The Torch

February 11, 2011

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

COHEAO News

- **Sign Up for COHEAO Task Forces and Committees**
  COHEAO is seeking to update its distribution lists for its various task forces and committees. If you are interested in joining a task force or committee, please send an email to the contacts listed in today's *Torch.*
- **MyMoney.gov: A Useful Financial Literacy Resource**
  One of the principal tasks of the COHEAO Financial Literacy Task Force is to provide COHEAO members with useful resources on the topic of financial literacy and financial education and our first such resource is www.mymoney.gov.
- **New Section for *The Torch*: Employment Opportunities**
  COHEAO is pleased to announce we will be publishing a new section promoting job opportunities in *The Torch.* If your organization has a job announcement of interest to COHEAO members, please send it to Wes Huffman (whuffman@wpllc.net) for posting in the new Employment Opportunities section.

The Congress

- **House Republicans Seek Deeper Cuts for Remainder of FY2011**
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  The Department last week issued a modified RFP for non-profit organizations to get contracts for federal student loan servicing.
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  As it has done in the past, the Department of Education has provided a list of draft three-year cohort default rates for institutions of higher education
- **Ochoa Continues Discussing Gainful Employment**
  Assistant Secretary for Postsecondary Education Eduardo Ochoa has been discussing gainful employment with multiple higher education groups.
- **HHS Announces Scholarship for Disadvantage Students Applications Now Available**
  The Department of Health and Human Services announced the application period for the Scholarships for Disadvantaged Students is open.

Industry News

- **NCLC Report Claims Significant Growth in For-Profit Institutional Loans, "Urgent Need" for Regulation**
  A new report from the National Consumer Law Center alleges many proprietary colleges have begun making private student loans, knowing in many cases that more than half of these loans will never be repaid.
- **CREW Seeks SEC Investigation on Short-Seller Involvement in For-Profit Regs**
  This week, Citizens for Responsibility and Ethics in Washington (CREW) asked the Securities and Exchange Commission (SEC) to investigate whether certain investors have been illegally manipulating the market price of for-profit education stocks.

Attachments

- **Board of Directors**
- **COHEAO Commercial Members**

COHEAO News

Sign Up for COHEAO Task Forces and Committees

COHEAO is seeking to update its distribution lists for its various task forces and committees. If you are interested in joining a task force or committee, please send an email to the contacts listed below.

- ***Perkins Loan Task Force***
  The mission of COHEAO's Perkins Loan Task Force is two-fold: a) advocating for the Perkins Loan Program; and b) identifying areas where the program could be improved through the legislative or regulatory process and helping COHEAO develop and implement a strategy to address these issues. If you would like to receive information and updates from the COHEAO Perkins Loan Task Force, please contact:

  Nancy Paris, Perkins Task Force Chair
  Vice President, Financial Services Group
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- ***A/R Management Task Force***
  The A/R Management Task Force formulates best practices in the area of accounts receivable management. It also helps COHEAO identify legislative and regulatory issues related to A/R management. If you would like to receive information on the COHEAO A/R Management Task Force, please contact

  Laurie Beets, A/R Management Task Force Chair
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  Fax: 405-744-8098
  laurie.beets@okstate.edu

- ***Financial Literacy Task Force***
  The Financial Literacy Task Force identifies best practices and advocates for policies to promote financial literacy for college students with a particular focus on student debt. If you would like to receive information and updates from the COHEAO Financial Literacy Task Force, please contact:

  Carl Perry, Financial Literacy Chair
  Senior Vice President
  Progressive Financial Services
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- ***Event Planning Committee***
  The Event Planning Committee meets regularly to determine the most relevant content and presenters for the numerous COHEAO events held throughout the year. If you would like to join this committee, please contact:

  Larry Rock, Event Planning Chair
  Director of Student Loan Repayment
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MyMoney.gov: A Useful Financial Literacy Resource

One of the principal tasks of the COHEAO Financial Literacy Task Force is to provide COHEAO members with useful resources on the topic of financial literacy and financial education. As COHEAO continues to develop our website, these resources will eventually be displayed on www.coheao.org. In the meantime, we thought we would occasionally highlight certain sites in the pages of *The Torch*.

