NCHER

DAILY BRIEFING

Thursday, January 26, 2023

In Today's Edition

- TOC \o "1-2" \n \p " " \u NCHER Legislative and Leadership Conference: Preview of "Managing During Uncertainty" Session, Register Today!
- Department of Education Releases Financial Report, Auditors Criticize Estimate of Federal Student Loan Forgiveness Cost
- FSA Releases Annual Report, Says Transitioning Borrowers Back Into Repayment Will Be "Huge Undertaking"
- House Republicans Introduce Promoting Employment and Lifelong Learning Act, Promotes Short-Term Pell Grants
- Alternative Reference Rates Committee Releases Readout of January Meeting, Discusses LIBOR Transition
- U.S. Department of Education News
- Member News
- General News

NCHER Legislative and Leadership Conference: Preview of "Managing During Uncertainty" Session, Register Today!

The NCHER Legislative and Leadership Conference, which will be held on February 6-8, 2023 at the Westin Washington, DC City Center, is less than two weeks away! This popular conference will be the first opportunity to hear about federal and state developments impacting the higher education finance industry and to meet with the House and Senate Education Committee leadership, Biden Administration officials, and your Congressional delegation on your organization's advocacy priorities. So Register Today!

The NCHER Board of Directors and staff have been hard at work putting together the program agenda geared toward providing important and timely sessions on the political and policy environment in the U.S. House of Representatives, the U.S. Senate, and the Biden Administration. But the conference also includes several sessions geared toward fostering discussions on those important issues for the membership. One session that is a 'can't-miss' for the NCHER membership is a panel discussion examining how the higher education financing industry is managing Board and staff through the current period of ongoing uncertainty and change as a result of the federal student loan forgiveness program, Fresh Start, and new income-driven repayment plans. Here's a preview of the session:

Tuesday, February 7, 2023
3:15 p.m. – 4:30 p.m.
Viewpoint: Managing During Uncertainty
The past year has been a time of unprecedented change and uncertainty for NCHER members. While we may have little to no control over many of the issues being released by the U.S. Department of Education, each of us still has to manage Board expectations and our staff's anxiety, while planning for an unknown future. In particular, as we await a decision on federal student loan forgiveness from the U.S. Supreme Court, additional details on the implementation and impact of Fresh Start, and confirmation on the future funding models and Voluntary Flexible Agreements for guarantors, we must continue to provide quality programs and services to students, borrowers, and families. In this session, a panel of industry leaders will share how they are managing Board and staff through this period of ongoing uncertainty and change, ensuring their organizations stay true to their mission and business while exploring new opportunities. Audience discussion and participation is encouraged.

Moderator/Speaker
Kathleen Smith, Senior Vice President, Director of Federal Relations
Pennsylvania Higher Education Assistance Agency

Speakers
Diana Barber, Executive Vice President
Kentucky Higher Education Assistance Authority

Debra Chromy, Ed. D, President and Chief Executive Officer

Trellis Company

Chad Tate, President

ECMC Group

The program agenda also includes:

- An important session with government relations experts who will provide a federal update on recent developments impacting the higher education finance industry and the outlook as we begin 2023.
- House Education and the Workforce Committee Chairwoman Virginia Foxx will speak about her priorities for higher education, including ideas to improve federal and private student loan programs and college access and success initiatives.
- U.S. Department of Education Deputy Under Secretary Ben Miller will speak about the agency's policies and priorities, including reforms to the federal student loan program.
- A Congressional staff panel where House and Senate Republican and Democratic staff will discuss the priorities of the Democratic and Republican leadership in the 118th Congress and whether there are consensus areas for enactment of improvements to federal and private student aid programs.
- A timely session from the National Student Clearinghouse examining enrollment trends in postsecondary education, followed by observations from college and university leaders on a range of current topics such as learner access, affordability, student outcomes, and value measures.
- Engaging sessions examining state policies impacting higher education finance and examining recent proposals impacting private student loan programs.
- Multiple opportunities to meet with your Congressional delegation on Capitol Hill, and a bootcamp session to review NCHER's Advocacy Priorities for the 2023 in advance of Congressional and agency visits.

So Register Today! Once you're doing registering, be sure that you make your hotel reservations at the Westin. NCHER has secured a room rate of $199 per room, per night. You can call the hotel at 202-429-1700 or click here to make online reservations.

We look forward to seeing you in-person in Washington, DC!

