NCHER

DAILY BRIEFING

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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.

House Appropriations Committee Announces Markup Schedule for FY2023 Spending Bills

The House Appropriations Committee announced the schedule for consideration of the 12 appropriations bills that make up the discretionary portion of the federal budget. Under the schedule, full committee and subcommittee markups on the spending bills for Fiscal Year 2023 will begin this Wednesday, June 15, and conclude on Thursday, June 30. The following markups may be of interest to the NCHER membership:

- Thursday, June 16 – 11:00 a.m. – Subcommittee Markup of Financial Services and General Government Appropriations Act
- Thursday, June 23 – 5:30 p.m. – Subcommittee Markup of Labor, Health and Human Services, Education, and Related Agencies Appropriations Act
- Friday, June 24 – 9:00 a.m. – Full Committee Markup of Financial Services and General Government Appropriations Act
- Thursday, June 30 – 10:00 a.m. – Full Committee Markup of Labor, Health and Human Services, Education, and Related Agencies Appropriations Act

"Earlier this year, we passed a bipartisan, bicameral federal funding bill that pulled us out from under the previous administration's budget and showed just how government can deliver for working people," Chairwoman Rosa DeLauro (D-CT) said. "Beginning with next week's markups, the Appropriations Committee will build off those transformative investments with bills that continue to help meet the needs of working people, lower costs, and address many of the major challenges we face at home and abroad. I look forward to working with my colleagues—on both sides of the aisle and in both chambers—

to get our spending bills once again over the finish line."

House Education and Labor Committee Ranking Member Foxx Questions Administration's Authority to Forgive Student Loan Debt

Last week, House Education and Labor Committee Ranking Member Virginia Foxx (R-NC) sent a letter to Education Secretary Miguel Cardona saying that the Biden Administration does not have the authority to provide widescale federal student loan forgiveness and asking for additional details on the plans under discussion. In the letter, Ranking Member Foxx said the U.S. Department of Education's "unconstitutional decision to act on student loans" will harm borrowers and taxpayers while saying that the Department is unprepared to execute such a plan, as evidenced by the lack of details on Operation Fresh Start to date. Ranking Member Foxx asks a series of questions on the structure of a loan forgiveness plan, including how means-testing would work, whether the Department had worked with its federal student loan servicers, how it intends to communicate with borrowers, a timeline for implementation, and who will pay for such a plan.

Purdue University President Mitch Daniels Steps Down, Reveals Back a Boiler ISA Has Been Paused

Last Friday, Purdue University President Mitch Daniels announced that he was stepping down, effective January 1, 2023. At that time, Mr. Daniels will have been head of the university for 10 years. Mr. Daniels was a former Republican governor of Indiana, and is best known for freezing tuition at the college for the last 11 years and the acquisition, launch, and growth of Purdue University Global. Mr. Daniels was also a proponent of the university's "Back a Boiler" income share agreement where students pledge a share of their future income for a set length of time. Related on Friday, Purdue University updated its Back a Boiler website to announce that the program will be unavailable for new agreements during the 2022-2023 school year. The university has not made an official announcement about exactly when or why the Back a Boiler program was suspended. For further coverage, see these articles from ***The Chronicle of Higher Education*** and ***Indianapolis Star***.

College Leaders, Skills First Coalition Urge Congress to Provide Online Education Program Access to Short-Term

Pell Grants

Today, several college presidents and members of the Skills First Coalition sent a letter to Congressional leaders calling for the elimination of any exclusions to online education programs accessing expanded Pell Grant eligibility in the final Bipartisan Innovation Act. The letter cites a provision in the House-passed America COMPETES Act, which would expand Pell Grant eligibility to cover short-term courses, but excludes such courses that are online-only. The letter says that working adults and students currently have to pay for short-term programs out-of-pocket, which creates a barrier for many individuals seeking skills training. The college leaders and coalition members are "concerned the provisions in the House-passed America COMPETES Act that exclude online education programs will weaken the purpose of the provisions to provide access and affordability to students and working adults." The letter cites survey data that finds 73 percent of students indicated a preference for online courses post-pandemic and that excluding students in online programs "denies access to a significant population of students who must receive the skills needed to be able contribute to the workforce and improve their lives."

