The Torch

January 30, 2015

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

COHEAO

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White House & Administration

- **White House Floats, Then Pulls, Elimination of 529 Plans in Higher Ed Tax Overhaul Plan**
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  On January 20th, the President delivered his penultimate State of the Union Address. Attached with today's edition is a memo prepared by Washington Partners, LLC on the education aspects of the President's speech.
- **CFPB Releases New Financial Well-Being Report, Teams with FSR on Financial Education**
  The CFPB released a report this week, "Financial Well-Being: The Goal of Financial Education."
- **ED Provides Additional Guidance on PLUS Loan Adverse Credit History Requirements**
  The Department of Education recently announced that the new Direct PLUS Loan regulations will be implemented on March 29, 2015.

Industry

- **Cuomo Proposes NY Loan Repay Plan Built Off PAYE**
  New York Governor Andrew Cuomo proposed legislation last week that would cover two years of loan payments for New York State college graduates who make less than $50,000 a year, continue to live in the state and are enrolled in the federal Pay as You Earn program.
- **New Survey Shows Discrepancies among College Students and Employers' on Job Readiness**
  The Association of American Colleges and Universities (AACU) recently released a report that highlighted discrepancies between students' and employers' views on job readiness.

Attachments

- **COHEAO Commercial Members**
- **COHEAO Board of Directors**
- **2015 State of the Union Address**

COHEAO

Thank You for a Successful COHEAO Annual Conference

COHEAO members and conference delegates involved in student financial services gathered just outside of Washington, DC this week for the COHEAO Annual Conference. Thanks to all of the COHEAO members who made this conference a success. We'd also like to congratulate Jan Hnilica of Wheaton College and Karen Reddick of National Credit Management for winning the COHEAO Institutional and Commercial Member of the Year Awards.

Thanks to all of the COHEAO members who donated items or participated in our silent auction at the Annual Conference. Thanks to your generosity, COHEAO raised nearly $4,000 at this year's event and will be able to award four $1,000 scholarships to students attending COHEAO member schools.

The conference provided attendees with insights on what is happening in Washington (see related article below), an opportunity to discuss the Perkins Loan Program and COHEAO's Campus Flex proposal, and an agenda addressing a variety of topics of interest to student financial services providers on campus. Highlights from select sessions are included below.

Dr. Patricia McGuire, President of Trinity University-Washington, gave a presentation on financial literacy for first generation students. The students that Trinity typically serves are low-income students from Washington, DC. McGuire's presentation used maps of Washington, DC to highlight the lack of basic services and shops, such as public transportation, grocery stores, and even laundry mats, confronting students from low-income neighborhoods. McGuire also reinforced that many students from low-income backgrounds have no access to traditional banking products and may operate in a "cash-only" economy.

Making note of the stark differences between the more affluent parts of DC and "East of the River," McGuire said, "poverty is expensive," and urged attendees to approach their work in financial aid and financial literacy with empathy. She also discussed the candid discussions the separate "silos of higher education," such as financial aid, admissions, the business office, and academics, must have in order to work collaboratively to improve financial literacy among students.

John Culhane and Heather Klein from Ballard Spahr, LLP gave a presentation on the recent actions of the CFPB. Culhane and Klein gave a detailed review of the Bureau's recent actions in higher education and student loans. The two attorneys indicated the CFPB is likely to continue to focus on student loans and debt collection and the FDCPA proposed rule may come as soon as this year. Their presentation is available online.

On Tuesday, Gary Fretwell of Noel-Levitz highlighted how data can improve retention rates on campus. Attendees were most interested in the use of data for creating a campus culture that embraces student retention as a priority, and Fretwell identified the 10 critical elements of successful institutional retention programs.

In addition to a presentation from Gail McLarnon and Brian Smith of the Department of Education (see related article in "Top News"), the final day of the conference featured presentations related to college costs. Attendees were treated to a presentation on the Assets for Independence Program, which is an asset-building program administered by the Department of Health and Human Services. Emily

Appleton-Newby reviewed the key elements of the program and how AFI is looking to partner with colleges and universities to use this asset-building program for college savings.

The final presentation of the conference came from Mark Schneider, President of CollegeMeasures. Schneider is a leading expert on graduate wage data and higher education outcomes. His presentation reviewed many of the efforts to "rate" or "rank" colleges as well as his organization's work at the state level. CollegeMeasures works with states to align their unemployment wage data with student data from institutions of higher education to understand the economic outcomes of higher education.

Schneider argued the only way to accurately "rate" higher education is to do so at the program level, as opposed to the institutional level. According to his research, it is much less a question of WHERE you study than WHAT you study that will drive wage outcomes. His presentation, which includes data from several of his organization's partner states, is available online.

Speeches from Foxx, Thompson Highlight of the COHEAO Annual Conference

Congresswoman Virginia Foxx (R-NC), the Chair of the House Education and the Workforce's Subcommittee on Higher Education and Workforce Training, and Congressman Glenn "GT" Thompson (R-PA), a longtime member of the House Education and the Workforce Committee, provided keynote addresses at the COHEAO Annual Conference. Neither Foxx nor Thompson were committal on the future of the Perkins Loan Program or the potential for a Campus Flex option within the One Grant/One Loan/One Workstudy plan, but both indicated that Perkins and this new proposal had many appealing qualities.

Foxx, who spoke directly after the Department of Education, commiserated with the gathered campus loan administrators, arguing "she's been there before" in regards to evolving guidance from the Department of Education. She also indicated that Congress was seeking to develop a descriptive HEA reauthorization bill to avoid a "continuing stream of Dear Colleague Letters."

