COHEAO WASHINGTON UPDATE

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Civics Lesson

HOW DO LAWS HAPPEN?

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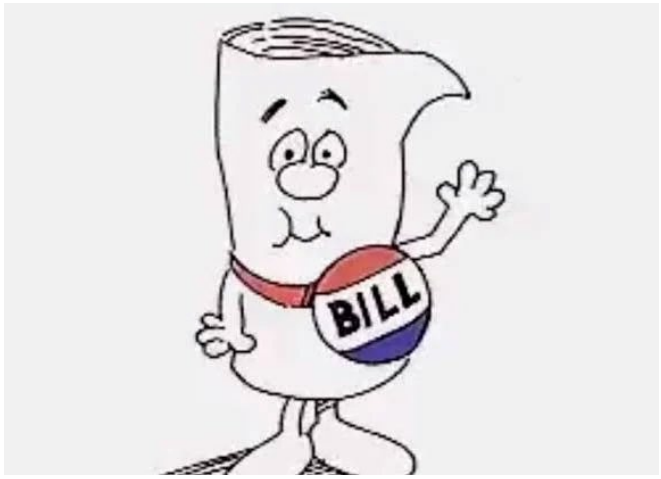

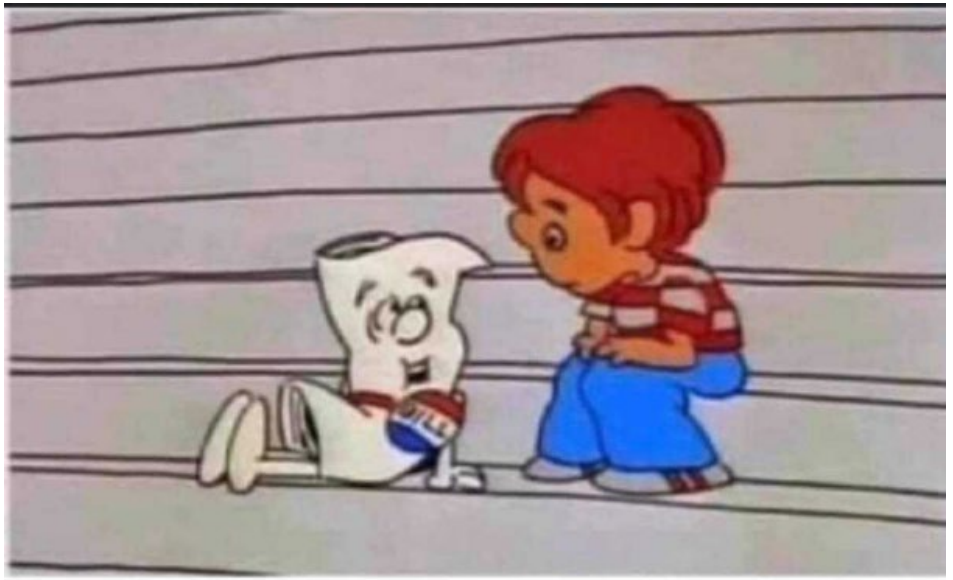

Sorry, kid. There's no song to explain this crap.

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QUICK CIVICS LESSON

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Congress

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118th versus 119th Congress

- 118th Congress
  - House: 220 Republicans – 212 Democrats (3 vacancies)
    - Speaker Mike Johnson (3 weeks)
  - Senate: 47 Democrats – 49 Republicans – 4 Independents

- 119th Congress
  - House: 219 Republicans – 214 Democrats (2 vacancies)
  - Senate: 45 Democrats – 2 Independents – 53 Republicans

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120th Congress- Who knows?



NACUBO

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In each of the last three midterm cycles, a chamber of Congress has flipped.

	2012	2014 Midterm	2016	2018 Midterm	2020	2022 Midterm	2024	2026 Midterm
POTUS	D	D	R	R	D	D	R	R
Senate	D	R	R	R	D	D	R	???
House	R	R	R	D	D	R	R	???
Change	No change	Senate flipped	GOP trifecta	House flipped	DEM trifecta	House flipped	GOP trifecta	???

Potential 2026 midterm election outcomes

POTUS	House	Senate	Likelihood	Likelihood analysis
R	D	R	High ●●●●●	The president's party has lost ground in midterm elections in each of the last three midterms, and Democrats would need to flip just five seats to secure a majority in the House
R	D	D	Medium ●●●●●	Trump is not on the ballot this year to draw conservative voters in, and Democrats have recruited their ideal candidate in several swing states, including Sherrod Brown in Ohio and Mary Peltola in Alaska, and have strong funding numbers in Texas.
R	R	R	Medium ●●●●●	The Senate map is favorable for Republicans, and redistricting efforts across several Republican-led states could help the GOP maintain control if President Trump remains popular with his base
R	R	D	Very Low ●●●●●	It is highly unlikely that Democrats will perform well enough in states such as Texas, Ohio, or Iowa to flip the Senate, and not secure a House majority as well

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18 House seats are considered toss-ups

