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NCHER Daily Briefing

Wednesday, June 16, 2021

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Senate Appropriations Subcommittee Holds Hearing on President's Budget Request for U.S. Department of Education

Today, the Senate Appropriations Subcommittee on Labor, Health and Human Services, Education and Related Agencies held a hearing on the President's Fiscal Year (FY) 2022 budget request for the U.S. Department of Education. In her opening statement, Chairwoman Patty Murray (D-WA) said that the budget request would increase education funding by 41 percent or $103 billion over last year's level. She stated that it proposes bold investments to help students and aid those impacted by the COVID-19 pandemic and drastically impact postsecondary education by increasing funding for Pell Grants by a third. She noted that increasing Pell Grants is only one of several things the budget request does to help make higher education more accessible and affordable to all students, and highlighted funding to implement a simplified FAFSA [Free Application for Federal Student Aid], increased funding for TRIO programs, and doubling of funding for campus-based childcare. In his opening statement, Ranking Member Roy Blunt (R-MO) said that he supports many of the program's funded in the budget such as career and technical education and TRIO programs. But he is concerned about the spending level as education-related funding in the COVID-19 relief packages on top of the budget request will provide much more funding than necessary. He expressed concern about making community colleges free for all students, said that many states already have such programs, and that making community college free for all would unfairly subsidize higher income students and create an incentive for those students to attend schools that may not be the best fit for them. He noted that the budget does not include much information on loan forgiveness, loan servicing, or a plan for borrowers to get into the repayment process.

In his testimony, Education Secretary Miguel Cardona stated that he is proud to testify on the President's FY2022 budget request because it makes good on his commitment to invest in education and begins to address the significant inequities that students, primarily students of color, confront every day in pursuit of higher education. Secretary Cardona outlined the details of the budget request and said that it makes a down payment towards the Biden Administration's goal of reversing inequities. He said that the center piece of the proposal is a new $20 billion Title I equity grant program that would address inequities and disparities between under-resourced school districts and their wealthier counter parts. In terms of higher education, he mentioned that the budget proposal begins the work to increase access and affordability for students. He said that the budget request coupled with increases proposed in the American Families Plan would provide the largest increase to Pell Grants, and that it would ensure DREAMERs would also receive such grants if they met current eligibility requirements. The Secretary said the budget request would increase institutional capacity and support at minority serving institutions, with additional funding for Historically Black Colleges and Universities, Hispanic Serving Institutions, Asian American and Native American Pacific Islander-Serving Institutions, and Tribal Colleges and Universities as well as TRIO and GEAR Up programs to help ensure underserved students succeed and graduate from college.

During the question-and-answer portion of the hearing, Chairwoman Murray said that the COVID-19 pandemic widened the financial challenges students face in pursuing a postsecondary education. She asked Secretary Cardona to speak about the increases to Pell Grants, TRIO, and other investments. The Secretary said that we must act with urgency or we will lose those students in pursuit of their higher education. Ranking Member Blunt expressed concern about the Department's proposal to provide free community college. Secretary Cardona said that 5.5 million students would have access to higher education who may not have it previously. He said that it would be a benefit to students, their families, and the nation's economy. Ranking Member Blunt countered that the proposal would be limited to two-year colleges and to public colleges instead of expanding Pell Grants that would benefit all low-income students and allow them to attend the accredited college of their choice. Sen. Jeanne Shaheen (D-NH) asked Secretary Cardona about the moratorium on federal student loan payments and whether the September 30th date was firm or whether a further extension is warranted. She said that students and loan agencies need more certainty. The Secretary said that the Department is trying to provide "as much of an on-ramp to borrowers as possible." He said that there will be no announcements today, but Department officials continue to have conversations recognizing the sensitive needs of borrowers. Rep. Jerry Moran (R-KS) said that the President's budget request for a new Challenge Grant program seems to be duplicative of TRIO programs. Sen. Dick Durbin (D-IL) told the Secretary that only 8 percent of students enroll in for-profit colleges, though 30 percent of borrowers in default are those enrolled in for-profit colleges. He said that the Department had denied most applications for Public Service Loan Forgiveness (PSLF) and denied most borrower defense to repayment claims. The Secretary said that the Department has done a disserve to borrowers and it is unacceptable to have 98 percent denials when it comes to PSLF. He said that the Department needs to have a consumer protection mentality, that students need to be at the center of conversations, and that loan providers should be put on notice the agency will put students first. The Secretary said that he will act to change the culture of the Department when it comes to the federal student loan program.

