The Torch

June 17, 2011

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

COHEAO News

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- **Have You Heard About the Chapter 33 Audits?—Come to the COHEAO Mid-Year for More from the VA**
  As colleges begin undergoing audits from the Department of Veterans Affairs for their reporting and administration requirements for the Post 9/11 GI Bill Program (Chapter 33), COHEAO is pleased to announce a session at the upcoming Mid-Year Conference will feature a VA representative.
- **Archived Webinars and Teleconferences Available**
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- **Without Protesting Republicans, HELP Committee For-Profit Hearings Continue**
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  Last week, a Stockton, CA man appeared on the local news station after a police SWAT team had come to his home and detained him and his children while they went looking for information on federal student loans.

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  Several student loan trade associations, CBA, EFC, NCHELP, and SLSA, wrote the Department of Education seeking additional guidance on the application of the Servicemembers Civil Relief Act (SCRA) to federal student loans.
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  In a study released last week, researchers at the Ohio State University found that the more credit card and college loan debt held by young adults aged 18 to 27, the higher their self-esteem and the more they felt like they were in control of their lives.
- **New America Foundation Releases New Higher Education and Student Aid Data**
  The New America Foundation's Education Policy Program released the latest version of its Federal Education Budget Project (FEBP) website, **www.EdBudgetProject.org**.
- **IHEP Announces New Coalition on College Completion**
  A broad coalition recently announced the launch of the National Coalition for College Completion.

Attachments

- **Board of Directors**
- **COHEAO Commercial Members**
- **2011 Mid-Year Conference Draft Agenda**

COHEAO News

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Just as college presidents are writing op-eds imploring schools to provie financial literacy programs for students (See Steven Bahls, Augustana College, *Inside Higher Ed*, June 13), COHEAO will be hosting a webinar on the topic on Thursday, June 23 from 2:00-3:15 pm Eastern. Registration for the webinar, "Financial Literacy and Higher Education: An Update on Practices and Policy," is now available online (Please paste the following into your browser if the link does not work: http://bit.ly/iCWadY).

The webinar will feature an update on the **Student Money Management Center (SMMC) at the University of Illinois**, which is administered by the Student Financial Services office and was launched in the fall of 2010. The event will also feature a presentation from **Sharon Cabeen, Texas Guaranteed's Director of Financial Literacy and the President of the Association for Financial Counseling and Planning Education**. Cabeen will be discussing TG's partnership with the University of Illinois on this project, the importance of financial literacy partnerships among different offices within the campus community, and the free financial literacy programs offered by her organization for colleges and universities. In addition to Cabeen, **Alisa Abadinsky of the University of Illinois** will provide additional details on the SMMC program and **COHEAO's Wes Huffman** will offer a review of what is going on with financial literacy in Washington.

COHEAO is pleased to offer its financial literacy webinars at reduced prices. As this topic touches many offices on campus, please keep in mind that member pricing applies to all employees of COHEAO member colleges, companies, and organizations. If you are unable to do attend, please encourage your colleagues to do so. The pricing for this webinar is as follows:

COHEAO Members: $39
Non-Members: $79

Register today! If you have any questions, please do not hesitate to contact whuffman@wpllc.net.

Have You Heard About the Chapter 33 Audits?—Come to the COHEAO Mid-Year for More from the VA

As colleges begin undergoing audits from the Department of Veterans Affairs for their reporting and administration requirements for the Post 9/11 GI Bill Program (Chapter 33), COHEAO is pleased to announce a session at the upcoming Mid-Year Conference will feature a VA representative reviewing the federal programs available to student veterans and answering your questions on ensuring compliance with federal regulations and providing superior service for this important population of students.

To be **held in St. Louis July 31-August 2**, the COHEAO Mid-Year Conference will provide you with multiple opportunities to learn more about numerous topics affecting student financial services. In addition to a discussion of programs for student veterans, the COHEAO Mid-Year Conference will address regulatory and operational issues related to Perkins Loans, campus-based loan servicing, accounts-receivable management, and multiple aspects of student financial services.

Register today! (If this link does not work in your email client, please paste the following in your browser: http://bit.ly/l5dQAu)

Remarks from Gail McLarnon, providing the perspective of the Department of Education, will also be a highlight at this conference. McLarnon will be providing the update from the Department on Tuesday, August 2. With the recent announcement of negotiated rulemaking on total and permanent disability (TPD), college completion, and other issues, last week's news on gainful employment, and many other new regulations taking effect on July 1, Gail will have quite a bit to share with Mid-Year attendees, and we are looking forward to her presentation.

As you will see from the attached agenda, the conference will focus on providing information and training that will help campus loan and accounts receivable administrators do their jobs. The Department of Education and the Federal Reserve have published volumes of regulatory changes taking effect this year and last. This conference will draw on experts and provide a chance to share experiences that will help you cope with compliance.

