# NCHER DAILY BRIEFING

Thursday, August 4, 2022

## In Today's Edition

- House Education Committee Republicans Introduce Responsible Education Assistance Through Loan (REAL) Reform Act
- Illinois Department of Financial and Professional Regulation Calls on Federal Loan Servicers to Prioritize PSLF Benefits during Waiver Period
- New York Federal Reserve Publishes Quarterly Report of Household Debt and Credit, Student Loan Balances Unchanged
- CECU Requests Department of Education Records Related to BDR Regulations and *Sweet v. Cardona* Settlement
- National Student Clearinghouse Research Center Report Finds Average Students Do not Earn Enough Credits to Complete Bachelor's Degree in Five Years
- Trellis Company Brief Examines Struggles and Obligations of Parenting Students
- U.S. Department of Education News
- General News

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## House Education Committee Republicans Introduce Responsible Education Assistance Through Loan (REAL) Reform Act

Today, House Education and Labor Committee Republicans, led by Ranking Member Virginia Foxx (R-NC), introduced the Responsible Education Assistance Through Loan (REAL) Reform Act, which aims to streamline and improve the federal student loan program to protect borrowers and taxpayers. The bill includes the following provisions of interest to the NCHER membership:

- Prohibits the Secretary of Education from issuing any new regulations or executive actions related to the federal student loan program that would increase costs to the federal government.
- Allows borrowers to rehabilitate their federal student loans twice, rather than just once.
- Eliminates the Grad PLUS program for new borrowers.
- Imposes limits on graduate borrowing for students enrolling on or after July 1, 2023. Graduate students are permitted to borrow $25,000 annually and no more than $100,000 in aggregate for their program.
- Allows financial aid administrators to further limit undergraduate and graduate borrowing for certain categories of borrowers, including those attending less than full-time.
- Pares down multiple repayment options to one standard, 10-year repayment plan and one income-based repayment (IBR) plan. Under the new IBR plan, existing and new borrowers would be required to pay 15 percent of their discretionary income with a minimum monthly payment of $25. Borrowers under the new plan would be required to repay the principal and interest that they would have paid under a standard 10-year plan, as calculated when they entered repayment. The “excessive interest cap benefit” aims to protect against negative amortization. The bill prohibits the Secretary from creating new repayment plans and from modifying existing repayment plans in a manner that increases costs to the federal government. The bill makes Federal Family Education Loan borrowers eligible for the new IBR plan and requires the Secretary to assume the repayment obligations of those borrowers that qualify for the excessive interest cap benefit.
- Eliminates the Public Service Loan Forgiveness program for new borrowers.
- Eliminates interest capitalization.
- Expands eligibility for Pell Grants to cover short-term programs.

“The Biden administration has been engaging in mass student loan forgiveness behind Americans’ backs without the authorization of Congress,” said Ranking Member Foxx in a press release. “In total, to date, the President has already forgiven, waived, or canceled at least $217 billion in student loans through the unlawful abuse of his executive pen. Instead of placing the burden of this broken student loan system on the shoulders of

American taxpayers, we are introducing this bill to fix the system. Our reforms are fiscally responsible, practical solutions to help students and borrowers. This bill provides targeted relief for borrowers in the greatest need and helps Americans who have been excluded from postsecondary education access high-quality short-term programs. This will allow individuals to gain quickly the skills needed to fill in-demand jobs. It rejects broad student loan forgiveness for those earning six-figure salaries and curtails the Department of Education's ability to unilaterally forgive debts. This bill also provides long overdue reforms to graduate student lending and eliminates the expensive and regressive runaway loan forgiveness programs. Lastly, this bill would put a stop to usurious student loan practices by placing a cap on excessive interest for existing borrowers harmed by years of Democrat policies, and protects future borrowers from these predatory practices going forward. Unlike Democrats' mass student loan forgiveness scheme, these reforms provide targeted relief to borrowers who need it the most and recognize that not every career path requires a baccalaureate degree."

For a section-by-section on the bill, click **here**. For a fact sheet on the legislation, click **here**.

