# *The* Torch

**July 20, 2012**

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

## COHEAO News

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- **COHEAO Submits Comments on Publication of Consumer Complaints**
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## The Congress

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- **House and Senate Hearings Examine College Costs from Non-Federal Perspective, Find Possible Areas of Agreement Among Political Parties**
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## The White House, The Administration & The Campaign

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- **CFPB Launches "Student Loan Debt Collection Assistant"**
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  The Department of Education has launched a redesigned, "mobile optimized" StudentAid.gov website. Here is the description from the Department's "Homeroom" blog:
- **Duncan Focuses on College Affordability in NGA Speech**
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- **ED Provides Additional Guidance on Veteran Education Exec Order**
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- **NY Fed Offers Age Group Data on Student Loans and Delinquencies**
  The Federal Reserve Bank of New York released new student loan data that presents a breakdown of various categories by age group and dates back quarterly to 2005.
- **NCES Report Offers New Data on Tuition, Enrollment, and Degrees Conferred**
  The National Center for Education Statistics (NCES) released new data on tuition, enrollment, and degrees conferred last week.

## Industry News

- **IHEP Report Attempts to Define "Affordable" in Terms of Higher Ed**
  The Institute for Higher Education Policy (IHEP) released a new brief, authored by higher education finance writers Sandy Baum and Saul Schwartz, discussing a variety of ways to approach the concept of college affordability.

## Attachments

- **COHEAO Commercial Members**
- **Board of Directors**
- **2012 COHEAO Mid-Year Conference Agenda**
- **COHEAO Comments to the CFPB on the Public Complaint Database**

## COHEAO News

### COHEAO Mid-Year Conference Offers Opportunity to Discuss Private Loan Report & Other Issues with the CFPB

The COHEAO Mid-Year Conference is just around the corner, but there is still time to register. Set for July 29-31 at the Ritz-Carlton Cleveland, this is the premiere summertime event for everyone in campus-based loan administration and student financial services. Register today!

**Rohit Chopra, Student Loan Ombudsman at the CFPB,** will provide our luncheon address and give an update on the activities of the Bureau. As noted in today's edition, the CFPB just released a study on private education loans, including institutional loans, and Chopra's address will provide you with an opportunity to learn more directly from Bureau officials. Chopra has graciously indicated he will review questions from COHEAO members in preparing his remarks. If you have any questions you would like us to submit in advance of the conference, please send them to whuffman@wpllc.net by COB Monday, July 23.

Two special agents from the Education Department's Office of Inspector General will present Tuesday morning on fraud prevention and the other issues they are dealing with. This will be a unique opportunity to meet with people from the IG's office in a neutral setting.

Gail McLarnon of the US Department of Education will discuss the recently approved Perkins Loan regulations, plans for additional negotiated rulemaking on fraud, debit cards, and streamlining regulations in the campus-based aid program. In addition to these updates from Washington (along with insights from COHEAO Executive Director Harrison Wadsworth), the 2012 COHEAO Mid-Year will also offer presentations and discussions that affect your day to day operations. Topics to be addressed at the conference are included below:

- Fraud issues in financial aid (with representatives from the Office of Inspector General)
- The Consumer Financial Protection Bureau's impact on institutions of higher education
- Developing financial literacy programs on campus
- An update on Meteor from the National Student Clearinghouse
- Managing third party relationships, particularly in default aversion and debt recovery
- And many more

The full agenda is attached with today's edition. It is also available online:
http://www.coheao.com/wp-content/uploads/2012/07/2012-Mid-Year-Agenda-as-of-July-17.pdf

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|---|---|
| **What:** | **2012 COHEAO Mid-Year Conference** |
| **When:** | **July 29-31,2012** |
| **Where:** | **Ritz-Carlton Cleveland** |
| **Registration/Info:** | **http://www.coheao.com/conference-events/upcoming-events/2012-annual-conference-2/** |

### COHEAO Submits Comments on Publication of Consumer Complaints

The CFPB recently launched a public database of consumer complaints related to credit cards and announced plans to expand this database to all consumer products. The Bureau sought input on the proposed expansion and COHEAO responded.

In our comments, we commended the Bureau for seeking to bring further transparency to consumer markets, but also noted our concerns with the validity of complaints, the processes for schools and companies to respond to the Bureau, and questioned whether the publication of a very limited number of complaints against any individual institution or company would do more harm than good. A copy of our letter is attached with today's edition.

## The Congress

### House Subcommittee Marks up its FY 2013 LHHS Appropriations Bill, But CR Remains Most Likely Path

On Wednesday the House Labor, Health and Human Services and Education (LHHS) Appropriations Subcommittee marked up and approved its FY2013 funding bill. Doubts about whether or not the Subcommittee would actually meet to complete its work on their funding bill have been circling for weeks, and frankly many advocates in Washington didn't believe it would actually happen until the bill text was formally released the day before the markup.

Overall the bill provides roughly $150 billion in discretionary funding, which is $6.3 billion below FY2012 and some $8.8 billion below the Administration's request. For education programs, which received a total of $70 billion, this means a cut of roughly $1.2 billion and $2.9 billion below the President's request.

Under the bill, the maximum Pell Grant would increase by $85, to $5,635, starting in the 2013-14 academic year, a proposal that reflects a shift among some House Republicans, who had previously sought to reduce the Pell program. Unfortunately, in terms of Perkins Loans, all other student aid is understood to be level-funded, meaning the bill may continue the practice of providing zero funding for Perkins cancellations in the wake of the President's proposal and SAFRA. However, the full Committee has yet to review the bill – that "markup" was expected next week but may be delayed – there will be opportunities for an amendment to provide Perkins funding.

It is becoming a near certainty that a continuing resolution (which keeps the government funded at its current levels to avoid shutdowns) will be in order at least until after the November 6 elections. Particularly when factoring in the intense focus the presidential campaign will place on student debt and college costs, opportunities remain for COHEAO members to educate their representatives on the importance of this program and the impact it can have on the lives (and finances) of students and families.

The legislation also includes provisions blocking ED from enforcing the controversial "gainful employment" and other "program integrity" regulations. As previously reported, courts have already struck down some provisions in the rules while upholding others. Amendments in Subcommittee by Democrats to remove the blocking provisions were all defeated on near-party line votes.

