The Torch

July 1, 2011

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

COHEAO News

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- **COHEAO July 14 Webinar: Building a Lean Management System**
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- **COHEAO Member Poll: Debit Cards**
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The Congress

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- **"Expanding and Modernizing" Perkins Has a Cost under New House Accounting Rules—Yet Another Blow to the "Preserving Pell Grants Act"**
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- **Akaka and Jackson-Lee Introduce Entrance/Exit Counseling Legislation**
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- **Today (Officially) Begins New Regulatory Burdens for Colleges**
  July is going to be an extremely busy month for college officials charged with regulatory compliance, particularly when it comes to student aid and student financial services
- **CFPB Offers Advice on Student Loans**
  The blog of the Consumer Financial Protection Bureau (CFPB) featured a post on student loans this week.
- **GAO: Federal Financial Literacy Certification Presents Major Challenges**
  The U.S. Government Accountability Office, “the investigative arm of Congress,” issued a report on the feasibility of federal certification programs for financial literacy providers.

Industry News

- **Former NYT Reporter Calls for Expanding Federal Loan Limits, Eliminating Private Student Loans**
  A new paper from Jonathan Glater, formerly a reporter for the *New York Times* and now a law professor at the University of California—Irvine, calls for the expansion of the federal loan programs in order to eliminate private loans
- **CAP Calls for Student Loan Relief to Spur Economy**
  The Center for American Progress (CAP) is calling on Congress and the Department of Education to offer relief to student loan borrowers as part of efforts to spur the economy.
- **Corinthian Announces New Private Loan Program, Discontinues Internal Lending Operation**
  Corinthian announced a new private education discount loan program with ASFG, LLC (ASFG) for Corinthian students
- **Survey Shows Gloomy Outlook, Lack of Financial Aid Awareness from Young Non-Grads**
  A new survey from Public Agenda suggests young people who only have a high school degree don't know much about how to start their college education, with seven in 10 unable to identify the standard federal financial aid form.
- **Private College Tuition Increases Slowing, Some Public Colleges May See Double Digit Increases This Year**
  NAICU released a survey of its members this week showing an average 4.6% yearly tuition increase.

Attachments

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

COHEAO News

COHEAO Mid-Year Conference: Today Is the Last Day for Conference Registration Fee Discounts

The discount deadline for conference registration fees for the COHEAO Mid-Year Conference is today! **If you have yet to do so, register today** to ensure you receive this discount! (If this link does not work in your email client, please paste the following in your browser: http://bit.ly/l5dQAu).

The COHEAO Mid-Year Conference will provide you with multiple opportunities to learn more about numerous topics affecting student financial services. The COHEAO Mid-Year Conference will address regulatory and operational **issues related to Perkins Loans, campus-based loan servicing, accounts-receivable management, the Post 9/11 GI Bill and Yellow Ribbon Programs, and multiple aspects of student financial services.** The full agenda (including the meetings on July 31) is attached with today's *Torch* and available online. (If this link does not work, you can also paste the following into your browser: http://bit.ly/mJjNkv).

The COHEAO Mid-Year will be held at the Westin St. Louis, a fabulous hotel centrally located for many of St. Louis' top attractions, including the famous Gateway Arch and Busch Stadium, the site of a series in the storied Cubs/Cardinals rivalry the same weekend the conference begins. Please click here to register for the special rate online of $162 per night. (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. You must register **by July 9** to receive this rate, **but anyone planning to attend the COHEAO Mid-Year should register with the hotel ASAP!** The Westin St. Louis is **sold out on Saturday, July 30**! Rooms remain available at the COHEAO special rate for the days of the Mid-Year Conference, July 31-August 2, and we are encouraging all who are planning to attend to **register now**!

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. 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.

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 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), a session 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.

Understanding compliance will be key as a big new regulator, the **CFPB**, 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. **Attend the Mid-Year** to see what this newly formed agency means for your operations!

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.

COHEAO July 14 Webinar: Building a Lean Management System

COHEAO is pleased to announce the next event in its monthly webinar series, "Building a Lean Management System," to be held Thursday, July 14 from 2:00-3:30 PM Eastern Time. Faced with budget, staffing, and other pressures, colleges and universities have been looking for practical solutions to improve efficiencies and customer service, and this webinar will help you bring those solutions to your campus or organization.

Register for the July 14 COHEAO webinar today. (Please cut and paste the following link into your browser if the link is not working: http://bit.ly/lJRo0e)

Building a "Lean Management System" is the highest priority at the University of Washington's Finance & Facilities (F2). From the Senior Vice President and her leadership team, to the teams performing transactions and completing work orders across the vast, research-heavy campus, visible and dramatic change—and results—are transforming F2. **LuAnn Stokke, Director Operational Excellence for Finance & Facilities (F2) at the University of Washington**, has been leading an effort to deploy a Lean-based solution to her university.

