The Torch

July 29, 2011

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

COHEAO News

- **COHEAO Is Coming to St. Louis!**
  The COHEAO Mid-Year Conference begins on Sunday and we are looking forward to seeing many of you in St. Louis for what promises to be an informative and enjoyable three days.

The Congress

- **Deal or No Deal?**
  Progress is very slow in the debt ceiling debate and signs of a breakthrough are minimal, particularly since Speaker John Boehner (R-OH) had to modify his proposal to make it more appealing to House Republican conservatives. Boehner's legislation, as revised, finally squeaked through the House in a vote of 218-210 as *The Torch* was going to press.
- **Student Aid and the Debt Ceiling**
  The student aid programs have long been a part of the debt ceiling negotiations and it is continuing in the run-up to default
- **Duncan Appears Before Senate Labor-HHS Subcommittee**
  On Wednesday, the Senate Subcommittee on Labor-HHS-Education Appropriations received testimony from Education Secretary Arne Duncan.
- **HELP Committee Convenes Roundtable Hearing on For-Profit Higher Education**
  Last week, HELP Chairman Tom Harkin (D-IA) convened another hearing in his series of inquiries on for-profit education.

The Administration

- **Obama to Nominate Cordray for CFPB Director, Republicans Vow to Block Nomination without Structural Changes to CFPB**
  Last Sunday, President Obama announced his intention to nominate Richard Cordray as the Director of the Consumer Financial Protection Bureau (CFPB).
- **Date Named to Replace Warren as President's Special Advisor on Consumer Finance**
  The Treasury Department announced July 26 that Raj Date would replace Professor Elizabeth Warren as Special Advisor to the Secretary of the Treasury on the Consumer Financial Protection Bureau (CFPB), effective August 1.

Industry News

- **Aid Administrators Vocal with Concerns with ED at NASFAA Conference**
  Reports indicate financial aid administrators were vocal with their concerns during an open forum with Department of Education officials at the NASFAA annual conference in Boston last week
- **Kantrowitz Offers CFPB Student Loan Recommendations**
  Mark Kantrowitz published a short-paper of recommendations for the Consumer Financial Protection Bureau on private student loans.

Attachments

- **Board of Directors**
- **COHEAO Commercial Members**
- **2011 Mid-Year Conference Draft Agenda**
- **HELP Committee Hearing Summary**

COHEAO News

COHEAO Is Coming to St. Louis!

The COHEAO Mid-Year Conference begins on Sunday and we are looking forward to seeing many of you in St. Louis for what promises to be an informative and enjoyable three days.

Presentation materials were sent to attendees earlier today. If you are attending the conference, but have yet to receive this information, please contact Wes (whuffman@wpllc.net).

Today's presentation materials also included a call for topics for the Perkins, A/R, and Financial Literacy Task Forces. If you are unable to attend the Mid-Year, but believe our task forces should tackle a particular topic, please feel free to send your ideas to Wes or the Chairs of the respective Task Forces.

Conference materials will be posted online shortly following the conference. They are likely to be a feature on the new and improved COHEAO website, which will be demoing for attendees at the conference.

If you are attending the Mid-Year, we wish you safe travels, and we will see you in a couple of days.

The Congress

Deal or No Deal?

Progress is very slow in the debt ceiling debate and signs of a breakthrough are minimal, particularly since Speaker John Boehner (R-OH) had to modify his proposal to make it more appealing to House Republican conservatives. Boehner's legislation, as revised, finally squeaked through the House in a vote of 218-210 as *The Torch* was going to press.

More than a handful of conservatives contended the initial proposal doesn't go far enough, so Boehner amended the bill Thursday night and brought it up again today. Boehner added a requirement that Congress pass a balanced budget Constitutional amendment (BBA) and send it to the states for ratification before another debt ceiling increase could be considered. That mollified enough of the most conservative Members, allowing the bill to pass.

Senate Majority Leader Harry Reid (D-NV) has his own plan to resolve the crisis that proposes cuts similar to the Boehner proposal but is far larger, as the Reid bill would raise the debt ceiling to a level that wouldn't require further action until after the next election cycle while Boehner's would require another increase in about five months. The White House is strongly behind the Reid plan and has threatened a veto of the Boehner proposal. The Senate has yet to act but is expected to start its procedures tonight, with a vote Sunday night or Monday.

Both parties are pushing for nearly the same substance in their legislation, they really only disagree on the mechanics of raising the budget ceiling around the elections. If neither side gives, both will be putting electoral politics ahead of the "full faith and credit of the United States government" and its impact on the global economy.

