NCHER DAILY BRIEFING

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In Today's Edition

- House Appropriations Committee Announces Hearing with Education Secretary Cardona
- Department of Education Announces Changes to Income Driven Repayment, GAO Releases Report Criticizing FSA for Management of Program
- New York Fed Releases Blog Series on Student Loan Forbearance and Forgiveness
- Kentucky Enacts Student Education Loan Servicing, Licensing, and Protection Act
- CFPB Publishes Blog on Effects of Transcript Withholding on Students
- U.S. Department of Education News
- Member News
- General News

House Appropriations Committee Announces Hearing with Education Secretary Cardona

The House Appropriations Committee recently announced that it will hold a hearing on the “Fiscal Year 2023 Budget Request for the U.S. Department of Education,” at 10:00 a.m., ET on Thursday, April 28, 2022. The sole witness for the hearing will be Education Secretary Miguel Cardona. The hearing will be held in 2358-C Rayburn House Office Building but will also be livestreamed from the committee website.

Department of Education Announces Changes to Income Driven Repayment, GAO Releases Report Criticizing FSA for Management of Program

Earlier this week, the U.S. Department of Education announced that it would implement several steps to reform income-driven repayment (IDR) and the Public Service Loan Forgiveness (PSLF) program. In the press release, Federal Student Aid (FSA) said that it estimates the changes will help at least 3.6 million borrowers move closer to debt forgiveness by counting at least three years of additional credit toward IDR forgiveness, and provide 40,000 PSLF borrowers with immediate forgiveness. The Department's actions follow the publication of an *NPR* story criticizing the agency for its management of the IDR process and comes a day after Senate Health, Education, Labor, and Pensions Committee Chairwoman Patty Murray (D-WA) and House Education and Labor Committee Chairman Bobby Scott (D-VA) sent a letter to Education Secretary Miguel Cardona urging the Department to take action to address issues with the IDR system.
As part of the announcement, FSA said that it will track progress toward IDR forgiveness by conducting a one-time revision of monthly payment counts to fix past inaccuracies and reforming FSA's IDR tracking. The Department noted that FSA will begin implementing all of these changes immediately, but borrowers might not see the changes reflected in their accounts until the last quarter of 2022. The press release also said that FSA will end "forbearance steering" by conducting a one-time account adjustment to count certain long-term forbearances toward IDR and PSLF forgiveness and increase oversight of servicers' forbearance use, including by working with the Consumer Financial Protection Bureau to conduct regular audits of forbearance use.

"Student loans were never meant to be a life sentence, but it's certainly felt that way for borrowers locked out of debt relief they're eligible for," Education Secretary Miguel Cardona said. "Today, the Department of Education will begin to remedy years of administrative failures that effectively denied the promise of loan forgiveness to certain borrowers enrolled in IDR plans. These actions once again demonstrate the Biden-Harris administration's commitment to delivering meaningful debt relief and ensuring federal student loan programs are administered fairly and effectively."

Today, the U.S. Government Accountability Office (GAO) published a report titled, Education Needs to Take Steps to Ensure Eligible Loans Receive Income-Driven Repayment Forgiveness. In its report, the office found that 7,700 student loans totaling $49 million currently in repayment could potentially be eligible for IDR forgiveness, and that the Department's data does not provide information as to why these loans have yet to be forgiven. GAO outlined the following recommendations to the Department:

- FSA should develop and implement procedures to identify loans that are at a higher risk of having payment tracking errors for IDR loan forgiveness.
- FSA should ensure that additional information about IDR requirements is included in key communications to IDR borrowers.
- FSA should ensure IDR borrowers are regularly notified about the option to request their counts of qualifying payments toward IDR forgiveness and the option to request verification of those counts if needed.
- FSA should develop and implement procedures for verifying counts of qualifying payments toward IDR forgiveness when requested by borrowers so that any inaccuracies can be corrected.
- FSA should ensure regular updates on counts of qualifying payments toward IDR forgiveness are provided to, at a minimum, IDR borrowers who did not have loans serviced by ACS, FSA's original servicer for the Direct Loan program.

For more coverage, see these articles from ***Inside Higher Ed***, ***Diverse Issues in Higher Education***, ***Fortune***, ***Higher Ed Dive***, ***University Business***, ***Roll Call***, ***NBC News***, and ***Higher Ed Dive***.

