NCHER

DAILY BRIEFING

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NCHER, EFC, SLSA Send Public Comments to Department of Education on NPRM on Borrower Defense to Repayment and PSLF

Earlier this week, NCHER, along with the Education Finance Council and Student Loan

Servicing Alliance, submitted **public comments** on the U.S. Department of Education's Notice of Proposed Rulemaking that makes revisions to the borrower defense to repayment rule, Public Service Loan Forgiveness (PSLF) program, closed school discharge, Temporary and Permanent Disability, and other changes to the federal student loan program. The comments express support for the Department's proposed regulations on interest capitalization, closed school discharges, and false certification discharges, and include several technical corrections around borrower defense to repayment and PSLF. The organizations also state that they do not support the proposed changes to PSLF regarding records, reports, and inspection requirements for guaranty agencies. The letter cites that the proposed changes are unnecessary, could lead to the collection of stale or invalid contact information, and may not target borrowers who need to be informed of PSLF. The comments add that the Federal Family Education Loan community already engages in outreach in accordance with best practices, and feedback from borrowers indicates that increased notices and disclosures may not lead to better outcomes. Public comments on the proposed regulations are due tomorrow, August 12, 2022.

White House Officials Meet With Progressive Groups on Federal Student Loan Forgiveness

Today, White House officials are meeting with several progressive groups to provide input on a potential plan to provide federal student loan forgiveness ahead of the expiration of the current student loan payment pause. The meeting is expected to include officials from the White House Domestic Policy Council, National Economic Council, Office of Public Engagement, and Office of Political Strategy and Outreach. According to press reports, the meeting is an opportunity for the Biden Administration to discuss their current thinking on a potential plan for student loan debt cancellation, though the White House said that they are holding the meeting at the request of the groups as it has done regularly over the past year.

On Tuesday, White House Press Secretary Karine Jean-Pierre said that the President had not made any decision on whether to extend the freeze on payments or widespread debt cancellation. "The Department of Education will communicate directly with borrowers about the end of the payment pause when a decision is made," Ms. Jean-Pierre said. On the issue of broad-based debt cancellation, she added, the White House was continuing to "assess our options." She also reiterated that the President has committed to deciding by the end of the month. "He'll have something before August 31," she said.

The Biden Administration is widely expected, at a minimum, to further extend the federal student loan payment and collections pause until at least after the November elections. Department officials have already signaled a likely extension of the payment pause by telling its federal student loan servicers to hold off on sending borrowers notices that their payments are resuming. But the broader question of a mass loan cancellation program is more complicated. White House advisers have been divided over the policy wisdom and political ramifications of forgiving large amounts of student loan debt. The internal decision-making process has dragged on for months without resolution.

For more coverage, see this article from ***Forbes***.

Department of Education Holds Raise the B.A.R. Summit, Announces Extension of Project Success and New College Completion Fund

Today, the U.S. Department of Education held a Raise the B.A.R.: Bold + Action + Results in College Excellence and Equity Summit. The one-day summit included several higher education leaders from colleges, systems, and organizations across the country who spoke about their efforts to reform higher education to promote stronger outcomes, particularly for students of color and low-income students.

During the summit, the Department announced the availability of $5 million in funds to support a new College Completion Fund for Postsecondary Student Success. The funding is expected to support grants to Historically Black Colleges and Universities (HBCUs), Tribal Colleges and Universities (TCUs), and Minority-Serving Institutions (MSIs) to invest in data-driven and evidence-based reforms that encourage postsecondary retention, transfer, and completion. The funds can also be used to support existing students who are close to graduation and reengage students who withdrew from school temporarily during the pandemic.

"For far too long, our higher education system has left our nation's most accessible, inclusive colleges without adequate resources to support student success, while many institutions chase rankings that reward privilege and selectivity over equity and upward mobility," said Secretary of Education Miguel Cardona in a **press release**. "Reimagining higher education means rejecting a status quo in which so many students earn some college credits but no degree, leaving them with student debt they cannot afford and less access to good-paying jobs. Today's summit demonstrates the Biden-Harris

Administration's belief that investments in college completion can level up our entire higher education system and help more students from communities of color and other low-income and underserved communities make it to commencement day."

The Department also announced that it plans to extend the Project Success initiative, currently set to expire next month, for an additional three-year period. Through Project Success, more than 200 HBCUs, TCUs, and MSIs receive access to resources and support services to help improve their students' outcomes. The extension announced today will enable the Department to continue the initiative and increase its focus on evidence-based strategies, including through capacity-building networks focused in improving student success.

New York Federal Reserve Examines Status of Student Loan Borrowers During COVID-19 Pandemic

Earlier this week, the Federal Reserve Bank of New York released a **blog post** that included data from its 2022 Student Loan Update. The Update focuses on the statuses of four groups of borrowers during the COVID-19 pandemic: borrowers who are current with a declining balance, borrowers who are current with either flat or increasing balances, borrowers who are 90 or more days past due, and borrowers who are in default. The data shows that the share of borrowers in the second group (flat or increasing balances) increased from 48 percent at the end of 2019 to 66 percent at the end of 2021 while the share of borrowers who were delinquent or in default went from 15 to 7.5 percent. Meanwhile, the credit scores of student loan borrowers increased dramatically during the pandemic - those in the highest two groups (those with credit scores of 720 or above) increased from 25 percent to 29 percent over the period. The share of subprime borrowers meanwhile dropped 8 percentage points. The authors of the blog suggest that the student loan landscape is poised to change dramatically because of the scheduled end of pandemic forbearances. The blog concludes that: "The end of forbearance will have impacts on credit scores, borrowing, and household cash flow over the coming year for the 38 million federal borrowers that have benefitted from the pause."