Chairman Rehberg chose to eliminate all funding for programs authorized by the *Affordable Care Act*, in light of House action to repeal the legislation last week. In fact he eliminated funding for all but a handful of Administration priorities. It made for good political theater and also signaled the difficulty appropriators will face trying to compromise with the bill that the Senate Appropriations Committee adopted a few weeks ago. That opportunity will not occur until after the November elections.

Though it is impossible to predict what the final government-wide budget will look like for 2013, a modest bit of good news is that it seems no one—or at least very few Members of Congress—has the stomach for a budget fight prior to November. They sense public fatigue with threatened shutdowns and have decided to hold their fire for a while. It appears there is agreement to adopt a continuing resolution, necessary to keep agencies operating after September 30th, at current levels or at the level agreed to in last year's debt ceiling deal, not with the $20 billion in cuts that the House has been clamoring for.

Additional details about specific programmatic funding levels will not be known until the full House Appropriations Committee meets—perhaps as early as next Wednesday. At that time the bill and report will be made public. To read the opening statements of Subcommittee Chairman Rehberg and Ranking Member DeLauro go to:
http://appropriations.house.gov/news/documentsingle.aspx?DocumentID=303464 and
http://democrats.appropriations.house.gov/index.php?option=com_content&view=article&id=1030:delauro-statement-at-subcommittee-markup-of-the-labor-hhs-education-appropriations-bill-fy2013&catid=82:reports.

## House and Senate Hearings Examine College Costs from Non-Federal Perspective, Find Possible Areas of Agreement Among Political Parties

The House and Senate each convened hearings on college costs this week. In the House, the Higher Education and Workforce Training Subcommittee convened a hearing on state efforts, while in the Senate, the full HELP Committee convened a hearing with experts and college presidents from individual institutions. Both hearings showed areas of agreement among the two parties, which was somewhat of a surprise considering the attention given to college costs in an election year.

On Thursday, the Senate Health, Education, Labor and Pensions (HELP) Committee held a hearing, "Making College Affordability a Priority: Promising Practices." It was well attended as far as Congressional hearings go, with Chairman Tom Harkin (D-IA) and Ranking Member Michael Enzi (R-WY) and Senators Jeff Bingaman (D-NM); Al Franken (D-MN); Jeff Merkley (D-OR); Kay Hagan (D-NC); Lamar Alexander (R-TN); Richard Burr (R-TN); Johnny Isakson (R-GA); and Lisa Murkowski (R-AK) all in attendance.

House Subcommittee on Higher Education and Workforce Training convened a hearing on the topic "Keeping College Within Reach: Exploring State Efforts to Curb Costs," which was also well attended. An overarching theme throughout both hearings was that there are some areas in higher education, particularly when funding is taken out of the equation, where conservative and progressive policymakers may be able to work toward finding a solution.

For example, in the House hearing, Chairwoman Virginia Foxx (R-NC) and Ranking Member Ruben Hinojosa (D-TX), about as far apart as two politicians can be on the political spectrum, had very similar closing statements. To paraphrase, both indicated these issues are not necessarily about federal funding, but instead on how to get the best results from that funding, and that is an area where both parties should be able to find agreement.

Of course, not every moment of the hearing could be about compromise and finding common ground. In her opening remarks, Foxx reiterated her concerns with over-regulation, stating, "We must not forget heavy-handed federal regulations often yield results contradictory to their aim, weighing down states with another layer of burdensome red tape. Instead of leveraging new mandates on states and institutions, we should encourage innovation by continuing to highlight the successful efforts being made at the state and local level."

Additional information on the HELP hearing, including an archived webcast, is available online: http://www.help.senate.gov/hearings/hearing/?id=771d2600-5056-9502-5dd7-a8bf4f40f911
Additional information on the House Subcommittee hearing is available online: http://edworkforce.house.gov/News/DocumentSingle.aspx?DocumentID=303472

## The White House, The Administration & The Campaign

### CFPB/ED Report on Private Student Loans Released

After months of anticipation within the student lending and higher education communities, the Consumer Financial Protection Bureau and the Department of Education released their report on the private student loan market. According to the CFPB's estimates, outstanding student loan debt in the United States topped $1 trillion in 2011 — $864 billion of federal student debt and approximately $150 billion of private student loan debt.

In the Dodd-Frank Wall Street and Consumer Protection Act, Congress mandated that the CFPB and the Department of Education conduct a detailed study to determine where there might be consumer protection gaps in the private student loan market. For this report, the CFPB received loan data from nine for-profit lenders on over 5 million loans made between 2005 and 2011, as well as data on a small number of loans from five nonprofit lenders.

According to the report, the market grew from less than $5 billion in 2001 to over $20 billion in 2008, and then rapidly contracted to less than $6 billion in 2011. After the financial crisis, underwriting standards tightened as investors pulled out of the market. Since 2008, lending standards in the private student loan market have tightened.

COHEAO and other organizations offered comments for the report identifying the challenges presented by the current TILA private loan regulations for institutional loan programs. We also noted that loans from the Department of Health and Human Services are incorrectly identified as "non-federal" loans. The CFPB and the Department of Education agreed with this assertion and is recommending that Congress change the law to treat the Title VII loan programs as federal loans.

The Department of Education went a step further, suggesting that "eligible not-for-profit holders" should be able to make loans which would also not be defined as "private education loans," provided the products meet certain conditions. Under the Department's recommendation, eligible not-for-profit holders would be able to circumvent current private loan requirements if the product met the following conditions: a ban on price discrimination based on a borrower's credit worthiness; a requirement that repayment safety nets such as deferment, forbearance, and income-based repayment are included in the terms and conditions of the loan; and, a mandate that loan forgiveness be provided for public service such as teaching, nursing, and social work.

Below are the recommendations put forth by the Bureau and the Department of Education. In calls with the media and public, officials at the CFPB repeatedly indicated these were two separate sets of recommendations. Both sets of headline descriptions for the recommendations are below (the full descriptions are available on pp. 86-92 of the report):

CFPB Recommendations:

- Requiring school certification of private student loans could reduce over-borrowing and lead to better product choices.
- Determine whether changes are need to the treatment of private student loans in bankruptcy proceedings.
- Consider modernizing and clarifying the definition of a private student loan under the Truth-in-Lending Act
- Provide mechanisms for borrowers to understand a complete picture of their student loans.
- Determine whether additional data is needed to enhance consumer decision-making and lender underwriting.

