The Torch

August 17, 2012

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

COHEAO News

- **COHEAO Task Forces & Working Groups Working on Multiple Projects, Seeking New Members**
  Coming out of the Mid-Year Conference, many COHEAO task forces and working groups have begun or are developing some exciting new projects.
- **Follow @COHEAO on Twitter**
  After launching our Twitter handle, @COHEAO, just a couple of weeks ago, COHEAO has been quite active on Twitter.

The White House, The Administration & The Campaign

- **Special Attachment: COHEAO Comments on CFPB RFI on Private Education Loans**
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- **Higher Ed Community Reacting to Ryan VP Pick**
  Much like Washington insiders, pundits, and the public, the higher education community began analyzing the selection of House Budget Committee Chairman Paul Ryan (R-WI) as presumptive Republican nominee Mitt Romney's running mate and its possible future impact.
- **CFPB, FTC, DOJ Seek to Overturn Court Ruling on Plaintiff Payment of FDCPA Litigation Costs**
  The Federal Trade Commission, the Department of Justice, and the Consumer Financial Protection Bureau filed a joint amicus brief in the U.S. Supreme Court supporting consumers' ability to protect their rights under the Fair Debt Collection Practices Act by suing debt collectors.
- **Lenders Providing Data Question CFPB Analysis, Bureau Publishes Research Note Indicating Further Study Is Underway**
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- **CUPA-HR Survey on Healthcare and Benefits at Colleges and Universities**
  Findings from CUPA-HR's 2012 Comprehensive Survey of College and University Benefits Programs show that healthcare costs are still rising, but at a slightly lower rate than previous years.
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  A *Bloomberg* "chart of the day" on the rising cost of college published this week is catching the attention of staffers on Capitol Hill and other interested parties.

- [*Dow Jones* Coverage Shows Student Loans Hitting Two Unexpected Groups—Seniors and Upper Incomes]
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  USA Funds President and CEO Carl Dalstrom announced that he will retire from the nonprofit guaranty agency/college access and success organization, effective June 30, 2013.
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- [New Report (Attempts to) Show Impact of Student Debt on First-Time Home Buying]
  Young Invincibles released a report, "Denied? The Impact of Student Debt on the Ability to Buy a House," which the organization describes as "taking a first step toward showing that growing student debt burdens may exclude borrowers from qualifying for home purchases."

Attachments

- [COHEAO Commercial Members]
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COHEAO News

COHEAO Task Forces Working on Multiple Projects, Seeking New Members

Coming out of the Mid-Year Conference, many COHEAO task forces and working groups have begun or are developing some exciting new projects. Below is an update on a few of our task forces, along with contact information for their respective chairs. All COHEAO members are welcomed and encouraged to participate in our various task forces, working groups, and subcommittees

- **Agenda Task Force:** The COHEAO Agenda Task Force has several future webinars in development, but we are always looking for new ideas and we need to begin the process of developing the agenda for the 2013 Annual Conference. The Agenda Task Force will be meeting on Wednesday, August 22 at 2 PM ET. If you are interested in joining the Agenda Task Force, please contact Chair Lori Hartung (lori.hartung@tbandl.com) or Wes Huffman (whuffman@wpllc.net).

- **Commercial Members Committee:** The Commercial Members Committee recently held an in-person meeting at the Mid-Year Conference in Cleveland. This Committee is working to support Perkins advocacy efforts as well as continuing to understand life under a new regulator, the CFPB. The Commercial Members Committee is open to all COHEAO Commercial members. To ensure you are on the distribution list for this Committee, please email Commercial Members Chair Karen Reddick (kreddick@ncmstl.com) or Wes Huffman (whuffman@wpllc.net).

- **CFPB Task Force:** With all of the activity out of the Bureau, the CFPB Task Force has been hard at work. Our most recent effort is a comment letter on a CFPB request for information on complaints on private education loans. In the letter, COHEAO noted our concerns with the publication of unverified complaints and the possibility of duplicative complaints across multiple databases, among other things. We also provided information on how schools, agencies, and servicers handle complaints. Responding to another *Federal Register* notice, this one dealing with improving "financial capability," is on the horizon with comments due in October and this working group will help you keep up to date with all things related to higher education coming out of the Bureau. If you are interested in joining, please contact CFPB Task Force Chair David Stocker (dstocker@accountcontrol.com) or Wes Huffman (whuffman@wpllc.net).

- **Financial Literacy Task Force:** The Financial Literacy Task Force is currently working to develop a white paper on campus-based financial literacy. We are also looking to improve the COHEAO website section devoted to this task force. With financial literacy so intertwined with all things related to student loans and higher education finance, COHEAO members interested in this topic are encouraged to join this Task Force. If you are interested in joining or for more information, please contact Task Force Chair Carl Perry (cperry@progressivefinancial.com) or Wes Huffman (whuffman@wpllc.net).