Our first site is www.mymoney.gov. It is the website created by the Financial Literacy and Education Commission, a commission of the federal agencies addressing financial literacy created by Congress, and managed by the Treasury Department. Mymoney.gov has all sorts of resources for individuals and educators. A brief description from the website is included below:

www.mymoney.gov
MyMoney.gov is the U.S. government's website dedicated to teaching all Americans the basics about financial education. Whether you are buying a home, balancing your checkbook, or investing in your 401(k), the resources on MyMoney.gov can help you maximize your financial decisions. Throughout the site, you will find important information from 20 Federal agencies and Bureaus designed to help you make smart financial choices.

If you would like additional information on the COHEAO Financial Literacy Task Force, please contact Taskforce Chair Carl Perry (cperry@progressivefinancial.com) or Wes Huffman of COHEAO (whuffman@wpllc.net).

Submit Your Employment Opportunities to *The Torch*

COHEAO is pleased to announce we will be publishing a new section promoting job opportunities in *The Torch.* If your organization has a job announcement of interest to COHEAO members, please send it to Wes Huffman (whuffman@wpllc.net) for posting in the new Employment Opportunities section.

The Congress

House Republicans Seek Deeper Cuts for Remainder of FY2011

The House Republican Leadership saw the first challenges in achieving unity among their new freshman class and other Members who have aligned themselves with the Tea Party this week. Speaker John Boehner (R-OH) had to pull two bills from the Floor after miscalculating that they would pass under suspension of the rules, which requires a 2/3 vote. Most importantly, the conservative wing of the party is forcing the House to propose even deeper spending cuts for the remainder of FY2011 than House leaders initially proposed.

Last week, House Republicans proposed $74 billion in cuts to the budget proposed by President Obama. However, the freshman class and others who consider themselves “fiscal hawks” were insistent on maintaining a campaign pledge to cut $100 billion in spending this year, and Republican appropriators are now scrambling to find additional means for cutting spending. Of course, this is politics, so the math remains fuzzy. The proposal is based on cuts from the President’s budget for FY2011, not the continuing resolution that is currently funding the government or FY2010 levels. If the FY2010 is used as the barometer, the GOP is proposing $58 billion in cuts.

Whatever the yardstick, the cuts will be deep and their impact will be felt across nearly all government programs. House Republicans are hoping to unveil their proposal by the end of the day today, in hopes of bringing it on the Floor next week. Republicans would like to juxtapose their plan against the President’s budget for FY2012, which will be submitted to Congress on Monday.

If the House passes a bill next week, it could also conceivably provide enough time for the House and Senate to work out their differences and complete work on a year-long spending plan by the time the current CR expires on March 4. However, Senate Appropriations Committee Chairman Daniel Inouye (D-HI) has already indicated he believes at least one more short-term CR will be necessary.

Additional programs at the Department of Education are likely to face significant cuts or outright elimination. In the original plan, the Labor-HHS-Education programs were, at least in a relative sense, somewhat protected. The Labor-HHS-Education programs only received a 4% cut from last year’s levels ($6.6 billion) under the old plan, but now may face as much as $11 billion in further reductions. At the time of the initial plan, Subcommittee Chairman Dennis Rehberg (R-MT) said those smaller cuts were particularly “painful” because they were for health clinics and programs for children.

As with every debate surrounding discretionary spending at the Department of Education, funding to maintain the maximum Pell Grant award is a concern and remains in question. The current CR included funding that was, arguably, understood to cover the shortfall and maintain the maximum award. However, the figures used by the House Appropriations Committee are relative to last year’s spending levels, which does not account for the increased Pell spending.

Cuts for Pell Grants are reported to be on the table for inclusion in the House proposal, but details are unknown at this time. One likely scenario: the House could move to eliminate the $500 increase in the maximum award that came from the ARRA, the 2009 economic stimulus bill. Such a move would be very difficult for the Administration and many Democrats in the Senate to swallow, however, so the Pell Grant funding issue remains one of the larger unknowns as the debate over FY11 spending continues.

