# NCHER Daily Briefing

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## NCHER, EFC, SLSA Submit Public Comments on FFELP SOFR Election Form

Earlier this week, NCHER, along with the Education Finance Council and Student Loan Servicing Alliance, submitted public comments on the U.S. Department of Education's Information Collection Request regarding the Federal Family Education Loan Program (FFELP) Secured Overnight Financing Rate (SOFR) Election Form. In the letter, the three organizations provided three comments on the FFELP special allowance payment (SAP) index transitioning from the London Interbank Offered Rate (LIBOR) to the SOFR. The first comment seeks removal or clarification of the requirement that a FFELP lender or beneficial holder must transition to the SOFR based SAP calculation by July 1, 2023 as a condition of continued participation in FFELP, which is beyond the scope of the Secretary of Education's authority. The second comment seeks two corrections to the form – replace the use of the word "corporation" with a more neutral term, such as "organization" or "entity" so as not to assume that all FFELP holders/lenders are corporations, and replace the use of the word "Chief Executive Officer" with "authorizing individual" to account for those FFELP holders that are state agencies. The third comment requests that the Department expedite the clearance of the forms in order to allow FFELP lenders/holders to transition their LIBOR-based SAP to SOFR at an earlier date, which will allow early transitions to occur and avoid the possibility of all lenders/holders transitioning close to the deadline.

## FSA Publishes Dear Colleague on Fresh Start Initiative

Yesterday, the U.S. Department of Education's Office of Federal Student Aid (FSA) published a **Dear Colleague Letter** and **Fact Sheet** on the Fresh Start initiative announced in April, which will enable borrowers with defaulted federal student loans to regain eligibility for federal student aid under Title IV of the Higher Education Act. In the Dear Colleague Letter, FSA states that the following loan categories are eligible for Fresh Start: William D. Ford Federal Direct Loan Program loans; Federal Family Education Loan (FFELP) loans, including Federal Insured Student Loans (FISL); and Federal Perkins Loans (Perkins Loans). It also says that the Fresh Start initiative will remain available to previously defaulted borrowers for one year after the end of the federal student loan payment pause. The Dear Colleague Letter requires that an institution receiving an Institutional Student Information Record or ISIR showing that a student has one or more of the loan types that defaulted before March 13, 2020 may award federal student aid to the student in accordance with all normal student and program eligibility requirements provided that the school. Once the new aid is disbursed to the borrower who qualify for Fresh Start, the Department will automatically initiate a transfer of the borrower's defaulted loans to a non-default loan servicer. The transfer will remove the default status of the loans and allow the borrower to remain eligible to receive *Title IV* aid beyond the Fresh Start period. The Dear Colleague Letter says that, for those borrowers who defaulted on their federal student loans after March 12, 2020 – mainly FFELP borrowers – are subject to different guidance. In that case, these defaulted borrowers are eligible for federal student aid effective March 12, 2021 with publication of Dear Colleague Letter

GEN 21-03.

FSA says that access to federal student aid, through Fresh Start, can provide a pathway for additional education, which can help borrowers compete in the job market and ultimately improve their ability to fully repay their loans, among other benefits. These borrowers will also have the chance to enroll in an income driven repayment plan or access other repayment options that suit their needs. However, House Education and Labor Committee Ranking Member Virginia Foxx (R-NC) criticized the Department's actions. *"The Department's so-called Operation Fresh Start plan gives delinquent student loan borrowers the keys to borrow even more without any assurance they can afford to do so," she said in a* **statement**.. *"It's literally the definition of insanity. If these individuals were unable to pay back their loans the first time they borrowed, how will giving them access to more debt help? This is a terrible gamble—one for which taxpayers will end up paying the price.*

## Department of Education Discharges $3.9 Billion in Loans for ITT Students, Announces Plans to Recoup Millions from DeVry

