NCHER DAILY BRIEFING

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NCHER Daily Briefing Publishing on Abbreviated Schedule This Week

The *NCHER Daily Briefing* will be published on an abbreviated schedule consisting of today and Thursday while most of Congress is returning from the Christmas and New Year Holidays. We will resume our regular publishing schedule next week.

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.

NCHER Year in Review and Outlook for 2022, Still Time to Register!

NCHER will hold a "Year-In-Review and Outlook for 2022" on Wednesday, January 5, 2022 from 2:00 pm to 3:00 pm ET using Zoom. This important webinar will review the policy, political, regulatory, and legal developments impacting the higher education finance community that took place in 2021, and the outlook for 2022 as we head into an election year. This is a member-only event, which means that you will need to be logged into the NCHER website to register. For more information or to register, click **here**.

Senate Returns for Second Session of the 117th Congress, Still Uncertain on Build Back Better Act

Today, the U.S. Senate returned to Washington, DC for the second session of the 117th Congress, though a snowstorm hitting the capital region limited legislative business for the day. This week, the chamber is expected to consider several non-higher education-related nominations. With both the House and Senate in recess over the Christmas and New Year holidays, the timeline for passage of the Build Back Better Act, still a priority for the White House and Congressional Democrats, remains uncertain as Sen. Joe Manchin (D-WV) has continued to express his opposition to the House-passed version of the bill. As reported previously, Democrats are using the budget reconciliation process to enact the Biden Administration's social spending package, which means that they need support from every Democratic Senator to advance the legislation. With the House scheduled to return for legislative business next Monday, Democrats are looking for a path forward and an end to squabbles between progressives and moderates that dominated the failure to pass the Build Back Better Act the end of last year. Senate Democrats are slated to meet in-person later this week to discuss what provisions could be included in a revised bill in order to win unanimous support from the party.

Outside of determining what a revised Build Back Better Act would look like, Congress will have to address last year's budget process as the current Continuing Resolution (CR) that is funding the federal government expires in mid-February. This expiration will require the House and Senate Appropriations Committees to again determine whether they can negotiate and enact a final FY 2022 appropriations package or simply extend the current CR for an additional amount of time. For additional coverage of Congress' return to legislative business and prospects for passage of the Build Back Better Act, see these articles from The Hill, Roll Call, and The Hill

FSA Releases Quarterly Portfolio Reports for Federal Student Loan Program

Last month, the U.S. Department of Education's Office of Federal Student Aid (FSA) released new Quarterly Portfolio Reports for the Federal Student Loan Program, which includes key data and other information from September 30, 2021. Similar to past reports, this quarterly report notes that the data reflect the flexibilities applied to borrower accounts as prescribed in the Coronavirus Aid, Relief, and Economic Security (CARES) Act and extended by executive actions through May 1, 2022. As a result, payments are paused, collections are stopped, and interest is waived on all Department of Education-held student loans.

Key findings include the following:

- As of September 30, 2021, the outstanding federal student loan portfolio is $1.61 trillion, representing 43.4 million student aid recipients. Direct Loans now represent more than 85 percent of the portfolio; Federal Family Education Loans (FFEL) represent less than 15 percent; Federal Perkins Loans are a negligible fraction. The Department-held portfolio is now more than $1.46 trillion, representing more than 90 percent of the total. Portfolio growth has slowed since 2010, as new disbursements have declined. But year-over-year, the total federal loan portfolio has increased almost 3 percent or about $44 billion. The Direct Loan portfolio is up about 5 percent while the FFEL portfolio is down 6 percent; Perkins Loans continue to be phased out.
- As a result of special pandemic flexibilities for student loans, the number of recipients in repayment status has fallen sharply over the last 18 months. Less than 500,000 Direct Loan recipients were in repayment status as of September 30, 2021, compared to 18.1 million recipients in March 2020, which was just a few days after the CARES Act was passed. About one percent of all outstanding Direct Loan dollar balances are currently in repayment status, consisting largely of customers who have opted out of the CARES Act payment pause. 24 million Direct Loan recipients with outstanding loans of about $968 billion are now in forbearance status, and more than 99 percent of these balances are in the special CARES Act forbearance. When including Department-held FFEL recipients, approximately 25 million recipients with more than $1 trillion in outstanding loan balances are now in forbearance.

