

The



Torch

August 26, 2011

A bi-weekly report from the Coalition of Higher Education Assistance Organizations

COHEAO News

- **[COHEAO Launches New and Improved Website](#)**
The COHEAO website, www.coheao.org, has undergone a dramatic facelift, and the new and improved site was officially launched today. Please visit www.coheao.org as soon as you can and tell us what you think!
- **[COHEAO Institutional Memberships Up for Renewal; Did You Receive Your Bill?](#)**
COHEAO institutional memberships run from July 1-June 30 each year, meaning this year's dues are now past due for those who have yet to pay. However, in our follow up calls and emails with our members, we have learned that some invoice notices went into members' spam boxes

The Congress

- **[Warren for Senate ?](#)**
Over the course of this year, we have run multiple stories on rumors and speculation regarding an Elizabeth Warren Senate run under this headline, but late last week, news broke indicating that the question mark is no longer necessary.

The Administration

- **[CFPB to Begin Using FTC Consumer Complaint Database](#)**
The Consumer Financial Protection Bureau recently entered into an agreement with the FTC to begin making use of the Commission's "Consumer Sentinel" database.
- **[ED Announces FISAP Training](#)**
The Department of Education issued a dear colleague letter this week to announce the availability of a recorded training session that focuses on the Fiscal Operations Report for 2010-2011 and Application to Participate for 2012-2013 (FISAP).
- **[FAFSA Simplification Reduces ED Burdens Despite Rising Applicants](#)**
A new Paperwork Reduction Act report submitted by the Department of Education highlights the positive effects of the effort to simplify the FAFSA application on the internal administrative burden at the Department.

Industry News

- **[New Poll Challenges Traditional Thinking on Pell Grants](#)**
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- [Sallie Mae, Fidelity Release Annual Surveys on Saving and Paying for College](#)
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- [NY Fed Data Indicates Increasing Volume and Defaults for Student Loans](#)
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- [Pew Studies Census Data on Higher Ed Enrollment by Race](#)
The Pew Hispanic Center released an analysis of Census Data this week indicating an increasing number of Hispanic students are pursuing higher education.
- [US Bank Announces New Private Loan Borrower Benefits](#)
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The National Student Loan Program (NSLP) announced it had created a subsidiary, EC Group, LLC, to continue offering financial aid products and services such as financial aid training, compliance assistance, and financial aid management and processing.
- [Ethics Complaints Filed at RIHEAA over RISLA Relationship](#)
The *Providence Journal* first reported last week that an employee at the Rhode Island Higher Education Assistance Authority (RIHEAA), the Rhode Island guarantor, has filed ethics complaints regarding the agency’s relationship with the Rhode Island Student Loan Authority (RISLA), the non-profit lender.

Attachments

- [Board of Directors](#)
- [COHEAO Commercial Members](#)

COHEAO News

COHEAO Launches New and Improved Website

The COHEAO website, www.coheao.org, has undergone a dramatic facelift, and the new and improved site was officially launched today. COHEAO Vice President Maria Livolsi headed up the overhaul and unveiled the new site today in a webinar.

In her review, Livolsi emphasized the site would be evolving over time and urged COHEAO members to check it out and offer us tips and suggestions. Please visit www.coheao.org as soon as you can and tell us what you think!

COHEAO would like to extend a special thank you to Maria Livolsi and the members of her web team: Pam Devitt, University of Illinois; Edgar DeLos Angeles, University of California-Irvine; Mike Kahler of Windham Professionals; and Wes Huffman of COHEAO.

COHEAO Institutional Memberships Up for Renewal; Did You Receive Your Bill?

COHEAO institutional memberships run from July 1-June 30 each year, meaning this year's dues are now past due for those who have yet to pay. However, in our follow up calls and emails with our members, we have learned that some invoice notices went into members' spam boxes.

If you have yet to pay your COHEAO dues, it is time to do so. If you have not paid, or are unsure if your organization has paid, your dues for the 2011-2012 year, please contact Wes Huffman immediately (whuffman@wpllc.net, 202.289.3910).