Likely Democrat 8 DEM	Lean Democrat 13 DEM, 1 GOP	Toss Up 4 DEM, 14 GOP	Lean Republican 1 DEM, 3 GOP	Likely Republican 2 DEM, 14 GOP
CA-21 Costa	*CA-13 Gray*	OH-01 Landsman	MI-10 OPEN (James)	*AK-AL Begich III*
IN-01 Mrvan	*CA-45 Tran*	OH-09 Kaptur	NC-01 Davis	AZ-02 Crane
MN-02 OPEN (Craig)	FL-23 Moskowitz	TX-34 Gonzalez	NY-17 Lawler	*CO-03 Hurd*
NH-01 OPEN (Pappas)	*MI-08 McDonald Rivet*	WA-03 Perez	*PA-08 Bresnahan*	*CO-05 Crank*
NH-02 Goodlander	NE-02 OPEN (Bacon)	AZ-01- OPEN (Schweikert)	VA-01 Wittman	FL-07 Mills
NV-01 Titus	*NJ-09 Pou*	AZ-06 Ciscomani		FL-13 Luna
NV-04 Horsford	*NM-02 Vasquez*	CA-22 Valadao		IA-02 OPEN (Hinson)
OR-05 Bynum	NV-03 Lee	CA-48 Issa		ME-02 OPEN (Golden)
	NY-03 Suozzi	*CO-08 Evans*		MI-04 Huizenga
	NY-04 Gillen	IA-01 Miller-Meeks		MT-01 Zinke
	NY-19 Riley	IA-03 Nunn		NC-11 Edwards
	OH-13 Sykes	*MI-07 Barrett*		PA-01 Fitzpatrick
	TX-28 Cuellar	NJ-07 Kean Jr.		TN-05 Ogles
	VA-07 Vindman	*PA-07 Mackenzie*		TX-15 De La Cruz
		PA-10 Perry		TX-35 OPEN (Casar)
		VA-02 Kiggans		WI-01 Steil
		WI-03 Van Orden		

Democrat-held seat
Republican-held seat
Freshman member

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Four Senate seats are considered "toss-ups"

Solid Democrat 9 DEM	Likely Democrat 1 DEM	Lean Democrat 1 DEM	Toss Up 2 DEM, 2 GOP	Lean Republican 2 GOP	Likely Republican 2 GOP	Solid Republican 16 GOP
Hickenlooper (CO)	***Smith (MN)***	***Shaheen (NH)***	***Peters (MI)***	Husted (OH)	***Ernst (IA)***	***Tuberville (AL)***
Coons (DE)			Ossoff (GA)	Sullivan (AK)	Cornyn (TX)	Cotton (AR)
Durbin (IL)			Collins (ME)			Moody (FL)
Markey (MA)			***Tillis (NC)***			Risch (ID)
Booker (NJ)						Marshall (KS)
Luján (NM)						***McConnell (KY)***
Merkley (OR)						Cassidy (LA)
Reed (RI)						Hyde-Smith (MS)
Warner (VA)						Daines (MT)
						Ricketts (NE)
						Mullin (OK)
						Graham (SC)
						Rounds (SD)
						Hagerty (TN)
						Capito (WV)
						Lummis (WY)

Democrat-held seat
Republican-held seat
Incumbent not seeking reelection

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BUDGET



WHAT THE HECK IS THE PROBLEM?

- Deep Political Divisions
- Election-Year Politics
- Leadership Challenges
- The Budget Process Is Broken
- No Consequences for Missing Deadlines

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WHERE ARE WE AT NOW-2025

- Fiscal year ended October 1st
- CR signed into law, November 12, 20205
- Ending the most extended government shutdown in history
- CR Expired January 30, 2026
- Most Funding since then has been through short term measures
- Fiscal Year ends September 30, 2026
- Big Issue between parties- ICE

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FY26 Budget Deal

- Funds Student Aid
  - Mostly level-funded (Pell, Federal Work-Study, FSEOG, TRIO)

- Research
  - Department of Energy Office of Science: +1.94%
  - National Institute of Health: +0.9%
  - National Science Foundation: -3.42%

