The Torch

June 19, 2015

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

Top News

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COHEAO

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  On May 5, institutional membership dues invoices were sent out to the primary account holders for each institutional membership.
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Congress

- **Department of Education Unveils Corinthian College Loan-Forgiveness Plan**
  Last Monday, the Department of Education announced a loan-forgiveness plan for thousands of former Corinthian College students.

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- **House Labor, Health and Human Services, and Education Appropriations Subcommittee Mark Up Annual Spending Bill**
  This week, the House Labor, Health and Human Services and Education (LHHS-Education) Appropriations Subcommittee did something it hasn't in three years—held a markup of an annual spending bill for the Departments of Labor, Health and Human Services and Education.
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- **Senate Democrats Send Letter to ED Expressing Concern Over Draft Proposal to Reform PAYE**
  Yesterday, a group of Senate Democrats wrote to U.S. Secretary of Education Arne Duncan arguing that the draft proposal to reform the Pay as You Earn (PAYE) program for student loans would add complexity, increase costs, and punish borrowers with Graduate School debt.

White House & Administration

- **Chopra to Leave CFPB as Student Loan Ombudsman**
  The Consumer Financial Protection Bureau (CFPB) announced on Wednesday that Rohit Chopra, its first student loan ombudsman, is leaving the Bureau next week.
- **CFPB Releases Mid-Year Update on Student Loan Complaints**
  This week, the CFPB issued its "*Mid-Year Update on Student Loan Complaints*" that looks at 3,100 private student loan complaints, and 1,100 debt collection complaints received between October 1, 2014 and March 31, 2015.
- **Kuster and Ashford Send Letter to FCC on TCPA**
  This week, Reps. Anne McLane Kuster (D-NH) and Brad Ashford (D-NE) sent a letter to Chairman Tom Wheeler of the FCC regarding the Commission's vote on modernizing the TCPA.
- **Student Debt Likely a Major Issue for 2016 and Governor Christie Mentions Perkins Loan**
  Over the last few weeks, it has become clear that higher education will be a major topic in the 2016 presidential campaign.
- **New IFAP and *Federal Register* Announcements**
  Recent additions to the Information for Financial Aid Professionals (IFAP) website and *The Federal Register* have been made that may be of interest to COHEAO members.
- **Ericka Miller's Assistant Secretary for Postsecondary Education Nomination Withdrawn**
  Last week, the White House withdrew Ericka Miller's nomination to be the Department of Education's Assistant Secretary for Postsecondary Education.

Industry

- **July 16 PCA Meeting Canceled**
  The Debt Collection Service of the Department of Education's Office of Federal Student Aid announced the cancellation of the next quarterly meeting for private collection agencies who participate in or are interested in the Department's contracts to collect defaulted federally owned student loans.
- **Report Shows Decline in Private Student Loan Delinquencies**
  According to MeasureOne's Private Student Loan Performance Report, lenders are giving out more new private student loans and private student loans overall delinquency rates are at the lowest since before the 2008 economic downturn.
- **In the News: *New York Times* Op-Ed Encouraging Students to Default on Loans Receives Major Backlash**
  An op-ed appeared in *The New York Times*, "Why I Defaulted on My Student Loans," detailing the efforts of an Ivy League educated freelance writer who has avoided his student debts because he feels they are immoral.
- ***Politico* Calls Parent PLUS a Predatory Lending Program**
  On Friday, *Politico* ran an extensive thought-piece discussing the government's Parent PLUS student loan program.
- **Brookings Discusses Getting Education Bills to the Finish Line**
  Last Wednesday, the Brookings Institution Brown Center on Education Policy held a panel with four education policy experts and former hill staffers to discuss "getting education bills to the finish line."
- **National Journal Hosts Event to Discuss Higher Education Act**
  Last Tuesday, the National Journal, with support from the Lumina Foundation as well as the Bill and Melinda Gates Foundation, brought a panel of experts together to discuss the fifty-year history of the Higher Education Act (HEA) and the reforms that should be considered as the reauthorization of HEA approaches.
- **Parents Increasingly Shifting College Costs onto Children**
  The fourth annual survey from Discover Student Loans reveals that the vast majority of parents continue to see the importance of their child obtaining a college education, yet fewer are planning to help pay for it compared to just three years ago – down from 81 percent in 2013 to 75 percent in 2015.
- **Citizens Financial Announces Pre-Approved Multi Year Borrowing Option for Student Loans**
  On Tuesday, Citizens Bank announced it would be offering a Multi Year Borrowing Option with the Citizens Student Loan, a new private student loan offering that will allow qualified borrowers to reserve financing for the duration of their education without having to fully re-apply each year.

Attachments

- **COHEAO Commercial Members**
- **COHEAO Board of Directors**
- **Slaughter Dear Colleague Letter on Support for Perkins**
- **Washington Partners' Summary of Senate HELP Hearing on Accreditation**

Top News

Messer and Pocan Circulate Dear Colleague to House on Perkins Resolution

Last week, Reps. Luke Messer (R-IN) and Mark Pocan (D-WI) sent out a Dear Colleague to members of the House on their newly introduce bi-partisan resolution (H.Res.294) in support of the Perkins Loan Program. The full text of the Dear Colleague is as follows:

> *Dear Colleague-*
>
> *We have introduced a bipartisan resolution (H.Res.294) in support of the* ***Perkins Loan Program.*** *As Congress begins consideration of the Higher Education Act during the 114th Congress, we strongly believe that this program needs to be reauthorized and hope you will join us in voicing bipartisan support for this critical program.*
>
> *Perkins Loans are need-based loans which foster access to higher education for low income students by providing low interest loans to students in need.* ***Perkins Loans borrowers are predominantly from lower income families and are often the first in their family to attend college.***
>
> *The success of the Perkins Loan program is a result of the central role of the education institutions that originate the loans, counsel their students through repayment, and select contractors for servicing and collection.*
>
> *Colleges and universities tailor the program to best fit borrowers' and institutions' situations. Perkins is a risk-sharing program with institutions contributing one-third of their students' awards. This "ownership interest" also contributes to the successful management of this vital program.*
>
> > ***-67% of Perkins borrowers are dependent students - 34% of whom are from families with household incomes of less than $30,000.***
> > ***-20% of Perkins borrowers are independent students, 70% of whom have personal incomes of less than $20,000.***
> > ***-13% are graduate students, for whom no other low-cost subsidized loan program is available.***
>
> ***The Perkins Loan program is scheduled to expire on September 30, 2015*** *if Congress does not act to reauthorize this program. If the Perkins Loan is eliminated, students in Wisconsin, Indiana, and across the country will not be able to access much-needed financial aid. Please contact Alicia Molt in Rep. Pocan's office at Alicia.molt@mail.house.gov or Molly Newell in Rep. Messer's office at molly.newell@mail.house.gov if you would like to cosponsor this resolution.*
>
> *Sincerely,*
>
> *Mark Pocan* — *Luke Messer*
> *Member of Congress* — *Member of Congress*

Slaughter Issues Dear Colleague Letter to Seek Perkins Support

On Tuesday, Rep. Louise Slaughter (D-NY), the top Democrat on the House Rules Committee, issued a new Dear Colleague letter in support of the Perkins Loan Program. She is asking other Members of Congress to sign her letter to be sent to the leaders of the House Committee on Education and the Workforce supporting the reauthorization of the Federal Perkins Loan Program before it expires.

