NCHER

DAILY BRIEFING

Thursday, July 29, 2021

In Today's Edition

House Financial Services Committee Passes Adjustable Interest Rate (LIBOR) Act

Today, the House Financial Services Committee passed H.R. 4616, the Adjustable Interest Rate (LIBOR) Act of 2021, sponsored by Rep. Brad Sherman (D-CA). The bill is intended to establish a clear and uniform process, on a nationwide basis, for replacing the London Inter-Bank Offered Rate (LIBOR) with the Secured Overnight Financing Rate or SOFR in existing contracts that do not provide for a clearly defined fallback benchmark rate.

In his opening statement on the bill, Rep. Sherman said that LIBOR represents significant systemic risk for the nation's financial system, indicating that there are around $10 trillion in debt instruments outstanding indexed to LIBOR that do not have fallback language. He said that it is important to deal with this issue now. Rep. Sherman stated that the Federal Reserve has been involved in the drafting of every section of the bill. He said that he will introduce an amendment in the nature of a substitute to correct two technical issues. In his opening statement, Ranking Member Patrick McHenry (R-NC) criticized Democrats for delays in bringing up the bill, saying the problem with the transition away from LIBOR has been known for years. He said there should have been more than one hearing on the issue, as well as greater coordination with the U.S. Senate and input from market participants. He said he has no confidence in the legislation given the process. In his opening statement, Rep. Bill Huizenga (R-MI) said there is still work needed on the bill and he encouraged Democrats to work with Republicans as the bill moves forward. Rep. Sherman said that he is ready to work with others before the bill goes to the House Floor. After conclusion of the discussion, the committee approved the bill by voice vote.

As previously reported, NCHER and other student loan trades are continuing to work with House Financial Services Committee and House Education and Labor Committee staff to address the calculation of special allowance payments of Federal Family Education Loan Program loans, which is based on 1-month LIBOR, as the bill moves to the floor in September.

For more information on the markup session, including an archived webcast, visit the **committee website**.

House Passes Labor, HHS, Education Appropriations Act, Includes One-Year Extension of AMF

Today, the U.S. House of Representatives passed **H.R.4502, the Labor, Health and Human Services, Education, and Related Agencies Appropriations Act**, by a party-line vote of 219-208. The seven-bill appropriations package was put together in order to speed completion of the chamber's budget and appropriations process. As reported previously, the Labor, HHS, Education, and Related Agencies Appropriations Act portion of the package 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 Fiscal Year 2021 enacted level and $358 million below the budget request, and includes a one-year extension of Account Maintenance Fees paid to guaranty agencies. The bill now heads to the U.S. Senate for additional consideration.

For further coverage of the budget and appropriations process, including the possible standoff over federal funding later in the fall, see this article from ***The Hill***.

Department of Education Announces Funding for Under-Resourced Institutions

Today, the U.S. Department of Education announced that it will distribute $3.2 billion in additional emergency grants under the Higher Education Emergency Relief Fund (HEERF) included in the COVID-19 relief package passed earlier this year by Congress. The funds will support students who attend over 1,800 institutions of higher education and provide resources to help these institutions recover from the impacts of the pandemic. According to the announcement, the Department will provide $1.6 billion to Historically Black Colleges and Universities (HBCUs), $143 million to Tribally Controlled Colleges and Universities (TCCUs), and $1.19 billion to Minority-Serving Institutions (MSIs) and under-resourced institutions eligible for the Strengthening Institutions Programs, many of which are community colleges. The funds come from the Coronavirus Aid, Relief, and Economic Security or CARES Act and the Coronavirus Response and Relief Supplemental Appropriations Act, which support public and non-profit institutions and their students with the greatest unmet needs related to the pandemic. Today's announcement increases the total amount of funding made available to colleges and universities under the HEERF to more than $76 billion.

“The American Rescue Plan provided critical funds to make sure our nation’s institutions of higher education – particularly those that serve students most impacted by the COVID-19 pandemic – receive the resources they need in order to provide students with a high-quality education and the social, emotional and mental health supports to earn their degrees and thrive,” said Secretary of Education Miguel Cardona. “These institutions have a long history of serving our students—particularly students of color, first-generation college students, and other students who are underrepresented in higher education—and the Department stands ready to support them so they can expand their vital services.”

