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Senate Banking Subcommittee Holds Hearing on Student Loans and the Economy

Today, the Senate Banking, Housing, and Urban Affairs Subcommittee on Economic Policy held a hearing entitled, "Protecting Student Loan Borrowers and the Economy in Upcoming Transitions." In her opening statement, Chairwoman Elizabeth Warren (D-MA) said that the student loan program is at a crossroads and Congress should take the opportunity to make real change. She said that the federal student loan payment and collections pause put in place at the beginning of the COVID-19 pandemic has shown how important it is to eliminate student loan debt. Chairwoman Warren said that President Joe Biden should use his executive authority to provide \$50,000 in student loan forgiveness. In the meantime, she said that the Biden Administration should extend the

payment and collections pause as federal student loan servicers have not received important guidance from Federal Student Aid. Ranking Member John Kennedy (R-LA), along with all subcommittee Republicans, did not attend the hearing.

In her [prepared testimony](#), Randi Weingarten, President of the American Federation of Teachers, raised concerns about implementation of the Public Service Loan Forgiveness (PSLF) Program and the transfer of loans to a new federal student loan servicer. Pointing to the 98 percent rejection rate for PSLF borrowers by the U.S. Department of Education, she said borrowers need real relief, not a mirage. She suggested that the “Biden Administration and the Education Department can restore the promise of PSLF now, before student loan payments resume this September, and immediately discharge debts for all borrowers who have completed at least a decade of public service while paying their federal student loans.” She cited stories of borrowers who learned years into repayment that a technicality made them ineligible for PSLF and that they will have to start the 10-year clock toward PSLF. Ms. Weingarten said that public service workers cannot wait for a fix or new rule for improvements in the program.

In her [prepared testimony](#), Letitia James, Attorney General for the State of New York, said that multiple investigations by her office have revealed that student loan borrowers are being harmed by misconduct by servicers. She said that servicer misconduct extends beyond a single servicer and “stems, in part, from the absence of comprehensive federal servicing standards.” Attorney General James applauded the Department for taking steps to restore information sharing with state attorneys general and called on Congress to “expand access to PSLF loan forgiveness to all federal loan borrowers who devote 10 years to public service, regardless of the type of federal loan or loan repayment plan.” Finally, she recommended that the federal government should take action to cancel up to \$50,000 in federal student debt for all borrowers.

In her [prepared testimony](#), Persis Yu, Director of the Student Loan Borrower Assistance Project at the National Consumer Law Center, focused generally on student loan servicing and the need to protect borrowers during the loan transfers caused by current servicers not renewing their contracts and by the restart of repayment once the pause ends. She stated that at “a time when two major changes are occurring for student loan borrowers, borrowers need the best servicing possible. Instead, they will likely encounter inexperienced customer service representatives and servicers who are stretched too thin.” She recommended that the Department make sure that repayment is not restarted until loans have been successfully transferred. She also mentioned that one of the problems that prevents borrowers from accessing loan forgiveness is errors in counting qualifying payments and recommended that borrowers have access to a complete

repayment history. Finally, Ms. Yu called for widespread administrative debt cancellation to remedy failures, including clearing the books of borrowers who have been in repayment more than 15 years.

For more coverage, including an archived webcast of the hearing, visit the [committee website](#).

House Begins Consideration of Labor, HHS, Education, and Related Agencies Appropriations Act

Today, the U.S. House of Representatives began consideration of [H.R.4502, the Labor, Health and Human Services, Education, and Related Agencies Appropriations Act for Fiscal Year 2022](#), which provides \$102.8 billion in discretionary funding for the U.S. 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. In order to speed up the budget and appropriations process in the lower chamber, the House Democratic leadership included six other funding bills in the package, including the Agriculture-FDA, Energy-Water, Interior-Environment, Military Construction-VA, Transportation-HUD and Financial Services Appropriations Act.

Last night, the House Rules Committee made in order 229 amendments for floor debate on the seven-bill funding package as Democrats work to pass most of the appropriations bills before leaving for the August recess later this week. Of note, Rep. Jackie Speier (D-CA) hopes to offer an amendment to block implementation of the Trump Administration's Title IX rule; Rep. Glenn Grothman (R-WI) hopes to offer an amendment to reduce higher education funding by \$122 million, and Rep. Sheila Jackson Lee (D-TX) plans to offer an amendment to provide \$10 million for outreach and support services to those at greatest risk of not completing college due to the COVID-19 pandemic. The House should begin debate and consideration of the amendments later today, with final passage expected later this week.

Senate Democrats Hold Press Conference Urging White House to Extend Federal Student Loan Payment Pause

Today, Senate Democrats, led by Senate Majority Leader Chuck Schumer (D-NY) and Sen.