This Dear Colleague was sent to Members of the House inviting them to support and sign on to the letter.

A copy of the Dear Colleague is attached to this week's edition.

FCC Makes Decision on the TCPA

Yesterday, the Federal Communications Commission (FCC) voted on 21 petitions seeking clarification or rulemaking on the Telephone Consumer Protection Act (TCPA) of 1991. COHEAO has commented in support of several of the petitions calling for modernization of rules to permit using predictive dialers to call cell phones, something that is permitted for calls to land lines. COHEAO has repeatedly pointed out that for higher education, the antiquated rules are unworkable since the vast majority of students and recent students don't have land lines and probably never will. We also called for more protection against being sued when consent was received to call a cell phone, but the phone number was transferred to someone new, thus cancelling the consent without the knowledge of the caller. Many lawsuits have been filed for calling cell phones without express written consent, even when there is a legitimate business reason to call, as opposed to telemarketing, which COHEAO doesn't support.

The FCC has not published its exact ruling but a summary published by Chairman Wheeler and descriptions at Thursday's FCC meeting indicate that only minimal progress was made and that instead of recognizing the need for reform of TCPA rules, the Commission decided to clarify that it wants extremely strict controls on calling cell phones using predictive dialers – which the commission majority consistently refer to as robocalls.

In fact, prohibitions were apparently re-written in many areas. Exceptions are for banks to notify customers of possible fraud and hospitals to notify patients about medical issues. Another exception was to allow one call to be made to a transferred number. Apparently no exceptions were made for calls involving debt collection by first parties or third parties. Because it is a declaratory ruling, there is no notice and comment period so it apparently will take effect as soon as it is published in final form, which could occur as early as today.

The majority, three commissioners, voted for the declaration. Two commissioners spoke out strongly against the document. The majority kept providing examples of bad practices involving telemarketing, apparently convinced that any change would lead to harassment of citizens during dinner and at other inconvenient times. All the commissioners made clear they opposed having telemarketing or unwanted robocalls being made to cell phones, but the minority supported the requests of many of the petitions and spoke of the problem of unjustified litigation.

In the end, Chairman Wheeler said the Commission majority believes it is enforcing the spirit of the TCPA, noting that it is up to Congress to modify the law, not the FCC.

Below is a statement that Harrison Wadsworth wrote to provide comment and in case Congressional offices would like support:

> *"The Coalition of Higher Education Assistance Organizations supports thoughtful, common-sense updates to the way a 1991 law covers calls to cell phones. Current and recent students depend on cell phones as their primary communications device and likely will never have a land line. Allowing the use of modern telecommunications devices to contact students and student loan borrowers would not throw open the gates to unlimited telemarketing, but it would benefit students who need to receive important communications in a timely manner. We look forward to working with Congress on modernization of the Telephone Consumer Protection Act of 1991."*

COHEAO

Gail McLarnon of ED Announced as COHEAO Mid-Year Conference Keynote Speaker- Early Bird Registration Discount Extended Until Saturday June 20

COHEAO is pleased to announce that Gail McLarnon, a senior official at the Office of Postsecondary Education, will be providing a keynote address at the COHEAO Mid-Year Conference. The COHEAO Mid-Year is set for July 26-28 in Chicago. Sign up today!

Gail is the Senior Director of Policy Development, Analysis, and Accreditation in the Office of Postsecondary Education's (OPE) Office of Policy, Planning and Innovation. McLarnon is a leading authority on Perkins Loans at the Department and will be offering a presentation on the future of the program and other relevant issues. The Department of Education recently published a Q&A document on the "wind down" of Perkins Loans and this session will provide more information (and the opportunity to register ongoing concerns with the Department).

Simply put, the 2015 COHEAO Mid-Year Conference is the best place to learn more about the future of Perkins Loans. Whether you want to learn more about advocacy efforts to preserve and promote the program and what you can do to help, or you're interested in how the Department could administer a project as complex as a program "wind-down," the COHEAO Mid-Year Conference is the must-attend summertime event for campus loan administrators.

In addition to the "big picture" items on the future of the Perkins Loan program, the COHEAO Mid-Year Conference has numerous sessions of great interest to campus financial services professionals. Agenda topics include vendor oversight for campus professionals, best practices for developing an institutional loan program, a CFPB update, best practices in credit reporting, understanding the 150% rule, 1098-T reporting, and many more!

Don't wait to sign up - **COHEAO has extended early bird pricing** to account for these latest developments and McLarnon's presentation. **Until June 20,** registration prices for all members is $460. For institutional non-members, the fee is $560 and the commercial non-member rate is $1,610. All conference registration fees increase by $50 after June 20. Don't wait, register today!

Click here for more details on a program that is sure to be informative and engaging. We hope to see you in the Windy City this July for another fantastic COHEAO Mid Year Conference! Register today!

Please contact Hannah Allen with any questions: hallen@wpllc.net

Discounted Hotel Rooms for COHEAO Mid-Year Conference Are Going Fast

Have you booked your hotel room for COHEAO's Mid-Year Conference? Set to take place at the beautiful **Fairmont Chicago Millennium Park** in downtown Chicago, COHEAO has secured a good rate for a single or double room in central Chicago at **$189 per night** for all conference delegates that book their rooms by **July 2**. Rooms may be available in limited amounts three days before or after the dates of the conference, and the COHEAO rate includes free internet access in guest rooms and free access to the fitness center. ***But hurry because rooms are filling up fast! Prices will rise significantly if you don't book with the COHEAO special price before July 2.*** Follow the link here to book your room. You may also call the hotel to make reservations - be sure to mention you are attending COHEAO's Mid-Year Conference - at 1 (800) 441-1414.

Time to Renew Your COHEAO Institutional Membership

On May 5, institutional membership dues invoices were sent out to the primary account holders for each institutional membership. Dues may be paid by logging into your COHEAO account: navigate to "Manage Profile," select "Invoices" under Invoicing, Payments & History. On this page, be sure to select the dues tab and your open invoice should appear with an option to submit payment.

