NCHER BRIEFING

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House Education and the Workforce Committee Announces Hearing on Transitioning to Skills-Based Economy

The House Education and the Workforce announced that it plans to hold a hearing titled, Competencies Over Degrees: Transitioning to a Skills-Based Economy. The hearing will be held at 10:15 a.m. on Thursday, June 22, 2023 in 2175 Rayburn House Office Building. "America is moving towards a skills-based economy in which individuals' skills and competencies are what matter, not where or how they obtained them," said Chairwoman Virginia Foxx (R-NC). "For too long, the mainstream perception has been that a baccalaureate degree is the only way an individual can be successful in the workforce. As a result, businesses are struggling to fill in-demand, good-paying careers. This hearing will focus on the rise in skills-based hiring and policies that can facilitate an emphasis on skills to prepare a stronger, more competitive workforce for the 21st century economy." To watch the hearing, click here.

House Republicans Introduce FAIR Act Providing for Restart of Payments, Preemption of State Servicing Laws, Streamlining of Repayment Plans, Additional Rehabilitation for Borrowers in Default

Today, House Education and the Workforce Committee Chairwoman Virginia Foxx (R-NC), House Higher Education and Workforce Development Subcommittee Chairman Burgess Owens (R-UT), and Rep. Lisa McClain (R-MI) introduced the Federal Assistance to Initiative Repayment (FAIR) Act. The authors say the legislation will take a critical step towards fixing the federal student loan system and providing a path back to repayment for 40 million borrowers.

The bill includes the following provisions:

Borrower Notifications: Requires the Secretary of Education to send at least 12 notifications to federal student loan borrowers prior to the resumption of federal student loan repayment using multiple forms of communication, including information on when repayments resume; borrowers' repayment options; and personalized information for borrowers identified as at-risk, such as those who are in default, re-assigned to a new loan servicer, and other borrower populations specified in the bill.

Federal Preemption of State Servicing Laws: Clarifies federal preemption of state laws that conflict with federal requirements for, and the operations of, federal student loan servicers.

Servicing Contract Modifications: Requires the Office of Federal Student Aid (FSA) to provide student loan servicers actionable guidance related to new operations and information about any modifications to contracts at least 30 days before such changes take effect, and prohibits any actionable guidance to student loan servicers outside of formal contract modifications and Dear Colleague letters and clarifies that all other formats of guidance such as phone calls and emails are non-binding.

FSA Employee Bonuses: Prohibits the Chief Operating Officer of FSA and other FSA employees from receiving bonuses if they fail to implement the return to repayment requirements included in the bill.

Repayment Options for Loans in Repayment on or After July 1, 2023: Provides borrowers access to the standard 10-year repayment plan and a new income-driven repayment (IDR) assistance plan. Requires borrowers in the new IDR plan to repay the principal and interest they would have paid under a standard 10-year plan as calculated when they entered repayment. Requires borrowers in the new IDR plan to pay 10 percent of their discretionary income. Ensures current borrowers are held harmless if the repayment terms of their previous repayment plan were more beneficial. Requires the Secretary to provide repayment credit to financially distressed borrowers enrolled in the new IDR plan whose monthly payments barely cover their accumulated interest. Borrowers who meet this criteria and have an adjusted gross income (AGI) of less than 300 percent of the federal poverty line will not have unpaid interest accrue and half of their monthly payment will be credited directly towards their loans' principal by the Secretary; borrowers whose AGI exceeds 300 percent of the federal poverty line will be eligible to receive repayment assistance if they agree to pay at least 15 percent of their discretionary income during months in which they are seeking assistance. These measures combined with other components of the new income-driven repayment plan will encourage borrowers to continue to make payments on their loans while also returning the IDR plan to a true safety net for those whose bet in college did not pay off.

Secretarial Prohibition on New Repayment Plans: Prohibits the Secretary from creating new repayment plans and from modifying an existing repayment plan in a manner that increases costs to the government.