CFPB Takes Action Against Owner of Processingstudentloans

Last week, the Consumer Financial Protection Bureau (CFPB) **announced** that it was taking action against Processingstudentloans and its owner, Frank Gebase, Jr., The Bureau alleged that the company took borrowers' money after obtaining their names and account information from a previous third-party student loan debt relief company that the CFPB shut down. The Bureau's proposed settlement would ban Mr. Gebase from the debt-relief industry and make him pay a penalty. According to the complaint, Mr. Gebase knew the principal of the now-defunct Student Aid Institute, from which he obtained student loan account information without students' consent. The CFPB found that Processingstudentloans collected $39 per month in recurring fees from borrowers without authorization. Speaking on this recent action, CFPB Director Rohit Chopra said, "Frank Gebase brazenly rebooted a student debt-relief scam the CFPB shut down over six years ago. When student loan servicers don't provide clear and accurate information to borrowers, it sets the stage for scammers to swoop in." If the Bureau's proposed settlement is entered by the court, Mr. Gebase would pay a $175,000 fine to CFPB, which would go into CFPB's victims' relief fund.

News Sources: Department of Education Will Not Take Action Against Corinthian Colleges Executives

Last week, several news sources reported that the U.S. Department of Education would not take any action against the former owners and executives of Corinthian Colleges. Two weeks ago, the Department announced that it approved a $5.8 billion discharge of federal student loans for former Corinthian Colleges students. In the announcement, the Department said that Corinthian engaged in widespread and pervasive misrepresentations related to a borrower's employment prospects, including guarantees that they would find a job. "We cannot currently hold former owners or executives of Corinthian accountable because none of them had signed the Program Participation Agreement for federal student aid that the Education Department had with Corinthian," a Department spokesman said. In 2019, former Corinthian College Chief Executive Officer Jack Massimino and former Chief Financial Officer Robert Owen agreed to pay penalties after the Securities and Exchange Commission alleged that the two had misled investors. For additional coverage, see this article from ***Bloomberg***.

FSA Releases Electronic Announcement Confirming Variable Interest Rates

Today, the U.S. Department of Education's Office of Federal Student Aid released an Electronic Announcement showing the variable interest rates applicable to the Federal Stafford, Federal SLS, Federal PLUS, and Federal Consolidation loan programs for the period **July 1, 2022–June 30, 2023**. The announcement includes the following information:

- Stafford Loans: Based on the bond equivalent rate of 91-day Treasury Bills auctioned at the final auction held before June 1st of each year, the bond equivalent rate for 91-day Treasury Bills auctioned on May 31, 2022, is **14 percent.**
- PLUS/SLS Loans: Based on either the bond equivalent rate of 91-day Treasury Bills auctioned at the final auction held before June 1st of each year or the weekly average of the one-year constant maturity Treasury yield as published for the last calendar week ending on or before June 26th of each year, the bond equivalent rate for 91-day Treasury Bills auctioned on May 31, 2022, is 1.14 percent.
- Consolidation Loans: For which the loan application was received by an eligible lender on or after 11/13/97 but prior to 10/1/98 are based on the bond equivalent rate of 91-day Treasury Bills auctioned at the final auction held before June 1st of

each year, or 1.14 percent. For the HEAL portion of consolidation loans for which the loan application was received by an eligible lender on or after 11/13/97, the rate is based on the average of the bond equivalent rates of the 91-day Treasury Bills auctioned for the quarter ending June 30th of each year.

These rates do not affect Federal Stafford or Federal PLUS loans made on or after July 1, 2006, that are subject to fixed rates.

