NCHER's Advocacy Priorities for the 117th Congress

February 2021

The National Council of Higher Education Resources (NCHER) and its members assist students and families develop, pay for, and achieve their career, training, and postsecondary educational goals. The assistance provided by the NCHER membership, especially state and nonprofit organizations that work directly with students and institutions of higher education to help them enter and succeed in college, has become even more critical during the coronavirus pandemic. The following are NCHER's advocacy priorities for the 117th Congress:

Extend student loan relief to FFEL borrowers: The Coronavirus Aid, Relief, and Economic Security or CARES Act provides student loan relief to borrowers with federally held loans. Unfortunately, the law does not extend such relief to borrowers with Federal Family Education Loans (FFEL) - or Perkins Loans - even though these loans have essentially the same terms and conditions as Federal Direct Loans or FFEL loans held by the federal government. The commercially held FFEL portfolio represents approximately 12.2 percent of the outstanding federal student loan portfolio and currently includes about 6.5 million borrowers. It is unfair for these federal student loan borrowers not to have access to the payment suspensions, interest waivers, and other benefits included in the CARES Act simply because of whether the loan was originated by the federal government or with a state, nonprofit, or private lender. **NCHER supports extending the student loan relief provisions included in the CARES Act to FFEL borrowers who are just as likely to be negatively impacted by COVID-19 as other federal student loan borrowers.**

Allow important communications to borrowers: The CARES Act and subsequent Presidential Memorandums prohibit involuntary debt collection efforts to federal student loan borrowers impacted by the COVID-19 pandemic. While students and their families should not be subjected to collection efforts when their loans are in forbearance or their monthly payments have been suspended, the lack of communication is preventing important information from being provided to struggling borrowers. Since the CARES Act does not provide assistance to defaulted borrowers, these students and parents have been frozen in time for the last 10 months even though they could benefit from counseling and other communications urging struggling borrowers to enter into rehabilitation where they could pay as little as $5/month to rehabilitate their credit and qualify for federal student aid. **NCHER supports allowing important communications to federal student loan borrowers, including defaulted borrowers, during periods of payment suspensions or other relief efforts.**

Allow defaulted borrowers to rehabilitate their federal loans a second time: The federal government's principal program for assisting defaulted borrowers struggling to repay their student loans is loan rehabilitation. Under this program, student and parent borrowers who make nine voluntary, on-time payments within ten consecutive months regain eligibility for federal student aid, the default status is removed from the borrowers' credit reports, and their accounts are no longer subject to wage garnishment or tax refund offset. Unfortunately, current law restricts loan rehabilitation to one-time per loan. Later this year, more than 40 million borrowers will begin repaying their student loans, including many who had defaulted and rehabilitated their loans prior to the spread of the coronavirus pandemic. With the nation's unemployment rate still at historically high levels, many student loan borrowers are expected to struggle to repay their loans, including students and parents who have previously defaulted on their loans. **NCHER supports allowing defaulted borrowers to rehabilitate their loans a second time.**

1050 Connecticut Ave NW, #65793, Washington, DC 20035 • (202) 822-2106 • http://www.ncher.us

Repealing the consolidation loan cap for guaranty agencies: The Higher Education Act caps the percentage of recoveries that a guaranty agency can have through Direct Consolidation Loans to 45 percent, a provision that was in place prior to Congress ending new FFEL originations in 2010. As more borrowers continue to consolidate their federal loans into the Direct Loan program, a growing percentage of guaranty agency portfolios are represented by Federal Direct Consolidation Loans, restricting the ability of agencies to help certain defaulted borrowers. This is especially important during the current national emergency when many borrowers are struggling to repay their loans and may look to consolidation as a viable option for loan repayment. **NCHER supports repealing the 45 percent cap for guaranty agencies on Federal Direct Consolidation Loans.**

Improve federal aid programs for students and their families**:** The U.S. Department of Education offers nine different repayment options to student borrowers who need help paying back their federal loans in a timely manner. The number of repayment plans – as well as the length of the Free Application for Federal Student Aid (FAFSA) - is confusing to students and parents and creates unnecessary barriers to higher education for low- and moderate-income students who believe a postsecondary education degree is unaffordable. **NCHER supports streamlining the myriad of student loan repayment plans by retaining the standard repayment plan and collapsing all of the existing Income Driven Repayment plans into a single plan for all student borrowers**.