In terms of timing for HEA reauthorization, Foxx noted the Committee has already convened 14 hearings related to higher education and said it was nearing time to move forward with legislation. The House is expected to consider the ESEA bill by the end of this month and the Higher Education Subcommittee Chair expects work on HEA to begin shortly after that. Foxx said she has met with Senate HELP Committee Chairman Lamar Alexander (R-TN) and expects the House and Senate will produce similar HEA bills, though there will be some differences. As far as timing for HEA completion, the Congresswoman said she could not speak for the Senate, but did acknowledge "things move awfully slow over there."

During the Q&A session, an attendee identified themselves as a "Registered Conservative Voter," and explained the virtues of the revolving fund nature of Perkins Loans from a conservative perspective. The questioner then asked, "What can we do to convince this Congress that Perkins Loans is really a conservative program?" Foxx, who is among the more conservative members on the Committee, simply replied, "That's a really great start!" The exchange received a loud ovation.

Thompson, who was the featured speaker at Monday's luncheon, emphasized the Education and the Workforce Committee is committed to reauthorizing the Higher Education Act, and said he was very interested in the Campus Flex proposal. The Congressman also mentioned large number of higher education institutions in his district, and the importance of education and training opportunities for students and workers in an increasingly competitive global economy. Thompson also spoke about strengthening congressional awareness of the importance of career and technical education and advance policies that improve skilled labor education and support tech-related small business job growth.

Advocates Take to the Hill to Support Perkins Loans at COHEAO Annual Conference

Visits to Capitol Hill are a critical part of the COHEAO Annual Conference. This year, they are especially important for continuing the Perkins Loans program. Attendees at the conference visited 62 separate offices in the House and Senate, helping Senators, Members of Congress, and their staffs understand the virtues of the Perkins Loan Program.

During the Congressional staff panel at the conference, representatives from the Offices of HELP Chairman Lamar Alexander and Education and the Workforce Chairman John Kline expressed strong support for the "One Grant/One Loan/One Work Study" proposal, which Alexander has formally proposed via the FAST Act. They were familiar with the Campus Flex proposal and COHEAO's efforts to preserve Perkins Loans, but said the key would be if the two Chairmen heard from members of their respective Committees that Perkins Loans and the Campus-Based Programs are a priority.

The attendees at the COHEAO Annual Conference heard this message loud and clear. The next day, and 62 meetings later, there was not a report of negative feedback on Perkins Loans or the Campus Flex proposal from a single meeting. Of course, there is still a long way to go and COHEAO will still very much need your support in the coming weeks and months, but this year's trip to Capitol Hill illustrates there is a level of support for Perkins Loans in Congress in both chambers and both parties that must be cultivated and further developed heading into HEA reauthorization.

Top News

ED Announces More Policies for Making Some Perkins Loans after October 1, 2015

The Department of Education's Office of Postsecondary Education this afternoon issued a Dear Colleague letter that explains how the "grandfathering" of Perkins Loans to current borrowers may work should the program's authority wind down on October 1, 2015.

The letter states that students who borrowed Perkins Loans on or before the 2014-15 academic year can keep borrowing Perkins Loans for five years or until they complete their program of study. The Higher Education Act includes a paragraph allowing for the grandfathering of existing students, although the Department has taken a rather restrictive interpretation of that provision. Still, it does mean that some students will be able to access low-cost Perkins Loans until they graduate, even if the program starts to wind down.

The Department's announcement narrowly deals with the grandfathering provisions and says more guidance on how a wind down would work will come later. Institutions are especially interested in what might happen to the institutional share of Perkins Loan revolving funds if the program is closed. The Department has not said.

This and other announcements are taking place because Congress has not completed the process of reauthorizing the Higher Education Act and has not decided if it will extend the Perkins Loan Program as has been done repeatedly since the program was created in 1958. COHEAO is aware that many members of Congress support the program, but at this time the legislation has not passed, so the Department has decided to plan ahead just in case.

Today's letter repeats an announcement made at the December 2014 Federal Student Aid conference: loans made for the 2015-16 academic year can have second disbursements made as long as the first disbursement takes place before October 1, 2015, even if Congress has not acted.

The Dear Colleague says Perkins loans can be made even longer as long as:

- The school made at least one Perkins Loan disbursement to the student on or before June 30, 2015.
- The student is enrolled at the same institution where the last Perkins Loan disbursement was received. For example, a student who received a Perkins Loan disbursement for enrollment at School A, and then received a Perkins Loan disbursement for enrollment at School B would be considered to be an eligible grandfathered borrower at School B, provided all other conditions are met, but not for a subsequent enrollment at School A.
- The student is enrolled in the same academic program for which the student received his or her last Perkins Loan disbursement. We consider an academic program to be the same program only if the first four digits of the program's Classification of Instructional Program (CIP) code are identical to the first four digits of the CIP code for the program for which the student received his or her last Perkins Loan disbursement.
- While the law provides for this limited "grandfathering" continued eligibility for Perkins Loans "as may be necessary to enable students . . . to continue or complete courses of study," many of these grandfathered students could have their need met by a combination of other student aid and thus will not need a Perkins Loan to "enable [them]…to continue or complete [their] courses of study." Therefore, a Perkins Loan can be made to an otherwise eligible grandfathered student to meet all or some of the student's unmet need only after the student has been awarded all Direct Subsidized Loan aid for which the student is eligible.

The Dear Colleague letter is posted on the Office of Federal Student Aid's IFAP website: http://www.ifap.ed.gov/dpcletters/GEN1503.html

Congress

Education Committees Zeroing-In on ESEA, But HEA Work Continues

For the education committees in Congress, the focus of February will be the reauthorization of the Education and Secondary Act (ESEA), but the committee higher education staffs are working diligently to have a bill to reauthorize the Higher Education Act (HEA) ready once the HELP and Education and the Workforce Committees complete their work on ESEA.

