NCHER
DAILY BRIEFING

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In Today's Edition

Department of Education Announces FSA Approval of Maximus to Assume Federal Servicing Contract from

Navient

Today, the U.S. Department of Education announced that the Office of Federal Student Aid (FSA) had approved the request for Maximus to assume the federal student loan servicing contract from Navient. "We are confident this decision is in the best interest of the approximately 5.5 million federal student loan borrowers who will be serviced by Maximus and will provide the stability and high-quality service they deserve," FSA Chief Operating Officer Richard Cordray said. "Our confidence in this novation is bolstered by the fact that Maximus will be held to the stronger standards for performance, transparency, and accountability that FSA included in its recent servicer contract extensions." According to the announcement, FSA, Navient, and Maximus will communicate directly with borrowers about how this change will affect them. FSA will also post specific information for borrowers assigned to Navient on StudentAid.gov. Mr. Cordray said that the transition should be as seamless as possible - borrowers will not lose access to their payment histories or account data, and they will not need to change their current log-in information, automatic payment arrangements, or other borrower-specific details.

On October 29th, Navient and Maximus announced that they had signed a definite agreement to transfer the loan servicing contracts for Department-owned student loan accounts from Navient to Maximus through a contract novation. The companies said that they had been in consultation with FSA and submitted a preliminary request for review. With the approval of the contract novation, Navient will exit the federal student loan program and the servicing activities will join Maximus which currently has the Debt Management and Collections System contract and the Next Generation Financial Services Environment Business Process Operations contract. Under the transaction, many Navient employees currently working on the loan servicing team will join Maximus.

CFPB Joins Financial Regulatory Agencies in Issuing Statement on LIBOR Transition

Today, the Consumer Financial Protection Bureau (CFPB) joined four other federal financial regulatory agencies, state bank, and credit union regulators in issuing a statement highlighting the risks posed by the discontinuation of the London Interbank Offered Rate (LIBOR). In the statement, the CFPB urges banks and nonbanks to continue their efforts to transition to alternative reference rates to mitigate consumer protection, financial, legal, and operational risks. The Bureau also mentions that consumers may not know when the transition from LIBOR will occur or how financial institutions will calculate their interest rates if they do not issue required disclosures to consumers.

On June 4, 2020, the CFPB issued a [Notice of Proposed Rulemaking and Frequently Asked Questions (FAQs) Relating to the LIBOR Transition]. The Bureau said that it is continuing work on a final rule to address the anticipated end of LIBOR and expects to issue it in January 2022. The FAQs pertain to compliance with existing federal regulations for consumer financial products and services impacted by the anticipated LIBOR discontinuation and the resulting need to transition to other indices. The CFPB is advising all financial institutions and nonbank entities to have risk management processes in place to identify and mitigate risks to consumers that are commensurate with the size and complexity of their exposure and third-party servicer arrangements. The interagency statement identifies specific actions that financial institutions should consider in preparation for LIBOR transition. Those actions include developing and implementing a transition plan for communicating with consumers and including fallback language that defines a fallback reference rate. Finally, the statement includes clarification on the meaning of certain key terms, factors that industry should consider when selecting alternative rates, and expectations for fallback language.

Senate Approves Lhamon Nomination to Serve as Assistant Secretary for Civil Rights

Today, the U.S. Senate approved the nomination of Catherine Lhamon to serve as the next Assistant Secretary for Civil Rights at the U.S. Department of Education. The final vote was 51-50 with Vice President Kamala Harris needing to vote to break the tie for the controversial nominee. Throughout the confirmation process, Democrats remarked that Ms. Lhamon who served in the same position during the Obama Administration was uniquely qualified for the role, and she will work tirelessly to ensure that all institutions of higher education become fairer and more just. Republicans, however, strongly opposed the nomination and threw up multiple roadblocks. Senate Health, Education, Labor, and Pensions Committee Ranking Member Richard Burr (R-NC) said that Ms. Lhamon had spent her time pushing a "highly partisan, politicized agenda that unapologetically violated students' civil rights and overstepped her legal authority." Following confirmation, Education Secretary Miguel Cardona issued a [statement] saying that Ms. Lhamon is "one of the strongest civil rights leaders in America and has a robust record of fighting for communities that are historically and presently underserved. Catherine will continue fighting for fairness, equity, and justice for all of America's students, and I cannot wait for her to join the team."