ARRC Announces Formal Approval of SOFR Term Rates

Today, the Alternative Reference Rates Committee (ARRC) announced that it is now formally recommending the CME Group’s forward-looking Secured Overnight Financing

Rate (SOFR) term rates. According to the ARRC, the announcement marks the completion of the Paced Transition Plan that the committee outlined in 2017. Randal Quarles, Vice Chair for Supervision of the Federal Reserve Board and Chair of the Financial Stability Board, stated, “With this step, market participants now have every tool they need to transition from LIBOR [London Inter-Bank Offered Rate]. All firms should be moving quickly to meet our supervisory guidance advising them to end new use of LIBOR this year.” Today’s formal recommendation follows the ARRC’s July 21 **announcement** of conventions and recommended best practices for the use of the SOFR Term Rates. That announcement indicated that SOFR Term Rates will be especially helpful for the business loans market, particularly multi-lender facilities, middle market loans, and trade finance loans, where transitioning from LIBOR to an overnight rate has been difficult.

House Education and Labor Subcommittee Holds Hearing on Pell Grants

Today, the House Education and Labor Subcommittee on Higher Education and Workforce Investment held a hearing entitled, “Keeping the Pell Grant Promise: Increasing Enrollment, Supporting Success.”

In his opening statement, Full Committee Chair Bobby Scott (D-VA) stated that the hearing would examine trends related to Pell Grant-eligible students’ access to public four-year institutions, the state and institutional roles in helping students succeed, and how federal legislation can assist in these areas. He noted that, at the time of introduction of the Higher Education Act, the Pell Grant program covered 80 percent of the cost of attendance at a four-year public institution of higher education, while it currently covers only about 30 percent of the cost of attendance today. Chairman Scott said that public institutions of higher education have been critical in helping students from low-income backgrounds enroll in college and reach their full potential. He noted that research reveals that there are still too many public colleges with student bodies that do not reflect the communities they are established to serve. He said that even institutions that do enroll Pell-eligible students may not provide the support those students need to complete their degrees. He referenced research from 2018 that found only a quarter of colleges and universities with a higher-than-average Pell-enrollment graduated more than half of their students. The Chairman stated that campus closures and inequitable access to remote learning during the COVID-19 pandemic created new barriers for low-income students. He cited research from the Brookings Institute, which found that students from households making less than $75,000 a year were more than twice as likely to forgo college during the pandemic. He said that, during the last year, Congress has taken many actions to help institutions and students weather the impact of the pandemic, including three COVID-19 relief packages providing more than $75 billion to help colleges and universities stay afloat, reopen their campuses safely, and address the needs of their students. He stated that Congress also increased Pell Grant award amounts for current recipients and expanded eligibility for hundreds of thousands of other students, including incarcerated students. He said that, while these packages have saved institutions from financial collapse, Congress must also address the root causes behind persistent barriers to postsecondary degrees, including chronic state disinvestment in higher education.

In his opening statement, Subcommittee Ranking Member Greg Murphy (R-NC) noted that the Pell Grant program is the cornerstone of federal student aid. He said that, every year, 6.5 million Americans pursue postsecondary education with the help of the Pell Grant. He said that the program advances the mission of the Higher Education Act to increase access to college for students who come from low-income families. Ranking Member Murphy stated that historical numbers show that the Pell Grant program has been successful in encouraging students to pursue postsecondary education. He said that the committee should be concerned with the unintended consequences of well-intended federal student aid policy. For example, he said that Congress's attempts to make college more affordable for students and their families led to ballooning postsecondary costs. He asserted that institutions must be held accountable for their actions and high prices. He said that Congress must recalibrate the federal student aid program to account for revenue hungry actions for colleges and universities. The Ranking Member said that, when institutions are focused on increasing revenue, less resources are available directly to students and lead to less students completing their degrees. He noted that each additional year it takes a student to complete their degree at a public four-year college costs over $65,000 after accounting for school expenses and lost wages. He noted that, even if students do graduate, there are questions about the value of the education that they receive. He referenced a 2018 job outlook survey conducted by the National Association of Colleges and Employers, which found that almost 80 percent of students considered themselves proficient at oral and written communications, while employers considered only 40 percent proficient at the same skills. All in all, Ranking Member Murphy asserted that increasing funding to Pell Grants will not solve the underlying issues in the higher education sector. He called for comprehensive reform of the Higher Education Act's accountability framework, and asserted that there are many paths to a successful career and life, not just a baccalaureate degree.

