

NCHER's Advocacy Priorities for the Trump Administration and 119th 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 Trump Administration and 119th Congress, which could be included in a budget reconciliation package or reauthorization of the Higher Education Act:

Rethinking the Federal Role in Higher Education – Budget Reconciliation

- Reducing overborrowing to ensure students and parents can repay their financial obligations. The Higher Education Act includes specific annual and aggregate limits on the amount of loans that students and parents can access for postsecondary education. Currently, financial aid administrators can implement 'professional judgment' to factor in special circumstances affecting a family's ability to pay for a student's education or to limit loan amounts. The process, however, is time-consuming. Also, the American Enterprise Institute, Heritage 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. However, Parent PLUS loans do not directly benefit parent-borrowers by increasing their income in the same way that borrowing undergraduate and Grad PLUS Loans do for students. Parents also do not have access to the federal repayment and forgiveness programs available to help students manage their debt. As a result, many parents become saddled with debt for which they have no ability to repay. **NCHER supports providing authority to financial aid administrators to lower annual and aggregate undergraduate student loan limits, allowing institutions of higher education to look at the ability to pay when it comes to awarding Parent PLUS loans, and limiting the amount that parents can borrow under the PLUS program.**
- Simplifying the federal student loan program. The U.S. Department of Education currently offers multiple 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 created another new Income-Driven Repayment program, named the Saving on a Valuable Education or SAVE Plan, that has been the subject of ongoing legal challenges. **NCHER supports streamlining the myriad of repayment plans by retaining the standard repayment plan and collapsing all existing Income Driven Repayment plans into a single plan for all student borrowers.**
- Leveraging private sector participation in the federal student loan program to protect taxpayers and assist students and families. Since passage of the Health Care and Education Reconciliation Act in 2010, the Department of Education is responsible for originating all new federal student loans at a pace of nearly \$50 billion per year. The Federal Direct Loan portfolio now stands at almost \$1.47 trillion and is expected to continue to grow at a substantial rate, leaving taxpayers at significant risk as default rates, severe delinquencies, and the cost of generous loan forgiveness programs continue to rise. The private sector – led by state and nonprofit organizations – can do a better job of administering and managing the nation's student loan programs than the federal government. To this end, Congress should examine a number of proposals to enhance the role of private

capital in financing the cost of college and local expertise in administering education loans. Such ideas could include examining the merits of creating a public-private partnership, improving the Parent PLUS auction program in current law, or removing the federal debt off of the nation's balance sheet and decreasing taxpayer exposure, a concern from officials at the U.S. Treasury Department. **NCHER supports expanding the role of the private sector in the federal student loan program to protect taxpayers and assist borrowers.**

- Repealing preferred lender list restrictions. Under the Higher Education Opportunity Act, 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 rules, many financial aid offices have shied away from having preferred lender lists and ended counseling students and parents on various sources of financial aid. Financial aid administrators should encourage students and parents to investigate all financing options available to them before taking out high-interest 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 protect students.**

Providing Additional Support to Student and Parent Borrowers – Budget Reconciliation

- Allowing 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 have begun repaying their student loans, including many who had defaulted and rehabilitated their loans prior to the spread of the coronavirus pandemic. The provision was included in H.R. 6951, the College Cost Reduction Act, which passed the House Education and the Workforce Committee in January 2024. **NCHER supports allowing defaulted borrowers to rehabilitate their loans a second time, helping borrowers who have previously defaulted on their loans.**

- Permanently extending 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 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 (FAFSA) completion services and events, and borrower assistance in states around the country. It is also used to assist borrowers in avoiding default and help defaulted borrowers rehabilitate their loans and repair their credit history. **NCHER supports permanently extending AMF, which is essential for guaranty agencies to provide important services on behalf of the federal government.**



- Improving the financial aid application process. The FAFSA Simplification Act removed the question regarding a student's housing plans for a given college or university, even though the institution still needs this information to complete aid packaging and eliminated the ability of families who had multiple students in college at the same time to have increased access to aid. It also removed the ability of a family farm on which the family resides and

a small business with no more than 100 full-time employees from being excluded from assets in the need analysis formula, which could potentially have a negative impact on students and families when calculating their student aid index or SAI. **NCHER supports adding the housing question back on the FAFSA, preventing delays in the awarding process since schools would not be required to obtain this information through a different source; allowing households that make less than \$100,000 to receive additional aid if they have multiple students in school; and exempting family farms and small businesses with less than \$1 million in gross sales/cash farm income from the law.**

Improving Federal Aid Programs for Students and Families – Reauthorization of the Higher Education Act