Senate Appropriations Committee Holds Hearing with Education Secretary Cardona

Last week, the Senate Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies held a hearing titled, "The President's Fiscal Year 2023 Budget Request for the U.S. Department of Education," with Education Secretary Miguel Cardona. In her opening statement, Chairwoman Patty Murray (D-WA) said that she is glad that the President's budget supports more resources for students from pre-kindergarten to college in order to address inequities in education. On higher education, Chairwoman Murray stated that it is important for Congress and the Biden Administration to address the crushing burden of student loan debt. She applauded the Department of Education on its current moves to cancel all remaining federal student loan debt from borrowers who attended Corinthian Colleges. She stated that the Department is moving forward on long needed fixes to income driven repayment plans and the Public Service Loan Forgiveness program. She mentioned that, although she is happy the administration is moving forward to fix these programs, she will not be content until there is a federal loan system that works for students and borrowers. Chairwoman Murray continued that fixing the current system should extend the federal student loan repayment and collections pause until at least 2023 and immediately forgive some debt for all borrowers. She stated that the root of the problem is that higher education is expensive. Congress and the administration must do everything that they can to lower the cost of college. To this end, the Chairwoman said that she is glad the budget supports efforts to simplify the federal student aid application process, expand eligibility requirements for those with the greatest need, increase funding for TRIO and Retention and Completion Grants, and start to address the goal of doubling the maximum award for the Pell Grant program. She continued that college costs are not the only barrier to higher education, which is why making college more accessible means investing in Historically Black Colleges and Universities (HBCUs), Tribal Colleges, and other Minority Serving Institutions.

In his opening statement, Ranking Member Roy Blunt (R-MO) stated that he has spent the last seven years focused on prioritizing investments in a bipartisan manner on efforts to promote college access, affordability, and competition. With the upcoming 50th anniversary of the Pell Grant program, he said that he is proud of the subcommittee's accomplishments. Over the past seven years, the appropriation bill has included an increase in the maximum award. He noted that the subcommittee also reinstated year-round Pell, a critical tool to help students stay enrolled in postsecondary education, complete their degree faster, graduate with less debt, and enter or reenter the workforce. He said that the best way to reduce student debt is to help students identify postsecondary pathways to careers sooner and assist students along the way. He stated that he is pleased the budget does not include a free community college proposal. While the budget does not include any specific student loan proposals, Ranking Member Blunt said that he is alarmed that the administration is discussing providing "illegal" student loan forgiveness, which would benefit those who truly do not need it. If limited to $10,000 per borrower, the Committee for Responsible Federal Budget estimates that federal student loan forgiveness would cost at least $230 billion and those in the top half of the income scale would receive 71 percent of the benefits. He stated that this cost is on top of the $100 billion that taxpayers have already paid for the federal student loan pause over the past 20 months. Lastly, the Ranking Member mentioned that student loan forgiveness does nothing to drive down college costs. In fact, he said that it will likely lead to an increase in college cost.

In his **testimony**, Secretary Cardona began by discussing his experience attending ceremonies for the victims of the events that took place in Uvalde, Texas and calling on Congress to take action to help the teachers at Robb Elementary School and the educators and students across the country. He thanked the senators for confirming nominees for key positions at the Department and indicated that additional nominees were awaiting confirmation so that the agency could continue its work. He said the priorities of the President's budget reflect what he has learned in visits to 33 states and conversations with students, parents, educators, and leaders. On higher education, Secretary Cardona called on Congress to increase investments in more inclusive, affordable pathways to higher education, including providing an increase in the Pell Grant by $1,775 and investing in community colleges, HBCUs, Hispanic-Serving Institutions, Tribal Colleges, and other inclusive institutions. He also highlighted the budget's $200 million investment in career-connected learning to assist more underserved students in graduating high school with industry credentials and college credits, saying that high school graduates need more options.

