



DAILY BRIEFING

Wednesday, November 10, 2021

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NCHER Offices Closed for Veterans Day, Daily Briefing

Resumes Publication Next Week

The NCHER offices will be closed tomorrow, November 11th, in observance of Veterans Day. The office will reopen on Friday. Since Congress is in recess this week, the *NCHER Daily Briefing* will resume publication next Monday, November 15, 2021. Have a great weekend!

Department of Education Begins Implementing Changes under the Public Service Loan Forgiveness Program

Politico and other news outlets are reporting that the U.S. Department of Education's Office of Federal Student Aid (FSA) has started canceling the federal student loans of borrowers who qualify under the temporary changes to the Public Service Loan Forgiveness (PSLF) program it announced last month. Thus far, the Department has fully canceled the debt of 2,600 borrowers totaling \$185 million and expects that more than 30,000 borrowers will have received full loan discharges totaling \$2 billion by the end of this week.

Separately, earlier this week, FSA Chief Operating Officer Richard Cordray [tweeted](#) a link to a [letter](#) addressed to public service workers touting the temporary waiver to expand PSLF eligibility to ineligible loan types and payments. In the letter, Mr. Cordray said that there has been a lack of clear and accurate information related to the temporary waiver and that it will take several months before all borrower questions can be addressed. He also noted that borrowers are receiving "confusing information and even denials of their PSLF or TEPSLF forms" since the program overall was announced. He asked for patience and said that, over the next few months, those decisions will be reviewed under the new approach to PSLF.

Hinshaw and Culbertson Updates Its 50 State Guide to Student Loan Servicing Regulations

NCHER member Hinshaw & Culbertson LLP recently updated its [50 State Guide on Student Loan Servicing Regulations](#), which aims to inform student loan lenders and servicers of specific laws and regulations that impact the industry. It is intended as a quick reference compliance guide, highlighting those states where laws and regulations have already been enacted as well as pending or previously introduced legislation, updated through September 2021. NCHER would like to thank Vaishali Rao and the Hinshaw team

for preparing the guide and for their continued assistance to NCHER and our members.

New York Fed Releases Household Debt and Credit Report, Finds Student Loan Balances Grew by \$14 Billion

Yesterday, the Federal Reserve Bank of New York issued its [Household Debt and Credit Report for the Third Quarter of 2021](#). The report found that, overall, total household debt increased by \$286 billion (or 1.9 percent) to \$15.24 trillion during the third quarter of 2021. Mortgage balances, the largest component of household debt, rose by \$230 billion while non-housing balances grew by \$61 billion in the quarter, with gains across all debt types. Auto loans increased by \$28 billion, student loan balances grew by \$14 billion, coinciding with the start of an academic year, and credit card balances increased by \$17 billion. The report showed that, overall, delinquency rates remained low at 2.7 percent at the end of September, having declined two percent since the beginning of the COVID-19 pandemic. The report attributes the decline to an uptake in forbearances provided both by the Coronavirus Aid, Relief, and Economic Security or CARES Act and voluntarily by lenders. Of the \$412 billion of debt that was delinquent, \$302 billion was seriously delinquent, defined as at least 90 days delinquent. The number of new bankruptcies and the share of consumers with a 3rd party collection account were both at historic lows. On student loans, the report shows that there was \$1.58 trillion outstanding in the third quarter, a rise of \$14 billion during the quarter, the same level as at the end of the first quarter. About 5.3 percent of student loan debt was 90+ days delinquent or in default. As in the past, the report notes that delinquency rate for federal and private student loans understates the real delinquency rate, as about half of student loans are in deferment, grace, or forbearance status.

Separately, the New York Fed's Liberty Street Economics issued a [report on credit card debt](#), concluding that credit card trends are beginning to normalize after paydown during the pandemic.

CFPB to Host Webinar on Public Service Loan Forgiveness

The Consumer Financial Protection Bureau (CFPB) will host a webinar titled, Public Service Loan Forgiveness Program (PSLF) Demystified, which will be held this Friday, November 12th from 1:00 pm to 2:30 pm ET. The webinar will provide information on PSLF and its requirements. To register for this event, visit the [CFPB website](#).

OSC Closes Probe into Former Secretary DeVos, Cites Lack of Help from the Department

Yesterday, the U.S. Office of Special Counsel (OSC) revealed that it had ended an investigation into whether former Education Secretary Betsy DeVos violated the Hatch Act without reaching a conclusion because the U.S. Department of Education failed to fully cooperate with the probe. The disclosure by the OSC was buried in a footnote of its [report](#), which found that more than a dozen other top Trump Administration officials in 2020 ran afoul of the Hatch Act's restrictions on political activity for government officials. Investigators from the OSC's office had been looking into whether Secretary DeVos violated the Hatch Act when she criticized President Joe Biden during a *Fox News* interview in the run-up to the presidential election. In the report, OSC staff said that the Department provided, "inadequate responses in connection with a Hatch Act investigation of former Secretary of Education Betsy DeVos...Despite repeated and detailed requests from OSC, the Department did not provide information necessary for OSC to decide as to whether Ms. DeVos violated the Hatch Act during an official interview. OSC closed that file because the Department's deficient responses meant that OSC had insufficient evidence to reach a conclusion regarding her conduct."