- Blocks indirect cost rate caps

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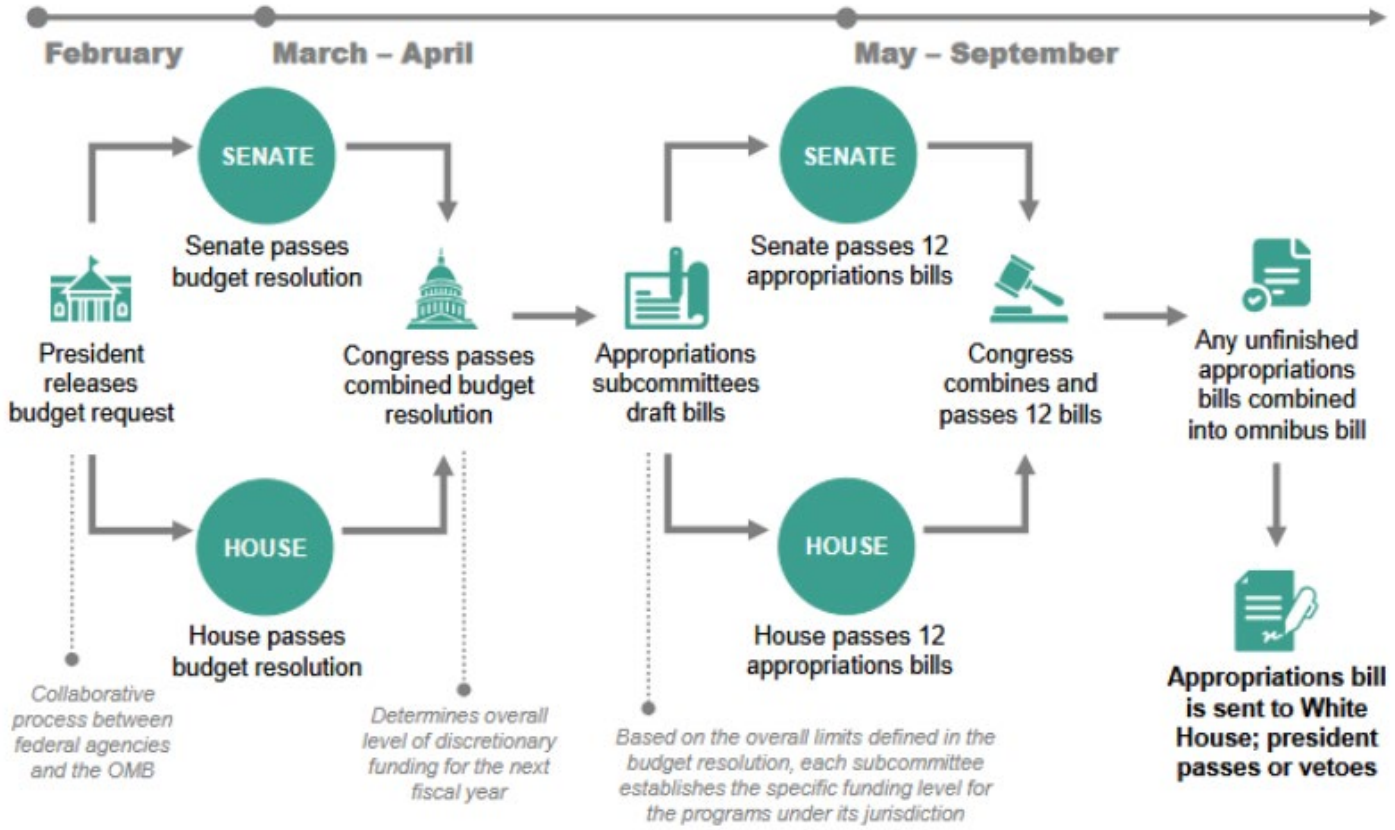
FY27 begins October 1st



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2027 Presidential Budget Request

- Requests $76.5b in discretionary funding
  - Reduction of $2.3b from 2026
- Includes $10.5b increase Pell funding to total of $33b
- Proposal eliminates FSEOG, TRIO, GEAR UP, & Fund for the Improvement of Postsecondary Education
- Sharply cuts Work Study to $123m
- Eliminates funding for many MSI programs
- NIH would be reduced by $5m
- 50% cut to National Science Foundation

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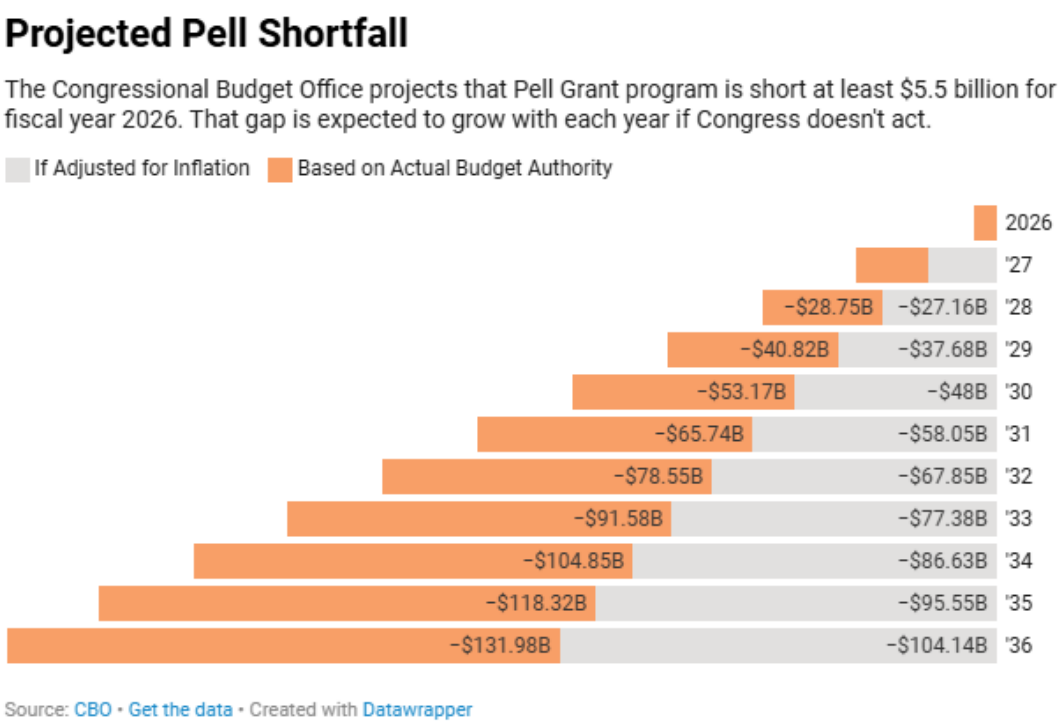
Potential Hill Activity