The deadline is a few days away, and whatever the outcome, the credit rating agencies have taken notice that neither Republican nor Democratic leaders can come together for a serious compromise on the U.S. budget.

In terms of the default deadline of August 2, once the House (finally) acts, all eyes will turn to the Senate. The following is from *CQ* on the Senate's plans for the weekend. As you can see from the excerpt, the United States government's ability to pay its bills is on very thin ice:

> *"Reid will likely file a motion to concur in the House-passed bill, then immediately move to table his own motion, said Democratic aides. That maneuver would require only a simple majority vote and would have the effect of rejecting the House debt limit proposal while not killing the legislative vehicle carrying it.*
>
> *If Reid can cut a deal Friday with Minority Leader Mitch McConnell, R-Ky., on a bipartisan amendment to the bill, he can file a motion to limit debate late Friday and set up a crucial cloture vote on Sunday, perhaps in the early morning hours.*
>
> *If Reid could muster 60 votes for cloture, he would then hope to win adoption of the bipartisan amendment and pass the bill Aug. 1.*
>
> *A deal cut on Saturday would push Senate passage of the bill until Aug. 2, perhaps still leaving time for the House to clear the measure before the Treasury has to stop paying the government's bills.*
>
> *But Reid and McConnell have yet to find common ground, and it remains far from clear how the House's Republican majority would receive whatever the Senate might pass"*

Below is information on the various plans, including the opinion of the rating agencies on their impact on the U.S. sovereign debt rating, prepared by Citi Research. It is also available (and most likely more clear) online at:
http://www.zerohedge.com/sites/default/files/images/user5/imageroot/draghi/Debt%20Plan%20Summary_0.jpg

Figure 1. Simplification of Types of Potential Budget Deals

Plan	Short Description	Deficit Reduction	House	Senate	President	Rating Agencies
'Overlap' Plan	Not an actual plan, but a compromise based on overlapping deficit cuts in other plans	$1-2 trillion / 10-12 years	Compromise	Compromise	Likely to Sign	'AA'
Extension (*)	A small amount of deficit cuts in exchange for a commensurate increase in debt ceiling. Followed by further negotiation	$100 billion / month for X months	Likely to Pass	Grudgingly Pass	Grudgingly Sign	'AA' absent immediate follow-up
McConnell/Reid (Plan B)	Gives President ability to raise debt ceiling by $2.5 trillion over 2-years. Accomplishes debt ceiling hike by shifting blame to President – minimal debt progress	$300 billion / 2 years	Unlikely to Pass	Grudgingly Pass	Grudgingly Sign	'AA'
Gang of Six Plan	Meaningful spending cuts and tax reform. Tax increases are hidden by AMT reform in attempt to provide cover to Republican House	$4 billion/ 10-12 years	Unlikely to Pass	Likely to Pass	Likely to Sign	'AAA'
Cut, Cap and Balance	Cut deficit in half next year, cap revenue at 18% of GDP, introduce balanced budget amendment	$1.4 trillion / 2 years, More in future years	Passed 234-190	Unlikely to Pass	Unlikely to Sign	'AAA'
Temporary Default (*)	No deal is reached in time	NA	NA	NA	NA	Default

Source: Citi Investment Research and Analysis

* These outcomes would be followed with future plans. A default would, hopefully, lead to another deal relatively quickly. An extension, by definition would precede another deal at some pre-determined interval.

Student Aid and the Debt Ceiling

The student aid programs have long been a part of the debt ceiling negotiations and it is continuing in the run-up to default. Last week, President Obama told House Majority Leader Eric Cantor he was not going to "screw students" by eliminating the in-school interest subsidy for all Stafford Loans, as long as the Republicans were not willing to raise taxes on high income earners.

President Obama drew praise from the Washington higher education community for drawing a line in the sand for undergraduates (at least until the GOP was willing to raise taxes). However, it now appears that the Stafford Loan interest subsidy for graduate and professional students is headed for elimination. The two operative debt ceiling plans—Speaker Boehner's in the House and Majority Leader Reid's in the Senate—remove the in-school interest subsidy for those students, diverting the savings to shore up the Pell Grant Program for the next two years.