After sustaining significant budget and staffing cuts two years ago, leaders engaged a no-nonsense, practical, straightforward improvement methology based on Lean principles to proactively address how to sustain customer service and better performance in spite of staff reductions. Fundamental change was essential. The first project out of the gate was thorny: addressing a backlog of 5,500 research-budget closings for expired grants. Today, there are less than 200, and the "Grant & Contract Accounting" organization is totally transformed. To date, there are over 35 active project teams across Finance & Facilities, engaging over one-third of the 1,500-person organization—with more in the pipeline.

Stokke will step through UW's Lean Journey, share what has worked and what hasn't, and illustrate the linkage of organizational strategy in a service organization and "on the ground performance."

COHEAO is pleased to offer its webinar events at extremely low prices. The registration fees for the "Building a Lean Management System" webinar are only $49 for COHEAO members and $99 for non-members. Please keep in mind that COHEAO member pricing and the special discount benefits apply to all employees at a member campus or organization. If you are unable to do attend, please encourage your colleagues to do so. You also may want to consider joining COHEAO in order to take advantage of the discount and the many other services that COHEAO offers. See www.coheao.org for more information on membership.

Don't delay, register today!

COHEAO Member Poll: Debit Cards

The changes in debit card interchange regulations, set take effect today and on October 1 (see related article in the "Administration" section), will no doubt have a major impact on issuers and merchants alike. With higher education institutions, and perhaps the offices of COHEAO members, uniquely positioned on this issue as both a merchant and, in some cases, working extensively with issuers, we thought it would be appropriate to conduct a survey of COHEAO members to guide our efforts with this topic.

Please click here to complete a very brief survey on debit cards. Additionally, if this issue is of significant interest in your office, please contact Wes (whuffman@wpllc.net)
(If the link is not functioning properly, please paste the following into your browser for the COHEAO debit card survey: http://www.surveymonkey.com/s/S6PQ5K2)

The Congress

Obama Chides Congress for Inaction on Debt Negotiations

The inability of the Congress to come to consensus on a plan to raise the federal debt ceiling has led to short tempers and sparks flying all week long. President Obama, in his first news conference in several months, compared the slow progress on negotiations to kids unable to get their homework done.

Obama soundly criticized Republicans for drawing a line in the sand on closing tax loopholes, further fueling the fire. In response, House leadership complained that the President had been AWOL on the deficit issue until recently and said that was the problem, reiterating their view that tax increases would lead to further job losses.

Senate Majority Leader Harry Reid (D-NV) then canceled the upcoming July 4th recess, a time when House Members will actually be in Washington – the House was out of session this week -- in an effort to put pressure on his colleagues. Although every aspect of this debate is most definitely politically motivated, Reid defended the move to cancel recess on practical terms. The White House argues the real deadline for these negotiations is July 22, just three weeks away, because legislation language will need to be drafted, approved, and passed through both chambers to reach the President's desk before the August 2 "drop dead" deadline from Treasury.

The latest specifically on student aid issues from the talks suggests that the in-school interest benefit for low-income graduate students' Stafford Loans is almost certainly to be eliminated as a way to save money. Subsidized Stafford Loans for undergraduates are also on the chopping block, although that cut will likely face more pushback from the higher education community. Less clear is whether elimination of the subsidies will result in larger Pell Grants, which would have to be done by making more of the grant an entitlement, or if the cuts will go to deficit reduction.

Slow progress on the debt ceiling is par for the course in the 112th Congress. So far only 18 bills have been signed into law—15 of which named buildings, were continuing resolutions or confirmed federal appointments. The Senate has yet to produce a budget resolution and in spite of claims in the House that all 12 appropriations bills would be passed by the August Recess, only 3 have made it across the finish line. The House Labor, Health and Human Services and Education Subcommittee has a mark-up set for July 26th but no floor action on the bill is anticipated before the fall.

In the Senate, Appropriations Committee Chair Daniel Inouye (D-HI), frustrated with the lack of a budget resolution or deficit reduction agreement, is pushing for consideration of some of the less contentious spending bills. For the Senate Labor, Health and Human Services and Education Subcommittee, producing a bill is still months away.

“Expanding and Modernizing” Perkins Has a Cost under New House Accounting Rules—Yet Another Blow to the “Preserving Pell Grants Act”

A report prepared by the Congressional Budget Office for a member of the Senate Budget Committee last week showed the difference that using Fair Value Accounting would make on the Obama Administration’s proposal to create a new “Perkins” Direct Loan Program. The CBO calculated that under fair-value rules a projected savings of $4.5 billion over 10 years turns into to a projected COST of $3.8 billion over 10 years.