On Tuesday, the U.S. Department of Education **announced** that it had approved a $3.9 billion group discharge for 208,000 borrowers that received loans to attend ITT Technical Institute (ITT) between 2005 and its closure in 2016. The announcement says that student and parent borrowers who have not yet applied for a borrower defense to repayment loan discharge will also receive full discharges with no additional action required on the part of borrowers. The Department had already approved $1.9 billion in discharges for 130,000 ITT student borrowers after findings that the institution of higher education engaged in misrepresentations regarding job placement data, transfer credits, and its associate nursing degree accreditation. "It is time for student borrowers to stop shouldering the burden from ITT's years of lies and false promises," said Education Secretary Miguel Cardona. "The evidence shows that for years, ITT's leaders intentionally misled students about the quality of their programs in order to profit off federal student loan programs, with no regard for the hardship this would cause. The Biden-Harris Administration will continue to stand up for borrowers who've been cheated by their colleges, while working to strengthen oversight and enforcement to protect today's students from similar deception and abuse." In addition to the group discharge involving ITT, the Department approved the discharges of almost 100 borrowers who enrolled in the Medical Assistant or Medical Billing and Coding Program at Kaplan Career Institute, which closed in February 2013 after an investigation found that the institution lied about job placement rates and engaged in other deceptive practices.

Separately, the Department's Office of Federal Student Aid (FSA) sent a letter to DeVry University announcing its intent to initiate a recovery proceeding against the university to recoup losses based on current and former students' successful borrower defense to repayment claims. FSA stated that it intends to recover over $23.6 million in approved discharge amounts from 649 borrowers. The funding is in addition to the $71.7 million in borrower defense discharges for students that the Department **announced** in February 2022. The letter stated that the Department's recovery efforts are based on findings that DeVry University misrepresented job prospects and engaged in deceptive marketing practices. FSA also noted that it anticipates the number of approved borrower defense claims to increase as it continues to adjudicate former DeVry students' applications.

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

## Federal Reserve Releases Minutes of Recent FOMC Meeting, Remains Focused on Fighting Inflation

Earlier this week, the Federal Reserve released the **minutes** of the July 26-27, 2022 meeting of the Federal Open Market Committee (FOMC), which indicates that the central bank continues to focus on broad based inflationary pressures despite a slowing in aggregate demand. The minutes indicate that FOMC participants were of the view that moving toward an appropriate restrictive policy stance was essential to avoid an unanchoring of inflation expectations, saying "such an unanchoring would make achieving the committee's statutory objectives of maximum employment and price stability much more difficult." The minutes indicate that participants anticipate ongoing increases in the target range for the federal funds rate would be appropriate to achieve the FOMC's objectives, though they did not suggest that future increases would match the 75 basis point increases agreed to at the last two meetings. In fact, the minutes state that "it likely would become appropriate at some point to slow the pace of policy rate increases while assessing the effects of cumulative policy adjustments on economic activity and inflation." Many participants suggested that there was a risk that the committee could tighten policy more than necessary to restore price stability. In the discussion of the current economic outlook, the participants noted that recent indicators of spending and production had slowed, though the job gains remained robust. For more coverage, see this article from ***The Wall Street Journal***.

The FOMC will next meet on September 20-21, 2022.

## FTC Announces Plan to Send $822,000 to Borrowers Involved in Student Loan Debt-Relief Scheme

Today, the Federal Trade Commission (FTC) **announced** that it will send checks totaling $822,000 to 14,521 individuals affected by a student loan debt relief scheme that operated under the name Student Advocates and assisted by Equitable Acceptance Corporation. In 2019, the FTC alleged that Student Advocates charged illegal upfront fees and falsely claimed that these fees went toward consumers' student loan payments. The companies steered borrowers into high-interest loans to pay the fees. The Commission also alleged that the defendants made false promises that their services would permanently lower or even eliminate consumers' student loan payments and debt balances. In May of 2021, the FTC issued an order preventing Student Advocates from providing debt relief service and requiring them to pay monetary relief.

