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# DAILY BRIEFING

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## House and Senate Democrats Send Letter to President and Education Secretary to Extend Current Federal Student Loan Payment Pause

Today, more than 100 House and Senate Democrats sent a letter to President Joe Biden and Education Secretary Miguel Cardona urging them to extend the current pause on federal student loan payment and collections that is currently scheduled to expire on August 31st. In the letter led by Senate Majority Leader Chuck Schumer (D-NY), the lawmakers call for an extension of the pause because of the numerous economic issues facing borrowers across the nation as well as administrative actions in process by the U.S. Department of Education. "Resuming student loan payments would force millions of borrowers to choose between paying their federal student loans or putting a roof over their heads, food on the table, or paying for childcare and health care—while costs continue to rise and while yet another COVID-19 variant increases hospitalizations nationwide," the letter says. "Moreover, resuming student loan payments at this moment would further complicate administrative actions already underway or contemplated by the Department—which could contribute to unnecessary confusion for borrowers in the upcoming months. Currently, many borrowers are in limbo as they await upcoming actions from the Department or their federal student loan servicer—either through the Public Service Loan Forgiveness waiver or through the one-time account adjustments announced by [the Department] on April 19, 2022 that would count past periods of forbearance or deferment."

As previously reported, the Department recently instructed its federal student loan servicers not to engage borrowers regarding the restart of repayment, which is the same action taken by the agency in March before extending the pause last time. Education Secretary Cardona said that borrowers will receive "ample notice" on any changes to the timeline even though the deadline is quickly approaching. White House Press Secretary Karine Jean-Pierre said during a press briefing this week that the President "understands what this means for families, how burdensome this can be. I just don't have anything more to share. And he said himself, by the end of August, so that's right around the corner...He'll make a decision."

For more coverage, see this article from ***Business Insider***.

## Senate Appropriations Committee Releases FY2023 Labor, HHS, ED Appropriations Act, Includes AMF Extension

This morning, the Senate Appropriations Committee released the **legislative text** of the Labor, Health and Human Services, Education, and Related Agencies Appropriations Act for Fiscal Year 2023. The committee also released the **committee's explanatory statement** and a **bill summary**. The committee's release of the package stands as a legislative marker on funding priorities for Senate Democrats, though it is strongly opposed by Senate Republicans who believe that the funding levels are unrealistic and must be reduced in order to reach a bipartisan, bicameral agreement after the November election.

The following are the major provisions of the U.S. Department of Education included in the just-released bill:

- The bill increases the discretionary portion of the maximum award for the Pell Grant program by $500. When including mandatory funding provided under current law, the legislation would increase the total maximum award to $7,395 for the 2023-24 school year.
- The bill provides $1.275 billion for Federal TRIO programs, an increase $138 million or 12.1 percent, and $75 million for Postsecondary Student Success Grants, an increase of $70 million, for grants to scale up evidence-based practices and reforms to improve postsecondary retention and completion rates
- The bill extends authority for Account Maintenance Fees paid to guaranty agencies for an additional year. The language is as follows: SEC. 306. Section 458(a)(4) of the HEA (20 U.S.C. 2 1087h(a)) shall be applied by substituting ''2023'' for ''2021''.
- The bill provides $2.6 billion for Student Aid Administration, an increase of $580 million or 28.7 percent, to modernize and simplify student loan servicing. Similar to the past, the bill includes legislative language allocating new borrower accounts to eligible student loan servicers on the basis of their past performance compared to all loan servicers utilizing established common metrics and on the basis of the capacity of each servicer to process new and existing accounts; allowing student loan borrowers who are consolidating federal student loans to select from any student loan servicer to service their new consolidated student loan; and restricting the award of any new contract solicitation for a new federal student loan servicing environment unless it provides for the participation of multiple student loan servicers that contract directly with the Department of Education to manage a unique portfolio of borrower accounts and the full life-cycle of loans from disbursement to pay-off. It also requires the Department to allocate accounts from servicers for recurring non-compliance with Federal Student Aid (FSA) guidelines, contractual requirements, and applicable laws, including for failure to sufficiently inform borrowers of available repayment options; to evaluate servicers on their ability to meet contract requirements, future performance on the contracts, and history of compliance with applicable consumer protections laws; to hold prime contractors accountable for meeting the requirements of the contract and the performance and expectations of subcontractors; and to incentivize more support to borrowers at risk of delinquency or default. Finally, the legislation requires that any new federal student loan servicing environment provides for a single, centralized website and phone line with Department of Education branding for all federally-held student loan borrowers to manage account information and make payments and requires the Department make available upon request or complaint from a borrower or federal or state law enforcement, the name and other

