

NASFAA's "Off the Cuff" Podcast – Episode 237 Transcript

OTC Inside the Beltway: Sorting Through Biden's Decision on Student Loan Debt Cancellation

Justin Draeger:

Hey, everybody. Welcome to a special edition of Off The Cuff. I'm Justin Draeger.

Karen McCarthy:

I'm Karen McCarthy from NAFSA's Policy Team.

Rachel Gentry:

I'm Rachel Gentry, also with the Policy Team.

Megan Walter:

I'm Megan Walter, also with the Policy Team.

Hugh Ferguson:

And I'm Hugh Ferguson with our Communications Team.

Justin Draeger:

Hey, everybody, welcome to the special edition. Hugh, I know you're going to be joining the conversation. You're also producing for us this week. We have a lot to talk about, and we're going to try to edit that down into a digestible portion for everybody. So Hugh good luck with all of that at the end of today's session. And we're trying to get this out as soon as possible so people can get as many questions answered that they might have to help students or alumni that are contacting them about probably the biggest news in student aid since what, maybe Prior-Prior Year was announced, and probably bigger than that, because a lot of folks who had graduated from college didn't care about Prior-Prior Year. And if you hadn't been in college, you were probably like, "Okay, that's something for me in the future.

This impacts so many people, literally tens of millions. So we're going to talk a little bit about student loan forgiveness today. We're going to talk about Operation Fresh Start. We're going to talk about where schools are encouraged to help and where they are required to help. And what should schools be thinking about and talking to their students, their Boards of Trustees, their Presidents, about in the aftermath of this very large announcement. So let's get into it. Rachel, let's talk first about what exactly was announced. I guess, was it like just 24 hours ago almost in regards to loan forgiveness? Where did we land? What's being forgiven?

Rachel Gentry:

Yeah, so of course the big headline from yesterday is forgiveness. So there will be \$10,000 in loan forgiveness for single borrowers making less than \$125,000 or households the income cap is \$250,000. One caveat that I think is important to the aid community is that borrowers who were dependent students during the 21/22 year will be eligible for forgiveness based on their parental income rather than their own. Another big headline, and one that we didn't hear quite as much about in the weeks leading up to the announcement, was that there will be an extra \$10,000 in forgiveness. So a total of \$20,000 for borrowers who received Pell grants while in college, as long as they also fall under those same income caps that we just talked about.

Justin Draeger:

So that was the surprise topping on this. The President has been talking about \$10,000 before he even became President. And so he did fulfill one of the campaign promises. I think for a lot of college campuses there're already we heard from a lot of our members yesterday, receiving phone calls from students and alumni. Talk to us about currently enrolled students. If I'm still enrolled and I never officially went into repayment, am I getting loan forgiveness.

Rachel Gentry:

That's a great question. And certainly one of the first things that our policy team was looking at when the announcement first dropped yesterday afternoon. So current students are eligible for this forgiveness. There was, I think initially a lot of confusion in the policy community, in the financial aid community, about whether forgiveness was based on the date of origination, the date of disbursement, but to boil it down, put it simply, our current understanding is that in order to be eligible for forgiveness, loans must have been dispersed prior to June 30th, 2022. So that means that current students who are enrolled, who had their loans dispersed prior to June 30th of this year would be eligible to have, assuming they meet all of the other criteria, would be eligible for cancellation.

Justin Draeger:

So current students, if as long as they had that first disbursement before or on June 30, those loans would be eligible as long as they meet the other criteria, like the income thresholds and whatnot, right?

Rachel Gentry:

Yes, that's correct.

Justin Draeger:

Okay. Yeah. So there was confusion as you pointed out, Rachel. Just to be clear for those who aren't enmeshed in financial aid, origination can happen months before a disbursement actually happens. And origination would be first, odd because that's not normally how we do loan policy. And two, really of all the inequities that might exist in this entire policy, which we could talk about a lot, and I don't know that we will today, but one would be that a college might have originated a bunch of loans for fall term, fall 22, and a bunch of other colleges might not have. And if you were going by origination date, that would be really problematic. Disbursement date follows enrollments. And so if this was really meant to help students who were enrolled last year, a disbursement date makes a lot more sense.

