NCHER
DAILY BRIEFING

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In Today's Edition

Senate Passes Budget Resolution With $3.5 Trillion in Reconciliation Instructions, House Set to Clear in Late August

On Wednesday morning (around 4:00 a.m.), the U.S. Senate passed Senate Concurrent Resolution 14, the budget resolution that sets tax and spending priorities over the next year, by a party-line vote of 50-49. The resolution passed after a 15-hour "vote-a-rama" with a record 47 amendments offered by both Republicans and Democrats. As previously reported, the FY2022 budget resolution includes $3.5 trillion in reconciliation instructions to relevant Congressional committees to produce legislation similar to the White House's American Families Plan. The Senate Health, Education, Labor, and Pensions Committee has instructions to produce legislation that spends $726.38 billion over the next 10 years and the House Education and Labor Committee has instructions to produce legislation that spends $779.5 billion over that same period. The resolution instructs all committees to report legislation complying with their instructions to their respective House and Senate budget committees by September 15, 2021. These instructions will allow the education committees to consider multiple new higher education policy initiatives, such as tuition-free community college, increasing Pell Grant funding, and providing funds for student success grants.

The U.S. House of Representatives is set to return to legislative business the week of August 23 to pass the budget resolution. Under the current plans, the House would simply clear the Senate's budget resolution, thus allowing all committees to begin working on a reconciliation package that will carry into the fall. For more coverage, see this article from ***CNN***.

Senate Passes Bipartisan Invest in America Act, Includes Higher Education Funding and PAB Expansion

On Tuesday, the U.S. Senate passed **H.R. 3684, the INVEST in America Act**, a bipartisan infrastructure package, by a vote of 69-30. The $1 trillion package includes $550 billion in new spending for initiatives related to roads, bridge, transit, climate resilience, and broadband. Related to higher education, the bill includes $550 million to support the creation and expansion of industrial research and assessment centers at institutions of higher education and at trade schools, community colleges, and union training programs, and expands private activity bonds to include broadband and carbon capture projects. Following passage of H.R. 3684, House Speaker Nancy Pelosi (D-CA) said that she will not move the package until the U.S. Senate has passed its budget reconciliation bill that includes many progressive priorities that did not make it into the bipartisan bill. However, moderate Democrats are pressing the Speaker to pass the bill quickly. For more coverage, see this article from ***Fox News***.

Senate Majority Leader Schumer Sets Vote on Kvaal Nomination for September, Warren Drops Hold

On Wednesday, Senate Majority Leader Chuck Schumer (D-NY) filed cloture for the U.S. Senate to end debate and consider the nomination of James Kvaal to serve as the next Under Secretary at the U.S. Department of Education. Under the unanimous consent agreement, the chamber will vote on the cloture motion on September 13, 2021 when it returns from the month-long August recess. It is expected that Mr. Kvaal will be easily confirmed for the position, as his nomination was voted out of Senate Health, Education, Labor, and Pensions Committee on a bipartisan 19-3 vote in April.

Leader Schumer's action came after Sen. Warren (D-MA) dropped her objection to moving Kvaal's nomination, which has stalled movement in the Senate up to this point. "I have had productive conversations with Mr. Kvaal, the Department of Education, and the White House, and I am glad they have committed to making substantial reforms to the administration of the student loan program," Sen. Warren said in a statement. "I look forward to continuing to work with them as these changes are implemented." Last week, Education Secretary Miguel Cardona wrote in a **letter** to Sens. Schumer and Warren that his agency planned to work in the coming months on "servicing and debt collection, improving targeted debt relief, and strengthening oversight and enforcement of institutions and of accreditation agencies." He said that the senators had provided the Department with "helpful input" on these matters. *Politico* reported that a source familiar with that agreement said the Department pledged to make changes to its policies governing bankruptcy for student loan borrowers, accountability for loan servicing companies, and the treatment of borrowers who default on their debt.

For more coverage, see these articles from ***Politico*** and ***Business Insider***.

Federal Student Aid Finds Two Closed For-Profit Colleges Owe $6 million

On Tuesday, the U.S. Department of Education's Office of Federal Student Aid (FSA) found that two for-profit institutions of higher education, which previously closed, owe more than $6 million after completing a program review for both colleges. FSA found that RWM Fiber Optics Inc., which offered network cabling and television installation training in California before closing in 2018, owes the Department $2.4 million because of student aid violations. The office found 16 violations, including that the school falsified FAFSA [Free Application for Federal Student Aid] information so some students seemed to be eligible for financial aid who were not. RWM also falsified high school diplomas and GEDs, listed students as having dependents who did not exist to inflate financial aid awards, and submitted FAFSAs without giving students the chance to review them for accuracy. The total covers federal financial aid program funds disbursed from 2015-16 to 2017-18. FSA also found that Harrison College, which operated 11 campuses in Indiana and Ohio before it closed in 2018, is liable for $3.6 million that the federal government paid to discharge federal student loans for borrowers who received closed-school loan discharges. Previously, the office said that Harrison owed more than $2.9 million for closed-school discharges.

"Schools that engage in bad behavior or that suddenly close their doors, leaving students out in the cold, will be held accountable, and we expect other schools to pay attention to the actions we are taking today," FSA Chief Operating Officer Richard Cordray said in a statement. For more coverage, see this article from ***Higher Ed Dive***.

CFPB Releases Report on Mortgage Servicers' Response to the Pandemic

On Tuesday, the Consumer Financial Protection Bureau (CFPB) released a **press release** and **report** on the metrics that 16 large mortgage servicers provided the Bureau on how they responded to the COVID-19 pandemic. The report may be a roadmap on how the Bureau will address student loan servicing in response to the pandemic.