During the question-and-answer portion of the hearing, Chairwoman Murray asked about the Department's work to improve student loan repayment programs and forgive student loans from specific student groups. Secretary Cardona said the current federal student loan system was broken and the Department was working so that students do not face the same problems they encounter today. He mentioned that a lot of work has been done to ensure that the current program works for student and parent borrowers. Chairwoman Murray asked how the recently announced Unified Servicing and Data Solution (USDS) will improve federal student loan servicing and increase accountability. Secretary Cardona said that the Department is engaged in strengthening outcomes for the federal servicers and setting rigorous standards for those companies that we work with. Ranking Member Blunt said that he is very concerned with news reports that data from students completing the FASFA [Free Application for Federal Student Aid] was shared with Facebook. Secretary Cardona said that the Department activated a sophisticated advertising tool that did share some information but not social security numbers, dates of birth, or financial information; he said that the Department is investigating the matter. Sen. Mike Braun (R-IN) asked what the federal government could do to address why postsecondary education is so expensive. Secretary Cardona said that the Department redesigned the College ScoreCard to increase transparency, meeting with colleges and universities to pressure them to change, create the Office of Enforcement in order to improve the return on investment. Sen. Brian Schatz (D-HI) asked if the Department plans to integrate existing Second-Chance Pell pilot sites into the new Prison Education Program to prevent a gap in education programming. Secretary Cardona said that the Department is proud of the increased sites in the experiment and wants to continue to see its expansion. Sen. Jeanne Shaheen (D-NH) asked why the Department had not awarded grants for the Upward Bound program on time. Secretary Cardona said that he will work with his team and reach out to her office on the issue. Sen. Shaheen also asked for a timeline as to when the current federal student loan repayment moratorium would end and said borrowers need certainty on when they would have to restart their payments. Secretary Cardona said that he does not have any information he can share now about when it will end but that borrowers will have ample notice. He said the Department looks at reports from the Federal Reserve to determine whether the moratorium is extended or lifted.

Sen. Tammy Baldwin (D-WI) said that career and technical education has been underfunded by the federal government despite its growing demand and said that the Department's new initiatives should support, rather than supplant, the existing funding streams that connect students to skill and career services. Secretary Cardona stated that he will continue to advocate and support those types of programs. Sen. Baldwin said that she was proud to introduce and witness the passage of the Stop Student Debt Relief Scams Act of 2020, which cracked down on third-party debt relief companies. She asked what actions the Department had taken to implement the new law and when she could expect to see the designated third-party access system up and running. Secretary Cardona said that the Department is faithfully implementing the Act by implementing the third-party access form, working with the Inspector General to notify victims of fraud, and updating Federal Student Aid's website so borrowers can access their information easily. Ranking Member Blunt asked for the Department's plan to restructure the federal student loan servicing system in light of the subcommittee directive to extend the current contracts through December 2022 and the likelihood on the potential for bid protests. Secretary Cardona said that the Department does not support moving to a single servicer and that the Department is pursuing long-term servicing contracts with increased accountability. Ranking Member Blunt asked whether the Department envisions having a significant number of servicers. Secretary Cardona said that the Department would have different servicers. Ranking Member Blunt asked when the Department would issue the final award determination; Secretary Cardona said that he would have his team reach out to the Ranking Member.

For additional information, including an archived webcast, visit the **committee website**.

Federal Reserve Releases Monthly Consumer Credit Report, Finds Decrease in Student Loan Debt

Last week, the Federal Reserve released its monthly **Consumer Credit - G.19 Report**, which showed that consumer credit increased at a seasonally adjusted annual rate of 10.1 percent in April. Revolving credit (mostly credit card debt) increased at an annual rate of 19.6 percent, while nonrevolving credit (mostly auto loans and student loans) increased at an annual rate of 7.1 percent. Total outstanding consumer credit stood at $4.567 trillion at the end of April, up $38 billion from March. Revolving credit increased by $17.8 billion and nonrevolving credit increased by $20.3 billion. Nonrevolving debt owned by the federal government (mostly Direct Loans) declined slightly, which means the increase in nonrevolving credit was likely almost entirely attributable to auto loans.

Third Way Report Encourages Department of Education to Improve Cohort Default Rate

Last week, Third Way published a memo titled, **Using the Payment Pause to Reinvent the**

Cohort Default Rate, which examined how the U.S. Department of Education could use the current federal student loan payment pause to improve its Cohort Default Rate (CDR) to hold more colleges and universities accountable for poor student outcomes. Third Way argued that the current CDR has a loophole that allows institutions of higher education to push students into deferment or forbearance to avoid default. The federal student loan payment pause that went into effect during the COVID-19 pandemic will render the CDR inoperable for at least several years, as the metric requires three years of repayment data before schools can face sanctions. Third Way proposed the following recommendations to improve the CDR during this period of inaction:

- Close the Deferment and Forbearance Loophole: The Department could automatically treat borrowers as if they were in default after three years of forbearance.
- Supplement CDR with Repayment Rates: Using a repayment rate would paint a more accurate picture of how students are repaying their loans, which will better identify schools that are leaving their students in tough financial positions after graduation.
- Anticipate Schools at Risk of Failing CDR: Using data to identify schools at risk of failing CDR will allow the Department to ask these schools to demonstrate improvement to their student outcomes.

