NCHER
DAILY BRIEFING

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NCHER Responds to Request for Information on FSA's Unified Servicing and Data Solution

Yesterday, NCHER submitted a response to the Request for Information (RFI) in which Federal Student Aid (FSA) is seeking information on the creation of a Unified Servicing and Data Solution (USDS). As reported, the RFI says that FSA will publish a procurement in spring 2022 to bring onboard multiple student loan servicers that will guide the more than 35 million federally mandated borrowers through repayment. The document says that, unlike past procurements, the Business Processing Operation (BPO) vendors will not replace the USDS servicer contact centers and manual processing. Instead, USDS servicers will manage their own contact centers and manual processing for standard benefits, including the income-driven repayment plans, deferments and forbearances, and most discharges.

NCHER President James Bergeron begins the response by saying that the organization does not believe the federal student loan servicing system is fundamentally broken. “The federal student loan program is the only loan program administered by the federal government in which no credit underwriting is performed prior to loan origination,” he says. “While this is entirely appropriate given the compelling need to promote postsecondary education in the country, the servicing of such loans presents many challenges. The Department of Education and FSA must continue to focus on federal policy that reduces college costs; increases loan counseling, especially for first-time borrowers; and prevents overborrowing before a student or parent goes into repayment.” He then raises four items that FSA should consider incorporating into a potential procurement:

- Fostering Competition that Improves Performance and Innovation. The response endorses the retention and expansion of ways to promote the current contract structure as it acts as a benchmark for quality servicing and promotes high levels of customer service. It says that competition incentivizes all of the federal student loan servicers to provide high levels of customer service and seek greater efficiency in the delivery of services, while protecting the interest of the federal government. The response urges FSA to detail how the BPO vendors will be able to service the Direct Loan portfolio as the RFI notes that FSA will seek additional ways to leverage the vendors so that USDS servicers do not have exclusive claim to servicing-related work.

- Providing Adequate Compensation for High-Quality Servicing. The response notes that all of the current federal student loan servicers have devoted significant time and resources to helping student and parent borrowers of federal loans and they have borne substantial training and compliance costs as federal contractors in the face of ever-changing and often inconsistent federal and state requirements. It says that all servicers, including those with current contracts and any new servicers, must receive additional compensation so that they can continue to provide high-quality customer service to borrowers. The new compensation package must reflect the changing economy and shifting workforce needs, the significant increase in inflation, new federal wage requirements, and new information security requirements that servicers will need to meet under the RFI.

- Setting Strong and Uniform Standards for Student Loan Borrowers. The response endorses the RFI’s statement that FSA is no longer interested in purchasing or building a single platform to service accounts. It says that FSA should develop and maintain a Common Manual to set a single and high standard for the Federal Direct

Loan Program and ensure that all borrowers receive strong and uniform consumer protections, regardless of where they reside.

- Leveraging the Expertise of State and Nonprofit Organizations. The response says that, even before the onset of the COVID-19 pandemic, student and parent borrowers were in need of more specialized support services throughout their postsecondary education to help them make better and more informed financial decisions. It urges FSA to incentivize the USDS servicers and the existing BPO vendors to work with state and nonprofit organizations across the country to help struggling borrowers. This could include serving as the first contact that borrowers who are in-school have prior to begin repaying their student loans or ongoing and sustained contract for those borrowers who are at risk of delinquency or in default. It notes that there is strong support for utilizing state and nonprofit organizations to provide specialized services for the Direct Loan portfolio, including from Democrats and Republicans in Congress.

