NCHER

# DAILY BRIEFING

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## NCHER Offices Closed for Labor Day, Daily Briefing Returns on Tuesday

The NCHER offices will be closed on Monday, September 5th, for the Labor Day holiday. The office, along with the next edition of the *NCHER Daily Briefing* and *NCHER Weekly Rundown*, will reopen on Tuesday, September 6, 2022. We hope that you have a great holiday weekend!

## NCHER Federal Update–Fall 2022; Register Today!

Next Thursday, September 8th from 2:00 to 3:00 pm ET, NCHER will hold a webinar to review and discuss upcoming federal developments for Fall 2022 with a focus on the policy, political, regulatory, and legal developments impacting the higher education finance community that took place in late summer and what we expect to take place in the fall as we head into the November election. This is a member-only event, which means that you will need to be logged into the NCHER website to register for the event.

## NCHER-EFC-SLSA Submit Public Comments to Federal Reserve on Implementation of LIBOR Act

Earlier this week, NCHER, along with the Education Finance Council (EFC) and Student Loan Servicing Alliance (SLSA), submitted public comments to the Federal Reserve Board of Governors responding to the Notice of Proposed Rulemaking (NPRM) implementing the Adjustable Interest Rate (LIBOR) Act. The proposed rules generally propose adoption of a forward-looking term rate based on the Secured Overnight Financing Rate or SOFR as the Board-selected benchmark replacement for cash transactions, other than covered GSE contracts, that do not have adequate fallback language. These contracts are generally referred to as tough legacy contracts. For covered GSE contracts, the proposed rules would adopt historical 30-day Average SOFR as the Board-selected benchmark replacement. The NPRM requests comment as to whether there are "any categories of covered contracts for which the Board should consider an alternative SOFR-based Board-selected benchmark replacement." As part of the public comments, the trades request that an additional exception to the general selection of Term SOFR as the Board–selected benchmark replacement be added for student loan financings that are predominantly secured by loans made under the Federal Family Education Loan Program (FFELP). Specifically, for FFELP Asset-Backed Securities (ABS), NCHER, EFC, and SLSA request that the Board select Average SOFR as the SOFR-based Board selected benchmark replacement rate to align with the legislative treatment of FFELP Special Allowance Payments (SAP) to ensure uniformity and a smooth transition away from the London Interbank Offered Rate without disruption to the holders of the FFELP ABS notes such as retirement savings funds, pension funds, and state non-profit organizations. The public comments say that the selection of Average SOFR as the benchmark replacement rate will preserve the current economic relationship that exists between FFELP SAP and FFELP ABS, and many newly issued FFELP ABS securitizations have used the 30-day Average SOFR as a benchmark, which indicates investor support for this structure. The comments conclude by saying, just as Congress directed the treatment of FFELP SAP to be unique to FFELP, the Board should treat the financing of FFELP through FFELP ABS uniquely as well.

## Department of Education Announces $1.5 Billion in Loan Discharges for Westwood College Students

On Tuesday, the U.S. Department of Education **announced** that it will discharge all remaining federal student loans for borrowers who enrolled in any location of Westwood College (including enrollment in Westwood's online program) between January 1, 2002 through November 17, 2015 when it stopped enrolling new borrowers in advance of its closure in 2016. In the announcement, the Department said that it analyzed the evidence related to Westwood and concluded that the institution of higher education engaged in widespread misrepresentations about the value of its credentials for attendees' and graduates' employment prospects such that all borrowers who attended during the period are entitled to a full loan discharge. The Department said that its finding is based on extensive internal records, evidence from Westwood employees and administrators, and testimony recounting borrowers' first-hand experiences. The action will result in $1.5 billion in discharges for 79,000 borrowers, regardless of whether they have applied for a borrower defense discharge. Relief will be granted without any additional actions by the borrowers. "Westwood College's exploitation of students and abuse of federal financial aid place it in the same circle of infamy occupied by Corinthian Colleges and ITT Technical Institute," said Under Secretary James Kvaal. "Westwood operated on a culture of false promises, lies, and manipulation in order to profit off student debt that burdened borrowers long after Westwood closed. The Biden-Harris Administration will continue ramping up oversight and accountability to protect students and taxpayers from abuse and ensure that executives who commit such harm never work at institutions that receive federal financial aid again." Westwood College was owned by Alta College, Inc., which was located in Colorado. In 2002, Alta was acquired by Housatonic Partners, a private equity firm located in California and Massachusetts.

For further coverage, see this article from ***CBS News***.