Deferment Options: Simplifies the repayment process by allowing for the following deferment and forbearance options for new borrowers : (1) in-school; (2) grace period; (3)

periods when borrower is pursuing graduate fellowship or rehabilitation education program; (4) active duty; (5) National Guard duty; (6) medical or dental internship or residency program; (7) 120-day deferment for defaulted borrowers who sign new agreements to repay their outstanding balance; (8) administrative deferment; (9) cancer deferment; and (10) military spouse deferment. As in current law, interest does not accrue on subsidized loans during deferment periods except when a borrower is enrolled in a medical or dental internship or residency program. Interest will accrue under all deferments for unsubsidized loans except during administrative deferments and cancer deferments. A borrower can discontinue a deferment or forbearance at any time.

Parent Borrowers: Maintains current loan deferment options for parent borrowers and parent borrowers' ineligibility for IDR as in current law.

Additional Rehabilitation for Borrowers in Default: Permits loans to go through the established loan rehabilitation process twice rather than just once.

Requirements for New Regulations and Executive Actions: Requires the Secretary to confirm that any new regulations or executive actions issued related to the student loan program will not increase costs to the federal government. Prohibits any regulations from being issued that cannot meet that threshold.

Prohibition on Certain Final Rule: Prohibits the U.S. Department of Education from implementing its proposed IDR plan.

For a section-by-section of the legislation, click here. For a fact sheet on the bill, click here.

Senate Republicans Introduce Higher Education Reform Package Focused on Transparency, Repayment Plans, Grad PLUS

Yesterday, Senate Health, Education, Labor, and Pensions Committee Ranking Member Bill Cassidy (R-LA), Sen. Chuck Grassley (R-IA), Sen. John Cornyn (R-TX), Sen. Tommy Tuberville (R-AL), and Sen. Tim Scott (R-SC) introduced the Lowering Education Costs and Debt Act, a package of five bills related to college affordability and federal student loan debt. The bills include the following :

- The College Transparency Act (CTA): Introduced by Ranking Member Cassidy, the legislation reforms the college data reporting system to ensure students and families have better information on student success and outcomes as they consider higher education.
- The Understanding the True Cost of College Act: Introduced by Sen. Grassley, the bill requires institutions of higher education to use a uniform financial aid letter with clear indications of the types and breakdown of aid included (scholarships, loans, work study, etc.).
- The Informed Student Borrower Act: Introduced by Sen. Steve Daines (R-MT), the legislation seeks to offer information to borrowers about the duration of their federal student loan, their expected monthly payment, how much money they will likely make in the future after attending their school and program of choice, and other information. It requires borrowers to annually receive this information through loan counseling to understand the value of their student loan.
- The Streamlining Accountability and Value in Education (SAVE) for Students Act: Introduced by Sen. Cornyn, the legislation streamlines repayment plan options for borrowers and limits new loans to undergraduate and graduate programs where former students cannot earn more than a high school graduate or a bachelor's degree.
- The Graduate Opportunity and Affordable Loans (GOAL) Act: Introduced by Sen. Tuberville, the legislation repeals Grad PLUS and allows institutions to set lower loan limits for undergraduate and graduate programs.

For a summary of the bill, click here. For more coverage of the Senate Republican package, see these articles from USA Today and The Hill.

Senate HELP Committee Chair Sanders, Rep. Jayapal Introduce College for All Act

Yesterday, Senate Health, Education, Labor, and Pensions Committee Chairman Bernie Sanders (I-VT) and Rep. Pramila Jayapal (D-WA) reintroduced the College For All Act, which would establish a federal-state partnership to provide for the elimination of tuition and required fees for eligible students. Under the bill, students in single households earning $125,000 or less and married households earning $250,000 or less annually would be able to attend public four-year colleges and universities tuition-free. The legislation would also double the maximum award for the Pell Grant program.

“Today, this country tells young people to get the best education they can, and then saddles them for decades with crushing student loan debt,” Chairman Sanders said in a press release. “To my mind, that does not make any sense whatsoever. In the wealthiest country in the history of the world, a higher education should be a right for all, not a privilege for the few. It is absolutely unacceptable that hundreds of thousands of bright young Americans do not get a higher education each year, not because they are unqualified, but because their family does not have enough money. In the 21st century, a free public education system that goes from kindergarten through high school is no longer good enough. The time is long overdue to make public colleges and universities tuition-free and debt-free for working families. Education is one of the keys to a successful democracy and we must make it easier, not harder, for young people to obtain the degrees they have worked so hard for.” For a copy of a bill summary, click here.

