



DAILY BRIEFING

Monday, March 28, 2022

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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](#).

White House Releases Budget Request for FY2023, Includes 15 Percent Increase for Education

Today, the White House Office of Management and Budget (OMB) released the [President's budget request for Fiscal Year 2023](#), which calls for increasing non-defense federal spending by 5 percent and boosting military spending by 4 percent while forcing the wealthiest households to pay more in taxes. “Budgets are statements of values,” President Joe Biden said in a statement, calling his request a clear message that the U.S. values “safety and security at home and around the world,” as well as “fiscal responsibility” and investments in “equitable growth.”

The [budget request for the U.S. Department of Education](#) includes \$88.3 billion in discretionary funding, a nearly \$12 billion increase or 15 percent. The budget request includes the following items of interest to the NCHER membership:

- Pell Grants: The budget includes \$24.3 billion in discretionary funding and \$13 billion in mandatory funding for the Pell Grant program, which would increase the maximum award by \$1,775 to \$8,670 for the 2023-2024 school year, helping an estimated 6.7 million students from low- and middle-income backgrounds overcome financial barriers. This budget says that this increase is one piece of a comprehensive proposal to double the maximum Pell Grant by 2029. The budget also includes language expanding federal student aid, including Pell Grant eligibility, to Deferred Action for Childhood Arrivals recipients, commonly known as DREAMers.
- Campus-Based Aid Programs: The budget requests \$880 million for Supplemental Educational Opportunity Grants and \$1.19 billion for Federal Work Study, slight decreases in funding for both programs as compared to funding levels included in the recently passed Consolidated Appropriations Act.
- TRIO and GEAR UP: The budget requests \$1.3 billion for Federal TRIO Programs to provide services to encourage underserved individuals to enter and complete college and postgraduate education. It also requests \$408 million to assist middle and high school students in preparing for college through the Gaining Early Awareness and Readiness for Undergraduate Programs or GEAR UP.
- Free Community College: The budget does not include a new free community college program. As a reminder, last year’s budget included funding for a partnership between the federal government and states, tribes, and territories to

ensure that first-time students and workers wanting to reskill can enroll in a community college to earn a degree or credential for free.

- **Retention and Completion Grants:** The budget requests \$110 million for the new Retention and Completion Grant program, which would provide competitive grants to states, Tribally Controlled Colleges and Universities, and institutions of higher education to implement or expand evidence-based, institutional level retention and completion reforms that improve student outcomes. Last year's budget included a request for \$2 billion for a new program to support a comprehensive set of completion and retention activities at colleges and universities that serve high numbers of low-income students.
- **High School to Postsecondary Education Transition:** The budget includes \$200 million for a new Career-Connected High School program to support competitive grants to partnerships of local educational agencies, institutions of higher education, and employers to increase the integration and alignment of the last two years of high school and the first two years of postsecondary education. The program aims to improve postsecondary and career outcomes for all students, including students of color and students from low-income backgrounds.
- **Account Maintenance Fees:** Similar to past years, the budget request eliminates Account Maintenance Fees (AMF) paid to guaranty agencies. Congress extended the authority for the payment of AMF in the Consolidated Appropriations Act for Fiscal Year 2022. NCHER urges its members to advocate for an additional one-year extension in the Fiscal Year 2023 Labor, Health and Human Services, Education, and Related Appropriations Act.
- **Other Federal Student Loan Proposals:** The budget says that "the Administration looks forward to working with the Congress on changes to the Higher Education Act that ease the burden of student debt, including through improvements to the Income Driven Repayment and Public Service Loan Forgiveness programs." The language is similar to last year.
- **Student Aid Administration:** The budget requests \$2.65 billion for the Student Aid Administration account to administer federal student aid programs, an increase of \$620 million over this year's level. The budget says that the requested funds are necessary to implement the FAFSA Simplification Act and FUTURE Act, implement customer service and accountability improvements to student loan servicing, and ensure the successful transition from the current short-term loan servicing contracts to a more stable long-term contract and servicing environment. In total, student loan servicing activities would be funded at \$1.47 billion, including \$230.1

million in new funding for activities associated with the development of the long-term loan servicing solution, the Unified Servicing and Data Solution (USDS). The requested funding will be used to achieve cybersecurity enhancements, system integration efforts, enhanced data collection, and the development of a servicing data infrastructure. Like the current environment, USDS will onboard multiple loan servicers that will serve all of Federal Student Aid's borrowers with federally held loans under the Federal Direct Loan Program and Federal Family Education Loan Program (FFELP). However, the new contracts will contain a different payment structure to incentivize better outcomes for borrowers, in particular borrowers who are at-risk for delinquency and default. The contracts will also include extensive accountability measures.