- **Increasing funding for Pell Grants.** 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, bringing it to \$7,395, and there are federal efforts underway to increase the maximum award to help more students earn a degree and get a good-paying job. **NCHER supports reasonable increases in the Pell Grant program to open the doors of college and offer opportunities to more students.**

- **Supporting short-term Pell Grants.** In order to receive a Pell Grant, a student must be: (1) seeking an undergraduate degree or credential and (2) enrolled in a course of study that includes at least 24 credit hours or 900 clock hours that lasts at least a typical/15-week semester. Because of the credit/clock hour requirements, low-income adults are not gaining access to occupational training programs that can be completed in less time and often



at a lower cost than enrolling in traditional postsecondary education. In 2011, the U.S. Department of Education created a limited experiment allowing students to take advantage of short-term Pell Grant opportunities. The final report found that offering Pell Grants for very short-term occupational programs increased enrollment and completion by about 10 percentage points. **NCHER supports allowing shorter-term training programs to be eligible for Pell Grants to promote college access and success.**

- **Increasing transparency of higher education for students and families.** The Truth-in-Lending Act ensures applicants for 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, origination fees, and 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 the Student Loan Disclosure Modernization Act, which mandates that Direct Loan borrowers receive accurate disclosure of the cost of their loans.**

- Creating a borrower-centric student loan program. Federal student loan servicers are the primary contact point for borrowers and assist students and parents who are in repayment on their Federal Direct Loans by handling general billing and payment processes, answering questions, and working with borrowers to identify and enroll in the repayment plan that best meets their unique and individual financial situations. The current 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 of Education. 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. **NCHER supports providing sufficient compensation to federal student loan servicers, especially as more borrowers begin to reenter repayment, so that they can deliver high-quality customer service to all borrowers.**

- Expanding 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. 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. But many experts believe that student and parent borrowers need additional support to manage their federal debt. At the same time, a growing number of states are requiring schools to send student loan borrowers personalized debt letters annually, with an overview of what students have borrowed and what they are expected to pay back once they are no longer in school. Institutions also have



the option to adopt the Federal Student Aid Annual Student Loan Acknowledgement requiring borrowers to view how much they currently owe in federal student loans and acknowledge that they have seen the amount before a school makes the disbursement for each new award year. Finally, after filling out the FAFSA, students receive a financial aid offer detailing federal assistance that they may receive to cover the cost of attendance minus what a student's family may contribute toward college. While the Department of Education has urged colleges and universities to use a standardized form called the College Financing Plan, there continues to be concerns that financial aid offers are confusing to students. **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, and supports improving college cost transparency with financial aid offers that colleges and universities provide to students and families to ensure grant and loans are presented separately and Parent PLUS Loans are properly disclosed.**



Improving Federal and Private Student Loan Programs – Actions by the Department of Education

- Amending the Current Voluntary Flexible Agreement (VFA). The U.S. Department of Education is authorized to enter into Voluntary Flexible Agreements in lieu of guaranty agency agreements established under the Higher Education Act of 1965. The COVID-19 pandemic and the subsequent repayment pause by the Department created an unstable environment for guaranty agencies. In February of 2024, Department officials engaged the guaranty agency community in negotiations to develop an alternative financing model that would provide stability for both guaranty agencies and borrowers as the Federal Family Education Loan Program (FFELP) winds down. On July 30, 2024, the Department published a notice in the Federal Register inviting guaranty agencies to enter into the VFA which aligned with the Biden Administration’s priorities around debt cancellation. **With the change in Administration, NCHER supports modifying the VFA as the structure does not align with current Administration priorities. NCHER recommends working with guaranty agencies who can provide deep expertise in borrower outreach and education and resolving delinquencies and defaults with the goal of protecting the federal fiscal interest.**
- Coordinating 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 loan servicers to obtain licenses 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. For federal student loan servicers, many of these new laws and guidance impose regulatory requirements that are contrary to those under the Higher Education Act and guidance offered by the Department of Education and CFPB and are confusing to borrowers who have to navigate dual federal and state systems as they enter into repayment. In addition, costs associated with compliance with the various state regulatory regimes are not included under federal loan contracts, forcing servicers to choose between increasing compliance and maintaining high service levels. For private lenders, the new laws include divergent requirements 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 supports the Department of Education facilitating and coordinating federal and state compliance reviews of student loan servicers and private lenders, similar to Alternating Examination Programs in the financial services industry, to improve the borrower experience, reduce the regulatory burden, and minimize differences between state laws.**

If you have any questions or need more information, please contact Vicki Shipley, Interim President of NCHER, at vshipley@ncher.org or (202) 822-2106.