Understanding compliance will be key as a big new regulator, the Consumer Financial Protection Bureau, will have just assumed responsibility for enforcing regulations affecting institutional credit programs stemming from legislation of great importance to COHEAO members, such as the Truth in Lending Act, the Fair Debt Collection Practices Act and others.

The COHEAO Mid-Year Conference will also again feature interactive discussions among COHEAO's topical task forces and committees. At last year's Mid-Year, the Perkins, A/R Management, and Financial Literacy Task Force sessions were considered by many attendees to be the highlight of the conference.

For the third straight year, COHEAO is holding the line on prices. Early registration fees are $395, the same as last year, and remain significantly less than 2009 levels! Be sure to register soon before prices rise. The Westin St. Louis is a fabulous hotel centrally located for many of St. Louis' top attractions, including the famous Gateway Arch and Busch Stadium, home of the St. Louis Cardinals.

COHEAO members are for the rate of $162 per night for the Mid-Year Conference. Please click here to register for the special rate online. (If this link does not work, please paste the following into your browser: http://bit.ly/kRE9Pc) You may also call 1-800-Westin1 to register. (Please note: Rooms remain available at the COHEAO rate. If the hotel systems indicate otherwise, please contact whuffman@wpllc.net).

Archived Webinars and Teleconferences Available

Archived webcasts and audio recordings of the COHEAO 2011 webinars and teleconferences are now available for purchase. We also have select 2010 teleconference recordings available.

Visit to the COHEAO online store to purchase webinar and teleconference recordings. If you are looking for a particular event and do not see it online, please feel free to contact whuffman@wpllc.net.

The Congress

Education and Workforce Moves to Repeal Credit Hour and State Authorization Regs

The House Committee on Education and the Workforce approved legislation to repeal state authorization and definition of a credit hour regulations set to take effect on July 1, 2011. The Protecting Academic Freedom in Higher Education Act (H.R. 2117), sponsored by Subcommittee on Higher Education and Workforce Training Chairwoman Virginia Foxx (R-NC), passed by a strong bipartisan vote of 27 to 11.

Though the debate was lively at times during the markup, there was broad support for the underlying bill. The full higher education community, the for-profit sector (APSCU), traditional higher education (ACE), and a major reform outfit (The Gates Foundation), all contend the regulations are a federal overreach.

While both were problematic for many higher education officials in principle, the state authorization regulations were of particular concern for practical reasons. The Department had previously indicated it would delay enforcement of these regulations for three years, requiring only a "good faith effort" from schools in obtaining authorization from every state where their students reside because neither schools nor states were prepared for this mandate.

Several amendments were offered by Democrats, but all were defeated on a party line vote. Rep. Rush Holt (D-NJ) had a creative amendment—one that would require a maximum Pell Grant of $5,500 for the bill to take effect—but it was ruled out of order.

Materials on the markup, including a webcast, Rep. Foxx's amendment in the nature of a substitute and all amendments, are available online:
http://www.edworkforce.house.gov/Calendar/EventSingle.aspx?EventID=245799

Without Protesting Republicans, HELP Committee For-Profit Hearings Continue

Chairman Tom Harkin (D-IA) continued his series of HELP Committee hearings with "The Drowning in Debt: Financial Outcomes of Students at For-Profit Colleges." As the title would indicate, this hearing offered a highly critical look at the for-profit sector

There were two panels of witnesses--Under Secretary of Education Martha Kanter was the lone witness on one panel, filling in for an ailing Secretary Arne Duncan. The other panel consisted of Sandy Baum from the College Board, Pauline Abernathy from The Institute for College Access and Success, Wade Henderson of the Leadership Conference on Civil and Human Rights, and Eric Schmitt a former student at a for-profit college from Iowa who had contacted Harkin detailing his difficulties with his schools.

Republicans on the Committee continued their protests of Harkin's inquiry into for-profit higher education, arguing that zeroing in on one sector was not an effective way to ensure the best outcomes for all of higher education. It did appear that Republicans were going to relent on their plans to abstain from the entire hearing, as they had planned to attend for Secretary Duncan's appearance. However, when a back injury prevented Duncan from attending, the Republicans decided to skip the hearing in protest.

In conjunction with the hearing, Harkin released "new" information that provided a few more details in support of longstanding criticisms of the for-profit sector: The differences in costs between for-profit schools and community colleges, institutional loan programs with high interest and default rates, and the management (or to a critic's mind, manipulation) of default rates within the reporting window.