Currently, CBO and OMB “score” legislative proposals using accounting rules governed by the Federal Credit Reform Act (FCRA), which many have argued since soon after its passage greatly inflates the projected savings in the government’s direct loan programs by failing to account for risk and most administrative costs. The House Budget Resolution passed earlier this year calls for its use in budget scoring. The Senate Budget Committee has not publicly commented on fair-value accounting, but Chairman Kent Conrad (D-ND) has been supportive in the past and did serve on the Simpson-Bowles Deficit Commission which called for its use in budget scoring.

Although it has been proposed in each of the Obama budgets, since the Direct Perkins Program was dropped from the 2010 SAFRA student loan reform legislation there has been little appetite on the Hill for this plan. However, when the President framed the proposal as necessary for preserving the maximum Pell Grant, a top priority for much of the higher education community, he created another reason to support it.

Although the concern over FY2012 student aid spending is palpable, the Washington higher education community, along with everyone else, is forced to take a wait and see approach on the larger debt ceiling and budget negotiations. However, it is obvious that Pell funding will continue to present a problem going forward.

However, even under the scoring rules of FCRA, CBO’s savings estimates for the Preserve Pell plan by the Administration were much lower than those provided by OMB. The current status of the specific “Preserving Pell Grant” proposals is listed below:

1. Eliminate year-round Pell—Accomplished, but savings were put toward maintaining the maximum award for FY2011.
2. Eliminate subsidized Stafford Loans for graduate students—Under discussion as a means for deficit reduction (see related article)
3. “Modernize and Expand” Perkins—Significantly less savings under CBO FCRA scoring, a cost under fair-value scoring, opposed by Republicans and some Democrats who question the desirability of creating another direct loan program. *Important Note: eliminating the current Perkins Loan Program costs $324 million over 10 years according to CBO using both methods of cost estimating.*
4. Refinance split-serviced FFEL Loans—Significantly less savings under CBO FCRA scoring, also likely to produce a cost under fair value scoring (though no official word from CBO on this proposal yet).

Although the Perkins proposal would greatly increase costs for current Perkins Loan borrowers (low to moderate income students) by converting to the terms and conditions of the unsubsidized Stafford Direct Loan, Obama Administration officials have said they have no qualms about increasing costs of the loan programs in the name of providing funds for Pell. At a recent Department of Education event in support of the new Perkins proposal, some of the college presidents and financial aid officials in the room expressed reservations about taking a loan program designed for low-income students and “making money.” Here was the response from the Department of Education:

“I’m unapologetic about using funds derived from our loan program to pay for Pell Grants,” said David Bergeron, deputy assistant secretary for policy and budget development for the Office of Postsecondary Education.

Under fair-value accounting rules, it will be more difficult for ED to maintain this “unapologetic stance.” Fair-value scoring requires changes to the loan programs that would clearly raise costs for students and families in the name of providing grant funds for many of the same students and others.

Akaka and Jackson-Lee Introduce Entrance/Exit Counseling Legislation

Senator Daniel K. Akaka (D-HI) introduced the College Literacy In Finance and Economics Act (College LIFE Act) to provide financial literacy counseling to university-level students who take out federal educational loans. Under the legislation, student borrowers would be provided entrance and exit financial literacy counseling at first disbursement of their loan and prior to their departure from their academic institution.

This month’s COHEAO financial literacy webinar address this topic. If you would like more information on the College LIFE Act, or would like to discuss the issue in greater detail, please contact Wes (whuffman@wpllc.net).

Although entrance and exit counseling is currently required under the HEA, the College LIFE Act is designed to expand upon this program. In addition to providing more comprehensive lessons in financial literacy, it would require a portion of the counseling to take place in-person, as opposed to exclusively online. It does not provide for any funding for schools to provide these services, but it does call for the Secretary to develop a curriculum that could be used by schools within one year of enactment.

The counseling curriculum would be based on the Financial Education Core Competencies developed by the Department of the Treasury and the Financial Literacy Education Commission, which identify five core financial literacy concepts (earning, spending, saving, borrowing, and protection) and explain the expected knowledge and outcomes associated with each.

“It is essential that we provide young adults with the financial skills they need to manage their finances and avoid costly and lasting mistakes,” said Senator Akaka. “Enormous debt, loan defaults, and insufficient financial literacy are too common among students and young adults today. The College LIFE Act will help students across the country improve their futures, and I am committed to seeing it enacted.”

A companion bill has been introduced in the House by Rep. Sheila Jackson-Lee (D-TX).

The Administration

ED’s “College Affordability and Transparency Center” Goes Live

The Department of Education has informed colleges that its “College Affordability and Transparency Center” site, authorized in the 2008 reauthorization of the Higher Education Act, is now live. The site is intended to provide useful information to students and their families (currently in the form of 54 different lists by sector) regarding the “true cost” of going to college.

Included on the site are the following:

- The top 5 percent of the most expensive institutions in terms of tuition and fees in the most recent preceding academic year for which data is available.