In terms of Perkins Loans, we will continue to monitor the situation, but the lack of funding for Perkins in FY2010, ironically, leaves Perkins out of the current scenario—there really are no appropriations to cut! Once the Department of Education makes an official announcement on its interpretation of Perkins’ authorization dates, the need to, and the relative costs of, extending the program should be eliminated.

Funding for cancellations or FCC are highly unlikely for FY2011, but COHEAO will continue to educate Congress on the need for this funding once the attentions of the budget, appropriations, and authorizing committees are focused entirely on FY2012.

Neugebauer Introduces Bill to Move CFPB to Treasury from Fed

Congressman Randy Neugebauer (R-TX), Chairman of the Oversight and Investigation Subcommittee of the House Financial Services Committee, introduced legislation this week to amend the Consumer Financial Protection Act of 2010 and move the Bureau of Consumer Financial Protection (CFPB) into the Department of the Treasury (H.R. 557).

As Chairman of its Oversight Committee, Neugebauer has been the most vocal critic of the lack of Congressional involvement in the funding of the Bureau, and this bill would return appropriations authority to the Congress. The CFPB was established with a funding stream derived from the Federal Reserve Board's operating budget to circumvent the appropriations process and protect the Bureau from any effort to shrink its budget.

Neugebauer issued the following statement on the introduction of H.R. 557:

"The Consumer Financial Protection Bureau currently resides within the purview of the Federal Reserve Board, without any Congressional oversight or financial accountability guiding the agency's actions. Given the significant and perhaps over-regulating powers the CFPB has been given by the Obama Administration, Congress must have a say on the appropriation of taxpayer money funding this agency's operation.

Last November's elections sent a clear message to Washington: Government agencies that spend taxpayer money must show true transparency and must explain the intent of their processes. H.R. 557 will allow Congress to closely examine and oversee the CFPB's current and future actions."

Neugebauer and Warren exchanged letters last month on a number of issues associated with the CFPB, including funding and accountability. If you would like a copy of those letters, please email whuffman@wpllc.net

Bipartisan House Ed and Workforce Group Writes GAO on Prop School Report

A bipartisan coalition of Members serving on the House Education and the Workforce Committee wrote Gene Daduro, Comptroller General and head of the Government Accountability Office, on the steps the GAO has taken in the wake of the revelations of errors in the agency's report on the for-profit higher education sector. The report was the basis for a hearing in the Senate HELP Committee last August, but there were significant revisions, many of which were very substantive, to the GAO's findings.

The letter, which reveals another GAO report is ongoing, requests that the Director of the Forensic Audit and Special Investigations Unit (FSI), the office that was responsible for the report, be barred from participating in that investigation or any other investigation relating to the Education and the Workforce Committee until an internal GAO review on the report is completed. The letter states, in relevant part:

With the release of the revisions, GAO appointed a review team to evaluate the agency's quality control process and, specifically, to examine what missteps were responsible for the inaccurate findings and conclusions included in the report. We are anxiously awaiting the results from this review as the conclusions should allow GAO and Congress to see what actions, if any, were missed, rushed and/or skipped to ensure the report was ready for the Senate Health, Education, Labor, and Pension Committee's August 4, 2010 hearing. We understand the review team was established because of the extent of the edits and *inconsistencies that were noted by a team of attorney reviewing the hours of video tape created for this report. While FSI did not agree with all of the exceptions noted by the attorneys, the corrections in the errata issued for this report were more significant than most other errata sheets issued by GAO.*

We also learned GAO is currently working on a second investigation involving the proprietary school sector. We were pleased to hear the original team that handled the initial report is prohibited from participating in the second investigation. However, we are concerned that the Director of the FSI is still overseeing the second investigation and other ongoing investigations. Given the serious concerns that have been raised by the initial report, the Forensic Audit and Special Investigations Unit as a whole, and the testimony provided by the Director, we respectfully request that he too be barred from any involvement with these additional investigations involving the proprietary school sector or other areas falling within the jurisdiction of the House Committee on the Education and the Workforce. The prohibition should remain in effect until such time as GAO completes its internal investigation and has allayed the concerns of the Committee as to the agency's objectivity.