So in that sense, yes, its first disbursement. We confirmed that multiple times now with FSA. And I guess I'll just add in all of the frenzy and confusion that exists out there, there always exists differences in precise language that politicals might be using out of the White House and our Federal colleagues might be using at Federal Student Aid. That's a little more precise and our information's coming from those who would implement at federal student aid. And they're emphatically told us that it is by the earliest disbursement date. So Rachel, who does this apply to? Is it undergraduates, graduates, parents, and which loans? Do we have answers to all those?

Rachel Gentry:

So for the most part, all of the above. So this includes in addition to the current students that we just talked about, this includes undergraduate loans, graduate loans, parent plus loans, any federally held loans. And so we can talk in just a little bit about those commercially held FFEL loans and what options

might be available for those borrowers. But this is not restrictive to just undergrads. It does include graduate and parent loans as well.

Justin Draeger:

And so let's talk about those FFEL loans. These would be legacy loans because we've been making loans from the direct loan program for more than a decade now. But if you do have a underlying federal family education loan program, will those qualify?

Rachel Gentry:

Yes. So those borrowers do have some options to be eligible for this forgiveness. We've received clarification from the Department that borrowers with commercially held FFEL loans will be eligible to consolidate those loans into the direct loan program and be eligible for cancellation, assuming they meet the income limits that we talked about earlier. The date of consolidation, so even if a borrower were to consolidate tomorrow, the date that the consolidation occurs does not matter for eligibility because the Department's going to be looking at the date of disbursement of the underlying loans. So if a student who borrowed their loans 10 years ago were to consolidate tomorrow, they would be eligible for forgiveness because their underlying loans were dispersed prior to the cutoff, as long as they meet all of the other income requirements.

Justin Draeger:

So let me put that another way. If you have underlying loans that meet the eligibility criteria in every way, except that they might be FFEL, then if you consolidate them today, they're not looking at the data of the consolidation. They're looking at the data of the underlying loans. The other open question that I don't think we... So, it won't hurt you to consolidate is the point. The only thing I would add is if you have an underlying fell loan, you might have some borrower benefits with that specific lender or guarantor. So if you wanted to hold off and wait, what's not clear at this point is whether the Department will also allow borrowers to receive forgiveness in place. That part, I guess, hasn't been stipulated. So if you do a consolidation, you could lose borrow benefits you currently have. And it's just not clear whether underlying FFEL loans without a consolidation qualify yet, we don't know that.

Rachel Gentry:

And Justin, can I add one thing I think we might want to talk on to this current student conversation. So I think one thing that's really important to note about that requirement of loans, the first disbursement occurring on or before June 30th, current students who borrow after that date, I know that this might seem really intuitive, but I think it's important to explicitly state that students who were to borrow loans that were dispersed this fall, so in the months to come, those loans would not be eligible for forgiveness. There was definitely a concern from some and questions in the aid community around following this announcement, are we going to have students and parents rushing to us to borrow for the fall. Because of that June 30th on or before disbursement date, those loans will not be eligible for this forgiveness. Only ones that occurred prior to that deadline.

Justin Draeger:

Speaking of things that might be intuitive to us, but not to our students, I also heard schools yesterday say that students were saying, "Okay, when will this \$10,000 hit my institutional account", as if they could borrow against it or receive a refund check. And we should point out, if you're a student who only

has \$5,000 in debt from last year, you're not getting \$10,000. You would receive \$5,000 in forgiveness. It's not that it's not a credit that's coming up.

Rachel Gentry:

Correct. So the borrower's relief is capped at the amount of your outstanding debt if that amount is less than what the total amount you'd be eligible for. I think that definitely an important clarification.

Justin Draeger:

Okay. So let's talk a little bit more about how the loans are applied. So let's say you have a student who has both sub and un-sub, do we know how these loans will be applied to those loans? Will they pay off the highest costing loan first and then move to the less expensive loan or how will it be?

Rachel Gentry:

That's a really good question that I don't know the answer to.

Justin Draeger:

Okay. So we don't have an answer to how the loans will be applied. Rachel, what about parents who received both a Pell grant and took out a parent plus loan on behalf of their student and have their own underlying loans? Do we know how all of that will be sorted out?

Rachel Gentry:

We don't know how that's going to play out Justin.

