NCHER Daily Briefing

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NCHER Weekly Rundown

The NCHER *Weekly Rundown*, which includes the latest information on important events in Washington, DC, is available today and can be downloaded from the NCHER website.

House Appropriations Subcommittee Passes FY 2022 Labor, HHS, Education Bill, Includes AMF Extension

Today, the House Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies approved the [Fiscal Year (FY) 2022 Labor, Health and Human Services, Education, and Related Agencies Appropriations Act] by voice vote. As is customary, there were no amendments offered to the bill during the subcommittee markup as Democrats and Republicans save any policy changes to full committee, which is expected to consider the legislation on Thursday.

In her opening statement, Full Committee and Subcommittee Chairwoman Rosa DeLauro (D-CT) discussed the funding priorities that she and Ranking Member Tom Cole (R-OK) share and how the Subcommittee and Congress have the opportunity to help families throughout the United States have a chance at experiencing a better life. She said that the Subcommittee received 15,000 funding requests this year and either fully or partially met the vast majority of the requests. The Chair stated that, over the past 5 months, the Subcommittee has held a total of 14 hearings, in addition to public roundtables, focused on issues that have plagued the U.S. for years and have been exacerbated by the COVID-19 pandemic. Chairwoman DeLauro noted that the bill's funding level represents a 28 percent increase in funding above FY 2021 levels. She said that the legislation includes $1.13 billion in funding for programs serving Historically Black Colleges and Universities, Minority-Serving Institutions, community colleges, and under-resources institutions of higher education. She said that the range of investments included in the bill will sustain good-paying American jobs and make the American Dream more accessible.

In her opening statement, Full Committee Ranking Member Kay Granger (R-TX) voiced concerns about the top-line funding level for the bill. She said that only Democrats agreed to the bill's funding level, which includes an unprecedented increase that is nearly 40 percent more than the previous year's increase. She stated that the funding level is too high because many programs already received billions of dollars in funding throughout the past year through COVID-19 relief legislation. Ranking Member Granger said that federal agencies lack the capacity to manage this amount of funding over such a short amount of time and questioned whether it will be possible to conduct proper oversight of these agencies. She asserted that pursuing these funding levels without bipartisan support could lead to a Continuing Resolution (CR) to keep the federal government in operation past September 30th. The Ranking Member said that the bill has issues beyond its price tag such as language related to labor law, excessive spending on new unauthorized programs, and provisions related to immigration enforcement. She said that

Republicans are ready to discuss top-line funding levels for individual programs that will help improve the health and lives of the American people.In his opening statement, Subcommittee Ranking Member Cole thanked Chairwoman DeLauro for incorporating shared priorities into the bill. However, he said the funding level is “highly unrealistic.” He said that the budget pushes forward a progressive agenda that does not address the need for all Americans.

The draft bill would provide $253.8 billion in discretionary funding for the U.S. Department of Labor, U.S. Department of Health and Human Services, and U.S. Department of Education, an increase of $55.2 billion or 28 percent over the FY 2021 enacted appropriations bill. A summary of the legislation released by the committee can be found here. Key education provisions of interest to the NCHER membership include the following:

- The bill provides $102.8 billion in discretionary funding for the Department of Education, which is $29.3 billion above last year’s level and the same as the President’s budget request. The legislation provides $27.2 billion for federal student aid programs, an increase of $2.64 billion above the FY 2021 enacted level and $358 million below the budget request.
- The legislation sets the maximum Pell Grant award at $6,895, an increase of $400 over the 2021 enacted level, funded by a combination of discretionary and mandatory funds.
- The bill provides $1.03 billion for the Federal Supplemental Educational Opportunity Grant program, an increase of $148 million above the 2021 enacted level, and $1.43 billion for Federal Work Study, an increase of $244 million above the 2021 enacted level and the President’s request.
- The legislation provides $1.3 billion for TRIO Programs and $408 million for GEAR UP, which help first-generation college students prepare for, enter, and complete college. TRIO programs are increased by $200.8 million and GEAR UP programs will see an increase of $40 million.
- The bill extends the authority for account maintenance fees paid to guaranty agencies for an additional year.
- The legislation provides $2.05 billion for federal student aid administrative expenses. It includes legislative language requiring the Secretary of Education to allocate new borrower accounts to student loan servicers on the basis of their past performance, utilizing established common metrics, and on the basis of the capacity of each servicer to process new and existing accounts and compliance with federal