The Congress

Warren for Senate ?

Over the course of this year, we have run multiple stories on rumors and speculation regarding an Elizabeth Warren Senate run under this headline, but late last week, news broke indicating that the question mark is no longer necessary. Last Thursday, Warren announced she had formed an exploratory committee for a bid for Republican Scott Brown's Massachusetts Senate seat.

In addition to the official exploratory committee, the requisite website soliciting donations was also unveiled. Right now, it is a simple solicitation for money and email addresses, but it does promise "we'll be in touch shortly with next steps" for prospective supporters.

Warren's Senate exploratory committee website is available online <http://elizabethforma.com/splash/>

The Administration

CFPB to Begin Using FTC Consumer Complaint Database

The Consumer Financial Protection Bureau recently entered into an agreement with the FTC to begin making use of the Commission's "Consumer Sentinel" database. An excerpt from the CFPB announcement is below.

The agreement allows the CFPB to access consumer complaints within the FTC's Consumer Sentinel system. In addition, we will share complaint information that we receive from consumers with the Sentinel database, subject to appropriate privacy protections and access restrictions.

Consumer Sentinel helps law enforcement track and respond to consumer complaints. It is an online database of consumer complaints maintained by the FTC. The complaints in the database touch on many financial matters, from advance-fee loans to credit scams, from debt collection to credit reports, and more. The database is accessible only to law enforcement. The more good data that is included in it, the more effective it is as a tool.

Many entities, both government and non-government, already share complaints with Consumer Sentinel. Among the government entities are several state Attorneys General (including Idaho, Michigan, Mississippi, North Carolina, Ohio, Oregon, Tennessee, and Washington State), the U.S. Postal Inspection Service, and the FBI's Internet Crime Complaint Center.

The non-governmental organizations include the Lawyers' Committee for Civil Rights, MoneyGram International, the National Consumers League, Publishers Clearing House, Xerox Corporation, and the Better Business Bureaus. These organizations can add information to the database about problems people report to them. They do not have access to complaints submitted by law enforcement agencies. Law enforcement can then review all this information to learn more about the conditions facing consumers.

The full announcement is available online: <http://www.consumerfinance.gov/coordinating-consumer-complaints/>

ED Announces FISAP Training

The Department of Education issued a dear colleague letter this week to announce the availability of a recorded training session that focuses on the Fiscal Operations Report for 2010-2011 and Application to Participate for 2012-2013 (FISAP). This FISAP is available on the eCampus-Based (eCB) Web site and must be submitted no later than September 30, 2011 by schools that participate in the Federal Perkins Loan Program, Federal Supplemental Educational Opportunity Grant (FSEOG) Program, and Federal Work-Study (FWS) Program.

No registration is required to view the recorded training session. To view the session, click on this link: <https://www302.livemeeting.com/cc/fsatraining/view?id=SS081511>

To view the PowerPoint slides and transcript of the recorded training session, click on this link: <http://www.ed.gov/FSA/training/downloads.html>

FAFSA Simplification Reduces ED Burdens Despite Rising Applicants

A new Paperwork Reduction Act report submitted by the Department of Education highlights the positive effects of the effort to simplify the FAFSA application on the internal administrative burden at the Department. According to the *Federal Register* notice, "For 2012-2013, the Department is reporting a net burden reduction of 2,881,475 hours. The reduction is a reflection of the effects of simplifying FAFSA on the Web, which is utilized by the majority of applicants who apply for aid."

The reduction in hours is near 9 percent and it would have been much higher, about 13 percent, if not for an increase in applicants. The notice also indicates the Department projects 24.7 million students will submit the FAFSA application in 2012-2013, up 4.63 percent from 23.6 million who are projected to apply in 2011-2012.