Department of Education Recommendations

- We recommend that Congress require institutions of higher education to work proactively to protect and inform student loan borrowers
- We recommend that Congress work with the CFPB and the Department of Education to determine how to afford greater flexibility and/or relief to private student loan borrowers who are experiencing financial distress, including potential changes to the treatment of student loans in bankruptcy proceedings.
- We recommend that Congress amend the definition of private education loans to exclude other federal education loans.
- We recommend that the Department of Education and the CFPB work with Congress to identify the necessary resources to provide a comprehensive picture of student borrowing that is inclusive of both federal and private student loans. The ability for a borrower to access this information in a centralized way would help facilitate better debt management and improved financial decision making.

The report also addressed institutional loan programs, separating programs at not-for-profit from for-profit colleges in its discussion. Below is an excerpt from the report on institutional loan programs:

***LITTLE IS KNOWN ABOUT INSTITUTION-FUNDED LENDING AT NONPROFIT SCHOOLS.***
*There is very little verifiable quantitative data about PSLs made directly by schools.*
*According to the College Board, total institutional loan volume is estimated to be approximately $720 million in the 2010-2011 academic year, as compared to $500 million in the 2007-2008 academic year.*

*Public Comments paint a consistent picture of institutional lending. Many schools offer payment plans to spread out costs over 12 months. Many institutional loan programs are designed to emulate the Perkins Loan program, which are federally financed loans offered through and originated by schools.*

*Perkins loans have a low fixed rate and an interest subsidy during enrollment. Institutional loans are usually loans of last resort, offered when the student has exhausted all other sources. As such, institutional loans are not based on ability to repay – a creditworthy student would be sent to a bank. The Agencies were not able to verify these assertions, but note that the approximately 2,000 consumer Public Comments do not contain significant evidence that would give rise to a concern about institutional lending by non-profit private or public colleges and universities.*

***PSL LENDING AT FOR-PROFIT SCHOOLS HAS MOVED FROM BANK FUNDING TO SCHOOL FUNDING, AND SHOWS EVIDENCE OF RISK ASSOCIATED WITH THAT SHIFT.***

*Proprietary, or for-profit, college institutional loans deserve separate discussion. As shown in Table 6, in Part Two, students at for-profit schools add PSLs to their debt mix at roughly twice the rate of students in comparable non-profit programs. For example, in 2007-2008 46% of students at for-profit 4-year schools borrowed a PSL, compared to 25% of students at private non-profit 4-year schools. However, private student loan availability for proprietary school programs was significantly reduced (on a percentage basis) during and after the financial crisis of 2008, more significantly than other school types.*

*Many lenders pulled back from the proprietary sector due to the perceived risk of making loans to students in these schools/programs. Indeed, empirical evidence from some lenders points to students at proprietary colleges having lower completion and graduation rates, as well as increased rates of default on private student loans (and federal student loans, too). When bank-funded private student loans became unavailable to students at for-profit schools, some proprietary programs began lending directly to their students in response. According to SEC filings for select publicly traded for-profit education providers, some of these schools have turned to third party administered private student loan programs In some of these third party arrangements, the school provides credit enhancement to one or more lenders. In one instance, a school provides credit enhancement to a trust that purchases loans specifically for only this school. The school buys the subordinated bonds issued by the trust and, in addition, explicitly guarantees the principal obligations of the senior bonds of the trust. Public filings by these for-profit schools suggest they anticipate losses resulting from default rates on these quasi-institutional loans that are significantly higher than those experienced in bank or non-profit PSL programs. For example, Corinthian Colleges Inc. reported on its fourth quarter 2009 earnings call that it would have to discount its institutional loans by 55 percent.*

In calls with the media and stakeholders, CFPB officials have described the report as the "most exhaustive" review of the private student loan market to date.

The full text of the study is available at:
http://files.consumerfinance.gov/f/201207_cfpb_Reports_Private-Student-Loans.pdf
A fact sheet about the study is available at: http://files.consumerfinance.gov/f/201207_cfpb_Final-Students-Fact-Sheet.pdf

## CFPB Launches "Student Loan Debt Collection Assistant"

Somewhat lost in the publicity over the private student loan report, at least in terms of media attention, was the CFPB's launch of a new online tool, the "Student Loan Debt Collection Assistant." The tool was launched in conjunction with the report, but was only mentioned at the very end of its accompanying press release.

According to the CFPB, "the Student Loan Debt Collection Assistant is designed to help these borrowers understand their options, communicate effectively with their servicer or debt collector, and bring their loan out of default. Because student loans are not generally dischargeable in bankruptcy, and because federal student loans have specific consumer protections guaranteed by law, it is very important for borrowers to understand their rights and responsibilities."

Here is the link for borrower "rights and responsibilities" related to the collection of a defaulted private student loan, which includes hotlinks for contacting your state attorney general, FTC information on

debt collection laws and regulations, and filing a complaint the CFPB:
http://www.consumerfinance.gov/students/defaultoptions/#ques3C_non_federal_yes

The starting page for the Student Loan Debt Collection Assistant is available online:
http://www.consumerfinance.gov/students/defaultoptions/#ques1

## CFPB Defines Credit Reporting "Larger Participants," Similar Debt Collection Rules Coming This Fall

The CFPB issued rules for defining "larger participants" in the consumer credit reporting markets this week. The initial call for comments on credit reporting also included a request for information on defining larger participants in the debt collection markets, but the CFPB has indicated final rules on "larger participants" in the debt collection conference are expected this fall.

