NCHER DAILY BRIEFING

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House Appropriations Committee Slated to Release Final FY2022 Bills Over the Weekend

The House Appropriations Committee announced that it plans to release the legislative text of the Labor, Health and Human Services (HHS), Education, and Related Agencies Appropriations Act on Sunday. The current plan is for the Labor, HHS, Education Appropriations Subcommittee to consider its Fiscal Year 2022 bill on Monday, July 12th, with the full committee slated to consider the legislation on Thursday, July 15, 2021. The announced schedule ensures that the committee will be able to wrap up all action on the 12 individual appropriations bills that make up the discretionary portion of the federal budget by the end of next week and potentially pass most of the annual spending measures on the House Floor by the end of the month. However, the Senate Appropriations Committee has yet to release any of its appropriations bills, meaning that a short-term Continuing Resolution will be needed to keep the federal government running past October 1st.

Department of Education Urging White House to Extend Student Loan Payment Pause

Politico is reporting that U.S. Department of Education officials are recommending that the White House extend the pause on federal student loan payments, interest, and collections through the end of January 2022. The current pause ends at the end of September. The news organization says that the Biden Administration has not yet made a final decision on how and when to restart federal student loan payments, which have been frozen since March 2020. The Department has not yet instructed the federal student loan servicers about whether they should plan to resume their work in October, leading some White House advisers to support further extending the payment pause giving Federal Student Aid more time to come up with a plan to ease student and parent borrowers back into repayment, according to people familiar with the discussions. However, other advisers worry that continuing an emergency pandemic relief program into early 2022 could undercut the administration's messaging about the strength of the economic recovery. A few advisers have also noted that other pandemic relief measures are ending in the coming months: the President has said he will allow enhanced unemployment benefits to expire in September and the Centers for Disease Control and Prevention announced its "final extension" of the nationwide eviction moratorium through the end of July. In a statement, an administration official said that the Department "is working to ensure that struggling borrowers are supported when payments are lifted."

PHEAA Announces It Will Not Extend Federal Student Loan Servicing Contract

Today, the Pennsylvania Higher Education Assistance Agency (PHEAA) announced that it had notified the U.S. Department of Education's Office of Federal Student Aid (FSA) that it would not accept an extension of its federal student loan servicing contract. The announcement said that the organization would not accept an extension, which expires on December 14, 2021, beyond what was needed to ensure a smooth transition for borrowers in an effort to "more appropriately focus on its core public service mission in Pennsylvania." PHEAA was created in 1963 by the Pennsylvania General Assembly with the primary mission of creating affordable access to higher education for the state's students and their families. It became a federal student loan servicer in 2009 as it sought to diversity its business operations following the end of the Federal Family Education Loan Program to help support its public service mission. In the announcement, PHEAA said that, in the 12 years since it accepted the terms of its federal servicing contract, the federal student loan programs have "grown increasingly complex and challenging while the cost to service those programs increased dramatically." PHEAA said that it will continue to expand its commercial servicing, student lending, and software services as it refocused on its core mission. In response, FSA Chief Operating Officer Richard Cordray said that the agency "is committed to using all of the tools in our toolbox to make sure borrowers are supported and not negatively impacted during this transition." He said the office and PHEAA are developing a wind-down plan that will "feature early and frequent communications and clear guidance on what borrowers should expect, as well as strong oversight from FSA during this transition."

For more information, see these articles from *Penn Live* and *The Washington Post*.

Department of Education Announces More Biden-Harris Political Appointees

Earlier this week, the U.S. Department of Education announced that it had made more political appointees that will lead various parts of the agency. The names and positions are listed below:

- Toby Merrill, Deputy General Counsel, Office of the General Counsel: According to the announcement, Toby Merrill previously founded and directed the Project on Predatory Student Lending at the Legal Services Center of Harvard Law School and taught the predatory lending and consumer protection clinic. The Project represents low-income student loan borrowers in litigation against for-profit colleges and against the policies that enable them. The Project brings cases that enforce the rights of student loan borrowers and works closely with numerous state and federal enforcement agencies. She has twice represented legal aid providers and their clients in the Department's negotiated rulemaking process. She also served on the Massachusetts Division of Professional Licensure's advisory board on private occupational schools. She joined the Legal Services Center's predatory lending practice as a Skadden Fellow, after a federal clerkship. She graduated from Harvard Law School and Yale College.