identifying information of any contractor that interacts directly with a borrower, including the nature of such interaction with the borrower.

- The bill includes a new general provision making DACA students and students with temporary protected status or grant of deferred enforced departure eligible for Pell Grants and federal student loans.

The explanatory language included in the committee report is as follows:

*The Committee recommends $2,594,034,000 for the Student Aid Administration account. These funds are available until September 30, 2024 and support the Department's student aid management expenses. The Committee recommendation includes an increase in funding to support increased costs associated with servicing federal student loans, enhance IT and cyber security, support the continued transition to a future servicing environment, and implement the FUTURE Act and FAFSA Simplification Act. The Committee notes that, in order to prioritize implementation of some of these activities, recent appropriations have covered fewer months of servicing costs. The fiscal year 2023 recommendation returns to a normal 12- month cycle, which significantly increases fiscal year 2023 funding needs relative to fiscal year 2022.*
*The Committee recommendation continues the requirement for the Department to provide quarterly briefings on implementation of a new student loan servicing solution, and to provide spend plans on planned and actual uses of funds within this account. These spend plans should include details on major activities, including base servicing costs; implementation of the Unified Servicing and Data Solution [USDS]; implementation of the FUTURE Act and FAFSA Simplification Act; IT and cybersecurity enhancements; and other activities as necessary. In addition, the Committee directs the Department to continue to provide quarterly reports detailing its obligation plan by quarter for student aid administrative activities, broken out by each servicer and private collection agency, and by activity, and detailing performance metrics, total loan volume, and number of accounts, assigned to each such servicer and private collection agency. Accountability for Misconduct and Abrupt School Closures: The Committee remains concerned by the significant number of institutions of higher education that in recent years have committed fraud, abuse, substantial misrepresentation, or other misconduct, or have abruptly closed. The Committee strongly supports efforts to forgive loans for students who attended these institutions and directs the Department to develop procedures for holding executives, owners, and board members liable for such misconduct and closures. This would help alleviate negative consequences for students and taxpayers and help deter future predatory or illegal behavior.*

*Office of Enforcement: The Committee strongly supports efforts to expand the capabilities of the Office of Enforcement to identify and address major problems across institutions of higher* *education that pose widespread risk to students and taxpayers. The Committee expects FSA to robustly staff this office, and requests information in the fiscal year 2024 CJ on activities undertaken and planned to be taken to preemptively address fraud and other related issues. Return of Title IV Funds: The Committee continues to encourage the Department to pursue efforts to simplify and streamline the Return of Title IV Funds process for institutions of higher education and students.*

*State-Based and Non-Profit Servicing Organizations: The Committee continues to note that many State-based and non-profit servicing organizations have demonstrated and specialized experience in helping struggling borrowers, and continues to encourage the Department to ensure such organizations have a role in any new Federal student loan servicing environment. Especially in light of the COVID–19 pandemic and the eventual return of Federal borrowers to regular payments, it is more important than ever that student borrowers are supported by mission-based organizations, like these State-based and non-profit organizations, that have longstanding experience in providing proactive borrower advocacy services. The Committee strongly encourages the Department to explore incentives for Federal student loan servicers to subcontract with such organizations.*

