NCHER BRIEFING

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House Passes Limit, Save, Grow Act to Raise Debt Ceiling, Includes Student Loan Provisions

Yesterday, the U.S. House of Representatives passed H.R. 2811, the Limit, Save, Grow Act of 2023, by a party-line vote of 217-215; four Republicans opposed the bill. As previously reported, the legislation would raise the nation's debt ceiling and, in exchange, cap federal discretionary spending at Fiscal Year (FY) 2022 levels, which would result in a reduction of $130 billion from FY 2023. The bill would also eliminate the U.S. Department of Education's federal student loan forgiveness plan, block the forthcoming federal regulation establishing a new Income-Driven Repayment plan, and eliminate the ability of the Department to promulgate regulations pertaining to higher education that create a cost to the federal government. During general debate, House Education and the Workforce Committee Chairwoman Virginia Foxx (R-NC) said that the bill would "nullify the President's plan to transfer up to $20,000 per borrower onto the backs of blue-collar Americans as well as his radical income-driven repayment plan, which would turn student loans into untargeted grants and cost more than any other regulation in our nation's history."

The bill now heads to the U.S. Senate, though little movement is expected to occur as the White House and Congress continue to fight over how best to raise the nation's debt ceiling. For more coverage, see this article from Politico.

House Education and the Workforce Committee Republicans Send Letter to the Department of Education Questioning Readiness for Student Loan Repayment Restart

Earlier this week, House Education and the Workforce Committee Chairwoman Virginia Foxx (R-NC) and Higher Education and Workforce Development Subcommittee Chairman Burgess Owens (R-UT) sent a letter to Education Secretary Miguel Cardona questioning whether the U.S. Department of Education is ready to restart federal student loan repayments. In the letter, the House Committee Republican leaders detailed the history of the payment pause saying it was first implemented in March 2022 "providing temporary relief on [ED]-managed federal student loans by allowing students to opt into a temporary suspension of loan payments and instituting a 0 percent interest rate," which was extended multiple times including through the Coronavirus Aid, Relief, and Economic Security Act. The letter requests that the Department answer a series of questions and provide documents on: Whether the Department has provided an overall plan of action for the restart to loan servicers; the amount of Student Aid Administration funds for Fiscal Year 2023 designated for the restart of loan servicing; the number of Full Time

Equivalent staff designated to support the restart of loan servicing; and the amount of funds expended for purposes of Public Service Loan Forgiveness waivers from the period October 1, 2022, through this week.

Treasury's Financial Literacy and Education Commission Holds Meeting, Releases Updated Higher Education Financial Education Resources

Earlier this week, the U.S. Department of Treasury's Financial Literacy and Education Commission (FLEC) held a meeting, which featured a panel focused on financial access for justice-involved individuals and highlighted the interagency work on alternatives to incarceration and reentry led by the White House. At the onset of the meeting, U.S. Department of Education Office of Federal Student Aid (FSA) Chief Operating Officer Richard Cordray raised the return to repayment for student and parent borrowers and said that this will be the most significant financial issue in the country affecting consumers over the coming year. He asked for help from interested stakeholders in reaching borrowers so they understand that they must start to repay their loans and enroll in the repayment plan that meets their current economic circumstances.

Separately, the FLEC Working Group on Higher Education released an updated Higher Education Financial Education Resources, which includes important and helpful resources and information to program leaders, educators, financial aid professionals, and students before they enroll in college and before they prepare for graduation. It also includes tools and resources for institutions of higher education and resources to avoid fraud, scams, and bad business practices.

Media Reports Highlight FSA Funding Shortages Will Result in Cuts to Services to Student Loan Borrowers

Several media outlets are currently reporting on Congress' unwillingness to provide additional resources to the U.S. Department of Education's Office of Federal Student Aid (FSA) during last year's budget negotiations and how that is leading to reductions in spending on federal student loan servicing and the services that the companies provide to borrowers. For example, FSA has negotiated agreements with its student loan servicers that reduce evening and weekend hours and other customer service related matters at a time when the agency is preparing to resume student loan payments after a three-year pause due to the COVID-19 pandemic. Last year, Congress denied the White House's request for more money for student aid administration after Republicans said they would oppose providing additional funds to carry out the Department's federal student loan forgiveness plan. At the time, FSA was implementing a range of new policies such as moving toward a new and improved Free Application for Federal Student Aid, expanding the Public Service Loan Forgiveness program, and creating a new application process for canceling up to $20,000 of student debt. Now, some in Congress, Department officials, and consumer advocacy groups are worried that FSA will not have enough money to transition borrowers back into repayment without additional resources. In a budget document released last month, the Department warned that the current level of funding for its student aid operations "poses significant risks" for implementing a return to repayment. "This may mean that borrowers may face longer hold times to speak with their loan servicing company, potentially slower paperwork processing, and reduced call center hours. It is a slow-moving car crash," said Jared Bass, Senior Director for Higher Education at the Center for American Progress and a former Democratic appropriations staffer. He said that lawmakers need to find a way to add money for administering student aid programs before the start of the fiscal year this fall. "We see what's about to unfold, so let's just prevent it now and just step in and take preventative measures." During last week's hearing before the House Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies, Education Secretary Miguel Cardona told appropriators that restarting payments will be an "unprecedented" undertaking that requires an "all hands on deck" approach.