President Meets with House and Senate Democrats to Outline Possible Deal on Build Back Better Act

Yesterday, President Joe Biden held numerous meetings with House and Senate Democrats to talk about the current negotiations of the Build Back Better Act, the budget reconciliation package that has become bogged down in disputes between moderate and progressive lawmakers. According to numerous press reports, the President told lawmakers that the final social spending bill is expected to total between $1.75 and $1.9 trillion, less than the $3.5 trillion figure that House committees have been working on for the last few months. The President also discussed the some of the provisions that were likely to be included in a final package or stripped out to earn the support of Sens. Joe Manchin (D-WV) and Krysten Sinema (D-AZ). On higher education, the President told lawmakers that the free community college program is likely to be dropped from the final legislation, though the White House is exploring providing additional scholarships to low-income students. The talks over the budget reconciliation package, which Democrats are trying to pass without Republican support, remain fluid as the White House and Congressional Democrats work to narrow the bill to a version that can become law. The current plan is for the House and Senate to announce a deal on the revised Build Back Better Act and for the House to take up and pass a separate Senate-passed trillion-dollar bipartisan infrastructure package prior to October 31st.

Following the meetings at the White House, Rep. Pramila Jayapal, (D-WA), Chair of the Congressional Progressive Caucus, said that her members had a "really good, productive meeting" with the President. "I think we all still feel even more optimistic about getting to an agreement on a really transformational bill that will fundamentally lift people up," she told reporters. The White House was equally upbeat. "After a day of constructive meetings, the President is more confident this evening about the path forward to delivering for the American people on strong, sustained economic growth that benefits everyone," Press Secretary Jen Psaki said in a statement.

For more coverage, see these articles from ***NBC News***, ***Inside Higher Ed***, ***The Washington Post***, and ***Forbes***.

President Signs Executive Order on Advancing Educational Equity, Excellence, and Economic Opportunity for Black Americans

Yesterday, President Joe Biden signed an **executive order** establishing a new White

House Initiative on Advancing Educational Equity, Excellence, and Economic Opportunity for Black Americans. According to the order, the initiative will increase general understanding of systemic causes of educational challenges faced by many Black students; promote a positive school climate that supports equitable access to and participation in college-readiness, advanced placement courses, and internship opportunities, as well as innovative dropout prevention and recovery strategies that better engage Black youth in their learning; break down barriers that impede the access of higher education institutions that serve Black students, such as Predominantly Black Institutions and Historically Black Colleges and Universities to federal funding, and strengthening the capacity of those institutions to participate in Federal programs and partnerships; and advancing racial equity and economic opportunity by connecting education to labor market needs through programs such as dual enrollment, career and technical education, registered apprenticeships, work-based learning, and career advancement, particularly in the fields of science, technology, engineering, and mathematics. Education Secretary Miguel Cardona will chair the initiative and is responsible for designating an executive director for the effort. The order also sets up a Federal Interagency Working Group meant to support the initiative's work. Under the order, federal agencies will outline measurable actions to advance educational equity and economic opportunity for Black communities, including descriptions of how they will better meet Black students' needs, address the specific challenges faced by Black institutions, and modify discriminatory policies and practices. Finally, the executive order launches a separate Presidential Advisory Commission on Advancing Educational Equity, Excellence, and Economic Opportunity for Black Americans. Members of the 21-member commission will be appointed by the President and are expected to meet at least twice a year through 2023.

Fidelity Investments Issues Research Showing Baby Boomers Most Impacted by End of Federal Student Loan Payment Pause

Fidelity Investments Inc. recently issued research showing that older borrowers will be among those most impacted when the federal student loan payment pause ends on February 1st and payments resume for more than 40 million Americans across the country. Fidelity's analysis is based on 60,000 users with over 210,000 loans who shared their student loan information with the financial services company as of September 30. Older borrowers, who averaged almost three student loans each, were seeking strategies for repayment and carried higher debt levels. When payments resume after a 22-month hiatus, Baby Boomers with student debt will have to repay $620 monthly, or about

$7,400 a year, on average, according to Fidelity estimates. That compares with an overall average of $515 a month. Baby Boomers, who are age 57 to 76, typically have larger loan balances and loans with higher interest rates.