The House Education and the Workforce Committee is working at a tremendous pace. Below is the tentative schedule for ESEA consideration in February:

- Week of Feb. 2nd--ESEA introduced in House
- Week of Feb. 9th--ESEA marked up in House
- Week of Feb. 16th—Congressional Recess

- Week of Feb. 23rd--ESEA marked up in HELP. ESEA on floor in House.

**Please note: All timing is tentative and subject to change

Staff charged with leading the effort on HEA from the Education and the Workforce and HELP Committees are already beginning to draft language on an HEA reauthorization. Speaking at the COHEAO Annual Conference Jan. 28th, House Higher Education and Workforce Training Subcommittee Chairwoman Virginia Foxx (R-NC) said her committee had held some 14 hearings already on higher education, so she does not intend to convene many more hearings on higher education. She expects the Committee to turn to the bill shortly after it completes work on ESEA.

In the Senate, Chairman Alexander's staff has indicated they would like to mark up an HEA bill as soon as May, but acknowledged this is an ambitious timeline. In the coming days, the Committee is expected to produce a series of white papers on some of the more controversial issues in HEA, including so-called "skin in the game" as an accountability mechanism, de-regulation, and accreditation. Alexander has already introduced the FAST Act for student aid simplification.

Foxx said that she and Alexander have met on HEA and will work closely on the bill in order to make it easier to pass both houses, although the House bill will be different that Alexander's version in some respects.

New House and Senate Subcommittee Assignments Made

The House Education and the Workforce Committee released subcommittee assignments for members in the 114th Congress this week.

The Subcommittee on Higher Education and Workforce Training assignments are as follows:

Virginia Foxx, (R-NC), *Chairwoman*
David P. Roe, (R-TN)
Matt Salmon, (R-AZ)
Brett Guthrie, (R-KY)
Lou Barletta, (R-PA)
Joe Heck, (R-NV)
Luke Messer, (R-IN)
Bradley Byrne, (R-AL)
Carlos Curbelo, (R-FL)
Elise Stefanik, (R-NY)
Rick Allen, (R-GA)

Rep. Rubén Hinojosa (D-TX), *Ranking Member*
Rep. Hakeem Jeffries (D-NY)
Rep. Alma Adams (D-NC)
Rep. Mark DeSaulnier (D-CA)
Rep. Susan A. Davis (D-CA)
Rep. Raul M. Grijalva (D-AZ)
Rep. Joe Courtney (D-CT)
Rep. Jared Polis (D-CO)

Additionally, the Senate announced on Thursday the members for the 12 subcommittees that make up the Senate Committee on Appropriations. The majority and minority roster for the Departments of Labor, Health and Human Services, and Education, and Related Agencies subcommittee are as follows:

Roy Blunt (R-MT), *Chairman*
Jerry Moran (R-KS)
Richard Shelby (R-AL)
Thad Cochran (R-MS)
Lamar Alexander (R-TN)
Lindsey Graham (R-SC)
Mark Kirk (R-IL)
Bill Cassidy (R-LA)
Shelley Moore Capito (R-WV)
James Lankford (R-OK)

Patty Murray (D-WA), *Ranking Member*
Richard Durbin (D-IL)
Jack Reed (D-RI)
Barbara Mikulski (D-MD)
Jeanne Shaheen (D-NH)
Jeff Merkley (D-OR)
Brian Schatz (D-HI)
Tammy Baldwin (D-WI)

A press release from The House Education and Workforce Committee Republicans can be found online: http://edworkforce.house.gov/news/documentsingle.aspx?DocumentID=398279
A press release from The House Education and Workforce Committee Democrats can be found online: http://democrats.edworkforce.house.gov/press-release/ed-workforce-committee-democrats-announce-subcommittee-assignments-and-ranking-members
A press release from The Senate Committee on Appropriations can be found online: http://www.appropriations.senate.gov/news/senate-appropriations-subcommittee-rosters-announced

Delaney Bill Would Eliminate Bankruptcy Protection for All Student Loans, Including Federal

Representative John Delaney (D-MD) has filed legislation, the "Discharge Student Loans in Bankruptcy Act" (H.R. 449), which would make both federal and private student loans dischargeable under bankruptcy. There have been many attempts to eliminate the special treatment of private student loans in bankruptcy proceedings, but very few involving federal loans.

The reason there have been relatively limited attempts to allow federal student loans to be discharged in bankruptcy is two-fold: 1) Such a bill would seem to carry a very large CBO score; and 2) the federal loan programs include numerous repayment programs designed to help borrowers avoid default.

In terms of the cost to the government, a change in the bankruptcy treatment of federal student loans could reduce the recovery rate for those in default. The federal student loan program enjoys recovery rates on defaulted loans that are unheard of in traditional consumer finance. A table of recovery rates for defaulted loans from the FY2015 Budget is included below:

FY 2015 Cohort Lifetime Dollar Default and Recovery Rates

Direct Loans	Default Rate[1]	Cash Recovery Rate[2]	Cash Recovery Rate[3] (net of CCC)	NPV Recovery Rate[4] (net of CCC)
Stafford	22.17%	108.58%	95.98%	81.82%
Unsub Stafford (Undergrad)	22.82%	107.07%	94.69%	81.80%
Unsub Stafford (Graduate)	7.08%	99.85%	89.18%	78.90%
Unsub Stafford (Combined)	15.07%	105.40%	93.42%	81.14%
PLUS (Undergrad)	8.63%	100.18%	89.15%	77.66%
PLUS (Graduate)	7.20%	97.30%	86.72%	76.55%
PLUS (Combined)	8.03%	99.10%	88.23%	77.25%

Delaney's announcement says, "Under current law, student loan debt is treated differently than other forms of debt and cannot be discharged…. It doesn't make sense for students with heavy debt burdens to be worse than someone with credit card, auto loan debt or mortgage debt. Every member of Congress from every state in the country has constituents who are struggling severely because of student loan debt. At the very least we should have some basic fairness in the law."