- With almost all federal student loan borrowers now in forbearance, no new Direct Loan borrowers entered default during this period. The more detailed Direct Loan delinquency demographic reports have been temporarily suspended.
- Despite the repayment pause for most borrowers, enrollment in income-driven repayment (IDR) plans has slightly increased during the pandemic. As of September 2021, almost 8.4 million Direct Loan recipients were enrolled in IDR plans, up from 8.2 million recipients in September 2020. Adding Department-held FFEL recipients, 8.7 million unique recipients are enrolled in IDR plans.
- FSA has posted its first update of the preliminary disbursement data for the full 2020-2021 award year as of September 30, 2021. Given end-of-year adjustments resulting from summer disbursements, this data should be treated with caution as it continues to stabilize over the next few months. While application data for 2020-2021 decreased 1 percent, the preliminary disbursement data for loans and grants were down about 6 percent compared to the September 2020 preliminary data from 2019-2020 award year. Applications have been declining since award year 2011–12, except for a modest increase in award year 2017–18 when the application cycle was extended from 18 to 21 months. Applications for the 2021–22 award year so far are down about 2 percent from this time last year.
- Current law allows Direct Loan borrowers to seek cancellation of their loans if their school misled them or engaged in illegal misconduct. In March 2021, the Department announced adoption of a streamlined approach to grant full relief, rather than partial relief, for approved borrower defense claims. As of September, approximately 116,000 applications had received an approval or preliminary approval, up from about 95,000 applications in June, and the processed discharge amount had grown to more than $1.2 billon.
- Cumulatively, more than 1.3 million borrowers have had their employment eligibility certified and have received a qualifying payment count so they can keep track of their progress toward Public Service Loan Forgiveness (PSLF). But only about 10,800 borrowers received PSLF discharges through September 2021, totaling $1 billion. Congress has sought to simplify and streamline this relief for borrowers through Temporary Expanded PSLF (TEPSLF). As a result, an additional 5,300 borrowers received TEPSLF discharges totaling $237 million in discharges through September 2021. In November 2020, FSA released a new combined Certification and Application form that covers both PSLF and TEPSLF. Borrowers previously had to submit separate forms to certify employment or apply for forgiveness. Since the new form was released (through September 2021), FSA has

received more than 678,000 applications from approximately 536,000 borrowers. Of these, 444,000 have been completed and processed, 101,000 remain in processing, and 134,000 were missing necessary information. Almost all (99.7 percent) of the 444,000 completed and processed applications came from borrowers whose loans and employment meet the legal requirements to receive credit toward PSLF.

U.S. Department of Education News

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

General News

The Washington Post reports that President Joe Biden's action to extend the pause on federal student loan payments has invigorated the push by progressives for loan forgiveness. Activists and lawmakers have continued to call on the President to act on his campaign promise to cancel student debt.

insideARM provides further coverage on the U.S. Department of Education's action to extend the pause on payment and collections for federal student loan borrowers by an additional 90 days.

ABC News reports that progressive Democrats are sounding the alarm over potentially losing college-age voters and subsequent races if the campaign promise of canceling federal student loan debt goes unfulfilled by the Biden Administration.

CNBC examines what federal student loan borrowers should do in the meantime while waiting for potential student loan forgiveness.

The Wall Street Journal reports that how student loan debt keeps growing, even when borrowers continue to pay on those loans.

Forbes publishes an article providing a forecast on student loan policy for 2022. The articles says that the federal student loan system is going to look dramatically different by the end of the year as payments are still in forbearance, loan servicers are ending their federal contracts, and the Biden Administration continues its plan to revamp the system.

Forbes publishes an article examining what additional relief for federal student loan borrowers could look like in 2022.

Inside Higher Ed reports that the arrival of Omicron, the new COVID-19 variant, has led many colleges and universities to shift their plans for the semester that starts today. Some colleges are facing criticism for doing so, and some are facing criticism for not making changes.

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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