Of course, both plans rely on the 10-year savings from eliminating the subsidy to provide funding for Pell Grants for the next **two** years. By 2014, the year Higher Education Act reauthorization is supposed to happen, the program will again face a significant shortfall. There were reports last night that several freshman Republicans were concerned with Boehner's plan to put the savings from eliminating the interest subsidy toward Pell Grants. While there were several who were critical, suggesting the House Pell provisions were the equivalent of additional spending, none cited Pell as their reason for opposition to the Boehner plan and the BBA was sufficient to bring enough of them on board.

While they are very much alike, and very much draw on the President's budget proposal, there are some key differences between the Boehner and Reid treatment of the in-school interest subsidy in their respective debt ceiling plan. The Reid proposal is a simple elimination with the funds going toward Pell Grants. Meanwhile, Boehner's plan provides for some students to continue to receive the benefit, allowing students enrolled in teacher certification and graduate courses required for a degree or certificate to maintain the benefit. However, it also includes a prohibition of borrower on-time repayment discounts in the Direct Loan program beyond a .25 percent interest rate reduction for electronic payments. This would eliminate the "up-front interest rebate" that currently exists in Direct Lending.

In terms of student aid and the impact on colleges in a scenario where the government can't borrow, there has been no official word and no one really knows what will happen. However, the one thing that is clear is that a prolonged breach of the debt ceiling would be very problematic for colleges and universities.

Money for college students is a priority for the U.S. government, but it is difficult to see the Administration prioritizing student aid funds ahead of Social Security benefits and military paychecks or other "essential" government functions. Further, a default scenario is in such unchartered waters that no one knows if the Administration has the authority or, in an automated system, the ability, to prioritize payments. In fact, some experts are predicting Treasury would simply pay the U.S. bills as they come due. Financial aid officials are becoming increasingly worried, particularly with the August "busy season" just around the corner, but the Department is giving no indication as to what, if any, Title IV funds will be disbursed.

Additional coverage from *Inside Higher Ed* on the concerns of financial aid administrators is available online:
http://www.insidehighered.com/news/2011/07/27/what_will_happen_to_student_aid_if_debt_limit_is_reached
Additional coverage from *The Seattle Times* on the impact of a possible default or downgrade on one university, the University of Washington, is available online:
http://seattletimes.nwsource.com/html/businesstechnology/2015760503_moodys29m.html

Duncan Appears Before Senate Labor-HHS Subcommittee

On Wednesday, the Senate Subcommittee on Labor-HHS-Education Appropriations received testimony from Education Secretary Arne Duncan. Though the budget will be shaped by the debt ceiling debate and the President's Budget was defeated in the Senate 97-0, Duncan appeared before the Subcommittee to defend its education provisions.

Subcommittee Chair Tom Harkin (D-IA) expressed dismay that, at a time when states are confronting their own budget struggles, federal investments in education are on a downward path. His Republican counterpart—Senator Richard Shelby (R-AR)—had a different point of view. He chided the Secretary for requesting what amounts to a 20 percent increase in funding at the Department since FY2010, in light of the nation's debt crisis. Duncan repeated his and President Obama's view that the country must educate itself out of the economic slide. Though the hearing was generally a friendly one, there was an obvious divide between Democrats and Republicans and whether the federal government can afford to continue funding education programs beyond the most basic ones.

While Duncan's testimony generally focused on other areas of education policy, Senators Richard Durbin (D-IL) and Sherrod Brown (D-OH) both made brief comments generally related to student loans.

Durbin noted that a few months ago student loan debt exceeded credit card debt, a threshold that he found troubling and that had gone essentially unnoticed. He added that while the proprietary school sector enrolled 10 percent of postsecondary students, they consumed 25 percent of federal aid and accounted for 44 percent of student loan defaults. He praised Senator Harkin for his investigation of the propriety school industry, describing the situation as a "subprime mortgage pyramid." He grudgingly acknowledged that there are some good proprietary schools and asked the Secretary to revisit the accreditation process that allows the "bad actors" to receive federal aid.

Brown noted that 89 percent of first generation college attendees leave college after six years without a degree and asked Secretary Duncan what was being done to help them. Duncan responded that the preservation of the Pell Grant program, the focus on community college support and a new "first in the world competition" to provide funds to higher education institutions to support completion efforts would aid this target population. Brown also said the elimination of certain incentives to borrowers in the Direct Loan program that were included in Speaker of the House John Boehner's (R-OH) Debt Ceiling Reduction bill was short sighted.

