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## Volume 2, Issue 15

### **Yellen Tells Regulators to 'Act Quickly' on Stablecoin Rules**

*"New rules would cut into profit margins earned by issuers, but in the long-run should help them attract more users."*

**Why this is important:** The recent rise in popularity, or market value, of stablecoins is causing Treasury Secretary Janet Yellen and other regulators to push for rules surrounding the asset. A stablecoin is a type of digital currency with its value "fixed to a national currency or commodity and backed by reserves of that underlying asset." However, with most, if not all, stablecoins, there is little information about what is actually backing the digital asset. With this and other concerns in mind, the President's Working Group on Financial Markets "expects to issue recommendations in the coming months." **While it is unclear how they expect to regulate stablecoins, it is clear that regulations are needed if stablecoins, and other cryptocurrencies, will continue to become recognized payment options.** --- [Kellen M. Shearin](#)

### **How Student Loan Servicing Changes Will Impact Public Service Loan Forgiveness**

*"The Pennsylvania Higher Education Assistance Authority, whose federal Direct loan servicing wing operates as FedLoan Servicing, announced that it would not be renewing its contract with the U.S. Department of Education."*

**Why this is important:** Recently, the Pennsylvania Higher Education Assistance Authority ("PHEAA") and Granite State Management and Resources ("Granite") separately notified the U.S. Department of Education ("DOE") that the companies would leave the federal student loan servicing program operated by the DOE. The DOE has not yet determined how servicing transfers for these accounts will happen, but both PHEAA's and Granite's servicing contracts end in December 2021. The two companies are responsible for servicing approximately 9.5 million individual accounts. Moreover, PHEAA's FedLoan Servicing subsidiary is the primary servicer tasked with administering the Public Service Loan Forgiveness ("PSLF") program for loan forgiveness based upon public service. **Given the historical complaints about the PSLF program and the numerous current proposals on changes to the federal**

student loan programs and payments, servicers taking over these accounts, or currently servicing other accounts, should prepare for an influx of borrower questions and concerns as federal student loan payments restart. --- [Angela L. Beblo](#)

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## **Democrats Want Federal Student Loans Paused Until March 2022: Here are the Options Private Loan Borrowers have**

*"Sens. Elizabeth Warren (D-Mass.), Ed Markey (D-Mass.) and Tina Smith (D-Minn.) sent a letter to CEOs of all federal student loan servicing companies, questioning their preparedness to get student loan borrowers back on their loan repayment plan when the forbearance period ends on Oct. 1, 2021."*

**Why this is important:** Tens of millions of student loan borrowers are expected to resume making student loan payments on October 1, 2021. However, Senate Democratic lawmakers and student loan servicing companies asked President Biden to use executive action to extend the federal loan payment freeze put in place due to the coronavirus pandemic until at least March 2022. Student loan servicing companies have concerns that they are not prepared to move more than 43 million accounts into repayment status all across the country at once given inadequate staffing. They also have concerns that student loan borrowers do not have the ability to begin repayment until unemployment reaches pre-pandemic levels. Other businesses have asked President Biden to extend the payment freeze until he delivers on his campaign promise to cancel federal student debt. If President Biden extends the payment freeze, private student loan borrowers will not be affected. The options for private student loan borrowers include forbearance (non-interest free), deferment (depending on the lender), and refinance. **Because the Biden administration has made it clear that the coronavirus pandemic is not over, it will be interesting to see if President Biden will use his authority to provide much-needed relief to student loan borrowers and student loan servicing companies, or if he will ever manage to fulfill his campaign promise to cancel student debt.** --- [Victoria L. Creta](#)

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## **A U.S. Government Accountability Office (GAO) Report Shows the Obvious**

*"Mortgage forbearance and other federal efforts have reduced default and foreclosure risks."*

**Why this is important:** The CARES Act included a foreclosure moratorium and provided mortgage borrowers with options to temporarily suspend payments during the COVID-19 pandemic. This moratorium expires on July 31, 2021. More recently, federal housing agencies have expanded repayment options and proposed new servicing rules to limit avoidable foreclosures through the end of 2021.

The CARES Act includes a provision for GAO to monitor federal efforts related to COVID-19, thus this report. The report found the obvious: foreclosures declined significantly during the pandemic because of federal moratoriums that prohibited foreclosures. According to the report, the number of mortgages entering foreclosure decreased by about 85 percent on a year-over-year basis from June 2019 to June 2020 and remained as low through February 2021.

**Although the federal government has initiated some continued restrictions on the foreclosure process and has offered loss mitigation assistance for homeowners, direct and continued financial assistance will be needed to help avoid the long-term loss of homeownership experienced in the 2008 housing crisis. But how much longer and how much more money can the federal government provide? Stay tuned!** --- [Bryce J. Hunter](#)

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## **New Bills Would Reshape Credit Reporting for Private Student Loan Borrowers and Other Consumers**

*"One bill, the Comprehensive Consumer Credit Reporting Reform Act, would create a private student loan rehabilitation program that would allow borrowers in default on their private student loans to restore their loans to good standing through a series of on-time monthly payments."*

**Why this is important:** Student loans, servicing, and other ancillary items relating to student loans have been a hot topic of conversation since the previous election campaign circuit. And, student loans remain a focus of the current administration as well as various Congressional members. Currently, a bill

in Congress is targeting private student loans. The bill relates to a rehabilitation program for defaulted private student loans and the dispute process. In addition, two other bills relate to credit reporting, including consumers' ability to monitor/access credit scores and the creation of a federal agency that "would effectively function as a new credit bureau, giving consumers a public alternative to the existing private, for-profit national credit bureaus." **Student loan servicers for private student loans should monitor the progress of the Congressional bills and consider submitting feedback to individual Congressional members as well as the U.S. House Committee on Financial Services.** --- [Angela L. Beblo](#)

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## Featured Spilman Attorney Profile



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Carter Brothers is a Member in our Roanoke office. His primary areas of practice are wills, estate planning and administration, fiduciary litigation, taxation, bond finance, and corporate law.

Carter has been selected by his peers for inclusion in The Best Lawyers in America in the areas of Commercial Finance Law and Trusts & Estates Law. He is a member and immediate past chair of the Trusts & Estates Section Board of Governors of the Virginia State Bar. He also is a member of the Roanoke Bar Association, the Roanoke Valley Estate Planning Council, and the National Association of Bond Lawyers, and he is a past chair of the Nashville Bar Association Estate Planning Committee.

He received his B.A. from Williams College, his J.D. from Vanderbilt University, and his Masters of Law in Taxation, LL.M. from the University of Florida. Carter is admitted to the Virginia and Tennessee State Bars.

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