## Illinois Department of Financial and Professional Regulation Calls on Federal Loan Servicers to Prioritize PSLF Benefits during Waiver Period

Earlier this week, the Illinois Department of Financial and Professional Regulation sent a **letter** to all federal student loan servicers encouraging them to immediately implement best practices to help borrowers take advantage of the time limited waiver for the Public Service Loan Forgiveness (PSLF) program before it expires on October 31, 2022. In the letter, Financial and Professional Regulation Secretary Mario Treto, Jr. said that "too many borrowers have been denied or not told about the benefits of the program. We want to work with the loan servicers to fix this problem." The best practices listed in the letter include conducting proactive communication with borrowers, including Federal Family Education Loan Program and Perkins Loan borrowers, with at least one communication per month until the waiver expires; increasing training to employees on the specifics of the waiver; prioritizing PSLF application processing on all incoming calls; and posting online and website notices. The New York Department of Financial Services sent a **similar letter** to federal student loan servicers on July 13, 2022.

# New York Federal Reserve Publishes Quarterly Report of Household Debt and Credit, Student Loan Balances Unchanged

On Tuesday, the Federal Reserve Bank of New York issued its **Quarterly Report on Household Debt and Credit** for the second quarter of 2022. The report shows that total household debt balances increased by $312 billion to $16.15 trillion during the second quarter, a 2 percent rise from the first quarter. The report says that balances have increased $2 trillion since the end of 2019, before the COVID-19 pandemic. Broken down during the quarter, mortgage balances rose by $207 billion, credit card balances grew by $46 billion, and auto loan balances increased by $33 billion. Student loan balances, however, were roughly unchanged at $1.59 trillion. In total, non-housing balances grew by $103 billion, the largest increase since 2016.

The report states that aggregate delinquency rates were unchanged in the second quarter and remain very low. As of June 2022, 2.7 percent of outstanding debt was in some stage of delinquency, the same as last quarter and down two percentage points from 2019. Of the $435 billion that is delinquent, $294 billion is at least 90 days late. About 95,000 consumers had bankruptcy added to their credit reports during the quarter, a number near historic lows. Approximately 6 percent of consumers had a third-party collection account on their credit record, just a little higher than the historic low reported for the first quarter. About 5 percent of aggregate student loan debt was 90+ days delinquent or in default. The report indicates that the lower level of student debt delinquency reflects a continuing decision by the U.S. Department of Education to report current status on loans eligible for forbearances under the Coronavirus Aid, Relief, and Economic Security Act. As in the past, the report notes that delinquency rates for student loans likely understate effective delinquency rates because about half of these loans are currently in deferment, in grace, or in forbearance and therefore temporarily not in the repayment cycle.

Separately, the New York Fed released a **blog posting** from Liberty Street Economics that attributes part of the growth of credit balances to rising prices for homes, motor vehicles, and consumer goods. The posting also reveals that pockets of borrowers are beginning to show some distress on their debt. When broken out by neighborhood income, Liberty Street observes that delinquency transition rates for credit cards and auto loans are creeping up, particularly in lower-income areas.

For additional coverage, see these articles from *CNBC* and *MarketWatch*.

## CECU Requests Department of Education Records Related to BDR Regulations and *Sweet v. Cardona* Settlement

Last week, Career Education Colleges and Universities (CECU) submitted a request under the Freedom of Information Act (FOIA) to the U.S. Department of Education for records related to the Notice of Proposed Rulemaking (NPRM) on borrower defense to repayment in addition to communications between the White House and the U.S. Department of Justice (DOJ) regarding borrower defense and related litigation in the proposed settlement in *Sweet v. Cardona*. The proposed settlement in *Sweet v. Cardona* would grant almost $6 billion in relief to borrowers with pending borrower defense claims filed primarily against for-profit institutions. In the FOIA request, CECU argued that the Department is threatening to deprive the institutions involved of their due process rights and that, "CECU's member schools have sought to intervene in *Sweet v. Cardona* on the grounds that, among other things, the schools have significant and protectable interests in preserving the procedural rights afforded to schools pursuant to the regulations governing the Department's adjudication of borrower defense claims. Moreover, the participation of schools in these proceedings, especially at this juncture of the proposed settlement, is necessary on account of the potential adverse consequences of the terms of settlement, as proposed and pending approval by the court." CECU requested expedited processing of its FOIA request to facilitate its ability to submit meaningful and informed public comments in response to the NPRM as well as ensure that the interests of schools and students are adequately represented in the negotiations of any proposed settlement in *Sweet v. Cardona*.

Related, DOJ and plaintiffs filed a joint status report with the U.S. District Court for the Northern District of California in response to questions posed by Judge William Alsup on the proposed settlement. Judge Alsup had questions as to whether the proposed settlement made clear that the Biden Administration was not granting borrower defense claims that it could subsequently seek to recoup from borrowers. The report states that settlement relief does not constitute an approved or successful borrower defense claim, and the settlement proposes that borrowers will instead receive "settlement relief, in compromise of their borrower defense claims." Judge Alsup has scheduled a preliminary hearing today to begin discussing approval of the settlement.

