NCHER

DAILY BRIEFING

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NCHER Legal Meeting: Registration Now Open for Summer Meeting

The next NCHER Legal Meeting is currently scheduled for Thursday, July 28, 2022 at the law offices of Norton Rose Fulbright located in downtown Washington, DC (799 9th Street, NW, Suite 1000). This one-day meeting should be of interest to lawyers and non-lawyers alike so **register today**! The registration fee is $400 for members and $500 for nonmembers. For planning purposes, you can assume that the meeting will start at 9:00 a.m. and end by 5:00 p.m. There are a number of hotels within walking distance of the law firm; a non-exclusive list has been posted on the **NCHER website**.

The preliminary agenda will be posted soon, and will include an update on the Consumer Financial Protection Bureau, developments in financing federal and private student loans, legal developments with federal student loan forgiveness and Operation Fresh Start, a discussion of state laws affecting student loan servicing and private student loan lending, a primer on federal contracting, and a Washington update. For more information or if you have questions, feel free to contact Shelly Repp at srepp@ncher.org.

SHEEO Releases State Higher Education Finance Report, Finds State Funding to Public Colleges Surpasses Expectations

The State Higher Education Executive Officers Association (SHEEO) recently released its **State Higher Education Finance Report – Fiscal Year 2021**, which found that state funding in Fiscal Year (FY) 2021 increased by 4.5 percent above inflation, defying expectations as state governments grappled with the coronavirus pandemic. The report focuses on the period between July 1, 2020, and June 30, 2021 when significant federal stimulus funding was being disbursed to states and before inflation sharply increased. The report also found the following:

- Full-time postsecondary education enrollment declined by 3 percent from 2020 to 2021, or 323,952 students. Enrollment declines were largely driven by slumping community college numbers.
- Inflation-adjusted education appropriations increased by $400 per full-time student, reaching $9,327 per student and bucking prior funding trends amid declining enrollment.
- Net tuition revenue declined 3.2 percent in the last fiscal year with public colleges and universities receiving $6,723 per full-time enrollment in net tuition and fee revenue. SHEEO noted that this is the "second-largest ever decrease in inflation-adjusted net tuition revenue per full-time enrollment."
- Federal stimulus funding comprised 1.3 percent of total education appropriation.
- Community colleges are beginning to catch up to their four-year institution counterparts, with two-year institutions receiving 5.4 percent more in education appropriations per full-time enrollment than four-year colleges in 2021, thanks largely to local appropriations.
- Investments in state financial aid are rising more rapidly than institutional funding. Inflation-adjusted state financial aid increased by 8.8 percent in FY 2021, hitting an all-time high of $921 per full-time student and 9.9 percent of all education appropriations.

- Net revenue from tuition and fees per full-time enrollment declined in about three-quarters of states between 2020 and 2021. Net tuition and fee revenue declined 4.8 percent at four-year institutions nationally.
- Total education revenue per full-time student increased 1.1 percent in 2021 to an all-time high of $15,959 per full-time enrollment, a number propped up by federal stimulus dollars. If federal stimulus funding is excluded, total education revenue is down 0.3 percent.

"Our primary finding, and also the thing that was most surprising to us, is that state funding increased substantially in 2021," said Sophia Laderman, Associate Vice President at SHEEO in a **press release**. "This was very contrary to our expectations, because based on past patterns, and what we've seen following past economic recessions, we expected state funding to decline this year. But instead, there was a 4.5 percent increase in per-student funding above inflation." For more coverage, see this article from ***Inside Higher Ed***.

CLASP and NCLC Release Report on Addressing Racial Disparities in Student Loans

Last week, the Center for Law and Social Policy (CLASP) and the National Consumer Law Center (NCLC) released a **report** highlighting the disproportionate impact of student loan debt on Black borrowers and providing recommendations for addressing racial disparities through federal policies amid executive action. In the paper, CLASP and NCLC provide a timeline detailing how federal investment in higher education has not kept pace with rising college costs, and how a growing number of professions requiring a degree as a prerequisite for employment have forced many borrowers to take on debt to start out their careers. The report recommended that federal policymakers address the dual student loan and college affordability crises by:

- Providing broad-based federal student debt cancellation to all student and parent borrowers, without an income cap or other administrative barriers to access.
- Extending the federal student loan payment pause.
- Ensuring a smooth transition of loan accounts to new federal student loan servicers.
- Providing increased protections for borrowers, particularly those who are victims of predatory lending and for-profit colleges.
- Strengthening existing repayment options, including Income-Driven Repayment.

