



DAILY BRIEFING

Tuesday, February 8, 2022

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Department of Education Releases Issue Papers for Next Week's Negotiated Rulemaking Committee, Focuses on New Consumer Disclosures for All Colleges

Earlier this week, the U.S. Department of Education released updated issue papers for the second session of its Institutional and Programmatic Eligibility Committee, which has been tasked with revising a series of federal rules and regulation around ability to benefit, administrative capability, gainful employment, financial responsibility, changes in ownership, certification procedures, and recent Congressional changes to the 90-10 rule. According to the issue paper on gainful employment, the Department is considering requiring all colleges and universities that receive federal funding to tell prospective students about the outcomes of their academic programs, such as completion rates, loan repayment rates, total costs of attendance, and the earnings of former students. Under

the draft plan, institutions of higher education would have to direct students and prospective students to a Department website that discloses the consumer information. The disclosures would be specific to individual academic programs, not just an overall institution. The proposal would also penalize career college programs where median graduates have student loan payments that exceed either 20 percent of their discretionary income or 8 percent of their annual earnings. Programs that fail those metrics for two out of three years would lose access to Pell Grants and federal student loans.

The Department's proposal is similar to the gainful employment regulation put in place by the Obama Administration, which was later repealed by the Trump Administration. However, as noted, it proposes to extend the transparency piece to all colleges and universities that receive federal aid. The proposal is likely to generate significant concern from the for-profit community which has opposed previous attempts to define gainful employment.

The second session of the Institutional and Programmatic Eligibility Committee takes place next week, February 14-18, 2022. For more information on the neg-reg process, click [here](#).

New York Fed Releases Household Debt and Credit Report, Finds Student Loan Balances Decreased During Fourth Quarter

The Federal Reserve Bank of New York recently issued its [Household Debt and Credit Report for the Fourth Quarter of 2021](#). The report found that, overall, total household debt increased by \$333 billion (or 2.2 percent) to \$15.58 trillion in the fourth quarter of 2021, the largest increase in both percentage and nominal terms since 2007. Mortgage balances, the largest component of household debt, rose by \$258 billion. Non-housing balances grew by \$74 billion in the quarter, with gains across all debt types other than student loans. Auto loans increased by \$15 billion and credit card balances increased by \$52 billion, the largest quarterly increase in the 22-year history of data. However, student loan balances decreased by \$8 billion in the quarter, a change that the New York Fed says is like that seen in the fourth quarter in the previous two years. Overall, student loan balances increased by \$21 billion in 2021, the smallest annual increase in nearly two decades.

The report showed that, overall, delinquency rates remain low (2.7 percent at the end of December), having declined two percent since the beginning of the COVID-19 pandemic. The report attributed the decline to an uptake in forbearances provided both by the Coronavirus Aid, Relief, and Economic Security or CARES Act and voluntarily by lenders. Of the \$424 billion of debt that was delinquent, \$298 billion was seriously delinquent (defined as at least 90 days delinquent). The number of new bankruptcies and the share of consumers with a 3rd party collection account were both at historic lows. The report showed that there was \$1.58 trillion in outstanding student loans in the quarter. About five percent of student loan debt was more than 90 days delinquent or in default. The report noted that the low delinquency rate for student loans was attributable to the administrative forbearances granted on federal loans. As in the past, the report noted that delinquency rate for student loans understates the real delinquency rate, as about half of student loans are in deferment, grace, or forbearance status.

For further coverage, see this article from [Fox Business](#).

Pew Charitable Trust Report Reviews Goals and Structure of Income-Driven Repayment

Today, the Pew Charitable Trust released a report titled, [Redesigned Income-Driven Repayment Plans Could Help Struggling Student Loan Borrowers](#). The report reviews the goals and structure of income-driven repayment (IDR) plans and identifies themes in research on borrowers' experiences in repayment to help policymakers better understand the benefits, drawbacks, and potential effectiveness of reforms. The report also proposes principles for reform that would address four identified problems: the under-enrollment of struggling borrowers in such plans; the unaffordability of monthly payments for some borrowers; an increase in loan balance for some participants; and barriers to enrollment in and recertification for these plans. Key takeaways include the following:

- Income-driven repayment plans are largely meeting the goal of lowering the risk of delinquency and default for many borrowers. Those enrolled in IDR plans have much lower delinquency and default rates than borrowers enrolled in the standard 10-year repayment plan. In addition, borrowers who previously defaulted may be less likely to redefault if they enroll in an IDR plan after bringing their loans back into good standing.
- Borrowers in income-driven plans tend to have moderate to low annual incomes and higher debt than those in other plans. About half of borrowers have incomes

low enough to qualify for a \$0 monthly payment.