Delaney is a second term member of the Financial Services Committee, not the committee with jurisdiction over bankruptcy law, which is Judiciary. If you are would like a copy of the legislative text, please email Wes Huffman (whuffman@wpllc.net).

Sanders Highlights Student Debt in Budget Committee White Paper

This week, Sen. Bernie Sanders (I-VT), Ranking Democrat on the Senate Budget Committee, issued a whitepaper outlining the issues that the country, and therefore, the Budget Committee, must address. The paper highlighted seven "deficits" facing the United States, including an "education deficit," which focused solely on the issue of student loans and college costs. The "Education Deficit" excerpt from the paper is listed below:

> Today, too many Americans cannot go to college, not because they are unqualified, but because they cannot afford it. Millions of others who do graduate from college are drowning in debt. According to the Consumer Financial Protection Bureau, the total amount of outstanding student loan debt in the United States has tripled in the last ten years, and has now reached $1.2 trillion.
>
> More graduates than ever before are being forced to take out student loans, and the loans are getting larger and larger. Average student debt for a graduate of a four-year college is now roughly $33,000. This level of student debt is causing enormous financial strain on families across the United States, and is likewise undermining the ability of our economy to recover.
>
> The situation has become so dire that the Federal Reserve and the Department of the Treasury have both issued warnings that these high levels of student loan debt are driving down consumer demand and are having a significant, negative impact on economic growth.
>
> We must act, not just to help today's graduates who are suffering under high debt burdens, but for the millions of young people in this country who see a college degree as unattainable, for no reason other than the fact that their families cannot afford to pay.

The full paper is available online:
http://www.budget.senate.gov/democratic/public/_cache/files/e90ada48-fe78-4e06-b8b3-d3abf0d50f0d/01-25-15-sanders-middle-class-report.pdf

White House & Administration

White House Floats, Then Pulls, Elimination of 529 Plans in Higher Ed Tax Overhaul Plan

As part of his agenda laid out in his State of the Union Address, President Barack Obama proposed a tax overhaul that would include changes to higher education tax credits. Below are the highlights of the plan as identified by the White House:

- ***Simplify, consolidate, and better target tax benefits through an improved American Opportunity Tax Credit (AOTC)***
  - *Consolidate duplicative and less effective education benefits into a permanent, improved AOTC. Under current law, the AOTC is scheduled to expire after 2017 and revert to the less generous Hope tax credit. Under the President's plan, the AOTC would be a permanent feature of the tax code, so that students in school today would not have to worry that these benefits will expire before they graduate; the credit would also grow with inflation. The Lifetime Learning Credit and the tuition and fees deduction would be consolidated into the more generous AOTC.*
  - *Increase the refundable portion of the AOTC to $1,500. The President's plan adopts Congressional proposals – from members of both parties – to increase the refundable portion of the AOTC so that more working families and students can qualify. Like legislation that passed the House in 2014, the President's plan would increase the refundable portion from a maximum of $1,000, or 40 percent of the total AOTC benefit, to a flat maximum of $1,500.*
  - *Expand AOTC eligibility for non-traditional students. Currently, students must be at least half-time to qualify for the AOTC, and families can claim the credit for no more than four years. Under the President's plan, part- time students would be eligible for a $1,250 AOTC (up to $750 refundable) and all eligible students would be able to claim the AOTC for up to five years.*
- ***Make it easier for students and families to apply for tax credits***
  - *Improve information reporting. The proposal would require colleges and universities to provide students with the tuition and fee information needed to claim the AOTC.*
  - *Simplify taxes for approximately 9 million Pell Grant recipients. Currently, eligible families leave tens of millions of dollars of AOTC credits on the table because the rules related to Pell Grants and the AOTC are so complicated. Like bipartisan Congressional proposals, the President's plan would exempt Pell Grants from taxation and the AOTC calculation, making it easier for Pell recipients to claim the tax benefits already available to them.*
- ***Better target and simplify tax relief for student debt and college savings***
  - *Eliminate tax on student loan debt forgiveness under Pay-As-You-Earn (PAYE) and other income-based repayment plans. The President has worked to make student debt affordable for struggling borrowers by offering PAYE: an income-based repayment plan that lets borrowers limit student loan payments to no more than 10 percent of their discretionary income and qualify for forgiveness after 20 years of repayments. The Department of Education is currently amending its rules to extend this option to all direct*

student loan borrowers. However, under current law, PAYE participants who qualify for debt forgiveness after 20 years could face a large tax bill – likely a surprise to most borrowers, and for others a concern in choosing PAYE. The President's plan would continue to propose to exempt student loan forgiveness from taxation.

- *Repeal the complicated student loan interest deduction for new borrowers. The student loan interest deduction is complicated – so much so that many eligible borrowers fail to claim it – and provides very limited assistance ($100 on average) to a broad group of borrowers, rather than targeting more meaningful assistance to those borrowers struggling to afford their student loan payments. The President's plan would retain the student loan interest deduction for current borrowers. But for new borrowers, his plan would repeal this complicated tax break and instead provide more generous and more targeted tax relief through the improved AOTC while students are in school and through PAYE once they graduate.*
- *Limit upside-down education savings incentives and consolidate them into a single benefit. The President's plan would consolidate education savings incentives into one vehicle and redirect the savings into the better targeted AOTC. Specifically, the President's plan will roll back expanded tax cuts for 529 education savings plans that were enacted in 2001 for new contributions, and – like Chairman Camp's tax reform plan – repeal tax* incentives going forward for the much smaller Coverdell education savings program.

