NCHER

DAILY BRIEFING

Thursday, June 2, 2022

In Today's Edition

NCHER Daily Briefing Breaks During Annual Conference

Next week, NCHER will hold its Annual Conference in Savannah, Georgia. As is customary, we will pause publication of the *NCHER Daily Briefing* during the conference, but will utilize our various list-serves for breaking news and other updates. We will resume our regular publication on Monday, June 13, 2022.

Biden Administration Announces Cancellation of Remaining Student Loan Debt for Corinthian College Borrowers

Today, the U.S. Department of Education **announced** that it will discharge $5.8 billion in federal student loans held by 560,000 borrowers who attended any campus operated by Corinthian Colleges from its founding in 1995 to its closure in April 2015. The amount includes student loans from borrowers who have not applied for a borrower defense to repayment discharge, who will have their loans automatically discharged. The Department conducted a similar group discharge for former students of the Marinello Schools of Beauty in April, but the Corinthian College is the largest group discharge of federal student loans in history. In the announcement, the Department said that it found Corinthian Colleges guilty of predatory practices, including misrepresenting job placement rates and using other forms of fraudulent advertising to mislead students. “As of today, every student deceived, defrauded and driven into debt by Corinthian Colleges can rest assured that the Biden-Harris administration has their back and will discharge their federal student loans,” said Education Secretary Miguel Cardona. “For far too long, Corinthian engaged in the wholesale financial exploitation of students, misleading them into taking on more and more debt to pay for promises they would never keep.” The Department will soon begin notifying students who attended Corinthian of this decision, with the actual discharges following in the months after. Borrowers will not have to take any actions to receive their discharges.

For further coverage, see these articles from ***Inside Higher Ed*** and ***The Chronicle of Higher Education***.

White House Economic Advisor Says Federal Student Loan Forgiveness Would Have “Quite Small” Impact on Inflation

Earlier this week, White House National Economic Council Director Brian Deese **participated** in a press briefing on the Biden Administration’s efforts to combat inflation. During the back-and-forth with reporters, he was asked about the impact that the President’s plan to forgive up to $10,000 in federal student loan debt might have on inflation. "The economic impact of any proposal would be across years or maybe decades, and so the impact on inflation in the near-term is likely to be quite small," Mr. Deese replied. "But, again, because the President hasn't made a decision and we're not talking about a specific plan, I won't speculate." Congressional Republicans and other economists say that the President's plan would dramatically drive-up inflation, which is already impacting many Americans. The full exchange is below:

PHILIP WEGMANN, REALCLEARPOLITICS: You noted that inflation remains the President's top priority. I'm wondering about the intersection of that priority and the President's plan to forgive up to $10,000 in student debt relief for families making as much as $300,000 per year. The analysis says this would cost taxpayers as much as $250 billion.

Of course, that money is not going to be dumped in the economy all at once, but I'm curious how you see this affecting consumer spending because presumably some of these folks instead of servicing their student loans might go buy a new phone or a car or go on vacation. Are you confident the student debt relief program would not have an impact on inflation?

BRIAN DEESE, BIDEN ADMINISTRATION: I'll say a couple of things about that. The first is notwithstanding some of the reporting, the President has not made any decision on that policy. I'm not going to get ahead of any particular program or plan that has been speculated about.

Broadly speaking, if you look at those who hold student debt, they are principally people who went to a public college, two-thirds of which their family income was less than $50,000 per year, and many of whom are struggling economically in the position of having to repay that debt.

When you look at the compact of the macroeconomic impact, I would say two things. First, it is a function of a number of those policy design parameters including the repayment. Today there is a moratorium on repayment of student loans and so the resumption of payments would interact with any potential debt cancellation from a macroeconomic perspective.

And number two, if you look at the impact of almost any proposal because of the point that you made notwithstanding the cost of any proposal is -- the economic impact of any proposal would be across years or maybe decades, and so the impact on inflation in the near-term is likely to be quite small. But, again, because the president hasn't made a decision and we're not talking about a specific plan, I won't speculate.

