



DAILY BRIEFING

Thursday, September 2, 2021

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NCHER Offices Closed for Labor Day, Daily Briefing Returns on Tuesday

The NCHER offices will be closed on Monday, September 6th, for the Labor Day holiday. The office, along with the next edition of the *NCHER Daily Briefing* and *NCHER Weekly Rundown*, will reopen on Tuesday, September 7, 2021. We hope that you have a great

holiday weekend!

NCHER Legal Meeting Scheduled for October 21: Registration is Now Open for the Fall Event!

NCHER will be holding the Fall Legal Meeting on Thursday, October 21, 2021, at the law offices of Bradley, Arant, Boult, Cummings in Nashville, Tennessee. The planning committee is working on the meeting program, which will include timely and important sessions on federal and state lending and servicing laws, privacy and cybersecurity issues, recent developments impacting guaranty agencies, the financing of private loans and Federal Family Education Loans, and developments impacting the Fair Debt Collection Practices Act. The program should be of interest to attorneys as well as non-attorneys. Registration information for the meeting, as well as hotel options near the law offices, can be found under the Events tab on the [NCHER website](#). So, register today!

Department of Education Announces Resumption of Pre-COVID Verification of Financial Aid Applicants

Earlier this week, the U.S. Department of Education published a [notice in the *Federal Register*](#) announcing and detailing its plan to restart audits of students who apply for federal financial aid for the next school year, after it suspended significant parts of the verification process in response to the COVID-19 pandemic. The regulatory notice outlined the various forms of proof that the Department may require students to provide to verify the accuracy of the income and other information that they provide on the Free Application for Federal Student Aid or FAFSA for the 2022-23 Academic Year. The notice also notified financial aid offices that the flexibility previously provided would come to an end with the 2022-2023 application cycle. The notice offered no explanation for the decision, though the Department said it is still reviewing what adjustments, if any, will be made to its verification process. For more coverage, see these articles from [The Washington Post](#) or [Inside Higher Ed](#).

Department of Education Announces Updated Guidance on Mandatory Assignment of Federal Perkins Loans in Default

The U.S. Department of Education recently released [Updated Guidance](#) concerning the wind-down of the Perkins Loan Program, in which the Secretary is requiring all institutions of higher education to assign those loans that have been in default for more than two-years to the Department. The guidance requires colleges and universities still

participating in the program to either assign or purchase those specified loans. According to the guidance, if the Department determines that an institution has shown insufficient effort in assigning, purchasing, or providing acceptable collections records to the Department, the financial aid office can expect to receive a warning letter in early 2022 reminding them of the requirement to take action on these loans by the June 30 deadline.

FSA Releases FAFSA Presentations

Earlier this week, the U.S. Department of Education's Office of Federal Student Aid released [PowerPoint presentations](#) with information and screenshots of the 2022–23 online Free Application for Federal Student Aid (FAFSA) and the FAFSA feature of the myStudentAid mobile app. The presentations provide financial aid administrators and counselors with images that can be used as reference tools for internal staff trainings and high school financial aid nights.

ARRC Releases New FAQs on Use of SOFR Term Rate

Last week, the Alternative Reference Rates Committee (ARRC) released [Frequently Asked Questions \(FAQs\) on Best Practice Recommendations Related to Scope of Use of the Term Rate](#). At the same time, the ARRC updated its [Best Practice Recommendations Related to Scope of Use of the Term Rate](#). The FAQs state that the ARRC continues to recommend use of the Secured Overnight Financing Rate (SOFR) and SOFR averages for all products given their robustness, but recognizes that under certain conditions adapting to an overnight rate could be difficult. The FAQs state that SOFR Term Rates will be especially helpful for the business loans market, including floating rate notes and securitizations. The releases follow the ARRC's [formal recommendation](#) of the SOFR Term Rate, and answer general questions about the scope of use, including why the recommendations were made, and more specific questions such as the use of the SOFR Term Rate in end-user facing derivatives.

National Student Clearinghouse Report Examines Trends for Transfer Students

The National Student Clearinghouse Research Center recently released a [report](#) on the 2.1 million undergraduate students who transferred to a college other than their last enrolled institution between July 2020 and June 2021. The clearinghouse examined the trends within this group of students, with a focus on upward transfer pathways (transfers from two- to four-year institutions), the locus of declines, and areas of growth. The report identified which four-year colleges, analyzed by selectivity, managed to increase these

pathways, and which student populations, analyzed by gender, race, and ethnicity, found increased opportunity. The report also examined the progression (persistence) of transfer students to the subsequent term after transferring, reporting this early indicator of transfer success by the destination institution type, the academic term of transfer, and demographic characteristics. Finally, the report analyzed the transfer enrollment patterns generally and upward transfer enrollment particularly among Historically Black Colleges and Universities (HBCUs) and Hispanic-Serving Institutions (HSIs), followed by an analysis of the persistence of students after transferring into these institutions.