*Student Loan Servicing: The Committee recommendation continues many of the requirements from the Consolidated Appropriations Act, 2022, with modifications focused on ensuring USDS provides high-quality service to all students and borrowers, holds student loan servicers and contractors accountable, and prioritizes those with the greatest needs. The Committee notes that over the last several years FSA has gone through multiple iterations of plans to update its core student loan servicing contracts. This has created uncertainty and delayed implementation of improvements for borrowers, and the Committee looks forward to working with FSA on implementation of USDS.*

In a **press release**, Senate Appropriations Committee Chairman Patrick Leahy (D-VT) said that he looks forward to completing the budget and appropriations process before the end of the 117th Congress, conceding that the House and Senate will not be able to reach agreement before the start of the fiscal year on October 1st. In response, Ranking Member Richard Shelby (R-AL) issued a competing **press release** criticizing the process: "Democrats know the path to a successful appropriations process, but today they chose to move in a different direction. If we are going to get full year bills during this Congress, Democrats must commit to a bipartisan framework that abandons poison pills, preserves legacy riders, and demonstrates a serious commitment to our military. Wasteful, off-budget spending that fuels inflation will be a non-starter. Today's effort shows we have a long way to go. Democrats need to get serious or, regrettably, I believe we will end up with a long-term CR."

For more information on the Senate's release of the appropriations bills, see these articles from ***The Hill*** and ***Roll Call***.

## Department of Education Publishes NPRM on 90-10 Rule, Pell Grants for Prisons in *Federal Register*

Today, the U.S. Department of Education **published** its Notice of Proposed Rulemaking (NPRM) making revisions to the 90-10 Rule, Pell Grants for Prison Education Programs, and change in ownership for institutions of higher education in the *Federal Register*. The public comment period is open until August 26, 2022.
The proposed regulations are summarized below:

- Modifications to the "90/10" rule. For-profit institutions have been required by the Higher Education Act to obtain at least 10 percent of their revenue from sources other than federal student aid provided by the Department (e.g., Pell Grants and federal student loans). The American Rescue Plan Act requires that at least 10 percent of funds come from sources other than any federal education assistance, not just aid awarded by the Department. The proposed regulations would be a change from current practice, in which institutions can count federal aid for veterans and servicemembers to meet the 10 percent revenue test. The proposed regulations would codify this statutory change and also count revenue from the sale of institutional loans, income-share agreements, or similar alternative financing options.
- Changes in ownership. The proposed regulations would clarify the definition of a nonprofit institution to prevent improper financial benefits to a former owner or other affiliate of a college. Additionally, institutions of higher education undergoing a change in ownership would be required to notify both the Department and the institution's students at least 90 days prior to the change to ensure advance notice is provided. Institutions undergoing a change in ownership may also be required to provide additional financial protection or to comply with additional conditions to protect against the risk of the transaction.
- Pell Grants to incarcerated individuals. Congress recently established eligibility for Pell Grants for incarcerated individuals enrolled in qualifying programs. The proposed regulations would ensure that state departments of corrections, the Federal Bureau of Prisons, or another entity fairly assess institutions' eligibility to

offer prison education programs based on the best interests of the students and with the input of affected stakeholders; clarify requirements for such prison education programs; and ensure transparency and data to demonstrate how well these programs are serving their students.