FSA Issues Dear Colleague Letter on Replacement of LIBOR with SOFR for SAP Billing

The U.S. Department of Education's Office of Federal Student Aid recently released a **Dear Colleague Letter (GEN-22-12)** discussing the replacement of the London Interbank

Offered Rate (LIBOR) in the calculation of Special Allowance Payments (SAP) on Federal Family Education Loan Program (FFELP) loans. The changes were directed by the Adjustable Interest Rate (LIBOR) Act signed into law on March 15, 2022, which allows FFELP holders to convert to using the 30-day Average Secured Overnight Financing Rate (SOFR) - plus a spread - in billing for SAP on those loans previously subject to billing based on 1-month LIBOR. The new law states that a lender or beneficial owner may convert to SOFR at any time on or before June 30, 2023. If a holder or beneficial owner has not elected to transition to SOFR by that date (or an earlier date if the LIBOR Administrator ceases publishing 1-month LIBOR or determines that the benchmark is no longer reliable), the conversion occurs by "operation of law." The Dear Colleague Letter provides that, to exercise the SOFR election, a FFELP lender or beneficial holder must submit a SOFR Election Form and Chief Executive Officer Authorizing Statement or Incumbency Certificate proposed by the Department. According to the Dear Colleague, those forms will be made available in a subsequent announcement once they are cleared by the White House Office of Management and Budget. NCHER, together with the Education Finance Council and Student Loan Servicing Alliance, are in the process of submitting public comments on the forms, which are due next Monday.

GAO Report Urges Department of Education to Improve Communications with Borrowers on Closed School Discharges

Recently, the U.S. Government Accountability Office (GAO) published a new report titled, **College Closures: Education Should Improve Outreach to Borrowers about Loan Discharges**, which found that outreach to student borrowers in the event of a school closure can be confusing and insufficient, and offered recommendations for the U.S. Department of Education to improve communication. When an institution of higher education closes, borrowers may be eligible for relief through a closed school discharge. GAO outlined three major issues with the Department's current outreach strategy on borrowers' eligibility for closed school discharge being carried out by its Office of Federal Student Aid (FSA). First, the Department is often delayed in identifying school closures and thus subsequently delayed in reaching out to students eligible for a closed school discharge. Second, the Department's communications and information on closed school events sent out by its federal student loan servicers was confusing and incomplete. Third, the Department does not engage in follow-up outreach to borrowers who are at risk of defaulting on their loans. To address these issues, GAO included four recommendations to improve the closed school discharge system:

1. FSA should implement additional strategies to identify school closures in a timely manner, including by leveraging available data to identify potential closures proactively.

1. FSA should use the Department's weekly reports to increase communications to borrowers to inform them of their potential eligibility for a closed school discharge.

1. FSA should develop guidance for what should be included in communications from student loan servicers to borrowers after a school closure.

1. FSA should increase outreach efforts to at-risk borrowers who may be eligible for a closed school discharge, especially borrowers with loans in delinquency or default.

For more coverage, see this article from ***Higher Ed Dive***.

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:

- **(GENERAL-22-55) Volume 2 - School Eligibility and Operations [2022-2023 Federal Student Aid Handbook]**
- **(APP-22-15) 2023–24 Summary of Changes for the Application Processing System Guide**
- **(APP-22-14) 2023–24 Expected Family Contribution (EFC) Formula Guide**

General News

insideARM reports that Consumer Financial Protection Bureau Director Rohit Chopra recently spoke at the Philadelphia Federal Reserve Bank's Sixth Annual Fintech Conference where he argued that enforcement actions rather than financial literacy were necessary to prevent consumer abuse.

Inside Higher Ed reports that the Inflation Reduction Act, passed over the weekend by the U.S. Senate, includes a provision to clarify an exception to the 85-15 rule, a law that requires colleges and universities to enroll at least 15 percent of students who are not veterans that receive federal military funding to pay for college in each academic program offered. The legislation reverses several changes put in place by the U.S. Department of Veterans Affairs which placed a burden on colleges that enroll low numbers of veterans.

Kiplinger reports that news on the federal student loan payment and collections pause and possible student loan forgiveness could come soon. Until then, there are some key things to know about student loans and taxes.

KFOR News reports that 50 percent of parents with student loan debt say they will not be able to meet basic financial needs if the federal student loan payment pause ends later this month. A new survey from Parents Together Action shows that an overwhelming number of parents found the repayment pause helpful and made a positive difference for their families.

CNBC reports that with or without federal student loan forgiveness, colleges and universities must tackle the affordability crisis, according to several experts.

Inside Higher Ed reports that new data shows college endowment returns are down after a banner year in 2021. Experts say the returns are more about a difficult year for the market than investment strategies.

University Business reports that despite interest, neither students nor employers favor skills over a college degree, according to a new report. Even though 72 percent of employers say a college degree is an unreliable measure of assessing a potential candidate, the majority still prefer to hire those employees who have one.

Saving for College reviews the four steps to help navigate the 529 College Savings Plan withdrawal process and avoid paying taxes and penalties on the savings.

The Chronicle of Higher Education reports that a survey of more than 300 college and university officials shows many are planning for long-term growth in online education, but few are consistently evaluating the quality of their mushrooming course lists.

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