Federal Reserve Releases Beige Book, Shows Pace of Economic Activity Slowed Because of Supply Chain and Labor Shortages

Today, the Federal Reserve released the current edition of its **Beige Book**, which covers the period from early September to early October 2021. The Beige Book is a Federal Reserve System publication about current economic conditions across the 12 Districts. It characterizes regional economic conditions and prospects based on a variety of mostly qualitative information, gathered directly from each District's sources. The new report reveals that the nation's economic activity continued to grow at a modest to moderate rate; however, the pace of growth slowed during the reporting period, constrained by supply chain disruptions, labor shortages, and uncertainty around the Delta variant of COVID-19. A majority of Districts reported positive growth in consumer spending, but auto sales were widely reported as declining due to low inventory levels and rising prices. Travel and tourism activity varied by District with some seeing continued or strengthening leisure travel while others saw declines that coincided with rises in COVID cases and the start of the school year. Manufacturing grew moderately to robustly in most parts of the country. Loan demand was generally reported as flat to modest this period. Outlooks for near-term economic activity remained positive, but some Districts noted increased uncertainty and more cautious optimism than in previous months.

On employment and wages, the Beige Book says that employment increased at a modest to moderate rate in recent weeks as demand for workers was high, but labor growth was dampened by a low supply of workers. Firms reported high turnover, as workers left for other jobs or retired. Child-care issues and vaccine mandates were widely cited as contributing to the problem, along with COVID-related absences. The majority of Districts reported robust wage growth. Firms reported increasing starting wages to attract talent and increasing wages for existing workers to retain them. Many also offered signing and retention bonuses, flexible work schedules, or increased vacation time to incentivize workers to remain in their positions. On prices, most Districts reported significantly elevated prices, fueled by rising demand for goods and raw materials. Expectations for future price growth varied with some expecting prices to remain high or increase further while others expected prices to moderate over the next 12 months. For more coverage, see this article from *MarketWatch*.

U.S. Department of Education News

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

The following announcement was posted to the Information for Financial Aid Professionals website:

- (EA ID: GENERAL-21-67) Mandatory SAIG Software Upgrade Deadline Extended

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Member News

The Deseret News discusses the recent announcement from the Utah Board of Higher Education to sell the Federal Family Education Loan Program portfolio administered by the Utah Higher Education Assistance Authority. The sell could create a $289 million endowment for scholarships and grants for Utah students.

General News

The Student Borrower Protection Center (SBPC) announced that co-founder Mike Pierce will serve as the next Executive Director of the organization, following the decision by Seth Frotman to step down later this month. Rumors are circulating that Mr. Frotman is heading back to the Consumer Financial Protection Bureau. SBPC also announced that Persis Yu with the National Consumer Law Center will join the organization as the new Policy Director and Managing Counsel. Mr. Pierce has served as Policy Director and Managing Counsel at the SBPC since helping to start the organization in 2018.

NPR reports that the U.S. Department of Education has begun sending emails to thousands of teachers, nurses, and other public servants to tell them they could have some of their federal student loans forgiven months — and even years — earlier than borrowers had expected before.

Bankrate reports that 8 percent of employers offer some kind of student loan repayment as an employee benefit, according to the Society for Human Resource Management.

WITN reports that it is still unclear how the Biden Administration will respond to the pressures of federal student loan forgiveness. But whether student and parent borrowers receive a loan discharge through an existing program or under new legislation, myFICO examines how such forgiveness could impact tax liability.

Student Loan Hero reports on the most and least expensive colleges and universities in each state to get a bachelor's degree.

The Chronicle of Higher Education reports on the worth of a college degree.

Inside Higher Ed reports that a ban on incentive-based recruitment could have big implications for how colleges and universities recruit international students.

PBS News Hour interviews Education Secretary Miguel Cardona on combating COVID-19's impact on student mental health and the Biden Administration's efforts to forgive federal student loans.

The Chronicle of Higher Education examines what the COVID-19 pandemic did to enrollments at regional public colleges.

PBS News Hour examines how federal emergency aid helped offset the costs for students enrolled in Historically Black Colleges and Universities.

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