- Chris Soto, Senior Advisor, Office of the Secretary: Chris Soto joins the Department after serving as the Director of Innovation and Partnerships at the Connecticut State Department of Education. He held previous roles in state government as the Lamont Administration's Director of Legislative Affairs and served as State Representative for New London, Connecticut, in the Connecticut General Assembly. Following his active-duty service in the U.S. Coast Guard, he founded and led Higher Edge, a college-access organization that serves first-generation college-bound students on their postsecondary journeys. He holds a master's degree in public administration from Brown University and a bachelor's degree from the U.S. Coast Guard Academy.
- Antoinette Flores, Senior Advisor for ARP Implementation, Office of Postsecondary Education: Antoinette Flores most recently served as the managing director for Postsecondary Education at the Center for American Progress. While there, her work focused on improving higher education quality, accountability, equity, and data to ensure that all students could access, afford, and complete high-quality degrees. She is a first-generation college graduate, Pell recipient, and holds degrees from Amherst College and George Mason University.

For more coverage of how Toby Merrill's hiring may have given proponents of broad student loan forgiveness a reason to hold out hope that the President will take action on student debt, see this article from ***Forbes***.

CRFB Report Says Student Loan Debt Levels Expected to Rise After Debt Forgiveness Actions

Earlier this week, the Committee for a Responsible Federal Budget released a briefing document citing figures for certain federal student loan debt cancellation proposals. The report states that, if President Joe Biden were to use executive authority to cancel all currently outstanding federal student loan debt, it would return to the current level of $1.6 trillion by 2035 if no reforms were enacted to address the underlying issues that led borrowers to take out student loans in the first place. The report found the following:

- Federal student loan debt would return to $1.6 trillion by fiscal year 2025 if $10,000 per borrower was cancelled.
- Federal loan debt would return to $1.6 trillion by 2030 if $50,000 per borrower was cancelled.
- Federal debt would return to $1.6 trillion by 2035 if all student loan debt was cancelled.
- In real dollars, federal student loan debt would return to its current level in 2027 assuming $10,000 in cancellation, 2034 with $50,000 cancelled, and 2039 for full cancellation.

The report says that, should the Biden Administration's higher education priorities for debt cancellation come to fruition during his tenure, student and parent borrowers would not need to take out student loans at the current rate moving forward. The report estimates that canceling $10,000 of student debt would reduce the federal student loan portfolio to just under $1.2 trillion, while canceling $50,000 in student loan debt would reduce it to a little over $500 billion. The report said the organization expects the federal student loan portfolio to return to its current level, if not higher, because of the impact that the one-time debt cancellation would have on borrowers' behavior.

Sen. Schatz Reintroduces College Equity Act

Sen. Brian Schatz (D-HI) recently reintroduced The College Equity Act, which would provide colleges and universities with federal funding to address disparities in higher education recruitment, admissions, and support. According to Sen. Schatz, the legislation takes three steps toward addressing achievement gaps: (1) it provides funding for colleges and universities to examine how institutional practices like admissions policies, financial aid processes, access to campus support services, and faculty diversity contribute to gaps in student outcomes by race and ethnicity, gender, income, ability, transfer status, military and veteran status, and other lines of identity; (2) it creates grants for institutions of higher education that have completed these audits to develop and execute improvement plans to address the findings; and (3) it requires the findings of the audits to be shared with higher education accrediting agencies that can provide technical assistance and share best practices across institutions. "There are schools where veterans, people of color, and people with disabilities are able to thrive, and others where they struggle," Sen. Schatz said in a press release. "The difference often comes down to schools knowing the challenges that exist for students and doing something to help. There are schools where veterans, people of color, and people with disabilities are able to thrive, and others where they struggle. The difference often comes down to schools knowing the challenges that exist for students and doing something to help."