and state law. The language allows borrowers who are consolidating federal student loans to select from any student loan servicer to service their new consolidated student loan, and prohibits the funding for any contract solicitation for a new federal student loan servicing environment, including the Next Generation Processing and Servicing Environment, unless it provides for the participation of multiple student loan servicers that contract directly with the Department. It also includes language stating that NextGen must include accountability measures that account for the performance of portfolio and contractor compliance with Federal Student Aid (FSA) guidelines and that the Department should re-allocate accounts from servicers for recurring non-compliance with FSA guidelines, contractual requirements, and federal and state law. It also requires servicers to be evaluated on their ability to meet contractual requirements, future performance on the contracts, and history of compliance with consumer protection laws, including federal and state laws, and that the new servicing environment should incentivize more support to borrowers at risk of delinquency or default. Finally, the language requires the Department to ensure that its contractors have the capacity to meet and are held accountable for performance on service levels, requires contractors to have relevant experience and demonstrated effectiveness, requires the Secretary to provide quarterly briefings to Congress on general progress related to solicitations for federal student loan servicing contracts, and requires the Department to publish aggregate data on student loan and servicer performance and a detailed strategic and spend plan for NextGen.

- The bill includes funding for an open textbook pilot program, modeling and simulation at high-quality institutions of higher education, and a Basic Needs Grants pilot program to provide assistance to postsecondary education.
- The legislation modifies the 90/10 rule to increase the percentage of non-federal funds that proprietary colleges must receive to 15 percent (making it a 85/15 rule).
- The bill amends the Higher Education Act to expand eligibility for federal student aid to included Deferred Action for Childhood Arrivals or DACA participants and those who have received temporary protected status under the Immigration and Nationality Act.

For more information on the markup session, including an archived webcast of the proceedings, visit the [committee website].

Department of Education Announces New FSA Leaders

Today, the U.S. Department of Education [announced] that it had appointed several key leaders to the Office of Federal Student Aid (FSA) that will focus on improving operations and accountability in the areas of student loan servicing and postsecondary institution compliance. All positions will report to Chief Operating Officer Richard Cordray, including the following:

- **Sartaj Alag, Senior Advisor for Management**. Sartaj Alag joins FSA with a background in consumer finance. He will serve in a new role as Senior Advisor for Management, where he will take over the Principal Deputy Chief Operating Officer portfolio and oversee the enterprise finance, technology, and acquisitions functions. He spent six years at the Consumer Financial Protection Bureau (CFPB), where he was the Chief Operating Officer and helped to start and managed the Office of Consumer Response. Prior to his role at the CFPB, he worked at Capital One for almost 10 years.
- **Kristen Donoghue, Senior Advisor.** Kristen Donoghue joins FSA with a background in consumer finance, regulatory compliance, and law enforcement. In the new role of Senior Advisor, she will focus on initiatives to rebuild oversight, compliance, and accountability of institutions of higher education, improve loan forgiveness programs, and represent FSA in certain negotiated rulemaking processes. She joins FSA from Capital One Financial Corporation, where she served as Managing Vice President of Compliance and the head of compliance for the Retail Bank and Enterprise Services and led Capital One's Privacy Compliance function. Prior to her tenure at Capital One, she served as the enforcement director for the CFPB where she led the 145-person office responsible for the bureau's enforcement of consumer financial protection law.
- **Bonnie Latreille, FSA Ombudsman**. Bonnie Latreille will serve as the third ombudsman in FSA's history and the first to report directly to the Chief Operating Officer. She joins FSA after serving in the office of the CFPB student loan ombudsman. In that role, she led the development of annual student loan ombudsman reports to Congress, oversaw high-level analysis about consumer complaints, and identified areas of improvement in the federal and private student loan markets. Following five years at the CFPB, she co-founded the Student Borrower Protection Center and served as its Director of Research and Advocacy.
- **Colleen McGinnis, Chief of Staff**. Colleen McGinnis returns to the role of FSA's Chief of Staff with deep knowledge about the office's programs, products, services, and operations. In her more than 20 years in public service, she has been FSA's deputy Chief Operating Officer for Strategic Measures and Outcomes, Director of Policy Implementation and Oversight, Acting Chief Performance Officer, and a senior advisor to the chief operating officer. As Chief of Staff, she will advise the

Chief Operating Officer about FSA's business activities, provide critical historical expertise, and coordinate priority initiatives.

- **Stephanie Richo, Executive Assistant to the Chief Operating Officer**. Stephanie Richo most recently worked at the CFPB, where she held roles in executive-level administrative and overall bureau support. During her time at the CFPB, Stephanie served as special Assistant to the Acting Director, Director, Chief of Staff, and Deputy Chief of Staff, as well as the Assistant to the Chief Information Officer and Deputy Chief Information Officer.

