NCHER BRIEFING

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NCHER Annual Conference: AEI's Beth Akers Confirmed as Keynote Speaker, Register Today!

NCHER will hold its Annual Conference on June 3-5, 2024 at the Hyatt Regency Clearwater in Clearwater, Florida - just three weeks away. The conference, which is open and designed for everyone across the higher education finance industry, will provide attendees with ample opportunities to network, learn, and take information back home that they can use in their current jobs – from hearing about the current trends and hot topics to exploring new and potential business opportunities. The Draft Program Agenda is packed with important and engaging sessions as well as opportunities for small group discussions among industry experts.

Dr. Beth Akers, Senior Fellow at the American Enterprise Institute, will serve as the keynote speaker for the conference. Beth is one of the most prominent higher education thought-leaders in the United States and frequently testifies before Congress and has writings and research published all across the country. Recently, she published a report on how private student lending can repair higher education and an article on how the federal student loan program is unraveling. At the conference, she will speak about these items in more depth and share her thoughts on the Biden Administration's actions around federal student loans.

We urge all of the NCHER membership to register today - and look forward to seeing you for some fun and sun in Clearwater!

Supreme Court Issues 7-2 Decision Upholding Funding Structure for CFPB

Today, the U.S. Supreme Court issued a decision in Consumer Financial Protection Bureau (CFPB) v. Community Financial Services Association of America, saying that the funding mechanism set up by Congress for the Bureau does comply with the appropriations clause of the U.S. Constitution. In the 7-2 decision, Justice Clarence Thomas rejected an argument by payday lenders that Congress's decision more than a decade ago to insulate the CFPB from the annual budget process ran afoul of the Constitution's clause concerning appropriations of federal money. "In addition to vesting the Bureau with sweeping authority, Congress shielded the Bureau from the influence of the political branches," Justice Thomas wrote. "Under the Appropriations Clause, an appropriation is simply a law that authorizes expenditures from a specified source of public money for designated purposes. The statute that provides the Bureau's funding meets these requirements." In dissent, Justice Samuel Alito said that the decision will turn the Appropriations Clause into a minor vestige. The case "turns on a simple question: Is the CFPB financially accountable to Congress in the way the Appropriations Clause demands?," Justice Alito writes. "History tells us it is not."

The decision reverses a ruling from the U.S. Court of Appeals for the 5th Circuit that concluded the mechanism for funding the CFPB was unconstitutional. The dispute, brought by two trade associations, posted a significant threat to the agency and its continued operations, and defenders of the CFPB warned a broad decision could jeopardize regulatory and enforcement actions it has taken since its creation 14 years ago and disrupt markets. At issue in the case was the mechanism through which the CFPB receives its funding. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Bureau receives a capped amount of money annually from the Federal Reserve. In fiscal year 2022, the CFPB drew roughly $641.5 million from the Fed, less than the roughly $734 million available, according to court filings.

For additional coverage, see the following articles:

- Supreme Court upholds funding structure for CFPB - CBS News
- Supreme Court upholds CFPB funding, saving agency - Politico
- Supreme Court rejects broad challenge to CFPB, a consumer watchdog agency - The Washington Post
- Supreme Court sides with Biden on banking agency, avoiding warnings of economic 'chaos' - USA Today

Department of Education Extends Time for Borrowers to Consolidate Their Loans to Receive Credit for Loan Forgiveness

The U.S. Department of Education recently announced that it would extend the deadline for borrowers to consolidate their loans into the Federal Direct Loan program in order to receive credit for progress that they have made toward Income-Driven Repayment (IDR) and Public Service Loan Forgiveness (PSLF). The Department says that, because of the updated timeline, borrowers with non-federally held Federal Family Education Loans (FFEL) who apply to consolidate by June 30, 2024 can still benefit from the payment count adjustment. The prior consolidation deadline was April 30. The Department now anticipates the payment count adjustment to be fully implemented by September 2024.

“The Department is working swiftly to ensure borrowers get credit for every month they’ve rightfully earned toward forgiveness,” said Under Secretary James Kvaal. “FFEL borrowers should consolidate as soon as possible in order to receive this benefit that has already provided forgiveness to nearly 1 million borrowers.” The Department announced the payment count adjustment in April 2022 to address a report from the U.S. Government Accountability Office that borrowers did not have a proper accounting of their time to forgiveness under IDR plans. To rectify these problems, the payment count adjustment automatically counts months in the following statuses:

- Any months in a repayment status, regardless of the payments made, loan type, or repayment plan.
- Twelve or more months of consecutive forbearance or 36 or more months of cumulative forbearance.
- Any months spent in economic hardship or military deferments in 2013 or later.
- Any months spent in any deferment (with the exception of in-school deferment) prior to 2013.
- Any time in repayment (or deferment or forbearance, if applicable) on earlier loans before consolidation of those loans into a consolidation loan.

