NCHER

DAILY BRIEFING

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In Today's Edition

- *NCHER Daily Briefing* Publishing on Abbreviated Schedule in August
- Weekly Rundown
- White House Announces Applications for Federal Student Loan Forgiveness to Open in October
- CRFB Estimates Student Loan Forgiveness, Program Changes Cost $500 Billion
- Federal Reserve Chair Powell Signals Continued Rate Increases in Response to Inflation
- U.S. Department of Education News
- General News

NCHER Daily Briefing Publishing on Abbreviated Schedule in August

The *NCHER Daily Briefing* will be published on an abbreviated schedule consisting of today and Thursday as Congress continues its traditional month-long August recess. We will resume our regular publication schedule once the U.S. House of Representatives and U.S. Senate return from their break.

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**.

White House Announces Applications for Federal Student Loan Forgiveness to Open in October

On Friday, White House National Economic Council Deputy Director Bharat Ramamurti told reporters that applications for the new federal student loan forgiveness program will open to borrowers in early October. Mr. Ramamurti added that student and parent borrowers should receive forgiveness approximately four to six weeks after submitting their applications. In a **tweet**, Education Secretary Miguel Cardona confirmed that the U.S. Department of Education will be releasing applications for borrowers to verify their income in early October, and added that borrowers should fill out the application before November 15th in order to receive forgiveness before the payment and collections pause ends on December 31, 2022. The Department has stated that around eight million borrowers may receive automatic relief – without the need for any application – because the agency already has recent income information for such borrowers.

Separately, over the weekend, Sen. Bernie Sanders (I-VT) appeared on ABC's *"This Week"* and said, while criticism that the decision is not fair to those who have paid off their student loans is fair: "The answer is not to deny help to people who cannot deal with these horrendous student debts...The answer is that maybe, just maybe, we want to have a government that works for all working people and not just the people on top." Democratic National Committee Senior Adviser Cedric Richmond argued on *"Fox News Sunday"* that loan forgiveness is justified when considering how the federal government has helped businesses: "We have business deductions everywhere and all day long," he said. "We just gave, in 2017, $2 trillion to the top 1 percent and businesses — 99 percent of the country did not benefit from the 2017 $2 trillion tax cut. People all across the country are going to benefit from this debt relief. And so look, we are not picking winners and losers."

For additional coverage, see the following articles:

Higher Ed Dive reports that student loan experts have detailed criticisms of the White House's federal student loan forgiveness program, calling it 'a backdoor subsidy' for colleges.

NPR continues its coverage of what borrowers need to know about the White House's plan to forgive student loan debt.

The Washington Post includes a column by Michelle Singletary who reminds student to not count on loan forgiveness ever happening again. Some students looking to take advantage of the promised forgiveness have already signed up for more loans, though that could land them in even more debt.

CNN reports on how student and parent borrowers can qualify for the loan forgiveness plan.

CRFB Estimates Student Loan Forgiveness, Program Changes Cost $500 Billion

Last week, the Committee for a Responsible Federal Budget (CRFB) published a **blog post** with cost estimates for a federal student loan forgiveness plan and proposed changes to income-driven repayment (IDR). CRFB estimates that, over the next 10 years, the changes will cost between $440 and $600 billion, with a central estimate of $500 billion. The post highlighted that the U.S. Department of Education has spent around $800 billion on federal student loan actions since the start of the COVID-19 pandemic.
Specifically, CRFB estimates that the federal student loan forgiveness plan alone will cost between $330 and $390 billion to cancel around $525 billion in student debt. The organization estimates that the proposed changes to IDR will cost between $90 and $190 billion. CRFB estimates that extending the current student loan payment and collections pause until December 31, 2022 will cost an additional $20 billion. The organization stated that it will soon release an estimate of the inflationary effects of the changes to the federal student loan program and added that "it is extremely troubling to see the Administration reverse the legislative progress made on deficit reduction."

Federal Reserve Chair Powell Signals Continued Rate Increases in Response to Inflation

On Friday, Federal Reserve Board of Governors Chairman Jerome Powell participated in the central bank's Economic Policy Symposium held annually in Jackson Hole, Wyoming. In a **speech**, Chairman Powell said that their overarching focus right now is bringing inflation down to a goal of 2 percent. The Fed's responsibility to deliver price stability is unconditional and will take some time, he said, and "will also bring some pain to households and businesses," but failure to restore price stability would mean far greater pain. Chairman Powell said that the current high inflation is the product of strong demand and constrained supply, and that the central bank's tools work principally on aggregate demand. He said that another large increase in the federal funds rate could be appropriate at the next meeting of the Federal Open Market Committee scheduled for September 20-21, though he acknowledged that at some point it is likely to become appropriate to slow the pace of increases. He pointed out that inflation feeds on itself, and that returning to price stability entails breaking the grip of inflationary expectations. Quoting former Federal Reserve Chair Alan Greenspan, he said, "For all practical purposes, price stability means that expected changes in the average price level are small enough and gradual enough that they do not materially enter business and household financial decisions." He termed this goal as "rational inattention." Following the Chairman's remarks, all of the major financial markets posted major declines and several financial experts said that the speech is sure to quell some optimism that the Fed might reduce the pace of rate hikes. For additional coverage, see this article from the ***CNBC***.

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-22-63) Labor Day Federal Holiday Processing and Customer Service Hours**
- **(GENERAL-22-62) StudentAid.gov – Managing High Volume of Visitors**
- **(GENERAL-22-61) NSLDS Professional Access – Additional Information About the Modernized Website #6**

General News

House Education and Labor Committee Ranking Member Virginia Foxx (R-NC) sent a

letter to Education Secretary Miguel Cardona criticizing the U.S. Department of Education's proposed rules on comprehensive reviews of changes in ownership. The letter says that the Department's rules will not fix the problems plaguing the control and conversion application process, but it does unfairly target proprietary institutions.

Inside Higher Ed reports that teacher colleges and teacher preparation programs are creating new incentives to lure students, hoping to reverse years of enrollment declines and fill classroom vacancies.

Higher Ed Dive reports that a commonly held belief in the world of higher education is that sagging state funding for public colleges has resulted in skyrocketing tuition prices. But a new analysis from the Texas Public Policy Foundation attempts to counter that narrative, asserting that state funding has actually increased over the past four decades when adjusted for inflation.

Higher Ed Dive reports that the White House's plan to cancel federal student loan debt will cost between $469 billion and $519 billion over 10 years, according to estimates released by the Penn Wharton Budget Model, a research organization at the University of Pennsylvania. Most of the cost comes from loan cancellation, although an extended loan payment pause and income-driven repayment plans add to the price tag.

An online version of this Daily Briefing is available to view and print from the **Daily Briefing Section** of the **NCHER e-Library**.

1050 Connecticut Ave NW #65793
Washington, DC 20035

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