NCHER

DAILY BRIEFING

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White House Releases Update on Federal Student Loan Forgiveness Plan, Says Department of Education on Pace to Approve First 16 Million Applications

Today, the White House released an **update** to its federal student loan forgiveness plan, saying that the U.S. Department of Education is expected to approve more than 16 million applications for forgiveness by the end of this week. The update says that close to 26 million people have provided the Department with the required information to be considered for loan forgiveness as they prepare to resume loan payments in January. The update goes on to criticize Republicans saying that they are suing to stop student and parent borrowers from receiving the relief. Later today, President Joe Biden is expected to speak on the loan forgiveness plan at Central New Mexico Community College in Albuquerque as part of the effort to highlight the issue prior to the midterm elections next week. For further coverage, see this article from ***Bloomberg***.

Indiana Borrowers Ask Supreme Court to Block Federal Student Loan Forgiveness Plan

Two Indiana borrowers, who are represented by the Pacific Legal Foundation and who filed a class action challenge to the White House's federal student loan forgiveness plan have filed an **Emergency Application for Writ of Injunction Pending Appeal** with the U.S. Supreme Court. The original complaint in *Garrison et al v. U.S. Department of Education* was dismissed by U.S. District Court for the Southern District of Indiana Judge Richard Young for lack of standing. The plaintiffs in the case argued that loan forgiveness would trigger increased state tax liability for members of the class. Then, the plaintiffs moved for an injunction pending appeal with the U.S. Court of Appeals for the Seventh Circuit, but that was also denied due to lack of standing. The plaintiffs then appealed to the Seventh Circuit, which also held that the borrowers lacked standing because the U.S. Department of Education had modified its plan to allow student and parents to opt-out of the forgiveness scheme.

In the most recent filing to the Supreme Court, the plaintiffs claim that the Department's exclusion of the borrowers and creation of an opt-out right does not moot the case and that the class will suffer irreparable harm even if the named representatives no longer face cancellation. The filing also claims that the plaintiff appellants' challenge to loan forgiveness is likely to succeed because the debt relief is not supported by statute and violates the non-delegation doctrine. It further argues that the class will suffer irreparable harm from the automatic tax liability that loan cancellation will impose on them and that, if the Department's actions are not enjoined, there is no way to recover that loss. The application to the Supreme Court will be heard by Justice Amy Coney Barrett, who handles emergency matters for the Seventh Circuit. As of this afternoon, Justice Barrett had not ruled on the application. Last month, she rejected a similar application filed by a Wisconsin taxpayer association.

States, Department of Justice Make Additional Filings with Eighth Circuit in Federal Student Loan Forgiveness Case

Yesterday, the eight states that are appealing the dismissal of their challenge to the U.S. Department of Education's federal student loan forgiveness plan by U.S. District Court for the Eastern District of Missouri Judge Henry Autrey filed a statement of issues with the U.S. Court of Appeals for the Eighth Circuit. The filing specifies that the issues are: Whether the district court erred in concluding that none of the states have standing; and Whether the district court erred in failing to preliminarily enjoin the loan forgiveness plan. Earlier this week, the U.S. Department of Justice (DOJ) added a **filing** to the record that includes a response by MOHELA to a request from Rep. Cori Bush (D-MO). In the filing, DOJ states that "MOHELA's letter clarifies that its executives were not involved with the decision of the Missouri Attorney General's Office to file for [a] preliminary injunction; that MOHELA has not had, and does not have, a contractual relationship or agreement with the Missouri Attorney General's Office on any topic including as to student debt relief; that MOHELA's only communications with the Missouri Attorney General's Office relating 'to student debt relief is that the [Attorney General's] Office recently filed a series of sunshine law requests on MOHELA seeking copies of documents relative to MOHELA's federal loan servicing contract; that MOHELA does not exist to make profits; and that MOHELA is committed to meeting the expectations and requirements as directed and administered by [the U.S. Department of Education's Office of] Federal Student Aid."

CFPB Publishes Blog on Student Loan Repayment and Forgiveness

On Wednesday, the Consumer Financial Protection Bureau (CFPB) posted a **blog** updating research from a report published back in April. The April report, entitled **Student Loan Borrowers Potentially At-Risk when Payment Suspension Ends**, identified types of borrowers who would struggle when the pause on federal student loan payments and collections ends. This week's blog post stated that, according to new research, the CFPB found student loan borrowers are increasingly delinquent on other credit products and that "a growing share of student loan borrowers are 60 days or more past due on a non-student-loan credit account since mid-2021. As of September 2022, 7.1 percent of student loan borrowers who were not in default on their loans at the start of the pandemic were having difficulty repaying other debts, as compared to 6.2 percent of these borrowers at the start of the pandemic. Delinquency rates have risen even further for borrowers with defaulted student loans, increasing from 9.8 percent at the start of the pandemic to 12.5 percent as of September 2022." The new research also revealed that monthly payments on non-student loans have increased since April. The CFPB calculated that student loan borrowers' monthly payments on those other credit products are rising, with 46 percent of borrowers in the sample experiencing a payment increase of 10 percent or more relative to the beginning of 2020. At the end of the blog, the CFPB said that the White House's federal student loan forgiveness plan could decrease the numbers of at-risk borrowers experiencing credit payment difficulties going into January 2023.