As part of its supervisory authority, the CFPB asked the servicers in the Spring of 2021 for metrics on call center inquiries, average speed to answer (ASA), call abandonment rates, average handle time, forbearance enrollments, status of borrowers exiting forbearance, delinquency, and limited English proficiency of borrowers. According to the report, the Bureau found that many servicers managed high call center volume without significant increases in their metrics, though there were outliers. ASA times varied from 3 minutes to 26 minutes, and abandonment rates varied from less than 5 percent to a high of 34 percent. The servicers reported that forbearance was widely available to borrowers (though the number of monthly requests across all the servicers never exceeded 85,000 out of the 16.5 million mortgage loans serviced by the companies), and that many servicers saw increases in the number of borrowers exiting forbearance that were delinquent upon exit, in one case exceeding 50 percent. According to the report, management of forbearance exits and the loss mitigation process is critical to avoid the risk of borrower harm. The Bureau asked the servicers what they knew about borrowers' race and limited English proficiency (LEP). Over half of the servicers reported that they did not collect information on LEP, which the Bureau says may lead to borrowers not receiving language assistance, and some servicers reported not maintaining data on race, which the Bureau says may raise fair lending issues.

The report states that the CFPB encourages servicers to enhance their customer communication capabilities and will continue its oversight work through examinations and enforcement. Acting Director Dave Uejio is quoted as saying that "servicers who find themselves at the bottom of the pack should immediately take corrective action."

Urban Institute Report Examines Impact of Pell Grant Formula Changes

The Urban Institute recently released a new **report** titled, "How Will the New Pell Grant Formula Affect Students," which describes the impact of the changes to the Pell Grant formula made by the FAFSA [Free Application for Federal Student Aid] Simplification Act passed by Congress late last year. Overall, the report found that, starting in 2024–25 (when the Act goes into effect), most students will get a similar award to what they receive today without having to answer as many questions on the FAFSA and most of the students eligible for the maximum award will know whether they qualify before they fill out the FAFSA. The report posited that this evidence, combined with current research that reducing complexity and uncertainty around federal financial aid can increase college enrollment, suggests that the FAFSA Simplification Act could help lead to significantly improved educational outcomes among students from low-income families.

The report also looked at the impact of three key changes from the new law: (1) the maximum Pell Grant will now be automatically provided to aid applicants from households that earn less than around twice the federal poverty level for their household size; (2) the minimum grant will be guaranteed to students from a household earning below 275, 325, 350, or 400 percent of the poverty level, depending on household structure; and (3) the Student Aid Index (formerly the Expected Family Contribution) will no longer lead to greater financial aid for families with multiple children in college. Related to these changes, the report estimated: (1) most students will receive roughly the same amount of Pell funding as they would have previously, but dependent students in the second ($38–$75,000) and third ($75–$125,000) income quartiles will experience the most change in their Pell Grant awards; (2) eliminating the policy that allows a more generous need calculation for families with more than one child in college could lead to a smaller grant award for a small share of families of dependent students in the second and third income quartiles; and (3) the formula changes will make it much easier to communicate to students their likely eligibility for the maximum Pell Grant award before they fill out a FAFSA and the automatic maximum will most likely reach most low-income students.

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 website:

- **FFEL Variable Interest Rate Notice** AUGUST 11, 2021
- **Direct Loan Variable Interest Rate Notice** AUGUST 11, 2021
- **Direct Loan Fixed Interest Rate Notice** AUGUST 11, 2021
- **Negotiator Nominations and Schedule of Committee Meetings for Negotiated Rulemaking**

General News

Inside Higher Ed reports that legal experts are split on whether the President has the authority to cancel federal student loan debt.

Forbes reports on the upcoming negotiated rulemaking sessions as the U.S. Department of Education moves forward with a regulatory overhaul of key student loan forgiveness and repayment programs, including Public Service Loan Forgiveness and income-based repayment.

Yahoo reports that, while some progressive Democrats continue to push the President to cancel student loan debt, there is a bipartisan effort underway to overhaul the federal student loan system in another way: by making bankruptcy discharges more accessible for student debtors.

Higher Ed Dive reports that the surge in COVID-19 pandemic debt forgiveness is about students reenrolling in postsecondary education — and also colleges' bottom lines. Federal funding means institutions can target retention and receive a financial boost when forgiving student balances.

Inside Higher Ed reports that colleges and universities are paying off millions in unpaid balances owed to them by students. But advocates for reducing student loan debt say clearing these arrears puts only a small dent in students' overall debt loads.

Inside Higher Ed reports that state higher education funding is looking positive. Experts' fears that state higher education funding would decline this fiscal year have largely abated.

The Chronicle of Higher Education reports that Dr. Anthony Fauci — Director of the National Institute of Allergy and Infectious Diseases and the White House's Chief Medical Adviser — said on *MSNBC's Morning Joe* that he supported decisions by colleges and universities to require the COVID-19 vaccine, as classes begin amid a rise in coronavirus cases.

The Chronicle of Higher Education continues to update its list of colleges and universities that will require students or employees to be vaccinated against COVID-19.

Business Wire includes a press release from Fidelity Investments noting its 2021 College Savings and Student Debt Study reveals that members of Gen-Z are wary of the high price tag for college with 4-in-10 rating cost as "most important" when asked specifically how important it is in choosing where and how to pursue higher education.

CNBC reports that student and parent borrowers have six more months free of federal student loan payments and what they should do with the extra money.

The Hill reports that progressives who have spent months pushing President Joe Biden to cancel billions of dollars in student loan debt are now targeting the end of a federal pause on loan payments as a deadline for White House action.

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