Department of Education Officially Announces Federal Student Loan Payments Will Restart in October

The U.S. Department of Education recently added a banner to the top of StudentAid.gov discussing the restarting of federal student loan payments. The banner reads, “Congress recently passed a law preventing further extensions of the payment pause. Student loan interest will resume starting on Sept. 1, 2023, and payments will be due starting in October. We will notify borrowers well before payments restart.” For more coverage, see this article from The Hill.

Department of Education Releases Federal Register Notice Extending Waivers for Guaranty Agencies, Details Sunset of COVID-19 Waivers and Flexibilities

Yesterday, the U.S. Department of Education’s Office of Federal Student Aid (FSA) released a Notice in the Federal Register that will be published tomorrow updating the waivers and modifications of statutory and regulatory provisions governing the federal student financial aid programs under the Higher Education Relief Opportunities for Students Act of 2003 (HEROES Act). The notice includes the following extensions of importance to the NCHER Membership:

Fresh Start: The Department waives the requirements associated with the Fresh Start initiative. Under the current program, borrowers who take advantage of Fresh Start will have renewed eligibility for additional Title IV aid (without going through loan rehabilitation or consolidation) and would have a pathway to return to repayment on their defaulted loans without an overdue balance. Borrowers who take advantage of the opportunity provided by Fresh Start will also regain access to the full list of repayment options for loans not in default, including the opportunity to enter into an Income Driven Repayment repayment plan allowing a more affordable monthly payment. In addition, borrowers who attempted to rehabilitate their defaulted loan during the payment pause will regain access to the one-time loan rehabilitation opportunity, which provides credit reporting benefits and protects borrowers from involuntary debt collection.

Minimum Reserve Ratios: The Department waives the requirement that a guaranty agency meet minimum reserve levels in their Federal Funds for federal fiscal years at least partially overlapping with the Fresh Start Initiative.

Limits on Loan Consolidation Volume: The Department waives the requirement that a guaranty agency remit to the Secretary of Education excess proceeds from the consolidation of defaulted loans that exceed 45 percent of the agency's total collections during federal fiscal years at least partially overlapping with the Fresh Start Initiative.

Reinsurance Trigger Rate: A guaranty agency will not have its reinsurance rate reduced if the total of reinsurance claims paid by the Secretary reaches specified thresholds prescribed in regulations for federal fiscal years that partially overlap with the Fresh Start Initiative.

Federal Reinsurance Agreement: The Department modifies the formula for the Account Maintenance Fee received by guaranty agencies so that an agency's revenue will not be significantly decreased due to the pause on collections of FFEL loans in default held by a guaranty agency. Modifications to the formula will continue through the fiscal year that partially overlaps with the Fresh Start Initiative.

The notice also provides waivers around verification, forbearance, total and permanent disability discharge, borrowers in-school loan status, recertification of Income-Driven Repayment plans, interest capitalization, Public Service Loan Forgiveness, and borrower defense to repayment.

FSA also published an Electronic Announcement related to the sunsetting of COVID-era waivers and flexibilities. FSA said that the COVID-19 national emergency ended on April 10, 2023, and the COVID-19 public health emergency ended on May 11, 2023. These actions trigger the sunset of many waivers and flexibilities for the federal student financial aid programs related to the pandemic. The notice specifies that the following waivers are expected to end: requirements for state authorization of distance education and for evaluation and accreditation of an institution's effective delivery of distance education; requirements around verification waivers; the requirement that an Electronic Funds Transfer (EFT) be a direct deposit transaction, which allows institutions and third-party servicers to use any type of EFT under applicable Treasury regulations; around the ability of an institution to remain Title IV-eligible despite a temporary cessation of instruction due to the COVID-19 pandemic; around an allowance for institutions to submit to the Department unaudited institution and new owner audited financial statements six months after the date of a change in ownership; and an allowance for institutions to submit approvals from its accrediting agency and state and an audited same-day balance sheet or statement of financial position to the Department.

House Higher Education Subcommittee Holds Hearing on Innovation

Yesterday, the House Education and the Workforce Subcommittee on Higher Education and Workforce Development held a hearing titled, "Postsecondary Innovation: Preparing Today's Students for Tomorrow's Opportunities."