The new rule states that the CFPB will supervise consumer reporting agencies that have more than $7 million in annual receipts. The CFPB's supervisory authority extends to an estimated 30 companies that account for about 94 percent of the market's annual receipts. Altogether, the three largest credit reporting companies issue more than 3 billion consumer reports a year and maintain files on more than 200 million Americans. Here is how the CFPB describes the credit reporting market:

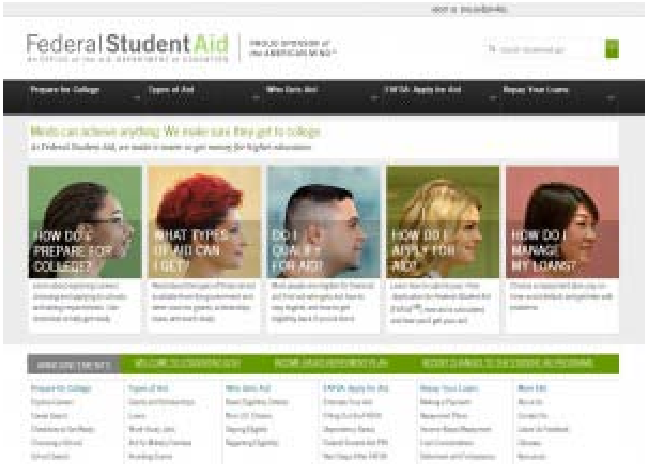
*Consumer reporting agencies are private businesses that track a consumer's credit history and other consumer transactions. Such companies play a key role in the consumer financial services marketplace and in the financial lives of consumers. For example, the reports that the three largest credit reporting companies sell are used in determining everything from consumer eligibility for credit to the rates consumers pay for credit.*

*Although a small number of large businesses dominate the credit reporting market, there are about 400 consumer reporting agencies in the U.S. The market includes: the largest credit reporting companies that sell comprehensive consumer reports; consumer report resellers that buy consumer information from the largest agencies then typically provide further input to the report by, for example, merging files from multiple agencies, to resell them; specialty consumer reporting companies that primarily collect and provide specific types of information like on payday loans or checking accounts; and companies that analyze consumer report data.*

## ED Launches Redesigned Studentaid.gov Website, FACT Financial Planning Tool

The Department of Education has launched a redesigned, "mobile optimized" StudentAid.gov website. Here is the description from the Department's "Homeroom" blog:

*StudentAid.gov is a new website that provides straightforward and easy-to-understand information about planning and paying for college. The site combines content and interactive tools from several ED websites.*




*StudentAid.gov offers more than just information in an easy-to-read format; it also features videos and infographics to help answer the most frequently asked questions about financial aid.*

*As a mobile-optimized website, StudentAid.gov is fully accessible on tablets and smartphones. StudentAid.gov's new look was tested with students, parents and borrowers, and we will continue to make improvements and updates based on your feedback.*

***Some New Features***

- ***Income-Based Repayment Calculator:*** *If your student loan debt is high but your income is modest, you may qualify for the Income-Based Repayment Plan (IBR). To find out whether you might be eligible to repay your loan under IBR, use our new IBR calculator.*
- ***Videos:*** *We've developed videos to help make the financial aid process easier to understand. We'll continue to roll out new videos and update our playlists on the Federal Student Aid YouTube channel.*
- ***Infographics:*** *Our infographics will help you understand what steps you need to take to get money for college or career school.*
- ***Social Media:*** *In addition to StudentAid.gov, Federal Student Aid has also launched Twitter, Facebook and YouTube to offer you alternative options to learn about the student aid process.*

The studentaid.gov launch comes a week after the launch of a new online tool designed to help students with financial management basics including information about current loan debt and estimates for student loan debt levels after graduation. The new tool—the Financial Awareness Counseling Tool—has five interactive tutorials that are tailored for each student after they sign in and access their individual loan history. The five tutorials are:

A. Understand Your Loans
B. Manage Your Spending
C. Plan to Repay
D. Avoid Default
E. Make Finances a Priority

Additional information on the redesign of studentaid.gov is available online:
http://www.ed.gov/blog/2012/07/ed-launches-new-mobile-optimized-site-studentaid-gov/

Additional information on the FACT tool is available online: **http://www.ed.gov/blog/2012/07/new-tool-helps-students-manage-loan-debt/**

## Duncan Focuses on College Affordability in NGA Speech

Secretary of Education Arne Duncan spent most of his speech before the National Governors Association (NGA) discussing college affordability. In his remarks, Duncan indicated the federal government had handled more than its fair share of the burden in keeping college affordable and asserted states and institutions must do more.

"We've made some progress, but the combination of deep state budget cuts and rising tuition prices is pushing an affordable college education out of reach for middle class families," said Duncan. "As the President has said, the countries that out-educate today will out-compete us tomorrow. The federal government has done a tremendous amount to increase the amount of aid available to students. But we need states and institutions to meet us halfway by doing more to keep college costs down."

In conjunction with Duncan's speech, the Department released state by state data on college completion from 2009-2010 to 2010-2011. A table of the state by data is available online along with the press release on Duncan's speech: **http://www.ed.gov/news/press-releases/new-state-state-college-attainment-numbers-show-progress-toward-2020-goal**

## ED Provides Additional Guidance on Veteran Education Exec Order

Last week, the Department of Education sent a letter to colleges and universities regarding the "Principles of Excellence" executive order on veteran education.

The enclosure with the letter provided additional guidance on how postsecondary institutions may comply with Section 2, paragraphs (a) through (h) of Executive Order 13607 covering the following areas: (a) standardized cost form, (b) Federal aid information, (c) aggressive and fraudulent recruiting, state authorization, misrepresentation, and incentive compensation, (d) accreditation, (e) readmission, (f) refund, (g) individual education plans, and (h) academic and financial counseling point(s) of contact.

A Dear Colleague letter from the Department states, "The guidance is provided in a question and answer format to best address issues raised by service members, veterans and their families, and institutions participating in the Federal military and educational benefit programs."

The full letter, including the guidance, is available online:
**http://www.ifap.ed.gov/dpcletters/attachments/GEN1210PEO13607.pdf**

## NY Fed Offers Age Group Data on Student Loans and Delinquencies

The Federal Reserve Bank of New York released new student loan data that presents a breakdown of various categories by age group and dates back quarterly to 2005.
Through interactive graphics, information is provided about student loans, by age group, in categories like:

- Number of borrowers
- Total balances
- Average balance
- Proportion 90+ days delinquent

There are 14 million student loan borrowers under the age of 30, 10.6 million ages 30-39, 5.7 million ages 40-49, 4.6 million ages 50-59, and 2.2 million borrowers over the age of the 60. As of the first quarter of this year, 30-39 year old borrowers have $307 billion in student loans outstanding, followed by those under 30 at $292 billion, $154 billion for 40-49 year olds, $106 billion for the 50-59 age group and $43 billion outstanding for those over 60.