In his **testimony**, Justin Ortagus, Associate Professor of Higher Education Administration and Policy and Director of the Institute of Higher Education, at the University of Florida, began by noting the purchasing power of the Pell Grant has decreased over time and, as such, makes it more difficult for low-income students to afford postsecondary education. He said that the enrollment rates of low-income students are much lower than their wealthy or middle-income peers, particularly among students of color, even after controlling for individual academic ability. He noted that college enrollment rates for the lowest-earning families are 30 percentage points lower than college graduates from the highest-income families. Mr. Ortagus said that this problem has intensified in the past 18 months due to the pandemic. He noted that the sharpest enrollment decline from the pandemic was seen from students who attended lower income high schools. Mr. Ortagus mentioned that there are two main barriers that prevent low-income students from enrolling in college: informational and financial. He noted that, despite the importance of removing informational barriers by streamlining the application process for financial aid, most of the barriers that low-income students face in applying and enrolling in postsecondary education stem from the financial difficulties they face. He said that the most effective policy solutions will most directly address that reality by increasing need-based financial aid. He noted that state disinvestment in higher education is another important consideration. Mr. Ortagus referenced research that showed the positive impact of need-based financial aid on low-income students in terms of enrollment, persistence, and completion. He noted one study that found providing Pell Grant recipients with access to additional need-based aid increased their likelihood of going to college, graduating, and earning higher wages in the labor market. He said that same study showed increases in need-based aid is a good investment that pays for itself multiple times over.

In his **testimony**, Robert Jones, Chancellor of the University of Illinois Urbana-Champaign, stated that he was here to advocate in the strongest possible way for increased Pell Grant funding and for an expansion in the number of families able to access these critically important grants. He stated that he firmly believes that the Pell program is one of the most strategic, most efficient, and most flexible federal investments that Congress can make in our nation's educational, economic, and social development. He stated that Pell Grants are an essential component in making an Illinois education more affordable and more accessible for a growing percentage of the student body. Pell-eligible students now represent 25 percent of all undergraduates at the university, an increase of about 29 percent from 10 years ago and a 76 percent increase from 15 years ago. He said that the university was recently recognized by the American Talent Initiative for its increase of more than 1,400 Pell-eligible students since 2016. He said it is also important to note that Pell Grants – and innovative new recruitment and support programs enabled by the flexibility the Pell program offers – are especially important in improving the outcomes and trajectories of underrepresented populations. At Illinois, he noted, students from these populations account for about 60 percent of Pell Grants awarded. All in all, Mr. Jones believes in doubling the Pell Grant program because it is a necessity for students in need.

In his **testimony**, Michael Poliakoff, President of American Council of Trustees and Alumni, stated that, in order for Pell Grants to fully realize their promise, additional layers of accountability must be applied. He mentioned that there is little evidence to suggest that simply increasing the amount of federal funds available to students will solve this issue. He indicated that there is another issue that needs attention, the lack of oversight over the Pell Grant program and painting higher education with a broad brush does harm to the diversity of the system. In his opinion, the lack of oversight over the program at the institutional level has been shocking. He posited, "How do colleges spend funds acquired through these grants? Are schools doing enough to ensure that Pell-eligible students receive the support they need to graduate?" These questions, he mentioned, went unanswered for decades, as the Department of Education failed to provide publicly available data related to institutional outcomes for the student population before late 2017. He also said that, too often, policy proposals are framed in such a way as to push as many students as possible toward a four-year degree; a position which reveals a lack of respect for the value provided by community colleges, which are often far better suited to help students who are underprepared for higher education gain the skills they need for success. In conclusion, Mr. Poliakoff said that he believes that increasing the size of the Pell Grant may well be appropriate, but only if accompanied by rigorous, new accountability measures and metrics.

In her **testimony**, Darleny Suriel, a student at the City College of New York, stated that the Pell Grant has supported students like herself. Thanks to the program, she has had access to a high-quality education without worrying about accumulating significant debt. The Pell Grant has made it possible for her to afford tuition, pay for books, and even receive meal vouchers. She believes that the Pell Grant must be doubled so that it can reflect the current needs of college students. Almost half of the college student population in this country deals with food insecurity and the percentage of college students that are affected by the digital divide, housing insecurity, and unemployment is equally as jarring. These financial obstacles can negatively impact a student's academic performance and ability to graduate on time.