Increase transparency of higher education for students and families: The Truth-in-Lending Act ensures applicants for almost all consumer loans are provided with a federally mandated disclosure of the true cost of their loans (the annual percentage rate or APR), which includes the interest rate, any origination fees, and all other loan costs. The purpose of the notice is to allow borrowers to compare different loan options before they become financially obligated. But federal student loans are exempt from this requirement. **NCHER supports mandating that Direct Loan borrowers receive accurate disclosure of the cost of their loans.**

Create a borrower-centric student loan program: Over the last few years, federal policymakers, states, and the media have given the impression that the Department does not adequately provide basic protections for students and parents through the federal student loan programs. Even though there are extensive requirements in the Higher Education Act and the current federal student loan servicing contracts that specify many of the Department's procedures around disclosures, due diligence, and other operational matters, Federal Student Aid should develop and maintain a Common Manual. A Common Manual would set a single and high standard for the Federal Direct Loan Program and ensure that all borrowers receive strong and uniform consumer protections, regardless of where they reside. Separately, since 2009, the Department has used not-for-profit and for-profit organizations to provide important services to borrowers with loans made under the Federal Direct Loan Program. Besides handling general billing and payment processes, student loan servicers are the primary contact point for borrowers regarding their Direct Loans and assist students and parents that are in repayment on their student loans, including working with these borrowers to identify and enroll in the most appropriate repayment and loan consolidation plans to meet their unique and individual financial situations. The current competitive structure promotes high levels of customer service, establishes a benchmark for quality servicing, and saves taxpayers money. **NCHER supports developing a Common Manual to set high-quality and strong national servicing standards and protections for all Direct Loan borrowers; providing greater support for those borrowers that are in late-stage delinquency and need additional help to repay their student loans; and fostering the participation of multiple service providers to promote competition.**

Provide additional student supports and loan counseling to improve college access and success: According to recent statistics, federal and private student loan debt totals over $1.7 trillion, an amount that policymakers and economists have cited is negatively impacting the ability of student borrowers to achieve postsecondary success, own a car, buy a house, or start a family. With college costs and student loan debt on the rise, more borrowers are struggling to repay their student loans on time. **NCHER supports encouraging states and/or institutions to provide face-to-face financial education and counseling services to students and families, either as a stand-alone provision in the Higher Education Act or through a new federal-state partnership.**

Under the Higher Education Act, institutions are required to provide basic entrance and exit counseling such as ensuring students know they have taken out loans, they are obligated to repay those loans, and of the availability of various repayment options. However, numerous reports make it clear the current automated counseling sessions are failing to fully engage students in understanding their responsibilities and full range of options. **NCHER supports strengthening existing entrance and exit counseling requirements by requiring institutions to provide annual counseling to all student and parent borrowers so they better understand their financial obligations. The organization also supports improving financial aid award letters that colleges and universities provide to students and families to ensure grant and loans are presented separately and Parent PLUS Loans are properly disclosed.**

<u>Repeal preferred lender list restrictions</u>: Under the Higher Education Opportunity Act of 2008, colleges and universities choosing to maintain a list of preferred lenders for private education loans must comply with a set of complicated disclosures and reporting requirements. Because of the new rules, many schools have shied away from having preferred lender lists and largely ended counseling students and parents on various sources of financial aid. For many students and families, an institution's financial aid office is the primary way that they learn about various options to finance their postsecondary education; financial aid administrators should encourage students and parents to investigate all of the financing options available to them before taking out high interest rate loans. **NCHER supports removing preferred lender list restrictions to allow colleges and universities to work closely with their state partners, while maintaining the important disclosure and code of conduct requirements in current law that prevent abuse and protect students.**

<u>Reduce overborrowing to ensure students can repay their financial obligations</u>: The Higher Education Act includes specific annual and aggregate limits on the amount of loans that students can access for postsecondary education. The American Enterprise Institute, New America Foundation, and other think-tanks have examined the proliferation of student loan debt levels over the last decade and believe that the widespread availability of federal student loans, especially by parents without the ability to repay debt taken to finance their students' education, has contributed to the growing problem of unmanageable debt burdens. Parents can borrow the full cost of college for all of their dependent children, including amounts for living expenses, under the Parent PLUS program. While some can afford to borrow such high amounts, many parents become saddled with debt for which they have no ability to repay. **NCHER supports limiting the amount that parents can borrow under the PLUS program.**

<u>Oppose private loan refinancing</u>: Today, more than 92 percent of student loan debt is financed through the Federal Direct Loan Program. Private education loans make up only 7 percent, though it is an important funding source that students and parents rely upon to achieve their higher education goals. Private education loan programs, especially those made by state and nonprofit agencies, fill the widening gap between the cost of an affordable postsecondary education and the availability of federal, state, and institutional support. These loans are designed to supplement - not supplant - other funding sources. Private lenders actively encourage responsible borrowing and urge students and parents to work with financial aid professionals at their colleges and universities to explore other sources of federal, state, and institutional aid, whether grant or loan, prior to applying for a private education loan. Nearly all private education loans are certified by the school's financial aid office. Because of cosigner requirements and other underwriting conditions, most private loan borrowers are in good standing and delinquency and default rates are dramatically lower than the federal program. **NCHER strongly opposes proposals that allow for private education loan financing into the federal program.**

If you have any questions or need more information, please contact James Bergeron, President of NCHER, at jbergeron@ncher.us or (202) 822-2106.