- **Perkins Task Force:** With Congress on recess and the latest round of negotiated rulemaking on a little bit of a delay, the Perkins Task Force is in planning mode. Though August offers a lull in the action directly affecting Perkins, developments are likely to come fast and furious throughout the rest of this year and into next. The Perkins Task Force is currently developing plans for the upcoming round of negotiated rulemaking, which will examine streamlining regulations in the Campus Based programs, as well as advocacy strategies for restoring cancellation funding in this most difficult of funding environments. The Perkins Task Force is the foundation of our advocacy efforts on Perkins and all COHEAO members are encouraged to join. If you are interested in joining, or for more information, please contact Task Force Chair Nancy Pairs (Nancy.Paris@acs-inc.com) or Wes Huffman (whuffman@wpllc.net).

- **STARS:** The Student Tuition Accounts Receivable Sources (STARS) group has developed a new section on the COHEAO website. The new section is password protected for members only, but includes resources of interest to COHEAO members working on accounts receivable matters. The STARS group encourages all COHEAO members to check out the new section of the website and offer suggestions for new material to post. The new section can be accessed online at http://www.coheao.com/resources/star/. If you are interested in joining STARS, please contact STARS Chair Laurie Beets (laurie.beets@okstate.edu) or Wes Huffman (whuffman@wpllc.net)

Follow @COHEAO on Twitter

After launching our Twitter handle, @COHEAO, just a couple of weeks ago, COHEAO has been quite active on Twitter. COHEAO members on the "Twittersphere" should follow us @COHEAO

We have been using the Twitter feed to provide news updates, attach Perkins advocacy to "trending" Twitter topics in higher education, and share our thoughts on the day's news. We also intend to eventually use this as a tool in our advocacy efforts.

For the latest on anything and everything related to student loans and student financial services (and sometimes even matters that are not), follow us @COHEAO.

The White House, The Administration & The Campaign

Special Attachment: COHEAO Comments on CFPB RFI on Private Education Loans

As mentioned above, COHEAO submitted comments this week on a request for information (RFI) from the Consumer Financial Protection Bureau (CFPB) on the handling of complaints from private education loan borrowers. In COHEAO's response, we noted our concerns with the publication of unverified complaints and offered information on how different types of organizations handle complaints regarding student accounts. The letter is included with today's edition as a special attachment.

Higher Ed Community Reacting to Ryan VP Pick

Much like Washington insiders, pundits, and the public, the higher education community began analyzing the selection of House Budget Committee Chairman Paul Ryan (R-WI) as presumptive Republican nominee Mitt Romney's running mate and its possible future impact.

In terms of student loans, one critical aspect of the Ryan selection is that it may elevate the issue of fair-value accounting. As Chairman of the Budget Committee, Ryan has been a longtime advocate for fair-value accounting, which would more accurately reflect the risk the government incurs in making student loans. Economists of all ideological stripes argue this is a preferable form of accounting for these programs, but accounting for them properly would greatly increase the costs of the Direct Loan program. However, Ryan has been one of the most ardent supporters of fair-value accounting, even going as far as to review the numbers in the budget appendix during a 60 Minutes profile.

The Ryan budget includes deep cuts to discretionary, non-defense spending, including student aid and research, which is a cause for concern among the Washington higher education community. However, one prominent blogger, Jason Delisle of the New America Foundation, argues that, at least in terms of the bedrock student aid program, Pell Grants, there are fewer differences than one might expect between the Ryan budget and President Obama's FY 13 proposal. According to Delisle, both contain unrealistic multi-billion dollar increases in appropriated funds for Pell grants.

Inside Higher Ed, "Ryan's Higher Ed Record," is available online:
http://www.insidehighered.com/news/2012/08/13/paul-ryans-views-and-record-higher-education
Ed Money Watch, "Revisiting Ryan Versus Obama on Pell Grants," is available online:
http://edmoney.newamerica.net/blogposts/2012/revisiting_ryan_versus_obama_on_pell_grants-70414

CFPB, FTC, DOJ Seek to Overturn Court Ruling on Plaintiff Payment of FDCPA Litigation Costs

The Federal Trade Commission, the Department of Justice, and the Consumer Financial Protection Bureau filed a joint amicus brief in the U.S. Supreme Court supporting consumers' ability to protect their rights under the Fair Debt Collection Practices Act by suing debt collectors. The FTC and CFPB share authority to enforce the Act.

The amicus brief urges the Supreme Court to overturn a decision of the U.S. Court of Appeals for the Tenth Circuit. In this case, a consumer, Olivea Marx, sued a debt collector, General Revenue Corporation, that had contacted her employer to obtain information about her employment status. Marx believed that the debt collector's conduct had violated the Fair Debt Collection Practices Act, but she lost the case. The Tenth Circuit ruled that Marx was responsible for paying more than $4,500 to cover the debt collector's litigation costs.

Here is how the FTC press statement describes the reasoning for the amicus brief:

> The amicus brief argues that the Tenth Circuit's decision was inconsistent with the terms of the Fair Debt Collection Practices Act, which specifies that consumers who win lawsuits against debt collectors may recover their litigation costs from the defendants, but that consumers who lose these cases must pay defendants' litigation costs only if the consumers sued in bad faith or for purposes of harassment. The amicus brief also argues that these provisions of the Act advance Congress' intent to help consumers deter abusive debt collection practices by bringing private enforcement actions in good faith. By contrast, the Tenth Circuit's ruling would create a disincentive to the prosecution of private enforcement actions, the brief states.