House Education and Labor Committee Republicans Urge DOJ to Intervene in Department of Education Negotiated Rulemaking

On Friday, House Education and Labor Committee Ranking Member Virginia Foxx (R-NC) wrote a letter to Attorney General Merrick Garland asking the U.S. Department of Justice (DOJ) to intervene in the U.S. Department of Education's proposed changes to the borrower defense to repayment (BDR) regulations. The letter argued that the Department's proposed changes through the negotiated rulemaking process "are inconsistent with both the DOJ's fundamental commitments and its representations in court over the past decade in litigation." The letter referenced the Department's most recent BDR proposal, which would eliminate many of the procedural protections for institutions of higher education implemented in 2019. The letter claimed that the proposed regulation "will revert to processes that deprive educational institutions of fair and egalitarian opportunities to be heard before the Department of Education renders an adverse decision," and asked that DOJ intervene in order to protect due process. The letter continued that the Department's proposed regulatory changes would place undue burden on taxpayers without justifying the costs. Ranking Member Foxx and the Committee Republicans urged the DOJ "to participate in the interagency review process to protect both the American people and the Department of Justice as an institution in American public life."

Federal Reserve Publishes Data Examining How Expiration of Federal Student Loan Forbearance Might Impact Borrowers

Last week, the Federal Reserve published a piece titled, A Note on the Expected Expiration of Federal Student Loan Forbearance. The piece used credit records from the Federal Reserve Bank of New York's Equifax Consumer Credit Panel to estimate potential savings among borrowers with a payment due on their student loan debt prior to the pandemic. The Fed found that, because student loan borrowers generally hold relatively little debt beyond that of their student loans, "any subsequent credit risk deterioration seems unlikely to significantly disrupt consumer credit markets." The Fed cited that the 20 million borrowers affected by the federal student loan payment pause would have paid a total of $84 billion toward their debt over the course of the past 30 months of forbearance. Among this group of borrowers, over 60 percent have not made any payments toward their debt since the start of forbearance. While the central bank found that their delinquency rates on credit card, auto, and mortgage debts declined markedly throughout the pandemic and the average risks scores of this group of affected borrowers increased by 35 points (to 650) through the last quarter of 2021, it noted that some of these borrowers will still not be ready to resume loan payments once forbearance ends. Out of the remaining 8.8 million borrowers who did make at least one payment during forbearance, more than 30 percent of this group only made payments for three months or less between August 2020 and December 2021. The Fed cited data from the U.S. Department of Education, which found that 3.2 million borrowers were reinstated from delinquent to current status—the majority of these borrowers among the non-paying group. The Fed added that, if the economic status of these borrowers has not improved over the course of the pandemic, they risk returning to delinquent status and potentially reversing the positive trend in credit score changes.

FTC Announces Action Against Financial Education Services

On Tuesday, the Federal Trade Commission (FTC) **announced** that it shut down Financial Education Services, in addition to taking action against its owners Parimal Naik, Michael Toloff, Christopher Toloff, and Gerald Thompson and related companies. The FTC found that Financial Education Services promised easy credit fixes, but provided consumers with worthless services. The Commission further alleged that the company specifically preyed on consumers with low credit scores, providing them with false promises, and then recruited these consumers to join a pyramid scheme selling the "credit fix" to others. Financial Education Services, which also operated under the name United Wealth Services, has been involved in this scheme since 2015, deceiving consumers, selling ineffective rent products, and charging consumers upfront for credit repair.

The Century Foundation Releases Report Finding Parent PLUS Loans Disproportionately Burden Black Parents

On Tuesday, The Century Foundation released a report titled, **Parent PLUS Borrowers: The Hidden Casualties of the Student Debt Crisis**. According to the progressive organization, the report analyzed data to understand how Parent PLUS has morphed from a niche program for middle-class families into a driving cause of some of the worst outcomes for families who receive federal student loans, especially for Black families." In the report, The Century Foundation found that 68 institutions of higher education showed only 10 percent of parents or fewer are making progress on their Parent Plus Loans after three years, with nearly 90 percent of the institutions serving as Historically Black Colleges and Universities. The organization also found that 33 percent of Black parents and 29 percent of Latino/a parents hold student loans of their own in addition to loans for their children's education, compared to only 13 percent of white borrowers. The report highlighted that, 10 years after starting repayment, the parents who received Parent PLUS loans and had children attending the top colleges for Black enrollment still owed on average 96 percent of their principal, compared to 47 percent among those whose children attended the top colleges for white enrollment. In terms of policy implications, The Century Foundation said that broad federal student loan debt forgiveness must include Parent Plus borrowers in order to address the fact that these loans are predominantly held by low-income Black or Latino/a parents. The organization also called for changes to the Parent Plus Loan program. Peter Granville, the author of the report and Senior Policy Associate at The Century Foundation, said, "While Parent PLUS loans can open doors for children, they close many doors for the parents who hold them. These loans are now often taken out by families for whom college is already the least accessible—lower-income families and families of color—compounding the financial barriers they face, and trapping families in multigenerational debt."