For all of the problems identified above, Harkin characterized the Department's gainful employment regulations as a "modest first step" toward finding a solution. While all of the witnesses were generally supportive of the gainful employment regulations, particularly Kanter who did defend the new rules against the suggestion that they were too weak, they all also agreed with Harkin's description of a "first step" in regulating the industry.

Baum indicated disclosures on college pricing and outcomes, particularly from for-profit colleges, must be improved. Abernathy was supportive of the new regulations, but also agreed with Harkin's assertion that more legislation is in order. However, Abernathy also suggested the upcoming negotiated rulemaking sessions would provide another venue for curbing certain activities in the proprietary sector, specifically mentioning the treatment of institutional loans in the calculation of the 90/10 rule.

While most Senators in attendance would give passing mention to the good work of select for-profit colleges, and even Harkin offered praise for the recent efforts of Kaplan, it was clear that those who did attend view the sector very similarly to Harkin, particularly Sens. Barbara Mikulski (D-MD) and Al Franken (D-MN).

An archived webcast, Sen. Harkin's statement, and witness testimony for this week's hearing are all available online: http://help.senate.gov/hearings/hearing/?id=2c199df0-5056-9502-5df0-feb236792b52

Date's Name Reportedly on CFPB Director Short-List, McConnell Stands by Vow to Block Any Nominee

With the July 21 designated transfer date getting closer by the day, the stalemate continues over who will lead the Consumer Financial Protection Bureau (CFPB). In recent weeks Raj Date, a deputy to Warren with experience at multiple financial services companies, was reportedly on the "short list" to be nominated as Director.

However, Senate Minority Leader Mitch McConnell (R-KY) said Republicans meant what they wrote in their letter to Majority Leader Harry Reid (D-NV) on the CFPB—without significant modifications to the governance of the underlying Bureau, Republicans plan to block ANY nominee for the Director's position.

Date was considered less polarizing than Warren, partially because he has not been in the spotlight and hasn't made as many provocative public statements, but also because his previous experience includes stints with Deutsche Bank, Capital One, and other financial institutions. However, a spokesman for McConnell indicated the Senate GOP, like their House counterparts, has fundamental concerns with the structure of the CFPB, regardless of who leads the newly formed agency.

"It's not sexist. It's not Elizabeth Warren-specific," McConnell spokesman Donald Stewart told the *Washington Post*. "It's any nominee."

Meanwhile, Warren's supporters are digging in further. Short of an announcement from Warren that she plans, with the support of the White House, to challenge Sen. Scott Brown (R) for a Massachusetts Senate seat, progressives have made clear they will be highly disappointed in the Obama Administration should the President elect to avoid a confirmation controversy and choose someone other than Warren for the position.

"It's pretty inconceivable that somebody else should get this job," said Robert Borosage of the Campaign for America's Future.

House Subcommittee Approves Bill to Cut CFPB Funding

While the debate over the CFPB director appears to have only the slimmest of chances (say 0.1%) of being resolved by the July 21 designated transfer date, House Republicans pressed on with their efforts to weaken the Bureau in its current form.

The House Appropriations Subcommittee on Financial Services and General Government approved a $19.9 billion bill to cut spending at the financial services agencies b y 9% from FY2011, including the IRS and CFPB. The bill would cap CFPB mandatory funding at $200 million, down from its current cap of $600 million, and subject the Bureau to the normal appropriations process in 2013.

"This new agency created by the Dodd-Frank legislation has not yet been fully constituted and many questions remain as to its authority and mission," the subcommittee said in a press release.

A similar bill is not likely to pass the Senate.

The Administration

Presidents Meet with Department of Education Officials on Perkins

A group of college presidents held an invitation-only meeting at the U.S. Department of Education Tuesday on the Obama Administration's Perkins Loan Proposal. The meeting was organized by advocates in the Washington higher education associations and among college or university presidents who would like to see a new Direct Loan program created, called Perkins, that would make profits for the federal government that could be used for other purposes, such as Pell Grants. The proposal re-introduced in the Administration's FY2012 budget would also eliminate the current Perkins Loan Program.

The proposal came close to passing in 2010 as part of the "SAFRA" student loan legislation that eliminated the FFEL Program but was dropped because of opposition from key House members and Senators. It had drawn little interest in Congress this year chiefly because the House Republican majority is not interested in creating new government programs and the Senate has been focused on other issues, such as hearings in the HELP Committee on for-profit schools. The meeting at the Department was an effort by the "new Perkins" advocates to gin up more interest.

A letter sent to Education Secretary Arne Duncan in February from 34 college and university presidents called for the preservation of the benefits of Perkins to students while also expanding the reach of the program along the lines of the Administration proposal. These goals are seemingly contradictory without a major influx of federal funds, however. The lead author of that letter, James A. Aoun, president of Northeastern University, sent invitations to a number of other presidents to attend the Washington meeting to save the Perkins program.

