NCHER BRIEFING

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NCHER Annual Conference: Make Your Reservations, Hotel Cut-Off is Today!

NCHER will hold its Annual Conference on June 3-5, 2024 at the Hyatt Regency Clearwater in Clearwater, Florida. 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. The current agenda includes:

- A pre-conference session where first-time and veteran attendees will do a deep-dive into federal policy reviewing recent and upcoming developments at the national and state levels.
- An update on the rollout of the 2024-2025 FAFSA [Free Application for Federal Student Aid] and what NCHER members can expect to occur over the next few months following Federal Student Aid's rocky implementation of providing eligibility information to institutions of higher education.
- General sessions built around preparing you and your colleagues for the future: topics include reviewing the changing demographics of the current student population, examining the macro trends that will determine and influence the private education loan market in 2024/2025, and discussing student perspectives on higher education and how to create a successful marketing strategy for your services and programs and realize a return on investment.
- General sessions geared toward improving your operational and compliance strategies: topics include discussing the potential business and financial value of leveraging the value of artificial intelligence to improve higher education financing, examining ways to combat fraud and highlighting best practices that members can undertake to mitigate credit risk, and reviewing the most pressing state regulatory topics impacting the membership and what steps compliance offices should be taking now to stay ahead of any potential review.
- Small group break-out sessions centered on industry sectors so that attendees can talk about the most pressing issues of the day with their peers. It will also include an NCHER staple – our annual "Ask the Attorney's panel.

We urge all of the NCHER membership to register today. Members can also make their hotel reservations at a discounted room rate of $214 at the Hyatt Regency Clearwater until the end of today, which is the hotel cut-off date. After today, members can still book their room online or by calling 877-803-7534, but we cannot guarantee room availability or the discounted rate.

We look forward to seeing you for some fun and sun in Clearwater!

Weekly Rundown

The NCHER Weekly Rundown, which includes the latest information on important events in Washington, DC, is available today and can be downloaded from the NCHER website.

Congressional Budget Office Releases Official Score for H.R. 6951, the College Cost Reduction Act

Last week, the Congressional Budget Office (CBO) released the official score for H.R. 6951, the College Cost Reduction Act, which was recently passed by the House Education and the Workforce Committee to reauthorize the Higher Education Act. CBO estimates that the legislation would save taxpayers over $185 billion over the next 10 years through changes to federal student loan repayment and loan limits, restrictions on the regulatory authority of the U.S. Department of Education, and the move to risk-sharing with institutions of higher education. The following items included in the score may be of interest to the NCHER membership:

- Loan Limits: H.R. 6951 would eliminate both the Grad PLUS and Parent PLUS Loan programs to new borrowers beginning on July 1, 2025 and eliminate both programs by 2028. Beginning on July 1, 2025, the bill also would amend loan limits for unsubsidized graduate and undergraduate loans. CBO estimates that, in total, those provisions would reduce direct spending by $18.7 billion.
- Eliminate Parent PLUS Loans. In its May 2023 baseline projections for 2025, CBO estimates that parents will borrow approximately $11 billion in PLUS loans, and, on average, the federal government will earn about 16 cents for every dollar it lends. On that basis, CBO estimates that eliminating Parent PLUS loans would increase direct spending by $14.1 billion over the 2024-2033 period.
- Eliminate Grad PLUS Loans and Amend Limits for Unsubsidized Graduate Loans. In addition to eliminating Grad PLUS loans, H.R. 6951 would increase annual limits on borrowing for graduate students, on average, while decreasing aggregate limits. Specifically, the bill would allow graduate students to take out unsubsidized loans up to the median annual cost of their program, with an aggregate maximum of $100,000, or $150,000 if the borrower is enrolled in a graduate professional

program. Under the bill, the total amount of financial assistance, including grants and loans, could not exceed the borrower's annual cost of attendance. Under current law, graduate students may borrow up to $20,500 each year in unsubsidized loans, with a total aggregate cap for most borrowers of $138,500. They can borrow up to the cost of attendance under the Grad PLUS loan program, which does not have an aggregate cap. CBO analyzed current borrowing patterns using data from the National Postsecondary Student Aid Study and National Student Loan Data System and expects that borrowing would increase in the unsubsidized program as a result of the higher limits in the bill. CBO expects that borrowers who borrowed the most under current law, including the use of PLUS loans, were more likely to increase borrowing. Under current law, CBO estimates that borrowers will take out approximately $15 billion in Grad PLUS loans in 2025, increasing to about $17 billion in 2028. Without access to those loans, CBO expects that by 2029, students who would have taken out Grad PLUS loans under current law would increase their graduate unsubsidized borrowing, resulting in a nearly 20 percent increase in graduate unsubsidized loan volume under H.R. 6951. CBO estimates that eliminating Grad PLUS loans and amending unsubsidized loan limits for graduate borrowers would reduce direct spending by $40.4 billion over the 2024-2033 period.