The proposal's treatment of 529 college savings drew fire from both parties. After receiving complaints ranging from Speaker Boehner (R-OH) to Minority Leader Pelosi (D-CA) for penalizing middle class savers, the Administration quickly backpedaled and pulled the provision from its tax plan just days after announcing it.

Critics of the 529 tax proposal asserted that it was unfair to make college more expensive for upper-income families in order to ease the tuition burden for lower income students. By removing certain tax protections in 529 plans, critics of the proposal argued that President Obama was proposing to punish savers.

'It's a tax increase to middle-class families that are using 529 plans to save for their kids' education," Rep. Lynn Jenkins (R-KS) told the *Wall Street Journal*. "The president is essentially forcing many middle-class families into a huge federal program to attend community college.'"

Jenkins was joined by Rep. Ron Kind (D-WI) in introducing legislation to expand the benefits for the 529 plans.

The political resistance was quick and went well beyond Jenkins and Kind. The White House was forced to drop the plan on Tuesday, less than 10 days after first proposing it. According to press reports, Pelosi used her time aboard Air Force One to personally lobby against the 529 tax proposal. The White House realized that the public backlash was jeopardizing the rest of the tax plan laid out by the president and decided it was not worth the risk.

Remarkably, the moves seem more about ideology than budget numbers. The 529 plan changes would have raised revenue for the federal government by only about $1 billion over 10 years, Jason Furman, chairman of the White House Council of Economic Advisers, told *Bloomberg* last week. The Administration claims that 70 percent of the tax benefits went to households with incomes over

$200,000 and that only 3 percent of families even used 529 plans or similar accounts. Yet, many accuse the Administration of miscalculating these figures.

The Washington Post reports, “Critics of the proposal accused the administration of ignoring the fact that a growing number of Americans earning less than six figures are investing in 529 plans. The College Savings Foundation, a nonprofit group that advocates for 529s, estimates that 70 percent of account holders earn less than $150,000 based on a 2014 survey conducted by Strategic Insight, a mutual fund research firm. Another 10 percent of account owners have income below $50,000. Families on average contribute $175 a month and amass about $19,774 in their accounts.”

“We’re not going to ask Congress to pass the 529 provision so that they can instead focus on delivering a larger package of education tax relief that has bipartisan support,” a White House official told the *Washington Post* on Tuesday.

The budget will still call for making the American Opportunity Tax Credit more generous, however, with other tax increases apparently considered sufficient to offset the cost.

A fact sheet from the White House on the President’s tax proposal is available online: http://www.whitehouse.gov/the-press-office/2015/01/17/fact-sheet-simpler-fairer-tax-code-responsibly-invests-middle-class-fami

Special Attachment: The State of the Union Address and the Education

On January 20th, the President delivered his penultimate State of the Union Address. Attached with today’s edition is a memo prepared by Washington Partners, LLC on the education aspects of the President’s speech. The excerpt from State of the Union addressing higher education is included below:

Second, to make sure folks keep earning higher wages down the road, we have to do more to help Americans upgrade their skills. (Applause.)

Now America thrived in the 20th century because we made high school free, sent a generation of G.I.s to college, trained the best workforce in the world. We were ahead of the curve. But other countries caught on. And in a 21st century economy that rewards knowledge like never before, we need to up our game. We need to do more.

By the end of this decade, two in three job openings will require some higher education. Two in three. And yet, we still live in a country where too many bright, striving Americans are priced out of the education they need. It’s not fair to them, and it’s sure not smart for our future. That’s why I am sending this Congress a bold new plan to lower the cost of community college to zero. (Applause.)

Keep in mind, 40 percent of our college students choose community college. Some are young and starting out. Some are older and looking for a better job. Some are veterans and single parents trying to transition back into the job market.

Whoever you are, this plan is your chance to graduate ready for the new economy, without a load of debt. Understand, you’ve got to earn it. You’ve got to keep your grades up and graduate on time. Tennessee, a state with Republican leadership, and Chicago, a city with Democratic leadership, are showing that free community college is possible. I want to spread that idea all across America so that *two years of college becomes as free and universal in America as high school is today. (Applause.) Let's stay ahead of the curve.*

And -- and I want to work with this Congress to make sure Americans already burdened with student loans can reduce their monthly payments so that student debt doesn't derail anyone's dreams. (Applause.)

Thanks to Vice President Biden's great work to update our job training system, we're connecting community colleges with local employers to train workers to fill high-paying jobs like coding and nursing and robotics.

Tonight, I'm also asking more businesses to follow the lead of companies like CVS and UPS and offer more educational benefits and paid apprenticeships, opportunities that give workers the chance to earn higher-paying jobs, even if they don't have a higher education.

Though the White House did not provide the strongest support for her bill last year, Sen. Elizabeth Warren (D-MA) interpreted the President's remarks as support for her legislation for the refinance of federal student loans. During the President's speech, Warren offered the following on Twitter: *"Now's the time to let people refinance their student loans. Thank you **@WhiteHouse** for supporting our **#BankOnStudents** bill. **#SOTU**"*

CFPB Releases New Financial Well-Being Report, Teams with FSR on Financial Education

The CFPB released a report this week, "Financial Well-Being: The Goal of Financial Education." In announcing the release of the report, the CFPB said:

A growing consensus is emerging that the ultimate measure of success for financial literacy efforts should be improvement in individual financial well-being. But financial well-being has never been explicitly defined, nor is there a standard way to measure it. This report provides a conceptual framework for defining and measuring success in financial education by delivering a proposed definition of financial well-being, and insight into the factors that contribute to it. This framework is grounded in the existing literature, expert opinion, and the experiences and voice of the consumer garnered through in-depth, one-on-one interviews with working-age and older consumers.