The letter was signed by Chairman John Kline (R-MN) and Virginia Foxx, the chair of the higher education subcommittee, as well as Rep. Alcee Hastings (D-FL), Rep. Carolyn Maloney (D-NY), and Rep. GT Thompson (R-PA). It is available online**:** **http://edworkforce.house.gov/UploadedFiles/02_01_11_GAO_FSI.pdf**

The Administration

Department of Education Preparing Dear Colleague Letter on Extension of Perkins

As announced at the COHEAO Annual Conference on Jan. 31st, the Department of Education is continuing work on preparation of a detailed Dear Colleague letter that will explain how it will be interpreting the contradictory dates in the Higher Education Act that set forth the future of the Perkins Loan Program. The Dear Colleague is in "clearance" – final review – before it is made public, but the policies announced at the COHEAO Conference are set. Department officials are briefing Congressional staff today on this issue and other budget-related issues. The Department's attorneys have determined that the last reauthorization of the Higher Education Act, the Higher Education Opportunities Act of 2008, extended the program through at least September 30, 2014, despite the separate provision in the law, last modified in 2007, that sunsets the program starting Oct. 1, 2012.

CFPB Launches Website

Continuing the effort to brand the Consumer Financial Protection Bureau (CFPB) as the "cop on the beat" protecting consumers from financial products (complete with a new badge logo and animation with a CFPB patrol car pulling someone over), the CFPB website was launched last week. The new site is available at **www.consumerfinance.gov**.

The new site includes a video narrated by the actor Ron Howard and another video from Elizabeth Warren, the assistant to the President who is in charge of setting up the CFPB, asking citizens to engage in a "conversation" with the Bureau. Additional text on the website states: "Before we begin carrying out federal consumer financial laws, we want to know what you think. The Consumer Financial Protection Bureau exists to serve the American public, and Open for Suggestions is your opportunity to offer input."

While it is still in the "beta" stage, it does offer some additional details on the Bureau. For instance, a draft organizational plan and brief statements from key CFPB implementation team members are included on the new site.

For additional information, visit: **www.consumerfinance.gov**

ED Sets Non-Profit Servicing Rates Equal to TIVAS Contract

The Department last week issued a modified RFP for non-profit organizations to get contracts for federal student loan servicing. Although there had been expectations by the non-profits that they would have separate, more generous pricing structures, the modified RFP specifies that compensation for servicing will be at the same price as established for the existing national Title IV servicers (TIVAS).

During the debate over the SAFRA legislation to eliminate the FFEL Program, members of Congress spoke to the benefits provided by the non-profit lenders in their state, and provisions were inserted requiring federal servicing contracts for these organizations. However, discretion over the pricing of the contracts stayed with the Department, and it remains to be seen how many of these smaller organizations can service loans at the same rates as the large, national companies.

Following the announcement of the rates, it was announced that two non-profit servicers had been approved to enter into a Memorandum of Understanding with the Department. Notably, both involved subcontracting relationships between a non-profit and one of the four Title IV Servicers.

MOHELA has partnered with PHEAA, and the Oklahoma Student Loan Authority has partnered with Nelnet. The announcement indicates the MOU does not guarantee a contract award.

For additional information on the solicitation, visit:
https://www.fbo.gov/download/e4a/e4ac8e136bbc601b191de67d516668f1/MOU_Entities.NFP-RFP-2010.02022011.pdf

ED Announces Three-Year CDRs, FY09 Draft Default Rates Available Feb. 14

As it has done in the past, the Department of Education has provided a list of draft three-year cohort default rates for institutions of higher education. This is the final year of the so-called "trial period" for three-year default rates. Next year, they are set to become effective and schools will learn their draft default rates for FY2009 on Monday.

