NCHER DAILY BRIEFING

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NCHER Weekly Rundown

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.

U.S. House to Consider NDAA This Week, Private

Education Loan Amendments Filed

This week, the U.S. House of Representatives is expected to consider H.R. 4350, the National Defense Authorization Act for Fiscal Year 2022, which authorizes funding for the U.S. Department of Defense and other national security programs. At press time, more than 850 amendments had been filed to the bill, including the following:

- Amendment by Rep. Alma Adams (D-NC) to extend the student loan relief provisions included in the Coronavirus Aid, Relief, and Economic Security or CARES Act to private student loan borrowers. The protections, which include suspension of monthly payments, interest accrual, and collection activities, would expire on September 30, 2023.
- Amendment by Rep. Madeleine Dean (D-PA) to amend the Truth in Lending Act to direct the holder of a private education loan to discharge the loan in the event of the borrower's death or total and permanent disability.
- Amendment by Rep. Guy Reschenthaler (R-PA) to amend the Higher Education Act to make members of the National Guard and Reserves eligible for independent student status for the purposes of federal financial assistance for higher education.

The House Rules Committee is expected to meet this afternoon to set debate parameters and determine which amendments will be made in order and subject to a vote by the full House. NCHER will provide further coverage in future editions of the *NCHER Daily Briefing*.

FSA COO Cordray Outlines Student Aid Priorities, Focus on Payment Pause and FFEL Program

Last week, U.S. Department of Education Federal Student Aid (FSA) Chief Operating Officer Richard Cordray addressed attendees at the Education Finance Council's annual conference where he detailed his priorities in one of his first policy speeches. According to prepared remarks released after the event, Mr. Cordray talked about four issues where the challenge of helping to finance higher education across the country has been altered by the COVID-19 pandemic. First, he said that FSA is implementing two new laws about accessing federal student aid that will be a "sea change in the process for approximately 19 million students and families who fill out this essential form each year." Second, he said that FSA is beginning to prepare for what may be a significant new phase for the Federal Family Education Loan (FFEL) program:

"As you all know, FFEL borrowers were once the entire universe of student loan holders in the

United States. Over time, Congress saw fit to create the Direct Loan program, yet even then the direct private loans made through the FFEL program remained the lion's share of federal student aid. With the financial crisis a decade ago, however, this all changed suddenly. FFEL lending dried up, that program was terminated, and the government stepped in to provide direct loan funding to support higher education financing. Ever since, commercially held FFEL loans have been a steadily diminishing portion of the Department's loan portfolio. Yet time and student loan debt often move very slowly; those legacy accounts remain a significant chunk of our portfolio and are still worth close to $150 billion today.

At some point, however, the shrinkage in the FFEL portfolio will leave even that legacy repayment program unsustainable. We cannot be sure when that will happen. It may be several years from now or it may be sooner. What we do know is that the effects of the pandemic payment pause have hastened that day of reckoning. After a false start early last year, the guaranty agencies have been on hold with their collections for months now, even as they have had to do considerable work and bear considerable expense to unwind prior directives about whether and how to pursue collections. These strains were further exacerbated by the recent extension of the payment pause by four more months. It would be a vast understatement to say that these have been challenging times, and we are seeing more GAs make the difficult decision to exit the program. With every GA that leaves the FFEL program, the pressure mounts on those remaining to shoulder an even larger share of the load. We know this trend is not sustainable, and we have begun more advanced planning about how to manage this difficult situation going forward."

Third, Mr. Cordray said that the federal student loan payment pause has been challenging for the Federal Direct Loan program, especially when it came to communicating mixed messages to borrowers as a result of many "false starts" that sowed tremendous confusion. He said that FSA is also working to increase federal student loan servicing performance and accountability. "Some servicers have decided to exit the program rather than contend with these new realities," Mr. Corday said. "Others have caught the spirit of what we are intending and have embraced a new normal of 'putting borrowers first'."
Fourth, he said that restarting monthly student loan payments next February for tens of millions of borrowers, after nearly two-year pause, will be a "unique and unprecedented" task for the Department. He acknowledged that the political debate over student loan forgiveness has complicated the restart. He said that FSA will support borrowers and their families with clear communication and an emphasis on strong execution by the loan servicers. "We can expect that many, many borrowers will not be eager to return to repayment when they have been led to believe, or even to hope, that was never going to happen," Mr. Cordray said. "Getting over that psychological hurdle with millions of

Americans may be a much harder job than we know."

Senate Appropriations Committee Chair Leahy Delays Markups, Citing Republican Resistance

Politico is reporting that Senate Appropriations Committee Chairman Patrick Leahy (D-VT) has announced that the committee will not consider any additional spending bills because of Republican resistance. Chairman Leahy had hoped to mark up more appropriations bill this week especially as federal funding is slated to expire in two weeks. But "his Republican colleagues have decided to block movement on any additional appropriations bills until there is a budget agreement," committee spokesperson Jay Tilton said in a statement. Ranking Member Richard Shelby (R-AL) said that he told Chairman Leahy last week that Republicans will not approve any more individual spending bills until the two parties first settle on top-line numbers for both defense and non-defense programs. "No, we're not supporting anything now until y'all come together and try to work with us in a bipartisan way," Ranking Member Shelby said. "They can't move anything. They've got to have 60 votes." A spokesperson for Ranking Member Shelby clarified that Republicans were planning to attend the markups but would have voted no on the bills, as Democrats have previously done when they were in the minority. As the start of the federal fiscal year begins on October 1st, Congress has yet to clear any of the 12 individual appropriations bills that make up the discretionary portion of the federal budget. Later this week, the U.S. House of Representatives is expected to pass a short-term Continuing Resolution to keep the federal government open into early December. However, bipartisan negotiations on spending totals for each appropriations bill must begin before lawmakers can agree on the final details on legislation that would update funding levels and keep federal agencies running until October of next year.