At the meeting, according to press reports and accounts of attendees, the support for the Administration's proposal was tempered by concern over the loss of student benefits that the current program offers as well as the loss of campus control over the program. There was general strong support expressed for the Perkins Program but many in attendance were convinced that only the new program can survive. One key outcome of the meeting was detailed articles in the two leading higher education publications, *The Chronicle of Higher Education* and *Inside Higher Ed*. Comments posted online to the *Inside Higher Ed* article raised some of the problems with the program. One notes that:

The Administration's proposal on Perkins is really two proposals: 1) Kill the current Perkins Loan Program and 2) Create an entirely new Direct Loan Program with terms and conditions for students identical to the Unsubsized Stafford Loans Program. Killing the current program actually costs the government $332 million over 10 years, according to the Congressional Budget Office. The CBO estimates that the new program would earn the government $4.6 billion over 10 years in profits on the loans. Whether or not one believes a new loan program is needed, eliminating the current program with its highly favorable terms for students doesn't help generate revenues for Pell Grants. Finally, the Perkins Loan program, may have gotten small relative to the huge growth in Stafford/PLUS lending, but it remains a key to higher education for 500,000-600,000 individual students each year. That may be a small percentage of the total student population in this country, but it's still a lot of people, about the population of the District of Columbia, for example. That hardly seems insignificant.

The IHE article is at:
http://www.insidehighered.com/news/2011/06/15/panel_discussion_looks_at_changes_to_perkins_loan_program
The Chronicle article is at:
http://chronicle.com/article/College-Presidents-Pull/127918/

Biden, Congress Promote Spending Transparency, Acknowledge Little Progress on "Big Ticket" Budget Issues

Vice President Joe Biden announced a new White House spending transparency initiative this week and met frequently with key members of Congress in his effort at leading budget negotiations. Biden's talks with members from the House and Senate have become the best hope for producing a compromise before the deadline of August 2 arrives when, according to the Treasury Department, the United States will begin to default on its debts.

Biden indicated his group had scoured all aspects of the budget, finding possible savings in multiple areas. The details on what those possible areas of savings may be remain secret. However, he also acknowledged the "big ticket" aspects of the negotiations, such as the raising revenues through the tax code, continue to prevent consensus.

In terms of student loans, it is safe to say it is highly likely the elimination of subsidized interest for graduate students has been identified as a target for savings, and some observers believe this may apply to all students sooner rather than later. There is even speculation that the in-school interest subsidy will be eliminated for undergraduate Stafford Loans as well. Higher education theorists say that the subsidy doesn't encourage college attendance and that the Income Based Repayment option will take care of those who have trouble with the higher debt burden that eliminating the interest benefit will cause.

Biden announced a new executive order that creates a board that will provide for extensive public reporting from recipients of federal funds. A similar board on transparency was part of the American Recovery and Reinvestment Act (ARRA, the stimulus bill). Biden will hold cabinet level meetings on the effort, which will apply to all agencies.

In announcing the initiative, Biden indicated both parties in the House and Senate oversight committees were supportive. House Oversight and Government Reform Chairman Darrell Issa (R-CA) applauded the Administration for its efforts and introduced a bill with additional requirements before the announcement.

The new campaign to combat waste, fraud, and abuse was announced in a video message from Biden and President Obama. In addition to the new board, the executive order halts the creation of new government websites and a 25% reduction in the 2,000 websites currently maintained by the federal government.

Information on the White House campaign to combat waste, fraud and abuse is available online:
http://www.whitehouse.gov/the-press-office/2011/06/13/white-house-launches-campaign-cut-waste-vice-president-take-making-gover
Information on Rep. Issa's legislation is available online:
http://oversight.house.gov/index.php?option=com_content&task=view&id=1336&Itemid=29

ED Releases Campus-Based Funding Awards

The Department of Education announced awards for the Federal Work-Study (FWS), Federal Supplemental Educational Opportunity Grant (FSEOG), and Federal Perkins Loan (Perkins Loan) programs for the 2011-2012 Award Year (July 1, 2011 through June 30, 2012) have been approved.

ED's announcement on campus-based awards offered the following on Perkins Loans:

Federal Perkins Loan Program

Under the Perkins Loan Program, schools make low interest loans to needy undergraduate and graduate students. In previous years, Federal funds generally provided 75 percent of the new capital contributions to a school's Perkins Revolving Fund, and the school provided the remaining 25 percent. However, there were no new Federal funds obligated for the Perkins Loan Program for the 2011-2012 Award Year. A school is authorized to use cash from its revolving fund up to the amount of its Perkins Loan Level of Expenditure. School revolving fund resources at 1,584 schools are estimated to benefit 770,893 students.