If you are the primary point of contact for your college or university's COHEAO membership and you did not receive a notice of an open dues invoice please contact Hannah Allen at hallen@wpllc.net. Feel free to reach out to Hannah if you have any other questions pertaining to membership dues, how to submit payment or view open invoices. Institutional membership dues are due by **July 1.**

Carolyn James Joins COHEAO Board of Directors

COHEAO is pleased to announce that Carolyn James, Accounting Unit Supervisor of the Financial Operations Student Loans division at the University of Michigan, has joined the Board of Directors as co-chair for Institutional Membership. COHEAO welcomes Carolyn to this important leadership position with the association.

Meanwhile Jeff Pfund of the University of Wisconsin is shifting positions to take the jobs of legislative co-chair and chair of the Perkins Task Force. JP will be playing a leadership role in COHEAO's ongoing efforts to support the reauthorization of the Perkins Loan Program.

Congress

Department of Education Unveils Corinthian College Loan-Forgiveness Plan

Last Monday, the Department of Education announced a loan-forgiveness plan for thousands of former Corinthian College students. Students who were attending closed campuses who are unable (or choose not to) transfer credits in a similar field will have their federal loans forgiven and borrowers at now closed schools will be able to seek forgiveness on an expedited basis. Borrowers seeking relief because they feel they were defrauded can apply for a "Defense to Repayment" (DTR) claim for loan forgiveness. There have already been 1,400 'borrower's defense' claims filed by Corinthian students. For students who are already in default on their loans, the Department will immediately halt collection activity.

However, the procedure set up by the Department of Education would allow students from any sector to use the Higher Education Act's Defense to Repayment clause in cases where students may have been defrauded. The Department is establishing a "special master" to resolve these claims. This position is expected to be filled soon.

The number of students who will qualify for a loan discharge and the overall cost to taxpayers remains unknown. Some estimates indicate the loans potentially eligible for discharge are more than $3 billion, but the announcement is ultimately expected to cost taxpayers somewhere in the hundreds of millions. In announcing the plan, Secretary Duncan said he did not believe Corinthian was the "last domino to fall" and levied harsh criticism toward the for-profit sector.

The responses to the Department's plan have been mixed. Observers were quick to point out the Defense to Repayment process could quickly lead to a slippery slope, often citing the job-placement mini-scandals relating to *US News and World Report* rankings as well as those at law schools.

Notably, House Education and the Workforce Committee Chairman John Kline (R-MN) and Ranking Member Bobby Scott (D-VA) issued a joint statement on the matter, praising the Department for assisting these students. HELP Committee Chairman Lamar Alexander (R-TN) and Ranking Member Patty Murray (D-WA) issued separate statements with Murray commending the Department and Alexander expressing concern for taxpayer losses.

- For the Department of Education's fact sheet announcing its plan, see: http://www.ed.gov/news/press-releases/fact-sheet-protecting-students-abusive-career-colleges
- For a blog post from ED detailing their plans, see: http://1.usa.gov/1QtWcUz
- For the joint Kline/Scott statement, see: http://1.usa.gov/1dBURsM
- For Sen. Alexander's statement, see: http://1.usa.gov/1KLPLaC
- For Sen. Murray's statement, see: http://1.usa.gov/1SbGuL6

Senate HELP Holds HEA hearing on accreditation

On Wednesday, the Senate Committee on Health, Education, Labor, and Pensions (HELP) held a hearing on "Reauthorizing the Higher Education Act (HEA): Evaluating Accreditation's Role in Ensuring Quality." Both the Witnesses and Senators agreed the current accreditation model is broken and in need of reform to ensure quality. In his opening statement, Chairman Lamar Alexander (R-TN) stated his two main concerns about accreditation were: "Is it ensuring quality? And is federal micro-management getting in the way?" Alexander suggested that neither Congress nor the Department of Education could better oversee institutional quality, but during his concluding remarks he expressed interest in exploring a pilot program where the Department accredits and awards aid to colleges.

The panelists discussed several reforms to HEA surrounding accreditation, including revising the regional accreditation model, reducing the regulatory role of accreditors, including students within the accreditation process, greater transparency, and a risk-based accreditation system. Dr. Peter Ewell, Vice President of the National Center for Higher Education Management Systems and Anne Neal, President of the American Council of Trustees and Alumni urged Congress to move away from the one-size fits all approach and argued for greater transparency.

Ewell and Dr. George Pruitt, President of Thomas Edison State College, spoke highly of a risk-based accreditation system where oversight could focus on high-risk institutions. Pruitt said that federal regulations and compliance get in the way of accrediting agencies performing their original purpose of assessing the quality of institutions. Sens. Elizabeth Warren (D-MA), Al Franken (D-MN), and Chris Murphy (D-CT), criticized panelist Albert Gray, President and CEO of Accrediting Council for Independent Colleges and Schools (ACICS), the accrediting agency responsible for accrediting Corinthian Colleges, Inc.

A full summary is attached to this week's edition.

House Labor, Health and Human Services, and Education Appropriations Subcommittee Mark Up Annual Spending Bill

This week, the House Labor, Health and Human Services and Education (LHHS-Education) Appropriations Subcommittee did something it hasn't in three years—held a markup of an annual spending bill for the Departments of Labor, Health and Human Services and Education. The bill proposes to cut funding for Department of Education programs by $2.8 billion and recommends no funding at all for more than 20 programs.

It also contains numerous policy riders, including a prohibition on the enforcement of new "gainful employment" regulations and a requirement for state licensing of distance education. The House bill would also not allow funds to be used to create the President's proposed rating system for institutions of higher education.

The full table and report language aren't available yet, so more details of the spending bill are coming—hopefully before the full Appropriations Committee's debate of the proposal, which is scheduled for next week. While the Subcommittee debate was collegial, the full Committee debate is expected to be a lively one.

The Senate is also planning action on FY 2016 Labor-HHS-Education spending next week. On Tuesday, the Subcommittee in charge of the bill will meet. The Full Committee is then expected to follow suit on Thursday. It will be a week full of numbers for education staff, appropriators, and advocates.

As for efforts to move the reauthorization of the *Elementary and Secondary Education Act* forward, rumors were plentiful and conflicting all week. On Monday, the education community was gearing up for House and Senate floor action on S 1177 and HR 5 by week's end. Now it looks like Senate debate is more likely to take place in July. There's still a chance that the *Student Success Act* (HR 5) could be on the House floor before the end of next week and the start of a week-long July 4 recess.

Durbin and Franken Introduce Bill to Expand Student Loan Forgiveness to Adjunct Professors

This week, Sens. Dick Durbin (D-IL) and Al Franken (D-MN) introduced legislation that would allow part-time faculty to be eligible to participate in the federal student loan forgiveness program for public servants. In his press release, Durbin noted that in Illinois, more than half of all faculty at public and non-profit colleges and universities work on a part-time basis, which often makes them ineligible for most benefits, including participation in the Public Service Loan Forgiveness Program.

