DAILY BRIEFING

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Bipartisan House and Senate Members Send Letter to Education Secretary Cardona Urging Relief for Disabled Borrowers

Today, Sens. Chris Coons (D-DE), Rob Portman (R-OH), Angus King (I-ME), and Tammy Duckworth (D-IL), as well as Reps. Ron Kind (D-WI) and Brian Fitzpatrick (R-PA), wrote a letter to Education Secretary Miguel Cardona urging him to "move forward expediently" on discharging those federal student loans held by more than 517,000 disabled borrowers who were already identified by the U.S. Department of Education as eligible for the benefit but have not yet received it. In the letter, House and Senate lawmakers urged Secretary Cardona to use the same regulatory tool that former Secretary Betsy

DeVos used to quickly implement the automatic student loan relief promised to disabled veterans. The lawmakers criticized the Biden Administration's current strategy of seeking policy changes for disability discharges into the negotiated rulemaking effort to amend a wide range of higher education regulations since the process has been slow and is not yet underway. "It is unnecessary and contrary to the public interest to undergo lengthy negotiated rulemaking to provide student loan discharges to borrowers with severe disabilities, as they are entitled to by law, when information is already on file with the federal government to verify their eligibility," the lawmakers wrote, urging Secretary Cardona to issue an interim final rule providing relief. In a statement, Department Spokesperson Kelly Leon said, "We share the concerns outlined in the letter and are exploring how we can make improvements to the program."

Sen. Marco Rubio Reintroduces LOAN Act

Sen. Marco Rubio (R-FL) recently reintroduced the **Leveraging Opportunities for Americans Now (LOAN) Act**, which would reform the federal student loan system by eliminating interest and replacing it with a one-time, non-compounding origination fee that borrowers would pay over the life of the loan. The bill would also place all student and parent borrowers in an income-based repayment plan. The legislation includes the following provisions:

- Beginning with the 2022-2023 school year, all federal student loans will have one-time financing fees instead of interest, which will be paid over the life of the loan and not accumulate with age. The financing fee will not increase over time to give borrowers greater understanding of the actual costs of higher education.
- Borrowers enrolled in school but who have not graduated have their choice to continue using the current loan system or the new, interest free loans created by the LOAN Act.
- Borrowers will automatically be placed in an income-based repayment plan, where they pay 10 percent of their earnings more than 150 percent of the federal poverty line, except in times of unforeseen financial hardship. Borrowers can still choose the standard 10-year repayment plan, but this will no longer be the default.
- Borrowers that pay more towards their loan than necessary can have their financing fee reduced, ensuring there is still an incentive to pay off loans in advance.
- The borrower's income would be verified by the U.S. Department of Treasury based on tax filings. Those earning less than 150 percent of the federal poverty line would not have to contribute toward their loan.

"Working-class Americans should be able to pursue an education without having to worry about finding themselves trapped in an insurmountable debt cycle for years beyond graduation," Sen. Rubio said. "My bill would reform our federal student loan system so that borrowers don't get stuck with debt they can never repay. Instead of accruing interest, borrowers will pay a one-time fee paid out over the life of the loan and will be automatically placed in an income-based repayment plan. It's time to update our federal student loan system, because fear of debt should never stand in the way of an education and the pursuit of a better life."

California Requires ISA Provider to Register as Education Loan Servicer Under New Law

Today, the California Department of Financial Protection and Innovation announced that it would, for the first time, treat income-share agreements (ISAs) as private student loans under the state's new student loan servicing licensing law. California's decision came as part of an agreement the state reached with Meratas Inc., a New York company that works with colleges and universities to offer income-share agreements and manages those products. Under the consent order, Meratas will be required to be licensed as a student loan servicer in the state, meaning it will have to follow a range of rules such as providing accurate information to borrowers and opening up its records for examination by state regulators.

"We are the first state regulator, to our knowledge, that has issued a license to a servicer of these products," Suzanne Martindale, Senior Deputy Commissioner of Consumer Financial Protection, said in an interview. The decision, she said, sets an "important precedent that a company servicing this kind of product should expect to be subject to some oversight." While the state's agreement applies only to Meratas, Ms. Martindale said that the decision was a "first step" that signals her office's intent to be active in ensuring proper oversight in this space. "There are multiple actors in this space, and we are as a Department seeking to be proactive and collaborative and data driven, so that we're making policy decisions based on robust input," Ms. Martindale said. "We see that as essential to ensuring that, as a state financial regulator, we are evolving as markets evolve as well and not simply playing catch up after the fact."
California also plans to develop new state regulations governing income-share agreements that further clarify what is required of the companies that provide the products or manage them, Ms. Martindale said, though she did not have a specific timeframe for that rulemaking. Darius Goldman, the Founder and Chief Executive Officer of Meratas, said that California's action was an important milestone for the burgeoning

ISA industry. “Because income share agreements do not fit neatly into existing federal or state legal regimes, we felt it prudent to be proactive at the state level, starting with California,” he said in a statement.
California’s efforts to more closely oversee income-share agreements comes amid a murky regulatory landscape at the federal level and in states across the country. The income-share agreement industry has marketed its products as a contract rather than a type of consumer credit, like a student loan. The distinction has important consequences for how the products are regulated. California’s decision on Meratas concludes that the incomes-share agreements it manages meet the definition of a student loan under the state’s student loan servicing law. The state’s action could have sweeping consequences for the income-share agreement industry, which is at the center of a battle over how those products should be regulated by state and federal officials, and have a ripple effect on the handful of other states that have similar loan servicing laws.