Federal Reserve Raises Interest Rates by 75 Basis Points in Bid to Fight Inflation

Yesterday, the Federal Reserve concluded the two-day meeting of its Federal Open Market Committee (FOMC) where its members raised the target range of the federal funds rate by 75 basis points. This was the fourth meeting in a row that the committee has raised the range by 75 basis points. Following the announcement, the target federal funds rate range stands at 3¾ to 4 percent. In a **statement** released following the meeting, the FOMC stated that recent economic indicators point to modest growth in spending and production, as well as robust job gains and low unemployment. But, inflation remains elevated due to supply and demand imbalances and other factors. The statement indicated that the FOMC is "strongly committed to returning inflation to its 2 percent objective" and that "ongoing increases in the target range will be appropriate."

While yesterday's statement largely tracked the statement following the FOMC's last meeting in September, the following sentence was added in yesterday's release: "In determining the pace of future increases in the target range, the committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments." Congressional Democrats and some economist have been critical of the Federal Reserve for dramatically increasing interest rates without a clear impact of previous rate hikes on the nation's economy. In addition, the statement indicated that the Fed will continue reducing its holdings of Treasury securities and agency mortgage-backed securities, as described in plans issued in May.

During a news conference following the conclusion of the meeting, Federal Reserve Board of Governors Chairman Jerome Powell stated that it will take time for the full effect of monetary restraint to be realized and that the Fed will stay the course until the job is done, saying that the Fed needs to see inflation come down decisively. He indicated that, at some point, it will be appropriate to slow the pace of increases, suggesting it could be at the next meeting or the following meeting. However, Chairman Powell also indicated that it was premature to talk about pausing rate hikes. The next meeting of the FOMC is scheduled for December 13-14, 2022.

For further coverage, see these articles from ***The Hill*** and ***PBS NewsHour***.

U.S. Department of Education News

For today's *Federal Register*, click **here**.
The following announcement was posted to Federal Student Aid's Knowledge Center Website:

- **Final Regulations: Borrower Defense to Repayment, Pre-dispute Arbitration, Interest Capitalization, Total and Permanent Disability Discharges, Closed School Discharges, Public Service Loan Forgiveness, and False Certification Discharges**

Member News

The Kentucky Higher Education Assistance Authority (KHEAA) released its **Financial Aid Tip for Students – November 2022**, which advises that students who would like to continue their education after high school should learn about the Expected Family Contribution or EFC. The EFC is how much money students and their families are expected to pay toward a student's education expenses. A student's EFC is based on a formula set by Congress which include factors such as income, assets, the number of people in their household, and the number of household members in college during the award year. KHEAA also released its **Money Tip for Students – November 2022**, which says that setting up a 529 account is a good way to save for education costs. These education savings accounts can be used to save for both K-12 education, as well as college, and to pay expenses for many apprenticeship programs.

The Higher Education Loan Authority of the State of Missouri ("MOHELA") is recruiting for two new positions to its Executive Management team. First, MOHELA seeks a **Communications and Marketing Director** who will be responsible for planning and oversight of communication and marketing strategies that promote its financial services and overall contributions to higher education using an array of communication mediums (web, digital, print, mail) and accountable for creating communications to optimize MOHELA's positive contributions among current and future higher education consumers and beneficiaries. Second, MOHELA seeks a **Director of Business Process Operations (BPO) Contact Center** to meet and exceed service level agreement requirements. This position will establish strong working relationships with department leaders to recruit, retain, and develop staff, establish best practice contact center procedures, implement and document BPO variances and trends, utilize planning and forecasting models to manage contact center workflow, understand and implement customer requirements within established deadlines, and collaborate with senior management to insure borrower and stakeholder satisfaction.

General News

Bloomberg reports that refund checks have started to arrive for federal student loan borrowers who made payments during the COVID-19 pandemic.

CNBC examines what students and their families need to know about the Pell Grant program, which provides up to $6,895 to low- and middle-income students to help with college costs.

The Washington Post reports on what student and parent borrowers need to know if they are confused about the White House's federal student loan forgiveness plan.

Forbes reports that student loan scams stole an estimated $5 billion from Americans this year.

Higher Ed Dive reports that two-thirds of colleges and universities plan to grow their efforts to reach foreign students over the next year in an effort to expand their global presence.

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

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