- The top 5 percent of the most expensive institutions in terms of net price in the previous academic year.
- The top 5 percent of institutions with the largest percentage change in tuition and fees over the three previous academic years.
- The top 5 percent of institutions with the largest percentage change in net price over the three previous academic years.
- The 10 percent of institutions with the lowest tuition and fees in the previous academic year.
- The 10 percent of institutions with the lowest net price in the previous academic year.

The Department and the White House highlighted the launch of the new site as another effort of the Obama Administration to bring transparency to government and provide . However, the "College Affordability and Transparency Center" is not the most user-friendly for comparing colleges across sectors and students and families do not often break down their college choices among "four-year publics, four-year non-profit privates, two-year publics, four-year for-profit privates, etc."

The aim of the list is to shame colleges with high tuition increases and praise those that have held the line on the out-of-pocket costs for students. However, the data does not account for the cost-of-attendance, only tuition and fees, and many schools have indicated the data is either in error or represents and one-off situation that appears to show a massive increase. In addition to providing the public with additional information, HEOA calls for the 5% of colleges with the highest net tuition increases to provide an explanation to the Department.

"Every institution that shows a large percentage increase will have explanations for why it happened," Terry Hartle of ACE told *Inside Higher Ed*. "They've had to explain this to their trustees, to their student body, to their alumni. They probably had to explain it to local media. They'll be able to do this."

The 2011 lists are based on data from the 2009-10 IPEDS collection cycle, which institutions have had the opportunity to review and correct if necessary. Although some schools are reporting significant errors in the data, NCES advises no additional revisions will be accepted.

The "College Affordability and Transparency Center" is available online:
http://collegecost.ed.gov/catc/Default.aspx
Additional coverage from *Inside Higher Ed*, "Naughty and Nice on College Price" is available online:
http://www.insidehighered.com/news/2011/06/30/education_department_releases_lists_on_college_prices

Fed Revises Debit Card Interchange Fee Caps, Both Merchants and Issuers Unhappy with Final Rules

The Federal Reserve Board on Wednesday issued a final rule establishing standards for debit card interchange fees and prohibiting network exclusivity arrangements and routing restrictions. This rule, Regulation II (Debit Card Interchange Fees and Routing), is required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, and has been criticized by bankers and merchants alike.

The Federal Reserve initially proposed a debit interchange fee cap of 12 cents per swipe, arguing the statute limited its ability to account for all costs. This figure was roundly criticized by all financial institutions and an effort was launched on Capitol Hill to delay its implementation with further study.

While that effort ultimately failed in the Senate, the 11,000 comments generated by the proposal did cause the Fed to account for some additional costs, reaching a 21 cent base rate with additional basis points for fraud protection. Bankers generally acknowledged the Fed's hands were tied, but continued to assert these fee caps would spell the end of free checking and limit access to financial institutions for the underbanked, among other things. Meanwhile, merchants were irritated with the Board's move to account for additional transaction costs and have even gone as far as to threaten legal action.

Debit card interchange fees are established by payment card networks and ultimately paid by merchants to debit card issuers for each electronic debit transaction. As required by the statute, the final rule establishes standards for assessing whether debit card interchange fees received by debit card issuers are reasonable and proportional to the costs incurred by issuers for electronic debit transactions. Under the final rule, the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction will be the sum of 21 cents per transaction and 5 basis points (.05 cents) multiplied by the value of the transaction. This provision regarding debit card interchange fees is effective on October 1, 2011.

The Board also approved on Wednesday an interim final rule that allows for an upward adjustment of no more than 1 cent to an issuer's debit card interchange fee if the issuer develops and implements policies and procedures reasonably designed to achieve the fraud-prevention standards set out in the interim final rule. If an issuer meets these standards and wishes to receive the adjustment, it must certify its eligibility to receive the adjustment to the payment card networks in which it participates. Comments on the interim final rule are due by September 30, 2011. The fraud-prevention adjustment is effective on October 1, 2011, concurrent with the debit card interchange fee limits. The Board will re-evaluate this adjustment in light of feedback received during this comment period.

When combined with the maximum permissible interchange fee under the interchange fee standards, a covered issuer eligible for the fraud-prevention adjustment could receive an interchange fee of up to approximately 24 cents for the average debit card transaction, which is valued at $38.

In accordance with the statute, issuers that, together with their affiliates, have assets of less than $10 billion are exempt from the debit card interchange fee standards. To assist payment card networks in determining which of the issuers are subject to the debit card interchange fee standards, the Board plans to publish by mid-July and annually thereafter lists of institutions that are above and below the small issuer exemption asset threshold. Also, the Board plans to annually survey the networks and publish a list of the average interchange transaction fees each network provides to its covered and exempt issuers. This information should enable issuers, including small issuers, to more readily compare the interchange revenue they would receive from each network.