SEC Chair Gensler Addresses SOFR Symposium, Says Time to Stop Writing LIBOR Contracts

The U.S. Department of Education's National Center for Education Statistics (NCES) recently released part of [data](#) collected for the 2017–18 National Postsecondary Student Aid Study, the most comprehensive national study of student financing of
Today, the Alternative Reference Rates Committee (ARRC) held the fifth in a series of events on ***[The Secured Overnight Financing Rate (SOFR) Symposium: The Final Year](#)***. The featured speaker was U.S. Securities and Exchange Commission (SEC) Chair Gary Gensler. In his remarks, Chairman Gensler analogized the London Interbank Offered Rate or LIBOR to Hans Christian Anderson's tale of the emperor's new clothes since it is based on

the thin market of bank loans to other banks. He also criticized the Bloomberg Short-Term Bank Yield Index or BSBY that some have touted as an alternative to SOFR, because it is subject to the same deficiencies as LIBOR. He said that moving to a rate that is not resilient would be a mistake. Chairman Gensler said that there is a need for a firm deadline to discontinue writing LIBOR contracts, and that the December 2021 deadline – only 102 days away - is real.

After Chairman Gensler's presentation, the symposium had a discussion among buy-side institutions. The participants discussed the need for federal legislation because the New York law that provides a safe harbor for the transition away from LIBOR only applies to the 85 percent of contracts that are governed by the state's law. They also said that the federal legislation, **H.R. 4616, the Adjustable Interest Rate (LIBOR) Act of 2021**, approved by the House Financial Services Committee in July still needs some work, including amending the Trust Indenture Act that without change would require bondholder consent. Gary Horbacz of PGIM Fixed Income mentioned the need to fix the formula for calculating special allowance payments for Federal Family Education Loan Program loans, which is based on 1-month LIBOR.

NCES Releases Data Showing Majority of Undergraduates Rely on Federal Aid

The U.S. Department of Education's National Center for Education Statistics (NCES) recently released part of **data** collected for the 2017–18 National Postsecondary Student Aid Study, the most comprehensive national study of student financing of postsecondary education in the United States. The study includes information for about 245,000 undergraduate students and 21,000 graduate students attending 1,900 postsecondary institutions in the 50 states, the District of Columbia, and Puerto Rico. It describes the percentages of students receiving various types of financial aid and average amounts received, by type of institution attended and institution state (for undergraduate students), and by type of institution, attendance pattern, graduate program, and income level (for graduate students).

According to the report, around 60 percent of undergraduates used some form of federal financial aid to pay for their postsecondary education during the 2017-18 academic year. Overall, during the 2017-18 academic year, 70 percent of students received some type of financial aid from any source, excluding loans from private lenders. Of the federal aid, 44 percent of students used Pell Grants and 39 percent borrowed from federal student loan programs. The average amount of total aid was $13,000, and the average amount of student loans was $6,600. For graduate students, almost 60 percent received some form of financial aid, and 41 percent took out an average of $24,800 in loans. The full report will not be released until November 2021.

U.S. Department of Education News

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

- (CB-21-12) Information Related to 2021–22 Supplemental Campus-Based Funds, Hurricane Ida, and the California Wildfires
- (COD-21-07) Additional COD System Implementation for 2021–22 Award Year (September 2021)
- (APP-21-16) 2022–23 Application and ISIR Test Files and 2022–23 Comment Code Text
- (GENERAL-21-57) Designation of U.S. Department of Treasury under Section 483(a)(3)(E) of the Higher Education Act

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General News

Inside Higher Ed reports that 20 college administrators, researchers, and entrepreneurs said in a recent letter to leaders of the House Education and Labor Committee and Senate Health, Education, Labor, and Pensions Committee that they are concerned the free community college provisions under consideration by lawmakers leave out job-focused learners. As a result, the policies would serve only a fraction of the population looking to pursue higher education.

Higher Ed Dive reports that New Jersey Governor Phil Murphy signed legislation last week requiring every college in the state to annually provide all enrolled students an itemized breakdown of their expenses, estimated debt, financial aid, and other subsidies they may be eligible to receive.

Inside Higher Ed reports that, though it is a challenge to design an equitable tuition-free college program, Democratic policymakers have crafted a proposal that is a good start in resolving the complications and what free community college might look like.

Yahoo examines how student loan debt may deter buying a home, and what to do about it.

Investment News reports that the freeze on federal student loan payments has been a financial lifeline for many, which has not been lost on employers who are juicing up benefits.

Yahoo examines the student loan interest deduction for 2021.

CNBC reports on several websites that aim to help students find college scholarships and get free college application advice. These websites provide a plethora of free resources for high school students.

Investment News reports on those tax perks that can nudge employers to help pay their workers' student loans.

Inside Higher Ed reports that the 2020-21 academic year was a shock to the entire system of higher education. College admissions was hurt throughout, beginning as students were sent home and banned from campuses, making it impossible for many students to see the campuses at which they would enroll. The website shares the survey results of 206 admissions officials showing how the challenges of the last year reshaped the landscape for admissions.

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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