- Investing in college affordability through federal initiatives such as increasing the Pell Grant and establishing new programs for a federal free community college program and support for student basic needs.

“Black borrowers need cancellation that will reduce their debt-to-income ratio so that it is easier for them to qualify for and build wealth through homeownership," CLASP and NCLC write. "They need cancellation to boost their credit scores so that they can obtain loans to start small businesses and engage in other forms of entrepreneurship. In addition, Black borrowers in default and subject to forced collection action, such as wage garnishment and Treasury offsets, need cancellation that will remove them from default and allow them to take more money home to their families. All too often, the narrative around college education tells Black Americans that if they work hard and get their degree, they will be able to individually lift themselves and their families out of financial insecurity. However, the generations-old racial wealth gap, high cost of college attendance, and inequitable employment opportunities for Black workers only compound the barriers to their economic stability.”

Urban Institute Report Includes Recommendations on IDR Reform

The Urban Institute released a **report** offering solutions on how to address the biggest problems with the Income-Driven Repayment (IDR) program, drawing from past research. The report noted that, despite its high average rate of return, higher education does not pay off well for everyone, which makes insurance against poor outcomes a critical component of a system offering meaningful educational opportunities. The report included several recommendations, including the following:

- Creating one income-driven federal student loan repayment plan into which borrowers are automatically enrolled, with clear options for making larger payments to cover interest payments or to pay off the debt more quickly. The organization believes that using automatic income verification by the Internal Revenue Service would ensure the system keeps income information up to date with minimal effort on the part of borrowers.
- Raising the income threshold at which borrowers must make payments to 200 percent of the federal poverty level. This would help, according to the report, low-income borrowers more than lowering the assessment rate, which is the share of income a borrower must pay.

- Forgiving remaining balances for borrowers whose incomes do not support retirement of their debts. The report argues that the federal student loan program should forgive the remaining balances of borrowers with small debts more quickly and should require those with larger debts to pay longer before having their balances forgiven.
- Diminishing the extent to which borrowers see their balances grow because of interest charges. The organization believes that possible approaches include federal government coverage of a set amount of interest that exceeds required payments each month or using a graduated interest rate that would charge 0 percent on the first $10,000 of debt and higher rates on additional debt.

U.S. Department of Education News

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

Member News

MOHELA, a nationally recognized leader in student loan servicing and higher education financing, is recruiting for a Staff Counsel in St. Louis, MO, with two (2) or more years of related experience. To apply, please supply cover letter and resume to hr@mohela.com. According to the job posting, the fundamental reason this position exists is to give legal advice, ensure representation in legal proceedings, prepare legal research and legal and policy analysis of issues to and administer contracts on behalf of the Authority. The Staff Counsel is under the general direction of the General Counsel and reports to the General Counsel. For more information, click here.

General News

Forbes continues its coverage on federal student loan forgiveness and how rising inflation could impact the White House's decision.

Business Insider reports that Rep. Alexandria Ocasio-Cortez (D-NY) says that federal student loan forgiveness cannot be an "arbitrary number."

Inside Higher Ed reports that university and tech leaders recently asked Congress to expand access to short-term Pell Grants to all online education programs, according to a letter sent to the House and Senate leadership.

The Chronicle of Higher Education asks the question – why does the U.S. Department of Education need a chief economist? Deputy Under Secretary Jordan Matsudaira already has a job, but now he will have a second title, having been named the first-ever chief economist for the Department and given a somewhat expanded scope of responsibility to bring more economic data and analysis to higher education policy decisions.

NPR reports on a short-lived program in the early 2000s that allowed married couples to consolidate their student loans for a lower interest rate. Now, many are missing out on thousands of dollars in loan forgiveness. Teachers, firefighters, and government workers are clamoring to disentangle their student loans from those of their spouse in time to erase their debt under the Public Service Loan Forgiveness Program.

The Daily Signal includes a podcast with former Secretary of Education Betsy DeVos to explain how the Biden Administration should - and should not - address rising federal student loan debt.

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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