The full *Federal Register* notice is available online: <http://www.gpo.gov/fdsys/pkg/FR-2011-08-18/pdf/2011-20992.pdf>

Industry News

New Poll Challenges Traditional Thinking on Pell Grants

A new poll from Rasmussen Reports challenges the conventional wisdom in Washington on Pell Grants. According to the poll, Americans are supportive of federal student loans, but less supportive of the bedrock grant of the student aid programs.

Three-quarters of the poll's respondents support the government providing loans to "good students" to pursue higher education. Only 14% oppose such loans, while the remaining respondents were unsure. Notably, 77% of respondents supported the loans for middle income students, but slightly less (75%) support them for low-income students.

However, on the question of Pell Grants only 43% supported the continuation of the program with 38% opposed. Traditionally, both sides of the aisle have supported Pell Grant funding, but this dynamic has been changing in recent years.

According to the poll, 61% of Republicans now oppose the continuation of the program and 58% of Democrats and 48% of independents (a plurality) support their continuance. When asked about an unnamed grant program providing low-income students with a grant of \$5,500, the report indicates most Democrats support them and most Republican voters oppose them, with independent voters evenly divided.

The support for government backed student loans is strong across all parties, but Republicans do support them the least. However, respondents were not very supportive of many of the new borrower benefits that have been added to the program in recent years. For instance, only 28% of respondents supported the forgiveness of loans after 20 years of repayment through the IBR program.

Additional information from Rasmussen Reports is available online: <http://bit.ly/pVP1mr>

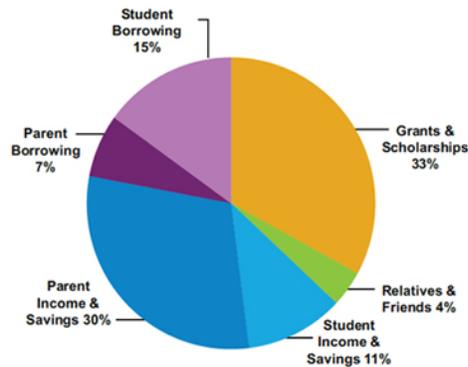
Sallie Mae, Fidelity Release Annual Surveys on Saving and Paying for College

Two national annual surveys on saving and paying for college were released this week: The Sallie Mae and "How America Pays for College" report and the "Fifth Annual College Savings Indicator" from Fidelity.

Below are the highlights of the "How America Pays" survey, including a pie chart on how the average American family pays for college:

- *Ninety percent of students strongly agreed that college is an investment in the future, an increase from 84 percent in 2010.*
- *70 percent of students and parents strongly agreed that a college education is necessary for their desired occupation and that college is required to earn more, up from 63 and 59 percent, respectively, in 2010.*
- *Virtually all families reported taking cost-savings measures, such as attending lower-cost colleges, living at home, or going to school part time. On average, families reported paying 9 percent less for college than they had the previous year.*
- *Parent sources, including savings, income and loans, funded the largest segment of the average family's total college expenses, at 37 percent. Students assumed direct responsibility for about one-quarter of the total cost of college, contributing 11 percent from income and savings and 15 percent*

through borrowing. Grants and scholarships covered 33 percent of college costs in 2010-2011, up from 23 percent the previous year.



The College Savings Indicator found significant shifts in savings behavior from 2007 to 2011, with more families: 1) starting to save in the preschool years despite financial pressures, 2) seeking guidance and saving for college using a dedicated account, such as a tax-advantaged 529 college savings plan, and 3) making shared sacrifices to achieve their college savings goals.

Forty percent of parents with preschool-aged children (ages 0-5) have started saving for college costs in a dedicated account -- up from 27 percent in 2007, with most parents (53 percent) saying they were prompted to do so by the birth of a child. Parents may be saving earlier because fewer parents (48 percent, down from 70 percent in 2008ii) believe they will receive a student loan for the full amount needed to pay for college.