Borrowers also can receive credit toward PSLF for any month covered by the payment count adjustment as long as they certify their qualifying employment for that month.

For further coverage, see these articles from Forbes and The Washington Post.

House Appropriations Committee Chair Cole Previews Funding Process for FY 2025, Sets Markup Schedule

Today, House Appropriations Committee Chairman Tom Cole (R-OK) previewed the upcoming budget and appropriations process for Fiscal Year 2025. Chairman Cole said that the committee would begin assembling appropriations bills that comply with the budget caps set by the Fiscal Responsibility Act, with no side deals, while providing additional resources for national defense and reining in federal spending. Key takeaways include the following:

- The Defense Appropriations Act will receive an increase of nearly $9 billion over the current funding levels.
- The Homeland Security Appropriations Act will be funded above the President's Budget Request.
- The Veterans Affairs Appropriations Act – including veterans' medical care and benefits – will be fully funded.

- Non-defense programs will be cut effectively by 6 percent, though the cuts are not evenly distributed. Some subcommittees, such as Labor-Health and Human Services-Education, Financial Services-General Government, and State-Foreign Operations, will receive significant cuts of 10-11 percent. Other subcommittees will have smaller non-defense cuts.

Chairman Cole also announced that the markup schedule for consideration of the 12 appropriations bills that make up the discretionary portion of the federal government would begin next week. Key dates of importance to the NCHER membership include:

- Wednesday, June 5 — Financial Services and General Government Appropriations Subcommittee considers its bill in subcommittee.
- Thursday, June 13 — Full Committee considers the Financial Services and General Government Appropriations bill.
- Thursday, June 27 — Labor-HHS-Education Appropriations Subcommittee considers its bill in subcommittee.
- Wednesday, July 10 — Full Committee considers the Labor-HHS-Education bill.

Key observers noted that the funding levels laid out by House Republicans would undercut the bipartisan agreements struck last year during negotiations over the nation's debt limit. While agreeing to the overall total of $1.6 trillion in federal discretionary spending, the levels to boost defense while further cutting domestic funding are far lower than Senate leaders in both parties are seeking, foreshadowing another multi-month funding clash expected to drag beyond the election in November. "I wish I could do better," Chairman Cole told reporters after meeting privately with Republicans this morning. "These are not phony numbers. These are the numbers of the law, first of all." Chairman Cole also said that he would like to pass all 12 of the spending bills through his committee before the August recess, with floor action up to the leadership.

FSA Announces Interest Rates for Federal Direct Loans for 2024-2025

Earlier this week, the U.S. Department of Education's Office of Federal Student Aid announced the interest rates on Federal Direct Loans for 2024-2025. Under the Bipartisan Certainty Student Loan Act, Federal Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans first disbursed on or after July 1, 2013 have fixed interest rates that are equal to the high yield of the 10-year Treasury note auctioned at the final auction held before June 1, plus a statutory add-on percentage that varies depending on the loan type. The maximum interest rates are 8.25 percent for Direct Subsidized Loans and Direct Unsubsidized Loans made to undergraduate students, 9.50 percent for Direct Unsubsidized Loans made to graduate and professional students, and 10.50 percent for Direct PLUS Loans made to parents of dependent undergraduate students or to graduate or professional students.

On May 8, 2024, the U.S. Department of Treasury held a 10-year Treasury note auction that resulted in a high yield of 4.483 percent. The chart below shows the interest rates for Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans first disbursed on or after July 1, 2024 and before July 1, 2025:

Loan Type	**10-Year Treasury Note High Yield**	**Add-On**	**Fixed Interest Rate**
Direct Subsidized Loans and Direct Unsubsidized Loans for Undergraduate Students	4.483%	2.05%	6.53%
Direct Unsubsidized Loans for Graduate and Professional Students	4.483%	3.60%	8.08%
Direct PLUS Loans for Parents of Dependent Undergraduate Students and for Graduate or Professional Students	4.483%	4.60%	9.08%

For further coverage, see this article from The Hill.

New York Fed Releases Quarterly Report on Household Debt and Credit, Finds Decrease in Student Loans Balances

On Tuesday, the Federal Reserve Bank of New York released its Quarterly Report on Household Debt and Credit, which found that total household debt increased by $184 billion (1.1 percent) in the first quarter of 2024. Balances now stand at $17.69 trillion and have increased by $3.5 trillion since the end of 2019, just before the pandemic recession.