The final rule prohibits all issuers and networks from restricting the number of networks over which electronic debit transactions may be processed to less than two unaffiliated networks. The effective date for the network exclusivity prohibition is April 1, 2012, with respect to issuers, and October 1, 2011, with respect to payment card networks. Issuers of certain health-related and other benefit cards and general-use prepaid cards have a delayed effective date of April 1, 2013, or later in certain circumstances.

Issuers and networks are also prohibited from inhibiting a merchant's ability to direct the routing of the electronic debit transaction over any network that the issuer has enabled to process them. The merchant routing provisions are effective on October 1, 2011.

As noted above, please complete the COHEAO survey on debit cards and contact Wes if this issue is of significant interest to your office. Additional information on the rules is available online:
http://www.federalreserve.gov/newsevents/press/bcreg/20110629a.htm

Today (Officially) Begins New Regulatory Burdens for Colleges

July is going to be an extremely busy month for college officials charged with regulatory compliance, particularly when it comes to student aid and student financial services. Although much of the attention was focused on the recently released (and revised) regulations defining "gainful employment in a recognized occupation," these controversial new rules do not take effect until next year.

However, the other program integrity rules that were part of the same regulatory package, as well as HEOA provisions related to cost transparency, such as net-price calculators, take effect today. These regulations were less problematic in terms of program eligibility, but much more far-reaching in that they impact multiple offices on campus. The new rules touch on gainful employment and address other topics such as state authorization of programs, the definition of a credit hour, incentive compensation for recruiters, consumer disclosures, among others.

Although some are much more problematic than others (see: state authorization, definition of a credit hour), there is no doubt the burden on schools has increased and campus officials are coping as best they can. Congress has tried to step-in on the issues of significant concern, with the House moving to repeal the regulations on state authorization and credit hour.

House Education and the Workforce Committee Chairman John Kline (R-MN) has promised more legislation to repeal the most problematic program integrity regulations, but the current regulations will remain in effect for some time. To mark the effective date for the regulations (today), Kline issued the following statement:

"The Department of Education has put in place a series of short-sighted and reckless regulations that will be detrimental to the nation's institutions of higher learning. These regulations are just another example of federal intrusion into areas best left to states and education leaders. At a time when individuals should be encouraged to pursue higher education, the department has created new regulations that will deny access to important education programs and weaken the nation's workforce. On behalf of students and workers, the fight to roll back these harmful regulations will continue. The Education and the Workforce Committee has already approved bipartisan legislation to repeal various pieces of the department's regulations, and we will continue to promote bipartisan initiatives to preserve academic freedom in higher education."

Meanwhile, other offices on campus are bracing for changes brought about by the Dodd-Frank Wall Street Reform and Consumer Protection Act. July 21 is the designated transfer date for the start of the new Consumer Financial Protection Bureau (CFPB), which means that colleges, in the instances where they act as a provider of consumer financial products, are bracing for a new regulator enforcing the Truth in Lending Act (TILA) and the Fair Debt Collection Practices Act (FDCPA).

Additional information on the program integrity regulations is available online:
http://www2.ed.gov/policy/highered/reg/hearulemaking/2009/integrity.html
Information on the CFPB is available online:
www.consumerfinance.gov

CFPB Offers Advice on Student Loans

The blog of the Consumer Financial Protection Bureau (CFPB) featured a post on student loans this week. It was written by Rohit Chopra, a policy analyst charged with covering private student lending. An excerpt from the post is included below:

Repaying federal student loans
For most federal student loans, there is a six-month grace period after leaving school. After this point, you will need to start making payments. Most American college students would need to start making payments between October and December of their graduation year. The standard federal loan repayment plan will have your loans all paid off in 10 years.

If you're interested in the current balance of your Federal loans, check out the [National Student Loan Data System](). This system will tell you the amount you owe, as well as your servicer (the company that is responsible for collecting payments from you). You can then go to your servicer's website, register to view your account online, and choose options like automatic debit or other payment options.

Repaying private student loans
Private student loans do not have a standard repayment process. Some you may have started paying off while in school; some may have a grace period condition similar to Federal loans. You should contact your lender or servicer for more information about when to start repayment and what the payment schedule is.

Whether private or public, staying on top of loan repayment is a shared responsibility between the borrower and the lender. If you are a borrower, it is in your best interest to make sure you understand the repayment schedule, and to make sure the servicer knows how to reach you. The best way to make sure you pay on time is to make sure you receive the bill on time, so tell the lender if you relocate. Unpaid balances continue to accrue interest, and late payments can result in penalties.