The Department has said that payments on federal student loans will resume this summer, with payments resuming 60 days after either the U.S. Supreme Court rules on the constitutionality of federal student loan forgiveness or June 30, whichever comes first. According to Politico, Department officials have told its federal student loan servicers to prepare to resume charging interest on federal loans in September and are eyeing October as the first month in which any borrower would be required to make a payment, noting the requirement that borrowers receive a billing statement at least 21 days in advance of their due date. FSA officials have also said they are planning for a "safety net" period where borrowers are not penalized for missing payments once repayments begin. Previously, officials had discussed providing borrowers with a grace period for the first 90 days after payments are due, but they are now considering extending that flexibility to borrowers for as long as a year after repayment starts.

For additional coverage, see this article from The Hill.

FSA Issues Awards to Multiple Servicers to Carry Out USDS Solicitation

Late Monday, the U.S. Department of Education's Office of Federal Student Aid (FSA) issued awards for its Unified Servicing and Data Solution (USDS) that aims to modernize and enhance the federal loan servicing environment, as well as improve outcomes for federal student loan borrowers. According to the announcement, FSA is making multiple awards to carry out the USDS solicitation to Maximus Education, LLC; Central Research, Inc.; Edfinancial Services; Missouri Higher Education Loan Authority (MOHELA); and Nelnet Diversified Solutions. The initial task order is valued at $16 billion and the base period is for five years – April 25, 2023-April 24, 2028 – with three possible extensions. Under the initial solicitation released in May 2022, USDS servicers will replace the current Title IV Additional Servicers and Not-for-Profit Servicers and manage the platforms, contact centers, and manual processing activities for all non-specialty servicing tasks for Federal Direct Loan borrowers. The customer interface and processing work currently associated with specialty programs, such as the Public Service Loan Forgiveness Program, TEACH Grants, and total and permanent disability (TPD) discharge, will shift to StudentAid.gov and FSA's Business Process Operations vendors. In a press release, FSA Chief Operating Officer Richard Cordray said "Building on efforts to overhaul loan servicing dating back to 2014, FSA is finally delivering on the promise to borrowers. These contracts focus on robust accountability and quality control mechanisms to make sure borrowers get the help and support they deserve. FSA will work with the servicers to develop the necessary infrastructure, training, and procedures so we can implement the new loan servicing environment in 2024."

Department of Education Releases New College Scorecard Tool to Help Students With College Decisions

The U.S. Department of Education recently announced several updates to the College Scorecard to help students, families, educators, counselors, and other college access professionals make decisions when choosing a college or university to attend for postsecondary education. Currently, the College Scorecard provides information on college costs, student debt, graduation rates, admissions test scores and acceptance rates, student body diversity, and post-college earnings. The new update includes data on the median earnings of former graduates four years after completion of their requisite field of study. The data is based on the most recent calculations available from the National Student Loan Data System and the Internal Revenue Service, so students can understand which college and university graduates take on less loan debt and which former students earn more after college.

National Student Clearinghouse Research Center Releases Updated Report on Students With Some College, No Credential

The National Student Clearinghouse Research Center recently released a new report titled, Some College, No Credential, which examined student outcomes for the academic year 2021-2022. The report found that, as of July 2021, there were 40.1 million students who had enrolled in postsecondary education but had not received a degree or credential, up 1.4 million from 39.0 million in the previous year. A lack of re-enrollment and new recent stop-outs drove the large growth that was seen across all 50 states. All student outcome indicators for this population (re-enrollment, completion, and perseverance) declined from the previous year. During the 2021-2022 academic year, over 864,000 students who fell into the Some College, No Credential category re-enrolled, 53,300 students completed their first-ever undergraduate credential the same year they re-enrolled, and 508,700 re-enrollees from the previous year persevered into their second year. These represent one-year declines of nearly 80,000 re-enrollees, 7,000 completers, and 23,100 perseveres.

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:

- (GENERAL-23-31) Additional 90/10 Questions and Answers
- (DL-23-02) Record Submission Due Date for 2021–22 Direct Loan Program Year Closeout
- (GENERAL-23-30) REMINDER–Annual UEI Registration Renewal with SAM Website
- (GENERAL-23-29) April is National Financial Capability Month
- (GENERAL-23-28) 2023 Federal Student Aid Training Conference – New Location for FSA Training Conference Information

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General News

The Brookings Institution released a report titled, Key Lessons for the U.S. from Analyses of Student Loan Systems All Around the World where the authors examined research and international engagement in higher education financing. The report says that income-driven repayment plans are vastly superior to standard time-based repayment plans and the key to the federal government transforming higher education financing is having one simple income-driven repayment plan and to use employer withholding as the collection mechanism.

The National Association of College and University Business Officers (NACUBO) announced that the average private college and university tuition discount rate reached new highs this academic year. As part of its most-recent tuition discounting study, NACUBO found 341 private, nonprofit colleges and universities reported an estimated 56.2 percent average institutional tuition discount rate for first-time, full-time, first-year students in academic year 2022-23 and 50.9 percent for all undergraduates—both record highs. By providing grants, fellowships, and scholarships, these institutions forgo more than half the revenue they otherwise would collect if they charged all students the tuition and fee sticker price.

Forbes includes an article from Foundation for Research on Equal Opportunity Senior Fellow Preston Cooper highlighting new research by economists Sandra Black, Lesley Turner, and Jeffrey Denning finding that the introduction of unlimited graduate lending induced colleges and universities to hike tuition for post-baccalaureate programs.

The Hechinger Report writes about how the promise of free college does not always help low-income students.

An online version of this Daily Briefing is available to view and print from the **Daily Briefing Section** of the **NCHER e-Library**.

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