"As their budgets have tightened, colleges and universities have become increasingly reliant upon part-time adjunct faculty who face low pay, few if any benefits, and minimal job security," Durbin said. "The vast majority of these educators hold advanced degrees, and as a result, bear the heavy burden of student loan debt. It is only right that we expand their access to the Public Service Loan Forgiveness program, a benefit already available to many of their full-time colleagues."

"Part-time faculty like adjunct professors, who typically receive fewer benefits and lower pay than other educators, often carry a large amount of burdensome student loan debt," Franken said. "By expanding a key loan forgiveness program, our bill will help these professors cut down on their debt load."

Supporters of the legislation include the Service Employees International Union; the National Education Association; the American Federation of Teachers; the United States Student Association; and the International Union of United Automobile, Aerospace, & Agricultural Implement Workers of America.

For more information, see: http://www.durbin.senate.gov/newsroom/press-releases/durbin-and-franken-introduce-bill-to-expand-student-loan-forgiveness-program-to-adjunct-professors

Durbin and Duckworth Introduce *Servicemember Student Loan Affordability Act*

Last week, Senator Dick Durbin (D-IL) and Representative Tammy Duckworth (D-IL) introduced the bipartisan *Servicemember Student Loan Affordability Act*. Duckworth introduced the bill with Congressman Gus Bilirakis (R-FL) in the House and Durbin introduced the bill with U.S. Senators Richard Blumenthal (D-CT), Sherrod Brown (D-OH), Ed Markey (D-MA), Patty Murray (D-WA), Jon Tester (D-MT) and Sheldon Whitehouse (D-RI) in the Senate.

The Servicemember Student Loan Affordability Act would allow pre-service private or federal student loan debt to be consolidated or refinanced, while retaining the 6% rate cap under the *Servicemember Civil Relief Act* (SCRA). This enables servicemembers with Federal Family Education Loans or Perkins student loans to enroll in the Public Service Loan Forgiveness program while they are serving and still take advantage of the 6% rate cap under SCRA.

"Loan refinancing and consolidation is a practical, effective way to manage student loan debt," said Durbin. "Taking advantage of today's historically low interest rates is a smart financial decision that could save borrowers thousands of dollars over the life of the loan. With the *Servicemember Civil Relief Act* and the *Public Service Loan Forgiveness Program*, Congress did not intend to force servicemembers to give up the 6% interest rate cap today for a chance to earn loan forgiveness in the future. The bill I introduced with Representatives Duckworth and Bilirakis and my colleagues in the Senate is a common sense fix that will empower servicemembers to use every available tool to better manage their student loan debt."

For more information, see: http://www.durbin.senate.gov/newsroom/press-releases/durbin-and-duckworth-introduce-bipartisan-servicemember-student-loan-affordability-act

Sen. Elizabeth Warren Outlines a College Affordability Agenda

Last Wednesday, Sen. Elizabeth Warren (D-MA) laid out a framework and a set of policies championed by both Democrats and Republicans to improve college affordability by renewing investments in higher education and aligning incentives to ensure that the federal government, states, and colleges work effectively to increase quality and reduce costs.

The Senator told the audience at a panel hosted by the Albert Shanker Institute and the American Federation of Teachers, "while not every college needs to graduate every student debt-free, every kid needs a debt-free option" at a public university.

“We can do it if Republicans admit that we will never have affordable college without investing more resources in education,” she said. “And if Democrats admit that we will never have affordable college without demanding real accountability in exchange for those investments.”

Warren said both Republicans and Democrats are right about solving the problem of escalating college costs. She explained that effective reform must include both a renewed commitment to investing in higher education at the state and federal levels combined with an effort to strengthen accountability and realign incentives so that colleges are encouraged to keep costs down and provide a high-quality education.

Warren highlighted ways she said would increase incentives to ensure that colleges put students first, such as requiring colleges to share in the risks from student loans, implementing a rule against taxpayer waste, and rewarding colleges that keep costs down. The Senator also called on states to end cuts to higher education or face federal requirements to do so.

Warren blamed the Department of Education for not protecting consumers and regulating colleges. She said the CFPB should have a more active role in federal loans, criticized ED’s handling of Corinthian Colleges, and its investigation into the student loan servicer Navient, which she said was “too big to fail.” She spoke against officials’ refusal to turn over data and information about the performance of federal student loan programs and troubled colleges.

For the full text of her speech, see: http://www.warren.senate.gov/files/documents/ShankerInstitute-AFTEducationSpeech.pdf

Senate Democrats Send Letter to ED Expressing Concern Over Draft Proposal to Reform PAYE

Yesterday, a group of Senate Democrats wrote to U.S. Secretary of Education Arne Duncan arguing that the draft proposal to reform the Pay as You Earn (PAYE) program for student loans would add complexity, increase costs, and punish borrowers with Graduate School debt.

The program allows eligible borrowers to cap their monthly payments at 10% of discretionary income and forgives remaining balances after 20 years. However, a proposal currently under review by the Department would, according to the Senators, “add unnecessary complexity, increase costs for responsible low- and middle-income borrowers, and result in the disparate treatment of graduate and undergraduate borrowers.”

The letter was led by Senator Sheldon Whitehouse (D-RI), and signed by Senators Patty Murray (D-WA), Ron Wyden (D-OR), Jack Reed (D-RI), and Tammy Baldwin (D-WI).

An excerpt from the letter reads:

> *The Department already offers four separate income-driven student loan repayment plans with varying eligibility requirements, costs, and benefits. Instead of expanding PAYE, the draft proposal would add a fifth option, called the Revised Pay As You Earn (REPAYE) plan, to the existing maze of programs. The proposed program includes new regulations that would extend repayment periods by as long as five years for any student with graduate debt, potentially*

costing those borrowers thousands of dollars in additional payments. The federal government should be making it easier for students to pursue their dreams after graduation, not saddling them with additional cost and anxiety.

The Direct Loan program continues to generate significant revenue for the federal government, estimated to total $89 billion over the next ten years. Whatever changes the Department makes to income-driven repayment options, the government will undoubtedly continue to generate revenue from borrowers struggling to repay their student loan debt. The Department can and should channel a substantial portion of these revenues to expanding and improving the existing PAYE plan. The goal should be to help as many borrowers as possible, not to maximize government revenue.