The award information is divided into three reports. Each report covers specific states, and the schools are listed alphabetically within the state in which they are located. Additional information and links for each of the three reports are available online: http://www.ifap.ed.gov/cbawards/1112CBAwards.html

The following information is provided for each school in the report:

1) School name and address
2) Applicable programs
3) Amount of the awards for the Perkins Loan Federal share, the FSEOG Federal share, and/or the FWS Federal share
4) Estimated number of student borrowers in the Perkins Loan Program, estimated number of student awards for the FSEOG Program, and/or estimated number of students to be employed under the FWS Program for the award period
5) Authorized Perkins Loan Level of Expenditures

ED Offers Guidance on Free Trial Periods, Promises Pilot Program for Reducing Loan Levels

At the recent HELP Committee hearing on for-profit colleges, Under Secretary Martha Kanter announced two programs aimed at providing students and schools with more flexibility—one to encourage the use of "trial periods" at certain colleges and universities and a second pilot program that would waive certain Title IV requirements for colleges.

In the wake of the increased regulation and scrutiny from the Administration and Congress, many for-profit higher education companies have begun offering trial periods to their students. In announcing additional guidance from the Department, Secretary Duncan described the trial periods as an "excellent opportunity" for students to test a program before they become "fully invested."

Descriptions of the new programs from the Department of Education are offered below:

Free Trial Periods

Some schools are offering, or wish to offer, opportunities for a student to attend a program for a short period of time without being charged tuition or fees – unless and until that student wishes to continue the program beyond that initial trial period. This allows the student the chance to try a course before making a financial commitment by fully enrolling in the program.

To help institutions create these programs in ways that comply with the federal student aid rules, and to ensure students receive fair and consistent treatment, the Department is issuing a letter to schools to describe trial periods and explain how federal student aid eligibility will work. If a student continues a program beyond the trial period, he or she would become responsible for program charges, including charges that were incurred during the trial period. At that point, the student would, if otherwise eligible, also be able to receive federal student aid. Because the charges incurred during the trial period would count toward the overall program cost, a student could receive Title IV federal student aid funds for the trial period, once the student decided to continue in the program. However, a student who chose not to continue past the trial period end date would not be responsible for any institutional charges and would not be eligible to receive federal student aid.

Institutions are expected to provide clear information to students about the trial period and ensure that students are aware they are not eligible for Title IV program funds unless and until the institution admits the student as a regular student after the trial period. The institution must also make certain that students have the necessary books and other materials they need to succeed during the trial period, and it is expected that schools will only charge a nominal fee, such as an application fee, for students to participate.

Pilot Project to Reduce Debt Burdens

The Department is also announcing that within the next few weeks it plans to post a notice inviting postsecondary institutions to participate in new experiments, which are authorized under the Higher Education Act. These pilot programs will allow selected schools to test alternative methods of administering federal student aid by providing waivers for specific student aid requirements that are required by law. The Department's goal is to learn ways to both improve services to students as well as to free institutions and students from administrative burdens while maintaining or increasing the integrity of federal student aid programs.

Each pilot program will focus on a different statutory or regulatory provision that is required for an institution to participate in Title IV federal student aid programs. Documented and sustained improvements as a result of the experiment would provide a rationale for policymakers to consider changing the statutory or regulatory requirement.

One experiment is intended to help participating schools reduce their students' debt burden. It would allow participating institutions to develop and implement policies that would allow them to award a category of students less than the students' allowed Direct Loan eligibility. Generally, all students are eligible to borrow up to the federal loan limit. Current law allows institutions to reduce loan amounts for individual students on a case-by-case basis but prohibits reductions for a group of students. Some argue this restriction results in unnecessary borrowing by students, especially students attending low-cost institutions like community colleges who have few expenses outside of school. Those in the for-profit sector argue that current loan limits force them to raise tuition and fees in order to meet their 90-10 ratio, which requires for-profit schools to receive at least 10 percent of their revenue from sources outside of Title IV aid. The Department will look at outcomes from this pilot program, including access, diversity, completion and affordability, to determine the appropriateness of giving institutions more discretion over the amount their students borrow.

More information about the experimental projects will be released soon. For a copy of the letter offering guidance on trial programs, please visit: ***http://www.ifap.ed.gov/dpcletters/GEN1112.html****.*

Advisory Committee: Net Price Calculators Need Further Study

The Advisory Committee on Student Financial Assistance met this spring to examine net-price calculators and students' and families' understanding of college prices. This week, the Advisory Committee released a report on those discussions, recommending further study of the issue.

