# NCHER DAILY BRIEFING

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## FSA Releases Electronic Announcement Setting Federal Student Loan Interest Rates

Yesterday, the U.S. Department of Education's Office of Federal Student Aid released an Electronic Announcement officially setting the interest rate on Federal Direct Loans for those loans disbursed on or after July 1, 2022 and before July 1, 2023. Under current law, the interest rate is determined annually for all federal student loans first disbursed during any 12-month period beginning on July 1 and ending on June 30, and is equal to the high yield of the 10-year Treasury notes auctioned at the final auction held before June 1 of that 12-month period, plus a statutory add-on percentage that varies depending on the loan type and, for Direct Unsubsidized Loans, whether the loan was made to an undergraduate or graduate student. The rate determined for any loan is a fixed interest rate for the life of the loan.

The electronic announcement follows the U.S. Department of Treasury auction of 10-year Treasury notes held on May 11th that resulted in a high yield of 2.943 percent. According to the announcement, interest rates on Federal Direct Loans will be the following:

- Direct Subsidized Loans and Direct Unsubsidized Loans for Undergraduate Students: 4.99 percent (2.943 percent high yield + 2.05 percent add-on)
- Direct Unsubsidized Loans for Graduate and Professional Students: 6.54 percent (2.943 percent high yield + 3.60 percent add-on)
- Direct PLUS Loans for Parents of Dependent Undergraduate Students and for Graduate and Professional Students: 7.54 percent (2.943 percent high yield + 4.60 percent add-on)

## White House Advisory Committee on HBCU Holds First Meeting, Discusses Need to Increase Federal Support

Today, the U.S. Department of Education held the **first meeting** of the President's Board of Advisors on Historically Black Colleges and Universities (HBCUs) to discuss the initiative's goals and priorities over the next year. During the meeting, the panel's members discussed how best to correct infrastructure inequities, increase federal support for research, and expand financial support to students. The panel also expressed its interest in increasing targeted federal support for small HBCUs. Tony Allen, the President of Delaware State University is chair of the panel. During the public comment portion of the meeting, Lezli Baskerville, President of the National Association for Equal Opportunity in Higher Education, expressed her support for the IGNITE HBCU Excellence Act, which would increase federal funding for HBCUs. She added that the panel should invite leaders of Hispanic-Serving Institutions and other Minority-Serving Institutions (MSIs), as "there is confusion among our colleagues as to why HBCUs are receiving a greater share of public dollars than Hispanic-Serving Institutions that have 500 plus institutions, because there's confusion about the history." U.S. Department of Education Under Secretary James Kvaal also spoke at the meeting about the fact that student debt disproportionately affects Black borrowers and other borrowers of color. He said, "We are doing whatever we can within our existing authority to help people who have student loans they can't afford get out of those debts." The White House Initiative on HBCUs Conference will be held September 20–23, 2022 in Washington, DC and the advisory panel's next meeting will also take place then.

## Federal Reserve Releases Minutes of May Meeting, Reveals Continued Increases in Federal Funds Rate Likely

Today, the Federal Reserve released the **minutes** of the May 3-4, 2022 meeting of its Federal Open Market Committee (FOMC). The minutes indicate that all committee members concurred that, at the time, the U.S. economy was very strong, the labor market was extremely tight, and inflation was very high. Inflationary pressure was attributed to supply and demand imbalances, higher energy prices, and broader price pressures. The minutes indicate that the Russian invasion of Ukraine and COVID-19 related lockdowns in China also have created additional upward pressure on inflation. On the positive side, a few participants observed recent data might suggest that overall price pressures may no longer be worsening, though they said it is too early to be confident that inflation had peaked. Against this backdrop, participants agreed that the committee should expeditiously move monetary policy towards a neutral posture. Accordingly, all FOMC participants agreed that it was appropriate to raise the target range for the federal funds rate by 50 basis points. All participants also supported plans for reducing the size of the Fed's balance. Looking ahead, the minutes state that "most participants judged that 50 basis point increases in the target range would likely be appropriate at the next couple of meetings." The next meeting of the FOMC is scheduled for June 15-16, 2022. For additional coverage of the FOMC's minutes, see these articles from ***The Wall Street Journal*** and ***The Hill***.

## CBO Publishes Update to the Budget and Economic Outlook: 2022 to 2032

Today, the Congressional Budget Office (CBO) published a report titled, **The Budget and Economic Outlook: 2022 to 2032**, which includes updated budget and economic projections over the next 10 years. CBO projects that the federal budget deficit will shrink to $1.0 trillion in Fiscal Year (FY) 2022 (down from $2.8 trillion last year in Fiscal Year 2021) but that the annual deficit will average $1.6 trillion from FY 2023 to 2032. The office estimates that the budget deficit will reach 6.1 percent of Gross Domestic Product (GDP) by 2032, significantly larger than the 3.5 percent of GDP that deficits have averaged over the past 50 years. CBO also projects that federal debt held by the public will reach 110 percent of GDP by 2032, which is higher than it has even been. The Budget and Economic Outlook says that the estimate for the federal deficit for FY 2022 is projected to be $118 billion less than CBO's **previous estimates**, which were released in July 2021. However, the projection for the cumulative deficit over the 2022–2031 period is now $2.4 trillion higher.

In terms of economic outlook, CBO projects that, "elevated inflation initially persists in 2022 because of the combination of strong demand and restrained supply in the markets for goods, services, and labor. Inflation then subsides as supply disruptions dissipate, energy prices decline, and less accommodative monetary policy takes hold." After FY 2022, CBO expects that inflationary pressures will ease as economic growth slows. CBO's estimates that real GDP growth for 2022 will be largely the same as it was in its July 2021 update at an expected growth rate of 3.8 to 6.4 percent over the next five years. In early July 2022, CBO is expected publish its analysis of the President's FY 2023 budget request. Later in the month, CBO will also publish its recurring report on the long-term budget outlook. For additional coverage, see this article from ***CNN***.

## U.S. Department of Education News

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

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## General News

***Business Insider*** reports that the leadership at Nelnet, one of the biggest student loan companies, expects President Joe Biden to cancel $10,000 in debt per borrower in the next few weeks.

***The New York Times*** publishes a column saying that there are seven million bad student loans with no way out, for anyone. The Biden Administration plans to offer those with loans in default a fresh start. It would help borrowers and the government alike.

***Higher Ed Dive*** and ***Inside Higher Ed*** report that a new grant program created and funded by the Bill and Melinda Gates Foundation aims to help high school students complete an associate degree or credential just a year after they graduate high school.

***The Chronicle of Higher Education*** asks the question – are accreditors unfair to Historically Black Colleges and Universities (HBCUs)? Some HBCUs have struggled to remain accredited or get that status back. Advocates say accreditation practices could be at least partially to blame.

***Saving for College*** reviews a new report from the College Savings Foundation that reveals an ardent drive from Gen Z students to reclaim control of their education by aggressively targeting and planning to fund the most practical higher education paths to get the careers they want.

*KRLD News Radio 1080* reports that as many as 40 percent of master's degree programs cost more to complete than the value they return to the student, according to a study by The Foundation for Research on Equal Opportunity.

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