- Pell shortfall – immediate $17B gap
  - $100B deficit in next 10 year



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Other Hill Activity

- H.R. 6718 – Professional Student Degrees Act
  - 8 co-sponsors all Republican
- S. 3959 Restoring College Access and Affordability Act
- Potential Reconciliation Bill?
- Legislation exploring standardized financial aid terminology/letters
- Must move: Surface Transportation, Farm Bill Reauthorizations

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The Big Beautiful Bill

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Overview

- FY 2026 budget reconciliation bill signed into law.
- Reconciliation is a legislative process often used with new President and party control of both chambers
  - No 60-vote requirement in Senate
  - Previous examples: President Obama in 2010 (Obamacare, elimination of FFEL) and President Biden and Inflation Reduction Act, President George W. Bush tax cuts
- Extends Trump 1.0 tax cuts & new priorities (no tax on tips, etc.)
  - Pulls back on previous Dem priorities (clean energy, etc.)
- Spending on key priorities (increases for border, immigration enforcement, etc.)
- Major spending cuts long sought by conservatives
  - Medicaid reforms
  - SNAP cuts
  - Higher education reforms
- There's already talk of reconciliation 2.0.

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A "Mini HEA"

- Major changes to Title IV student aid programs:
  - Grad PLUS eliminated, Parent PLUS capped
    - New distinction between "graduate" and professional programs
  - New Repayment Assistance Plan (RAP) becomes new income driven option
  - New accountability regime ("Gainful for All")
  - New loan limits for part-time students
  - Workforce Pell
- Most provisions take effect July 1, 2026, with some coming in 2028
- Key victories from House version:
  - No risk sharing
  - Pell eligibility rules maintained
  - Moderated endowment tax

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Main Focus in Rise Committee

- Less than Full-time Enrollment- Prorating based on enrollment at time of disbursement
- Institutionally Determined Loan Limits
  - By Program of Study = Degree Program
- Grandfathering for Stafford Loans
  - Grad Plus or Parent Plus
  - Before July 1, 2026
- Public Student Loan Forgiveness
- Loan Rehabilitation
- Loan Eligibility
- RAP/Standard Repayment Plans
- Defining “graduate” v “professional” programs for purposes of loan limits

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Major PLUS Loan Changes

- Grad PLUS eliminated.
- Parent PLUS capped: $20K/year, $65K aggregate.
- Stafford limits:
  - Grad - $20.5K/year ($100K cap)
  - Professional - $50K/year ($200K cap)
- Lifetime aggregate limit: $257.5K (excludes Parent PLUS).
- Parent PLUS no longer IDR-eligible post-consolidation.

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Main Focus in Rise Committee

- Definition/Professional Students
  - Pharmacy
  - Dentistry
  - Veterinary Medicine
  - Chiropractic
  - Podiatry
  - Theology
  - Law
  - Medicine
  - Osteopathic Medicine
  - Optometry
  - Clinical Psychology

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Repayment Plan Overhaul

- New "Repayment Assistance Plan" (RAP) for new borrowers (after 7/1/2026)
- Standard Plan tied to amount borrowed (10 – 25 years)
- RAP: 1% to 10% of AGI, minimum $10/month
  - Interest subsidies, principal reduction features
- 30 – year cap for all repayment plans

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Loan Repayment Assistance Plan

Adjusted Gross Income	Required Loan Repayment under RAP
Under $10,000	$10 monthly payment ($120 annually)
$10,000 - $20,000	1 percent of AGI
$20,000 - $30,000	2 percent of AGI
$30,000 - $40,000	3 percent of AGI
$40,000 - $50,000	4 percent of AGI
$50,000 – $60,000	5 percent of AGI
$60,000 - $70,000	6 percent of AGI
$70,000 - $80,000	7 percent of AGI
$80,000 - $90,000	8 percent of AGI
$90,000 - $100,000	9 percent of AGI
$100,000 and up	10 percent of AGI

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Standard Repayment

- Standard Repayment Plan
- The proposal would make the term length of the Standard Repayment Plan tied to the amount borrowed.
  - Under $25K: 10 years
  - 25K - $50K: 15 years
  - $50K – 100K: 20 years
  - Over $100K: 25 years

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Repayment for Existing Borrowers

- Existing IDR plans remain for current borrowers
- SAVE borrowers –interest is accruing, but still in admin forbearance.
- Existing borrowers must be moved into IBR repayment plan or RAP by 2028.
- New loans post-July 2026 must use RAP or Standard repayment
- RAP: 1% to 10% of AGI, minimum $10/month
  - Interest subsidies, principal reduction features
- 30 – year cap for all repayment plans

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Loan Benefits

- Eliminates economic hardship & unemployment deferments
- Limits discretionary forbearance to no more than 9 months in a 24 month period
- Allows borrowers to rehabilitate their loan twice
  - $10 minimum payment in rehab
- Medical & dental residents have new 4 year deferment.
- Closed school discharge & Defense to Repayment

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Undergraduate Stafford Loans

- No changes to Stafford loan limits.
- Subsidized Stafford Loans retained.
- Schools may limit loan borrowing within programs starting July 2026.
- Part-time students will now have pro-rated loan caps (effective immediately).