- Amend Limits for Unsubsidized Undergraduate Loans. CBO estimates that enacting H.R. 6951 would increase the total amount of unsubsidized loans to undergraduate students. Under current law, annual and aggregate limits on unsubsidized loans are set based on the borrower's class level and dependency type. H.R. 6951 would set the annual limit at the median cost of college for the program the borrower is enrolled in, which is higher than the current limits, on average. The bill also would require that total financial assistance not exceed the student's cost of attendance and would set an aggregate cap at $50,000 on the amount a student may borrow—an increase for dependent students but a decrease for independent students. Using methods that are similar to those used to analyze the bill's effects on graduate loan loans, CBO expects that borrowers who borrow the most under current law, including in Parent PLUS loans, would be likely to increase borrowing under the bill's higher limits. H.R. 6951 also would allow institutions to cap loan amounts for some or all students. Using information from financial aid associations and other sources with knowledge of student aid programs, along with data from the National Postsecondary Student Aid Study, CBO expects that, under the bill's new loan limits, this provision would limit some of the otherwise expected increase in lending. CBO estimates that amending loan limits and allowing institutions the flexibility to cap limits for undergraduate students would, on net, increase lending by about 10 percent and direct spending by $7.6 billion over the 2024-2033 period.

- Loan Rehabilitation: H.R. 6951 would allow borrowers who default on their loans to be eligible for a second rehabilitation loan, which allows borrowers to exit default by making nine on-time payments. Under current law, borrowers can rehabilitate their loans just once. CBO estimates that enacting the provision would increase the cost of administering student loans by $138 million over the 2024-2033 period.

The CBO score concludes by saying several estimates for H.R. 6951 are uncertain in a variety of areas. In particular, the ways in which students, postsecondary institutions, and the Department would respond to the bill's provisions, especially the new institutional risk-sharing payments, are difficult to predict. The final rulemaking for the new SAVE Plan was completed only in 2023 meaning that participation data are limited and incomplete because more recent borrowers may still be weighing their repayment options. Actual participation in the SAVE Plan or in the bill's proposed Income-Driven Repayment (IDR) plan may be higher or lower than CBO estimates. Fluctuations in interest rates and changes to the underlying economy would also have an impact on the cost of the federal student loan program as a sudden change in unemployment could affect postsecondary enrollment or the income of borrowers in IDR plans could change the cost of federal student aid. Despite that uncertainty, CBO says that the direction of the budgetary effects of most of the bill's provisions is clear. In particular, the changes to the federal student loan program would, on net, almost certainly decrease federal costs significantly.

Department of Education Releases Electronic Announcement Providing Updated Timelines on FAFSA Processing

Last week, the U.S. Department of Education's Office of Federal Student Aid released a new Electronic Announcement providing an update on the processing of 2024-2025 Free Application for Federal Student Aid (FAFSA) forms and implementation of school-initiated corrections. The Department said that it will begin processing 2024-25 paper FAFSAs, including those submitted by confined or incarcerated students, by the end of June. Once processed, students who submitted a paper FAFSA form and provided a valid email address will receive an email telling them that they can access their FAFSA Submission Summary on StudentAid.gov. Students who did not provide a valid email address, and incarcerated students in general, will receive the results of their form's processing via a paper FAFSA Submission Summary sent by postal mail within 7-10 days after processing. The Department also said that institutions of higher education will be able to submit corrections via the FAFSA Partner Portal (FPP) by the end of June. As part of the announcement, the Department said that it recognizes that prior to the implementation of school-initiated corrections in FPP, schools will not have an official Institutional Student Information Record to award and disburse Title IV funds to students who require updates that can only be done through institutional corrections. Therefore, the agency is taking several actions to allow schools to estimate changes to Title IV award amounts that would result from institutional corrections and make disbursements of federal aid on the basis of these estimates.

U.S. Department of Education News

For today's Federal Register, click here.

General News

CNN publishes an op-ed from American Enterprise Institute Beth Akers who says that the federal student loan program is unraveling.

Business Insider reports that interest rates on federal student loans are rising yet again, which could make things more expensive for borrowers this fall.

An online version of this Daily Briefing is available to view and print from the **Daily Briefing Section** of the **NCHER e-Library**.

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