- Many struggling borrowers are still not enrolled in income-driven repayment. Borrowers with incomes of about \$20,000 or below, who are typically at greatest risk of delinquency and default, are less likely to be enrolled than moderate-income borrowers.
- A significant number of borrowers say that IDR plans are still unaffordable, given their financial circumstances. According to a recent Pew survey, nearly half of borrowers previously or currently enrolled in IDR plans reported that their monthly payment was still too high. This may be because the payment calculation formula does not account for the range of expenses that borrowers may incur or because their incomes vary sharply from month to month.
- Borrowers in income-driven plans often experience an increase in their loan balances and take longer to pay down the loan principal than those in standard repayment plans. This growth is largely the result of plan design: Lowering monthly payment amounts and extending repayment periods causes interest to accrue when payments are less than the amount of interest that is charged monthly. However, despite the prospect of loan forgiveness after 20 or 25 years, research has found that growing balances can overwhelm and discourage struggling borrowers from engaging with the repayment system.
- Many borrowers encounter administrative barriers to accessing and maintaining affordable payments in income-driven plans. These obstacles include a lack of information and assistance from loan servicers, problems with the application process, and difficulties with the required annual recertification of income and family size. As a result, borrowers can experience delays in entering plans or payment increases when they miss recertification deadlines, and research indicates that many do not recertify on time.

U.S. Department of Education News

For today's *Federal Register*, click [here](#).

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

- [Information about Designation as a Title III or Title V Institution and Waiver Requests of the Non-Federal Share Requirement for the Campus-Based Programs](#)
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General News

[Politico](#) reports that the House and Senate leadership are 'real close' to a deal to wrap up the budget and appropriations process for Fiscal Year 2022. Top members of the House and Senate Appropriations Committees are near an agreement on a "top-line" number for both military and non-defense spending, as well as ground rules for hashing out the details of a final package. Once they strike that compromise, they are expected to quickly complete a sweeping 12-bill bundle to fund the federal government through September 2022.

[Bloomberg Editors](#) publish an op-ed arguing that the White House should put an end to the federal student loan payment moratorium. A pause on repayments made sense at the height of the pandemic, but extending it again would only make a dysfunctional system worse.

[CNBC](#) reports that, for borrowers in default on their student loan payments, part of their child tax credit may be seized. Monthly installments of the credit paid from July through December 2021 were protected from garnishment for federal debts, but that is not true for the rest of the credit paid as a refund this tax season.

[University Business](#) reports that First Lady Jill Biden told attendees at a conference put on by the American Association of Community Colleges that free community college is out of Build Back Better Act, so what is next? The First Lady said the President will keep fighting to improve student outcomes and workforce pathways.

[Forbes](#) publishes a column saying that free community college has been dropped from the President's legislative agenda. Now, student loan cancellation may be next on the chopping block.

[NBC News](#) reports that inflation is pushing up college tuition and fees while staff shortages are forcing wages and benefits higher. The squeeze comes at the worst possible time for higher education.

[KOMO News](#) publishes an article from its Fact Check Team: Can President Joe Biden cancel federal student loan debt?

[Fox 13 Seattle](#) reports that voters are expressing little confidence that President Joe Biden will deliver on his campaign promise to cancel federal student loan debt in 2022,

according to a January poll conducted by *The Economist* and YouGov.

[NerdWallet](#) highlights recent research showing that, even when federal student loan borrowers make their income-driven payments each month, most will pay off their loans before they hit the forgiveness date - and those who do get their debt discharged will still accrue thousands in interest and face a high tax burden.

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