The Torch

February 3, 2012

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

COHEAO News

- **Engaging Program, Silent Auction, and Hill Visits Highlight 2012 COHEAO Annual Conference**
  Numerous COHEAO members and others gathered just outside of Washington, DC this week for the 2012 Annual Conference.
- **Fact from the COHEAO Conference: Perkins Funds Collectively Owed $279 Million in Perkins Cancellations**
  During her update at the COHEAO Annual Conference, Gail McLarnon of the Department of Education indicated participating colleges and universities were owed $279 million in loan cancellation funding from the federal government.

The Congress

- **HELP Committee Examines College Costs with Focus on President's Proposals**
  Following the President's speech in Ann Arbor last week (See January 27 COHEAO Spark), Washington began to react, most prominently with a Senate HELP Committee hearing featuring Under Secretary Martha Kanter as a witness.
- ***Chronicle's* Field Handicaps the Prospects for Perkins Reform**
  Though the full details will not come until February 13, Kelly Field of *The Chronicle of Higher Education* offered a blog post "handicapping" the prospects for the President's higher education proposals in Congress.

The Administration

- **FCC to Propose Predictive Dialer Rules**
  An agenda for the next public meeting of the Federal Communications Commission includes the consideration of an order and rule related to the use of predicative dialers and mobile phones.
- **Student Loans in the First CFPB Semi-Annual Report**
  The CFPB issued its first Semi-annual report on its activities before the Senate Banking Committee this week, and a discussion of student loans was included in the report.
- **ED Releases Customer Service and Performance Results for TIVAS**
  The Department of Education released customer service performance results for the second quarter (ending December 31, 2011) for the four Title IV servicers (TIVAS).
- **White House Unveils "College Scorecard"**
  The White House announced plans for a new college scorecard on affordability.

Industry News

- **Sallie Mae Modifies Forbearance Fee Policy**
  After a petition on *Change.org* received 77,000 signatures, Sallie Mae changed its fee policy on forbearance.
- **UC "Student Investment Proposal" Receives Scrutiny**
  A group of students in the University of California System have released a proposal scrapping tuition and fees altogether, instead relying upon a human capital contract model whereby students would repay tuition with 5% of their income for 20 years post-graduation.

Attachments

- **Board of Directors**
- **COHEAO Commercial Members**
- **2012 COHEAO Annual Conference Agenda**

COHEAO News

Engaging Program, Silent Auction, and Hill Visits Highlight 2012 COHEAO Annual Conference

Numerous COHEAO members and others gathered just outside of Washington, DC this week for the 2012 Annual Conference. A highly informative and engaging conference program was buoyed by a highly successful silent auction to benefit the COHEAO Scholarship Fund as well as a day of strong advocacy on the Hill for the Perkins Loan Program.

The 2012 Silent Auction raised more than $4,200 for the COHEAO Scholarship Fund, a marked increase over recent years. We would like to thank all scholarship donors and participants; your efforts will provide four students at COHEAO member colleges with $1,000 scholarships for the 2012-2013 academic year.

We would also like to thank all of those attendees who were able to participate in visits with your federal legislators. Your efforts are critical to maintaining and improving the Perkins Loan Program. Scores of Perkins advocates scoured the Hill on Tuesday, visiting with education aides and, in many cases, directly with their Representatives and Senators. These meetings laid the groundwork for preserving the true campus-based Perkins program and offered hope for the return of cancellation appropriations, an important step for the upcoming year which will again include an extremely challenging federal budgetary environment.

Conference sessions included a review of the current legislative climate from COHEAO Executive Director Harrison Wadsworth, an update from the Department of Education from Gail McLarnon, a CFPB outlook from John Dean of Washington Partners, and a review of recent FERPA changes from David Stocker of ACT. John McElroy of Touchnet offered a very useful review of e-commerce, particularly in the wake of recent changes to interchange, and Roxie Johnson of Meharry Medical College was joined by Sidney and Saundra Curry of BC Holdings to demonstrate the financial literacy program the college provides for students. Jeff Selingo, Editorial Director of the *Chronicle of Higher Education,* provided an outlook on the challenges facing higher education in his luncheon address.

Photos and other information from the 2012 COHEAO Annual Conference will soon be posted to www.coheao.org.

Fact from the COHEAO Conference: Perkins Funds Collectively Owed $279 Million in Perkins Cancellations

During her update at the COHEAO Annual Conference, Gail McLarnon of the Department of Education indicated participating colleges and universities were owed $279 million in loan cancellation funding from the federal government. As COHEAO members know, campus funds are required to provide for loan cancellations for numerous public service professions but have not received federal appropriations for multiple years.