HELP Committee Convenes Roundtable Hearing on For-Profit Higher Education

Last week, HELP Chairman Tom Harkin (D-IA) convened another hearing in his series of inquiries on for-profit education. Though Republican HELP members again did not attend in protest, this hearing was somewhat different from the others, as it was a "roundtable discussion of policy solutions" for "improving for-profit higher education." A full summary of the hearing is included with today's edition as a special attachment.

Additional information on the hearing, including witnesses' prepared statements and an archived webcast, is available online: http://help.senate.gov/hearings/hearing/?id=28fa4b62-5056-9502-5d71-198cd2223f7a

The Administration

Obama to Nominate Cordray for CFPB Director, Republicans Vow to Block Nomination without Structural Changes to CFPB

Last Sunday, President Obama announced his intention to nominate Richard Cordray as the Director of the Consumer Financial Protection Bureau (CFPB). Wanting to avoid a nasty confirmation fight, the President did not nominate Elizabeth Warren to be the first director for the Bureau.

In spite of the decision to bypass Warren, Republicans have vowed to block the nomination in an effort to secure structural changes to the Bureau. The three main Republican modifications are as follows:

1. Replace the Director position with a five-person commission
2. Subject the CFPB to annual appropriations—Currently, the CFPB receives its funding as a percentage of the operating budget of the Board of Governors of the Federal Reserve.
3. Lower the extremely high bar for a veto of CFPB regulations from the Financial Stability Oversight Council due to safety and soundness concerns—Currently, 7 out of 10 members on FSOC, which includes the CFPB Director, must vote to veto a regulation.

In the days following the announcement, the Republicans did not back down from their plans. Senate Banking Committee Richard Shelby and other GOP Senators on the Committee described Cordray's nomination as "dead on arrival," and the House continues with efforts to curb the independence of the CFPB and its Director.

The Bureau officially opened for business on July 21. The Senate Banking Committee announced it will hold confirmation hearings for Cordray on Thursday, August 4.

Date Named to Replace Warren as President's Special Advisor on Consumer Finance

The Treasury Department announced July 26 that Raj Date would replace Professor Elizabeth Warren as Special Advisor to the Secretary of the Treasury on the Consumer Financial Protection Bureau (CFPB), effective August 1. In August, Warren is to return to teaching at Harvard Law.

Date currently serves as Associate Director of Research, Markets, Regulations at CFPB. He oversees several offices, including Research, Regulations, Card Markets, Mortgage Markets, Credit Information Markets, Deposit Markets, and Specialty Finance Markets. Before joining CFPB, Date worked for more than a decade in the financial services industry, both at Capital One Financial, where he was a Senior Vice President, and later at Deutsche Bank, where he was a Managing Director.

Industry News

Aid Administrators Vocal with Concerns with ED at NASFAA Conference

Reports indicate financial aid administrators were vocal with their concerns during an open forum with Department of Education officials at the NASFAA annual conference in Boston last week. *Inside Higher Ed* reports on the exchanges between Dan Madzelan, Director of Forecasting and Policy Analysis at the Office of Postsecondary Education, Jeff Baker, OPE's chief liaison with the Office of Federal Student Aid, and NASFAA attendees:

"Sustainability is one thing," said NASFAA's president, Justin Draeger, speaking of the future of financial aid programs. "Predictability is another. Congress is failing us when it comes to predictability."

Administrators' frustration, which boiled over during sessions on student debt and on federal regulation, seemed to spring from at least two sources: the recent and frequent changes in regulation, and the fact that they feel held responsible for factors they cannot control.

"Many of us are weary of the number of changes that are going on," one audience member said during the Education Department forum. When another expressed concern about the end of the year-round Pell Grant,

others in the audience spontaneously applauded. "I wish you would ask us first, before you made changes, to see what we think," another participant said.

Complaints dealt with all of the government's recent changes. The shift to the direct loan program, which kept lenders as loan servicers although the government now originates the loans, has led to confusion on some campuses where students' loans are serviced by as many as three different companies, several session participants said. The increased scrutiny of colleges' default rates has frustrated administrators who say they are doing all they can, but that they cannot force students to pay back their loans and fear their colleges might be penalized as a result.

Others say they are in limbo on the state authorization rule, which would require distance education providers to seek authorization in every state in which they operate and was recently struck down by a judge.

"I appreciate your frustration," said Dan Madzelan, director of forecasting and policy analysis staff at the department's Office of Postsecondary Education. "We are not without it from time to time back in Washington."