FTC Announces Settlement with Two Florida-based Companies that Helped Student Loan Debt Relief Scammers

Today, the Federal Trade Commission (FTC) announced a settlement of a complaint against Moneta Management LLC, Moneta Management, Inc., and their Chief Executive Officer Michael Todd Greene over their participation in helping student loan debt relief scammers. The FTC alleged that, from 2015 to 2018, the Defendants knowingly submitted false information to payment processors to obtain merchant accounts for several debt relief companies so that they could accept payments from student loan borrowers. The Commission alleged that the Defendants enabled the debt relief companies to circumvent industry underwriting safeguards, avoid account terminations, and defraud consumers for years without detection by industry players or law enforcement. The settlement provides that Mr. Greene and his two companies will be barred from payment processing, acting as a sales agent or independent sales organization, and from assisting and facilitating unfair and deceptive trade practices. The proposed final order also imposes a monetary judgment of $28.6 million, which will be partially suspended after payment of $20,493 due to their inability to pay the full amount. The debt relief companies that the Defendants aided pleaded guilty to criminal charges in 2019 and settled with the FTC in 2020. The debt relief scammers targeted financially struggling recipients of federal student loans and used deceptive telemarketing scripts to lure them into paying for phony debt relief services. The FTC found that the debt relief companies violated the Telemarketing Sales Rule by collecting fees for debt relief services before providing those services.

House Education Committee Ranking Member Foxx Sends Letter to Education Secretary Cardona on PHEAA

Transition

Today, House Education and Labor Committee Ranking Member Virginia Foxx (R-NC) sent a letter to Education Secretary Miguel Cardona asking for more details on Federal Student Aid's (FSA) plan to address the recent announcement that the Pennsylvania Higher Education Assistance Agency (PHEAA) will not accept an extension of its federal student loan servicing contract. In the letter, Ranking Member Foxx said that PHEAA's announcement that it will end its 12-year old contract with the U.S. Department of Education is significant, but not unsurprising as the Department has an "increasingly complex and challenging arrangement" with its contractors. The letter says that, for several years, servicers have requested comprehensive guidance to ensure they understand and meet the expectations of the Department and to better serve borrowers, but the concerns have been dismissed. "FSA should be a true public-private partnership that puts borrowers needs first," Ranking Member Foxx says.
The letter asks a series of questions, including the following:

- When will borrowers begin their transition to an alternative servicer, and when will they be notified about this transition?
- How will the Department decide where to transition PHEAA's borrowers?
- PHEAA is currently the primary designated servicer by the Department to manage the Public Service Loan Forgiveness (PSLF) and TEACH Grant programs. What is the Department's plan for carrying out these responsibilities or transitioning them to an alternative federally contracted servicer(s)? How will the Department leverage PHEAA's institutional knowledge of the PSLF program to ensure the program's operations are not disrupted?
- Is the Department aware of any other student loan servicers that plan to reject a contract extension? If so, how will the Department address the concerns of servicers planning to exit?

TICAS Releases Report Examines How Congress Can Improve College Affordability

The Institute for College Access and Success (TICAS) recently released a policy brief stating that federal policymakers should double the Pell Grant program and restore state investment in public colleges to ensure that all students, regardless of means, have the option to earn an affordable, high-quality degree. The report says that, in considering such significant new investments in Pell Grants, Congress also needs to consider additional accountability and oversight to ensure that program increases do not undermine state and institutional funding or exacerbate the risk that for-profit colleges pose to students. TICAS believes that by accounting for the wide variation across states and taking a cooperative design approach, federal lawmakers can build something that has a higher likelihood of uptake and more enthusiastic long-term buy-in from state policymakers by:

- Maintaining State Support for Higher Education Through a New Federal Grant.
- Preemptively Addressing the Threat of Economic Downturns to Public Higher Education.
- Using Data and Evidence to Explicitly Target Persistent Racial and Economic Equity Gaps.
- Promoting Increased Statewide Coordination.

Taken together, TICAS believes these policies will: (1) Ensure that all students, especially low-income students and BIPOC (Black, Indigenous, and people of color) students, have the financial resources they need to cover their college costs without taking on too much debt; (2) Incentivize states to increase investments in public higher education and stabilize state funding across economic cycles; and (3) Ensure that public colleges and universities have the resources they need to provide both a high-quality education and sufficient student supports.