Department of Education Releases Financial Report, Auditors Criticize Estimate of Federal Student Loan Forgiveness Cost

Earlier this week, the U.S. Department of Education released its Agency Financial Report for Fiscal Year 2022, which informs Congress, the President, other external stakeholders, and the public on how the agency used federal resources to advance its mission. In the report, KPMG auditors, who were tasked with conducting an independent audit of the Department's financials, declined to render an option on the Department's financial statements and criticized the Department for how it estimated the cost of its federal student loan forgiveness program. In September, the Department estimated that the program would increase the cost of federal student loan programs by approximately $379 billion. This estimation assumed that 81 percent of borrowers would apply for and receive loan forgiveness under the program. KPMG wrote, "during fiscal year 2022, the Department announced broad-based debt relief for certain of its student loan borrowers under the Direct Loan and Federal Family Education Loan (FFEL) programs. Management estimated the subsidy costs stemming from the broad-based debt relief as of September 30, 2022. However, management was unable to provide adequate evidential matter to support certain key assumptions used to estimate the subsidy costs." KPMG also cited additional problems with the Department's process for estimating the number of borrowers who will participate in the loan forgiveness program, which has a significant impact on the overall cost. The Department's response, also included in the report, stated that the agency "concurs with the two significant deficiencies and partially concurs with the material weakness and will take appropriate action to address the audit recommendations." However, the Department also defended its approach saying, "The Department developed its estimate based upon relevant research literature, the Department's own extensive experience of take-up rates from a variety of benefit programs, take-up rates from means-tested programs operated by other federal agencies, and consultation with internal and external experts." This "disclaimer of opinion" marks the first time in at least 20 years that the Department has not received a "clean" audit of its financial statements. For further coverage, see this article from Business Insider.

FSA Releases Annual Report, Says Transitioning Borrowers Back Into Repayment Will Be "Huge Undertaking"

The U.S. Department of Education's Office of Federal Student (Aid) released its Fiscal Year (FY) 2022 Annual Report, which highlights the work of the office over the last year. The annual report includes a letter from FSA Chief Operating Officer Richard Cordray where he talks about FSA's work to assist borrowers impacted by the COVID-19 pandemic, including the new federal student loan forgiveness program; FSA's work to improve the Public Service Loan Forgiveness Program; and FSA's efforts to extend Project Success. It also details on FSA's mission, organizational structure, programs and initiatives, performance management, and other relevant information.

Of note, in the section on FSA's FY 2022 Organizational Highlights, the report says that its focus for this coming year will be to "raise the standard for excellent customer service by modernizing the loan servicing infrastructure, enhancing borrower repayment outcomes, implementing incentives to reduce loan defaults, and keeping the promise to improve opportunities for students and families to make informed decisions on financial aid for college and student loan repayment." But it notes that changes are expected as a result of the Department's announcement in August to cancel up to $20,000 in federal student loan debt for borrowers making under $125,000 a year. Regardless of the decision by the U.S. Supreme Court on the constitutionality of the program, the report says that loan payments will still resume this year, and that "return to repayment will be a huge undertaking for FSA." The report says that FSA has initiated communication campaigns to inform borrowers about the process to restart payments, provide resources and incentives to minimize risk of default and delinquency, and educate the borrower on repayment options. "FSA's loan servicing partners are integral to the success of the future return to repayment plan, but the world of servicing federal student loans is changing rapidly," the report says. "Collaboration with the servicers in the development of detailed outreach strategies will support a successful end of the administrative forbearance period."

For further coverage, see this article from Business Insider.

House Republicans Introduce Promoting Employment and Lifelong Learning Act, Promotes Short-Term Pell Grants

On Wednesday, House Republicans, led by House Republican Conference Chair Elise Stefanik (R-NY), House Education and the Workforce Committee Chairwoman Virginia Foxx (R-NC), Rep. Jim Banks (R-IN), and Rep. Ashley Hinson (R-IA), introduced H.R. 496, the Promoting Employment and Lifelong Learning (PELL) Act. According to a press release, the legislation amends the Higher Education Act to make short-term programs eligible for Pell Grants. The bill defines short-term program as those with at least 150 clock hours of instruction and no more than 600 clock hours of instruction (or an equivalent amount of credit hours), offered during a minimum of eight weeks but no more than 15 weeks. The Pell Act requires an accreditation agency or association recognized by the U.S. Department of Education to determine programs' eligibility based on the following criteria: the programs must provide education aligned with the requirements of in-demand industry sectors or occupations; meet the hiring requirements of potential employers in those sectors or occupations; have been offering instruction for not less than one year before an accreditor determines eligibility; have a completion rate of 70 percent, within 150 percent of normal time of completion, and job placement rate of at least 70 percent. For a section-by-section of H.R. 496, click here.

