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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.

Senate Democrats Send Letter to President Urging Expansion of Loan Forgiveness to More Parent PLUS Borrowers
Senate Democrats, led by Sens. Chris Van Hollen (D-MD), Sherrod Brown (D-OH), Cory Booker (D-NJ), and Tammy Duckworth (D-IL), recently wrote a letter to President Joe Biden urging the Administration to consider borrowers with Parent PLUS loans in any administrative changes and executive actions undertaken to improve the federal student loan programs and provide loan forgiveness. The letter calls for providing $20,000 in loan forgiveness, the higher amount being proposed by the U.S. Department of Education, to Parent PLUS loan borrowers whose dependents received Pell Grants. The letter says that 3.6 million Parent PLUS borrowers currently hold about 10 percent of all federal student loan debt. In the letter, the senators say that Parent PLUS borrowers are often among the lowest income families receiving Pell Grant funds and are typically parents of students attending Historically Black Colleges and Universities. The letter states that a recent study found that, in 2018, about 42 percent of Black Parent PLUS borrowers and 26 percent of Latino/a Parent PLUS borrowers had a zero estimated family contribution (EFC), while only 8 percent of white Parent PLUS borrowers had a zero EFC, and that Parent PLUS borrowers that are retired or have disabilities face the risk of having a portion of their Social Security wages garnished if they default on their loans. It also says that Parent PLUS borrowers are ineligible for all but one of the Department’s income-driven repayment plans, and that disparities in repayment outcomes could exacerbate the racial wealth gap if left unaddressed. Citing the significant financial need and barriers to repayment that Parent PLUS borrowers face, the letter urges the White House to extend the federal student loan forgiveness plan to Parent PLUS borrowers that meet the same income thresholds as outlined for other borrowers. “By reducing barriers to this program for Parent PLUS borrowers and ensuring they are included in debt relief, we will move one step closer to remedying program-wide issues for these borrowers, narrowing the wealth gap, and addressing our country’s student loan debt crisis,” the letter concludes.

Senate Finance Committee Democrats and Republicans Introduce EARN Act

Last week, Senate Finance Committee Chairman Ron Wyden (D-OR) and Ranking Member Mike Crapo (R-ID) introduced the Enhancing American Retirement Now or EARN Act, which aims to increase and expand opportunities for Americans, particularly low- and middle-income Americans, to increase retirement savings and improve long-term financial stability. The proposed bill includes many provisions that were approved by the Senate Finance Committee in June, and serves as a companion House-passed Securing a Strong Retirement Act. The Wyden/Crapo legislation bill includes a section that would treat student loan payments as elective deferrals for purposes of matching contributions for retirement plans. Specifically, it would permit employers to provide

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matching contributions under 401(k) and other tax-preferred retirement plans for employee student loan payments as if those payments were elective deferrals. In a press release, Chairman Wyden said that, "Americans deserve dignified retirements after decades of hard work, and our bill is an important step forward. In particular, I’m proud that we are making significant progress for millions of low- and middle-income workers, who are far less likely to have adequate retirement savings... Under our reforms, many more workers would access resources for retirement and see meaningful federal retirement contributions year after year." The bill is currently pending on the Senate Floor.

For additional coverage, see this article from Business Insider.

California Publishes Proposed Regulations to Implement Student Loan Servicing Legislation

Last week, the California Department of Financial Protection and Innovation published proposed regulations to implement the Student Loan Servicing Act and the Student Loans: Borrower Rights Law, opening the proposed changes for public comment until October 28, 2022. The Notice of Rulemaking Action states that the proposed rules aim to protect student borrowers, improve the California Department of Financial Protection and Innovation’s regulatory oversight of the servicer industry, and strengthen the implementation of the Student Loan Servicing Act and the Student Loans: Borrower Rights Law. The proposed rules clarify that education financing products, including but not limited to income share agreements and installment contracts, are student loans and that servicers of such education financing products are covered by the Student Loan Servicing Act and must be licensed by the state. The proposed rules also define terms and documents specific to education financing products. The proposed rules also amend several existing rules taking into consideration past experience licensing federal and private student loan servicers and conducting regulatory examinations.

ARRC Holds Meeting, Cites Strong Progress on Transition to SOFR

Last Thursday, the Alternative Reference Rates Committee (ARRC) met to discuss the transition away from the London Interbank Offered Rate (LIBOR) to the Secured Overnight Financing Rate (SOFR). In the readout of the meeting, the ARRC indicated that data from the cash and derivatives markets show continued momentum in the transition
to SOFR and the rate is now the predominant rate across those markets. SOFR swaps have accounted for around 90 percent of daily volumes on average of interest rate risk traded in the outright linear swaps market for the last two months while LIBOR swaps have declined to less than 10 percent. The ARRC reported the most recent sentiment survey of ARRC members indicates that respondents continued to characterize the LIBOR transition overall as progressing smoothly and around 90 percent of respondents indicated they have documented remediation plans in place.

Related, on Friday, NCHER staff joined a meeting of the ARRC’s Consumer Products Working Group. At the meeting, David Bowman from the Federal Reserve stated that the central bank’s rulemaking on LIBOR transition will be finalized in the next few weeks. He stated that the Fed received roughly 25 comments, and that the Federal Reserve Board needs to approve the final rule. NCHER, together with Education Finance Council and the Student Loan Servicing Alliance, submitted public comments on the proposed rule. Mr. Bowman encouraged participants to put in place a robust communication plan on the transition. He stated that Refinitiv will be publishing CME Term SOFR rates for use in legacy LIBOR cash products that will convert to SOFR under the terms of the ARRC’s recommended fallback language. Under the proposed rule, the Fed indicates that a forward-looking term rate based on SOFR would be the appropriate benchmark for consumer loans that do not have adequate fallback language.

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-22-68) NSLDS Professional Access – Additional Information About the Modernized Website #8
- (COD-22-06) Additional COD System Implementation for 2022–23 Award Year (September 2022)
- (EDESUITE-22-05) EDExpress for Windows 2023–24 Packaging Technical Reference
Comment Request: HEAL Program: Physician's Certification of Borrower's Total and Permanent Disability

General News

Higher Ed Dive reports that, in July, the U.S. Department of Education issued proposed regulations meant to crack down on for-profit colleges converting to nonprofit schools in name only. So far, the Department’s ideas have drawn mixed reactions from lawmakers, colleges, and policy advocates.

CNBC reports that, while borrowers wait for federal student loan forgiveness, ‘Don’t refinance your federal loans,’ warns an expert: Do these five things instead.

GoBankingRates reports that California could become the first state to tax the White House’s plan for federal student loan forgiveness. Will more follow?

Higher Ed Dive reports that, though the effort in support of what is called short-term Pell is largely bipartisan, there is disagreement about what sort of guardrails, if any, to place on the federal funds.

Higher Ed Dive reports that income-share agreement-provider Better Future Forward has reached a final compliance plan with the Consumer Financial Protection Bureau and updated the disclosures it will make to students who enter such agreements to help pay for college.

University Business reports that, according to a recent Niche survey of more than 21,000 college-bound students, 81 percent said the sticker shock of high tuition and fees dissuaded them from applying to specific colleges and universities. Three years ago, that number was at 56 percent.

Inside Higher Ed reports that current high school students are optimistic about their chances of experiencing future life outcomes, including having a well-paying career, owning a home, and enjoying good health, according to a new report from ACT.
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