Here is a summary of the joint brief from an industry trade publication, *InsideARM*:

> There is precedent of agencies recouping court costs when it's clear that the consumer sued as a form of harassment. Marx v. General Revenue Corp complicates that in some ways for a lot of consumers and consumer attorneys. Suits regarding technical violations of FDCPA are a cottage industry; allowing agencies to recoup court costs in unsuccessful attempts makes it a less lucrative endeavor.
>
> …
>
> If there was a chance that a collection agency could recoup its court costs in the event that a consumer suit against it was thrown out or decided in the agency's favor, it might be likely that

more agencies would pursue legal action in court. As it now stands, there's little benefit to an agency in fighting a consumer suit: being found to be on the right side of the law can still carry a hefty price tag, and doesn't outrightly benefit the agency.

The press release from the FTC is available online: http://ftc.gov/opa/2012/08/amicus.shtm
The full article from *InsideARM* is available online: http://goo.gl/83tqt

Lenders Providing Data Question CFPB Analysis, Bureau Publishes Research Note Indicating Further Study Is Underway

The CFPB added a "research note" to its report on the private student loan market last week. The report was a joint effort with the Department of Education. The research note is included below:

Research note: The lenders who provided the sample lender loan level data have advised the agencies that the manner in which the agencies relied upon the "program type" information in the dataset (i.e., undergraduate, graduate, law medical and certificate designations) may produce incomplete results unless supplemented by other fields in the dataset. As noted in the report, Figures 6, 7 and 13 in the text and Appendix II Figures 1, 2, 3 and 5 rely, in part, on the "program type" information.

The agencies are reanalyzing the sample lender loan level data based on the above advice to determine what impact the additional analysis will reveal and will issue a supplemental publication with further clarifying analysis by the end of August.

The CFPB report webpage is online at: http://goo.gl/OGBp9

Industry News

CUPA-HR Survey on Healthcare and Benefits at Colleges and Universities

Findings from CUPA-HR's 2012 Comprehensive Survey of College and University Benefits Programs show that healthcare costs are still rising, but at a slightly lower rate than previous years.

For the 354 institutions completing this year's survey, the median total premium costs for the three most common healthcare plan types (PPO, HMO and POS) increased 6.7% for employee-only coverage and 6.0% for employee + family coverage; comparable increases last year were 7.3% for both types of coverage. Median annual plan premiums increased to $6,396 for employee-only coverage and to $16,840 for employee + family coverage. The percentage increases in costs are less this year than in the preceding two years.

In other healthcare-related findings, the percentage of responding institutions offering healthcare benefits for same sex partners increased for the eighth straight year, rising to 57% (for opposite sex domestic partners, the percentage remained about the same at 42%); a majority of responding institutions continue to provide healthcare benefits for retirees under the age of 65 and slightly less than half do so for those 65 and over; more than 70% of responding institutions have a wellness program; consumer-driven health plans are offered by 34% of this year's respondents (up from just 11% in 2007); and most responding institutions offer voluntary benefits that have no direct cost to the institution. Only about a third of responding institutions have developed a strategy for what their healthcare benefits should be in three years.