Following the report's release, Zachary Kurz, a spokesperson for OSC, said he could not provide any additional information about the investigation including when it was closed. The office, he said, does not make case files related to the Hatch Act available to the public. "The DeVos investigation was mentioned in the report to highlight an enforcement challenge OSC faces in some cases," Mr. Kurz said. A Department spokesperson said Tuesday that "all known communication regarding this inquiry between our General Counsel's office and OSC were prior to January 20, 2021." In response to a request for comment, Nate Bailey, who served as Secretary DeVos' Chief of Staff, said, "They found no wrongdoing because there was never anything to find. This was always a partisan complaint designed to generate press, not actually enforce Hatch. It was clear she didn't violate to any honest observer. That's why she only appears as a passing reference in a footnote." For more coverage, see this article from [Politico](#).

FTC Announces Order Banning Automatic Funds Transfer Services From Student Debt Relief Processing

Earlier this week, the Federal Trade Commission (FTC) [announced](#) that it had obtained an [order](#) permanently banning Automatic Funds Transfer Services, Inc. from processing student loan debt relief payments. The order requires the company and its owner to

surrender \$500,000 to the commission for consumer redress. The FTC's complaint against Automatic Funds Transfer Services, Inc. alleges that the company processed at least \$31 million in consumer payments for a fraudulent student loan debt relief scheme.

PHEAA Announces Agreement with FSA, One-Year Contract Extension on Servicing Federal Student Loans

Today, the Pennsylvania Higher Education Assistance Agency (PHEAA) [announced](#) that it had reached an agreement with the U.S. Department of Education's Office of Federal Student Aid (FSA) and has signed a one-year contract extension to service federal student loans past the December 14, 2021 expiration date of its current servicing contract. On July 8th, PHEAA stated that it would not seek to renew or accept a long-term extension of its servicing contract with FSA; however, the company said that it would entertain a short-term extension as necessary to ensure a smooth transition for 8.5 million federal borrowers that include Public Service Loan Forgiveness and TEACH borrowers. The contract extension, which will end in December 2022, provides that all loans will be successfully transferred from PHEAA to other servicers before that date. FSA recently announced its decision to transfer those borrower accounts, in numbers determined by FSA, to MOHELA, Navient, Edfinancial and NelNet. In a press release, PHEAA said that it was pleased to have negotiated with FSA to reach this contract extension that provides an orderly and timely transfer of borrowers from PHEAA to successor servicers.

U.S. Department of Education News

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

The following announcement was posted to Federal Student Aid's Knowledge Center website:

[\(GEN-21-08\) Treatment of name, image, and likeness compensation in awarding Title IV, HEA assistance](#)

Member News



Today, Strada Education Network [announced](#) that it had chosen Stephen Moret to serve as its next President and Chief Executive Officer (CEO), effective January 2022. Mr. Moret brings to Strada

a robust track record as a transformational leader in economic and workforce development, having led national-level business development projects, including a successful state-and-local team bid to land Amazon's HQ2, while also building higher education partnerships that resulted in new projects and job growth. He comes to Strada from the Virginia Economic Development Partnership (VEDP), where he has served as President and CEO since January 2017. He previously served as President and CEO of the Louisiana State University Foundation, Secretary of the Louisiana Department of Economic Development, and chief executive of the Baton Rouge Area Chamber.

General News

[Inside Higher Ed](#) reports that higher education thought leaders and institutions of higher education are working together to create a three-year bachelor's degree program that will offer all the value of a four-year degree for less cost.

[Higher Ed Dive](#) reports that community college bachelor's degrees are gaining traction across the country.

[The Chronicle of Higher Education](#) reports that FAFSA [Free Application for Federal Student Aid] verification can be a burden for students and colleges, and examines some of the proposals for easing it.

[Inside Higher Ed](#) reports new research argues that increases in GPAs are responsible for the rise in college completion rates since the 1990s.

[Diverse Issues in Higher Education](#) reports that the Texas Higher Education Coordinating Board recently released its preliminary headcount for the state's schools in fall 2021, revealing an 11 percent loss of enrollment at Texas's community colleges since 2019.

[CNBC](#) reports that more companies are offering tuition assistance and student loan repayment to help their employees with college costs.

[The New York Times](#) reports that the founders of the University of Austin say they want to defend intellectual dissent and declare that something in higher education is

fundamentally broken.

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