For more information, see: http://www.help.senate.gov/ranking/newsroom/press/senators-to-dept-of-education-proposed-changes-to-student-loan-program-could-harm-borrowers

White House & Administration

Chopra to Leave CFPB as Student Loan Ombudsman

The Consumer Financial Protection Bureau (CFPB) announced on Wednesday that Rohit Chopra, its first student loan ombudsman, is leaving the Bureau next week. Seth Frothman, deputy assistant director for the Office of Students will be filling the role temporarily. In his letter of resignation Chopra wrote, "I am proud of the progress that we have made together to assist borrowers, promote transparency, and hold accountable those who break the law. While more work is needed to correct the serious deficiencies in the student loan market, I have great confidence in the Bureau's ability to continue this important work on behalf of consumers." Although Chopra has not made his future plans public, Senator Elizabeth Warren (D-MA) has been pushing hard for him to be the replacement of Benjamin Lawsky, New York's former top financial regulator.

For more information, see: http://www.wsj.com/articles/elizabeth-warren-intervenes-in-search-for-new-york-financial-regulator-1434573329

CFPB Releases Mid-Year Update on Student Loan Complaints

This week, the CFPB issued its "*Mid-Year Update on Student Loan Complaints*" that looks at 3,100 private student loan complaints, and 1,100 debt collection complaints received between October 1, 2014 and March 31, 2015. The report concentrated on co-signers and refinancing. The Bureau found 90 percent of private student loan borrowers who applied to have the co-signer of their loan released from their contract were rejected, although the reasons for the high number of denials was not stated. Moreover, the CFPB concluded some companies penalize or permanently disqualify borrowers from a co-signer release, even when loans are in good standing.

The CFPB press release states, "The Bureau uncovered problematic industry practices that may be disqualifying some consumers from securing a co-signer's release from their loans. When student borrowers and co-signers seek a co-signer release but are unable to obtain it, the co-signer can suffer from damage to their credit or be subject to higher rates on other forms of credit. This can also result in serious financial distress for the borrower if a company triggers an auto-default when a co-signer dies or goes bankrupt."

The CFPB's report states that consumers are often left in the dark on co-signer release criteria and that most private student loan contracts continue to contain auto-default clauses. The Bureau claims that potentially harmful clauses are found hidden in fine print of some loans including "universal default" clauses. Additionally, the CFPB report states that borrowers are at risk when loans are sold and packaged by Wall Street.

Complaints related to refinancing private loans included lack of availability of accurate payoff statements and impediments when refinance providers are unable to target proceeds toward a specific loan.

Consumer Bankers Association President and CEO Richard Hunt released a statement in which he said that close to 98 percent of private borrowers are repaying on time. "Strong underwriting standards and ensuring loans are supported by an ability to repay at origination and during repayment — often through the strength of co-signers — are the cornerstones of consumer protection," Hunt said. "CBA member banks work in close partnership with their borrowers throughout the life of the loan."

The Student Loan Ombudsman issued an information request following the report to the industry to better understand current practices and policies affecting consumers.

For more information, see: http://www.consumerfinance.gov/newsroom/cfpb-finds-90-percent-of-private-student-loan-borrowers-who-applied-for-co-signer-release-were-rejected/

Kuster and Ashford Send Letter to FCC on TCPA

This week, Reps. Anne McLane Kuster (D-NH) and Brad Ashford (D-NE) sent a letter to Chairman Tom Wheeler of the FCC regarding the Commission's vote on modernizing the TCPA. Below is the full text of the letter:

> *Dear Chairman Wheeler:*
>
> *We were pleased to see that the Commission is moving forward with a vote on a proposal to modernize aspects of the Telephone Consumer Protection Act. As you know, this law provides many important protections to consumers. And while we commend the Commission for working to ensure the American people are protected from harassing communications, we are concerned that proposed reforms might inadvertently harm consumers by prohibiting companies from utilizing technological innovations to more effectively communicate with customers.*
>
> *Consumers benefit from a myriad of communications across nearly all industries, including but not limited to prescription reminders, low balance alerts, student loan debt counseling, and school start delays. Advances in communication technology allow companies in these and other industries to more effectively communicate with their customers. Unfortunately, because the TCPA has not been updated to keep up with these changes, many companies are unable to communicate in the most efficient way with their customers. For example, we have heard concerns that the TCPA is prohibiting companies from contacting student borrowers to provide counseling, which only exacerbates the risk that borrowers will end up in collection. Unless the Commission acts to ensure that companies are allowed to build on their existing, legitimate relationships, we are concerned that consumers might not receive critical communications about their accounts.*

As you evaluate ways to modernize the TCPA, we urge you to keep in mind how technology has evolved since the law's passage and to recognize the potential chilling of communications that may result from the law's unintended consequences. We support the TCPA and are hopeful that your efforts will create clear parameters for well-meaning businesses to be able to contact their customers without being stifled by the mounting threat of litigation. Thank you for your continued efforts to protect consumers and for your attention to these concerns.

Sincerely,

Ann McLane Kuster
Member of Congress

Brad Ashford
Member of Congress

Student Debt Likely a Major Issue for 2016 and Governor Christie Mentions Perkins Loan

Over the last few weeks, it has become clear that higher education will be a major topic in the 2016 presidential campaign. Hillary Clinton's policy team has been reportedly meeting with policy experts with ties to Sen. Elizabeth Warren (D-MA), with the goal of making student loan reform a center of Clinton's economic agenda. Several sources claim Clinton's campaign will announce its student loan plans in mid-July. As Clinton tries to soothe progressives, her campaign is under increasing pressure to adopt a policy aimed at making college debt-free. Some within the Clinton camp go as far as to believe such a proposal would provide the presumptive Democratic nominee with a signature domestic policy issue akin to President Obama's healthcare initiative.

Experts who have been involved with the Clinton campaign in discussions on college affordability include Heather McGhee, president of the liberal think tank Demos; Mark Huelsman, a senior policy analyst at Demos; economist and former Obama and Bill Clinton aide Gene Sperling; James Kvaal, Obama's policy director in the 2012 election; Neera Tanden, president of the Center for American Progress; and Rohit Chopra, the student loan ombudsman for the Consumer Financial Protection Bureau. Ann O'Leary, a senior policy adviser to Clinton, invited a group of experts to a briefing at the Center for American Progress last Thursday to discuss these issues.

Meanwhile, New Jersey Gov. Chris Christie, a likely Republican presidential contender, made it clear during a speech in Iowa last Tuesday that he is not a fan of debt-free or tuition-free college. He called the push for debt-free college the wrong solution to improving college affordability. "It is wrong, and we know it. If college graduates are going to reap the greater economic rewards and opportunities of earning a degree, then it seems fair for them to support the cost of the education they're receiving." he said.

Christie instead proposed that Congress continue to fund programs for low-income students. He noted that while Pell Grants have expanded, Supplemental Education Opportunity Grants and Perkins Loans have not. The governor also mentioned a tax break for donors to higher education grant organizations and income-share agreements, where students would be able to repay private loans with a percentage of their income in the future.