## University of Wisconsin Research Lab Analyzes Federal Student Loan Repayment Outcomes at Six Universities

The University of Wisconsin's Student Success Through Applied Research (SSTAR) Lab recently published a report titled, **Evaluating Federal Student Loan Repayment Outcomes at Six Research Universities**, which used information from the National Student Loan Data System to analyze repayment rates and outcomes for 64,052 federal borrowers. The borrowers in the scope of the study held $1.7 billion in federal student loans; 69 percent of the borrowers were either in deferment or forbearance while 28 percent of the borrowers had repaid their loans in full within five years of entering payment. SSTAR found that, across the six universities studied, income-driven repayment plans were most common among graduate student borrowers and Black student borrowers, and that Black and Native American borrowers have lower paid in full rates and higher default rates than white and Asian American borrowers. SSTAR noted that, while individual student borrower characteristics and outcomes are helpful to understand broader federal loan repayment outcomes, "There is no 'typical' borrower, so default prevention, informational campaigns, loan counseling, financial wellness efforts, and other financial aid practices require institutions to take proactive and personalized outreach to support successful repayment." The report outlined the ways in which federal repayment rate proposals could utilize the findings from the six universities in order to identify opportunities for improving loan outcomes, including by disaggregating repayment rates by repayment plans and debt levels. The report also recommends that, in order for financial aid professionals to more effectively monitor and design responses based on student need, loan outcomes should be disaggregated by students' racial/ethnic, academic, and socioeconomic characteristics, in addition to program of study and completion status.

## Department of Commerce: U.S. Economy Shrinks for Second Consecutive Quarter

Today, the U.S. Department of Commerce reported that the U.S. economy appeared to shrink for the second consecutive quarter, amid growing concern that the nation could be slipping into a recession. According to the federal data, Gross Domestic Product (GDP) for the U.S. shrunk between April and June, marking the second-straight quarter of economic contraction. GDP fell at a yearly pace of 0.9 percent in the second quarter, according to the first estimate of economic growth over the previous three months. Put simply, the U.S. economy would shrink by nearly 1 percent if the second quarter's pace of growth lasted for an entire year. Many economists expected GDP to fall for a second consecutive quarter as the economy faced more pressure from high inflation, rising interest rates, slowing job growth, falling home sales and other headwinds. Two straight quarters of negative economic growth have long been used as a rule of thumb to determine when the U.S. is in recession and is the formal threshold for a recession in other countries. But economists in the U.S. consider a broader range of data when determining if the U.S. is in recession. The United States has added 2.7 million jobs since the start of 2022, and consumer spending has continued to increase even amid high inflation. The unemployment rate in June was 3.6 percent, just 0.1 percentage point higher than before the pandemic began, and there were roughly two open jobs for every unemployed American since May. But as the job market has remained resilient, other sectors of the economy have struggled.

For additional coverage, see these articles from ***The Hill***, ***The New York Times***, and ***The Washington Post***.

## U.S. Department of Education News

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

The following announcement was posted to Federal Student Aid's Knowledge Center website:

- **(GENERAL-22-47) NSLDS Professional Access – Modernized Website Now Available (Updated July 27, 2022)**

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## General News

***The Hill*** reports that the White House's next move on federal student loans has been a mystery, with federal officials not communicating with advocates and instead keeping stakeholders in the dark while the President decides whether to forgive student loans on a large scale.

*Inside Higher Ed* reports that a bipartisan bill introduced last week would create new guardrails for Income-Share Agreements (ISA) used in higher education programs. The bill is supported by ISA providers, but critics view ISAs as a predatory form of financial aid and a bad solution to making college affordable.

*Higher Ed Dive* reports that more than 1,700 colleges and universities so far are not requiring students to submit SAT and ACT scores when they apply for admission for fall 2023, only a slightly lower number of institutions of higher education than the previous admissions cycle.

*The Chronicle of Higher Education* reports that hard-earned lessons from the past year are informing what colleges and universities are planning for students this fall.

*Diverse Issues in Higher Education* reports that the Pennsylvania Legislature is giving $1 million to college campuses for the coming school year to address student food insecurity.

*The Washington Post* includes an op-ed by Loyola University Chicago Associate Professor of History Elizabeth Tandy Shermer who argues history explains why the left is mad over the White House's proposal on federal student loan relief.

*The New Yorker* reports that, in an era of declining wages and rising debt, Americans are not aging out of their student loans—they are aging into them.

*The National Law Review* examines guidelines that employers should use to avoid legal pitfalls associated with tuition assistance benefit programs.

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