Additional information on the "How America Pays for College" report is available online:

https://www1.salliemae.com/about/news_info/research/how_america_pays_2011/

Additional information on the "5th Annual College Savings Indicator" is available online:

<http://www.fidelity.com/inside-fidelity/individual-investing/csi-2011>

NY Fed Data Indicates Increasing Volume and Defaults for Student Loans

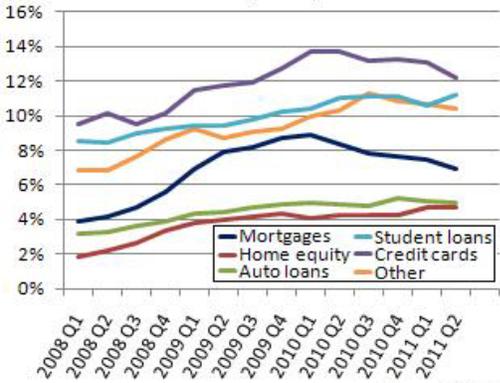
The Federal Reserve Bank of New York issued a report last week on overall consumer credit conditions, including student loans. According to the New York Fed, student loans are the only consumer asset class to see a significant increase since the financial crisis. However, student loans trail only credit cards in terms of delinquencies among asset classes.

The report indicates outstanding student loan volume currently sits at \$550 billion, up 25% from \$440 billion in the third quarter of 2008. However, it also shows 90-day delinquencies on student loans to have risen to 11.2 % and these rates have been constantly increasing since the end of last year.

The two reports garnered significant media attention, particularly among commentators who believe a "student loan bubble" is on the horizon. Below are two charts from the *Wall Street Journal's* "Real Time Economics Blog" on the report.

Past Due

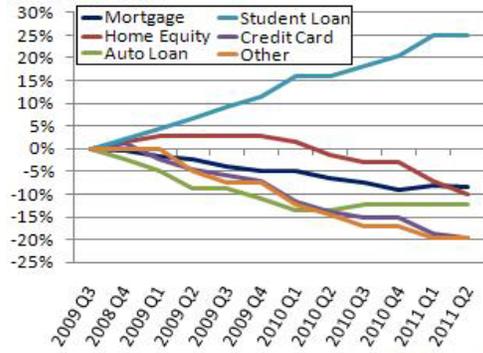
Percent of loans 90 or more days delinquent



Source: NY Fed

College Credit

Cumulative percent change in consumer debt by type since the third quarter of 2008



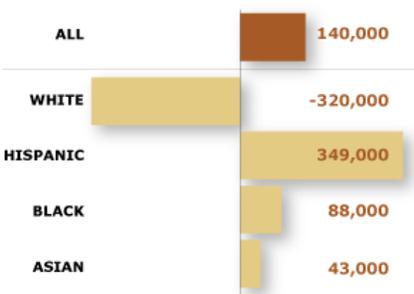
Source: New York Fed

For more information on the Federal Reserve Bank of New York's quarterly report on household debt and credit, visit: <http://www.newyorkfed.org/newsevents/news/research/2011/an110815.html>

Pew Studies Census Data on Higher Ed Enrollment by Race

The Pew Hispanic Center released an analysis of Census Data this week indicating an increasing number of Hispanic students are pursuing higher education. The following is from a Pew summary of the analysis:

Change in 18- to 24-Year-Old College Enrollment, 2009 to 2010



PEW RESEARCH CENTER

Driven by a single-year surge of 24% in Hispanic enrollment, the number of 18- to 24-year-olds attending college in the United States hit an all-time high of 12.2 million in October 2010, according to a Pew Hispanic Center analysis of newly available Census Bureau data. From 2009 to 2010, the number of Hispanic young adults enrolled in college grew by 349,000, compared with an increase of 88,000 young blacks and 43,000 young Asian Americans and a decrease of 320,000 young non-Hispanic whites.