NCES Publishes Report on the Condition of Education

Earlier this week, the U.S. Department of Education's National Center for Education Statistics (NCES) published its **Report on the Condition of Education 2022**, an annual report mandated by Congress to summarize the latest education data in the United States. The report uses data from across NCES and outside sources to examine educational data based on a series of indicators. The report includes the following key findings relevant to higher education:

- Among adults planning to take classes from a postsecondary institution in the fall of 2021, 44 percent reported no change in their plans, compared to 28 percent of respondents that reported no change in plans for fall 2020.
- Undergraduate enrollment was declining before the COVID-19 pandemic at a rate of 5 percent between 2009 and 2019, but decreased by 4 percent—0.7 million students—between 2019 and 2020 alone. In contrast, postbaccalaureate

enrollment increased between 2009 and 2019 and continued to increase between 2019 and 2020.

- Of the 3.1 million high school completers who graduated in the first 9 months of 2020, some 2.0 million, or 63 percent, were enrolled in college in October 2020.
- The immediate college enrollment rate for Black students decreased by 12 percent —to 54 percent—from 2010 to 2020.
- At all postsecondary award levels (from associate's level to doctor's degrees), the number of awards conferred was higher in 2019-2020 than in 2009-2010.
- The percentages of students awarded aid in the form of federal grants (69 percent) and student loans (68 percent) were highest at private for-profit institutions, the percentage of students awarded state or local grants (38 percent) was highest at public institutions, and the percentage of students awarded institutional grants (84 percent) was highest at private nonprofit institutions.
- Public institutions received the largest proportion of their revenues from government sources (including federal, state, and local government grants, contracts, and appropriations), which made up 43 percent of their overall revenues, while student tuition and fees made up the largest primary source of revenue at private for-profit institutions (93 percent).

U.S. Department of Education News

For today's *Federal Register*, click here.
The following announcements were posted to the Federal Student Aid's Knowledge Center Website:

- (GRANTS-22-07) TEACH Grant Closeout Information for 2021–22 Award Year
- (APP-22-08) Notice of the Updated Draft 2023–24 Federal Student Aid Application Materials
- (CB-22-11) Final Form, Instructions, Desk Reference, and Technical Reference for 2023–24 FISAP
- 2022-2023 Award Year Deadline Dates Notice
- Request for Comment on the 2023-2024 Free Application for Federal Student Aid (FAFSA) Form

Member News

The Kentucky Higher Education Assistance Authority recently released its **Money Tip for Students – June 2022**, which says that students should learn about their credit scores as it has a long-lasting impact on their buying power. The Authority also released its **Financial Aid Tip for Students – June 2022**, which says that many students attending colleges and technical schools will qualify for financial aid to help pay for their education. However, some students may find that federal and state grants, scholarships, and federal loans do not cover all of their educational costs. Private education loans can help these students whose financial aid does not cover all of their costs of students who do not qualify for financial aid.

General News

The Hill reports that the President is under increasing pressure to help Black borrowers with heavy federal student loan debt.

The Brookings Institution publishes an **op-ed** by the Marriner S. Eccles Institute Executive Director Adam Looney who argues President Joe Biden can and should offer targeted student loan debt forgiveness to struggling borrowers.

Inside Higher Ed includes a blog post by Boston University's Associate Dean for Strategic Initiatives and Community Engagement Mary Churchill who argues student loan forgiveness is a politically fraught business and examines how to develop equitable policy in this space.

The New York Times reports that millions of borrowers took out student loans for programs they did not complete. For some, federal student loan debt cancellation would be life-changing. For others, it would hardly make a dent.

The Chronicle of Higher Education reports on "the big quit" – where even tenure-line professors are leaving academe.

University Business examines how a prolonged COVID-19 pandemic may tax higher education's resources for 2022-23.

Diverse Issues in Higher Education reviews a new report from the Vera Institute of Justice, a national organization that partners with communities to transform the criminal legal system. According to the report, enrollment of incarcerated students in Second Chance Pell higher education programs increased steadily for five years, even during the height of the COVID-19 pandemic.

An online version of this Daily Briefing is available to view and print from the
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