The CFPB is offering a full version of the report as well as a "short digest." To accompany its release, Director Richard Cordray penned an op-ed for *CNN*. An excerpt highlighting four factors for individuals reporting a high level of "financial well being is included below:

They live within their means. *First, these consumers feel they have control over their day-to-day and month-to-month finances. They are able to cover their expenses and pay their bills on time, and generally they do not worry about having enough money to get by. This is not just about having money, they told us, it is about managing it better.*

They have a financial cushion. *Second, these consumers feel they have the capacity to absorb a financial shock. Whether they get in a car accident or are temporarily laid off from a job, they have a safety net such as savings, insurance, or family to avoid severe financial turmoil.*

They have a plan. *Consumers with a higher sense of financial well-being see themselves as on track to meet their financial goals. Whether they have a formal financial plan or not, they are actively working toward goals. Those goals may include saving to buy a car or home, paying off student loans, putting away money for retirement, or just having enough for emergencies.*

They have a sense of financial freedom. *Finally, these consumers feel they have the financial freedom to make the choices that allow them to enjoy life, whatever that means to them. Whether that is taking a family vacation, going out to eat, or working less to spend more time with family, these consumers have the financial flexibility to do what they value and what makes them happy.*

In conjunction with the release of the report, Cordray met with several CEOs from the nation's largest banks. The Financial Services Roundtable (FSR), at times a vocal critic of the CFPB, will be working with the Bureau on financial education initiatives. The partnership was announced at an event this week with Cordray and several of banking executives.

Additional information on the report is available online:
http://www.consumerfinance.gov/reports/financial-well-being/

ED Provides Additional Guidance on PLUS Loan Adverse Credit History Requirements

The Department of Education recently announced that the new Direct PLUS Loan regulations will be implemented on March 29, 2015. The new standards and procedures relating to adverse credit history will apply to all PLUS Loan credit checks conducted on or after March 29, 2015, regardless of the loan period of the PLUS Loan or which Common Origination and Disbursement (COD) System version is used by an institution to originate the PLUS Loan.

The October 23, 2014 regulations provide that a PLUS loan applicant (either a parent or a graduate or professional student) has an adverse credit history if, in addition to other conditions (e.g., bankruptcy, foreclosure, tax lien, or a default determination), the applicant has one or more debts that are 90 or more days delinquent or that are in collection or have been charged off during the two years preceding the date of the applicant's credit report, but only if the total combined outstanding balance of those debts is greater than $2,085. Thus, absent any other adverse credit history finding, a PLUS Loan applicant whose credit check shows that the total of any debts that are 90 or more days delinquent or that have been placed in collection or charged off is $2,085 or less will not be considered to have adverse credit and therefore, will be eligible for a PLUS Loan.

Also, beginning on March 29, 2015, the Department will implement special loan counseling for any PLUS Loan applicant who has an adverse credit history but who qualifies for a PLUS Loan through the process for reconsideration due to extenuating circumstances or by obtaining an endorser for the loan. While the counseling is mandatory only for these borrowers, the Department will offer voluntary counseling for all PLUS Loan borrowers. The Department will also modify its procedures so that a credit check for a PLUS Loan applicant will remain valid for 180 days, instead of the current 90 days. This change will also be implemented on March 29, 2015.

The announcement on the IFAP Website included the following questions and answers on the new PLUS Loan adverse credit history requirements:

Q1: What will be the difference between a PLUS Loan credit check conducted prior to March 29, 2015, and one conducted on or after that date?

A1: Under current procedures, among other conditions (e.g., bankruptcy, foreclosure, tax lien, or a default determination) a PLUS Loan applicant is determined to have an adverse credit history if the applicant has debts that are 90 or more days delinquent or that have been placed in collection or charged off during the five years preceding the date of the credit report, without regard to the amount of those debts. Those applicants can then request reconsideration through the extenuating circumstances process or obtain an endorser. The Department currently uses the $2,085 limitation discussed above in an automatic review of a PLUS Loan applicant's request for consideration of extenuating circumstances. The Department will continue to use that amount in the extenuating circumstances review process until March 29, 2015.

Under the new provisions that will be in place for any PLUS Loan credit check conducted on or after March 29, 2015, an applicant will be determined to have an adverse credit history if the total combined outstanding balance of the debts, including debts in collection or charged off during the two years preceding the date of the credit report, is greater than $2,085.

Q2: To what academic periods and loan periods will the new adverse credit history standards that will be implemented on March 29, 2015 apply?

A2: The new standards will apply to all PLUS Loan credit checks conducted on or after March 29, 2015, regardless of the academic period or loan period of the PLUS Loan. Results of a credit check conducted on or after March 29, 2015, will be used for a PLUS Loan intended not only for the upcoming 2015-2016 school year, but also for a late Spring 2015 or Summer 2015 application. For late 2015-2016 school year applicants, the new provisions will be used for a loan intended for a Spring 2015 term and for a Summer 2015 term.

Q3: What is the impact of the new adverse credit history standards on PLUS Loans for the 2014-2015 academic year, including for a Spring 2015 term, if the credit check occurred prior to March 29, 2015?

A3: There is no impact on the eligibility of a borrower who had previously been approved to receive a PLUS Loan for all or part of the 2014-2015 academic year, including the Spring 2015 and/or Summer 2015 terms. However, an applicant who was denied a PLUS Loan because of an adverse credit history determination made prior to March 29, 2015, may have another credit check performed under the new standards by completing a Direct PLUS Loan Request on the StudentLoans.gov website, or by submitting a request to the postsecondary institution the student is or will be attending.