The report said participants in the March discussion came to a consensus around the following three points:

- *Students and parents need accurate and timely information about both college expenses and financial aid from middle school through college enrollment and persistence.*

- *The current status of financial aid award letters — in particular, the lack of comparability from institution to institution — provides a cautionary tale for the future of net price calculators.*

- *While net price calculators have the potential to be useful tools for students and parents, they are likely to suffer from several limitations that warrant further examination.*

The Advisory Committee plans for a "thorough assessment" of net price calculators in the fall after they have been implemented to meet HEOA requirements. This assessment will also include a review of financial aid award letters.

The full report is available online:
http://www2.ed.gov/about/bdscomm/list/acsfa/bottomline9june2011.pdf

SWAT Teams and Confusion in California Student Loan Case

Last week, a Stockton, CA man appeared on the local news station after a police SWAT team had come to his home and detained him and his children while they went looking for information on federal student loans. The man, Kenneth Wright, said Department of Education agents broke down his door, dragged him out of his home, and detained him for six hours in a police car (and his young children for two) all over a student loan, which Wilson reasoned must have been an old loan in default.

The use of excessive force for a default was startling and turned out to be untrue. The Education Department contacted the local news outlet and said it did not use such extreme measures for defaulted loans, and the TV station updated the story. Citing an ongoing investigation, Justin Hamilton, a Department spokesman, declined to offer details but did note the Department's Office of Inspector General (OIG), which apparently ordered the raid, had the authority to use police force in cases of bribery, fraud and embezzlement.

The incident raised questions such as "why does the OIG have the ability to control SWAT teams?" particularly among those concerned with civil liberties. The answer lies in the Patriot Act, which provided multiple offices in federal agencies with police powers. Most of these offices rarely use such authority, but, like some other agencies, the Department of Education's OIG does make use of it with some regularity. While the Department's correcting of the story did assuage some fears on the use of exceptionally aggressive collection tactics for unpaid student loans, it did raise concerns over non-Defense or Justice related agencies' use of these authorities.

As it turns out, Wilson's estranged wife was the target of the investigation and she does not live in the home. For his part, Wilson says he would like the federal government to replace his door and offer an apology to both him and his children.

Coverage from *Yahoo News* is available online:
http://news.yahoo.com/s/yblog_thelookout/20110608/us_yblog_thelookout/education-department-says-it-doesnt-send-swat-teams-after-loan-defaulters/print
An analysis from David Rittgers of the Cato Institute from the *Huffington Post* is also available online:
http://www.huffingtonpost.com/david-rittgers/federal-hall-monitors-on-_b_874086.html

Industry News

Student Loan Associations Write ED on SCRA

Several student loan trade associations, CBA, EFC, NCHELP, and SLSA, wrote the Department of Education seeking additional guidance on the application of the Servicemembers Civil Relief Act (SCRA) to federal student loans. Under SCRA, all active-duty military members are granted interest rate relief to 6% on their outstanding debts, including federal student loans.

However, data provided by the Department of Defense can be very difficult for systems (and individuals) to understand, particularly when it comes to the relevant dates. Therefore, the student loan associations offered the following three "discretionary processing recommendations" for the Department to allow servicers to employ on SCRA related matters:

1) Where the military service start or end date is not clearly specified on military orders, begin the 6% interest rate cap on the earliest date indicated on the military orders, and end the rate cap on the latest date indicated on the military orders.
2) Consider the receipt of a servicemember's military orders as sufficient information that the servicemember intends to request the 6% interest rate cap.
3) In lieu of or in addition to military orders, utilize information that contains DOD commanding officer certifications such as affidavits, federal deferment forms, and other types of correspondence signed by an applicable military officer or authority as well as military status report information secured from the U.S. Government Computer System (**www.dmdc.osd.mil/appj/scra/scraHome.do**) provided the information contains the applicable active duty information that is contained in military orders.

If you would like a copy of the full letter, please email **whuffman@wpllc.net**

New Research: Young Americans See Improved Self-Esteem from Debt

In a study released last week, researchers at the Ohio State University found that the more credit card and college loan debt held by young adults aged 18 to 27, the higher their self-esteem and the more they felt like they were in control of their lives. The effect was strongest among those in the lowest economic class. Only the oldest of those studied – those aged 28 to 34 – began showing signs of stress about the money they owed.

"Debt can be a good thing for young people – it can help them achieve goals that they couldn't otherwise, like a college education," said Rachel Dwyer, lead author of the study and assistant professor of sociology at Ohio State.

But the results offer some worrying signs about how many young people view debt, she added.

"Debt can be a positive resource for young adults, but it comes with some significant dangers," Dwyer said. "Young people seem to view debt mostly in just positive terms rather than as a potential burden."