Department of Education Approves Additional Borrower Defense Claims

On Friday, the U.S. Department of Education announced the approval of over 1,800 borrower defense to repayment claims for borrowers who attended three institutions: Westwood College, Marinello Schools of Beauty, and the Court Reporting Institute. This is the first time that the Department has approved borrower defense claims for students who attended institutions besides Corinthian Colleges, ITT Technical Institute, and American Career Institute since 2017. According to the announcement, these borrowers will receive 100 percent loan discharges, resulting in approximately $55.6 million in relief. This brings total loan cancellation based on borrower defense by the Biden Administration to over $1.5 billion for nearly 92,000 borrowers. “Today’s announcement continues the U.S. Department of Education’s commitment to standing up for students whose colleges took advantage of them,” said Secretary of Education Miguel Cardona. “The Department will continue doing its part to review and approve borrower defense claims quickly and fairly so that borrowers receive the relief that they need and deserve. We also hope these approvals serve as a warning to any institution engaging in similar conduct that this type of misrepresentation is unacceptable."

For more coverage, see these articles from *Inside Higher Ed*, *The Hill*, and *CNN*.

Sens. Reed and Collins Reintroduce PASS Act to Help Make Higher Education More Affordable and Accessible

Sen. Jack Reed (D-RI) and Susan Collins (R-ME) recently reintroduced S. 2054, the Partnerships for Affordability and Student Success or PASS Act. According to the authors, the bipartisan legislation would amend the Higher Education Act to reestablish a federal-state partnership for increasing need-based aid, provide grants to institutions to improve student outcomes and reduce college costs, and build public accountability for institutions of higher learning. In exchange for new federal investment, states must make a commitment to maintain their investment in higher education and have a comprehensive plan for higher education with measurable goals for access, affordability, and student outcomes. Key provisions include the following:
State Formula Grant – The PASS Act establishes a state formula grant program intended to improve college access, affordability, and completion. Funds are distributed to states based on poverty and college attainment. Funds are to be used for the following activities: Need-based grant aid, grants to institutions of higher education or partnerships between institutions of higher education and non-profit organizations, and public accountability and consumer information.

Matching Requirement – States must provide one dollar for every two federal dollars.

Eligibility - To be eligible for formula grants, states must meet maintenance of effort requirements and use federal funds to supplement and not supplant state funding for higher education; fulfill the state's program integrity role for the student aid programs; and have or develop a comprehensive plan for postsecondary education that is aligned with the elementary and secondary education plan for the state and the workforce and economic development plan of the state. This comprehensive plan must include measurable goals for student outcomes and college affordability.

Annual Report – Each state receiving funds is required to report annually to the public on its progress in meeting its postsecondary education goals. The report must include information on student outcomes, including enrollment and completion rates, disaggregated by race, ethnicity, disability status, and socio-economic status; information on workforce outcomes of graduates; information on college costs, including tuition increases, student debt, and the availability of need-based aid; and information on higher education-related consumer complaints reported to the state.

U.S. Department of Education News

For today's *Federal Register*, click here.

Member News

iGrad announced that it has partnered with the HBCU Community Development Action Coalition to provide **student financial wellness education** to Historically Black Colleges and Universities and Minority-Serving Institutions. According to the announcement, the new HBCU CDAC Our Money Matters financial wellness hub is powered by iGrad's award-winning financial literacy platform, which is used by more than 600 colleges and universities including Ohio State University, Arizona State University, and Columbia University.

General News

Higher Ed Dive reports that the number of colleges and universities still accepting applications has dropped from the COVID-19 pandemic high offering a glimpse into the types of colleges that may be struggling to reach enrollment goals. Several of the colleges are small liberal arts colleges according to the annual list published by the National Association for College Admission Counseling.

The Hill reports that Joe Sanberg, a progressive entrepreneur and Chief Executive Officer of the financial firm Aspiration, argued on Thursday that the Biden Administration should cancel all student debt because the money would be better spent by consumers in the economy "in a way that creates jobs."

University Business reports on the five ways that elementary and secondary school systems can better prepare students for college success. Currently, fewer lower-income high schools offer 10 or more advanced placement or honors courses.

The Hutchinson News reports that student loan scams are bad and about to get worse according to the Better Business Bureau.

University Business reports that college and K-12 students have showed incredible resolve as they have learned and gained new academic skills and coping strategies during the COVID-19 pandemic, according to a new report released from education media company Pearson.

WCNC reports that Livingstone College in Salisbury NC announced on Friday that it is eliminating $2.8 million worth of student debt.

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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