Justin Draeger:

Okay. Yeah. If I took the FSA FAQ literally it talks about Pell grants as if you took a Pell Grant. So if you're a parent plus borrower, you didn't get a Pell Grant, your student did. But again, we don't have that explicit level of detail from the Department. My presumption is that if you're a parent and your child got a Pell grant, you don't get \$20,000 in loan debt. Your student would get that forgiveness. But again, we don't have that explicitly sorted from the Department. So we will wait for confirmation on that. All right. I want to pass the baton over to Karen for just a moment. Rachel, we're going to come back to you to talk about some of the other announcements that were made yesterday relating to income driven repayment and the repayment pause. But Karen, I know we're keeping a very long and comprehensive list of questions that we're getting from the community and that we're thinking about as well. Let's not go through the entire list, but what are some of the major questions that we still have unanswered and that we will be passing along to our federal colleagues.

Karen McCarthy:

I think you covered some of the questions that are on our list, that we were able to get answers to over the last 24 hours. The first dispersed, the issue with consolidation and when the loan was considered made, we had that question about parents and Pell receipt. There are also a whole bunch of other flavors of Pell questions, I would say. There were no given parameters around when the borrower had to have received the Pell Grant or the dollar amount received. So we're assuming that there aren't any parameters and that none of that matters. I feel like parameters would make it super complicated.

So there are questions about, "Well, if I am a graduate student and I didn't borrow until I was a graduate student, but I had a Pell when I was an undergrad, will I qualify for \$20,000 in forgiveness"? All

of those different variations on that, we have that on our list. We also have a lot of questions about how the Department will be verifying and documenting, if at all, the income levels of borrowers, who they might already have income information for. And if they don't have income information for borrowers, what borrowers will be required to do? Will it be just an attestation of income or will they require borrowers to use the DRT, which is in place right now to certify income? All of that. We have a lot of questions about as well.

Justin Draeger:

So Rachel, let's talk about how students apply for this. So presumably you mentioned dependent students from last year, they all filled out a FAFSA. So I would assume the Department has their income information, but how do other people apply?

Rachel Gentry:

Yeah. So ED has said that as an initial estimate, there are about 8 million borrowers that might be eligible to receive this relief automatically, which again are the folks you mentioned earlier, Justin, who they have a FAFSA on file for. If the Department does not have a borrower's income data, the administration is planning to put out in the coming weeks and application, which they have said will be simple. We've been told that this application will come out sometime in September on the Department's website, it says. Definitely by the time the payment pause expires December 31st, but we've heard that it'll be probably sometime next month. Since most borrowers or many borrowers, probably haven't been using the data retrieval tool to document their income during the pandemic, while payments were paused, this form will be important for those folks who the Department isn't going to have updated income information for.

So borrowers will be able to fill this form out. We've been told borrowers will have a year to do so. This isn't something that folks are going to need to rush to do in the first few weeks that it's open. And again, even the President and his press conference yesterday afternoon said that this form will be short and simple. So we're certainly looking forward to seeing that. And I do think that it will be a priority for the Administration to make sure that this isn't a form that's overly complex and is a barrier for borrowers accessing this relief. One other thing to note about this form is that we are not sure if it's going to be a self attestation of income or will involve showing some documentation. That's a question that we've gotten from some schools, but that's really just TBD and we'll have to wait until the form comes out.

Justin Draeger:

All right. Great point, Rachel. So Karen, a couple questions about what schools are required to do. First, a student comes and asks for their loan records. Are schools required to do any special outreach? Are they required to provide Pell records, loan records? What are schools required to do?

Karen McCarthy:

No schools are not required to provide any of that information or document anything or do screen prints or anything like that for their borrowers or their Pell recipients. Of course, they can if they wish to do that. I do know it's a really busy time of year in aid offices right now with the beginning of the school year. But one thing that many schools have started to do is refer their students to login to their federal student aid account at www.studentaid.gov, where they can see their history of their loans and their current loan balances, and also can see their Pell receipt status. So I have heard that apparently the word is getting out that's available in that www.studentaid.gov has been super busy and sometimes

people have to wait and reload to try to get access to the site, but that is a good resource for any borrowers, any Pell students who want to check their status as well.

Justin Draeger:

And for schools that are concerned about the timing of all of this, I would just say, it's a legit concern. I get it. You're enrolling in dispersing students. We encourage schools to do whatever they can to help their students. Right now, that might very well be if you don't have an FSA ID, obtain one, go back and log into the Department of Ed's website and track down how much debt you have and whether you're a Pell grant recipient. The Department has all of that information on its system and they can sign up. The Department of Education basically has a notification center where you can be notified when the income attestation and application that Rachel just mentioned, are available. And ultimately that's what schools can do to be helpful. Now, schools that want to go above and beyond and reach out to their borrowers, their alumni, their current students, I think that's fantastic. And we would encourage schools to do whatever they can within their bandwidth, understanding course that many aid offices are facing significant staffing shortages. So that's up to the school.