## Sallie Mae and Ipsos Study Finds FAFSA Completion Rates Stabilizing, Decline in Student Borrowing

Sallie Mae and Ipsos recently released their annual report titled, **How America Pays for College: Sallie Mae's National Study of College Students and Parents**, which studies education funding sources and analyzes trends in payment strategies over time. This year's report found that, for the second year in a row, families reported paying slightly less for college during the 2021–2022 school year, with the largest portion of college costs paid for by parents' income and savings. But over the past 10 years, the proportion of out-of-pocket spending on college has increased relative to money coming from grants or scholarships, borrowed funds, or money from relatives and friends. The study cited that Free Application for Federal Student Aid (FAFSA) completion rates for the 2021–2022 school year appear to remain around 70 percent, compared to 68 percent during the previous school year, which represents the first time in four years that completion rates did not decline. The report also noted that 54 percent of families surveyed were aware that all students are eligible to submit a FAFSA, though only 25 percent of students and families correctly identified the FAFSA application window. In terms of student borrowers, the report cited that 49 percent of students attending four-year private colleges borrowed money to help pay for college, compared to 40 percent of four-year public college students. While overall student borrowing declined from 32 percent to 25 percent from the previous year, the average amount of funds borrowed this year was slightly higher than the average from last year. Among borrowers surveyed, Sallie Mae reported that 40 percent of students expect that the federal government will forgive their student loans. The report highlighted the fact that, while college spending reported by families has decreased over the past two years, families spent 20 percent more, on average, on college than families spent 10 years ago. The report found that proactive planning is critical to increasing families' confidence around college affordability, including through saving money for college, researching and applying for scholarships, and completing the FAFSA.

## Trellis Company Announces Commercial Research Division

Trellis Company recently **announced** the launch of a commercial division of Trellis Research. Through this new division, Trellis Research is accepting clients that are looking for research support related to broad postsecondary education issues with a focus on enrollment management, student finances, and student success initiatives. According to the announcement, over the past five years, Trellis Research has conducted in-depth research to examine how students experience college, including the completion of more than 300 studies. Trellis Research services include survey design and administration, institutional data analytics, program evaluation, and quantitative and qualitative custom research.

## U.S. Department of Education News

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

Earlier this week, the White House announced the launch of a new **Public Service Loan Forgiveness (PSLF) website**. On the website, student and parent borrowers can learn about the time-limited waiver of the PSLF program and how to apply for loan forgiveness.

The following announcements were posted to Federal Student Aid's Knowledge Center website:

- **(GENERAL-22-58) Information About Restored Aid Eligibility Under Fresh Start Initiative**

- (GENERAL-22-57) NSLDS Professional Access – Additional Information About the Modernized Website #4 (Updated Aug. 17, 2022)
- Interest Rates for Variable-Rate Federal Student Loans Made Under the FFEL Loan Program Prior to July 1, 2010 for the 2022-23 Award Year
- Interest Rates for Fixed-Rate Federal Student Loans Made Under the Direct Loan Program for the 2022-23 Award Year
- Interest Rates for Variable-Rate Federal Student Loans Made Under the Direct Loan Program for the 2022-23 Award Year

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## General News

*Inside Higher Ed* reports that thousands of comments were sent to the U.S. Department of Education on a new set of proposed regulations aimed to improve "targeted" debt relief programs for some student borrowers. Among the comments sent in before the deadline last Friday were letters from Senate Democrats and House and Senate Republicans.

*Fortune* reports that older Americans owe $47,000 in student debt, nearly twice as much as new graduates, which is jeopardizing their retirement plans.

*GOBankingRates* examines why most people do not want federal student loan debt to be forgiven.

*Bloomberg* reports on where federal student loan borrowers spent money as the payment pause is set to expire.

*Inside Higher Ed* reports that many colleges and universities have set fundraising records as Fiscal Year 2022 comes to a close. Experts note that higher education philanthropy has boomed in recent years, even amid a pandemic.

*Higher Ed Dive* reports that, as inflation ripples through college budgets in coming years, it will drive tuition increases, reduced capital spending, less borrowing, and lower endowment spending power, according to Fitch Ratings.

*Inside Higher Ed* highlights a new report from The Education Trust and Generation Hope showing that student parents from low-income backgrounds must work 50-plus hours a week at minimum wage in order to afford both tuition at a public college and childcare.

*CBS News* reports that a class action price-fixing lawsuit is moving forward against 16 prominent universities, including Northwestern University and the University of Chicago, accusing them of holding back financial aid to students who qualified.

*The Chronicle of Higher Education* reports that nearly half of American adults without college degrees think they need additional education to advance their careers — and just over half said they will likely pursue that education in the next five years, according to a new survey of 350,000 adults from Strada Education Network and Gallup. The level of interest in higher education is a potential dose of good news for colleges amid grim enrollment declines over the past few years.

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**National Council of Higher Education Resources**
1050 Connecticut Ave NW #65793
Washington, DC 20035

Phone: **(202) 822-2106**
Fax: (202) 822-2142