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DAILY BRIEFING

Tuesday, June 8, 2021

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U.S. Department of Education Forecasts Federal Student Loan Costs to Increase by \$53 Billion

The U.S. Department of Education recently raised the estimate of losses on the federal government's student loan portfolio by \$53 billion. This new estimate is based on updated data on how much money

the nation's 43 million student loan borrowers have sent to the federal government in recent years to repay their loans. According to multiple news outlets, a year ago, the federal budget projected that taxpayers would ultimately lose \$15 billion on all outstanding student debt, which currently stands at \$1.6 trillion. The Biden Administration's budget proposal now projects long-term losses will reach \$68 billion. The estimates included in the President's budget request are far smaller than losses projected in an internal analysis reached by officials appointed by former Education Secretary Betsy DeVos. Those previous estimates showed that taxpayers ultimately would be responsible for roughly two-thirds of the \$1.6 trillion student debt portfolio. However, that analysis was based on different assumptions on how quickly borrowers' incomes would rise, how many borrowers would default on their loans, and how much debt would ultimately be forgiven through income-based repayment plans, which set monthly payments at a percentage of a borrower's income and forgive balances after 20 to 25 years of payments. For more coverage of the issue, see these articles from [The Wall Street Journal](#) and [Business Insider](#).

Federal Reserve Report Shows Student Loan Debt Barely Increased in April

Yesterday, the Federal Reserve released its monthly [Consumer Credit - G.19 Report](#), which showed consumer credit increased at a seasonally adjusted annual rate of 5.8 percent in April 2021, with most of the increase attributable to motor vehicle borrowing. According to the report, total outstanding consumer credit stood at \$4.235 trillion at the end of April, up \$18.6 billion from the previous month. In April, revolving credit declined by \$1.9 billion (an annual rate of decline of 2.4 percent), while nonrevolving credit increased by \$18.6 billion (an annual rate of increase of 7.6 percent). Revolving credit consists mostly of credit card debt and nonrevolving debt consists mostly of auto loans and student loans. The report also reveals that, in April, nonrevolving debt owned by the federal government (mostly Direct Loans) increased by \$1.1 billion to \$1.412 trillion. Thus, almost the entire increase in consumer credit in the month is likely attributable to borrowing on motor vehicle purchases.

U.S. Department of Education News

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

General News

[Forbes](#) reviews the latest federal developments on student loan cancellation.

The Brookings Institution publishes a [blog post](#) making the case that the FAFSA [Free Application for Federal Student Aid] verification is an undue burden for students and public colleges and universities.

[Inside Higher Ed](#) and [University Business](#) report that, on the first of five days hearings conducted by the U.S. Department of Education, speakers advocated for and against changes to the Title IX regulations made by former Secretary of Education Betsy DeVos.

[Inside Higher Ed](#) reports that Historically Black Colleges and Universities are forgiving students' loan debts with the hopes of alleviating some of the financial strains of the COVID-19 pandemic and possibly providing them more financial freedom in the future.

[Higher Ed Dive](#) reports that colleges whose students and employees are all fully vaccinated against the coronavirus can resume in-person classes at full capacity, according to new guidance from the Centers for Disease Control and Prevention.

[The Chronicle of Higher Education](#) continues to update its list of colleges and universities that will require students or employees to be vaccinated against COVID-19.

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