COHEAO is currently requesting $125 million in funding as a “down payment” on the obligations to Perkins funds. Climbing out of a “zero line” on the federal budget is an incredibly difficult endeavor, even when Congress does so initially under false assumptions, but COHEAO continues to advocate for cancellation appropriations and there have been some hopeful signs in our meetings with Congress.

If you have facts, figures, data, or stories on how the lack of cancellation appropriations is affecting the availability of loans on your campus, please share them with Wes Huffman (whuffman@wpllc.net).

The Congress

HELP Committee Examines College Costs with Focus on President's Proposals

Following the President's speech in Ann Arbor last week (See January 27 COHEAO Spark), Washington began to react, most prominently with a Senate HELP Committee hearing featuring Under Secretary Martha Kanter as a witness.

Kanter provided additional details on the administration's proposal, but many Committee members, largely Republican, with some Democrats, pushed back on the Administration's plans. Republican Senators, such as Sen. Richard Burr (R-NC) and Ranking Member Mike Enzi (R-WY), expressed concerns with President Obama's proposal to restrict funding to states and colleges which cut funding or raise tuition. In addition, House Appropriations Committee Chairman Hal Rodgers (R-KY) spoke at the annual conference of the National Association of Independent Colleges and Universities and indicated he was strongly opposed to federal involvement in tuition pricing as some higher education leaders, such as ACE President Molly Corbett Broad, suggested elements of the Obama plan were edging toward tuition "price controls."

Kanter offered few details beyond the fact sheet released in conjunction with the President's speech. However, she did indicate the proposal would be fully paid-for and would come at "no cost to the taxpayer." The conversion to Direct Perkins Loans produces budgetary savings under current accounting rules (FCRA), but a cost under the budgetary rules proposed by House Republicans (Fair-Value accounting). A preliminary CBO score indicates maintaining the subsidized Stafford Loan interest rate at 3.4% (it is currently set to double on July 1) alone will cost $5.9 billion for one year.

The hearing also included a panel of witnesses discussing college cost reform, including reviews of the "no-loan" aid policies at Davidson University, the efforts of Western Governor's University (an online non-profit) to reduce costs, and calls for transparency, income-contingent loan repayment, and other ideas from Education Sector. Chairman Tom Harkin (D-IA) closed the hearing by suggesting more needs to be done to prevent over borrowing, and some federal loan dollars are going for purchases unrelated to college. He also indicated a discussion of college costs will be ongoing in Congress throughout the year, which is not much of a surprise in a Presidential and Congressional election year.

Chronicle's Field Handicaps the Prospects for Perkins Reform

Though the full details will not come until February 13, Kelly Field of *The Chronicle of Higher Education* offered a blog post "handicapping" the prospects for the President's higher education proposals in Congress. We have highlighted the Perkins related prediction below. However, we must note that we believe Field did something in the post she does not normally do in her reporting for the *Chronicle*, she missed a key angle—there is no mention of the differences between the budget score when estimated under current rules (Federal Credit Reform Act) and the methodology proposed by House Republicans and widely considered in economic circles to be more an accurate reflection of the cost of credit programs (Fair-Value Accounting):

> ***The details:*** *Increase the Perkins Loan Program to $8-billion from $1-billion; change the formula for distributing campus-based aid so that it rewards institutions that restrain tuition growth, offer relatively low net tuition, graduate relatively high proportions of Pell recipients, and prepare graduates to obtain employment and repay their loans.*
>
> ***Prospects:*** *Expanding the Perkins program wouldn't add to the federal deficit, since students must repay the loans, with interest. However, past attempts to remake the Perkins program have died in*

Congress (the House approved a similar plan in 2009, but the Senate nixed it). This proposal's chances this time will depend in part on how the revised program would be structured. Previous proposals promised participants at least as much money as they had received in recent years. If Obama tries to take money away from the older, more established colleges that have benefited the most under the current formula, he'll face strong opposition. Likewise, public colleges will protest if they feel they're being punished for raising tuition in the face of state budget cuts. Four-year colleges will also oppose the effort to tie federal student aid to loan-repayment rates—an approach that has so far been reserved for short-term vocational programs subject to the "gainful employment" rule. And community colleges won't tolerate a graduation-rate measurement that leaves out part-time and transfer students, as the current federal formula does. One thing is certain: This idea won't go over easily.

