

Executive Order on Education Addresses Federal Student Lending

Article By:

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The White House last week issued an executive order entitled “[Executive Order on Improving Free Inquiry, Transparency, and Accountability at Colleges and Universities](#).” In addition to pronouncements regarding free speech in the higher education context, the Executive Order makes several policy statements involving federal student lending and directs the Department of Education to take certain steps to implement specific action items that could affect both schools and federal student loan servicers.

The Trump Administration’s approach to the financial burden posed by higher education emphasizes access to information about price and outcomes and is laid out in four specific policy statements. First, the Executive Order states a policy of helping students and families better understand the costs of and potential return on investment in higher education. Second, it states a policy of ensuring that educational institutions have a stake in the risk involved in federal student loan programs by aligning their incentives with the incentives applicable to students and taxpayers. Third, it states a policy of educating students about the repayment responsibilities and options, as well as the risk, associated with federal student loans. And fourth, and finally, it states a policy of getting students the information they need to take less time to complete their degrees.

Based on these policy statements, the Executive Order directs the Department of Education to undertake a number of specific action items in 2019. First, the Department must create and make available a website and mobile app to provide information to student loan borrowers, including the balance owed, the repayment options and monthly payment amounts available to borrowers, and other information to help borrowers identify and enroll in the best repayment option. This resource will be offered through the Office of Federal Student Aid and must be available by January 1, 2020. Second, the Department must expand and update the College Scorecard with specific data for each program in which former students received federal aid. The required information includes estimated median earnings, median debt in each of the federal loan programs, default rates, and repayment rates. Third, the College Scorecard must also include institution-level data that aggregates default and repayment rates across all programs at an institution.

The Executive Order also requires the Secretary of Education, working with the Secretary of the Treasury, Director of the Office of Management and Budget, and Chairman of the Council of Economic Advisers, to create and submit a report that analyzes policy routes for sharing the risk

involved in student lending among the federal government, educational institutions, and other entities. The Secretary of Education must also submit policy recommendations for reforming the servicing process with respect to student loans in default. Both reports are due by January 1, 2020, and both could have a significant impact on the student lending industry.

This Executive Order is only the most recent development affecting the student lending industry, particularly with respect to servicing activities. For example, on March 6, a subcommittee of the Appropriations Committee of the U.S. House of Representatives [held a hearing](#) entitled “Protecting Student Loan Borrowers: Loan Servicing Oversight.” In light of oversight activities like this and the January 1, 2020 deadlines for the action items under this Executive Order, the next year could involve significant changes for the industry.

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