The study involved 3,079 young adults who participated in the National Longitudinal Survey of Youth 1979 – Young Adults sample. The NLSY interviews the same nationally representative group of Americans every two years. It is conducted by Ohio State's Center for Human Resource Research on behalf of the U.S. Bureau of Labor Statistics. The findings appear in a recent issue of the journal Social Science Research.

For this study, the researchers examined data on two types of debt: loans taken out to pay for college, and total credit-card debt. They looked at how both forms of debt were related to people's self-esteem and sense of mastery – their belief that they were in control of their life, and that they had the ability to achieve their goals.

"We thought educational debt might be seen as a positive because it is an investment in their future, while credit card debt could be viewed more negatively," Dwyer said. "Surprisingly, though, we found that both kinds of debt had positive effects for young people. It didn't matter the type of debt, it increased their self-esteem and sense of mastery."

But how debt affected young people depended on what other financial resources they had available, the study found. Results showed that those in the bottom 25 percent in total family income got the largest boost from holding debt – the more debt they held, both education and credit card, the bigger the positive impact on their self-esteem and mastery.

Those in the middle class didn't see any impact on their self-esteem and mastery by holding educational debt, perhaps because it is so common among their peers that it is seen as normal. But they did see boosts from holding credit-card debt – the more debt, the more positive effects. On the other hand, the study found that young adults who came from the most affluent families received no boost at all from holding debt.

The oldest people in the study, those over age 28, were just starting to feel the stress of their debt. For these young adults, having education debt is still associated with higher self-esteem and mastery, compared to those who don't have any such debt. Suggesting they still see some benefits to investing in a college degree. But the amount of education debt mattered – having higher levels of debt actually reduced their sense of self-esteem and mastery.

"By age 28, they may be realizing that they overestimated how much money they were going to earn in their jobs. When they took out the loans, they may have thought they would pay off their debts easily, and it is turning out that it is not as easy as they had hoped," Dwyer said.

New America Foundation Releases New Higher Education and Student Aid Data

The New America Foundation's Education Policy Program released the latest version of its Federal Education Budget Project (FEBP) website, **www.EdBudgetProject.org**.

In conjunction with the new site, NAF announced the release of new data:

- Allocations and disbursements of federal grants and loans such as Pell Grants, Stafford Loans, Grad PLUS Loans, Work-Study, and Perkins Loans;
- Average grant and loan awards and student participation rates in aid programs;
- Graduation rates, retention rates, student loan default rates, and student loan repayment rates; and
- Tuition and fees, including average net price after financial aid.

The data and tools are helpful for researchers and the public, but also provide fodder for the think tank's political and PR work, such as its Higher Ed Watch and Ed Money Watch blogs. The new data has already served as the basis for multiple posts on private loan borrowing at individual schools.

IHEP Announces New Coalition on College Completion

A broad coalition recently announced the launch of the National Coalition for College Completion. Led by the Institute for Higher Education Policy (IHEP), the coalition is a group of leaders from outside the education space, including business, civil rights, community-based, and student and youth advocacy organizations, ranging from CEOs for Cities and the Boys and Girls Clubs of America, to the National Urban League and mobilize.org.

The Coalition is especially focused on helping more minority and low-income students finish college, as those students are also the fastest growing segments of our society and the populations with the lowest educational attainment.

"Though we as a country have made great strides in helping more students get into college, we aren't doing enough to help them get out. Our elected officials and education leaders at all levels must do more to increase college completion," said Michelle Asha Cooper, Ph.D., president of IHEP. "That's why the Coalition is activating our members and constituents to let everyone know how important college completion is to people outside the education sector, whether 'completion' refers to a four-year degree, a two-year degree, or a recognized credential program."

The newly-launched **FinishHigherEd.org** is a resource center for policymakers, media, education leaders and others. The site provides fact sheets, policy one-pagers, template outreach materials and an ever-growing library of promising practices from colleges and community-based organizations across the country.

Partners of the National Coalition for College Completion include:

Boys and Girls Club of America
Business Innovation Factory
Business Roundtable
Campus Progress
Center for American Progress
Center for Law and Social Policy
CEOs for Cities
Committee for Economic Development
Corporate Voices for Working Families
Forum for Youth Investment
Student African American Brotherhood
Student Veterans of America
Youth Build
League of United Latin American Citizens
Mobilize.org
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National League of Cities
National Urban League
Single Stop USA
Skills for America's Future
Southeast Asia Resource Action Center

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COHEAO Mid-Year Conference Agenda 2011

All Meetings and Sessions Are Located at the Westin St. Louis

Sunday, July 31, 2011

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

3:30pm-4:45pm Perkins Task Force Meeting

Leader: Nancy Paris, ACS

4:45pm–6:00pm Accounts Receivable Management Task Force Meeting

Leader: Laurie Beets, Oklahoma State University

Monday, August 1, 2011

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

8:00am-9:00am Commercial Members Meeting

Leader: Karen Reddick, National Credit Management

9:00am-9:10am The President's Welcome & Opening Remarks

Speaker: Bob Perrin; COHEAO President

9:10am-10:00am Session: A Legislative Update on Perkins Loan and Related Student Aid Issues
Although the pending sunset of the program is no longer an issue, Perkins Loans continue to face significant legislative challenges. This session will provide an outlook on what to look for from the 112th Congress in terms of higher education and student lending issues.