In terms of delinquency rates, the borrowers aged 40-49 are having the most difficulty with repayment as that age group's rate was the highest at 11.2 percent. Those under 30 had a delinquency rate of 6.2 percent, compared to 90-day delinquency rates between 9.1-9.5 percent for borrowers in their 30's, 50's , and 60's.

The increasing age, volume, and delinquency data caught the attention of the media. Most stories recognized the general perception of student loan borrowers are young alumni, but the data shows that Americans of all ages are dealing with student debt.

Additional information is available online: http://www.newyorkfed.org/studentloandebt/

## NCES Report Offers New Data on Tuition, Enrollment, and Degrees Conferred

The National Center for Education Statistics (NCES) released new data on tuition, enrollment, and degrees conferred last week. Here are the select findings which refer to tables in the full report providing more detailed information on the subject:

- *In 2011-12, of the 7,398 Title IV institutions in the United States and other U.S. jurisdictions, 3,053 were classified as 4-year institutions, 2,332 were 2-year institutions, and the remaining 2,013 were less-than-2-year institutions (table 1).*

- *Average tuition and required fees for full-time, first-time degree/certificate-seeking undergraduates at 4-year institutions generally increased from 2009-10 to 2011-12 (table 2). After adjusting for inflation, public institutions reported a 9 percent increase (to about $7,200) for in-state students and a 6 percent increase (to approximately $16,500) for out-of-state students, and nonprofit institutions reported a 4 percent increase (to about $23,300). For-profit institutions reported average tuition and required fees of approximately $15,200 for 2011-12, which corresponds to no change when compared to the inflation-adjusted figure from 2009-10.*

- *Institutions reported a 12-month unduplicated headcount enrollment totaling about 29.5 million individual students (table 3). Of these, roughly 25.6 million were undergraduates and approximately 3.9 million were graduate students.*

- *Of the roughly 3.6 million degrees institutions reported conferring, about 2.9 million were awarded by 4-year institutions and approximately 650,000 were awarded by 2-year institutions (table 4).*

The full report is available online: **http://nces.ed.gov/pubs2012/2012289.pdf**

# Industry News

## IHEP Report Attempts to Define "Affordable" in Terms of Higher Ed

The Institute for Higher Education Policy (IHEP) released a new brief, authored by higher education finance writers Sandy Baum and Saul Schwartz, discussing a variety of ways to approach the concept of college affordability.

The report, *Is College Affordable? In Search of a Meaningful Definition* attempts to examine healthcare and housing as a means of providing context. A press release from IHEP on the report states, "People have more difficulty thinking of college as an investment that generates long-term benefits and can reasonably be paid for with installments over time than they do thinking of affordability of housing and health care in terms of monthly payments."

IHEP states, "Looking beyond the rising published prices and thinking past paying those prices out of current incomes is a constructive way policymakers can begin to address the problem of easing the burden of financing postsecondary education." Policy recommendations that emerge from the brief include:

- The pricing and financial aid systems should be simplified and made more transparent and predictable. Clear and comprehensive information should be easily accessible to students and families.
- Students and families need greater understanding of the monetary and non-monetary benefits of postsecondary education.
- Student loan programs should carry adequate protections for borrowers.
- Both grant aid and subsidies provided through the tax code should be better targeted on disadvantaged students.

Despite the effort to provide context from IHEP, many commenters on media stories on the report panned the comparison to healthcare and housing, arguing it does not change the fact that the cost of college has risen dramatically over the past decade.

The full report is available online: **http://www.ihep.org/assets/files/publications/g-l/(Issue_Brief)_Is_College_Affordable_July_2012.pdf**

The brief complements a longer paper that was originally commissioned by the Canada Millennium Scholarship Foundation. To read the full paper, see **http://gsehd.gwu.edu/research/workingpaperseries**

## COHEAO Would Like To Thank Its Commercial Members For Supporting More Education for More People

Account Control Technology, Inc.

ACS Inc.

AMO Recoveries, Inc

Bass & Associates

Bonded Collection Corporation, Inc.

Campus Partners

Client Services, Inc.

Coast Professional

ConServe

Credit Adjustments, Inc.

Credit Control, LLC

Credit World Services, Inc.

Delta Management Associates

Educational Computer Systems, Inc.

Security Credit Systems, Inc.

Enterprise Recovery Systems, Inc.

Financial Asset Management Systems, Inc.

General Revenue Corporation

Immediate Credit Recovery, Inc.

JC Christensen and Associates

National Credit Management

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# 2012 COHEAO Board of Directors


*President:*
Robert Perrin
*President*
Williams & Fudge, Inc.
775 Addison Avenue, Suite 201
Rock Hill, SC 29731
803-329-9791 x 2104
Fax: 803-329-0797
bperrin@wfcorp.com

*Past President:*
Alisa Abadinsky
Director of Receivables, Loans, and Collections
University of Illinois at Chicago
809 S. Marshfield Ave. M/C 557
Chicago, IL 60612
312-413-1971
Fax: 312-413-1992
aabadins@uillinois.edu

*Secretary*
Edgar DelosAngeles
Manager, UCI Loan Services
University of California—Irvine
Administration Bldg. Room 101
Irvine, CA 92697-3010
949-824-4689
Fax 949-824-4688
edelosan@uci.edu

*Legislative Chair, Institutional*
Jackie Ito-Woo
Associate Director, Financial Aid Administration
University of California Office of the President
Student Financial Support
1111 Franklin St., 9th Floor
Oakland, CA 94607-5200
510-987-9544
Fax: 510-987-9546
jackie.ito-woo@ucop.edu

*Commercial Member Chair*
Karen Reddick
Vice President Business Development
National Credit Management
10845 Olive Blvd
St. Louis, MO 63141
800-627-2300
kreddick@ncmstl.com

*Vice President*
Maria Livolsi
Director, Student Loan Service Center
State University of New York
5 University Place, A310
Rensselaer, NY 12144
518-525-2628
MLivolsi@uamail.albany.edu