Field's full analysis of all of the President's proposals, including Race to the Top for colleges, First in the World, etc., is available online: http://chronicle.com/article/Handicapping-the-Presidents/130655/

The Administration

FCC to Propose Predictive Dialer Rules

An agenda for the next public meeting of the Federal Communications Commission includes the consideration of an order and rule related to the use of predicative dialers and mobile phones. The entry is below:

The Commission will consider a Report and Order that protects consumers from unwanted autodialed or prerecorded calls ("robocalls") by adopting rules that ensure consumers have given prior express consent before receiving robocalls, can easily opt out of further robocalls, and will experience "abandoned" telemarketing calls only in strictly limited instances.

The FCC issued proposed rules on the use of predictive dialers nearly two years ago which were the cause of great concern for all sorts of industries, including colleges and universities, because they would have required additional efforts, including obtaining "expressed consent" in writing, for informational calls to mobile phones from predictive dialers. However, highly reliable sources indicate informational calls will not be affected by the new rules.

COHEAO President Bob Perrin and Legislative Director Wes Huffman participated in a meeting with senior staff at the FCC in Washington this week on the predictive dialer issue. COHEAO has been active for the past year in a coalition of business leaders in Washington working to modify laws and regulations on the use of predictive dialers that fail to recognize that 40 percent of Americans only use cell phones, with the figure rising to 60 percent for the younger generation who COHEAO members work with.

The agenda for the upcoming FCC meeting is available online:
http://www.fcc.gov/document/fcc-tentative-agenda-february-open-meeting

Student Loans in the First CFPB Semi-Annual Report

The CFPB issued its first Semi-annual report on its activities before the Senate Banking Committee this week, and a discussion of student loans was included in the report. This material comes under the header "Shopping Challenges" and provides strong hints at where the CFPB sees problems and what "solutions" may eventually come under active consideration.

S T U D E N T L O A N S

Student loans are a significant portion of household debt, second only to mortgages. Total outstanding student loan debt is estimated at $865 billion. And over the past decade, total student loan borrowing has increased 57 percent per full-time enrolled student. A likely factor in the increase is the rising cost of tuition and fees at colleges and universities.

Students who need help in paying for post-secondary education can fund their educations with a mix of loans, grants, and tax benefits. Loans, however, make up 47 percent of the money students receive. Of loans outstanding in 2011, approximately 90 percent are federally-supplied and 10 percent are from private sector lenders. Originations of private student loans have been declining, from a ten-year high of $22 billion in 2007 to $6 billion in 2010. For many students, before shopping for loans they first must choose between two or more schools, each with different costs and financial aid packages. Students may seek to compare the cost of different schools in terms of the total debt the student will have upon graduating or the total monthly debt burden the student will have. These figures depend, in substantial part, on tuition, room, and board, which can vary. For a given cost, the debt burden from a particular financial aid package depends on a number of factors, including most importantly the amount of any institutional grants available to the student (e.g., scholarships) and, potentially, the availability of any school-subsidized sources of borrowing.

Prospective students and their families may have difficulties comparing their financing options across different educational institutions. After application and acceptance to a particular institution, potential students typically receive financial aid award letters.

Financial aid letters detail the cost of attendance and aid packages. But these award letters typically do not clearly distinguish between gift aid and loan aid, do not fully inform students of their projected debt burden to complete several years of education, and typically do not estimate the future monthly payments to retire such debt. Additionally, the format and language of financial aid award letters are not standard across institutions.

Students who have selected a school and who need to borrow to finance the cost face an initial decision of whether to utilize federal loans or private loans. Students who use only federal loans do not need to worry about shopping for the best rate because federal law sets the rates. Rates and other terms may vary, however, between different types of federal loan programs. And, for students who need to (or elect to) resort to private loans, the terms and conditions of private student loans vary considerably across providers, so shopping could pay high returns. But comparing quotes from private lenders is challenging for several reasons.

Pricing variability. Students generally do not have significant credit histories and thus it is difficult to assess the creditworthiness of a student borrower. However, most private loans require a co-signer – typically the student's parents or other close relatives – and the rate the consumer will pay will depend upon the creditworthiness of the co-signers. The lender will typically not commit to a specific rate until after underwriting and approving the loan, which requires an investment of time and effort by the applicant and the loan co-signer. Obtaining a rate quote may also entail some delay, because federal Truth in Lending rules require that once a lender has approved an education borrower and quoted a rate, that quote must be binding on the lender for 30 days. Lenders are therefore reluctant to communicate an approved rate until all conditions of loan approval have been fully satisfied.