NCES Report Examines Relationship Between Bachelor’s Degree Pell Grant Recipient in Further Education

The U.S. Department of Education’s National Center for Education Statistics (NCES) recently released a new **report** examining whether there is a relationship between bachelor’s degree recipients that received Pell Grants and their enrollment in further education. The data included in the report was collected through a national survey of students who earned a bachelor’s degree during the 2015–16 academic year, and a second collection was done in 2017 about one year after respondents earned bachelor’s degrees. The survey asked the following questions: “What type of institutions do bachelor’s degree earners attend just after graduating? Do institution characteristics differ by Pell Grant receipt? Were students who received Pell Grants for their bachelor’s degree more or less likely to use scholarships, grants, or federal student loans to finance later education?”

The report findings include the following:

- Twenty-three percent of 2015–16 bachelor’s degree earners enrolled for more education the next year. These students were nearly evenly split between those who had received a Pell Grant for their college degree and those who had not.
- About three quarters of students, whether or not they had Pell Grants, went on to programs for master’s degrees, doctoral degrees, or higher kinds of certificates.
- Students who had a Pell Grant went on to master’s degree programs at higher rates (56 percent) than those who did not (50 percent). However, students with a Pell

Grant entered doctoral programs at lower rates (14 percent) than those without them (21 percent).

- Pell Grant receipt was related to the type of institution students attended. Fifty percent of students with a Pell Grant and 54 percent of those without a Pell Grant went to a public 4-year institution.
- Higher percentages of students with Pell Grants went to private for-profit institutions for further education (11 percent) than students without Pell Grants (4 percent).
- Overall, use of grants and scholarships in 2017 did not differ for students who had used and had not used Pell Grants for their bachelor's degree.
- A higher percentage of students who had a Pell Grant before 2016–17 used federal student loans in 2017 compared to students who had not received a Pell Grant. Overall, 66 percent of students who had an earlier Pell Grant used federal loans in 2017. This is higher than the 38 percent of students who had not received a Pell Grant. This gap by Pell Grant receipt was observed across all degree types, ranging from 17 to 34 points.

SBPC Releases Blog Questioning How Employers are Using Predatory Debt

Yesterday, the Student Borrower Protection Center released a **blog post** urging consumer watchdogs and policymakers to protect borrowers from "training repayment agreements" and other predatory contract terms. According to the center, these agreements require workers who receive on-the-job training to pay back their employer if they try to leave their job. These training costs often balloon, "creating a debt that is likely to hang over workers' heads for years if they do in fact move on to another job."

U.S. Department of Education News

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

General News

The Washington Post reports that, with the recent decision by the Centers for Disease Control and Prevention to extend the moratorium on evictions, Congressional Democrats

have now turning their attention to student loans.

The Wall Street Journal examines how student loan debt ballooned to $1.6 trillion and the current plans to provide loan forgiveness to student and parent borrowers.

Financial Regulation News reports that the Consumer Bankers Association is urging caution when it comes to student loan bankruptcy reform.

Inside Higher Ed reports that messages are being sent to federal lawmakers daily, and #DoublePell posts can be found all over social media. But the campaign is just getting started.

Employee Benefit News reports on how student loan debt programs went from a nice perk to a critical benefit.

Forbes reports that multiple major U.S. employers have begun offering debt-free college as an incentive to attract new workers in a competitive market.

Inside Higher Ed reports that Moody's Investors Service, one of several rating agencies that evaluates institutions of higher education, recently updated its methodology for rating colleges and universities. The new methodology will use the same method and scorecard to evaluate debt issued by colleges and universities as it does to evaluate revenue-backed debt issued by community colleges.

Higher Ed Dive reports that digging out of the COVID-19 pandemic's economic turmoil, public colleges have had to hike tuition. While the institutions are looking to stabilize their budgets after a tough financial year, more turbulence may be ahead.

The Chronicle of Higher Education continues to update its list of colleges and universities that will require students or employees to be vaccinated against COVID-19.

The Washington Post includes an op-ed by Loyola University Chicago Associate Professor of History and author Elizabeth Tandy Shermer who argues that federal policymakers created the student loan industry - and the debt crisis. While they never intended for more than 45 million Americans to have this much debt, policymakers in the 1960s made fateful choices.

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