New York Fed Releases Blog Series on Student Loan Forbearance and Forgiveness

The Federal Reserve Bank of New York recently published two pieces to its Liberty Street Economics blog focusing on economic inequality and student loan debt forbearance and forgiveness. The first piece, titled **What Might Happen When Student Loan Forbearance Ends?**, examined the uneven consequences of federal student debt relief put in place following the COVID-19 pandemic and its expected end on August 31st. The New York Fed used data from its May 2021 Survey of Consumer Expectations to understand who obtained student loan forbearance relief and who continues to be in forbearance. The data showed that student loan debt holders have a 13.5 percent chance of missing a minimum monthly payment in comparison to 8.7 percent for those who did not have student debt. Thus, even with most having an automatic pause on their federal student loan payments and thereby avoiding delinquency on such loans, student loan borrowers perceived a higher risk of missing a minimum required payment on other outstanding debts. The report says that this is consistent with the lower average age, income, and credit score of student loan borrowers, a difference that existed even before the pandemic. These groups are the ones that experienced the greatest financial hardship during the pandemic, with younger workers disproportionally working in the hardest hit sectors of the economy, seeing larger increases in their unemployment rate, and a lower share of younger workers being eligible for unemployment insurance expansions. The New York Fed found that, among student borrowers, those enrolled in an income-driven repayment (IDR) plan had a reduced perceived risk of delinquency. The data also showed that borrowers who received student loan forbearance were slightly less likely to expect missing a debt payment than the average student loan borrower. The New York Fed found relative heterogeneity in perceived future delinquency risk by demographics and by IDR status among borrowers who have ever received student loan forbearance. Overall, the data suggest that the scheduled discontinuation of the federal student debt forbearance will lead to increased financial hardship and delinquency rates, and will most significantly impact women, racial minorities, middle-aged borrowers, and less educated borrowers. The second piece, titled **Who Are the Federal Student Loan Borrowers and Who Benefits from Forgiveness?**, used representative data to analyze who would likely benefit from student loan forgiveness. The report found that a $10,000 loan forgiveness policy would cost approximately $321 billion while a $50,000 forgiveness policy would cost $904 billion. The report also found that smaller forgiveness policies distribute a greater share of benefit to borrowers with low- and mid-range credit scores and those who reside in low- and middle-income areas. The report said that limiting forgiveness eligibility by income reduces the total cost of the forgiveness policy while targeting relief to borrowers in low- and middle-income areas, borrowers with low- to mid-range credit scores, and borrowers in majority minority areas. The blog stated that adding a $75,000 income cap reduces the cost of loan forgiveness by almost 45 percent under either a $10,000 or a $50,000 forgiveness policy. The New York Fed investigated who would benefit most from forgiveness based on several different demographic characteristics. In terms of age, the data found that over 60 percent of forgiven loan dollars would benefit borrowers under 40 years of age. The study also looked at forgiveness by neighborhood income and found that low-income neighborhoods would receive 25 percent of debt forgiveness while high-income neighborhoods would receive 30 percent of debt forgiveness (though adding an income cap to forgiveness eligibility shifts forgiveness so that low-income neighborhoods would increase their share of forgiven dollars from 25 percent to 34 percent). Next, the New York Fed looked at forgiveness by credit score and determined that a higher per-borrower forgiveness amount tends to benefit borrowers of higher socioeconomic status more, but income caps to forgiveness could resolve this by distributing a larger share of forgiveness to borrowers with low credit scores. Finally, the report looked into forgiveness based on neighborhood demographics and found that under a $10,000 forgiveness policy, 33 percent of forgiveness would go to majority minority neighborhoods while 67 percent of forgiveness would go to majority white neighborhoods. The blog suggested that this inequity could be addressed by introducing an income cap on forgiveness eligibility. The New York Fed concluded that, under any forgiveness policy, means testing would more directly target forgiveness and relief to borrowers facing obstacles to repayment.

Kentucky Enacts Student Education Loan Servicing, Licensing, and Protection Act

Earlier this month, Kentucky Governor Andy Beshear signed **HB 494, the Student Education Loan Servicing, Licensing, and Protection Act**, into law. The measure requires student loan servicers to secure a license from the Department of Financial Institutions to operate in the state and includes new requirements for student loan servicing activities. Under the new law, loan servicers of federal student loans are deemed to be automatically licensed, though they need to provide notice to the Commissioner of Financial Institutions and are still subject to the servicing requirements of the law. "Federal student education loans" are defined as Direct Loans, federally owned Federal Family Education Loan Program loans, and other student loans issued pursuant to a federal program that are identified by the Commissioner as federal student education loans. States and their political subdivisions and financial institutions are exempt from the legislation. Similar to the laws of other states, the legislation prohibits servicers from engaging in abusive acts or practices and specifies a list of prohibited practices, including employing any scheme to defraud or mislead a borrower, engaging in any unfair or deceptive practice, misrepresentation, misapplying payments, failure to respond to borrower complaints, and providing inaccurate information to credit bureaus. The law authorizes the Commissioner to assess civil money penalties of up to $25,000 per violation for violations of the law. Finally, the legislation authorizes the Commissioner to require payment of an annual assessment fee (though it is unclear if this would apply to exempt servicers). The Act takes effect 90 days after the official adjournment of the legislative session, which was April 14, 2022.