Additional information from the Pew Hispanic Center is available online: <http://pewhispanic.org/reports/report.php?ReportID=146>

US Bank Announces New Private Loan Borrower Benefits

U.S. Bank now offers student loan customers two new borrower benefits on its private student loans: the U.S. Bank Graduation Perk and the Good Grades Perk. With these discounts, U.S. Bank encourages students to complete their degrees with an added bonus if they graduate with a cumulative grade point average (GPA) of 3.30 or higher. Eligible student loan customers have the opportunity to earn up to three percent off their original loan amount financed.

The Good Grades Perk rewards students with a one percent principal reduction from their original loan amount financed if they graduate with a cumulative GPA of 3.30 or higher. The Graduation Perk rewards students with a two percent principal reduction from their original loan amount financed if they show proof of graduation. With this one time loan forgiveness, U.S. Bank student loan customers will have their account balance reduced by the amount of the reward, which may decrease their monthly payment.

The U.S. Bank Graduation Perk and Good Grades Perk can be applied to both the bank's fixed rate and no fee (variable rate) student loans. The new benefits are available to anyone who has applied for a U.S. Bank Fixed Rate and U.S. Bank No Fee student loan on or after August 1, 2011. Student loan customers who qualify for one or both of these perks will have 12 months to prove their status and redeem their loan discount.

NSLP Announces New Subsidiary, Acquisition

The National Student Loan Program (NSLP) announced it had created a subsidiary, EC Group, LLC, to continue offering financial aid products and services such as financial aid training, compliance assistance, and financial aid management and processing. The subsidiary was created through the acquisition of Evans Consulting Group, a consulting firm founded by Bob Evans, a former Department of Education official.

In announcing the new subsidiary, NSLP also highlighted its recent submission of a voluntary flexible agreement (VFA) to the Department of Education. Twenty-two guarantors have submitted VFA proposals to alter the way they are paid for their services related to the student loan programs. Those proposals are currently under review at the Department of Education and will eventually be posted on the FSA Financial Partners website: <http://www.fp.ed.gov/fp/>

Ethics Complaints Filed at RIHEAA over RISLA Relationship

The *Providence Journal* first reported last week that an employee at the Rhode Island Higher Education Assistance Authority (RIHEAA), the Rhode Island guarantor, has filed ethics complaints regarding the agency's relationship with the Rhode Island Student Loan Authority (RISLA), the non-profit lender. Peter Kerwin, chief of program development at RIHEAA, lodged the ethics complaint over the sharing of personal information between the two agencies.

Kerwin argues in the wake of SAFRA, the mission of the two agencies has changed dramatically, a charge that RISLA/RIHEAA Chairman Anthony Santoro claims is "without merit." The *Journal* story indicates RISLA has strengthened its efforts on private student loans and loan servicing. RISLA CEO Charles Kelley is now running RIHEAA, acting as "interim coordinating officer," in the wake of the resignation of former CEO William Hurry, Jr. Kelley stated he needs access to RIHEAA's data to form a "five year" plan for the closely related agencies, which share many of the same board members, including the chairman and treasurer.

Kelley is supported by Santoro and the RIHEAA board, which on May 13 authorized him "to utilize such employees as he deems necessary from RISLA to assist him in carrying out his duties and to authorize such employees to have access to RIHEAA data." However, in a letter to the state's attorney general, Kerwin argues providing the data would be inappropriate because it "would be extremely valuable to a private student loan provider seeking to target students going to college and their families."

In addition to Kerwin, a few state officials have expressed concern with the relationship between RISLA and RIHEAA. In July, Education Commissioner Deborah A. Gist and Higher Education Commissioner Ray Di Pasquale wrote Santoro what they described as an "unusual" letter on the importance of the outreach activities of RIHEAA. The letter pointed to the number of Rhode Islanders who make use of the agency's college planning website and warned certain activities could jeopardize the availability of federal funds.

Kerwin's complaints, filed on July 22 and August 3, point to \$15 million in operating reserves and a recent state audit stating RIHEAA was viable as reasons to keep the guarantor out of the loan servicing operations of RISLA. He also suggested that the agency's website could serve as a revenue generator.

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