According to the report, student loan balances were effectively flat over the last quarter, with a $6 billion decrease, and stand at $1.6 trillion. Credit card balances, which are now at $1.12 trillion outstanding, decreased by $14 billion during the first quarter but remain 13.1 percent above the level a year ago. Auto loan balances increased by $9 billion, continuing the upward trajectory that has been in place since the second quarter of 2020, and now stand at $1.62 trillion. Other balances, which include retail cards and other consumer loans, decreased by $11 billion. In total, non-housing balances fell by $22 billion. Aggregate delinquency rates increased in the first quarter, with 3.2 percent of outstanding debt in some stage of delinquency at the end of March. Still, overall delinquency rates remain 1.5 percentage points lower than the fourth quarter of 2019. The report says that missed federal student loan payments will not be reported to credit bureaus until the fourth quarter of 2024. Because of these policies, less than 1 percent of aggregate student debt was reported 90+ days delinquent or in default during the first quarter and will remain low until at least later this year.

Third Way Releases Results of Survey on Voters Views on Higher Education

On Tuesday, Third Way released the results of a recent survey conducted by Global Strategy Group and GS Strategy Group that asked 1,500 registered voters for their views on higher education, how they see the current problems in the system, and how they view the federal role in effective reform (plus how those perspectives have changed in the past five years). Highlights of the survey include the following:

- While public trust in higher education is at an all-time low, voters view higher education as valuable and want to see it live up to its full potential. Eight in ten (80 percent) voters believe that a four-year degree is valuable. For voters aged 18-44, that rate rises to 85 percent. Overall, 56 percent of voters viewed the U.S. higher education system favorably, an assessment that has been consistent since 2019. Across party lines, 65 percent of Democrats, 52 percent of Independents, and 48 percent of Republicans view the higher education system favorably.
- Voters view trade schools (77 percent), public community colleges (75 percent), and four-year colleges and universities (65 percent) favorably. For-profit institutions stand out as the only type of institution voters are suspicious about with 37 percent viewing them favorably.

- Most Americans feel that both associate degrees and bachelor's degrees are "worth the investment and usually pay off," at 71 percent and 70 percent, respectively.
- Compared to other key issues, 64 percent of voters believe that making higher education affordable and ensuring it provides a good return on investment is either a "top priority" or "major priority" heading into the 2024 election.
- Voters across the aisle want policymakers to take urgent action to make the higher education system work for students and taxpayers: 68 percent believe that higher education has its problems but can be fixed with reforms that make changes to what is broken while leaving in place what works and they do not want a complete overhaul of the system. A majority of Democrats (72 percent), Independents (69 percent), Republicans (64 percent), and voters aged 18-44 (63 percent) share this view.
- While canceling federal student loan debt ranked dead last among federal higher education policy ideas voters support, using debt and repayment measures for quality assurance remains popular. Seven in ten (70 percent) voters believe that college programs should have to demonstrate their students can earn enough money to pay back their student loans in order to receive federal financial aid and 64 percent believe that institutions should not be able to access such aid if their graduation rate is less than 25 percent. Fifty-nine percent of voters feel that institutions should be held accountable for ensuring their students complete their degrees and are not left with debt levels they cannot repay. And 69 percent believe that students who are defrauded and taken advantage of by their institution should be eligible for a discharge of their loans.

For additional coverage of the survey, see this article from Inside Higher Ed.

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-24-58) Volume 5: Withdrawals and the Return of Title IV Funds and Errata to Volumes 1 and 4 Now Available [2024-25 Federal Student Aid Handbook]
- (GENERAL-24-57) Audit Submission Requirements for Institutions Under the Single Audit Act

- (CB-24-10) Federal Perkins Loan Program Administrative Responsibilities and Reporting Requirements Through Eventual Wind-Down
- (DL-24-03) Interest Rates for Direct Loans First Disbursed Between July 1, 2024 and June 30, 2025
- (EDESUITE-24-03) Availability of EDExpress for Windows, 2024–25, Release 2.0

General News

Inside Higher Ed reports that the U.S. Department of Education is doling out $50 million to help students complete the troubled federal aid form. Access advocates say it is not too late to make an impact, but time is of the essence.

Higher Ed Dive reports that tuition discounts at private nonprofit colleges reached new highs according to a recent survey from the National Association of College and University Business Officers.

Inside HigherEd reports that new survey data collected by The Generation Lab found 21 percent of college students do not know about the new requirements for the Free Application for Federal Student Aid (FAFSA) or were not aware of changes to the form, and half of these students self-identify as being on federal financial aid. Among those who do know about the new requirements, 18 percent say they are “not at all concerned” and an additional 14 percent don’t expect to receive financial aid, so they did not fill out a FAFSA.

Higher Ed Dive reports that most first-year students reported satisfaction with college at the mid-year point after dipping during the pandemic according to a new survey by consulting firm EAB.

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