CSBS and NACARA Urge Education Secretary Cardona to Retract Federal Memo on Student Loan Preemption

The Conference of State Banking Supervisors and the North American Collection Agency Regulatory Association recently wrote a letter to Education Secretary Miguel Cardona urging him to reverse the U.S. Department of Education's memorandum issued in 2018 asserting federal preemption when it comes to state rules and regulations that impact the federal student loan program. The letter to Secretary Cardona highlighted that he should rescind the memo because it "sets forth baseless assertions of preemption to obstruct and discourage state regulation of federal student loan servicers and collectors." The groups said that the need for coordinated state oversight of student loan servicers is especially acute because the Department is preparing to eventually restart monthly payments and interest, which has been paused during the COVID-19 pandemic for 40 million Americans.

Federal Reserve Consumer Credit Report Shows Student Loan Debt Barely Increased Again

Today, the Federal Reserve released its monthly Consumer Credit - G.19 Report, which found that consumer credit increased at a seasonally adjusted annual rate of 10 percent in May. Total outstanding consumer credit stood at $4.279 trillion at the end of May, up $35.3 billion from the previous month, as the nation continued to recover from the economic collapse resulting from the COVID-19 pandemic. In May, revolving credit increased by $9.2 billion (a robust annual rate of 11.2 percent), while nonrevolving credit increased by $26.1 billion (an annual rate of increase of 9.5 percent). Revolving credit consists mostly of credit card debt and nonrevolving debt consists mostly of auto loans and student loans. The report revealed that, in May, nonrevolving debt owned by the federal government (mostly Direct Loans) increased slightly by $1.4 billion, to $1.412 trillion. Thus, almost the entire increase in consumer credit in the month was attributable to borrowing on motor vehicle purchases and credit card borrowing.

National Student Clearinghouse Report Finds College Persistence Rate Drops Two Percentage Points

Today, the National Student Clearinghouse Research Center released a report that found, of the 2.6 million students who entered college as first-time freshmen in fall 2019, 74 percent returned to college for their second year. This college persistence rate, impacted by the COVID-19 pandemic, represents an unprecedented one-year drop of two percentage points. The report found the following:

- There was a marked decline in the first-year persistence rate in the fall 2020 after remaining stable for the past four years. The overall persistence rate dropped two percentage points to 73.9 percent for the fall 2019 for beginning college students, its lowest level since 2012.
- Community colleges showed the steepest persistence rate decline over the last year of all institution sectors (down 3.5 percentage points to 58.5 percent).
- The persistence rate gaps by race and ethnicity in the 2019 cohort remain as wide as in the previous cohort years, with approximately a 22-percentage point gap between the highest (86.5 percent for Asian students) and the lowest (64.9 percent for Black students). White (79.3 percent) and Latinx (68.6 percent) students reflect a gap of nearly 11 percentage points. The overall first-year persistence rate fell the most among Latinx students (down 3.2 percentage points from 71.8 percent to 68.6 percent).
- Retention rates declined the most in the community college sector (down 2.1 percentage points to 51.6 percent) whereas the rates went up in the public four-year college sector (up 0.7 percentage points to 76.3 percent).
- Freshmen transferring out in their first year dropped somewhat more than those remaining at their starting institution (-1.2 percentage points vs. -0.7 percentage points).
- Bachelor's degree-seeking students in liberal arts majors had the largest persistence rate drop (down 1.6 percentage points to 88.1 percent). But biological and biomedical sciences and health care majors increased 1.4 and 1.8 percentage points to 82.3 and 78.9 percent, respectively, in their retention rates.

For more coverage, see these articles from *Inside Higher Ed* and *Higher Ed Dive*.

Federal Reserve Minutes Reveal Possible Early Reduction in Asset Purchases

Earlier this week, the Federal Reserve released the minutes of its Federal Open Market Committee (FOMC) meeting held on June 15-16, 2021. According to the minutes, committee members indicated that economic conditions set out in forward guidance for the federal funds rate and asset purchases may be met earlier than previously projected. They observed that economic activity was expanding at a historically rapid pace, led by robust gains in consumer spending. However, many participants remarked that the nation's economy was still far from achieving the FOMC's broad based and inclusive maximum employment goal. The actual rise in inflation (a 12-month change of 3.6 percent in April) was larger than anticipated, which was attributed to widespread supply constraints in product and labor markets. At the meeting, the FOMC agreed to keep the target range for the federal fund rate unchanged and to continue increasing its holdings of Treasury securities and mortgage-backed securities by at least $120 billion per month. The minutes stated that a discussion on asset purchases garnered the most attention. "Various participants mentioned that they expected the conditions for beginning to reduce the pace of asset purchases to be met somewhat earlier than they had anticipated at previous meetings in light of incoming data," the minutes said. Further, several members saw benefits in reducing the pace of mortgage-backed securities purchases (currently $40 billion each month) before reducing purchases of Treasuries in light of the strong housing market. The minutes state that, in coming meetings, the committee will begin to discuss plans for adjusting the path and composition of asset purchases. The FOMC's next meeting is scheduled for July 27-28, 2021.