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Pell Grants

- $10.5B to address Pell shortfall
- Short-term Pell for workforce programs start July 2026
  - Limited to accredited programs
  - Big win for Community Colleges
- 12 credits remains the standard for full-time Pell status
- “Full ride” students lose Pell eligibility
  - Lots of interest in NIL and college sports

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Accountability: "Gainful for All"

- Applies to all programs (not just for-profit and certificates)
- Replaced risk sharing w/ earnings-based metrics
- Not effective until 2028
- Loan eligibility lost if earnings below certain benchmarks in two out of three years.
  - HS diploma for associates and bachelor's degrees
  - Bachelor's holder in similar fields for graduate and professional degrees
  - Does not address certificate programs
  - Failing programs will only lose loan eligibility, NOT all Title IV

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Not just Medical School – The Gap is Broader

- Professional: Dentistry (high gaps), Medicine (moderate), Veterinary (targeted)
- Graduate programs drive majority of gap
- Nursing doctoral, communication disorders, rehab programs
- Business and STEM also impacted
- Workforce-critical programs most exposed

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Not just Medical School – The Gap is Broader

1. Medicine (MD/DO): $1,157,864,284
2. Dentistry: $830,065,223
3. Allied Health Diagnostic/Intervention/Treatment: $813,939,339
4. Rehabilitation and Therapeutic Professions: $762,157,006
5. Registered Nursing / Nursing Administration: $595,434,260
6. Clinical, Counseling, and Applied Psychology: $235,566,613
7. Communication Disorders Sciences and Services: $149,875,099
8. Mental and Social Health Services: $105,982,735
9. Pharmacy and Pharmaceutical Sciences: $98,400,208
10. Public Health: $85,167,099

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Colorado Graduate & Professional Financing Gap

Colorado

Institutions in cut	Program rows	FY25 borrowers	FY25 loan volume	Annual gap volume
26	320	23,289	$623.50M	$126.26M

Exposure mix: Graduate $80.95M | Professional $45.31M

Top institutions by annual exposure

Institution	Programs	FY25 borrowers	FY25 loan volume	Estimated annual gap
University Of Denver	47	4,220	$137.35M	$45.00M
Rocky Vista University	3	1,111	$87.61M	$36.67M
University Of Colorado Denver	50	3,724	$124.01M	$21.96M
Naropa University	4	375	$11.86M	$4.81M
Regis University	30	1,723	$38.67M	$4.81M
Colorado State University	32	1,500	$43.38M	$4.58M
University Of Colorado Boulder	22	1,068	$28.75M	$3.60M
Red Rocks Community College	1	76	$3.00M	$1.56M
University Of Northern Colorado	29	1,125	$19.97M	$1.20M
Colorado Mesa University	3	73	$2.30M	$1.08M

Colorado Graduate & Professional Financing Gap

Top statewide exposure programs

Institution	Program	Cred.	Borrowers	Avg annual borrowing	Gap volume
Rocky Vista University	Osteopathic Medicine/Osteopathy	First Professional Degree	984	$82,871	$32.96M
University Of Denver	Social Work	Master's	1,176	$37,854	$24.96M
University Of Colorado Denver	Dentistry	First Professional Degree	302	$71,213	$6.60M
Naropa University	Counseling Psychology	Master's	321	$32,014	$4.20M
Regis University	Physical Therapy/Therapist	Doctoral	166	$43,146	$4.02M
University Of Colorado Denver	Medicine	First Professional Degree	496	$56,185	$3.38M
University Of Denver	Psychology, Other	Master's	75	$57,891	$2.99M
University Of Denver	Business/Commerce, General	Master's	260	$28,356	$2.79M
University Of Denver	International Relations and Affairs	Master's	131	$37,702	$2.58M
University Of Colorado Denver	Public Health, General	Master's	265	$27,078	$2.40M

Colorado Graduate & Professional Financing Gap

State read

- Colorado shows $126.26M in modeled annual exposure across 26 institutions in the current cut.
- The largest institutional exposure point in this state is the University of Denver at $45.00M.
- Large-volume watch-list institutions with no current annual gap in this cut include Colorado Technical University, Colorado State University - Global Campus, and Adams State University.
- As requested, this prototype stays at the exposure baseline and does not layer on earnings, repayment, geographic stress, or brand/market overlays.
- ***All this data is estimated; some data may be suppressed due to low cohort groups in certain programs (in terms of borrowers).***

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The Department

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Sec. of Education: Linda McMahon

- Head of the Small Business Administration (2017-2019)
- Chair of the American First Policy Institute
- Former President and CEO of World Wrestling Entertainment, Inc.
- Connecticut Board of Education (Jan 2009 – Apr 2010)
- Policy positions
  - Workforce/skills development
  - Workforce Pell
  - Supportive of eliminating Department of Education



