NCHER

DAILY BRIEFING

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In Today's Edition

- Department of Education Issues New Guidance on Third-Party Servicers, Announces New Effort Around Online Program Management Companies
- Democratic Senators Send Letter to Department of Education on Low-Financial Value Postsecondary Programs
- Senate Appropriations Committee Releases Subcommittee Assignments
- ARRC Releases Readout of Recent Meeting, Shows Continued Transition to SOFR
- CBO Releases Reports on Budget and Economic Outlook and Federal Debt Ceiling Limit
- U.S. Department of Education News
- General News

Department of Education Issues New Guidance on Third-Party Servicers, Announces New Effort Around Online Program Management Companies

This morning, the U.S. Department of Education released updated guidance to clarify when organizations that contract with institutions of higher education are considered third-party servicers and, thereby, subjected to disclosure, audit, and liability requirements. In the guidance, the Department added recruitment and retention services, software services used to administer Title IV programs, and the provision of educational content and instruction. Colleges and universities will have until May 1, 2023 to report any arrangements with third-party servicers that have not been reported to the Department, detail the services the entity performs on behalf of the institution, and disclose the timeframe of the agreement. Entities or individuals that meet the definition of a third-party servicer as a result of the guidance are required to submit the Third-Party Servicer Data Form to the Department or update their existing form by May 1, 2023. The Department is taking comments on the guidance for 30 days.

Separately, the Department announced that it is opening a public comment period on guidance and rules that impact how colleges and universities work with online program management (OPM) companies. As previously reported, House and Senate Democrats have been pressuring the Department to review the guidance, specifically the "bundling services" carve-out for OPMs. The Department is specifically seeking public comment on existing guidance that permits these bundled services arrangements and the application of incentive compensation rules. In a statement, Under Secretary James Kvaal said, "Online education has the potential to meet the needs of many students and lower costs. But we are concerned about the growth in loan debt and want to ensure students get value for their money. These listening sessions are part of the Department's commitment to undertake a careful, fair, and thorough review of the rules around how contractors recruit students for online programs. This process will give the public a chance to make its thoughts known on any possible changes." The Department is taking public comment until March 16, and plans to hold two virtual listening sessions on March 8 and 9, 2023.

Democratic Senators Send Letter to Department of Education on Low-Financial Value Postsecondary Programs

Senate Democrats, led by Senate Majority Whip Dick Durbin (D-IL) and Senate Health, Education, Labor, and Pensions Committee Chairman Bernie Sanders (I-VT), sent a letter to the U.S. Department of Education on its plan to increase transparency about low-financial-value postsecondary education programs. In the letter, the senators expressed support for increasing transparency, saying, "There are postsecondary programs that saddle students with unaffordable debt and provide low financial returns. While we recognize a postsecondary education also provides many non-financial benefits, we share the Department's concern about the impact that low-financial-value programs have on students and taxpayers, and we believe it is important to consider multiple measures in identifying such programs." The senators recommend the Department develop a debt-to-earning metric that measures how much a student owes per-month compared to how much they earn, and express particular concern about the role of for-profit colleges and online program management companies in the postsecondary education sector. In addition to any new transparency initiatives, the Senators ask the Department to use its enforcement authorities like program reviews and letter of credit requirements when programs fail the financial value ratio.

For additional coverage, see this article from Inside Higher Ed.

Senate Appropriations Committee Releases Subcommittee Assignments

Today, the Senate Appropriations Committee announced that Sen. Tammy Baldwin (D-WI) would serve as the next Chair of the Subcommittee on Labor, Health and Human Services, Education, and Related Agencies. Sen. Shelley Moore Capito (R-WV) will be the Ranking Member of the Subcommittee. The Democratic membership on the subcommittee is unchanged from last Congress while Republicans lost one seat, and two members retired. New to the subcommittee are Sen. John Boozman (R-AR) and Sen. Katie Britt (R-AL).

ARRC Releases Readout of Recent Meeting, Shows Continued Transition to SOFR

Today, the Alternative Reference Rates Committee (ARRC) published a readout of its meeting held on February 9, 2023. At the meeting, ARRC members noted continued progress in the transition from LIBOR [London Interbank Overnight Rate] to SOFR [Secured Offered Financing Rate] throughout 2022 and the beginning of 2023. As shown in the charts, SOFR is now predominant across cash and derivatives markets. SOFR swaps have consistently accounted for more than 85 percent of daily volumes on average of interest rate risk traded in the outright linear swaps market since June 2022 while LIBOR swaps accounted for less than about 10 percent of the overall volume over the same period.

CBO Releases Reports on Budget and Economic Outlook and Federal Debt Ceiling Limit

Today, the Congressional Budget Office (CBO) released its Budget and Economic Outlook: 2023 to 2033 and Federal Debt and the Statutory Limit, February 2023, which says that the federal government will hit the debt ceiling between July and September of this year. This estimate puts a potential debt limit standoff right in the middle of lawmakers' August recess, which puts new pressure on the White House and Congressional leaders to strike a compromise that prevents the U.S. from defaulting on its loans this summer.

CBO said that its budget projections show that inflation is unlikely to cool to the Federal Reserve's target of 2 percent until 2026. Due to the central bank's rapid interest rate hikes, economic activity is also expected to stagnate this year, with falling inflation and rising unemployment. The unemployment rate is projected to climb from 3.6 percent at the end of 2022 to more than 5 percent by the end of this year. Real Gross Domestic Product (GDP) growth is expected to rebound as the Central Bank eases up on interest rate hikes, averaging 2.4 percent annually through 2027. The office said that the federal deficit will hit $1.4 trillion this year, with the gap between the amount of money the federal government spends and how much revenue it brings in widening by $3 trillion more over the next decade than CBO originally predicted last May. Federal deficits as a share of the economy are expected to grow from 5.3 percent this year to 6.9 percent of GDP in a decade, "a level exceeded only five times since 1946." Debt held by the public is also expected to reach its highest level ever recorded in the next 10 years, hitting 118 percent of GDP in 2033. The debt could skyrocket to 195 percent of GDP by 2053, because of growing interest costs and increased mandatory spending on programs like Medicare and Social Security.

U.S. Department of Education News

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

General News

Higher Ed Dive reports that several higher education groups recently weighed in in support of the U.S. Department of Education's proposed rules creating a new income-driven repayment program.

The Council for Advance and Support of Education recently released a new study suggesting that donations to higher education institutions rose by 12.5 percent last year, the largest increase in over two decades.

Business Insider reports that the State of Minnesota just shut down a student loan company accused of illegally taking money from borrowers for services they could have gotten for free.

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

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