practices that benefit the entire loan portfolio.

For additional coverage, see this article from Higher Ed Dive.

Federal Reserve Bank of Philadelphia Releases Report on Student Loan Repayment

Last week, the Federal Reserve Bank of Philadelphia published a report titled, Expectations of Student Loan Repayment, Forbearance, and Cancellation: Insights from Recent Survey Data, of 13,423 consumers who reported high-level information about their past and current student loan repayment behavior, their experience with student loan forbearance, and their expectations of future forbearance and student debt cancellation. Among the findings:

- Three-quarters of borrowers who were making regular payments before the COVID-19 pandemic expected to be able to make their payments in full after the federal student loan pandemic forbearance ends later this year.

- Over half of education loan holders reported temporary employment and income disruptions over a one-year period and are benefitting from temporary/occasional
forbearance and support to remain on track with their payments.

- A significant share of education loan borrowers — over a fifth of borrowers in the sample — are chronically struggling and would benefit from more comprehensive solutions than extending a temporary forbearance. According to the study, most of these borrowers reported that their previous payments were unaffordable and that they do not anticipate being able to make payments after the pause ends. The report indicates that the trends identified in the data suggest that continued repayment struggles are not primarily the result of pandemic-related transitory financial shocks but are more systemic in nature.

- The report found that borrowers with incomes over $75,000 reported that it was extremely likely that they would make payments after the payment pause ends.

CommonBond Announces Plans to Cease New Student Loan Originations

Last week, CommonBond announced that it would cease new private student loan originations as of June 15, 2022, and shift its focus exclusively to financing solar equipment. The company noted that its current customers will not be affected by the change as their loans will continue to be serviced by Firstmark Services. "We are excited by the impact we're having in the residential solar market," said David Klein, Chief Executive Officer and Co-Founder of CommonBond. "Every day, we hear the stories of our customers saving money on their electricity bill and reducing their annual coal consumption by tons – literally, tons – because of the solar adoption we are enabling. It's incredibly rewarding."

Urban Institute Publishes Essay on Who Benefits from Free College in New York

Recently, the Urban Institute published an essay titled, The Fine Print on Free College: Who Benefits from New York's Excelsior Scholarship. The analysis examines the State of New York's Excelsior Scholarship, its last-dollar free college program where families making less than $125,000 can benefit from the program. The last-dollar state program covers unmet need after Pell Grants, state-based need awards, and other scholarships. Recipients must meet certain renewal, resident, and work criteria. If they fail to meet those eligibility requirements, they risk turning the grant into a no-interest loan. In the report, the researchers found that the program primarily benefits families earning above the citywide median. In fact, the scholarship is the largest source of grant aid for upper-
middle-income students. The report said that, due to several administrative barriers to entry, only a quarter of all eligible first-year students received the benefit. Those who do receive a scholarship have a renewal rate of roughly 50 percent.

U.S. Department of Education News

For today’s Federal Register, click here.

Member News

ECMC Group announced that its Board of Directors has appointed Dan Fisher as the next President and Chief Executive Officer, effective July 3, 2022. Mr. Fisher also was elected to the Board of Directors of ECMC Group, Educational Credit Management Corporation, and ECMC Foundation, effective July 3, 2022. “We believe that with his proven personal and professional skills and his decades of service and dedication to our organization, Dan is the ideal leader to become ECMC Group’s President and Chief Executive Officer,” said ECMC Group Chairman Jim McKeon. “His leadership in our mission-driven activities to help underserved populations, enhance college access, support student success and drive outreach in our communities and with our stakeholders is invaluable. The Board has selected a strong and experienced person in Dan to lead ECMC Group going forward as we pursue our charitable mission of helping students succeed.”

General News

Inside Higher Ed reports that college tuition largely held steady during the COVID-19 pandemic. But now, rampant inflation is pushing costs up, with some institutions of higher education approving steep increases unseen since the recession of 2008.

Forbes publishes a column reviewing student loan debt statistics and information aimed at helping borrowers make more informed decisions regarding student loan financing,
paying off student loans faster, and student loan forgiveness.

*Forbes* reports on how borrowers can refinance their student loans without a co-signer.

*Diverse Issues in Higher Education* reports that, following news of the U.S. Supreme Court’s draft opinion to overturn *Roe v. Wade*, which would upset fifty years of precedent, it appears that race-conscious affirmative action may be next on the court’s docket.

*Higher Ed Dive* reports that federal lawmakers should simplify eligibility for the Supplemental Nutrition Assistance Program for higher education students and make permanent temporary COVID-19 protections currently in place, according to a report from Ithaka S+R, an educational research nonprofit.

*Diverse Issues in Higher Education* reports that, since the passing of the Higher Education Act, 11 Minority Serving Institution designations have been created, the most recent being Asian American Native American Pacific Islander Serving Institutions. These designations reflect the changing demographic landscape of the United States by offering institutions of higher education a chance to compete for Title III, V, and VII grants that can serve their unique populations.

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