House Passes Consolidated Appropriations Act With Education Funding and LIBOR Transition, Senate Action Up Next

Yesterday, the U.S. House of Representatives passed **H.R. 2471, the Consolidated Appropriations Act, 2022**, a $1.5 trillion budget and appropriations package for Fiscal Year 2022. The bill includes the legislative text of the Labor, Health and Human Services, Education, and Related Agencies Appropriations Act, which provides $76.4 billion in discretionary funding for the U.S. Department of Education, which is $2.9 billion above last year's level, but $26.4 billion below the President's budget request. The legislation provides $24.6 billion for federal student aid programs, an increase of $35 million above the FY 2021 enacted level. It sets the maximum Pell Grant award at $6,895, an increase of $400 over the 2021 enacted level; increases funding for the Federal Supplemental Educational Opportunity Grant program, Federal Work Study, TRIO programs, and GEAR UP; and extends the authority for Account Maintenance Fees paid to guaranty agencies for an additional year. The final agreement includes the Adjustable Interest Rate (LIBOR) Act, similar to legislation released by the Senate Banking, Housing, and Urban Affairs Committee. It is designed to establish a clear and uniform process, on a nationwide basis, for replacing the London Interbank Offered Rate (LIBOR), preclude litigation related to existing contracts where the terms do not provide for the use of a clearly defined or practicable replacement benchmark rate, and address LIBOR references in federal law. Of importance to the NCHER membership, the agreement provides for the replacement of one-month LIBOR with a 30-day average Secured Overnight Financing Rate or SOFR in calculating special allowance payments for loans made under the Federal Family Education Loan Program (FFELP).

In order to move the bill forward, House Democrats had to strip out $15 billion in COVID-19 relief funding, on which House Speaker Nancy Pelosi (D-CA) said "...we must continue to fight for urgently needed COVID assistance, but unfortunately that will not be included in this bill." The legislation now heads to the U.S. Senate where the Democratic and Republican leadership are hoping to clear it before the weekend. Since all 100 senators will have to agree to consider the bill, the House also passed a four-day Continuing Resolution to extend federal funding until Tuesday.

For additional coverage, see these articles from ***The Hill*** and ***Roll Call***.

House Democrats Urge President to Extend Federal Student Loan Payment and Interest Pause

Yesterday, 29 House Democrats sent a **letter** to President Joe Biden asking to extend the current federal student loan payment pause, including the zero percent interest, through the end of the public health emergency. In the letter, the members say that the pause on federal student loan payments has been essential for the financial wellbeing of student loan borrowers. However, it says that the federal government cannot continue to rely on "this short-term solution to address the student debt crisis. Instead, we encourage you to work with Congress to develop a long-term plan to support student loan holders." The letter recommends that the White House work with Congress to maintain the federal interest rate at zero percent to provide continuing relief to student borrowers who are burdened by student loan debt. The letter says that maintaining a zero percent interest rate would save the average borrower $576 per year, giving them a greater chance of successful loan repayment and participation in the economy. The members said that the Biden Administration has the authority to extend the student loan interest waiver under Section 2(a)(1) Higher Education Relief Opportunities for Students Act of 2003.

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:

- [Comment Request: Cancer Treatment Deferment Form]

General News

Higher Ed Dive reports that the U.S. Department of Education recently released a new version of its draft gainful employment rule in anticipation of next week's negotiated rulemaking session that attempts to ensure career education graduates can find work and pay off their loans. The new draft proposes to use two metrics to assess career education programs – the first measure would compare college graduates' earnings to their student loan debts, while a second measure would compare their earnings to those of high school graduates in their states. The proposed rule would cover almost all programs at for-profit colleges as well as nondegree programs at nonprofit institutions.

TechCrunch reports that fintechs are clamoring to give student and parent loan borrowers additional relief options.

Fortune publishes a column reviewing the federal student loan payment, interest, and collections pause and why President Joe Biden is likely to continue freezing payments past May 1st.

Diverse Issues in Higher Education reports that graduate school enrollments are trending upward, according to a report from the Council of Graduate Schools.

Forbes reports that a San Diego Superior Court Judge recently ruled that Ashford University, an online for-profit college, and its parent company, Zovio, must pay $22.37 million in penalties for misleading students.

Inside Higher Ed reports that the United Negro College Fund is launching a new online learning platform where Historically Black College and University students and scholars at different institutions across the country can learn and connect.

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