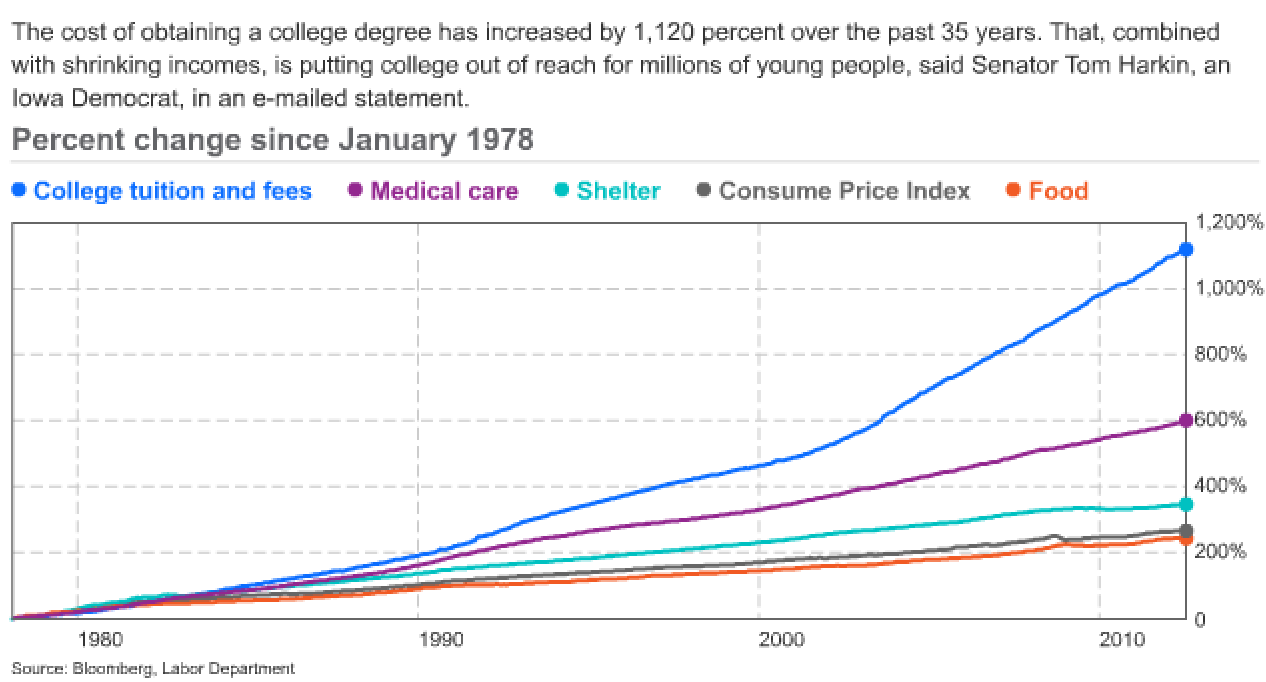
Some non-healthcare-related findings: almost all responding institutions provide basic life insurance, long-term disability, paid time off, tuition assistance and retirement benefits; about a quarter of responding institutions provide child daycare, but most do not subsidize the costs (even fewer provide sick-child daycare); the median number of paid holiday days each year is 12 as is the median number of sick days (only a small percentage of respondents have a formal PTO plan combining vacation/sick leave and other benefits, and the median number of vacation days varies by employee category); forty percent of respondents indicated that they pay the difference in salary for employees on military leave (and only for a short period of time); a quarter of respondents have paid leave for a new parent over and above vacation and sick leave; almost all responding institutions (96%) provide tuition benefits for courses taken by full-time employees at their own institution (percentages are lower for spouses and children); a majority of respondents utilize a 403(b) defined contribution plan for retirement benefits.

This year's Benefits Survey collected data for both healthcare and non-healthcare benefits. The healthcare part of the survey collected detailed data on PPO, HMO, POS and consumer-driven healthcare plans; prescription drug and dental plans; premiums, deductibles, maximums and co-insurance; services covered; co-pay amounts; and annual and lifetime limits. The non-healthcare part of the survey covered basic life insurance, short-term and long-term disability, paid time off, tuition assistance and defined contribution retirement plans. Respondents were also asked about childcare benefits, including subsidies. Support for this year's Benefits Survey was provided by Aetna.

To see an executive summary of the findings, visit www.cupahr.org/surveys/data.asp.

Bloomberg Chart of Day Shows Increase in Tuition

A *Bloomberg* "chart of the day" on the rising cost of college published this week is catching the attention of staffers on Capitol Hill and other interested parties. The chart is below:



The full chart, which includes some additional analysis, is available online:
http://www.bloomberg.com/news/print/2012-08-15/cost-of-college-degree-in-u-s-soars-12-fold-chart-of-the-day.html

Dow Jones Coverage Shows Student Loans Hitting Two Unexpected Groups—Seniors and Upper Incomes

In reporting on two unexpected groups with growing concerns on college debts, seniors and affluent families, two *Dow Jones* publications, *The Wall Street Journal* and *SmartMoney*, inspired multiple additional outlets to explore these topics.

The *Journal* featured a front page story, "College Debt Hits the Well Off," showing those with higher incomes are borrowing at higher levels, both in terms of the number of borrowers as well as overall debt, while *SmartMoney* reviewed a growing level of Social Security garnishments to repay federal student loans.

Excerpts from the *Journal* article are below:

According to a Wall Street Journal analysis of recently released Federal Reserve data, households with annual incomes of $94,535 to $205,335 saw the biggest jump in the percentage with student-loan debt from 2007 to 2010, the latest figures available. That group also saw a sharp climb in the amount of debt owed on average.

…

The Journal's analysis defined upper-middle-income households as those with annual incomes between the 80th and 95th percentiles of all households nationwide. Among this group, 25.6% had student-loan debt in 2010, up from 19.5% in 2007. For all households, the portion with student loan debt rose to 19.1% in 2010 from 15.2% in 2007.

The amount borrowed by upper-middle-income families, meanwhile, has soared. They owed an average of $32,869 in college loans in 2010, up from $26,639 in 2007, after adjusting for inflation, according to the Journal's analysis.

Borrowing has also increased for lower-income families, but by a smaller amount. Families with lower incomes tend to send their children to lower-cost schools and to cover a greater portion of their costs through financial aid, according to Sallie Mae. The typical low-income family receives grants and scholarships totaling 36% of the cost, the lender says, while for higher-income families such packages total 21%.

An excerpt from the *SmartMoney* article is included below:

From January through August 6, the government reduced the size of roughly 115,000 retirees' Social Security checks on those grounds. That's nearly double the pace of the department's enforcement in 2011; it's up from around 60,000 cases in all of 2007 and just 6 cases in 2000.