The full article is available online:
http://www.insidehighered.com/news/2011/07/19/financial_aid_administrators_exasperated_by_regulations
For more articles from *Inside Higher Ed's* coverage of the NASFAA conference this week, visit:
http://www.insidehighered.com/news

Kantrowitz Offers CFPB Student Loan Recommendations

Mark Kantrowitz published a short-paper of recommendations for the Consumer Financial Protection Bureau on private student loans. Included in the report was a "Student Loan To-Do List." Kantrowitz's list is below:

- *Hire an assistant director for oversight over private student loans.*
- *Require all private education loans to be school-certified.*
- *Create a centralized clearinghouse for tracking complaints about student loans.*
- *Track data on private education loans.*
- *Establish a Private Education Loan Ombudsman.*
- *Restore bankruptcy protections for borrowers of private education loans.*
- *Require lenders to send borrowers loan statements at least quarterly while the students are enrolled in college.*
- *Ban discrimination in credit underwriting for private education loans.*
- *Monitor education lender advertising. T*
- *Establish an advisory board.*
- *Improve financial literacy training for college students.*

Though only four-pages, the paper offers additional information on each of these recommendations. Kantrowitz also included a recommended reading list which includes several of his previous reports as well as writings from TICAS and Deanne Loonin of the National Consumer Law Center.

The full paper is available online: **http://www.finaid.org/loans/20110717cfpbombudsmantodolist.pdf**

COHEAO Board of Directors

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

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

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

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

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

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

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

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

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

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

Internal Operations
Tom Schmidt
Associate Director of Student Financial Collections & Third Party Billing
University of Minnesota
Student Account Assistance
211 Science Teaching & Student Services
222 Pleasant St. SE
Minneapolis, MN 55455
612-625-1082
t-schm@umn.edu

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

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

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

Membership Co-Chair, Development
Michael Mietelski
Regional Director of Business Development
ConServe
200 Cross Keys Office Park
Fairport, NY 14450-0007
800-724-7500 x4450
mmietelski@conserve-arm.com

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

Member at Large
Larry Rock
Director of Student Loan Repayment
Concordia College
901 S. 8th St.
Moorhead, MN 56562
218-299-3323
larock@cord.edu

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

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

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

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

Account Control Technology, Inc.

ACS Inc.

AMO Recoveries, Inc

BlackBoard, Inc.

Campus Partners

Coast Professional

Collecto, Inc. d/b/a Collection Company of America

ConServe

Collectcorp

Credit Control, LLC

Credit World Services, Inc.

Delta Management Associates

Education Assistance Services, Inc

Educational Computer Systems, Inc.

Enterprise Recovery Systems, Inc.

.

Financial Asset Management Systems, Inc.

General Revenue Corporation

Immediate Credit Recovery, Inc.

JC Christenson and Associates

National Credit Management

NCO Financial Systems, Inc.

Northland Credit Control, Inc.

Progressive Financial Services, Inc.

Recovery Management Services, Inc.

Regional Adjustment Bureau, Inc.

Reliant Capital Solutions, LLC

Todd, Bremer & Lawson, Inc.

Williams & Fudge, Inc.

Windham Professionals

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

wpllc WASHINGTON PARTNERS LLC

Make Your Voice Matter.

To: Interested Parties
From: Wes Huffman
Re: Senate HELP "Policy Roundtable" on For-Profit Higher Education
Date: July 22, 2011

Yesterday, HELP Chairman Tom Harkin (D-IA) convened another hearing in his series of inquiries on for-profit education. This hearing was much different from the others, as it was a "roundtable discussion of policy solutions" for "improving for-profit higher education."

The hearing was also notable for its witness list, which included executives at for-profit colleges, policy "experts," and government officials on issues related to higher education, military families, and consumer financial protection. The roundtable witnesses are listed below:

- **Michael Barr** , Professor, University of Michigan Law School, Ann Arbor, MI
- **Hayes Batson** , President and CEO,, Regency Beauty Institute, Brooklyn Park, MN (Testimony: http://help.senate.gov/imo/media/doc/Baston.pdf)
- **Jose Cruz** , Vice President for Higher Education Policy and Practice, The Education Trust, Washington, DC (Testimony: http://help.senate.gov/imo/media/doc/Cruz1.pdf)
- **Daniel Hamburger** , President and CEO, DeVry, Inc., Downers Grove, IL (http://help.senate.gov/imo/media/doc/Hamburger.pdf)
- **Barmak Nassirian** , Associate Executive Director, American Association of Collegiate Registrars & Admissions Officers, Washington, DC (http://help.senate.gov/imo/media/doc/Nassirian.pdf)
- **Holly Petraeus** , Director, Office of Servicemember Affairs, Consumer Financial Protection Bureau, Washington, DC
- **Robert Shireman** , Chief Consultant, California Competes, San Francisco, CA