Key highlights include the following:

- While every pathway of transfer suffered declines, the rate of decline was not the same. Upward transfers, moving from two-year to four-year colleges, held up relatively well, with only a 1.3 percent decline or about 11,900 student losses. Pandemic-driven losses were more notable in the fall. In fact, upward transfers increased in spring.
- Disparities in upward transfer mobility increased during the pandemic year. Asian and Latinx upward transfers grew (+5.9 percent and +1.4 percent, respectively), but Black and Native American upward transfers fell further than pre-pandemic decline (-6.1 percent and -4.1 percent, respectively) while White students saw a drop consistent with the pre-pandemic rate of decline (-4.4 percent).
- Only highly selective institutions expanded their total transfer enrollment for the year, thanks to an unusually large one-year growth in upward transfer (10.3 percent). This growth included all student groups, irrespective of gender, race, and ethnicity, or transferring within states or into different states.
- Patterns of upward transfer mobility along institutional selectivity, gender, race, and ethnicity shifted over the course of the academic year, most notably changing from highly selective colleges leading the growth of upward transfers in fall 2020, to marked increases in Latinx upward transfers in spring 2021 that were more concentrated at less competitive institutions.
- As upward transfer inflows grew at highly selective colleges and a few leading primarily online institutions, their persistence post-transfer appears to be suffering. In contrast, no significant persistence rate drops attributable to the pandemic are found nationally (all transfer pathways combined).
- HSIs had substantial transfer student losses this year (-70,400 students or -11.8 percent), while HBCUs remained largely unaffected. Both saw post-transfer persistence rates falling due to the pandemic, except that HSIs made a small gain in

the latter part of the year. Following national patterns, declines in mobility at these institutions were largely driven by men.

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

Illinois Gov. Signs New Private Loan Lender Law, Regulates ISAs

Last week, Illinois Governor JB Pritzker [announced](#) that he had signed into law [HB 2746, the Know Before You Owe Private Education Loan Act](#). Under the legislation, which is effective upon enactment, private education loans are defined to include income share agreements (ISAs). Key features of the legislation include the following:

- Before a private education lender or ISA provider can disburse funds, it must obtain certification from the school of enrollment, the cost of attendance, and the difference between such cost of attendance and the borrower's estimated financial assistance (though funds may be disbursed if the school refuses to provide the certification).
- Prior to completing the certification, the school must determine whether the borrower has exhausted available federal financial assistance and notify the borrower of remaining federal assistance, including the advantages of federal loans.
- Private education lenders and ISA providers are required to submit an annual report on all institutions at which funds are disbursed, the volume of loans in total and by school, and the historical lifetime default rate. Lenders making fewer than ten loans are exempt from the requirement.
- Private education lenders and ISA providers are required to submit a copy of each model promissory note or contract used during the previous year.
- Private loan statements must be provided to the borrower every three months while the borrower is enrolled at an institution of higher education.

Following similar efforts in California and Colorado, HB 2746 represents the continuation of a recent trend of state regulation of ISAs. NCHER will host a webinar on the State Regulation of ISAs next Thursday, September 9, 2021. More information will be released soon.

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:

- [2022-23 Free Application for Federal Student Aid \(FAFSA®\) Form and the FAFSA on the Web Worksheet \(EA ID: APP-21-15\)](#)
 - [Implementation of High School Completion Status Removal from Verification \(EA ID: VERIF-21-02\)](#)
 - [2022-23 FAFSA Preview Presentations \(EA ID: APP-21-14\)](#)
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Member News



Inceptia announced that its sixth edition e-guide, [Great Advice for Parents](#), is now available. The free resource provides expert information and tips for high school families as they plan for college and beyond, and is a result of a partnership with NerdWallet with this year's focus on making admissions and financial aid decisions in a continuing pandemic.



The Kentucky Higher Education Assistance Authority recently released its [Financial Aid Tip for Students – September 2021](#), which says that it is time for college-bound seniors who plan to attend school in the fall of 2022 to fill out the FAFSA [Free Application for Federal Student Aid].

General News

[Business Insider](#) reports that the Coronavirus Aid, Relief, and Economic Security Act created a tax-free incentive for employers to help pay off workers' student debt. It allows

employers to pay up to \$5,250 annually on workers' student loans through 2025.

[Yahoo](#) reports that the Coronavirus Aid, Relief, and Economic Security Act, signed into law in March of last year, barred student loan companies from garnishing the wages of borrowers in default. But thousands of student and parent borrowers still had some of their pay seized in spite of the moratorium, because of the federal government's slow uptake in those early days of the pandemic. Over a year later, nearly 11,000 of those borrowers are still owed refunds, according to information obtained by the National Student Legal Defense Network.

[Click On Detroit](#) does a deep dive into what is next for the student loan debt crisis.

[University Business](#) reports that inmates in 42 states and Washington, D.C., can now get Pell Grants and work with colleges and universities to earn trade certifications, associate's degrees, and even bachelor's degrees.

[The Chronicle of Higher Education](#) reports that more out-of-state students do not bring colleges higher tuition revenue, according to a study from Robert Kelchen, a professor of higher education at the University of Tennessee at Knoxville.

[Inside Higher Ed](#) reports on how COVID-19 has changed college admissions. Based on information released by the Common Application, colleges and universities have delayed deadlines and students were later with applications.

[WTOP News](#) reports that women of color carry a disproportionate burden of student loan debt, according to a survey from the American Association of University Women.

[Inside Higher Ed](#) reports that Education Strategy Group, a consulting firm, has released a new playbook focused on ways that colleges and universities can better serve adult learners.

[Forbes](#) reports that more colleges, universities, and higher education groups have stepped up to help Afghan refugees.

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