



DAILY BRIEFING

Wednesday, August 4, 2021

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Sens. Durbin and Cornyn Unveil Bipartisan Fresh Start Through Bankruptcy Act

As reported in yesterday's *NCHER Daily Briefing*, the Senate Judiciary Committee recently held a hearing titled, "Student Loan Bankruptcy Reform." During the hearing, Chairman Dick Durbin (D-IL) and Sen. John Cornyn (R-TX) announced the introduction of the [Fresh Start Through Bankruptcy Act](#), a bipartisan bill that would restore the ability for struggling borrowers to seek a bankruptcy discharge for federal student loans after a waiting period of ten years. Chairman Durbin issued a [press release](#) and a [Fact Sheet](#) on the bill's introduction, though the legislative text is not yet publicly available.

According to the summary released by the committee, the bill would make all federal student loans eligible for discharge through bankruptcy beginning ten years after the first loan payment is due. The bill would retain the existing "undue hardship" option to discharge private student loans and federal student loans that have been in repayment for less than ten years. The legislation would also increase institutional accountability by requiring colleges and universities with more than one-third of their students receiving

federal student loans to partially refund the federal government if a student's loan is later discharged in bankruptcy and the college had consistently high default rates and low repayment rates. The new bankruptcy provisions would take effect 180 days after enactment and apply to petitions in bankruptcy filed (or amended) after the effective date.

Of interest to the NCHER membership, while Chairman Durbin stated during the hearing that this discharge option is similar to what was in effect prior to 1998, the ten-year waiting period is actually longer than the seven-year period provided at that time. In addition, while the summary alludes to the fact that private education loans would continue to be subject to the current undue hardship option, how the legislative text treats private education loans is not entirely clear. NCHER will host a call of its Private Education Loan and Consumer Finance Committee next week to review the legislative text in further detail.

For more coverage, see this article from [Inside Higher Ed](#).

ARRC Releases Latest Newsletter Covering June and July Activities

Yesterday, the Alternative Reference Rates Committee (ARRC) released a new edition of its [newsletter](#), covering activities in June and July 2021. Of interest to the NCHER membership, the newsletter states that, during the recent meeting of the Financial Stability Oversight Council convened by Treasury Secretary Janet Yellen, the committee discussed the importance of accelerating the transition from the London Inter-Bank Offered Rate or LIBOR and using sufficiently robust reference rates like the ARRC-recommended Secured Overnight Financing Rate or SOFR for derivatives and capital markets products. "Notably, Federal Reserve Vice Chair Randal Quarles emphasized the importance of timely transition, key progress being made, and the importance by market participants to ensure that they understand any fragilities associated with how their chosen reference rates are constructed," the newsletter stated.

Florida A&M Becomes the Latest HBCU to Forgive Student Debt

Last week, Florida A&M University President Larry Robinson announced that the university would be paying off student financial balances for the 2020-2021 school year. Florida A&M, a Historically Black College and University (HBCU), used more than \$16

million of funding from the Coronavirus Aid, Relief, and Economic Security or CARES Act to cover fees, tuition, and unpaid student account balances. “This is an indication of our commitment to student success and our hope that your time on the ‘Hill’ has been transformative as you take on the challenges of the day, go out and make a difference,” Mr. Robinson told graduates. Florida A&M is the third HBCU to give its students a financial break with its portion from the CARES Act as Clark Atlanta University announced plans to clear student account balances for spring 2020 through summer 2021 and Wilberforce University in Ohio announced it will cancel student debt for 2020 and 2021 graduates. For more coverage, see these article from [HBCU News](#) and [The Hill](#).

U.S. Department of Education News

For today’s *Federal Register*, click [here](#).

The following announcements were posted to the Information for Financial Aid Professionals website:

- [2022–2023 SAR Comment Codes and Text Guide \(EA ID: APP-21-11\)](#)
- [2022–2023 SAR Comment Codes and Text Guide](#)

General News

[Forbes](#) reports that student loan cancellation became the focus on Capitol Hill in yesterday’s hearing before the Senate Judiciary Committee on a new, bipartisan bill that would make it easier for more student loan borrowers to get their loans discharged in bankruptcy. The early focus of the hearing turned toward wide-scale student loan forgiveness.

[Fox Business](#) reports that, with student loan payments resuming in October and millions of borrowers being transferred to new servicers around the same time, the U.S. Department of Education’s Office of Federal Student Aid is working to reduce confusion amid the changes so borrowers do not default on their loans.

[U.S. News and World Reports](#) reviews repayment resources for minority student loan borrowers.

[Above the Law](#) examines the issue of whether the federal government will extend the student loan repayment moratorium that expires on September 30th or cancel the loans

altogether. The responses from politicians have been confusing and conflicting.

[*Inside Higher Ed*](#) reports that the wealthiest colleges and universities have posted strongest returns coming out of COVID-19 pandemic, which analysts say will widen the gap between higher education's haves and have-nots.

[*Inside Higher Ed*](#) reports on the power struggles over mask mandates at institutions of higher education. As a growing number of colleges and universities reinstate mask mandates, lawmakers in some states are squaring off. Related, [*University Business*](#) reports that dire COVID-19 data is forcing some colleges and universities to require masks, even in red states. The Delta variant is swiftly moving through communities across the United States, and that is having a deep impact on how institutions of higher education are preparing to bring back students for the fall semester.

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