Q4: What action can a PLUS Loan applicant take if the loan is needed before the end of March and the credit check performed under the old standards resulted in or will result in a determination of an adverse credit history?

A4: If the only reason for the adverse credit history determination is that the total amount of debt that is equal to or less than $2,085 was delinquent or in collection or written off, the applicant will receive special instructions that provide an expedited method for requesting reconsideration and have the loan approved almost immediately. When the adverse credit history determination is due to other reasons, the applicant is informed that he or she may obtain an endorser or request reconsideration through the extenuating circumstances process.

Q5: What can a PLUS Loan applicant do if the results of a post-March 28, 2015 credit check resulted in a determination of an adverse credit history?

A5: If applicants receive an adverse credit history determination through the new credit check process, they can either obtain an endorser or request reconsideration through the extenuating circumstances process. In either case, applicants will be required to complete the special PLUS Loan Counseling on the Department's StudentLoans.gov website.

The full announcement is available online:
http://www.ifap.ed.gov/eannouncements/012715EarlyImplemofChangesinRegsAdvCreditHistoryUnderDirectPLUSLoanPrgm.html

Industry

Cuomo Proposes NY Loan Repay Plan Built Off PAYE

New York Governor Andrew Cuomo proposed legislation last week that would cover two years of loan payments for New York State college graduates who make less than $50,000 a year, continue to live in the state and are enrolled in the federal Pay as You Earn program.

The New York Times reports, "The governor's office projects that up to 7,100 people would benefit in the program's first year, increasing to 24,000 by 2020, as more students hear about the program and enroll in Pay as You Earn to qualify. The state would pay an average of $3,500 toward each participant's loans. Students who finish two- or four-year degree programs in 2015 or later would be eligible for the assistance."

While the move has received some praise, other observers believe that the proposal is not tackling the real problem of student debt because it does not cover students who do not graduate nor reduce the high tuition costs that cause students to take on debt in the first place. New York already has loan forgiveness programs targeted at certain occupations, but Cuomo's proposal would tack additional loan repayment benefits for borrowers taking advantage of PAYE and working in any field.

New Survey Shows Discrepancies among College Students and Employers' on Job Readiness

The Association of American Colleges and Universities (AACU) recently released a report that highlighted discrepancies between students' and employers' views on job readiness. The report, based on a survey of employers and college students in two- and four-year institutions, indicates that students often rate themselves as prepared in certain skill sets twice as often as employers.

Some areas with the largest discrepancies include written communication, critical thinking, ethical judgment, and creativity, with critical thinking having the largest discrepancy at 40 percent. The survey also found that, though employers want students to have job-specific skills, many put a large emphasis on skills and knowledge transferable across majors, such as teamwork and oral communication. A vast majority of employers want to hire graduates with an education that extends beyond job training. Over 80 percent of employers surveyed agreed that college students should be able to solve problems with people whose views are different than their own, and that students should have an understanding of democratic values and be able to contribute to our democratic society.

Despite large discrepancies, students have been making improvements of late. Earlier surveys showed that students were unaware of the skills employers were looking for, whereas students today know what skills they will need to be marketable to employers. Eighty percent of employers state that it is important for students to demonstrate the ability to apply learning to real-world settings. Because of this, large majorities of employers put an emphasis on applied learning through internships, senior projects, and collaborative research projects.

To read the full report, see:
https://www.aacu.org/sites/default/files/files/LEAP/2015employerstudentsurvey.pdf.

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EVENT BRIEF

2015 STATE OF THE UNION ADDRESS

Prepared by: Della Cronin (**dcronin@wpllc.net**)

January 21, 2015

On Tuesday, January 20, 2015, President Obama delivered his sixth State of the Union (SOTU) address (his 2009 speech for Congress wasn't technically a SOTU address). The address was largely an assertion that the improved economy and other improvements in the state of the Union vindicate his Administration's policies. The address came in shorter in length than others, and it was much lighter on education policy than past years. There was no mention of hallmark initiatives such as Race to the Top or any expression of urgency around revising the *Elementary and Secondary Education Act*; the term "STEM education" was not mentioned once. While the President noted gains in achievement in math and science scores, his only new big education proposal was the community college initiative unveiled more than a week before his speech.

In the days and weeks before the address, the President and the White House staged events to promote some of the ideas and policies he would be outlining—ideas that would focus on improving the country's middle class. Among the education initiatives that were previewed? A $60 billion proposal to provide "free" community college for "responsible" students and increasing online privacy measures for students. Outside of education, warming relations with Cuba; the success of the *Affordable Care Act*; immigration reform; expanded family leave benefits; net neutrality and universal access to broadband were among the topics the President and his proxies promoted. In addition, over the three-day weekend that preceded the address, the White House previewed the tax proposals that would be in the speech, which included extensive tax breaks for children and middle-class families, paid for by levying higher taxes on investments, eliminating loopholes in the tax code that largely benefit the wealthiest and implementing a new fee on large banks. Republicans did not react favorably to these proposals and noted that the preview did not address the one area where the parties agree—a cut in the corporate tax rate.

In addition to sharing big ideas and proposals, President Obama was also expected to reiterate his desire and intention to work with the Republican-controlled 114th Congress. Before the address, he warned Congress and the country that he still has big plans, saying, "My presidency is entering the fourth quarter. Interesting stuff happens in the fourth quarter."

