NCHER

# DAILY BRIEFING

Monday, February 13, 2023

## In Today's Edition

- Weekly Rundown
- Congressional Republicans, Democrats Submit Comments on New Income-Driven Repayment Plan
- Committee for Responsible Federal Budget Releases Blog Post on Cost of New Income-Driven Repayment Plan
- Fitch Ratings Releases Report on FFELP and Private Student Loan ABS Defaults and Prepayments
- U.S. Department of Education News
- General News

NCHER Weekly Rundown

## 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.

## Congressional Republicans, Democrats Submit Comments on New Income-Driven Repayment Plan

Last week, House Education and the Workforce Committee Chairwoman Virginia Foxx (R-NC) and Senate Health, Education, Labor, and Pensions Committee Ranking Member Bill Cassidy (R-LA) submitted public comments to the U.S. Department of Education on its proposed rules implementing a new income-driven repayment (IDR) plan. The public comments, which were also signed by 32 House Republicans and 35 Republican Senators, call on the Department to rescind the proposed rule, which they believe will severely exacerbate rising college costs and excessing borrowing. “This proposed regulation would turn a safety-net for low-income federal student loan borrowers into an unsustainable transfer of wealth from hardworking taxpayers to college-educated individuals,” the lawmakers write. “This proposal ultimately turns the Direct Loan program, which provides millions of Americans with the opportunity to move up the economic ladder, into an untargeted grant. This is a drastic shift in policy which you do not have the legal authority to make.” The comments say that the Department is slated to provide a 40 percent discount to student loan borrowers through the new income contingent repayment program compared to the current plan, and that only Congress has the power of the purse to do so. The comments conclude by saying that borrowing for college will become the default for every household, including for those who can afford to pay and otherwise would have paid out-of-pocket - “this proposal is reckless, fiscally irresponsible, and blatantly illegal and, as such, it should be rescinded.”

Separately, House Education and the Workforce Committee Ranking Member Bobby Scott (D-VA) submitted public comments to the Department in support of the Notice of Proposed Rulemaking (NPRM) on IDR. In his public comments, Ranking Member Scott said that he believes the new plan’s shorter timeline to forgiveness and the elimination of interest accrual will help borrowers who are struggling to pay their federal student loan debt. “The Department is correct and justified in its proposal to make REPAYE a more generous plan for borrowers,” he said. “By creating quicker pathways to forgiveness and lowering the monthly payments of most borrowers, the proposed rule would make student loan repayment more affordable and manageable for borrowers. Additionally, it is particularly beneficial that the NPRM eliminates monthly accrual of interest to borrowers given that growing balances from unpaid interest are shown to discourage borrowers from making repayments on their student loans.” Ranking Member Scott also offered several suggestions for additional work to be done on the plan. He encouraged the Department to increase the level of borrower income protected to over 225 percent of the federal poverty line and decrease the time that graduate borrowers have to make consistent payments from 25 to 20 years.

For further coverage, see these article from The Washington Times and Business Insider.

## Committee for Responsible Federal Budget Releases Blog Post on Cost of New Income-Driven Repayment Plan

The Committee for a Responsible Federal Budget (CRFB) recently released a new blog post examining the cost estimates released by the U.S. Department of Education on its new income-driven repayment (IDR) plan. In the blog post, CRFB said that two respected organizations released estimates, which far exceed the agency's estimate of $138 billion. The Penn Wharton Budget Model estimates that the new IDR plan could cost between $333 billion and $361 billion, while a model from Travis Hornsby estimates the new plan will cost between $559 billion and $1.1 trillion. The CRFB thinks the Department is underestimating the cost of the new IDR plan because it assumes $430 billion of existing federal student loan debt will be forgiven under the Biden Administration's loan forgiveness program. The organization also believes the Department is not incorporating borrower behavior, such as increased enrollment in IDR plans, increased enrollment in low-quality and low-value degree programs, increased borrowing, increased tuition inflation, and greater potential for abuse. CRFB also believes the Administration is underestimating how many borrowers will take advantage of the IDR plan; while the Department thinks the take-up rate will hold at 33 percent (its current take-up rate), these other models estimate the rate could go as high as 90 percent.

## Fitch Ratings Releases Report on FFELP and Private Student Loan ABS Defaults and Prepayments

Fitch Ratings recently released a new report that found the fourth quarter of 2022 was the sixth consecutive quarter in which defaults on loans made under the Federal Family Education Loan Program (FFELP) increased. According to the report, the trailing twelve-month (TTM) constant default rate for FFELP Asset Backed Securities (ABS) was 3.41 percent at the end of the quarter, compared with 3.15 percent for the third quarter of 2022. The TTM constant prepayment rate also rose, but Fitch said that is likely driven by the Public Service Loan Forgiveness Program. The principal payment rate continued to decline.

The report also found that defaults for traditional in-school private student loans ABS increased to 2.90 percent in the fourth quarter from 2.60 percent in the third quarter.

Refi private student loan defaults rose to 0.46 percent from 0.35 percent. Default rates for both FFELP and private student loan ABS have begun to increase beyond pre-pandemic levels. Prepayments declined slightly for traditional private student loans at 17.17 percent, and declined for Refi private student loans for the third consecutive quarter.

## 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:

- (DL-23-01) Direct Loan Closeout Information for 2021–22 Program Year

---

## General News

The Wall Street Journal reports that the U.S. Department of Education's federal student loan forgiveness plan risks losing its rationale as the President ends the emergency designation for the COVID-19 pandemic.

insideARM reports that the Federal Communications Commission recently issued a mixed-bag on exemptions under the Telephone Consumer Protection Act.

Forbes publishing a column asking whether federal student loan repayment will resume year – maybe, maybe not.

Higher Ed Dive reports that students who met with counselors during high school were more likely to apply for college.

Diverse Issues in Higher Education examines what the "return to normal-normal" will look like as colleges and universities adjust to the end of emergency protocols associated with the COVID-19 pandemic.

Vox provides an in-depth examination of the upcoming case on the U.S. Department of Education's federal student loan forgiveness program that is slated to be before the U.S.

Supreme Court later this month.

Higher Ed Dive reports on how free college initiatives are growing at the state level.

CNBC reports that 53 percent of student loan borrowers say their financial stability relies on loan forgiveness.

An online version of this Daily Briefing is available to view and print from the **Daily Briefing Section** of the **NCHER e-Library**.

***Do not forward this email with this link included.***
***Anyone clicking on this link will unsubscribe you from the Daily Briefing distribution.***
Unsubscribe | Manage subscription

**Copyright © 2023**
**National Council of Higher Education Resources**
1050 Connecticut Ave NW #65793
Washington, DC 20035

Phone: **(202) 822-2106**
Fax: (202) 822-2142

MailPoet