*Treasurer:*
Bob Frick
President
University Accounting Service
200 S. Executive Drive, 3rd Fl
Brookfield, WI 53005
800-340-1526
Fax: 262-784-9014
bob.frick@ncogroup.com

*Legislative Chair*
Lori Hartung
Vice President
Todd, Bremer & Lawson
560 Herlong Avenue
Post Office Box 36788
Rock Hill, South Carolina 29732-0512
800-849-6669
Fax: 803-323-5211
lori.hartung@tbandl.com

*Legislative Co-Chair, Regulatory*
Pamela Devitt
Legislative Analyst, University Student Financial Services and Cashier Operations
University of Illinois at Springfield
312-996-5885
Fax: 312-413-3453
devitt@uillinois.edu

*Financial Literacy Chair*
Carl Perry
Senior Vice President
Progressive Financial Services
516 N Production Street (Suite 100)
Aberdeen, SD 57401
800-585-4978
Fax: 800-585-4981
cperry@progressivefinancial.com

*Internal Operations*
Tom Schmidt
Associate Director of Student Financial
Collections & Third Party Billing
University of Minnesota
211 Science Teaching & Student Services
222 Pleasant St. SE
Minneapolis, MN 55455612-625-1082
Fax: 612-624-2873
t-schm@umn.edu

*Communications Chair*
Micheal Kahler
Regional Vice President, Sales
Windham Professionals
60 Normandy Drive
Lake St. Louis, MO 63367
800-969-0059, ext. 2909
Fax: 636-625-0231
mkahler@windhampros.com

*Perkins Task Force Chair*
Nancy D. Paris
Vice President, Financial Services Group
ACS, A Xerox Company
900 Commerce Dr Ste 320
Oak Brook IL 60523
630.203.2769
FAX: 630.203.2796
nancy.paris@acs-inc.com

*Membership Co-Chair, Institutional*
Jeane Olson
Bursar
Northern Arizona University
Gammage Building
Flagstaff, AZ 86011
928-523-3122
Jeane.olson@nau.edu

*Membership Co-Chair, Commercial*
Rick Wiening
Director of Business Development
Regional Adjustment Bureau
7000 Goodlett Farms Parkway
Memphis, TN 38016
219-937-9760
rwiening@rabinc.com

*Membership Development*
Michael Mietelski
Regional Director of Business Development
ConServe
200 CrossKeys Office Park
P.O. Box 7
Fairport, NY 14450-0007
800-724-7500 x4450
mmietelski@conserve-arm.com

*Member at Large*
Laurie Beets
Bursar/Director of Student Loans & Debt Mgmt
Oklahoma State University
113 Student Union
Stillwater, OK 74078
405-744-7776
Fax: 405-744-8098
laurie.beets@okstate.edu

*Member at Large*
David Stocker
General Counsel
Account Control Technology, Inc.
6918 Owensmouth Avenue,
Canoga Park, CA 91303
(800) 394-4228
Fax: (818) 936-0389
DStocker@accountcontrol.com

*Member at Large*
Lee Anne Wigdahl
Manager, Loan Administration
DeVry Inc.
814 Commerce Drive
Oak Brook, IL 60523
(630) 645-1178
Fax: 630 891-6292
LWigdahl@devry.edu

*Executive Director*
Harrison Wadsworth
Principal
Washington Partners, LLC
1101 Vermont Ave. N.W. Suite 400
Washington, DC 20005-3521
202-289-3903
Fax 202-371-0197
hwadsworth@wpllc.net

# COHEAO Mid-Year Conference Agenda 2012

***All Meetings and Sessions Are Located at the Ritz-Carlton, Cleveland, OH***

## Sunday, July 29, 2012

8:30am-3:00pm — Board of Directors Meeting

3:30pm-5:00pm — Commercial Members Meeting
*COHEAO Commercial Members will be meeting on Sunday afternoon. Commercial members attending the conference are encouraged to attend this meeting to kick off the conference.*

Discussion Leader: Karen Reddick, National Credit Management, COHEAO Commercial Committee Chair

5:00pm–6:00pm — STARS Meeting
*The Student Tuition Accounts Receivable Sources (STARS) group will meet on Sunday afternoon. All attendees are encouraged to attend this meeting and consider joining the Task Force.*

Discussion Leader: Laurie Beets, Oklahoma State University, STARS Chair

## Monday, July 30, 2012

7:30am-9:00am — Registration & Breakfast

8:00am-9:00am — Breakfast: Perkins Task Force Meeting
*Over breakfast, the Perkins Task Force will meet to discuss advocacy strategies and operational issues in the Perkins Loan Program. All attendees are encouraged to attend this meeting and consider joining the Task Force.*

Discussion Leader: Nancy Paris, ACS, Inc., Perkins Task Force Chair
Tom Babel, DeVry Inc., Vice President Regulatory Affairs

9:00am-9:15am — The President's Welcome & Opening Remarks

Speaker: Bob Perrin, COHEAO President

9:15am-10:15am — Session: Washington Update
*Student loans and consumer finance in higher education are now central election year issues and may prove to be an exception to this old adage. COHEAO Executive Director Harrison Wadsworth will explain what will happen in 2012, both before and after the elections, and will also speak to what the results of November could mean for HEA reauthorization.*

Speaker: Harrison Wadsworth, COHEAO Executive Director

***Agenda as of July 17, 2012***

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| 10:15am-11:15am | Session: Single Sign-on for Student Loan Servicing and Repayment Data<br>*Schools and students alike are presented the challenge of managing multiple user-id's and passwords in order to manage their debt and successfully repay their student loans. This session will describe how many schools have addressed this problem by providing access to industry sponsored tools and services directly from their campus website using the user id and passwords administered by the campus. Come and learn how you can gain access to detailed financial aid award information, tracking tools to locate the loan servicer responsible for the collection of the debt, as well as other services such as transcript ordering and enrollment verification forms. This session will also describe other technical solutions that are currently available and being developed by members of the higher education community to expand the scope of services available by employing a federated model for authentication.*<br><br>Speaker: Tim Cameron, National Student Clearinghouse<br>Joseph Pruden, NorthStar Education Services |
| 11:00am-11:15am | Break |
| 11:30am-12:45pm | Session: Financial Literacy on Campus<br>*This session will review the development of a financial literacy programs on campus. It will also review best practices in campus financial literacy from a servicer perspective.*<br><br>Speaker: Kris Alban, iGrad<br>Chris Stompanato, ECSI |
| 12:45pm-2:15pm | Lunch and Luncheon Address: Rohit Chopra, Student Loan Ombudsman, Consumer Financial Protection Bureau |
| 2:15pm-3:15pm | Session: Default Management<br>*As colleges and universities seek to continue to improve default management practices for their Direct, Perkins, and institutional loan programs, many are turning to outside organizations to help with these processes. This session will review the key principles of a sound partnership between schools and outside entities in managing defaults and assisting students with loan repayment.*<br><br>Speaker: Joseph Pruden, NorthStar Education Services |
| 3:15pm-3:30pm | Break |