During the question-and-answer portion of the hearing, Rep. Mark Takano (D-CA) asked whether there were any studies that discussed the "Bennett hypothesis," as mentioned by Ranking Member Murphy. Mr. Ortagus said that all of the studies on the idea that federal spending impacts college spending applies largely to proprietary colleges and universities, not public institutions. Rep. Takano also asked what Congress can do to improve the Pell Grant program to ensure that it better serves low-income students, especially as it relates to those impacted by the COVID-19 pandemic. Mr. Ortagus said that Congress should increase the maximum award of the program in a meaningful way. Rep. Mariannette Miller-Meeks (R-IA) asked if a four-year college degree was the only pathway for students to successfully obtain a higher education to get a meaningful career. Mr. Poliakoff said that students do not need a four-year degree to be successful; for some students, its necessary, but for others, community college and career education are the best approach. Rep. Teresa Leger Fernandex (D-NM) asked to discuss the importance of providing non-academic services to low-income students. Mr. Jones said that he strongly believes higher education must address wrap-around services outside of the classroom, which play a role in increasing academic achievement. She asked if doubling the maximum award for the Pell Grant program was enough to help low-income students. Ms. Suriel said that it was not enough – many students would still have to take out loans to afford non-tuition costs.

Ranking Member Murphy asked to discuss the role of governing boards in addressing the rising costs of college. Mr. Poliakoff said that governing boards should not be “rubber stamps” for the college administration, but should work with them to address issues around academic success and student life. He also said that colleges should look at their peers when it comes to cutting non-academic costs such as Purdue University and Arizona State University that have reduced administrative costs. Rep. Kathy Manning (D-NC) asked about the transfer of students moving from community colleges to four-year institutions. Mr. Jones said that his college has active agreements with community colleges across the state of Illinois that include a clear understanding of what is required to transfer. Rep. Glenn Grothman (R-WI) asked what is driving college costs. Mr. Poliakoff said that most students that attend postsecondary education will not receive institutional aid. He said that the Federal Reserve Bank of New York and other studies have shown that additional federal student aid is contributing to the costs of higher education. Rep. Mondaire Jones (D-NY) asked how doubling the Pell Grant program will restore the promise under the Higher Education Act. Mr. Jones said that these proposals will put money in the hands of students who need it the most and minimize the number of low-income students who have to take on student loan debt. Rep. Diana Harshbarger (R-TN) asked what Congress should do to encourage a reduction in extravagant spending by four-year colleges and universities. Mr. Poliakoff said that institutions should look at instructional v. non-instructional expenses. Rep. Jamaal Bowman (D-NY) asked how difficult it is to fill out the Free Application for Federal Student Aid (FAFSA). Ms. Suriel said that she was a first-generation student and received support services that helped her complete the FAFSA.

Ranking Member Foxx asked what characteristics do successful institutions have when it comes to the ability to innovate and control college costs and about state initiatives that promote performance-based funding. Mr. Poliakoff said that successful colleges and universities have worked with their professors to improve academic achievement and that the work of the state of Florida to put in place performance-based funding is important to helping students. Rep. Mark Pocan (D-WI) asked whether low-income students would be able to go to college without Pell Grants. Ms. Suriel said that she would not have been able to go to college without help from the federal program.

For additional information on the hearing, including an archived webcast, visit the **committee website**.

TICAS Report Examines How to Close Racial and Economic Gaps

The Institute for College Access and Success (TICAS) recently released a **report** providing an in-depth overview of federal and state postsecondary data collection and highlighting current legislation that could fill existing equity gaps. The report also makes several policy recommendations for federal and state data collection, which includes the creation of equity dashboards to analyze trends, individual institution data, and program outcomes to provide actionable information to guide state policies that improve equity in postsecondary education.

As policymakers look to build a new federal-state partnership to restore and maintain funding for public colleges, TICAS recommends that the federal government, states, and institutional leaders prioritize closing racial and economic equity gaps in postsecondary education. To close these gaps, state officials and institutional leaders should use the currently available data on race and economic equity gaps to inform postsecondary education policies. The federal government should also include funds for states to assess equity gaps in resources and student outcomes and to develop strategies to combat them. The report states that, by using currently available federal and state data to create state equity dashboards, policymakers and colleges can identify and target resources where they are most needed to close equity gaps.