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H.R. 1 Implementation

- Ed must act quickly for 2026 implementation
- Negotiated rulemaking Two committees: RISE (Student Loans), AHEAD (Accountability and Workforce Pell)
  - Two week-long negotiating sessions:
    - RISE met in September & November
    - AHEAD meet in December & January

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Resuming Repayment on Direct Loans

- Direct Loan repayment resumed 10/1/23
  - 12 month on-ramp to repayment ended 9/30/24
- 42.7m borrowers owe 1.6t in student loan debt
  - 5m borrower more than 360 days past due
  - 4m borrowers in late stage delinquency
- 1,000+ institutions at risk of losing federal funding
- May 5th GEN-25-19 emphasized institutional responsibility in federal repayment process

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Return to Repayment: The Ongoing Saga

- Default Cliff
  - Roughly 6 million in default
  - Roughly 6 million in late-stage delinquency
  - Roughly 7 million resuming repayment for first time since pandemic (SAVE borrowers)
- Expect state level activity to pick up
  - Direct Loan repayment
  - Growth in private loans cause for alarm for consumer advocates
  - Consumer advocates looking at packaging practices and PLUS Loans

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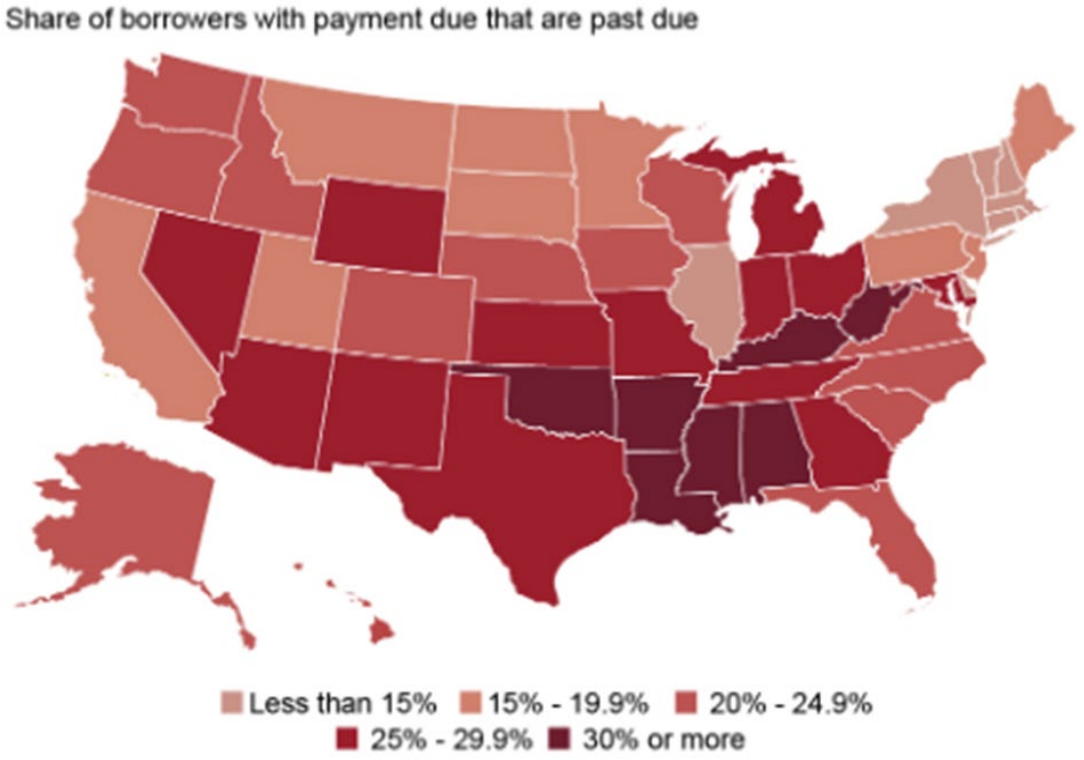
Default **by State**

- Highest rates of delinquency ar concentrated in the south
- Seven states have a delinquency rate above 30%
- Only five states have a delinquency rate below 15%



Sources: New York Fed Consumer Credit Panel/Equifax; author's calculations.
Note: The map shows the share of borrowers within each state that have at least one student loan that is ninety or more days past due or in default as a share of the borrowers in each state with at least one student loan in repayment.