Chairwoman Murray said, last December, Congress passed the FAFSA Simplification Act in an effort to streamline the financial aid application for low-income and first-generation students. But the Department recently announced that it would delay implementation of the law. She asked Secretary Cardona to comment on the Department's efforts to streamline the FAFSA. The Secretary said that the Biden Administration walked into a situation where they have a 45-year-old computer system that does not have the capacity to handle the changes Congress voted for and are working to modernize the federal financial aid system. Ranking Member Blunt turned his attention to loan servicing, asking Secretary Cardona to provide a long-term extension of the contracts and asked his thoughts on the Next Generation Financial Services Environment. The Secretary said that the agency should be able to announce something on federal student loan servicing within the next month. Sen. Mike Braun (R-IN) said that the President's budget request is about pouring resources into broken systems. He asked Secretary Cardona whether he thinks that the American taxpayer is getting the best "bang for the buck" when it comes to postsecondary education. The Secretary said that the budget is about investing in students. Sen. Joe Manchin (D-WV) expressed his concern with the idea that the federal government should provide community college for free, saying that some students will never graduate. He said that students should be incentivized to complete college and then forgive a portion of their debt.

For more coverage of the hearing, including an archived webcast, visit the committee website.

House and Senate Democrats Unveil Plan to Double Pell Grants

Today, House Education and Labor Committee Chairman Bobby Scott (D-VA) and Senate Health, Education, Labor, and Pensions Committee Chairwoman Patty Murray (D-WA) introduced the Pell Grant Preservation and Expansion Act, which would double the maximum award for the Pell Grant program. The bill would immediately increase the maximum award, which is currently at $6,495, by $1,475 for the 2022-23 school year. Then, it would gradually increase the award to $13,000 by the 2028-29 school year with subsequent automatic increases based on inflation. The plan would also extend Pell Grant eligibility to DREAMERS and raise the lifetime cap on how long students can receive Pell Grants from 12 semesters to 18 semesters. Finally, the legislation would make funding for the Pell Grant program mandatory and not subject to the annual appropriations process. The program is currently funded by a combination of mandatory and discretionary funding. The legislation is sponsored by Sen. Mazie Hirono (D-HI) in the U.S. Senate and Rep. Mark Pocan (D-WI) in the U.S. House of Representatives. For more information on the bill, see this fact sheet and press release.

Department of Education Announces Approval of Borrower Defense to Repayment Claims for ITT

Today, the U.S. Department of Education announced that it will approve an additional 18,000 borrower defense to repayment claims for individuals who attended ITT Technical Institute, totally roughly $500 million. The Department concluded that, between 2005 and the institution's closure in 2016, ITT "made repeated and significant misrepresentations" to students related to how much they could expect to earn and the jobs they could obtain after graduation. Federal officials also determined ITT misled students about the ability to transfer their credits to other institutions of higher education. The Department noted in a release that the newly approved claims bring the total borrower defense cases approved under the Biden Administration to $1.5 billion for about 90,000 borrowers. Borrowers whose claims were approved will be notified by the Department in the coming weeks and the Department will work swiftly to discharge the loan balances. For more coverage, see these articles from *Forbes* and *CNBC*.

Federal Reserve Maintains Federal Funds Rate at Near Zero, But Sees Increase in 2023

Today, the Federal Reserve issued a statement, following the two-day meeting of its Federal Open Market Committee (FOMC), that it had voted to keep the target range for the federal funds rate at 0 to ¼ percent and will continue to increase its holdings of Treasury securities by at least $80 billion per month and of agency mortgage-backed securities by at least $40 billion per month. The statement was essentially the same as the statement released following the last FOMC meeting in late April, with the major change being the recognition that "progress on vaccinations has reduced the spread of COVID-19 in the United States." The statement said that amid this progress and strong policy support, indicators of economic activity and employment have strengthened. The statement also said that inflation has risen, but that the rise largely reflects transitory factors. Like previous statements, the FOMC said that it expects to maintain an accommodative stance on monetary policy until its goals of maximum employment and 2 percent inflation over the longer run are achieved.

The Federal Reserve also released individual projections of FOMC members of future economic outcomes. Those projections show that, while participants believe that the federal funds rate will stay at the current level through 2022, it will increase to 0.6 percent in 2023. This is an earlier period than previously projected. The projections also reveal that participants believe the GDP [Gross Domestic Product] will increase by 7.0 percent this year, decreasing to 3.3 percent growth next year. Participants see the unemployment rate being 4.5 percent this year, decreasing to 3.8 percent and 3.5 percent over the next two years. Inflation is predicted to be 3.4 percent this year, but will decline to 2.1 percent in 2022.

During a press conference following issuance of the statement, Federal Reserve Chairman Jerome Powell said that the Fed is providing powerful support to the economy, and that GDP is experiencing the fastest rate of growth in decades. He said that these are extraordinarily unusual times and that there is a need to be patient until more data comes in. The next meeting of the FOMC is scheduled for July 27-28, 2021. For more coverage, see this article from *The Wall Street Journal*.