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| 3:30pm-4:30pm | Session: CFPB are you in compliance with the oversight<br>*In guidance earlier this year, the Consumer Financial Protection Bureau indicated, in some cases, it will hold banks and companies under its supervision accountable for the consumer financial protection violations of their service providers. This session will review relevant information from the Bureau on this topic as well as providing the critical elements of effective vendor management programs.*<br><br>Speakers: David Stocker, Account Control Technology, Inc.<br>Tom Babel, DeVry, Inc. |
| 6:00pm-7:00pm | Reception |

**<u>Tuesday, July 31, 2012</u>**

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| 8:00am-9:00am | Financial Literacy Meeting<br>*The COHEAO Financial Literacy Task Force will meet over breakfast on Tuesday to discuss financial literacy in student financial services. All attendees are encouraged to attend this meeting a consider joining the Task Force.*<br><br>Discussion Leader: Carl Perry, Progressive Financial Services, COHEAO Financial Literacy Task Force Chair |
| 9:00am-10:30am | Session: Department of Education Update<br>*The Department of Education recently completed negotiated rulemaking to implement changes to the student loan programs, including Perkins Loans. Gail McLarnon will review these changes and other initiatives at the Department on student loans.*<br><br>Speaker: Gail McLarnon, US Department of Education |
| 10:30am-11:00am | Break |
| 11:00am-Noon | Session: Fraud in Financial Aid<br>*With billions of dollars flowing from the government in Federal Student Aid each year, attempts at fraud are inevitable. A representative from the Department of Education's Office of Inspector General will provide an update on what the Department is doing to combat fraud and how it is asking schools to help.*<br><br>Speaker: Steven Hunt, U.S. Dept of Education, Office of Inspector General<br>Scott Wingle, U.S. Dept of Education, Office of Inspector General |
| Noon | Conference Concludes |

Coalition of Higher Education Assistance Organizations
1101 Vermont Avenue N.W., Suite 400
Washington, D.C. 20005-3586
(202) 289-3910  Fax (202) 371-0197

July 19, 2012

Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW,
Washington, DC 20552

**Re:  Docket No. CFPB-2012-0023**

Dear Ms. Jackson:

The Coalition of Higher Education Assistance Organizations (COHEAO) appreciates the opportunity to provide comments on the "Concurrent Notice" (Docket No. CFPB-2012-0023) to the "Policy Statement" (Docket No. CFPB-2011-0040) relating to the public disclosure of certain credit card complaint data.

Though COHEAO looks forward to the Bureau's efforts to provide consumers with "timely and understandable information to make responsible decisions about financial transactions," our organization remains concerned with unintended consequences as the CFPB moves forward with plans to expand the public complaint database to all consumer financial products under its jurisdiction.  In these comments, we hope to convey some of the proposals, concerns, and questions put forward by our members in response to the planned expansion of the database.

COHEAO members include roughly 200 colleges and universities and their vendor partners for the billing, servicing, and collection of institutional and federal campus-based loan programs as well as other campus receivables.  While all COHEAO members seek to create a culture of compliance and support efforts to make the marketplace more transparent to consumers and policymakers, a public database of only partially verified complaints is always cause for concern.  Although the Policy Statement identifies concerns with controls for duplicate complaints, the introduction of servicing and collections obviously complicates matters.

In addition, the publication of private education loan complaints could present numerous challenges for the public database as the product is very broadly defined in statute.  Under Regulation Z of the Truth in Lending Act, a "private education loan" includes any loan made outside of the Title IV programs of the Higher Education Act.  This broad definition means that any institution of higher education—whether it is for-profit or not-for-profit, public or private, two-year or four-year—which offers other types of loans to its students is considered a "private education lender" under the law.

Though some schools have developed very sizable programs, institutional loan programs are a miniscule piece of the college financing puzzle. They are a very small share of a $7billion private loan market which is eclipsed by more than $100 billion in lending by the federal government under Title IV of the Higher Education Act.  Institutional loan programs are often revolving funds established by donors and largely modeled on the Federal Perkins Loan Program.  They generally feature interest rates at or below 5 percent and other features such as repayment assistance or an interest subsidy while the borrower is in school. Therefore, COHEAO anticipates very few complaints related to these programs will be sent to the CFPB.

However, considering the economic climate, there is a concern the CFPB's complaint intake function may provide an avenue for some former students to submit complaints regarding their education and subsequent circumstances.  The Bureau is facing a very difficult task in separating complaints which are truly related to consumer finance, such as those pertaining to billing, service, and collection or the terms and conditions of the loan, from complaints related to a former student's circumstances upon leaving college.  In order to promote a fair, open, and transparent market, it is incredibly important that the controls identified in the Policy Statement are sufficient to make this distinction.

Below is a summary of our proposals, concerns and questions as the Bureau moves forward with the expansion of the database:

- **Limit complaint publication to entities under the direct supervision of the CFPB and/or develop meaningful thresholds for inclusion in the complaint database.** Following the precedent of limiting the Policy Statement on credit cards to institutions covered by Section 1025, COHEAO believes complaint disclosure should be limited to entities under the CFPB's direct supervision.  If the Bureau should publish complaints against entities beyond its direct supervision, a minimum threshold should be established for inclusion in the complaint database. COHEAO appreciates the Bureau has weighed the harm to individual entities from the disclosure of complaints against the benefits of the development of a robust public database.  But we strongly believe the potential harm for an organization becoming listed in this complaint database due to a small number of complaints is much greater than the public good of including such information.