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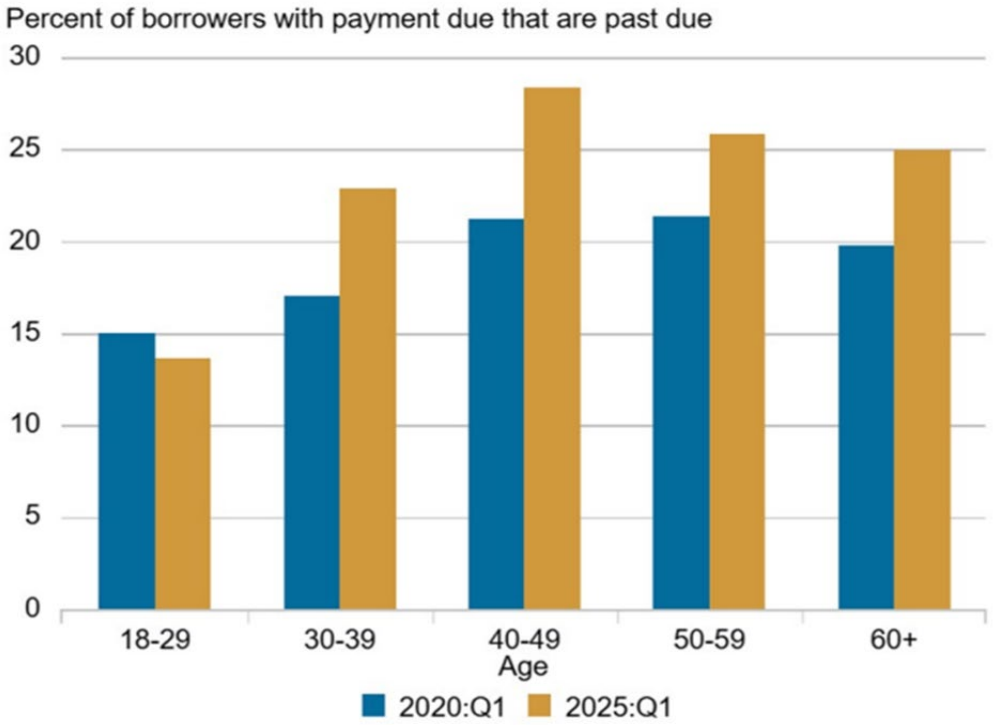
Difficult **Reality**

- More than a quarter of student loan borrowers over 40 with a payment are delinquent.
- Fewer student loan borrowers are in repayment, but higher share is delinquent
- The average age of delinquent borrowers increased. 38.6 – 40.4



Sources: New York Fed Consumer Credit Panel/Equifax; author's calculations.

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Updated Direct Loan Nonpayment Rates (Feb 2026)

- Department of Education released updated institutional nonpayment rates
  - Nonpayment = borrowers >90 days delinquent after entering repayment
  - More than 1,800 institutions have rates at or above 25%
  - Serves as early warning indicator for future Cohort Default Rate (CDR) risk

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Why Nonpayment Rates Matter

- Cohort Default Rate (CDR) carries statutory eligibility consequences
  - Loss of Title IV eligibility possible at 30% (3 years) or 40% (1 year)
  - Rising nonpayment rates may foreshadow future CDR increases
  - Institutions now have advance visibility into repayment stress

- Impacted access to credit

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ED Emphasis on Shared Responsibility

- Electronic Announcement GEN-26-12
  - Dated 2/18/2026

- Request for Institutions to update & maintain default management & prevention plans.
  - Develop Default Management & Prevention Plan
    - Establish a default prevention task force
    - Identify factors causing default
    - Establish measurable objectives and steps a school can take

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Electronic Announcements

- General-26-12 Request for Institutions to Update & Maintain Default Management and Prevention Plans: Publication of Updated Nonrepayment Rates by Institution
  - Develop a Plan
    - Establish a default prevention task force
    - Identify factors
    - Establish measurable objectives & steps
  - Leverage Existing Resources
  - Analyses & targeted intervention
  - Collaboration among partners

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Electronic Announcements

- General-26-15 Updated Reports to FSA Data Center
  - Outstanding Loan Portfolio Overview
  - Focus on the Federally Managed Portfolio
  - Delinquencies in the Federally Managed Servicing Portfolio
  - Income-driven repayment usage
  - New application volume and aid disbursements

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Electronic Announcements

- APP-26-03 FAFSA Real-time Fraud Detection
  - Beginning 4/26/26
  - Will screen and assess risk as students and families complete the FAFSA
  - Applicants will be placed in one of 4 risk categories
    - Low Risk – no additional requirements
    - Moderate Risk – no additional requirements, Comment code 353 added to the ISIR.
    - High Risk – Required to complete additional identity confirmation
    - Highest Risk – FAFSA will be rejected.

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HRSA Announcement

- Coming Soon: New Funding Opportunities
  - Dental Faculty Loan Repayment Program
  - Medical School Education Program
  - Nurse Education, Practice, Quality and Retention
  - Nurse Faculty Loan Program
  - Nursing Workforce Diversity Program
  - Primary Care Dental Faculty Development Center Program
  - Ruth L Kirschstein National Research Service award Institutional Research Training Grant
  - Scholarship for Disadvantaged Students

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How much of a shortfall will this legislation cause?



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How do we bridge this Gap?