SOTU ADDRESS

Not surprisingly, President Obama opened his address with White House achievements. "After a breakthrough year for America," the economy is up, unemployment is down and deficits are shrinking. He cited decreased troops overseas and a diminished reliance on foreign oil as encouraging signs of the country's improved state since he took office and lauded the results of the *Affordable Care Act*. He also cited improved achievement in math and science scores for U.S. students, high school graduation rates that are “at an all-time high” and increased college completion rates as further signs of recovery. He asserted, “The shadow of crisis has passed, and the State of the Union is strong.”

The President pointed to policies he and his allies pursued and will continue to pursue which, despite their critics, have strengthened the middle class. He said, “So the verdict is clear. Middle-class economics works. Expanding opportunity works. And these policies will continue to work, as long as politics don’t get in the way. We can’t slow down businesses or put our economy at risk with government shutdowns or fiscal showdowns. We can’t put the security of families at risk by taking away their health insurance, or unraveling the new rules on Wall Street, or refighting past battles on immigration when we’ve got a system to fix. And if a bill comes to my desk that tries to do any of these things, it will earn my veto.”

The President went on to outline a number of policy concepts: “[H]elping folks afford childcare, college, health care, a home, retirement…lowering the taxes of working families and putting thousands of dollars back into their pockets each year.” Universal childcare should be treated as a “national economic priority,” he said, and noted his plan to “make quality childcare more available, and more affordable, for every middle-class and low-income family with young children in America – by creating more slots and a new tax cut of up to $3,000 per child, per year.”

President Obama also discussed the importance of upgrading skills, leading to higher wages. He said, “America thrived in the 20th century because we made high school free, sent a generation of GIs to college, and trained the best workforce in the world. But in a 21st century economy that rewards knowledge like never before, we need to do more. By the end of this decade, two in three job openings will require some higher education. Two in three. And yet, we still live in a country where too many bright, striving Americans are priced out of the education they need. It’s not fair to them, and it’s not smart for our future. That’s why I am sending this Congress a bold new plan to lower the cost of community college – to zero.” He detailed the proposal, which was unveiled in Tennessee recently, saying beneficiaries would be required to perform well academically and graduate on time. Building on this proposal, he would like to see two years of community college “as free and universal” as high school in the U.S. He also wants to work with Congress to provide student loan borrowers relief to reduce their monthly payments, “so that student debt doesn’t derail anyone’s dreams”.

He praised Vice President Biden’s work on job training programs, saying, thanks to his work, “[W]e’re connecting community colleges with local employers to train workers to fill high-paying jobs like coding, and nursing, and robotics.” He implored employers to offer more educational benefits and paying apprenticeships to expand opportunities for non-college goers.

Speaking about efforts to support 21st Century businesses, he noted the importance of strong infrastructure, mutually beneficial trade agreements, advances in research and reliance on an open, free Internet—one that is accessed by universally available broadband service. He also pointed to the importance of security in cyberspace, particularly in protecting the safety and privacy of children.

The President discussed wins in the war on terrorism, intentions to address climate change, and his intentions to further shrink US operations at Guantanamo. In the last portion of his address, he outlined his hope that the country and the Congress might better reflect a historical record of working together toward similar goals regardless of differences in backgrounds, faith or party. The events of Ferguson and New York were cited as events that provoke different perspectives, but the President said that he hoped community leaders and law enforcement might come together to make sure that a justice system "protects and serves all of us." Such efforts will rebuild trust and move the country forward.

In the final moments of the speech, the President said, "I have no more campaigns to run." The comment provoked some applause—ostensibly from Republicans in the audience. He then went off script and said, "I know, because I won both of them," which made some Democrats cheer and stand. He then went on to say that he intends to work with Republicans and will seek out their ideas over the next two years and hopes the country will unite. He said, "I want future generations to know that we are a people who see our differences as a great gift, that we are a people who value the dignity and worth of every citizen – man and woman, young and old, black and white, Latino and Asian, immigrant and Native American, gay and straight, Americans with mental illness or physical disability. I want them to grow up in a country that shows the world what we still know to be true: that we are still more than a collection of red states and blue states; that we are the United States of America."

REPUBLICAN RESPONSE

Newly-elected Senator Jodi Ernst (R-IA) was chosen by the Republican Party to compare and contrast the ideas and ideals of her party with President Obama's proposals. The selection of the former state senator who took the seat vacated by retiring Senator Tom Harkin (D), could be seen as an obvious choice in many ways. Ernst is a conservative woman and an Iraq war veteran who represents a swing state and has a compelling life story. Party leaders are likely hoping the 44-year-old can help sell the Republican message to female and younger voters who have voted in large numbers for Democrats in recent elections.

The response touched on areas of hoped-for collaborations between the Congress and the White House—trade and tax reform. Remarks about education only came as Ernst detailed her own upbringing and growing up in a home where going to school and a strong work ethic—one that funded her own college education—were important, despite thin resources at home. "Executive overreach" and the healthcare law were cited as areas where Republicans might be at odds with the White House. She asserted that the new Congress heard voters "loud and clear" in November and said they are "ready to make Washington focus on your concerns again."

CONCLUSION

The SOTU Address signals the forthcoming release of the President's budget proposal for the upcoming fiscal year and the White House plans to deliver its FY 2016 request to Congress on February 2nd. In the interim, the President and his proxies will be talking about his proposals publicly. President Obama starts today with events scheduled in Boise, Idaho, while White House staff hosts the second "Big Block of Cheese Day" and a series of virtual conversations on various topics. Education, Immigration and Latino issues will be covered from 11:00 am through 1:00 pm; STEM will be the topic from 3:00 through 4:30 pm. See the whole schedule, read more about the history of the Big Block of Cheese Day and learn how to participate at: **http://www.whitehouse.gov/blog/2015/01/16/big-block-cheese-day-back-and-its-feta-ever**. The text of the President's address is available at **http://www.whitehouse.gov/sotu**.