Karen McCarthy:

And one more thing on that Justin that I wanted to add is that we will be with our questions, when we send those over to the Department, we will be making a recommendation that if at all possible in their borrower facing communications and they do have some frequently asked questions posted already, if they could have perhaps an FAQ, how do I know if I received a Pell grant and refer students there to student aid.gov that would also help to alleviate some of that burden on aid offices right now.

Justin Draeger:

Great point. All right. So we'll be working with our federal colleagues, hoping for a one stop place where all students can go. All right. Rachel, we'll refer people to the article, but is there anything other main points you wanted to pull out with loan forgiveness?

Rachel Gentry:

One other thing that I wanted to mention, this is not actually an announcement that was included in everything that came out yesterday, but I think is really relevant. We've gotten a lot of questions around is this forgiveness going to be taxable? So just want to remind folks that there was a provision in the American Rescue Plan that was passed last year that ensured that any debt forgiveness, I believe it was prior to 2025, would not be treated as taxable income for federal income tax purposes. So that's important, that provision at the time it was passed, was really seen as laying the groundwork in case the President decided to issue some form of cancellation. So they're definitely seeing that come to fruition now.

Justin Draeger:

One other thing that I've heard several people ask about is defaulted borrowers. And here we should probably remind folks that there are layers to all of this policy. If people recall last week, there was the announcement about Operation "Fresh Start" actually launching. And this is the process whereby defaulted borrowers will be brought current. And so once they're brought current, then they would also qualify for this loan forgiveness. So we don't have the ins and outs exactly of how this will all play together. But just as a reminder, there are two policies at play here, both of which we've reported on in Today's News and people can go in and read additional details there. I'll also add stay in contact with Ask

Regs. Our Ask Reg service will be publishing answers to questions as we get them from the Department of Education or this. So what about all the students who are about to enter repayment on September 1st, Rachel? What are those students going to do?

Rachel Gentry:

Yeah, that's a great question. Obviously, the big splash that came out of yesterday was around loan forgiveness, but the announcement did a number of things, one of which was extending the current payment pause through the end of this year. So we got long awaited clarification on the expiration date of the pause that's been in place since March 2020. As you likely know the pause was set to go through the end of this month. So with yesterday's announcement, it's now been extended until December 31st of this year. This is the seventh extension, I believe seventh extensions in March 2020. So I think a really reasonable question that some folks might be asking is will there be another extension. And the announcement that came out yesterday earlier in the day, and then President Biden himself, in a press conference in the afternoon said this will be the final extension and payments will turn back on in January 2023.

I know we've heard this term final before when the pause was extended back in late 2021 and set to expired this February, the Administration also used the term final only to then issue another extension a couple of months later. But I think one thing that's really important to remember is that really, since the Biden Administration took office, the payment pause has been inextricably tied to this issue of loan forgiveness. So it's been the sense of many in the Higher Ed community, I would say including NASFAA, that payments would not turn back on until a decision was made on debt cancellation and that those two things would really move together.

And so I know we've heard the term final extension before, but I do think the fact that we now have a decision on debt forgiveness and on cancellation is significant. That's not to say that there aren't a number of things that could result in some folks calling for another extension around how forgiveness is implemented. Things like Operation Fresh Start, but I think it was pretty clear in yesterday's announcement and from the President's remarks, he really laid out his rationale for both the cancellation and the end of the payment pause. And it's clear to me at least that the administration's intent is for payments to actually resume in January.

Justin Draeger:

All right Hugh, I want you to make sure we've got that clip so we can play it back in December and we'll have Rachel on it so we can find out if there's... Rachel has bought it. She's hooked line and sinker. I believe she's a believer.

Rachel Gentry:

I added my caveat I think there are things that could go wrong with forgiveness, with Operation Fresh Start, PSLF.

Justin Draeger:

No, no. We're not going to play that part.