The *Wall Street Journal* article, "College Debt Hits Well Off," is available online: http://goo.gl/0uXj6
The *SmartMoney* article, "For Unpaid College Loans, Feds Dock Social Security," is available online:
http://goo.gl/f7lOR

Dalstrom to Step Down at USA Funds

USA Funds President and CEO Carl Dalstrom announced that he will retire from the nonprofit guaranty agency/college access and success organization, effective June 30, 2013. Dalstrom will continue to lead USA Funds as its chief executive until his successor begins work on or before next June 30. Dalstrom, 62, has served as USA Funds president and CEO since July 31, 2000.

"Working with our board of trustees, staff and partner organizations, we've accomplished more than I hoped for USA Funds when I became the chief executive of the organization 12 years ago," Dalstrom said. "We have established a solid foundation for USA Funds' future as a major contributor to student success in higher education for many years to come, and the time is right for me to move into retirement."

In a press release announcing the retirement, USA Funds highlighted the following achievements during Dalstrom's tenure:

- USA Funds supported more than $183 billion in financing to help students and parents pay higher education expenses.
- USA Funds prevented nearly 13.6 million borrowers who were 60 days or more past due in their federal student loan payments from defaulting, averting nearly $187 billion in potential loan defaults. USA Funds also recovered for U.S. taxpayers nearly $12 billion from borrowers who previously defaulted on their loans.
- USA Funds provided $120 million in funding for scholarships and other programs that help Americans prepare for, enroll in and succeed in postsecondary education.
- USA Funds developed tools, solutions and support that help colleges and universities promote the success of their students. These solutions include:
    - USA Funds Borrower Connect™, a Web-based tool to support communication with student loan borrowers to promote successful loan repayment.
    - USA Funds Life Skills®, a financial literacy curriculum for college students.
    - Online training and webcasts through USA Funds University to keep college financial aid administrators up to date on the policies, procedures and practices for administering federal student aid programs.
    - USA Funds Ask PolicySM, a resource to answer specific questions about the administration of federal student aid.
    - Debt management consultations with college and university administrators to help them develop or enhance plans for reducing student loan default rates.

Dalstrom has served for more than 42 years in various capacities in support of higher education access and success. Prior to becoming president and chief executive officer of USA Funds, he performed a variety of executive responsibilities at USA Funds and its former parent company, USA Group. Dalstrom previously held positions with ACT, the University of Illinois at Chicago and Northeastern Illinois University in Chicago.

New America Analysis Shows Government Losses on Defaulted Federal Loans

The New America Foundation recently reviewed CBO's latest information on the costs of the student loan programs, provided through its publication "Fair Value Estimates of the Cost of Federal Programs in 2013," and calculated an estimate of the government's losses on defaulted loans. According the analysis, which says it puts to rest the argument the federal government earns more on defaulted loans, defaults will cost $38.4 billion on the loans issued this year.

In spite of the losses, only the Subsidized Stafford Loan program has a cost associated with it. The unsubsidized loan programs earn a return for the government between $2.3 billion and $3.7 billion.

A blog post is available online:
http://edmoney.newamerica.net/blogposts/2012/cbo_issues_fresh_evidence_that_student_loan_defaults_cost_taxpayers-70117

New Report (Attempts to) Show Impact of Student Debt on First-Time Home Buying

Young Invincibles released a report, "Denied? The Impact of Student Debt on the Ability to Buy a House," which the organization describes as "taking a first step toward showing that growing student debt burdens may exclude borrowers from qualifying for home purchases."

An excerpt from the executive summary states:

> Failing to qualify for home loans does not exclude student loan borrowers from the housing market forever. Borrowers have the option of delaying home ownership until they pay down debt, save for a larger down payment, or reduce their mortgage amount by looking for smaller, cheaper homes.
>
> The report estimates typical debt-to-income ratios, relying on evidence available from a variety of national datasets. However, current data limitations on student debtor characteristics constrain the ability to make broader conclusions.

Young Invincibles is a relatively new youth-oriented organization in Washington, DC. The group has been gaining some attention among policymakers with Sen. Sherrod Brown calling on the organization to testify at his Senate Banking Subcommittee hearing on private student loans. A survey of delinquent, high-debt borrowers was the basis for the group's testimony at the hearing.

The full report is available online: **http://younginvincibles.org/wp-content/uploads/2012/08/Denied-The-Impact-of-Student-Debt-on-the-Ability-to-Buy-a-House-8.14.12.pdf**

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

Account Control Technology, Inc.

ACS Inc.

AMO Recoveries, Inc

Bass & Associates

Bonded Collection Corporation, Inc.

Campus Partners

Client Services, Inc.

Coast Professional

ConServe

Credit Adjustments, Inc.

Credit Control, LLC

Credit World Services, Inc.

Delta Management Associates

Educational Computer Systems, Inc.

Security Credit Systems, Inc.

Capital Management Services, LP

Enterprise Recovery Systems, Inc.

Financial Asset Management Systems, Inc.