The post promises more consumer tips in the future. It is available online:
http://www.consumerfinance.gov/get-ready-to-conquer-your-student-loans/

GAO: Federal Financial Literacy Certification Presents Major Challenges

The U.S. Government Accountability Office, "the investigative arm of Congress," issued a report on the feasibility of federal certification programs for financial literacy providers. While the report states such a program may be feasible, it also notes the diversity of financial literacy providers and services and the lack of clear evidence as to what is effective in this area, and concludes creating such a program would pose significant challenges.

The report was submitted to Sen. Tim Johnson (D-SD), Sen. Richard Shelby (R-AL), Rep. Spencer Bachus (R-AL), and Rep. Barney Frank (D-MA), the chairmen and ranking members of the House and Senate banking committees. A summary from the GAO is included below:

> *Relatively few evidence-based evaluations of financial literacy programs have been conducted, limiting what is known about which specific methods and strategies are most effective. Financial literacy program evaluations are most reliable and definitive when they track participants over time, include a control group, and measure the program's impact on consumers' behavior. However, such evaluations are typically expensive, time-consuming, and methodologically challenging. GAO's review of 29 evidence-based studies evaluating specific programs or approaches indicates that several have been effective in changing consumer knowledge or behavior. For example, several of these studies showed that individualized one-on-one credit counseling, employer-provided retirement seminars, and education provided in a classroom setting have had effective outcomes. However, the diversity of these programs and their evaluation methods makes drawing generalizable conclusions difficult. As a result, it appears that no one approach, delivery mechanism, or technology constitutes best practice, but there is some consensus on key common elements for successful financial education programs, such as timely and relevant content, accessibility, cultural sensitivity, and an evaluation component. In addition,*

several mechanisms and strategies other than financial education have also been shown to be effective in improving consumers' financial behavior, including financial incentives or changing default options, such as through automatic enrollment in employer retirement plans. The most effective approach may involve a mix of financial education and these other strategies. While a federal process for certifying financial literacy providers appears to be feasible, doing so would pose challenges. Initiating and developing such a process would necessitate that Congress or federal agencies determine which entity would administer the certification, the types of providers that would be covered, the degree of oversight required, and other aspects of the process. Some financial literacy stakeholders with whom GAO spoke cited potential benefits to federal certification. For example, some noted that it might help improve the quality of financial education providers, help consumers identify competent providers, or create greater public awareness about financial education. However, as the experiences of the Trustee Program's and HUD's approval processes show, federal certification would require financial and staff resources for administering the process. Moreover, most financial literacy stakeholders with whom GAO spoke cited additional concerns, including the potential cost and administrative burden to certified entities, the challenge of creating a single process for certifying such a diverse field, and skepticism that certification would improve the quality of financial education providers. Further, the lack of consensus about which financial literacy strategies and approaches are most effective would make certification challenging.

Additional information on the GAO report, including the full report and a highlights page, is available online: http://www.gao.gov/products/GAO-11-614

Industry News

Former NYT Reporter Calls for Expanding Federal Loan Limits, Eliminating Private Student Loans

A new paper from Jonathan Glater, formerly a reporter for the *New York Times* and now a law professor at the University of California—Irvine, calls for the expansion of the federal loan programs in order to eliminate private loans.

While Glater offers policy recommendations, they are not the most realistic, and the paper fails to cover the nuances of education finance. However, it is an interesting look at what a reporter from the *New York Times* considers to be "reliable sources" on student lending issues. Here are the acknowledgements from Glater, which includes many names that have made careers from criticizing private student lenders:

I am deeply indebted to Erwin Chemerinsky and Rachel Moran for sharing tremendously helpful comments on an early version of this article, and to Stephen Lee, Angela Onwuachi-Willig, Mario Barnes, Deanne Loonin, and Rafael Pardo for helping me to refine it. Too many wise and kind people to acknowledge individually introduced me to the world of financial aid while I covered higher education at The New York Times, but I owe special thanks to Michael Dannenberg. And this could not have been written without the advice and support of the best professor I have had, Jennifer M. Chac´on.

The paper attempts to provide a legislative history of the student aid programs and the student loan industry, but it would be difficult to argue that it offers a full story. For instance, it does not attempt to address the private loan programs that are a better deal for students, such as some institutional loans.

Glater often focuses on the public service loan forgiveness programs of federal loans, citing them as a “primary goal” for the student loan programs. Although the Perkins Loan Program has the most generous forgiveness benefits of any of the programs, Glater does not mention the program once in his paper.

He argues the limits should be increased to the full cost of attendance, thus eliminating private student loans, and all non-Stafford Loans for that matter. The analysis does briefly tackle the criticism Glater envisions for his proposal, such as over-borrowing, fueling tuition increases, and taxpayer risk, but the author does not address the federal debt implications of such a proposal.

The full paper is available online: http://bit.ly/jFuix9

CAP Calls for Student Loan Relief to Spur Economy

The Center for American Progress (CAP) is calling on Congress and the Department of Education to offer relief to student loan borrowers as part of efforts to spur the economy.