As has previously been the case, the for-profit sector saw the most dramatic increase from the official two-year CDR to a three-year CDR. The official national cohort default rate for proprietary colleges in FY2008 is 11.6%. However, the three year default rate would more than double to 25%. The next highest sector was the community colleges with an 18% default rate. All sectors experienced a notable increase with the additional year in the calculation.

As with every piece of data in the current debate over for-profit colleges, the new default rates become politicized. The Department held a press conference, arguing the data demonstrated the need for increased regulation of the sector, including further regulations of gainful employment, and claimed the dramatic jump from a two-year rate to the three-year rate was evidence that for-profit schools are "managing their default rates aggressively."

Meanwhile, America's Private Sector Colleges and Universities (formerly CCA), continued to note the difficulties that all students from low-income backgrounds, regardless of where they attend college, have in repaying their loans. APSCU also noted that its member colleges enroll many more of these students than traditional schools.

- The Department's Dear Colleague announcing the default rate is available at: **http://www.ifap.ed.gov/eannouncements/020411ThreeYearCDR.html**
- A spreadsheet containing the default rates for individual schools from the Department is available online: **http://www.insidehighered.com/content/download/384256/4583254/version/1/file/FY2008TrialCDR.xlsx**
- Additional coverage from *Inside Higher Ed*, including a table with the default rates of all schools broken down by school-type and sector, is available online: **http://www.insidehighered.com/layout/set/print/news/2011/02/04/new_three_year_student_loan_default_information**
- An IFAP announcement that FY09 draft default rates will be available to individual schools on February 14 is available online: **http://www.ifap.ed.gov/eannouncements/020911FY09DraftCDRRelease021411.html**

Ochoa Continues Discussing Gainful Employment

There were many reports on comments from Assistant Secretary for Postsecondary Education Eduardo Ochoa at a recent meeting of the Council on Higher Education Accreditation suggesting there may be significant modifications to the proposed gainful employment regulations. During his remarks, Ochoa said, in part:

"The regulations as they come out are going to be significantly different—I think they're going to be better, nuanced, and I think that there's a lot there that people will appreciate having other views reflected."

Ochoa's discussion of "significantly different" was remarkable because it was the strongest sign of major modifications on the controversial proposal from the Administration. However, in a later speech before another U.S. higher education trade group, the Association of American Colleges and Universities, Ochoa spoke only positively of the draft regulations and, according to press reports, "side-stepped" questions on his previous remarks.

Ochoa stressed the need for higher education to speak with "one voice" to policymakers and the public throughout the same speech.

For additional coverage of Ochoa's discussion with the Association of American Colleges and Universities meeting from *Inside Higher Ed,* visit: **http://www.insidehighered.com/news/2011/01/31/call_for_single_voice_to_change_public_perceptions_of_higher_education**

HHS Announces Scholarship for Disadvantage Students Applications Now Available

The Department of Health and Human Services announced the application period for the Scholarships for Disadvantaged Students is open. Below is a little information about the program.

The Scholarships for Disadvantaged Students (SDS) program contributes to the diversity of the health professions students and practitioners. The program provides funding to eligible health professions and nursing schools to be used for scholarships to students from disadvantaged backgrounds who have financial need for scholarships and are enrolled, or accepted for enrollment, as full-time students at the eligible schools. The Health disciplines eligible for funding include:

- Allopathic medicine

- Osteopathic medicine
- Dentistry
- Veterinary medicine
- Optometry
- Podiatry
- Pharmacy
- Chiropractic
- Behavioral and mental health
- Public health
- Nursing
- Allied health
- Physician assistants

Applicants receiving awards must be carrying out a program for recruiting and retaining students from disadvantaged backgrounds. Additionally, applicants receiving awards must demonstrate that the program has achieved success based on the percentage of disadvantaged students who are enrolled or graduated from the school.

For schools or programs who are planning to apply for the academic year 2011-12 SDS Program, it is incumbent that the organization immediately register in Grants.gov and become familiar with the application process. Registration is not immediate. If the organization is already registered in grants.gov, the school need not register again; however, the school representative should enter into grants.gov to begin the application process as soon as possible so that if issues arise, they do not miss the deadline.