SBPC Report Finds For-Profit Schools Target Black and Latino Communities

Today, the Student Borrower Protection Center (SBPC) released a report that examined patterns in the geographic distribution of institutions in five major Midwestern cities: Chicago, Cleveland, Detroit, Indianapolis, and Milwaukee. The SBPC combined data on school location from the U.S. Department of Education's College Scorecard with data from the Veterans Administration on the distribution of for-profit vocational training programs eligible for GI Bill benefits and zip code-level demographic information from the U.S. Census Bureau's American Community Survey. SBPC's data analysis reveals that, at the national level, for-profit schools are roughly twice as likely to set up in majority Latino or majority Black zip codes as compared to majority white zip codes. Other key findings include the following:

- For-Profit Schools Cluster Around Communities of Color:Compared to the relatively thin presence of for-profit institutions in predominantly white neighborhoods, the report found neighborhoods that are majority Latino or majority Black are far more likely to have a for-profit school. Nationally, majority Black zip codes are over 75 percent more likely to have a for-profit college than zip codes that are not majority Black, and majority Latino zip codes are over 110 percent more likely to have a for-profit college than zip codes that are not majority Latino. These national trends lead to stark contrasts at the local level. For example, in Cleveland, the areas with the densest Black populations have 11.5 times more for-profit colleges than the areas with the densest white populations.
- Predatory Products are Targeted at Communities of Color: According to the report, data from the College Scorecard shows how for-profit institutions that enroll Black, Latino, or female students frequently offer programs of questionable quality while saddling students with high amounts of debt. The result is low wages for students upon completion that prevent borrowers from repaying any principal on their loan, and force them to enroll in costly forbearance, become delinquent or default.

Based on the findings, the report offers recommendations for how federal, state, and municipal officials can take action to curb predatory practices and protect borrowers:

- The Consumer Financial Protection Bureau must hold for-profit schools accountable for discrimination and fair lending violations.
- State officials must enforce and supervise against the reverse redlining tactics that for-profit schools employ.

- Cities must use all of their enforcement authorities to hold for-profit schools accountable for predatory practices.
- The Department of Education's Office of Civil Rights should mandate enhanced reporting requirements for Title IV schools.
- Policymakers should create an interagency, intergovernmental working group on student loans and fair lending

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:

- **2021–22 Federal School Code List of Participating Schools (August 2021) (EA ID: APP-21-09)**

General News

Forbes and ***Newsweek*** report that student loan cancellation just got more complicated as House Speaker Nancy Pelosi (D-CA) threw a wrench into the campaign to enact mass student loan forgiveness.

Inside Higher Ed reports that the need to take advantage of the "rare opportunity for a fresh start" was a common theme of comments made by lawmakers and witnesses during a recent Senate Banking, Housing, and Urban Affairs Subcommittee hearing on protecting student borrowers.

The Chronicle of Higher Education reports that colleges and universities envisioned a near normal fall semester - then came the delta variant. A month out from the new term, some colleges are responding to a COVID surge by changing their strategies.

Inside Higher Ed and ***Higher Ed Dive*** report that, on Tuesday, California Governor Gavin Newsom signed legislation implementing a series of measures to make college more accessible as a part of the state's COVID-19 recovery efforts.

Forbes and ***Inside Higher Ed*** report that New York Governor Andrew Cuomo announced the creation of a CUNY Comeback Program, an effort that will clear up to $125 million in student debt owed to the City University of New York system. The initiative is expected to wipe out the balances of at least 50,000 students using federal COVID-19 relief funds. The average student debt balance to the system is about $2,000.

Inside Higher Ed reports that a new report from the Brookings Institution calls for federal funding of "anchor institutions" to help sustain them and allow them to reinvest in communities where they are located.

The Chronicle of Higher Education reports on those colleges and universities that have prospered during the COVID-19 pandemic and a common theme that have united those who have thrived.

Forbes reports on Walmart's recent announcement to fight student loan debt with a bold new move: making college tuition-free for its associates.

California Attorney General Rob Bonta issued a **press release** saying that he co-led a multistate amicus brief advocating for the rights of federal student loan borrowers. The brief, which was filed in the U.S. Court of Appeals for the Second Circuit, supports the New York Legal Assistance Group's lawsuit challenging action taken by the Trump Administration that repealed and replaced the federal borrower defense to repayment regulations.

An online version of this Daily Briefing is available to view and print from the **Daily Briefing Section** of the **NCHER e-Library**.

Phone: **(202) 822-2106**
Fax: (202) 822-2142