Third Way discussed several alternative metrics that could be used instead of the CDR to hold institutions accountable for student outcomes, including a price-to-earnings premium, debt as a percent of earnings, or a net earnings premium. The report concluded by saying that, “Policymakers should leverage this moment for a reset, to fix the current metric and consider additions to it so that accountability doesn’t lag for an extended period at the expense of protecting students and taxpayers.”

Texas Public Policy Foundation Examines Department of Education Data on Recent Graduate Earnings

The Texas Public Policy Foundation recently published a report titled, College Graduate Earnings: 2022, which used new data from the U.S. Department of Education to document the typical earnings of recent college graduates. Based on median annual earnings three years after graduation, the foundation said that earnings generally rise with the length and complexity of the degree: associate degree ($34,123), bachelor’s degree ($46,845), master’s degree ($60,901), professional degree ($78,226), and doctoral degree ($78,595). Undergraduate certificates and degrees are disproportionately found lower on the income scale, whereas graduate degrees are disproportionately found higher on the income scale. The foundation found that bachelor's degree and professional degree recipients benefitted from particularly large increases in earnings three years after graduation. In terms of institution types, the report found that, "median earnings are generally similar across types of colleges, but some differences stand out. For example, bachelor's degree recipients from public colleges earn less than graduates from the other types of colleges, as do professional degree recipients from for-profit colleges." The report concluded by stating that, "We hope that these data will help students and parents make more informed college enrollment decisions. These data can also help inform the resource allocation decisions of college administrators and policymakers."

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 Website:

- (EDESUITE-22-03) Availability of EDExpress for Windows, 2022–2023, Release 3.0
- (GENERAL-22-31) Volume 5 – Withdrawals and the Return of Title IV Funds [2022-2023 Federal Student Aid Handbook]
- (GENERAL-22-30) Juneteenth National Independence Day Federal Holiday Processing and Customer Service Hours
- (DL-22-05) Availability of Direct Loan (DL) Tools for Windows, Release 22.0
- (COD-22-03) 2022–2023 COD Technical Reference (June 2022 Update) Now Available
- (GENERAL-22-29) Title IV Institutional Survey — Web Survey to Begin June 7, 2022
- Request for Comment: FAFSA Form Demographic Survey

General News

The Congressional Budget Office (CBO) released a presentation on the Pell Grant program by Leah Koestner, a principal analyst in its Budget Analysis Division, to the Postsecondary National Policy Institute. The presentation includes an overview of the program, an explanation of its funding components, a discussion on its program costs and funding, and CBO's baseline projections verses program costs.

The Hill includes an op ed by Carnegie Mellon University Professor of Information Technology and Marketing Michael Smith who argues that federal student loan forgiveness will not rein in tuition costs.

The Washington Post continues its coverage of federal student loan debt cancellation noting that borrowers are anxious as decisions linger on debt cancelation.

NPR examines the question of whether the United States is closer to canceling all federal student loan debt.

U.S. News and World Report publishes a column reviewing what to know about student loan assistance that borrowers can receive from their employers.

CNBC reports on what to do with a 529 College Savings Plan if federal student loan debt is forgiven.

CNBC reports that credit card balances spiked after the COVID-19 pandemic stimulus checks helped reduce debt.

Inside Higher Ed reports that, late last week, the U.S. Department of Education released a fact sheet demonstrating how colleges and universities can use American Rescue Plan funding to make investments in the teaching workforce to help combat the teaching shortage. Actions include increasing wages, expanding loan forgiveness or scholarship programs for the teaching field, increasing state and institutional partnerships, and early teaching mentorship programs.

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