CFBP Issues Interpretive Rule on Authority to Resume Examinations Regarding the Military Lending Act

Today, the Consumer Financial Protection Bureau (CFPB) issued an interpretive rule citing its authority to examine supervised financial institutions for risks to active duty servicemembers and their dependents from conduct that violates the Military Lending Act (MLA). "The Military Lending Act is an essential law protecting the finances of our military families and we are excited to announce this rule change prior to July, which is Military Consumer Month," said CFPB Acting Director Dave Uejio. "Through our enforcement of the MLA, companies that harmed military borrowers have been ordered to pay millions of dollars in redress and civil penalties. To fulfill its purpose and protect military borrowers we must supervise financial institutions and hold them accountable for endangering consumers."

Congress enacted the MLA to protect military borrowers from predatory lenders and other creditors who seek to take advantage of military families by:

- Limiting the annual percentage rate on many loans to military borrowers to a maximum of 36 percent.
- Prohibiting lenders from requiring military borrowers to arbitrate disputes.
- Prohibiting lenders from requiring military borrowers to waive their rights under any state or federal law.
- Prohibiting lenders from requiring military borrowers to use a military allotment to repay a loan.
- Prohibiting lenders from charging military borrowers a penalty if they pay back part or all of a loan earlier than the agreed-upon schedule.

According to the Bureau's press release, in September 2013, the CFPB amended its supervisory procedures so that examiners could review lenders' records regarding MLA violations. From that time until 2018, no companies disputed the Bureau's authority to review their MLA lending practices. In 2018, the CFPB's leadership discontinued MLA-related examination activities, based on its stated belief that Congress did not specifically confer examination authority on the CFPB with respect to the MLA. The current CFPB leadership does not find those prior beliefs persuasive and the CFPB will now resume MLA-related examination activities.

MacKenzie Scott Announces New Financial Awards for Colleges and Higher Education Organizations

Yesterday, MacKenzie Scott announced that she has awarded nearly $2.8 billion to 286 "high-impact organizations," including education nonprofits and 30 colleges and universities, that will allow community and regional colleges to build their endowments, fund new student programs, and jump-start internal fundraising efforts. It is the third round of no-strings-attached, major philanthropic gifts that Ms. Scott has made, which together rival the charitable contributions made by the largest foundations. Ms. Scott said that she worked with a team of researchers and philanthropy advisors to give away a fortune that was enabled by systems in need of change. "In this effort," she said, "we are governed by a humbling belief that it would be better if disproportionate wealth were not concentrated in a small number of hands and that the solutions are best designed and implemented by others." She continued, "Higher education is a proven pathway to opportunity, so we looked for two- and four-year institutions successfully educating students who come from communities that have been chronically underserved." For more coverage, see these articles from *Inside Higher Ed* , *The Chronicle of Higher Education*, and *Higher Ed Dive*.

Rep. Virginia Foxx Pens Op-Ed on Free College and Student Loan Forgiveness

Last week, House Education and Labor Committee Ranking Member Virginia Foxx (R-NC) wrote an op-ed for *The Washington Times* on free college and student loan forgiveness. In the piece, Ranking Member Foxx argued that between federal grants and tax incentives, college is already free for many students who want to attend. She said that, though some students may have some costs not covered by federal, state, and local grant aid, they do not necessarily need to pay the remaining costs out-of-pocket. “There are two federal tax incentives that cut college costs even further and make postsecondary education effectively free for students,” she said. “The first option students have is to avoid debt entirely by working for an entity with a tuition assistance program. The second involves financing college with debt and then getting a job with a business that offers student loan repayment assistance.”

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:

- 2022–2023 EDE Technical Reference (Final) (EA ID: APP-21-05)

General News

U.S. News and World Report reviews how three Senate bills could affect student loans, aiming to help students better understand college costs and educational loans.

Forbes reports that some federal policymakers have argued student loan forgiveness will help close the racial wealth gap. The impact, however, is small and misses the real problem, a racial pay gap.

Student Loan Hero reports that Black students borrow 35 percent more on average in student loans than their non-Black peers, but Black millennial bachelor degree-holders earn 22 percent less than non-Black grads, according to new research.

Diverse Issues in Higher Education provides further coverage of the new report by the Institute for Higher Education Policy that commonly held policies in recruitment, demonstrated interest, early decision, legacy admission, standardized testing, criminal justice information, transfer pathways, and need-based financial aid practices can either increase or limit access to postsecondary education.

Inside Higher Ed reports that over 40 higher education organizations signed on to written comments describing the problems with the Title IX regulations put into place by former Secretary of Education Betsy DeVos, calling them "antithetical to the fundamental educational nature and objectives of campus disciplinary processes."

University Business reports that college and university leaders are confident they can deliver in-person learning for the majority of international students in the fall while increasing study abroad opportunities for students from the United States, according to a new report from the Institute of International Education.

The Chronicle of Higher Education reports that, for college finances, there is no ‘return to normal.’ The existential problems facing higher education will not end with the COVID-19 pandemic. Higher education is in trouble. It faces a demographic crunch in 2026, when smaller high-school graduating classes will mean greater competition for students.

Diverse Issues in Higher Education reports that employers can do a better job diversifying their recruiting practices according to a panel of higher education officials.

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June 16, 2021

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