- Institutional Loans
  - Funding
  - Servicing
- Commercial Private Loans
  - High Interest Rate
  - Credit Worthy
- HRSA Loans
  - Servicing
  - Entering New Programs
  - Federal Funding

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State Laws

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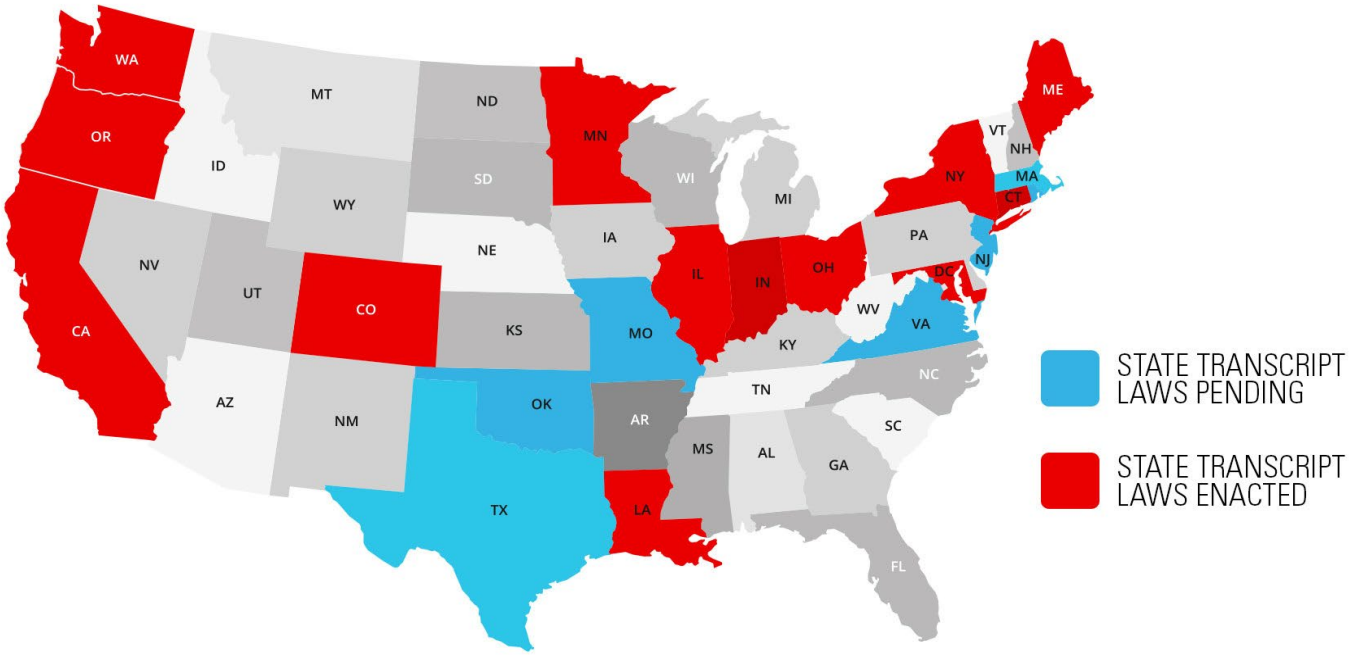
State Transcript Laws



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Emerging State Laws

- Over 20 states have enacted or proposed laws directly affecting campus-based financial services.
- Key Focus Areas:
  - Transcript withholding prohibitions
  - Expanded debt collection oversight
  - State-level data reporting and borrower protection mandates
  - Growing state authority under “Mini-CFPB” frameworks (CA, MA, CO).
  - State regulators are now requesting institutional loan and receivable data—not just federal loan data.

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Core Legislaqtive Themes

1.Transcript Withholding Restrictions

- CA, IL, NY, MN, CO among 20+ states banning transcript holds for unpaid balances.

2. Debt Collection & Servicing Oversight

- Licensing or registration required for institutional loan servicing (CA, ME, WA, MA).
- CO law limits external collector use and requires borrower disclosures.

3. Data Privacy & Security

- CCPA/CPRA (CA), CPA (CO), CTDPA (CT) apply to borrower information.
- Schools must implement **GLBA-equivalent safeguards** and maintain HECVAT-style documentation.

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Data Reporting & Accountability

- **State Data-Reporting Requirements**
  - CA (SB 1290) – Annual institutional loan portfolio reporting.
  - MN (HF 2907) – Loan balance & default disclosures to state agencies.
  - NY (S 7864) – Public debt and completion data posting.
  - CO (SB 24-091) – Transparency on receivable balances & collections.
  - WA (HB 1659) – Ombudsman complaint data sharing.
- **Institutional Risk-Sharing**
  - MA & MN propose default-based accountability metrics tied to funding.

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California Bill AB ~~1160~~ 850

- Some "friendlier" changes from the original:
  - Allows tax offset
  - Eliminates the 180-day waiting period requirement before assigning to debt collection.
  - No longer address civil actions
- Some "burdensome" requirements:
  - Ban on credit reporting by school or contractors
  - Extensive data reporting requirements
- Passed HE committee and referred to Appropriations

COHEAO bill recap

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Recent Activity

- NYC New Debt Collection Rule
  - Original creditors are covered
  - Communication frequency clarified
  - Ecomm requires revocable consent
  - Validation & verification rules are reinforced
  - Time-barred debt disclosures updated
  - Robust recordkeeping remains mandatory

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Pending Legislation

- Arizona HB 2302 – Provides framework for student loan services and creates a licensing requirement for student loan services
- Iowa HSB 540 – Provides for partial liability of regents institutions for defaulted educational loans
- Virginia HB 1310 – Study the impact recent federal changes to graduate and professional student loan programs have on in-state students
- Mississippi SB 2045 – Creates study committee to study the impact of student loan debt in State.

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COHEAO Activity



SAVE THE DATE

Annual Conference

June 1 - 3, 2026

Washington, DC

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