Alternative Reference Rates Committee Releases Readout of January Meeting, Discusses LIBOR Transition

Today, the Alternative Reference Rates Committee (ARRC) released a readout of its committee meeting held in January where it provided an update on momentum towards the Secured Overnight Financing Rate (SOFR), results from the latest sentiment survey of its members, legacy loan contracts, publication of the Board's final rule under the London Interbank Offered Rate (LIBOR) Act, and working group updates. The meeting notes stated that ARRC members discussed continued progress in the transition from LIBOR to SOFR. As the LIBOR transition enters its final months, the ARRC refreshed its sentiment survey to focus on any remaining obstacles and areas of focus. Then, the readout stated that the ARRC noted the Federal Reserve Board's publication of its final rule under the LIBOR Act, which is substantially similar to the Board's original proposal. The ARRC voted to adjust its recommendations to conform with the Federal Reserve's benchmark selections for Federal Family Education Loan Program asset-backed securitizations. Next, the Term Rate Task Force provided an update on its discussions around its existing best practice recommendations on the scope of use of Term SOFR, which were guided by the principles set out by the ARRC and are in line with guidance issued by the Financial Stability Board. Finally, the ARRC reviewed and finalized a Summary of Key ARRC Recommendations, which summarizes the ARRC's key recommendations for the LIBOR transition and provides associated resources as the LIBOR transition enters its final stages.

U.S. Department of Education News

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

The following announcement was posted to the Federal Student Aid's Knowledge Center Website:

- (VERIF-23-01) 2023-2024 FAFSA Verification-Internal Revenue Service (IRS) Tax Return Transcript Matrix

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Member News

Kentucky Higher Education Assistance Authority

The Boards of Directors of the Kentucky Higher Education Assistance Authority (KHEAA) and Kentucky Higher Education Student Loan Corporation (KHESLC) recently announced that they are seeking a dynamic leader to fill the position of Chief Executive Officer/Executive Director. KHEAA/KHESLC are sister organizations created by state statute, whose joint mission is to enable Kentuckians to achieve their education goals beyond high school. The CEO/Executive Director will serve as one of the Commonwealth's leading policy advocates for financial access to and successful completion of postsecondary education, representing the interests of prospective and enrolled Kentucky students and their families. To apply, submit a cover letter and resume via email in PDF format to ceosearch@kheaa.com by 4:30 PM EST Tuesday, January 31, 2023. For more information, click here.

General News

House Education and the Workforce Committee Chairwoman Virginia Foxx (R-NC) released a press release following a members-only student loan roundtable saying that borrowers need stability, not confusion caused by the Biden Administration's student loan payment moratorium and executive actions.

Business Insider reports that several legal experts say that the case against the U.S. Department of Education's federal student loan forgiveness plan is getting weaker, with the U.S. Supreme Court slated to hear oral argument on the case on February 28th.

Higher Ed Dive reports that U.S. Department of Education Assistant Secretary for Postsecondary Education Nasser Paydar spoke about several college affordability proposals, including free community college, at the annual conference hosted by the Council for Higher Education Accreditation.

Inside Higher Education reports that enacting legislation to expand Pell Grant eligibility to short-term programs is a priority for the Skills First Coalition.

The Washington Post published an opinion piece arguing that the President's new income-driven repayment plan would be a big new college subsidy. "The new plan is better than many of the ideas Democrats have proposed to help students finance higher education because it is tailored to help low-income graduates, particularly those who attended community college," the op-ed says. "But it still poses some big risks for taxpayers and even the borrowers themselves. It would be expensive. And it would amount to a huge new subsidy for higher education that Congress never specifically approved. The Biden team is committing itself and future administrations to the plan without the blessing of federal lawmakers.

Bloomberg reports that the White House is under pressure from Congressional Democrats and activists to develop a 'Plan B" should the U.S. Supreme Court strike down its federal student loan forgiveness plan.

The Hill reports that the U.S. economy grew 2.1 percent in 2022, powering through high inflation, rising interest rates, and an energy shock, according to data from the U.S. Department of Commerce.

Student Loan Forgiveness Under Key Settlement Postponed As Court Considers Stay (forbes.com) reports that a district court held a status conference today and granted the motion by several proprietary colleges to delay implementation of the Sweet v. Cardona class-action settlement while they seek appeal of the agreement reached between borrowers who were defrauded by their colleges and the U.S. Department of Education.

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