  Such inappropriate harm to institutions and companies with only a few complaints would be reduced by creation of a threshold for posting complaints.  This will not only protect institutions and legitimate businesses from unfair reputational risk, it will also provide for greater utility of the database both in terms of public use and the administration at the CFPB.  COHEAO respectfully suggests that any entity receiving fewer than 200 CFPB-originated complaints on an annual basis should be exempted from inclusion in the public database.  Short of this broad threshold, COHEAO would suggest a minimum for complaints related to individual institutions of higher education.

  In addition, much like private education loans and other consumer financial products, the prospective collection complaint database would appear to necessitate some sort of minimal threshold to ease database administration, make it more useful for the public, and protect market participants with minimal complaints from unfair reputational harm.  The Bureau's recent efforts at defining "larger participants" in the debt collection marketplace (once completed) would seem to offer an obvious choice for the initial threshold for the first run of complaint data for this marketplace.

  However, an alternative measure would again be the number of CFPB-originated complaints lodged against a particular collection company, and it may provide a broader view across all actors.  Should the Bureau choose a complaint threshold, COHEAO would encourage the collection of data while developing the appropriate number in consultation with the Federal Trade Commission, which has collected complaints on the Federal Debt Collection Practices Act for many years, making complaints public only after establishing an appropriate threshold.

- **If the Bureau intends to publish all complaints, it should improve outreach to all affected parties, particularly entities which do not have regular interactions with the Bureau.** The Section 1025 requirement in the Policy Statement limits its scope to large banks and credit unions. As these entities are regularly supervised by the CFPB, this allows for a much more efficient communication flow between the Bureau and the lender identified in complaints. COHEAO supports limiting the public complaints to entities under direct supervision of the Bureau. However, if complaints directed at smaller entities less familiar with the Bureau's policies and practices are to be made public, significant outreach will be necessary to help educate the affected organizations and firms on the basic logistics of handling customer service matters originated by the CFPB.

- **Until the CFPB has sufficiently provided information to effected entities on responding to complaints, a 60-day window for addressing the complaint, reporting back to the CFPB, and publication in the database should be put in place.** Absent a meaningful threshold for publication in the database, entities that don't have a constant working relationship with the CFPB, such as nearly all institutions of higher education and small servicing and collection companies, are likely to need more than 15 days to resolve complaints and report on the results to the CFPB. Once these entities learn of a customer complaint, they work quickly to address it, but reporting the outcome to a new federal regulator during such a short timeframe is an unreasonable new burden.

  Until the Bureau has sufficiently developed the communication flow for these processes, colleges and universities as well as other small businesses should not be listed as not providing a "timely response" to a particular complaint for a lack of response within 15 days. The "timely response" window should be extended to 60 days for entities which are not supervised by the CFPB or, at minimum, an "N/A" field should be added for these entities, particularly institutions of higher education.

- **The proportion of complaints can provide additional context and understanding of the marketplace.** The sheer number of complaints is a relatively ineffective metric if one does not know how many contacts an individual company will have in its general course of business. Once the database has been in place for one year, on a wholly voluntary basis, entities identified in the complaint database should be allowed to submit independently verified data on the number of customer contacts the company has on an annual basis. An extra "proportion" data field could then be added to database, which would divide the number of complaints by the number of contacts and allow consumers and the public to see what percentage of the entity's contacts resulted in complaints with the Bureau. The creation of this data field would take some time and effort to develop, but the results would provide a much clearer picture on actors in a particular consumer financial marketplace.

- **Controls and monitoring against duplication and misidentified lenders must be continually developed and improved.** In the case of institutional student loans, servicing is either handled in-house or the school contracts with a third-party. Although the lender is ultimately responsible for the actions of its agents, consumers may not correctly identify their lender, instead simply contacting their servicer. The Policy Statement speaks to controls which will address duplicates, but it does not clearly provide guidance on how this will apply to treatment of the lender-servicer relationship in the public database, so the possibility of misidentified and duplicate complaints remains a concern for both our school and our commercial members.

The CFPB's controls for verifying complaints will also be tested when it comes to student loan collections. Often, the collection company is the most identifiable entity to associate with an individual's financial troubles, so the controls designed to ensure complaints are actually related to consumer finance will need to be constantly monitored and improved in this area. Additionally, the prospects for data duplication and misidentification increase dramatically when multiple account numbers for the same consumer, such as those with a servicer and a collection agency, become part of the equation. The controls identified in the Policy Statement do not appear adequate enough to prevent duplication when multiple account numbers are involved, as can often be the case with collection and servicing accounts, and we are hopeful the Bureau will continue to develop additional controls in this area and further explain how these controls will function.

- **Improve disclaimers on the validity of consumer complaints, particularly in cases where organizations may make business decisions based on the (possibly faulty) data.** Many colleges and universities rely on complaint databases when selecting their vendor partners, particularly in the area of collections. While the CFPB has noted the disclaimers it puts forth relating to the complaint database, the disclaimers are not adequate, particularly for those unfamiliar with the Bureau's activities or financial services regulations. The CFPB should make it abundantly clear that the content of the consumer complaints has not been verified.

- **The CFPB needs to improve coordination among all parties involved in consumer finance regulation in regards to complaint intake and resolution.** In announcing the Policy Statement, the Bureau noted the importance of allowing the public, researchers, and other government entities to make use of its data. However, many government agencies, such as the FTC, state attorneys general, and other regulators also have a complaint intake function, meaning that the same complaint could appear in multiple government databases. Processes should be put in place to allow for the effective coordination of complaint resolution across multiple government agencies. On this project as well as many others, additional clarity on the coordination of efforts among CFPB and other regulators is needed.

COHEAO appreciates the CFPB's acknowledgement this database can be improved over time, and we firmly believe this tool will be more useful if it provides as much context as possible for consumer complaints. Thank you for the opportunity to offer input on this important matter. We look forward to continuing to work with the Bureau on initiatives related to tuition financing and student financial services.

Sincerely,

Harrison Wadsworth

Harrison Wadsworth
COHEAO Executive Director