

**VSAC has received \$10.1 million from CRF funds to help ensure that COVID-19-impacted students who are pursuing or who have pursued higher education have the necessary resources to be successful.**

**SUMMARY:** We anticipate spending \$2.35 million of COVID funds for State Grant Appeals, \$100,000 for the Advancement Grant, \$1.5 million in Technology stipends, and \$30,000 in emergency micro grants for a total of \$3.98 million between now and December. We are proposing to spend the remaining funds to offset the costs to VSAC and borrowers of providing targeted student loan relief to borrowers seeking payment accommodations because of COVID-19. We are offering two approaches to providing this relief for consideration. These proposals assume no extension in the December Federal expenditure deadline or the impact of a possible 2<sup>nd</sup> wave either of which could increase demand.

**I. Targeted Funds**

**A. State Grant Appeals:**

VSAC was provided \$4.6M to address the needs of families who had applied for 20-21 school year financial aid based on their 2018 income as required by the FAFSA, but who due to COVID-19 have experienced financial stress in 2020 due to loss of jobs, reduced hours, increased medical costs, etc. We asked those families to consider “appealing” their prior financial aid awards in light of their COVID-19 impacts.

We have reviewed over 675 total appeals and over 92% of them have seen an increase in their state grant. Of the approved appeals 85% are COVID related. To-date we have awarded \$1,260,488 in additional funding from the CRF funding for this specific purpose. In addition, we have worked with DCF to identify 100 students who are foster children in state custody, are attending college this fall, and were significantly impacted by COVID-19. At this time, we anticipate that the total need for CRF funds for appeals will be \$2.35 million of the \$4.6 million in CRF funding that VSAC received for State Grant appeals.

**Anticipated Expenditure: \$2.35 million**

**B. Advancement Grant**

VSAC was provided \$500,000 to support access to the Advancement Grant. We anticipate that we will utilize \$100,000 to support COVID-19 related appeals.

**Anticipated Expenditure: \$100,000**

**C. Technology:**

As we have all read and seen across the summer, the learning environment in the 20-21 school year on college campuses is very different from anything we have seen before even for those students who fully or partially “return to campus”. This is placing a premium on use of and access to technology. Students without the necessary technology simply can’t succeed in this environment.

At the request of the Legislature, in order to ensure that students were able to successfully continue their educations, VSAC offered \$1,000 technology scholarships to students. Students are nominated by their financial aid officer or by a VSAC Outreach Counselor and must have both financial need and require technology to access their educations.

As of August 31, 2020 VSAC, has disbursed \$954,000 to Vermont students and we have over 100 students who are waiting to be awarded. We continue to receive requests from nominated students on a daily basis and anticipate that we could spend an additional \$500,000 on the originally identified students.

#### **Anticipated Expenditure: \$1.5 million**

#### **D. COVID-19 Student Loan Expenses**

As part of the CARES Act, the Federal government eliminated interest through September 30, 2020, on student loans that are ***owned or held directly by the Federal government***. Despite efforts by the Vermont Congressional delegation, this provision did not include loans held by state agencies, including the 16,000 VSAC borrowers with VSAC Advantage loans or the 21,000 borrowers with VSAC Federal Family Education Loans. President Trump has announced through executive order his decision to extend this benefit through the end of this calendar year. Once again, this benefit does not extend to borrowers whose loans were made by state agencies like VSAC.

In order to provide support to borrowers whose loans were not addressed in the CARES Act, the State of Vermont joined with VSAC in entering into a [compact](#) with 15 other states and the District of Columbia (AZ, CA, CO, CT, IL, MA, MD, ME, NJ, OR, NY, RI, SC, VA, VT, WA and District of Columbia) in which student loan servicing organizations (including VSAC) were asked to agree to extend relief to borrowers negatively impacted by COVID-19. This relief was agreed upon through September 30. VSAC paid for and negotiated with the major bond Rating Agencies to be able to provide expanded relief to borrowers who live in these states and who had or were about to exhaust the relief VSAC is normally authorized to provide.

A key part of this relief is the ability to allow borrowers negatively impacted by COVID-19 to defer their payments because they have lost income. Unlike the relief provided in the CARES Act for Federal borrowers, interest continues to accrue while these VSAC borrowers are deferring their payments. Use of this benefit peaked at nearly 15% of VSAC borrowers early in the pandemic and has declined to 8-10% as many of our borrowers have returned to work.

This has an impact on both VSAC and the borrowers. VSAC loans are financed using the proceeds of tax-exempt bonds sold to bond investor and subject also to the ratings monitoring and oversight of the major bond Rating Agencies. Payments on these bonds must be made without regard to whether borrowers make their payments. For borrowers, the interest accrues on their loans and must eventually be made up when they re-enter repayment.

The Vermont Department of Financial Regulation is asking VSAC to extend this package of borrower accommodations for an additional three months through December 31, 2020. As noted above, the bond trust remains obligated to make bond payments without regard to whether borrowers make their payments to VSAC. This is not dissimilar to the challenge the University of Vermont and the State Colleges faced when they were expected to reimburse families for room and board expenses. To date, VSAC has born these expenses without compensation.

VSAC is proposing to use up to \$6.1 million of the CARES Act Funding to offset the cost of providing targeted payment relief to borrowers who needed or need to defer payments as a result of COVID-19 (the Federal government is providing relief to all of its borrowers regardless of need). This would

provide relief to roughly 1,440 borrowers who attended a Vermont institution, resided in Vermont when they were students or who currently reside in Vermont.

For reference, Pennsylvania, through its state agency, has provided a more robust benefit by mirroring the Federal executive order and using CARES Act funds to pay the interest on behalf of all of their non-federal/state loan borrowers between March 13 2020 (date of executive order) and September 30, 2020 (end of the original executive order).

**Option A: Anticipated Expenditure—Principal and Interest Payments for Borrowers Deferring Payments Because of COVID-19: \$6.1 million**

**Option B: Anticipated Expenditure—Interest Payments Only (no principal, only interest for Borrowers Deferring Payments Because of COVID-19: \$1.9 million**

#### **E. Emergency Microgrants**

Several years ago, VSAC created an emergency microgrant program to allow us to provide quick relief to students whose unexpected emergency expenses threatened their continued enrollment. Students are nominated by their school or by their VSAC outreach counselor. Needs have ranged from unexpected automotive repairs, utilities, to computers, or healthcare expenses.

We anticipate that we will continue to see expanded demand for emergency microgrants and propose allocating \$30,000 from CARES Act Funds.

**Anticipated Expenditure: \$30,000**