General Revenue Corporation

Immediate Credit Recovery, Inc.

JC Christensen and Associates

National Credit Management

NCO Financial Systems, Inc.

Premiere Credit

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

National Enterprise Systems, Inc.

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August 13, 2012

Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW,
Washington, DC 20552

Re: Docket No. CFPB-2012-0024

Dear Ms. Jackson:

The Coalition of Higher Education Assistance Organizations (COHEAO) appreciates the opportunity to respond to the Request for Information Regarding Complaints from Private Education Loan borrowers issued by the Consumer Financial Protection Bureau on June 14, 2012.

COHEAO members include roughly 200 colleges and universities and their vendor partners for the billing, servicing, and collection of institutional and federal campus-based loan programs as well as other campus receivables. Our members work collaboratively to minimize complaints on institutional loans and debts by providing great service and promoting a culture of compliance with federal and state laws, but inevitably, in the servicing and collection of student loans and tuition debts, some complaints will occur.

When complaints do arise, COHEAO member colleges and companies work to quickly address them. Complaint resolution is often imbedded in the contracting process with third-party vendors, so schools closely monitor their vendor partners to help ensure that any complaint coming from one of their students or former students is handled efficiently and effectively. We note that colleges and universities and their venders also comply with U.S. Department of Education regulations and face oversight and audit by the Department of Education as well as by guaranty agencies.

We were encouraged by the Bureau's efforts to supplement the information received via the Student Loan Ombudsman's complaint intake function. Student loans are different from other traditional consumer finance products, such as credit cards. As outlined in our comments on Docket No. CFPB-2012-0023, COHEAO remains deeply concerned with the publication of individual complaints on private education loans for several reasons, including the lack of verification for accuracy before publication, the possible harm to companies and organizations from the publication of unverified complaints without context, and the prospects for duplication across multiple government complaint intake functions, among others.

We are hopeful our answers to the Notice's questions will be helpful with the Bureau's efforts to "analyze and compile data" regarding borrower complaints.

Question Responses

What complaints are submitted by borrowers of private student loans? Among other things, responses can address topics that relate to some or all of the following areas:

- *Whether the complainant is the primary borrower, co-signer, school, or other party;*

  COHEAO Response: In the case of institutional loans and tuition receivables, the complainant is most often the student. In some cases, parents will become involved, and universities and their vendor partners will be as accommodating as possible, but also they must strictly adhere to privacy restrictions on communicating with anyone other than an adult student under the Family Educational Rights and Privacy Act (FERPA), the relevant provisions of the Fair Debt Collection Practices Act (FDCPA) and other applicable privacy laws.

- *The topic or topics featured in complaints (e.g., credit reporting, debt collection, billing disputes);*

  COHEAO Response: For small institutional loan programs and, to a certain extent, even the Perkins Loan Program, one of the primary complaints received is that a delinquent borrower simply did not know the obligation existed. Importantly, this represents a very small portion of borrowers from these programs, but it is often a claim made by those with delinquent or defaulted accounts. Borrowers who make this claim usually have not paid attention to the exit counseling materials they received for their loans, whether Perkins or institutional, as they would have received multiple communications in multiple formats (postal mail, phone calls, and email) with information relating to their loan obligations.

  One area of complaints unique to institutions of higher education is the use of institutional records holds. There are numerous reasons why an institution may place a hold on a student's transcript or other records, including outstanding institutional loans and tuition payments. Colleges and universities have a formal appeal process to address concerns about holds on student records.

  COHEAO members indicate another area of confusion about private education loans involves school certification. One of the top complaints in the pre-disbursement process occurs when a borrower is approved for a private education loan in an amount greater than the cost of attendance less other financial aid. The lender, upon receiving school certification of the cost of attendance, will subsequently reduce the amount they will lend to the student. When the student becomes aware of the smaller than expected loan, they will often complain to the financial aid office. Clearly, school certification of private loans is a desirable protection for both the consumer and the lender, and student expectation can be better managed through a more transparent "pre-approval" process that can be communicated by the lender to the student.

What processes do institutions have in place to respond to complaints from private education loan borrowers? Among other things, the Bureau invites comments on topics such as:

- *How institutions receive complaints from private student loan borrowers; and*

  COHEAO Response: At many institutions of higher education, there typically is not a formal process for the student loan borrowers to file a complaint, whether for an institutional student loan or a "private sector" loan. The avenue for complaints to be filed with the institution is typically through feedback from borrowers in response to collection efforts (when institutional loans are involved) or during the loan origination/disbursement process for "private sector" loans. Such communications come in the form of phone calls, emails, and written correspondence.

- *How institutions respond to complaints from private student loan borrowers.*

  COHEAO Response: COHEAO members, both institutions of higher education and third-party service providers, have formal, well-established processes to respond to complaints from student loan borrowers. The borrowers are in effect the customers of the institutions, their alumni who the institution will depend on to enhance its reputation and even to provide support in the future. Third-party service providers are under contract to provide satisfactory services to the campus's students and former students, including resolving complaints in a fair manner.

