

# The Federal Update for August 19, 2022

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Re: Federal Update

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[News 1](#_Toc111796883)

[Details of Fresh Start Loan Initiative Released 1](#_Toc111796884)

[ED to Seek Payback of Loan Discharges from DeVry 2](#_Toc111796885)

[Former ITT Tech Students Receive $3.9B Loan Cancellation 2](#_Toc111796886)

[Reports 3](#_Toc111796887)

[Homeless Student Enrollment Declined Amid Pandemic, Report Finds 3](#_Toc111796888)

*Congress is in recess and will return to session following the Labor Day holiday.*

## News

### Details of Fresh Start Loan Initiative Released

The U.S. Department of Education (ED) announced an initiative in April called “Fresh Start” that would allow borrowers to be pulled out of default status on certain federal student loans, allowing them to once again be eligible for federal student aid. This week, the Office of Federal Student Aid published details on the operation of that initiative.

The program will be available for one year following the end of the COVID-19 student loan payment pause, which is currently set to end on August 31, 2022 but may be extended again by the Biden administration. The program essentially provides borrowers in default an extra year after payments must resume in order to make arrangements for payment before defaulting or facing further collection efforts. The defaulted loans will be transferred to a new loan servicer.

Only certain types of loans quality for the Fresh Start initiative, including William D. Ford Federal Direct Loan Program loans, Federal Family Education Loan Program loans, and Federal Perkins Loans. Students who defaulted on eligible loans before March 13, 2020 and sign an acknowledgement form of their participation in Fresh Start will be eligible again to receive federal student aid.

[The “Dear Colleague” letter on the Fresh Start Initiative is available here](https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2022-08-17/federal-student-aid-eligibility-borrowers-defaulted-loans).

Author: KSC

### ED to Seek Payback of Loan Discharges from DeVry

The U.S. Department of Education (ED) took action this week to require DeVry University to pay back the amount of loan relief ED provided to students of DeVry earlier this year. In February, ED approved over $70 million in borrower defense to repayment claims from current and former DeVry students, finding that the institution misrepresented job placement rates.

While ED approved over $70 million in loan relief for DeVry students, the recoupment initiated this week only seeks $23.6 million; however, a representative from ED indicated that additional recoupment will be forthcoming. ED’s action this week marks the first time the agency has sought recoupment of funds from an institution that is still operating, just as the approval of the borrower defense claims earlier this year for DeVry students was the first-time loan relief was provided to students from an institution that is still open.

ED is requiring DeVry to pay the funds by September 6, 2022, but regulations provide DeVry the right to request a hearing and/or to submit documentation indicating why the payback of funds should not be undertaken by that date. DeVry is reportedly reviewing the ED letter, and in a statement, said that the leadership and board “continue to believe the Department mischaracterizes DeVry’s calculation and disclosure of graduate outcomes in certain advertising, and we do not agree with the conclusions they have reached.”

ED’s action comes as a slew of higher education loan relief regulations are in the process of being finalized, including regulations on the borrower defense to repayment program. ED is aiming to have the final rule released this fall in order for it to take effect by July 1, 2023. As part of the proposed rule, ED is including additional language to make clear that the agency will hold institutions liable for the cost of loan discharges.

Resources:

Michael Stratford, “Cardona approves $415M of debt relief for borrowers at DeVry, other for-profit colleges,” *Politico*, February 16, 2022.

Author: KSC

### Former ITT Tech Students Receive $3.9B Loan Cancellation

The U.S. Department of Education (ED) announced this week that it will discharge the remaining federal student loan debt of students who used federal loans to attend ITT Technical Institute (ITT), dating back to January 1, 2005.

The relief comes as part of the Biden Administration’s broad effort to make college more affordable and protect student borrowers by offering targeted loan forgiveness for certain borrowers, particularly those from closed schools and those who hold public service positions.

ED found that ITT engaged in “widespread and pervasive misrepresentations” about students’ ability to get a job or transfer credits and lied about the programmatic accreditation of its associate degree in nursing. ED relied on the federal borrower defense rule designed to protect borrowers from colleges that misled students and committed fraud to provide this relief. The action will result in $3.9B in relief for 208,000 borrowers – one of ED’s largest single loan relief actions to date. ITT operated as a private, for-profit college and closed in September 2016.

Related to the action, Secretary Miguel Cardona said, “[t]he evidence shows that for years, ITT's leaders intentionally misled students about the quality of their programs in order to profit off federal student loan programs, with no regard for the hardship this would cause.”

To date, the Biden Administration has provided nearly $32B in student loan relief including, $13B for one million borrowers under borrower defense and school closure; $9.6B for 175,000 borrowers through the Public Service Loan Forgiveness program; and $9B in total and permanent disability discharges for 425,000 borrowers.

The relief comes as the Biden administration is still weighing whether and how to provide widespread loan relief to federal student loan borrowers – a decision that is expected by the end of the month. The most recent plan the administration is reportedly considering is cancelling $10,000 per borrower for those who earn less than $150,000 per year; however, the administration has not made a final decision yet. In the meantime, ED continues to provide targeted relief such as the ITT Tech action this week.

Resources:

Associated Press, “$3.9 billion in debt is canceled for former students of ITT Tech,” *NPR*, August 16, 2022.

Author: ASB

## Reports

### Homeless Student Enrollment Declined Amid Pandemic, Report Finds

A report recently released by SchoolHouse Connection, a homeless research group, found that the number of homeless students enrolled in schools dropped compared to the last full school year before the COVID-19 pandemic. Twenty-two percent fewer homeless students were enrolled for the 2021-2022 school year compared to levels from the 2018-2019 school year.

Districts are reportedly facing challenges identifying homeless students since the start of the COVID-19 pandemic as many homeless students became disengaged from their schools for various reasons, including moving. According to federal data on homeless students, Black students and homeless children living in shelters had the largest rates of unenrollment.

The report from SchoolHouse Connection highlights how many schools and districts are using the $800 million in funding for homeless students provided by the American Rescue Plan Act. The report also provides recommendations on how schools and districts can work to restore connections to homeless students, such as identifying the most significant challenges for those students to attend school and using funding to address those challenges.

[The full report from SchoolHouse Connection is available here](https://schoolhouseconnection.org/wp-content/uploads/2022/08/Progress-and-Promise-Report.pdf?utm_source=Main+list&utm_campaign=2d36565958-MailChimp-Mar2020%234_COPY_02&utm_medium=email&utm_term=0_96caefa5d6-2d36565958-44945529).

Resources:

Sarah D. Sparks, “1 in 5 Homeless Students Left School Since the Pandemic. Can Funding Help Find Them?,” *Education Week*, August 11, 2022.

Author: KSC

*To stay up-to-date on new regulations and guidance from the U.S. Department of Education, register for one of Brustein & Manasevit’s upcoming virtual trainings. Topics cover a range of issues, including COVID-19 related issues, grants management, the Every Student Succeeds Act, special education, and more. To view all upcoming virtual training topics and to register, visit* [*www.bruman.com/virtualtrainings/*](http://www.bruman.com/virtualtrainings/)*.*

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