- **Data on Federal Student Loans:** The budget appendix reveals that the Department expects to make approximately \$85 billion in new Direct Loans in 2023 (exclusive of Consolidation Loans). The budget contains a table showing the subsidy cost of these new loans. Overall, the weighted average subsidy cost for all new loans is 10.18 percent, meaning that there is more than a \$10 subsidy for each \$100 disbursed. However, the subsidy amount varies by loan type: 12.18 percent for Subsidized Stafford, 6.57 percent for Unsubsidized Stafford, 32.52 percent for Consolidation Loans and -10.63 percent for PLUS (meaning that the federal government makes money on PLUS loans). The subsidy rate also varies by repayment option chosen by borrowers. For almost all loan types, the subsidy is negative for all repayment options other than Income Driven Repayment (IDR). The subsidy for IDR varies from 34 percent to 45 percent. The projected weighted average default rate for loans made in 2023 is 19.18 percent and varies from a high of 32 percent for Unsubsidized Stafford Loans to undergraduates down to 10 percent for Grad PLUS Loans. No re-estimates are provided for the subsidy costs of existing Direct Loans and FFELP. But cumulative re-estimates have reduced total savings from Direct Loans from a \$113 billion savings to a \$51.3 billion cost, and have reduced the subsidy cost of FFELP loans from \$77 billion to \$31 billion.

In conjunction with the budget, the U.S. Department of Treasury also released a list of [tax proposals](#) that calls on Congress to permanently exclude discharged federal and private student loan debt from counting toward an individual's taxable income. Last year, Congress passed the American Rescue Plan to temporarily eliminate federal income taxes on forgiven student loans, but the program expires at the end of 2025. The budget plan seeks to make this change permanent. Treasury says that the provision will "encourage lower income borrowers to enroll in income-driven repayment" programs and would "remove barriers for colleges and universities seeking to provide relief on debts owed to

them by students, and provide relief to borrowers eligible for discharges resulting from legal causes of action.” Treasury estimates that making the tax benefit permanent would cost \$1.6 billion over the next decade.

For additional coverage of the President’s budget request, see these articles from [The Hill](#) and [Forbes](#).

American Fintech Council Sends Letter to White House on Federal Student Loan Payment Pause Extension

Last week, the American Fintech Council sent a [letter](#) to White House Domestic Policy Council Director Susan Rice where it urged the Biden Administration to extend the federal student loan pause for students facing “severe hardship and distress.” In the letter, the Council stated that an extension of the federal payment pause for all borrowers will subsidize higher-income borrowers at the expense of low-income borrowers, and higher-income borrowers, including borrowers with advanced degrees, often have the capacity to restart loan payments now. The organization proposed an extension aimed at providing targeted relief to low-income borrowers through the following structure:

- The current moratorium on federal student loan payments would continue until January 1, 2023 for all federal loan borrowers who self-certify under penalty of perjury that they are unemployed (communicated in writing or verbally and no verification required).
- The current moratorium on federal student loan payments would continue until January 1, 2023 for all federal borrowers who self-certify under penalty of perjury that they have annual income under \$60,000 (communicated in writing or verbally and no verification required).
- But all other borrowers would resume repayment on May 2, 2022.

The American Fintech Council is a trade association that represents some student loan refinance companies. The Council’s Chief Executive Officer Garry Reeder said that he believes federal student loan servicers would be capable of implementing a program like this without significant delay or restructuring.

CAP Sends Letter to President Urging Increase Support for Community Colleges

Last week, the Center for American Progress (CAP) published a [letter](#) to President Joe

Biden outlining the need to increase support for community colleges. In the letter, CAP highlighted references included in the President's State of the Union address, in which he referred to community colleges as "America's best-kept secret," and urged the administration to issue an Executive Order to support community colleges beyond the investments made through the American Rescue Plan and Consolidated Appropriations Act for Fiscal Year 2022. The organization recommends that an Executive Order include the following:

- Establish a White House Initiative in support of community colleges to develop and coordinate policy-making efforts across the federal government and highlight best practices.
- Provide technical assistance to support community colleges through the federal procurement and grantmaking processes.
- Encourage partnerships between the federal government, state and local officials, corporations, and other institutions of higher education to build capacity, support students, and provide additional research and training opportunities for community college faculty and staff.
- Bolster community college recruitment activities.
- Establish Community College Week to highlight the contributions of community colleges

CAP expressed its willingness to assist the White House in this effort, as well as other efforts to support community colleges.

