NCHER
DAILY BRIEFING

Tuesday, March 22, 2022

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New York Fed Releases Blog on Student Loan Repayment During the Pandemic

Today, the Federal Reserve Bank of New York 's Liberty Street Economics released a **blog** examining federal student loan repayment during the COVID-19 pandemic. The blog post covers loans under the Federal Direct Loan Program, commercially held Federal Family Education Loan Program (FFELP), and private education loans. According to the authors, before the pandemic, the share of borrowers in forbearance remained stable across all three loan types. After the onset of the federal government's pandemic relief, almost 100 percent of Direct Loan borrowers were in forbearance. The forbearance rate for private loan borrowers increased from 26 percent to 33 percent before steadily declining. The forbearance rate for FFELP borrowers climbed from 26 to 36 percent before dropping. The share of FFELP borrowers who were delinquent dropped to less than 4 percent in 2020, but then rose to pre-pandemic levels (close to 6 percent). The delinquency rate among private loan borrowers actually declined from the pre-pandemic level of close to 6 percent to 4 percent at the end of 2021.

The New York Fed also looked at changes in loan balances. While 43 percent of Direct Loan borrowers had increasing loan balances pre-pandemic commonly due to income-driven repayment, 83 percent of borrowers had no change to their loan balance during the pandemic while 9 percent made some progress in reducing their balances. FFELP borrowers had a higher share of borrowers who were paying down their loans before the pandemic (59 percent); this trend did not change during the pandemic. In fact, some FFELP borrowers accelerated their paydown rate, though a small percentage of them struggled, missing payments when they had previously been making them. Private loan borrowers were more likely to increase their rate of payment during the pandemic. Liberty Street Economics suggests that stimulus payments may be the cause for the additional payment.

The posting predicts that, similar to FFELP, Direct Loan borrowers will experience future repayment difficulties once payments resume in May 2022. However, while FFELP delinquencies increased, they stabilized at pre-pandemic levels. The New York Fed report states that, for Direct Loans, "[s]uspending the reporting of delinquencies [as expected] will certainly prevent payment difficulties from appearing on a borrower's credit report and allow borrowers to better ease into repayment…repayment issues will still exist under the surface." According to the posting, these concerns have motivated a debate on federal student loan cancellation, which will be the topic of an upcoming blog by the New York Fed. For additional coverage, see this article from ***Reuters***.

House Democrats Send Letter to President Urging Extension of Federal Student Loan Payment Pause

Yesterday, Rep. Conor Lamb (D-PA) and 42 Democratic Members of the U.S. House of Representatives sent a **letter** to President Joe Biden urging him to continue the pause in federal student loan repayments until at least the end of 2022. In the letter, the members expressed concern that neither the U.S. Department of Education nor borrowers are prepared to enter repayment in May. They also worried that many borrowers will become delinquent and default on their loans and said that a further extension is necessary to alleviate the burden of increased prices and the ongoing COVID-19 pandemic. "This is a cost we can eliminate for student borrowers while they deal with so many other rising prices. Inflation won't be here forever, but while it lasts, we can easily afford to suspend student loan payments a little longer," said Rep. Lamb. "Unemployment remains higher than two years ago, and families are experiencing significant price increases on household goods, food, and energy. Accordingly, we believe that the Administration should extend its pause on student loan repayment and interest accrual," the lawmakers wrote.

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: Public Service Loan Forgiveness Reconsideration Request**

General News

The Consumer Financial Bureau recently **announced** new policy guidance regarding potentially illegal practices related to consumer reviews. In the guidance, the Bureau said that it is seeking to ensure that customers can write reviews, particularly ones posted online, about financial products and services that accurately reflect their opinions and experiences. The guidance highlights those practices such as posting fake reviews or inserting clauses that forbid a customer from publishing an honest review and says that such action may violate the Consumer Financial Protection Act.
Higher Ed Dive continues to report on the recently completely negotiated rulemaking session and, specifically, the consensus reached by the committee on the 90/10 rule, which reflects a recent change in federal law. Currently, for-profit colleges are allowed to include military education benefits, such as the GI Bill, in the 10 percent calculation that has led some institutions of higher education to aggressively recruit veterans. But, last year, Congress passed a law forcing colleges to include all federal education funds on the 90 percent side, starting in 2023.

Fox Business reports that state lawmakers in Maine are working on a bill that would forgive up to $40,000 worth of student loan debt for eligible first-time homebuyers.

MarketWatch reports that, with 26.6 million people expected to resume federal student loan payments after a long pause, experts worry that the number of default borrowers could swell.

U.S News and World Report publishes a column reviewing what students and families can expect when paying for college in 2022. Much of the federal COVID-19 relief funding has run out, but families can expect financial aid in other ways.

Fox Business reports that the Federal Reserve raised its benchmark rate by 0.25 percent on March 16th, and it is slated to raise interest rates several more times this year to combat sky-high inflation. This action could cause interest rates to rise on a number of financial products, including student loans.

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