In his opening statement, Subcommittee Chairman Burgess Owens (R-UT) said colleges and universities play an integral role in shaping the direction of our country, but that the current system is unaffordable, inflexible, and outdated.He said that a number of institutions of higher education were innovating to increase access and completion for the modern student. Chairman Burgess said that colleges were embracing competency-based education (CBE) to challenge the four-year, 120 credit hour orthodoxy; reevaluating the notion that the traditional undergraduate degree should require four years of schooling; and innovating through public-private partnerships. "By engaging with private companies at every level of education, students gain irreplaceable hands-on career experience," he said.

In her opening statement, Subcommittee Ranking Member Fredrica Wilson (D-FL) said that the promise of higher education in America is that any student—no matter where they are from or the color of their skin—can access the benefits of a high-quality college degree, and that a college degree holds the key to the American Dream. She said that the declining value of the Pell Grant and state disinvestment in higher education have forced students and families to shoulder more of the cost of college, particularly burdening Black college students. Ranking Member Wilson said that the subcommittee must implement structural reforms that simultaneously tackle the challenge of making college more affordable and help the facilitation of recruiting a more diverse student body, and innovation can play a key role in making these reforms a reality. "Improving wraparound student services—including career counseling, financial assistance, and employment support—can help students complete their degrees on time," she said. "We can facilitate clear pathways to college by offering students with flexible learning opportunities and ensuring institutions help students complete their education. But sacrificing equal access and opportunity for innovation is a disservice to students."

In his testimony, Dr. Tim Renick, Executive Director, National Institute for Student Success, Georgia State University, discussed the university's use of predictive data to help its students. In his testimony, Keith Shoates, Chief Operating Officer, Student Freedom Initiative, discussed the organization's work to provide an alternative to Parent PLUS loans, expand internships and certifications, and increase student persistence. In her testimony, Lanae Erickson, Senior Vice President for Social Policy, Education and Politics, Third Way, discussed the need to scale innovative student support strategies, safeguard student and taxpayer investment in higher education, and ensure greater transparency for higher education. In her testimony, Dr. Lori Carrell, Chancellor, University of Minnesota Rochester and Co-Director, College-in-3 Initiative, discussed her organization's work that provides a year-round program to career-focused students with a fast-track, lower-cost undergraduate degree.

For additional coverage, including an archived webcast of the hearing, visit the committee website.

FTC Sends $3.3 Million to Consumers Harmed by Student Loan Debt Relief Scam

The Federal Trade Commission (FTC) recently sent payments totaling more than $3.3 million to over 37,800 consumers who were harmed by Arete Financial Group, a third-party student loan debt relief company that induced consumers into making illegal upfront payments by pretending to be affiliated with the U.S. Department of Education and falsely promising to assist consumers in obtaining student loan debt relief. According to the FTC, Arete Financial and other related companies pretended to be affiliated with the Department and used radio, television, online ads, and telemarketing calls to promise to enroll consumers in student loan forgiveness, consolidation, and repayment programs. The Defendants promised consumers that in exchange for the payment of upfront fees and subsequent monthly fees, they would reduce or eliminate consumers' student loan balances. In reality, the scammers pocketed customers' payments and never provided the promised relief.

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:

- (GENERAL-23-46) Sunset of COVID-19 Waivers and Flexibilities
- (GENERAL-23-45) OUTAGE ALERT – IRS DRT Outage on June 18, 2023
- Comment Request: Federal Work Study (FWS) Wages for Student Aid Index

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General News

Vox examines the "Plan B" if the U.S. Supreme Court rules against the Biden Administration's federal student loan forgiveness program.

The Hill reports that Senate Republicans are fearful that the decision by House Appropriations Committee Chairwoman Kay Granger (R-TX) to put together appropriations bills based on Fiscal Year 2022 levels, lower than what was included in the recent budget agreement between the President and House Speaker Kevin McCarthy (R-CA), will lead to a shutdown of the federal government.

The State Higher Education Executive Officers Association released a new report titled, State Tuition, Fees, and Financial Assistance Policies, 2022, the 10th report on policies related to tuition and fee rate setting and financial aid at the state level for 2022. This year's report provides detailed information on policies and practices that differ between two-year and four-year public institutions, and includes specific information about the tuition-setting process for graduate students, details on state policies for setting nonresident student tuition, and more information on state policies regarding student fees.

WMDT reports on a new study released by CreditDonkey that found Maryland to be the state with the highest amount of student loan debt.

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