## Trellis Company Research Brief Examines Attitudes of Student Borrowers

On Wednesday, Trellis Company published its latest monthly research brief titled, **Perception is Reality: Attitudes and Experiences of Student Loan Borrowers**, which analyzed student borrowers' perceptions of financial security and their attitudes toward student loan forgiveness. The brief used data from Trellis' Fall 2021 Student Financial Wellness Survey (SFWS), which collected responses from almost 20,000 students who reported taking out a loan. Trellis found that 62 percent of students reported holding more debt than they expected, and 36 percent of borrowers reported feeling that their student loan debt was unmanageable. Trellis also reported that only 28 percent of borrowers were at least somewhat confident in their ability to pay off their student loan debt. In the SFWS, 87 percent of all borrowers reported that they experienced financial difficulties at some point during college, and 39 percent of borrowers reported working over 40 hours a week during college. The survey results revealed that 71 percent of student borrowers experienced at least one form of basic needs insecurity – either housing insecurity, food insecurity, or homelessness. The data was collected prior to the Biden Administration's announcement of a new federal student loan forgiveness plan but, at the time of the survey, 66 percent of student borrowers responded that they were not at all confident that some or all of their loans would be forgiven, while only 2 percent of borrowers were very confident in forgiveness. Based on the SFWS results, Trellis found that many students felt that they lacked the financial resources to succeed in college.

## 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-22-64) NSLDS Professional Access – Documentation of Enrollment Reporting and Postscreening Delays for Audit Purposes
- (APP-22-18) 2023–24 FAFSA® Form on StudentAid.gov Preview Presentation
- (CB-22-15) Reminder – FISAP Due Sept. 30, 2022
- Comment Request: Health Education Assistance Loan (HEAL) Program Regulations
- Notice of Debt Cancellation Legal Memorandum

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## Member News

The Kentucky Higher Education Assistance Authority announced that it has been selected to work with the National College Attainment Network (NCAN) on the Postsecondary Pathways Project. NCAN is leading the Postsecondary Pathways Project, which is being funded by the Bill & Melinda Gates Foundation to help Black and Latino students and students experiencing poverty overcome obstacles to getting an education and beginning a career. Kentucky is one of 15 states collaborating with NCAN to develop, refine, and advance a student-centered support model, and to identify and promote high-leverage activities states can take on if they want to improve their students' educational attainment levels.

Trellis Company recently announced that Bryan Ashton has been named its Chief Strategy and Growth Officer. In this capacity, Bryan will oversee the implementation of the new Trellis strategic plan, including the development of new lines of business: Higher Education Research and Consulting and Talent Pathway Services. Additionally, he will lead Sales and Marketing, Government Affairs, and Community Investment for the organization. "[Ashton] is the right person to translate our legacy experience into innovative lines of business that will advance our refined mission," said Dr. Debra Chromy, President and Chief Executive Officer of Trellis Company. "This allows us to continue advancing our new strategic plan and lead us as we continue to grow."

## General News

***The Hill*** reports that several Democratic candidates in tough races for the U.S. Senate are treading carefully when it comes to the White House's decision to cancel federal student loans for millions of borrowers, with some distancing themselves from the new plan that has quickly became a major campaign issue.

***Time*** reports that Congressional Republicans are searching for someone who can sue over President Joe Biden's federal student loan forgiveness plan.

***Diverse Issues in Higher Education*** reports that the Biden Administration's announcement that up to $20,000 of federal student loan debt will be forgiven for those earning under $125,000 has received mixed reactions. Nonetheless, leaders of the nation's community colleges say that the move will change lives and signals serious conversations about college affordability.

***Diverse Issues in Higher Education*** reports a recent poll commissioned by the Center for Responsible Lending found that the federal student loan payment pause helped struggling borrowers pay for daily living expenses and other debts.

***Higher Ed Dive*** reports that several higher education associations have praised the President's federal student loan forgiveness plan, with caveats: Much more needs to be done, including modernizing the federal student loan program. They say relief without proposals for systemic reform is incomplete.

***Kiplinger*** reports that some states could tax the income received from federal student loan forgiveness. While borrowers will not pay federal income taxes on cancelled student loan debt through 2025, there are some states that could potentially tax student loan forgiveness. Related, ***GO Banking Rates*** reports that 13 states could tax income received from student loan forgiveness.

***Forbes*** continues its coverage of the federal student loan forgive plan and who qualifies for the potential relief.

***The Heritage Foundation*** publishes a commentary by Visiting Fellow Joseph Postell who argues that the President's legal authority to create a new federal loan forgiveness plan was, by his own admission and the admission of his close political allies, ambiguous.

***Inside Higher Ed*** reports, with public schools facing a dearth of teachers and traditional teacher-training programs struggling to reverse a long-declining enrollment trend, for-profit companies offering “alternative certification programs” are rising to fill states' needs. Some say they are key to ending teacher shortages while others fear quality and retention will suffer.

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


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

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