Rachel Gentry:

I'm keeping-

Justin Draeger:

We're just going to play the other part. Okay. Rachel, let's get into the other part of the announcement yesterday, which is how the Department's going to change student loans going forward. We've been critiquing for a long time saying relief without reform ultimately does not solve the underlying problem. It provides relief, but what are they going to do to fix this going for?

Rachel Gentry:

So the Department announced yesterday plans for a new income driven repayment plan that would be created through the regulatory process. So really what they were doing was providing some detail on the NPRM that we're planning or expecting to see in the coming days and week ahead. So this is again, the NPRM that is the result of last fall's negotiated rulemaking that tackled affordability in student loans. We know that NPRM is coming soon, but we hadn't heard a lot of details on what would be in it. The committee did not reach consensus on IDR and so the Department really had discretion to issue proposed rules as it saw fit. So we did get some details yesterday of what the Department would be including in its proposed new IDR plan. Some of the key details that were released, borrowers will not pay more than 5% of their discretionary income on undergraduate loans. And this is down from 10%, which is included in the current IDR plans.

In this plan, the Department also would raise the poverty threshold. So 225%. So that would increase the amount of income that's considered non-discretionary and therefore would be protected from repayment. One really big thing that I think we heard a lot about during the NegReg committee in the fall was around time to forgiveness. So this plan would allow for borrowers to have their loans forgiven after 10 years of payments for those borrowers who have balances of \$12,000 or less. So current IDR options provide forgiveness after 20 years. So this new plan that they're proposing would take that down to 10, for those who have balances under \$12,000. Another big thing that a lot of advocates have called for that was included in the plan or will be included in the plan is that it would cover borrowers unpaid monthly interest.

So that as long as a borrower is making their monthly payments on this plan, they would not see their balance grow. And that would be true, even for borrowers who have a monthly payment of \$0 because their income is so low. So again, this is what we saw the details come out yesterday. This will all be included in the NPRM that we expect to see very soon. I think one thing that I note that was really interesting, is that a lot of the details and the things that the Department is including and its proposal, were things that the negotiators at the table in the fall were supporting and were pushing the Department to do. But at least at that time, the ED negotiators were not willing to commit to those things. So I thought it was really interesting to see that some of what's included in this plan that we got some details on yesterday, the Department has moved from where they were eight, 10 months ago to what we will presumably see in the NPRM that comes out in the coming days.

Justin Draeger:

So let me answer a question that I've also seen speculation on, which is, "Okay, so we have loan forgiveness and we have future changes to loans. Is Congress involved in any of this? Is all of this said and done"? And let me try to answer that in one catchall answer. On loan forgiveness, the Biden Administration released a memo from the Department of ED's General Counsel, basically saying the Secretary has the authority to do this because of pandemic related emergency authority. So this, they are couching it, right Rachel, as a one time forgiveness. So whatever the politics are next year, they are couching this today as a one time forgiveness. And they're saying they have the authority to do it. So

could it be stopped by Congress? The answer to that is, Congress of anyone, probably has the most standing to try to file some lawsuit with the Supreme Court, seeking an injunction and stopping this.

But because Republicans are mostly the ones who oppose this and aren't in power, I just don't see there being a lot of odds that this would be stopped by Congress. Could somebody else have standing to pursue a lawsuit? The answer to that is, we don't know, and we won't know until someone actually tries it, it goes to court. And once all of this goes to court, who knows where it will spin. So yes, there's the possibility of a lawsuit. But as of right now, this is policy. This is happening. The Department is pressing forward on the NPRM for this could be rescinded by a future Administration, but they'd have to go through the same rule making process. They would have to go through a rule making, proposal rule, and it would have to be a final rule because this will be regulation on the other side of this.

Congress does have the ability to rescind some regulations, but again, just given the politics of the day, and even if the Republicans win Congress in January, we still have a President whose regulations. These are so pretty slim odds that this would be rescinded in short order. So all that is to say that loan forgiveness is policy today and it's moving forward. As far as the new repayment plans, those will be going into place through a regulatory process. And so we expect those to land. The only other thing I would just say is, there's probably a question about, is this yet another repayment plan or is this repayment plan like the Lord of the Rings? The one plan to rule them all? And unfortunately, Rachel, it's another plan, correct?