"With traditional private loans, students whose degrees don't pay off can wind up getting stuck with crippling repayments," Christie said. "But with an income-share agreement, there's no lump sum to repay and so there's very strong downside protection for students."

- For more information on the Clinton campaign, see: http://www.politico.com/story/2015/06/clinton-student-loan-reform-plan-has-warren-stamp-118865.html
- For more information on Christie's remarks, see: http://www.usnews.com/news/articles/2015/06/11/chris-christie-comes-out-against-free-college

New IFAP and *Federal Register* Announcements
Recent additions to the Information for Financial Aid Professionals (IFAP) website and *The Federal Register* have been made that may be of interest to COHEAO members.

FSA IFAP and *Federal Register* Announcements:
- Loan Servicing Information - Debt Relief Information for Corinthian Students - Briefing Points for Financial Aid Community
- Spring Student Loan Repayment Campaign
- Enforcement of the Prohibition on Incentive Compensation Payments
- Gainful Employment Electronic Announcement #54 - Certification Requirements for Gainful Employment Programs
- Borrower Defenses against Loan Repayment
- Availability of Direct Loan (DL) Tools for Windows, Release 15.0
- Gainful Employment Electronic Announcement #55 - Initial Chapters of Updated Gainful Employment Operations Manual Now Available
- Followup Process for External Audits in Federal Student Aid- was posted under Federal Student Aid (FSA)

Ericka Miller's Assistant Secretary for Postsecondary Education Nomination Withdrawn
Last week, the White House withdrew Ericka Miller's nomination to be the Department of Education's Assistant Secretary for Postsecondary Education. Miller explained in an email that the withdrawal was her own decision after she experienced a death in her family. She left the Department, where she has been serving as senior adviser to the Secretary of Education, on June 16.

Industry

July 16 PCA Meeting Canceled
The Debt Collection Service of the Department of Education's Office of Federal Student Aid announced the cancellation of the next quarterly meeting for private collection agencies who participate in or are interested in the Department's contracts to collect defaulted federally owned student loans. The cancellation comes as collection agencies continue to wait for the long-delayed announcement of which larger agencies will receive contracts with the Department for future collections.

Report Shows Decline in Private Student Loan Delinquencies
According to MeasureOne's Private Student Loan Performance Report, lenders are giving out more new private student loans and private student loans overall delinquency rates are at the lowest since before the 2008 economic downturn. The *Private Student Loan Performance Report –Q1 2015* shows

continued strong performance trends in repayment, delinquencies and charge-offs for private student loans through Q1 2015.

The private student loan market makes up about 7.2 percent of the $1.27 trillion student loan market. The report analyzes loan data from MeasureOne's Private Student Loan Consortium, which includes Citizens Bank, Discover Bank, Navient, PNC Bank, Sallie Mae Bank, and Wells Fargo Bank. Together, the group represents approximately 71 percent the total outstanding balance of all private student loans. From Q1 2014 to Q1 2015, outstanding balances for the six consortium participants grew by 2.12 percent to $65 billion.

Year-over-year, charge-offs declined 14.5 percent and since this time last year, early and late-stage delinquency rates declined by 12.7 percent and 13.4 percent, respectively. About 2.2 percent of loans were in forbearance. By the end of Q1, around 76 percent of outstanding private student loans were in repayment status.

The report credits the use of cosigners and school certification to the improved performance of private student loans. Nearly 94 percent of newly originated undergraduate private student loans included a cosigner in the 2014-15 academic year. School certification has been universally adopted for both undergraduate and graduate private student loans to help protect against over-borrowing.

- For the MeasureOne press release, see: http://www.prnewswire.com/news-releases/measureone-private-student-loan-report-shows-continued-strong-performance-trends-300096977.html
- For an article from *The Wall Street Journal*, see: http://www.wsj.com/articles/the-new-math-of-student-loans-1434117167

In the News: *New York Times* Op-Ed Encouraging Students to Default on Loans Receives Major Backlash

An op-ed appeared in *The New York Times*, "Why I Defaulted on My Student Loans," detailing the efforts of an Ivy League educated freelance writer who has avoided his student debts because he feels they are immoral. He also left a less expensive public institution when incurring this debt, as he didn't feel it was "good enough for me."

The Times included a lesson plan on the piece in its "Learning Network" blog, which is designed to make material appearing in the Times more digestible for students and educators by building lesson plans, follow-up questions and the like around it.

Though the Times thought the piece merited classroom discussion, it was resoundingly rejected by a cadre of writers and higher education observers from all sides of the political spectrum. Andrew Kelly of the American Enterprise Institute suggested it was written by someone seeking to damage the cause of student loan forgiveness programs, which are extremely generous, and *Slate* argued an op-ed was in order.

- Siegel's op-ed, "Why I Defaulted on My Student Loans," is available online: http://goo.gl/NUQerg
- A blog post from the Times' "Learning Network" Blog, "What Are Your Thoughts on Repaying Student Loans?" is available online: http://goo.gl/9WN1A7

- A blog post from *Forbes*, "Times Op-Ed Goes All In on Student Debt Silliness" http://goo.gl/ny6PmM
- A blog post from *Slate*, "The New York Times Should Apologize for the Awful Op-Ed It Just Ran on Student Loans" http://goo.gl/Rft4CP

Politico Calls Parent PLUS a Predatory Lending Program

On Friday, *Politico* ran an extensive thought-piece discussing the government's Parent PLUS student loan program. The author, Michael Grunwald, called the government an "opportunistic lender" making large profits off of parents willing to do anything to send their kids off to college. He explained that in comparison to regular student loans, PLUS has much higher interest rates and fees, and fewer or no opportunities for loan forgiveness, reductions, or income-based repayment. He writes, "It has grown to look a lot like publicly funded predatory lending, providing almost any borrowers with almost unlimited cash to attend any school with almost no regard to their ability to repay." Thirteen percent of undergraduates now depend on Parent PLUS loans, and many of their parents are finding themselves in a tangle of debt.

The writer conducted extensive research for several weeks and interviewed people on all sides of the PLUS issue, from parents, to White House officials, to school representatives, to think tankers, to the president of the Consumer Bankers Association. He found that the PLUS program is the most profitable of the 120 federal lending programs and that the government is expected to see a $1.23 return on every dollar it lends this year. He wrote that nearly every individual he interviewed advocated for major reforms to the PLUS program, but that at the same time, most of these individuals understood the low chances of the government actually following through with any reforms because of the program's profits.

Grunwald wrote that schools have no incentive to lower tuition prices as long as they can count on federal dollars. PLUS loans have become a conventional method of filling the tuition gap, with about 700,000 new loans every year. Grunwald said some schools even steer students towards PLUS loans over traditional student loans because they're not required to report default rates on PLUS loans.