CFPB Publishes Blog on Effects of Transcript Withholding on Students

On Monday, the Consumer Financial Protection Bureau (CFPB) published a blog titled, **Transcript Withholding Holds Back Workers and Wages**, which examined the effects on students of transcript withholding as a debt collection practice. The CFPB found that many institutions of higher education utilize transcript withholding to collect education-related debts, but the practice often prohibits students from obtaining jobs or further education that would enable them to pay off their debts. The Bureau argued that transcript withholding traps students in a cycle of collections while simultaneously hindering them from pursuing educational and career opportunities. The piece referenced Secretary of Education Miguel Cardona's address at the Federal Student Aid Training Conference held in 2021, where he called for the elimination of transcript withholding.

U.S. Department of Education News

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

Member News

MOHELA®

MOHELA recently **announced** that it is recruiting for a General Counsel in St. Louis, MO with six or more years of related experience. To apply, please supply cover letter and resume to **hr@mohela.com**. The fundamental reason this position exists is to give legal advice, ensure representation in legal proceedings, prepare legal research, and legal and policy analysis of issues to and administer contracts on behalf of the Authority. Essential Duties and Responsibilities, include the following:

- Complete Special Requests - Complete special requests at the request of the Executive Director.
- Legal Representation - Represent, upon request of the Executive Director, the Authority to the public and press about legal matters affecting the Authority.
- Research/Oversee Legal Issues - Conduct and oversee research into a variety of legal issues. Provide analysis of legal and policy issues.
- Reports/Documents - Write, edit and finalize reports, opinions, correspondence, articles and other documents, advise the Executive Director about legal issues in specialty areas.
- Third Party Negotiations - Draft

- Advise on Legal and Regulatory Issues - Provide the Executive Director legal advice on legal and regulatory issues and the development of proposed or pending actions, decisions and/or policies of the Authority.
- Compliance Review/Recommendations - Review and make recommendations to facilitate compliance with all legal requirements. Keep abreast of new legislation and important legal developments and interpret their impact on the Authority.
- Explain Legal Causes/Effects - Assist the Executive Director or, upon request, the staff of the Authority, to understand the legal causes and effects of their administrative actions and to provide information about legal developments of interest to the Executive Director.
- Third Party Negotiations - Draft and/or review and negotiate legal documents and contracts (excluding documents related to bond financings) of the Authority with third parties.
- Legislative Hearings -Work with the Executive Director and upon request others to assist in drafting bills. Attend and testify at legislative hearings upon request of the Executive Director.
- Outside Legal Counsel - Secure outside legal counsel and supervise/oversee performance of outside counsel, as approved by the Executive Director.
- Meetings/Records - Prepare minutes of meetings, obtain signatures of Secretary once approved, maintain official records library.
- Education/Experience: Doctorate of Jurisprudence from a nationally accredited school of law. Licensed, eligible to practice or able to seek admission required. Admission to a State Bar (with expectation to also gain timely admission to the Missouri Bar). Six years corporate law practice with specialized knowledge in banking and finance, human resources, and regulatory compliance matters. Knowledge of laws governing state agency or not-for-profit corporate structures helpful. Experience with public

entities and boards. Knowledge of, or experience in, the student loan industry helpful.

MOHELA is an EEO/AA Employer. It does not discriminate in hiring on the basis of race, color, national origin, sex, gender identity, sexual orientation, religion, age, disability, protected veteran status, or any other characteristic protected by federal, state or local law. To build a diverse workforce, MOHELA encourages applications from individuals with disabilities, minorities, and veterans.

The Kentucky Higher Education Assistance Authority (KHEAA) recently announced that the Kentucky education savings plan will observe 529 Day. KY Saves 529, the state's official education savings plan, urges Kentuckians to observe 529 Day by opening a savings account for as little as $25. Kentucky Governor Andy Beshear said, "529 Day is celebrated each May 29 to remind families of the importance of saving for children's education expenses. Using KY Saves 529, families can save for costs associated with college, trade school, and K–12 education. Another benefit is that withdrawals made for qualified educational expenses are exempt from state and federal taxes."

General News

Saving for College released its latest 5-Cap ratings for 529 plans, an evaluation of program performance, costs, features, and reliability.

Inside Higher Ed reports that more students are using their own money to pay for college rather than relying on their parents, according to the College Ave Student Loans survey conducted by Barnes & Noble College Insights.

Higher Ed Dive reports that more than three-quarters of four-year undergraduate students who considered stopping out in the past six months said it was due to emotional stress, according to a new survey from Gallup and the Lumina Foundation.

Inside Higher Ed reports that a new study from the Art & Science Group found three-quarters of high school seniors who plan to attend a four-year college in the fall are concerned about being able to afford it. Those from lower- and middle-income households, Black, Latinx, and first-generation students were more likely to have major concerns around college affordability.

Forbes reviews what debt-to income ratio student and parents need to refinance their student loans.

Newsweek reports Sen. Elizabeth Warren (D-MA) said this week that providing additional federal student loan debt relief, among other measures, could potentially help Democrats avoid a "disaster" in the upcoming November election.

Higher Ed Dive reports that ombudspeople offer colleges and universities conflict resolution in a contentious time. They provide employees with resources outside of the traditional human resource hierarchy and improve workplace health.

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