## National Student Clearinghouse Research Center Report Finds Average Students Do not Earn Enough Credits to Complete Bachelor's Degree in Five Years

The National Student Clearinghouse Research Center recently published a report titled, Credit Accumulation and Completion Rates Among First-Year College Students, which utilized data from its Postsecondary Data Partnership with over 500 participating colleges and universities with a focus on participating students' first-year credit completion ratio and credit accumulation rate. The Clearinghouse highlighted the following key findings from its analysis:

- Students earn roughly 75 percent of the credits they attempt, though Black males earn the equivalent of one 3-credit hour course less than their White and Asian peers across their first year of study.
- Only 51 percent of full-time students earned 24 or more credit hours in their first year, with the average full-time student not attempting enough credits to complete a bachelor's degree in four years.
- The largest gaps between students attempting and earning credits are across dimensions of gender, race/ethnicity, and enrollment intensity; among women, the percentage of Asian students who earned 30 or more credits in their first year was more than double the amount of Black and Native Hawaiian or Pacific Islander students.

The Research Center noted that its data and analysis are important tools for institutions hoping to maximize students' course completion rates and the likelihood a student surpasses an important credit-hour threshold in their first year of study, in addition to helping institutions equalize attainment across various demographic groups.

For additional coverage, see these articles from *Diverse Issues in Higher Education* and *Higher Ed Dive*.

## Trellis Company Brief Examines Struggles and Obligations of Parenting Students

The Trellis Company recently published a brief titled, [Juggling Family and Finances: The Financial Struggles and Obligations of Parenting Students], which utilized Student Financial Wellness Survey data to highlight those factors affecting parent students. The brief notes that 22 percent of undergraduate students are raising children while in school, and over half of these students are single parents. Trellis states that 52 percent of parenting students leave school before completing a degree, compared to 32 percent of non-parenting students. Trellis highlighted the following key findings based off of its research:

- 78 percent of parenting students indicated that they experienced financial difficulties while in college.
- Almost 75 percent of parenting students reported receiving federal stimulus funds, compared to just under 50 percent of non-parenting students.
- Credit card use is common among parenting students, yet most do not fully pay off their balance each month.
- Many parenting students have additional caregiving responsibilities beyond their children.
- 83 percent of parenting students reported that it was important to them to financially support their family while in college.

Due to the additional financial hardships and obligations that parenting students face while in college, Trellis said that institutions of higher education must find ways in which they can better support parenting students, including by reducing child care costs and offering specific support services for parents.

## U.S. Department of Education News

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

- [(GENERAL-22-47) NSLDS Professional Access – Modernized Website Now Available (Updated Aug. 3, 2022)]
- [(CB-22-13) Fiscal Operations Report for 2021–22 and Application to Participate for 2023–24 Reporting Instructions and Additional Flexibilities Under the CARES Act]

- Comment Request; Application To Participate in Federal Student Financial Aid Programs (PEPS)
- Comment Request: Foreign Schools Eligibility Criteria Apply To Participate in Title IV HEA Programs

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## General News

*Inside Higher Ed* reports that the U.S. Department of Education has proposed to expand Pell Grant eligibility to prisoners. Although this will provide the opportunity for many to earn a degree behind bars, questions still remain on how the program will assure access and equity.

*The Hill* includes an op-ed by The Hunt Institute President and Chief Executive Officer Javaid Siddiqi who argues that restructuring interest rates on federal student loans is the way to solve the student debt crisis.

The Center for American Progress publishes a blog post explaining how meeting the urgency of the college affordability and student debt crisis will require bold action to restore the promise of opportunity for all Americans. The post says that, after the President cancels student loan debt, two crucial questions will remain: How do we prevent this situation from happening in the future? And what do we do about any student loan debt that may remain?

*Forbes* reports that a narrow majority of Americans support President Joe Biden's reported plan to forgive $10,000 in federal student loan debt for most borrowers, according to recent polling – though that support is largely divided along party and demographic lines.

*Inside Higher Ed* reports that some colleges and universities are attributing long wait lists for campus housing to heightened demand for a residential experience following two-plus years of COVID-19 disruptions.

*University Business* publishes a column saying that the "overall health and quality of a college" is the driving force behind the annual rankings released by College Raptor, the student-facing website. Those that are conditioned well for this coming academic year and the future are also some of the most selective in the nation.

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