Although Republicans continued to abstain from the proceedings, the tenor of the hearing was much different than the others in the series. There was the occasional harsh criticism from Harkin or other Senators, or incendiary remark on the sector from the panel (most often courtesy of Nassirian), but there was also quite a bit of praise for the companies represented on the panel and there was much more general discussion of the need for proprietary institutions and positive outcomes at for-profit colleges.

Though there were many divergent viewpoints on the details, there was a general agreement among the panel on the need for regulation based on student outcomes. Harkin repeatedly noted the "profitability margins" of publicly traded for-profit institutions, arguing he did not want to "put them out of business," but suggesting the HELP Committee would approve legislation that would require additional student support services that would cut into their margins.

Although he acknowledged such an idea would be very difficult to enforce, Harkin also suggested restrictions on marketing dollars spent by for-profit colleges should be put in place. Nassirian indicated the marketing spend should be identical to a college's non-federal revenues and Shireman suggested it should be no more than double the amount of funds spent on instruction. Hamburger disagreed with this approach, mentioning the marketing effect of big time college sports on campus at many traditional colleges, and asking why Congress would want to prohibit colleges that do good work from letting students know about it. Harkin tried to refute Hamburger's claims of traditional college marketing, arguing his data suggests that schools spend 3% of their budget on marketing. However, the budget of the athletic department, which arguably serves the university chiefly through marketing, is not included that calculation.

Though there were differences on details, the panelists generally agreed with the notion of a "misalignment" of current regulations. The two industry representatives at the hearing, Batson and Hamburger, suggested a new policy framework, built around measurable final student outcomes, is in order. The two for-profit college executives also spoke to the need for a "human element" of regulation, arguing for certain data or metrics to trigger "red flags" that would require regulators to further review a specific college, program, or practice. Although there was some discussion over a "hard-line vs. soft-line" regulation, there appeared to be general agreement among the panelists and Senators in attendance such a framework would be desirable.

In fact, Harkin said Batson's description of a student-outcome based framework was one of the "most lucid comments" he has heard in the 35 years in the Senate. To which Batson replied, "Have I earned the right to ask they [his recommendations] apply to all colleges," and Harkin responded, "Absolutely." Of course, the hearing attendees acknowledged they would have very different opinions on how to define and build such a framework.

The hearing also featured perspectives outside of the traditional education community with Petraeus of the CFPB and Barr, a consumer finance expert and a former Assistant Secretary at Treasury. Both Petraeus and Barr suggested the CFPB may have a role to play with this sector, particularly with issues involving private student loans or members of the military. In particular, Petraeus indicated the 90/10 rule's treatment of VA education benefits (i.e. the GI Bill, which counts as part of the "10") has made members of the military a "target" for for-profit college recruiters, a point which Hamburger and Batson said was untrue of their individual companies.

Petraeus is widely respected on the Hill and allegations of mistreatment of soldiers and veterans definitely caught the attention of the Democratic Senators in attendance. Sen. Al Franken (D-MN) said certain for-profit military recruiting practices made his "blood boil," Sen. Kay Hagen (D-NC) suggested some schools could be put on the DoD "blacklist" for predatory companies, and Harkin indicated the Committee would be soon addressing the treatment of VA benefits in the 90/10 equation. Petraeus said her office would be continuing to examine the impact of for-profit colleges on veterans and members of the military and vowed to continue to work with the Senators in attendance

Beyond changes to the 90/10 rules, which Harkin suggested the HELP Committee would be addressing very soon in conjunction with the Armed Services Committee, there were few details on what a "for-profit regulatory reform" legislative package might look like. The HELP Chairman continually returned to student support services and the "profitability margins" of for-profit higher education. He indicated if the sector was "going to target these [low income] students," Congress should require more support services at the expense of profitability. Harkin was also sympathetic to the notion that proprietary institutions face a significant regulatory burden, but argued many of the regulations are meaningless as they do not provide an overarching framework designed to ensure the desired outcomes.

Additional information on the hearing, including an archived webcast, is available online:
http://help.senate.gov/hearings/hearing/?id=28fa4b62-5056-9502-5d71-198cd2223f7a