COHEAO solicited information from our members on the complaint procedures used by campuses and their servicers. Below are summaries of the process at several campuses.

> In practice we have acted on complaints made either in writing or by phone by discussing them first with the collections representative, who escalates it if necessary to the loan services manager and then to the director. If it still cannot be resolved, the ombudsman, dean of students or campus counsel is engaged and they contact the student or we set up a meeting with the student and campus representatives.
>
> Complaints are addressed to the Billing and Payment Services office. Issues are resolved at the lowest level, but may be escalated to the manager or unit director if appropriate.
>
> 99.99% of all complaints are handled by the Collections Unit. We work with the borrower and provide them documentation that supports the account activity. Debt settlement issues are forwarded to the unit manager for approval.

We thought it might be of interest to include the actual procedures from a state university system. This is from the Board Policies of the Minnesota State Colleges and Universities, a public document available at this address: http://www.mnscu.edu/board/policy/3-08.pdf.

Procedure 3.8.1 Student Complaints and Grievances

for **Board Policy 3.8**

Part 1. Definitions. For the purposes of Policy 3.8 and Procedure 3.8.1 the following definitions apply:

Subpart A. Appeal. A request for reconsideration of a grievance decision under Policy 3.8 and Procedure 3.81.

Subpart B. Complaint. An oral or written claim concerning a college or university issue brought by a student alleging improper, unfair, or arbitrary treatment.

Subpart C. Grievance. A written claim raised by a student alleging improper, unfair, or arbitrary action by an employee involving the application of a specific provision of a college or university rule/regulation or a board policy or procedure. This policy does not apply to those college/university rules or regulations or to board policies or procedures that include an appeal or grievance process.

Subpart D. Retaliation. Retribution of any kind taken against a student for participating or not participating in a complaint or grievance.

Subpart E. Student. An individual who is enrolled in a college or university, a group of such individuals or the campus student government.

Part 2. Notification and Publication. Each college and university shall inform students of the established complaint and grievance policies and procedures. These policies and procedures shall be publicized to students at least annually and include information for students about how and where to obtain grievance forms.

Part 3. Complaints. Colleges and universities shall establish procedures that provide for informal resolution of complaints by requiring that a student discuss a complaint with the employee(s), and/or administrator(s). If not resolved through this informal discussion, a complaint may become a grievance if the complaint involves the application of a college/university rule or regulation or a board policy or procedure.

Part 4. Grievances.

Subpart A. Timeframe. The college or university shall develop and publish a timeframe that establishes reasonable time requirements for each step of the grievance process.

Subpart B. Grievance process.

1. The college or university shall develop a grievance form which will provide an explanation of the grievance step procedures and timelines.

2. A grievance shall be submitted in writing.

3. At the conclusion of the grievance process, the response of the college or university shall be in writing and sent to the grievant. The response shall include notification to the student of the opportunity for appeal and the process for appealing.

Subpart C. Appeals.

1. The grievance procedure shall include an opportunity for a student to appeal a grievance decision. The individual to whom an appeal is directed should be identified by the college or university for the issue(s) in question.

2. If the grievance involves a college or university rule or regulation, a student may appeal an official grievance through procedural steps up to the president. The decision of the president is final and binding.

3. If the grievance involves a board policy, the actions of a college or university president, an issue of institutional or program quality such as an institution's compliance with the standards of an accrediting or licensing agency, or a claim of consumer fraud or deceptive trade practice, a student may further appeal the college or university decision to the chancellor. The decision of the chancellor is final and binding.

Part 5. Retaliation Prohibited. No retaliation of any kind shall be taken against a student for participating, or refusing to participate, in a grievance. Retaliation may be subject to action under appropriate student or employee policies.

Many institutions of higher education contract with third-parties to service their (private) institutional loans, federal Perkins Loans, and other accounts receivable. Two such vendors shared their written policies for responding to calls and complaints from student loan borrowers, which are copied below.

"General

Each borrower is entitled to prompt, courteous and complete satisfaction to all requests. Our client's borrowers are ultimately the reason we are in business. Each caller should receive our complete and undivided attention. At the beginning of each call and upon the request of the caller, each Customer Service Representative must give their name for reference and identification purposes.

Responsiveness
Phone requests should be processed while the caller is on the phone. No caller should be on hold more than two to three minutes. If a request cannot be processed immediately, the relevant information is to be collected from the caller and an estimated resolution time should be given. Return calls should be made within the stated time frame.

Electronic mail requests should be processed within two hours. In no case should a request go beyond 24 hours of receipt. If a request cannot be completed within the required time frame, the borrower must be given a status and an estimated resolution.

On-line electronic support should receive the same priority as phone support. Calls should be answered in the order received. If there will be a delay, announce the approximate waiting period to those waiting.

Accuracy
Borrowers should expect and receive accurate and complete information. Information provided must be relevant and current. If unsure of the proper answer, involve another department member or a supervisor who is better versed on a particular topic. If a member or supervisor in Customer Service is not available, escalate the problem to the Sales or Administration staff. As always, gather all relevant information from the caller and keep them informed of the status.