Rachel Gentry:

Yeah. That's right. So this would just be another plan. I think if you were to ask the Department, they would probably say, "Well, our goal was to lower monthly payments, provide an IDR option that is more generous than what we currently have. So theoretically borrowers would want to be in this plan and they would naturally be streamlined into this new plan". But at the end of the day, all of the other current plans that exist will remain. That's partially because some of the plans that are currently in existence are in statute. And so we would need action from Congress to consolidate and eliminate those additional plans. Some of them have been created through regulations, but it's not just as easy as... The Department doesn't in and of itself, have the authority to say we're creating a new plan and we're consolidating all of these other ones and getting rid of them. So it is another plan. But I do think that they would probably say, "Well, this is far more generous than anything else we have. So why wouldn't most borrowers who want IDR elect to enroll in this plan"?

Justin Draeger:

And that I think that's absolutely true. I think the issue really is sorting out all the borrowers scattered through the other plans. But on the NPRM piece, Rachel, this is basically what we saw from the Biden Administration yesterday from the White House was the highlights. If I'm being more [inaudible 00:28:43], it's the PR piece, but at some point they're actually going to have to release a proposed rule that will tell us all the details, including which of these new provisions in repayment would apply to undergraduate students, which ones would apply to graduate students? Do all borrowers get the same exact repayment benefits? And we could speculate on that, but ultimately as always, NASFAA will actually read the regulation and we'll release the details.

Rachel Gentry:

Right. And we've been waiting for this IDR NPRM to come out for weeks. And I think now it's pretty obvious that holding onto it, whatever the procedural things were happening at the Department, this was one of the things that the administration was wrapping in with loan forgiveness, and from a political

messaging perspective, saying we're doing forgiveness, we're extending the pause and here's the things that we're going to do to improve the system at really at its core. So yeah, we're going to dig into the regulatory language, the draft language when it comes out. But really what we saw yesterday was the high points that were included in the press release.

Justin Draeger:

All right, let's continue with the politics for just a minute. Megan, let me bring you into this conversation because we've been looking at polling data for a while and the politics very much can determine the policy twists and turns that are in front of us. How do you think that the general public will respond to this? Yeah. What would be the response?

Megan Walter:

Yeah, so I recently looked at two NPR polls that were conducted on this and we found that the electorate was pretty split on how they felt about debt cancellation. And one of the polls, 47% of respondents said that debt cancellation should be a top or an important priority for Congress and the Administration. And then 46% said it shouldn't be done at all or shouldn't be a priority. So almost a 50/50 split there. When we really take a step back and look at if we give the public the options on how they would want to tackle college affordability, that's where we see less split opinions.

So when another poll, when they were asked whether the President or policymaker should be focused on debt forgiveness or college affordability, the answer is pretty clear. 82% said that the priority for the government should be making college more affordable for current and future students. So forgiving loan debt came pretty far below the college affordability issues, which I think is pretty interesting given what we saw happen yesterday, of course, and what this may mean for future reform for our student aid programs and the student loan programs in particular.

Justin Draeger:

So public split already on debt forgiveness, but given the option, they're forward thinking. They're thinking about current and future students, not retroactive. And of course we might see how that plays out in the electorate. Hugh, I want to bring you in. The President, of course, just faced significant pressure on both the left and the right on this issue. So where did people fall? On the left, what did he get yesterday? Praise or did he get, you didn't do enough?

Hugh Ferguson:

So now that it's been 24 hours since the initial announcement, we've pretty much gotten everyone's first take of the policy and from Senator Murray and Bobby Scott, two Democrats that lead the education panels, their announcements are very much served as a preview of what the Administration's going to do. And unsurprisingly they've been very much for this announcement. In Bobby Scott's statement he said, "Today's announcement delivers on President Biden's promise to cancel up to \$20,000 of borrowers' federal student debt. Also, extending the pause on student loan repayment will further help get borrowers back on track. Taken together, these actions will help struggling borrowers and families recover from the pandemic, prepare to return to student loan repayment and make ends meet".

Justin Draeger:

Okay. Pretty supportive. All right. What about further to the left? If we went out to Senator Sanders and Warren, what did they say?

Hugh Ferguson:

Yeah. So going over there, these members have been calling for up to \$50,000 in cancellation. And as you mentioned, represented by Warren, Schumer and Sanders, and they expressed a lot of appreciation towards Biden for taking action on this front. Warren said that she will fight for more loan forgiveness, but underscored that Biden's action will have a huge impact for borrowers. So again, a lot of praise from Democrats.