GAO Releases Report Outlining Outstanding Recommendations for the Department of Education

The U.S. Government Accountability Office (GAO) recently released a report outlining several open recommendations for the U.S. Department of Education that were not resolved as of May 2021. Of interest to the NCHER membership, the report notes that the Department implemented one of its recommendations on the Public Service Loan Forgiveness Program (PSLF) by releasing a new online tool that helps borrowers better understand eligibility requirements and includes a searchable database of qualifying employers. "This tool will help borrowers and the PSLF servicers determine whether employment with specific employers will qualify borrowers for the program," the report says.

However, GAO said that, in November 2015, it recommended that the Department review its methods of providing instructions and guidance to its federal student loan servicers. As of May 2021, the Department has issued a few clarifications to the servicers to help with consistency and improve communication with borrower, and is also training staff on how to write better instructions and guidance for servicers and is redesigning its student loan financial servicing system. But the agency needs to complete these efforts and demonstrate that its new system will provide clear and consistent instructions and guidance to servicers to ensure program integrity and improve service to borrowers.

In addition, in May 2012, GAO recommended that the Department sponsor an evaluation of the effectiveness of Title IV programs and higher education tax expenditures in improving student outcomes. In 2019 and 2020, Department officials made progress in exploring the technical, legal, and administrative factors associated with sharing information with the Internal Revenue Service and U.S. Department of the Treasury, which could help facilitate evaluative research on the effects of Title IV programs and higher education tax expenditures, and the agency convened researchers from inside and outside the federal government to identify and prioritize key policy questions related to Title IV and higher education tax expenditures. But the agency needs to ensure that its efforts result in actively sponsoring or conducting evaluative research specific to federal financial aid programs and key student outcomes such as college access and completion.

U.S. Department of Education News

For today's *Federal Register*, click here.
The following announcement was posted to the Information for Financial Aid Professionals website:

- TEACH Grant Regulation Implementation Schedule

Member News

The Trellis Company recently announced that it is hiring a Social and Digital Marketing Manager, which will lead and participate in the design and implementation of external and internal communication content, including social media, public relations, web, mobile, digital, intranet, and print materials.

The ideal person will also collaborate with the Creative Team to plan, develop, and implement measurable integrated campaigns that produce desired results from targeted audiences and other important job functions.

General News

Forbes reports on the five things that must happen before President Joe Biden enacts student loan cancellation.

Business Insider reports that the big jobs comeback may stop student loan debt from being cancelled.

Forbes reports that Congress is considering multiple bills that could dramatically overhaul credit reporting for private student loan borrowers and other consumers.

Inside Higher Ed provides further coverage of a recent survey from Third Way and New America that found students support their institutions and mostly plan to re-enroll -- but increasingly doubt whether education is worth the price.

Yahoo Finance provides seven steps to help student loan borrowers make the most of the next few months and ensure borrowers get their loans back on track once repayment resumes.

Inside Higher Ed reports that, as momentum grows around providing students with supports that foster retention and completion, a bill seeking to address one of the biggest hindrances in bringing these types of programs to community colleges has been reintroduced in the U.S. Senate, with a path forward appearing to be clearer than in years past.

Inside Higher Ed and *Higher Ed Dive* report that Fitch Ratings changed its outlook for the higher education sector to "stable," saying in a recent report that the return to predominantly in-person instruction and the huge influx of federal stimulus dollars would help the industry regain its footing for the rest of the calendar year.

U.S. News and World Report reviews how volunteer work can pay student loans, saying that there are programs that help borrowers pay off student loan debt in exchange for service.

Inside Higher Ed reports that the Biden Administration formally withdrew a rule proposed by the Trump Administration that would have required international students to reapply for student visas after a fixed term of up to four years.

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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