National Council of Higher Education Resources

NCHER

NCHER's Advocacy Priorities for the Biden Administration and 118th Congress

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 following are NCHER's advocacy priorities for the Biden Administration and 118th Congress:

Improving Federal Aid Programs for Students and Families

- Increase funding for the Pell Grant program: The Pell Grant program is the foundation of federal student aid and helps almost 7 million low- and moderate-income students attend and complete postsecondary education. Pell Grants are targeted to students with clear financial need: nearly 90 percent of all funding goes to students with a family income below $50,000. The Consolidated Appropriations Act for Fiscal Year 2023 included a $500 increase in the maximum award for Pell Grants, and there are federal efforts underway to significantly increase the maximum award to help more students earn a degree and get a good-paying job. **NCHER supports significant increases in the Pell Grant program so that it can further open the doors of college and opportunity to more students and their families.**

- Streamline federal repayment**:** The U.S. Department of Education currently 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 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. Recently, the Department released a Notice of Proposed Rulemaking to create a new Income-Driven Repayment program while limiting enrollment in other plans. **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**.

- Create a borrower-centric student loan program: The U.S. Department of Education currently uses 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, federal student loan servicers are the primary contact point for borrowers and assist students and parents who are in repayment on their student loans, including answering their questions and working with these borrowers to identify and enroll in the most appropriate repayment plan to meet their unique and individual financial situations. All of the current federal student loan servicers have devoted significant time and resources to helping student and parent borrowers of federal loans, collecting loan payments as agents of the federal government, and performing all of the other services required under

their agreements with the Department. They have also borne substantial training and compliance costs as federal contractors in the face of ever-changing and often inconsistent federal and state requirements. The servicers must receive additional compensation so that they can continue to provide high-quality customer service to borrowers. **NCHER supports providing additional compensation to federal student loan servicers so that they can deliver greater support to all borrowers.**

Providing Additional Support to Student and Parent 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 passage of the Student Loan Disclosure Modernization Act, which mandates that Direct Loan borrowers receive accurate disclosure of the cost of their loans.**

- Repeal preferred lender list restrictions: 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 financial aid offices have shied away from having preferred lender lists and largely ended counseling students and parents on various sources of financial aid. 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 and nonprofit partners, while maintaining the important disclosure and code of conduct requirements in current law that prevent abuse and protect students.**

- Provide additional student supports and loan counseling to improve college access and success: According to recent statistics, federal student loan debt totals over $1.6 trillion, an amount that policymakers and economists claim 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 institutions to provide face-to-face financial education and counseling services to students and families.**

- Extend Account Maintenance Fees (AMF) that support college access and success initiatives: State and nonprofit guaranty agencies are authorized under the Higher Education Act of 1965 to provide important services to students, borrowers, families, and the federal government. The agencies receive Account Maintenance Fees, which are crucial to ensuring that they are able to perform critical functions that assist borrowers and protect taxpayers. The funding is used to support college access and success activities, such as financial aid awareness, consumer education, Free Application for Federal Student Aid completion services and events, borrower assistance, and ombudsman support in states around the country. It is also used to assist borrowers in avoiding default, help defaulted borrowers rehabilitate their loans and repair their credit history, provide schools with information on student loan defaults and loan transfers, provide training and technical assistance to loan holders and schools, and conduct comprehensive compliance reviews of loan holders and servicers. **NCHER supports including a one-year extension of the payment of Account Maintenance Fees in the Fiscal Year 2024 Labor, Health and Human Services, Education, and Related Agencies Appropriations Act.**

- Leverage the expertise of state and nonprofit organizations to help struggling borrowers: College affordability and student loan debt are important issues on the minds of our nation's students and families. While most federal student loan borrowers are currently in a forbearance status where their monthly payments are suspended as a result of the Coronavirus Aid, Relief, and Economic Security and Presidential Memorandums, this short-term provision is expected to end soon and some student and parent borrowers will struggle to restart paying back their student loans. Many state and nonprofit organizations across the country, with more than 50 years of experience, have been highly successful in providing important services to struggling borrowers for decades because they provide a holistic approach to student success. The House and Senate versions of the Labor, Health and Human Services, Education, and Related Agencies Appropriations Act for 2019, 2020, 2021, and 2022 included report language recognizing the important role that state and nonprofit organizations – each with a public mission to help students and families – could play in the federal student loan program and urging the Department of Education to leverage the expertise of these organizations to help struggling borrowers as part of its current federal student loan procurements. **NCHER supports including bill or report language directing the Department of Education to work with state and nonprofit organizations to help struggling borrowers in the Fiscal Year 2024 Labor, Health and Human Services, Education, and Related Agencies Appropriations Act.**

Assisting Struggling Borrowers Get Out of Default

- Allow defaulted borrowers to rehabilitate their federal loans a second time: The federal government's 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. 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. The federal government should further help student loan borrowers that 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.**

- Provide common-sense solutions to discharge student loans in bankruptcy: Last Congress, Senate Judiciary Committee Chair Richard Durbin (D-IL) and Sen. John Cornyn (R-TX) introduced the FRESH Start through Bankruptcy Act of 2021, which would allow federal student loan borrowers who have a past history of paying back their student loans to discharge those loans in bankruptcy. This approach goes a long way in addressing concerns over discharging the debt of a recent college graduate who will reap the financial benefit of higher education over time and providing new alternative approaches for those borrowers who have limited means to pay back their student loans. But the bill can be further improved. First, student and parent borrowers interested in filing for bankruptcy should have complete knowledge of the positive and negative consequences of discharging their liabilities through bankruptcy before making a final decision to pursue that path. Second, all student loans, whether federal or private, should be treated the same under the legislation as they have been for many years under the law as not to confuse borrowers. **NCHER supports amending the FRESH Start through Bankruptcy Act by adding a disclosure statement to help borrowers understand the long-time consequences when seeking a bankruptcy discharge and treating all federal and private student loans equally under the law.**

Reducing the Federal and State Regulatory Burdens and Protecting Taxpayers From More Student Loan Debt

- Coordinate federal and state compliance reviews of student loan servicers and private lenders. Over the last few years, the Consumer Financial Protection Bureau (CFPB) has begun regulating student loan servicers and several states have passed laws requiring student loan servicers to obtain licenses to service loans for borrowers in their states and meet new rules such as making student and parent borrowers aware of existing income-driven repayment options. These same states have passed laws requiring private lenders to obtain licenses and comply with new rules governing their policies and practices. Many of these new laws and guidance impose regulatory requirements on federal student loan servicers that are contrary to those under the Higher Education Act and guidance offered by the U.S. Department of Education. The new laws also include divergent requirements on private lenders that are negatively impacting many small, state-based organizations who operate education loan programs established by their state legislatures to promote college access in their states**. NCHER believes that the U.S. Department of Education should facilitate coordination of federal and state compliance reviews of student loan servicers and private lenders in order to improve the borrower experience, reduce the regulatory burden, and minimize differences between state laws.**

- Oppose private loan refinancing: 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 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 information, please contact James Bergeron, President of NCHER, at jbergeron@ncher.org or (202) 822-2106.