When a borrower is requesting information on their loan, ensure that they understand any rights and/or obligations. Ensure that when an issue needs to be referred to the school, the borrower understands that as a billing agent, the ultimate decision-making powers lie with the school.

Recourse
Borrowers who express dissatisfaction with the service received should be given the opportunity to speak with a supervisor. If a supervisor is not available, take the caller's information and inform them when a supervisor will be available. You should also inform the caller of the electronic customer service facilities available on our website. Do not try to influence their decision, give them the information and let them decide the method they prefer.

Phone requests for administrative action must be processed through a customer service supervisor prior to being passed on.

Our pursuit of 100% Client Satisfaction is unwavering."

Following is another example of the written policy for handling complaints at an institutional third-party loan servicing company.

"Borrower Complaints
(The servicer) tracks all borrower complaint activity. Specific information including complaint date, type, and follow-up date is included. Reports can be generated to identify issues or trends and are used by management to improve our service capability.

As part of our 100% tracking of borrower calls, we use state of the art call monitoring equipment that allows immediate review of any borrower complaint. Currently, all complaints received from borrowers are escalated to the supervisor, team leader, call center specialist or manager as appropriate.

Providing services that require strict attention to federal guidelines and dealing with a diverse population of borrowers and University administrators, maintaining service quality is our top priority. If a processing error is found which may impact more than just that single borrower, the University's Customer Service Representative would contact appropriate staff at the University to explain the problem and provide (the servicer's) solution to resolve it.

Written correspondence from borrowers is received and imaged. Once the requested change or adjustment has been completed or other resolution is determined, the original documentation is returned to the University if requested.

Credit Bureau Reporting
(The servicer) attempts to resolve all credit bureau reporting disputes raised by borrowers subsequent to the reporting, since the reporting is based on the information in the (servicer's) database. If the Borrower's dispute is upheld, (the servicer) will submit an update immediately. If the borrower's request is denied, a detailed explanation is provided to the borrower.

Compliance with the Fair Credit Reporting Act is maintained by (the servicer). Any borrower dispute related to the credit history must be resolved within 30 days or removed until resolution. (The servicer) uses (the latest) software … with update messaging capabilities to ensure timely processing on the disputed account at all three bureaus."

A third-party collection agency that contracts with hundreds of institutions of higher education shared its policies and procedures:

"Complaint Policy and Procedures
A borrower complaint is an expression of dissatisfaction, either orally or in writing, with a specific occurrence that took place during the collection process. Although all collection agencies receive some complaints, it is (the company's) belief that the expression of a grievance does not occur simply as the result of a collection call. There must be some problem or misunderstanding during a call causing the borrower to take the time to write a letter or make a phone call to (the company) or the client. Management knows that complaints are not just "stories," and action(s) will be taken to ensure that when a complaint is found to be valid, it is corrected as soon as possible. (The company's) management is sensitive to borrowers' needs, providing care and consideration when resolving disputes and/or complaints.

(The company's) complaint regulations require that any complaint regarding our clients be immediately forwarded to our Customer Service/Complaint Hotline. We find that this immediate response and attentiveness to the complainant's concerns creates a sense of comfort within them and helps defuse the situation. If this initial conversation with a Customer Service Representative does not calm the situation, we immediately inform the client of the complaint and, if necessary, ask for assistance in correcting the matter. Hopefully, any misunderstanding or problem can be corrected by working together. However, if combined actions cannot eliminate the complaint, a letter is issued explaining the misunderstanding or problem that has occurred, thereby hoping to resolve the complaint conclusively.

(The company) logs all complaints to track trends and discover potential training needs. Complaints are then forwarded to our Corporate Counsel for complaint resolution and

> investigation. Our Corporate Counsel will review call records, employee training materials, account notations, and all available information from the complaint to determine the root cause of the problem. Once the cause of the problem is discovered, a plan of action will be implemented to effectively resolve the issue and provide any retraining to the Collection Manager, collectors involved, or the entire collection floor as necessary. It is (the company's) intent to resolve all complaints before they escalate and require intervention from a third party.
>
> In addition, (the company) conducts internal audits on complaint logs and incoming correspondence to determine the severity and volume of complaints received. (The company) assures our clients that we strive to minimize complaint volumes, increase borrower satisfaction, and encourage client retention. Furthermore, (the company) maintains an A+ rating with the Better Business Bureau, demonstrating our commitment to resolving all complaints according to industry expectations."

Complaints are unfortunately a fact of life for any entity, public or private, that deals with members of the public. However, colleges and universities put a great deal of effort into resolving all complaints fairly and satisfactorily, as do their vendors. Institutions of higher education take extraordinary care to ensure that they have procedures in place to address complaints from student loan borrowers or those who otherwise owe the institution money, as do their third-party contractors. Institutions' reputation and success depends on their relationship with their former students.

Thank you for the opportunity to provide information to the Bureau. We would be happy to answer any questions or provide other information that would be helpful to the Bureau's mission.

Sincerely,

Harrison Wadsworth

Harrison Wadsworth
COHEAO Executive Director