As the commentary continues, Grunwald goes into the changes the Department made after the 2011 controversy over Parent PLUS. He explains that the Department quietly tightened their standards for credit problems that resulted in rejection of PLUS applicants, and students whose parents previously received PLUS loans were forced to drop out of school because they no longer could afford tuition. This particularly affected Historically Black Colleges and Universities (HBCU). Within two years, the number of parent PLUS recipients at HBCUs dropped 45 percent, depriving HBCU's of an estimated $150 million.

The writer, along with many of the people he interviewed, believes the PLUS program needs flexibility. Some critics argue that parent PLUS should be eliminated, and the government should expand Pell grants and raise caps on student loans instead. He says there are obvious methods to strengthen the program. Grunwald wrote, "The most evident would be real underwriting standards to evaluate the ability to pay of potential borrowers. Another would be strict loan caps. Or a combination of those reforms could link the credit worthiness of borrowers to the size of the loans they're eligible to receive."

For more information, see: http://www.politico.com/agenda/story/2015/06/the-us-governments-predatory-lending-program-000094

Brookings Discusses Getting Education Bills to the Finish Line

Last Wednesday, the Brookings Institution Brown Center on Education Policy held a panel with four education policy experts and former hill staffers to discuss "getting education bills to the finish line." The experts examined the current efforts to reauthorize the Elementary and Secondary Education Act (ESEA) and the Higher Education Act (HEA) and spoke about what led to success or failure in the past and what is necessary for passage.

The panelists agreed that the current bipartisan effort is key in moving the education bills ahead this time and Sarah Flanagan, Vice President of the National Association of Independent Colleges and Universities, said the genuine trust between Sen. Patty Murray (D-WA) and Chairman Lamar Alexander (R-TN) has led to the recent success in the Senate. However, the group of experts did note the increasing partisanship of education and Martin West, Associate Professor of Education at Harvard University, said, "There's been a clear shift to conservatism in education policy." Flanagan said that education has become a political issue, not just a policy issue, and the panel spoke of shifting roles between the executive and legislative branches contributing to this politicization.

Jason Delisle, Director of The Federal Education Budget Project at The New America Foundation, said, "The Obama Administration has taken some of the wind out of the sails in HEA reauthorization through policy proposals and executive actions of their own." He predicted higher education will be a major presidential issue for the 2016 campaign. Delisle anticipates 2016 politics to likely interfere with HEA reauthorization, and the panelists agreed the likelihood of HEA passage this year is slim to none. However, they gave ESEA a 50-75 percent chance of passing.

For more information, see: http://www.brookings.edu/events/2015/06/10-education-bills

National Journal Hosts Event to Discuss Higher Education Act

Last Tuesday, the National Journal, with support from the Lumina Foundation as well as the Bill and Melinda Gates Foundation, brought a panel of experts together to discuss the fifty-year history of the Higher Education Act (HEA) and the reforms that should be considered as the reauthorization of HEA approaches. Ron Brownstein, editorial director of the National Journal, moderated the first portion of the event, which featured Ted Mitchell, under secretary of the Department of Education, and Senator Lamar Alexander (R-TN), Chairman of the Senate Health, Education, Labor, and Pensions (HELP) Committee.

Mitchell pointed to many milestones — including the highest ever high school graduation rates and overall educational accomplishments of students of color, low-income learners and students with disabilities — however, he balanced his statement by saying "we've made progress, but the task has never been more urgent, and our work is far from complete." When pressed on issues he felt would be relevant during reauthorization of the HEA, he spoke to the need to simplify loan programs and access to federal student aid, protecting Pell Grants from a further diminished purchasing power, and programs to incent free community college at the state and local level.

Echoing some of the under secretary's points, Senator Alexander expressed a need to remove the "jungle of red tape," and make the Free Application for Federal Student Aid (FAFSA) less daunting, touting his bipartisan Financial Aid Simplification and Transparency (FAST) Act.

After Mitchell and Alexander spoke, the event held a response panel to discuss issues related to student loan financing and the role that universities and higher-education institutions should play in helping address the massive debt that students incur. Andrew Kelly, Director of the Center for Higher Education Reform at American Enterprise Institute (AEI), said, "Colleges should be put on the hook financially for some amount of the risk of default," and suggested giving colleges the authority to devise a plan of execution however they see fit, as long as they accomplish what they are being held accountable for. Aaron Smith, Senior Strategic Advisor and Co-Founder of Young Invincibles, agreed that risk-sharing is an important component of reforming higher education because it means schools have some "skin in the game."

For more information and video webcast of the event, see: http://www.nationaljournal.com/events/the-next-america-taking-stock-50-years-of-the-higher-education-act-20150609

Parents Increasingly Shifting College Costs onto Children

The fourth annual survey from Discover Student Loans reveals that the vast majority of parents continue to see the importance of their child obtaining a college education, yet fewer are planning to help pay for it compared to just three years ago – down from 81 percent in 2013 to 75 percent in 2015.

When asked how much responsibility their child should have in paying for college, nearly half of parents, 46 percent, said their children should fund at least some of the cost, while 45 percent of parents said they expect their child to pay for most or all of their education. To cover college expenses, more parents anticipate that their child will use student loans compared to three years ago. This year, 54 percent of parents said their child is planning to take out student loans, as compared to 50 percent in 2013.

The price of college appears to be affecting the decision making process when choosing schools. Forty-eight percent of parents said they were limiting which college their child attended based on price, an increase from 44 percent in 2014. Parents also are considering additional ways to further reduce college costs. They ranked attending a public versus private university or a community college as the most effective options to keep expenses in check.

Parents increasingly are looking at the likelihood of finding employment and future earning potential when thinking about their child's choice of major. In fact, 44 percent said they were more likely to fund their child's education if they majored in a field that has a higher likelihood of employment, an increase from 33 percent in 2014. When asked whether earning potential or choice of major is more or less important to their child's education, 47 percent of parents in 2015 said earning potential was more important as compared to 40 percent in 2014. Only 19 percent said that earning potential was less important than the choice of a college major, a decrease from 32 percent in 2012.

- For coverage from *CNBC*, see: http://www.cnbc.com/id/102737321
- For the Discover Student Loans survey, see: https://www.discover.com/student-loans/college-planning/degree-investment.html

Citizens Financial Announces Pre-Approved Multi Year Borrowing Option for Student Loans

On Tuesday, Citizens Bank announced it would be offering a Multi Year Borrowing Option with the Citizens Student Loan, a new private student loan offering that will allow qualified borrowers to reserve financing for the duration of their education without having to fully re-apply each year. The bank says the preapproval, offered to borrowers with strong credit, will significantly simplify the application process for subsequent years of borrowing, and eliminate concern of losing access to funding midway through a student's education. Citizens also announced it has lowered the interest rate on its fixed rate Citizens Bank Student Loan for Parents to 6.29 percent.