Justin Draeger:

All right, let's take the other side. I assume the Republican leaders of the House and Senate Education Committees had some reaction. Give me one of theirs.

Hugh Ferguson:

Yes. So Virginia Fox and Richard Burr who lead the GOP education panels, were pretty much agast at the announcement and really had harsh criticism, which has largely echoed a lot of letters they've sent to the Department and the administration accusing them of issuing this blanket forgiveness as a giveaway to borrowers on the backs of the taxpayers. And they were also joined by Senate Minority Leader, Mitch McConnell, who largely echoed these sentiments. And each of them, I believed, used the phrase "slap in the face" in their press releases to describe this action.

Justin Draeger:

So those are pretty much as expected. And I imagine of our listeners, people might find themselves on one or other side of that, but here's the group I really want to hear about. So let's talk about Democrats who are running in battleground states. So Democrats who have a chance, but it's a close competition. I imagine Republicans in that scenario are against, but what about those more moderate Democrats right in the middle, in a tough election? Where are they at?

Hugh Ferguson:

Yeah. So at the outset we've heard from three campaigns so far, specifically one in Ohio, one in Nevada and one in Colorado, and these Democrats all said that the action sends the wrong message about student loans and repayment and fairness to taxpayers. So we're going to see how this plays out, whether or not it's something the Republicans decide to hammer home. The issue of loan forgiveness as a polling issue on the midterms has ranked lower than other issues, but this could easily be roped into arguments around inflation and the Administration's handling of the economy. So we're going to see how both sides start to message this announcement and see what larger impact it has.

Justin Draeger:

Yeah. So to date the Democrats, at least the three Democrats that you just mentioned who are in battleground states, they took a step away from this. They distanced themselves at least at arms length for now.

Hugh Ferguson:

Correct.

Justin Draeger:

Yeah. All right. What the President himself have to say. He's been called on all sides about what to do with loan debt for two years, a lot of pressure. What do he have to say?

Hugh Ferguson:

We actually have a little clip of his announcement from Wednesday and here it is.

President Biden:

Now I understand that not everything I'm announcing today is going to make everybody happy. Some think it is too much. I find it interesting how some of my Republican friends who voted for those tax cuts and others think that we shouldn't be helping these folks. Some think it is too little, but I believe my plan is responsible and fair. It focuses the benefit on middle class and working families. It helps both current and future borrowers and will fix a badly broken system. And these actions build on my Administration's effort to make college more affordable in the first place. It includes unprecedented investments, nearly \$6 billion in historic Black colleges and universities, much of which is focused on pandemic relief to help students cover tuition and other costs so they could stay in school.

And I must be honest with you. I'm going to continue to fight for doubling the Pell grants. I didn't get that done this time. Let me say it again. 12 years of Universal Education is not enough. I'm going to continue to work for Universal pre-K for every three and four year old and Universal Community College for Education beyond High School. Let me close this. I ran for office to grow the economy, from the bottom up in the middle out. Because when we do that, everybody does better. Everybody does well. The wealthy do very well. The poor have a way up and the middle class can have breathing room.

Justin Draeger:

All right, so the President feels like this is like the Goldilocks. This is just right. It's not too much. It's not too little. It'll help a lot of people. And they released a lot of statistics showing that for a lot of folks who are in debt, this will wipe out their debt. And for a lot of others, it'll provide some pretty significant relief. So President feels like they've landed just in the right spot. Any financial analysis? Any other reactions worth taking a look at Hugh?

Hugh Ferguson:

Yeah. So there have been quite a lot percolating up on Twitter, as I'm sure all our listeners are aware. And there's a lot of complexity to these reactions from different advocacy groups and stakeholders, mostly due to the fact that this needs to be implemented and we need to see what effect it's actually going to have. But at the outset, there was one analysis from Goldman Sachs I found interesting, which they referred to the plan as a "economic nothing burger" and doubts the impact on growth and inflation will be noticeable. So listeners can check out that memo in the show notes and we'll have a lot more coverage of more analysis that comes out, but there's just a lot of different nuance that's going to pop up in the coming weeks.

Justin Draeger:

All right. Thanks. Very much Hugh. And obviously this may play some role in the midterm elections, which then of course impacts how Higher Ed policy is formulated in 2023. All right, Karen, we already got to several of the questions that you brought up. What do you think the main takeaways are here for schools? What are the big things they need to be thinking about as they walk away from this announcement today?