FSA Publishes Revised Pell Grant Disbursement Schedules

Last week, the U.S. Department of Education's Office of Federal Student Aid (FSA) published a [Dear Colleague letter](#) providing an updated payment and disbursement schedule for Pell Grants. FSA had initially published the 2022–2023 Federal Pell Grant Payment and Disbursement Schedules on January 31, 2022, but the Consolidated Appropriations Act for Fiscal Year 2022 increased the maximum award amount by \$400 to \$6,895. The Dear Colleague Letter includes updated payment and disbursement schedules that account for the increase in the maximum award, and explicitly states that all 2022–2023 Pell Grant payments must be made based off of the revised schedule.

Education Secretary Cardona Calls on States and Institutions to Utilize Higher Education Relief Funds

Today, the U.S. Department of Education issued a [statement](#) urging state and district leaders, as well as institutions of higher education, to tap into federal resources, including funds received under the American Rescue Plan (ARP) Act, to address issues such as teacher shortages and student recovery. While the statement focused heavily on teacher training and retention programs at the elementary and secondary education level, it highlighted how colleges and universities can use Higher Education Emergency Relief Funds to create more opportunities for teacher training, apprenticeship, and residency programs. In the statement, Education Secretary Miguel Cardona included a recommendation to establish or expand loan forgiveness or service scholarship programs, which could include a commitment to teach in a high-need area for a minimum number of years. “Today, I am calling on states, districts, and institutions of higher education to use ARP funds to address the teacher shortage and increase the number of teacher candidates prepared to enter the teaching profession,” he said. “My team will continue to advise state and local leaders on how they can seize this moment; put COVID relief dollars to work in our schools; and achieve a lasting, equitable recovery for our students.” In conjunction with the statement, the Department also published a [fact sheet](#) with examples of how states, districts, and institutions are already utilizing relief funds to strengthen the teacher pipeline.

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:

- [\(GEN-22-04 \) REVISED 2022-2023 Federal Pell Grant Payment and Disbursement Schedules](#)
- [\(COD-22-02\) 2022–2023 COD Technical Reference \(March 2022 Update\) Now Available](#)
- [\(GENERAL-22-18\) SAIG Message Class File Update](#)
- [\(CB-22-08\) 2022–23 Final Funding Authorizations for the Campus-Based Programs](#)

Member News



Inceptia recently [announced](#) that the 2022 edition of “Great Advice for Grads” includes timely tips on loan repayment, inflation, Tik Tok investing, and more. The free e-guide, now in its ninth edition, is an

annual tradition for Inceptia and personal finance site NerdWallet. Through this collaborative partnership, “Great Advice” compiles the most salient tips from NerdWallet’s expert writers to help students transition to post-college life and finances. “As a nonprofit, it’s in our mission to promote financial wellness for students at every step of the educational journey. ‘Great Advice’ is just another piece of that,” says Carissa Uhlman, Vice President of Student Success at Inceptia.

General News

[CBS News](#) reports that payments on federal student loans are set to kick back in for roughly 37 million borrowers in just over a month. But with the May 1 deadline rapidly approaching, signals have been mixed on whether that deadline will be extended, leaving millions of borrowers in limbo with financial preparations.

[Yahoo](#) includes an interview with SoFI Chief Executive Officer Anthony Noto regarding the White House and student loan forgiveness. "This is classic leadership by indecision – and it's exactly not what the country needs. We need decisive leadership – we need the administration to take a stand. Kicking the can down the road is not currently going to suit all the needs of the American people."

[The New York Post](#) includes an op-ed by Kevin Williamson who argues that federal student loan forgiveness proposals prove Democrats are the party of the rich.

[CNN](#) reports on why President Joe Biden has not scored a political win from canceling \$17 billion in federal student loans.

[Newswire](#) publishes a press release from iQuanti Inc. reviewing the impact of inflation on student loan debt.

[Diverse Issues in Higher Education](#) reports that the Lumina Foundation has awarded more

than \$1.4 million to eight nonprofits to boost the number of adults with college degrees or short-term credentials as well as strengthen outcomes for Black, Hispanic or Latino, and Native American students.

[Inside Higher Ed](#) reports that a number of community colleges are raising tuition ahead of the 2022–23 academic year.

[Higher Ed Dive](#) reports that about three-fourths of the National Association for College Admission Counseling's membership, composed largely of college enrollment officials and high school counselors, are White, according to a new report from the group calling for improved diversity in the field.

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