Elizabeth Warren (D-MA), held a press conference where they called on the White House to extend the federal student loan payment and collections pause before it expires at the end of September. “To make borrowers repay their debts now would be unfair, would be harsh, and, in many instances, would be cruel,” Leader Schumer said. “People were thrown off their stride by COVID. Give them a chance to recover, wait till the spring.”

During the press event, Sen. Schumer said that the federal government’s halt on monthly student loan payments and interest has “proven to be one of the most effective steps that the government has taken to help Americans get through health and economic crisis created by COVID-19.” Follow Leader Schumer’s remarks, Sen. Warren said, “Ticktock, ticktock, Mr. President.” Both senators said that they hope the President’s continuation of the student loan payment freeze will be a prelude to eventual executive action to cancel large swaths of the debt outright. “We’re staring down the deadline — not of our making but the President’s making,” Sen. Warren said. “And we’re asking that the payment clause be extended, but more critically, we are asking that he go ahead and cancel student loan debt.” House and Senate Democrats have been urging the White House and the U.S. Department of Education to continue the payment pause into 2022 for weeks. But the Biden Administration has yet to announce whether it will do so. Other federal pandemic relief programs are also set to expire in the coming weeks, such as the eviction moratorium and enhanced unemployment benefits. For more coverage, see this article from [The Hill](#).

Brookings Institution Report Examines Student Outcomes for Short-Term Programs

The Brookings Institution recently released a report titled, “[Quick College Credentials: Student Outcomes and Accountability Policy for Short-Term Programs](#).” The report documents the size and scope of short-term programs, discusses current policies designed to ensure program quality, and explores the implications of alternative accountability policies that federal and state regulators might consider. The report found that, as of 2019, there are about 103 programs under 600 clock hours for which students can take out federal student loans, down from 730 such programs in 2010. Most (70 percent) of these programs are offered by for-profit institutions. The report also found that, despite reporting high completion and job-placement rates, post-college earnings for students graduating from these programs are quite low, averaging about \$24,000 per year. The report argues that current policies offer little in the way of accountability for these short-term programs. According to the report, the main requirement for participation in federal student loan programs is known as the 70-70 rule, requiring that programs have self-reported completion and job-placement rates of 70 percent each

when they first apply. No standard definition or guidance for job-placement calculations exist, so institutions interpret the rule themselves and report their own figures. Finally, the report examines how these programs would fare on other potential accountability metrics. In particular, it considered using the average earnings of young adults with no college education as a benchmark for post-completion earnings. When they applied the lowest benchmark of \$25,000, more than half of the short-term programs failed. According to the report, these results have implications for regulatory policy surrounding access to loans for these short vocational programs and can inform current proposals to expand access to Pell Grants for similar short-term programs.

U.S. Department of Education News

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

General News

[The National Law Review](#) reports that the U.S. Court of Appeals for the Second Circuit has followed the lead of the Tenth and Fifth Circuits in affirming a bankruptcy court ruling regarding private student loans under 11 U.S.C. § 523(a)(8). In *Homaidan v. Navient, et al*, the court ultimately held that the exception to discharge language – “an obligation to repay funds received as an educational benefit, scholarship, or stipend” – does not cover private student loans.

[Fox Business](#) reports on three tips to help ease the burden of student loans once the federal repayment pause ends later this year.

[The Street](#) reports the SECURE Act 2.0 could have the makings of a financial blockbuster hit, as it would allow borrowers to simultaneously repay their (or their dependent's) student loans and save for retirement. The bill is currently pending before the U.S. House of Representatives and could see a floor vote at some point this year.

[Yahoo Finance](#) reports that beauty school programs are relatively costly and leave students saddled with very high levels of student loan debt, according to a new report that examined federal data from the National Center for Education Statistics.

[Student Loan Hero](#) reports on its newest study that looks at community colleges in each state to find where students depend on these schools the most and the states with the best and worst community colleges.

[Winsight Grocery Business](#) reports that Walmart announced it will cover 100 percent of college tuition and book costs for part-time and full-time associates.

[Higher Ed Dive](#) reports that colleges and universities are still rolling out mitigation strategies for the fall semester as coronavirus cases once again rise across the country.

[Inside Higher Ed](#) reports that a national panel is arguing that achieving equity in higher education requires recognizing and crediting “all relevant learning” from wider variety of sources, which must go beyond transfer policies. Barely one in seven community college students who set out to earn a four-year degree earn one within six years, and the typical student who tries to change colleges loses 43 percent of her/his credits.

[Inside Higher Ed](#) and [The Chronicle of Higher Education](#) report that the U.S. Department of Education and the U.S. Department of State pledged a “renewed” commitment to international education. Advocates hope that this could be a first step toward a federal international education strategy.

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