The SDS Application is divided into two phases, below are the important deadlines. Applicants should read the SDS Program Guidance carefully before beginning the Application.

- Phase I - Application Due Date in Grants.gov is **February 28, 2011***
- Phase 2 - Supplemental Information Due Date in Electronic Handbook (EHBs) is **March 14, 2011***
  ***Both Due dates must be met.**

This program is listed under Announcement Number HRSA-11-074, Catalog of Federal Domestic Assistance (CFDA) No. 93.925 is now available in grants.gov which can be found at http://www.Grants.gov. Click on Find Grant Opportunities on the menu on the left, then key in the CFDA number or “SDS” in the keyword search field to see the announcement.

Industry News

NCLC Report Claims Significant Growth in For-Profit Institutional Loans, “Urgent Need” for Regulation

A new report from the National Consumer Law Center alleges many proprietary colleges have begun making private student loans, knowing in many cases that more than half of these loans will never be repaid. Most schools started these institutional loan programs when third party private student lenders began terminating their partnerships with for-profit schools following the credit crash.

The report, "Piling It On: The Growth of Proprietary School Loans and the Consequences for Students," and its author, Deanne Loonin, claim there is an “urgent need” to regulate lending by for-profit schools and provide relief for borrowers. The report asserts the schools "seem to view the loans as loss leaders to keep the federal dollars flowing," but offers no hard evidence to support this claim.

In great detail, the report reviews institutional lending at the largest for-profit higher education companies and a number of smaller companies as well. NCLC lists the following as problems with institutional loans at for-profit institutions: "high default rates, high costs, predatory terms, and accounting tricks and traps." Notably, in many cases, the consumer lobbying group does not make a clear distinction between institutional loans made by for-profit colleges and those made by traditional colleges.

The final section of the report provides recommendations including strengthening the "90-10" rule and stepped-up attention by federal and state regulators to lending by for-profit schools. The report is posted on-line at:
http://www.studentloanborrowerassistance.org/uploads/File/proprietary-schools-loans.pdf

CREW Seeks SEC Investigation on Short-Seller Involvement in For-Profit Regs

This week, Citizens for Responsibility and Ethics in Washington (CREW) asked the Securities and Exchange Commission (SEC) to investigate whether certain investors have been illegally manipulating the market price of for-profit education stocks. In a letter to SEC Director of Enforcement Robert Khuzami, CREW specifically highlighted the efforts by several short-sellers with the program integrity regulatory process at the Department of Education.

"A down-turn in the market of for-profit stocks correlates with well-known short-seller Steve Eisman's congressional testimony slamming the industry. It is up to the SEC to ensure no investor - big or small - has an unfair advantage in the financial markets." said CREW Executive Director Melanie Sloan. "Yet it appears that Wall Street investors, with no expertise or stake in education policy, may have influenced the Department of Education's regulation of for-profit education institutions for financial gain."

CREW first became aware of this activity after the Senate testimony of Eisman, which led the organization to file a Freedom of Information Act request and ultimately sue the Department of Education for records of officials' contacts with investors. The documents Education was forced to produce reveal that a number of hedge fund managers have been meeting with Education officials and others to push for stringent regulation of the for-profit industry.

There have been allegations CREW has its own conflicts of interest with for-profit higher education. Sloan had been offered (and reportedly accepted) a job with Lanny Davis and the Coalition for Education Success. However, Sloan ultimately turned down the job and the organization's press release attempts to clarify that CREW is neutral on the regulations in question.

"CREW is not defending the for-profit college industry, nor taking any position on the proposed regulations," said Sloan. "Given the enormous sums of money involved and the symbiotic relationship between short-sellers and the Department of Education, it seems at the very least that something fishy is going on here. Like the umpire in a baseball game, it is the SEC's responsibility to call the balls and strikes to make sure that everyone plays by the rules."

Click here for the announcement from CREW, which includes links for the letter, exhibits, and other information on the request to the SEC: http://citizensforethics.org/crew-calls-for-investigation-market-manipulation

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