CAP proposes to extend the rebate incentive for 12 on-time benefits to borrowers of “all federal student loans.” Loans purchased by the government in the ECASLA programs already carry this benefit, so the proposal is meant to address outstanding FFEL loans. The proposal, which came in the form of an article, does not address the existing borrower benefits on those loans.

The organization also argues the rebate should be provided upfront, as opposed to the current practice of applying it over the life of the loan and reducing the average payment by three dollars per month. CAP argues such a proposal would help spark consumer demand by providing $345 in “temporary disposable income” for millions of student loan borrowers. Any borrowers who did not meet the on-time payment requirement would have the rebate tacked back onto the loan.

CAP asserts frontloading the rebate would “free up” $2.4 billion for the economy. Historically, the rate of borrowers receiving the on-time repayment benefit has been remarkably low, often in the single digits.

The article also calls for extending the grace period on federal loans from six to twelve months. It states interest would be capitalized at the end of the grace period, but does not indicate whether this would apply to all loans or only unsubsidized loans. It also does not address the current deferment, forbearance, and income-based repayment options available to federal loan borrowers. CAP states this proposal would “free up” an additional $5.5 billion for U.S. consumers, although unsubsidized Stafford and PLUS loan borrowers would owe more in the long run.

Corinthian Announces New Private Loan Program, Discontinues Internal Lending Operation

Corinthian announced a new private education discount loan program with ASFG, LLC (ASFG) for Corinthian students. ASFG intends to fund approximately $450 million in new student loans over the next two years.

Under the ASFG Program, an unaffiliated lender will continue to make private education loans to eligible students and subsequently sell those loans to ASFG or its designee. Under the Company's existing student loan program, the unaffiliated lender sells the loans to Corinthian.

"We began our internal student lending program in 2008 when the credit crisis made it virtually impossible for students to find gap financing," said Jack Massimino, Corinthian's chairman and chief executive officer. "Our program provided an essential service for students, but it was not our intention to remain a lender over the long term. Our partnership with ASFG makes it possible to provide a source of loans for students who need financing in addition to federal and other student aid programs. In addition, our agreement with ASFG provides us with accelerated cash flows and assists us with meeting the 90/10 Rule, particularly after the Congressional relief associated with internal lending expires in July 2012."

The ASFG Program will be made available to Corinthian students starting in the first quarter of fiscal 2012. As with the Company's previous discount loan program, under the ASFG Program the Company will pay a discount to ASFG for any loans purchased by ASFG and record the discount as a reduction to revenue. Under a backup loan purchase agreement with ASFG, the Company will be obligated to purchase any of the student loans on which no payment has been made for over 90 days. The Company expects its financial risk under this loan program to be substantially similar to the risk associated with its existing discount loan program.

Under the agreement with ASFG, the Company is required to pay certain discount, transaction, management, origination and default aversion and other ancillary fees of approximately $17 - $19 million per year, which is incrementally $10 - $12 million higher per year than the fees payable under the Company's existing loan program.

Separately, the Company sold to ASFG, on a non-recourse basis, part of its current portfolio of student loans for approximately $24 million.

Survey Shows Gloomy Outlook, Lack of Financial Aid Awareness from Young Non-Grads

A new survey from Public Agenda suggests young people who only have a high school degree don't know much about how to start their college education, with seven in 10 unable to identify the standard federal financial aid form. Sponsored by the Bill & Melinda Gates Foundation, the survey examined the views of more than 600 young adults, both those who completed either a college degree or postsecondary certificate and those whose highest educational credential is a high school diploma.

Young people with only high school diplomas are much less confident that they'll be financially secure than those with college degrees. Only 36 percent of high school graduates say it's "very likely" they'll be financially secure in their lifetime, compared to 55 percent of college graduates.

Additionally, nearly 4 in 10 of the respondents said they've given "a lot of thought" to going back to school. But only 26 percent knew that "FAFSA" (Free Application for Federal Student Aid) was a financial aid form while some 67 percent of college graduates could identify the form.

Overall, those with only a high school education have a much darker view of their financial future:

- Only 4 in 10 high school graduates see their job as a "career," compared to 63 percent of college graduates
- Only 15 percent of high school graduates surveyed earned more than $75,000 per year, compared to 40 percent of college graduates
- Some 29 percent of high school graduates who are out of work strongly agree that "I may not be able to find a job in the next year or so" compared to 11 percent of unemployed college graduates

Despite their anxieties, most young people without college degrees hold onto a belief that there will be other avenues open to them. Some 57 percent of those with only high school diplomas said there are many ways to succeed in the job market without a college education. By contrast, 55 percent of college graduates consider a degree ”necessary for a person to be successful.”