Karen McCarthy:

Well, geez. You're putting me on the spot here, Justin. I would say-

Justin Draeger:

Do you want me to give you the answer?

Karen McCarthy:

The main take... No. Well, this is what I would say. You tell me if your answer would be the same. I would say that for right now, it's about directing their students and providing information to their students, dealing with the questions as they're coming in right now and making sure that they have a pretty decent handle on who might be eligible, who is not eligible, to the extent we know what we know as of right now and things might change later. To be able to answer questions as they come in. To be able to address the student concerns that they're hearing for right now. There's nothing that I'm aware of at this time that schools need to be prepared for in order of responsibilities that will be coming down and guidance from the Department that will require them to do anything on their end to facilitate this process.

All of those details will be coming out from the Department, but I am not getting the impression that there will be any responsibility for rolling this out that falls on schools. So it will just be for my perspective, that the general information source that schools often function as, and that borrowers tend to come to them, especially if they don't know who their servicer is and things like that, to provide information and be caught up with where we are right now. What would your response to that be?

Justin Draeger:

Yeah, I would echo everything you just said. So that to me is like the A+, that you get an A+ for that. Now, if you want the extra credit, here's what I would advise aid directors to think about. One, I would be thinking about running numbers on your campus to see how many of your current students are going to get debt relief in delivering that up to your President and your Board of Trustees. You might not have time to do that this week because of disbursements and add and drop dates that are coming up. But sometime in the near future, I'd be thinking about how does this impact our current student population. Second thing. And Rachel, we didn't get a chance to talk about this, but I'll mention it here at the end. The thing that really got overlooked by a lot of folks and because it got lost in the excitement of this forgiveness is the administration basically said that they are going to be taking a very close look at any institutions who raise tuition after this debt forgiveness has been provided.

And I think they're using a talking point about one of their critiques level that debt forgiveness, which is if you forgive debt, you have basically created no institutional accountability. On the other side, you've actually encouraged schools to increase tuition because the debt would just be forgiven. And so the Biden Administration doesn't have a lot of carrots and sticks at its disposal except transparency. And that is potentially creating shame lists of schools that increase tuition, distributing those lists to local and national press. And I would say extra credit aid directors ought to make their institutions aware that there will be extra scrutiny on them in the next 12 months related to what they do with college costs in response to... Whether it's related or not, it will be scrutinized by our Federal colleagues and probably those in Congress.

Rachel Gentry:

I was going to add there to your point about whether related or not, there are some schools that I know have had COVID related freezes in tuition and may have already had planned increases long before this

announcement came out. And so I think it's especially important if you're a school that falls into that category, you may have had these plans in the works for months or years, but this is really going to change the way that those plans might be perceived by both the public and the administration.

Justin Draeger:

That's right. And I would put all this under the heading, when you send the memo up under Reputational Risk. Obviously aid directors aren't the ones who figure out the tuition amounts on their campus, but they are the ones who should flag the reputational risk that might come to the school that is thinking about those increases in light of the President's announcement yesterday. Karen.

Karen McCarthy:

Yeah. Thinking long term, one of the things that we've been thinking about in light of the repayment pause, and now is also an issue with forgiveness is that all of this will have a significant impact on all of the institutional metrics that are in place right now, and any that might be considered in the future. So CDRs, repayment rates, all of that will be impacted by what's going on right now. And so that is definitely on our radar and we will have a NASFAA task force that will be talking about all of that to see where we want to go from here. If we have any NASFAA developed recommendations that we want to advocate for, and that volunteer solicitation, I believe, is open for another day or so. And Rachel will be working with that task force in the near future.

Rachel Gentry:

Yes. If you listen to this on Friday, August 26th, you still have time to volunteer.

Justin Draeger:

So that wraps up this special episode. People understandably will have a lot of questions. You can go ahead and submit those via Ask Regs. That's where we're capturing all of that. Check out our article in Today's News that summarizes all of this and what we know and make sure you're tuned into our social media pages. That's where a lot of times will post the most up to date information. And of course, everything is listed in Today's News as we get it. We still need to cover Operation Fresh Start. And that's a little bit different because there are some requirements there that schools will want to pay attention to. We'll have that out in another special episode of Off The Cuff very soon. In the meantime, thanks for tuning in. Remember to tell your friends, leave us a rating so that other people can find this podcast. And we'll talk to you again very soon. Thanks.