Speaker: Harrison Wadsworth; COHEAO Executive Director

Introduction:

10:00am-11:00am	Session: Bankruptcy & Litigation *It is unfortunate, but inevitable, that some former students will face financial difficulties and, in many cases, they ultimately file for bankruptcy. An expert will provide information on going to court for tuition receivables and student loans as well as a review of relevant bankruptcy laws.* Speaker: Louis Wade; McDowell, Rice, Smith & Buchanan, P.C. Introduction:
11:00am-11:15am	Break
11:15am-12:15pm	Session: Understanding the Program Integrity Regulations *It is safe to say the program integrity regulations are the most controversial set of regulations ever promulgated by the Department of Education. Many of these regulations take effect on July 1. While most of the attention in the media and in Washington has focused on their impact on the for-profit higher education sector, these regulations will affect all of higher education and this session will provide a timely review.* Speaker: Tom Sakos, DeVry Nancy Coolidge, University of California Moderator:
12:30pm-1:45pm	Lunch and Luncheon Address
2:00pm-3:00pm	Compliance Training: Preparing for the CFPB *As we will review earlier in the day, the Consumer Financial Protection Bureau will have assumed jurisdiction over a number of laws governing your operations on campus. In addition to the FDCPA, the Truth in Lending Act (TILA), the Fair Credit Reporting Act (FCRA), the Telephone Consumer Protection Act, among others, will all be under the jurisdiction of the new Bureau. This session will review the pertinent regulations associated with these laws and provide you with tips and tools for remaining compliant.* Panelists: Lori Hartung; Todd, Bremer & Lawson, Inc. Walter Witthoff; Iowa Student Loan Liquidity Moderator:
3:00pm-3:15pm	Break

3:15pm-4:15 pm Session: What's New with the FDCPA?
With a new regulator on the scene, compliance with the Fair Debt Collection Practices Act (FDCPA) will be more important than ever for colleges and universities. This session will provide an update on what is happening with regulation and enforcement between the FTC and CFPB as well as providing attendees with tips for remaining compliant and maintaining effective collection efforts.

Speaker: David Cherner; ACA

Introduction:

4:15pm-5:00pm Session: Private Student Loans & Gap Financing
Perkins Loans and institutional loan programs are critical piece of the gap financing puzzle. However, the program is not equipped to cover the remaining costs for millions of students who need additional financing beyond state and federal aid. This session will review the private student loan market landscape and the interaction between the private and federal loan programs.

Speaker: Jon Wollman, ReliaMax

Introduction:

6:00pm-7:00pm Reception
A full day of in-depth student loan and student aid discussions should conclude with time to network and wind down with your colleagues. Please join fellow attendees for a reception to close the first day of the conference.

Tuesday, August 2, 2011

8:00am-9:00am Financial Literacy Task Force Breakfast Roundtables
This breakfast will feature a series of roundtable discussion on a variety of topics related to providing these essential services to students. Regardless of membership with the Financial Literacy Task Force, all conference attendees are encouraged to attend this meeting.

Leader: Carl Perry, Progressive Financial Services

9:00am-10:15am	Session: Department of Education Update *The Obama Administration has proposed significant changes to the student aid programs in the name of "protecting" Pell Grants. This session will review the status of those proposals, the program integrity regulations that are to take effect on July 1, 2011, regulations stemming from the most recent reauthorization of the Higher Education Act, and other issues associated with the student aid programs.* Speaker: Gail McLarnon, US Department of Education
10:15am-10:30am	Break
10:30am-11:30am	Session: Direct Loan Servicing and the Impact on Student Borrowers *The SAFRA legislation brought about fundamental changes in the federal student loan programs. This session will examine the details of the Direct Loan servicing model with a particular focus on what it means for student borrowers.* Speaker: Will Shaffner; MOHELA
11:30am-12:30pm	Student Loan and Student Aid Benefits for Active Duty and Veteran Students *There are numerous benefits available to both active duty and veteran students. In this session, the Education Liaison Office at the Department of Veterans Affairs will provide a review of those benefits and offer tips for schools in complying with reporting and administrative requirements for the Post 9/11 GI Bill.*
12:30pm	Conference Concludes