Information availability. Most students who obtain private loans appear to learn about them from the colleges and universities they are considering. Some schools provide students a list of "preferred *lenders." To prevent schools from improperly steering students to lenders, a lender may not make payments to a school in connection with private education loans. In addition, under Department of Education rules, a school that recommends a lender must maintain a "preferred lender list" with at least two unaffiliated lender options and must provide students with an explanation of the competitive methodology by which the list was compiled.*

Students can also find private lenders through other sources such as the Internet. As with other credit products, there are third-party web sites which aggregate information from different lenders. However, the information these sites display may be influenced by placement fees paid by the various lenders.

Regardless of whether the student identifies the lender through the college, by doing an Internet search, by using a third-party website, or through other means, the student will still find it difficult to obtain reliable information as to the interest rate available to the student until the student has completed the application process.

As discussed more fully above in the "Know Before You Owe" section, the CFPB is working with the Department of Education to improve students' ability to compare financial aid packages based on factors such as total debt burden and monthly debt payment. As discussed more fully above, the agencies have published a prototype shopping sheet and are gathering comments from the public.

The URL for the full report is:
http://banking.senate.gov/public/_files/CFPBSemiAnnualReportJanuary2012.pdf.

ED Releases Customer Service and Performance Results for TIVAS

The Department of Education released customer service performance results for the second quarter (ending December 31, 2011) for the four Title IV servicers (TIVAS). The Department measured customer satisfaction with each of the federal loan servicers exclusively through independently administered customer satisfaction surveys. Default prevention was assessed through analysis of each servicer's portfolio

		Servicers			
METRIC		FedLoan Servicing (PHEAA)	Great Lakes	Nelnet	Sallie Mae
1	Defaulted Borrower Count	1.50%	1.89%	1.18%	1.81%
2	Defaulted Borrower Amount	0.95%	1.15%	0.70%	0.94%
3	Borrower Survey	76.33	76.33	73.00	76.67
4	School Survey	70.67	79.33	74.67	74.33
5	Federal Personnel Survey	63.00	70.00	59.00	56.00

The full announcement is available online:
http://www.ifap.ed.gov/eannouncements/020312LSISecondQuarterResults.html

White House Unveils "College Scorecard"

The White House announced plans for a new college scorecard. The Administration is seeking feedback on the tool on the College Affordability and Transparency Center. Below is the description:

The Administration is planning to add a new tool to the College Affordability and Transparency Center that would assist prospective students and their families in comparing colleges before they choose using key measures of college affordability and value. The purpose of the tool is to make it easier for students and their families to identify and choose high-quality, affordable colleges that provide good value.

Industry News

Sallie Mae Modifies Forbearance Fee Policy

After a petition on *Change.org* received 77,000 signatures, Sallie Mae changed its fee policy on forbearance.

The lender had previously charged students a $50 fee for a forbearance on its private loan products. Now, Sallie Mae will apply the fee to the borrowers loan balance, provided they make six on-time payments upon returning to their payment schedule.

Stef Gray, the borrower who started the petition, held a press conference at Sallie Mae's Washington offices to deliver the petition. She was joined by Molly Katchpole, the 22-year old behind the *Change.org* petition which helped lead to Bank of America dropping a proposal for debit card fees. Gray called the policy change a "partial victory," but continued to criticize the private student loan product.

Additional coverage from the *Associated Press* is available online:
http://www.washingtonpost.com/business/sallie-mae-will-credit-50-fee-to-suspend-loan-payments/2012/02/02/gIQAgSzykQ_story.html

UC "Student Investment Proposal" Receives Scrutiny

A group of students in the University of California System have released a proposal scrapping tuition and fees altogether, instead relying upon a human capital contract model whereby students would repay tuition with 5% of their income for 20 years post-graduation.

University of California Chancellor Mark Yudof called the proposal a "constructive idea" and Nathan Brostrom, executive vice president for business operations, and Patrick Lenz, vice president of budget, to meet with the students to further explore the proposal. However, there are reservations, including the problems experienced with similarly modeled programs in the UK and Australia, and most notably, here in the US with a failed 1970s experiment at Yale.

Additional coverage of the proposal from *Inside Higher Ed* and *USA Today* is available online:
http://www.usatoday.com/news/education/story/2012-02-02/california-university-tuition-payment/52935578/1

2012 COHEAO Board of Directors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Member at Large
Lettie Clark
Manger, Institutional Loan Program
Gonzaga University
P O Box 3462
AD Box 74
Spokane, WA 99220
(509) 313-6804
Fax: (509) 313-5816
clarkl@gu.gonzaga.edu

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

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

COHEAO 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.

Bonded Collection Corporation, 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

Bass & Associates