Neither high school grads nor college grads see getting a bachelor's degree from a state university as an unquestioned guarantee of financial security. A majority of high school graduates (68 percent) and college graduates (75 percent) agree that someone who graduates college and goes on to an advanced degree, such as a law degree or Ph.D., is "very likely" to be financially secure. However, only about a third of both groups said someone with an undergraduate degree from a state university is very likely to be secure, comparable to people who apprentice to a trade like carpentry or plumbing.

Almost nine in 10 of both high school and college graduates agree that students have to borrow too much money to pay for college. Among those with only a high school diploma, there's also a greater skepticism about whether that debt is worth it. Only 37 percent of high school graduates "strongly agree" that going college is worth it in the long run, even if you have to take out a loan. Some 54 percent of college graduates strongly agree.

The young people surveyed are also skeptical of the motives of higher education institutions. Some 71 percent of high school graduates and 65 percent of college graduates say colleges are "like most businesses and care mainly about the bottom line." Only 25 percent of high school graduates and 33 percent of college graduates say that colleges "mainly care about education."

"One Degree of Separation: How Young Americans Who Don't Finish College See Their Chances for Success," is the third in a series of Public Agenda surveys probing young people's attitudes on higher education and college completion. The complete report, including full survey details and methodology, is available at www.publicagenda.org/onedegreeofseparation

Private College Tuition Increases Slowing, Some Public Colleges May See Double Digit Increases This Year

NAICU released a survey of its members this week showing an average 4.6% yearly tuition increase. Although still much greater than the rate of inflation, the self-reported survey has shown increases around 4.5% for the past three years, significantly less than the average 6% tuition increases of the previous ten years.

Tuition discounting and other forms of institutional aid have increased in recent years. The NAICU survey also reports a 6.8% increase in institutional aid this year.

While independent colleges are trying to "hold the line" on pricing, as they must out of necessity in a difficult economic climate, public colleges are reporting significant percentage increases in tuition. Some states expect 10% increases at all public colleges with flagship universities charging as much as 20% more for their sticker price, although those prices of course are still usually lower for in-state students than private colleges. Most of the increases in public tuition are the result of dismal state budget situations and, unfortunately, this phenomenon is not limited to a handful of states.

For more information on the NAICU study, visit: **http://www.naicu.edu/news_room/default.asp**

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COHEAO Mid-Year Conference Agenda 2011

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

<u>Sunday, July 31, 2011</u>

8:30am-3:00pm	Board of Directors Meeting
3:30pm-5:00pm	Perkins Task Force Meeting
	Leader: Nancy Paris, ACS
5:00pm–6:00pm	Accounts Receivable Management Task Force Meeting
	Leader: Laurie Beets, Oklahoma State University

<u>Monday, August 1, 2011</u>

7:30am-9:00am	Registration & Breakfast
8:00am -9:00am	Commercial Members Meeting
	Leader: Karen Reddick, National Credit Management
9:00am-9:15am	The President's Welcome & Opening Remarks
	Speaker: Bob Perrin; COHEAO President
9:15am-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. Wadsworth will review the current budget situation, ongoing debates in higher education, and standalone legislation, such as Sen. Daniel Akaka's College-LIFE Act, among others.*
	Speaker: Harrison Wadsworth; COHEAO Executive Director
	Introduction: Edgar Delos Angeles; University of California – Irvine
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: Jeane Olson, Northern Arizona University
11:00am-11:15am	Break
11:15am-12:30pm	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.* Panelists: Tom Sakos; DeVry Nancy Coolidge; University of California Moderator: Jackie Ito-Woo, University of California
12:30pm-1:45pm	Lunch and Luncheon Address Speaker: Debra Cochran; St. Charles District Office Director, Office of Congressman Todd Akin Introduction: Karen Reddick; National Credit Management
2:00pm-3:00pm	Session: 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: Tom Cox; Financial Asset Management Systems, Inc.
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: Neil Welborn, Todd, Bremer & Lawson, Inc.

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: Carl Perry; Progressive Financial Services

6:00pm-7:00pm Reception

A full day of in-depth student loan and student aid discussions most certainly should conclude with some time to wind down and socialize with your colleagues. Please join your friends and colleagues 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; U.S. Department of Education
Introduction: Maria Livolsi; State University of New York

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
Introduction: Bob Frick, University Accounting Service

11:30am-12:30pm	Session: Student Loan and Student Aid Benefits for Active Duty and Veteran Students *There are numerous benefits available to both active duty and veteran students. This session will provide a review of those benefits, focusing on the deferment and cancellation benefits for these students in the federal loan programs, as well as providing a high level overview of the updated GI Bill.*		
	Speaker:	Stanton Nickens, Education Liaison Representative, Department of Veterans Affairs	
	Introduction:	Tom Schmidt, University of Minnesota	
12:30pm	Conference Concludes		