Approved borrowers who select the Multi Year Borrowing Option will have access to a streamlined process that enables them to simply request funds to meet their subsequent years of school. Citizens will then send those funds directly to the school. The preapproval offer will only be available to borrowers who choose a variable-rate loan- and Citizens will pre-approve them for variable-loans for the future years as well. The loan will be available with a variable interest rate as low as 2.18 percent, although the rate could rise.

The multiyear approval option is the first in the private student loan business.

For more information, see: http://investor.citizensbank.com/about-us/newsroom/latest-news/2015/2015-06-16.aspx

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

Secretary
Tom Schmidt
Associate Director of Student Account
Assistance & Third Party Billing
University of Minnesota
211 Science Teaching & Student Services
222 Pleasant St. SE
Minneapolis, MN 55455
612-625-1082
Fax: 612-624-2873
t-schm@umn.edu

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

Member at Large
David Stocker
General Counsel
ACSI, Inc.
2802 Opryland Drive
Nashville, TN 37214
800-445.1736 x1845
Fax: 615.361.4816
DStocker@acsi.net

Commercial Committee Chair/Membership Co-Chair
Bob Frick
Transworld Systems (TSI)
Vice President-Education Services
2520 South 170th Street
New Berlin, WI 53151
262-780-7500
Fax: 866-543-6814
bob.frick@tsico.com

Vice President
Carl Perry
Senior Vice President
Progressive Financial Services
516 N Production Street (Suite 100)
Aberdeen, SD 57401
800-585-4986
cperry@progressivefinancial.com

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

Member at Large
Larry Rock
Director of Student Loan Repayment
Concordia College
901 S. 8th St. S
Moorhead, MN 56562
218-299-3323
Fax 218-299-4357
larock@cord.edu

Member at Large
Cindy Schick
Vice President, Business Development
NCC Business Services of America, Inc.
9428 Baymeadows Road, Suite 200
Jacksonville, FL 32256
904-352-2745
Fax: 904-352-2746
Cschick@ncc-business.com

Legislative Chair
Jan Hnilica
Student Accounts Manager
Wheaton College
501 College Ave.
Wheaton, IL 60187
630-752-5803
Fax: 630-752-7008
Jan.hnilica@wheaton.edu

Legislative Co-Chair, Regulations
Lee Anne Wigdahl
Manager, Loan Administration
DeVry Inc.
814 Commerce Drive
Oak Brook, IL 60523
630-645-1178
Fax: 630 891-6292
lwigdahl@devrygroup.com

Legislative Co-Chair, Perkins
Pamela Devitt
Legislative Analyst, University Student Financial Services and Cashier Operations
University of Illinois
809 S. Marshfield Ave.
Chicago, IL 60612
312-996-5885
Fax: 312-413-3453
devitt@uillinois.edu

Legislative Co-Chair, Perkins
Carolyn James
Accounting Supervisor
Student Loans & Collections
University of Michigan
6000 Wolverine Tower, 3003 S State St.
Ann Arbor, MI 48109
734-763-6607
Fax: 734-647-3804
ctjames@umich.edu

Internal Operations Chair
Jeane Olson
Director
Northern Arizona University
Gammage Building
Flagstaff, AZ 86011
928-523-3122
Jeane.olson@nau.edu

Internal Operations Co-Chair, Financial Literacy
Todd Woodlee
Associate Vice President
iGrad
1775 Warfield Dr.
Clarksville, TN 37043
706.231.0150
twoodlee@igrad.com

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

Internal Operations Co-Chair, Support
Nancy Paris
Vice President Client Services
RMS-Recovery Management Services, Inc.
4200 Cantera Drive, Suite 211
Warrenville, IL 60555
800-900-3944, ext. 104
Fax: 630-836-2413
nparis@rmscollects.com

Membership Chair
Karen Reddick
Vice President Business Development
National Credit Management
10845 Olive Blvd
St. Louis, MO 63141
800-627-2300, 229
kreddick@ncmstl.com

Membership Co-Chair, Institutions
Jeff "JP" Pfund
University of Wisconsin, Madison
Office of Student Financial Aid
Student Loan Servicing Dept.
333 East Campus Mall #9508
Madison WI 53713-1382
608-263-7100
jeff.pfund@finaid.wisc.edu

Membership Co-Chair, Support
Claude Payne
Loan Services Specialist
Weber State University
3850 Dixon Parkway, Dept. 1023
Ogden, UT
(801) 626-7346
Fax: (801) 626-7276
cpayne@weber.edu

Executive Director
Harrison Wadsworth
1101 Vermont Ave. N.W. Suite 400
Washington, DC 20005-3521
202-289-3910
Fax 202-371-0197
hwadsworth@wpllc.net

COMMITTEE ON RULES, RANKING MEMBER

WASHINGTON OFFICE:

2469 RAYBURN BUILDING
WASHINGTON, D.C. 20515-3221
(202) 225-3615

DISTRICT OFFICE:

3120 FEDERAL BUILDING
100 STATE STREET
ROCHESTER, NY 14614
(585) 232-4850

WEBSITE: louise.house.gov

LOUISE M. SLAUGHTER
CONGRESS OF THE UNITED STATES
25TH DISTRICT, NEW YORK

Support Reauthorization of the Perkins Loan Program

Dear Colleague,

Please join me in signing a letter to the House Committee on Education and the Workforce supporting the reauthorization of the Federal Perkins Loan Program before it expires on September 30, 2015. Perkins is our nation's longest running student loan program and essential to many students' pursuit of higher education. Last school year, over 1,500 colleges and universities disbursed $1.2 billion in new Perkins loans to approximately 539,000 students.

The Perkins Loan Program is a campus-based student aid program through which colleges and universities across the country provide subsidized, low-interest loans to undergraduate and graduate students demonstrating financial need. Perkins loans do not accrue interest while students are in school and maintain a fixed five percent interest rate, often making them a much more affordable option than private student loans. Perkins loans are disbursed through campus-based revolving funds established from a combination of federal and institutional contributions. Because Perkins uses revolving funds, the program is self-sustaining, with student loan repayments paying for new loans.

Unfortunately, without congressional action no new Perkins loans will be permitted to be disbursed starting October 1, 2015. Moreover, any new students who receive a disbursement prior to that date will only be able to receive Perkins loans for the 2015-16 academic year, putting their ability to afford their full education in uncertainty.

Without Perkins, schools would lose the necessary flexibility to help students cover gaps left after federal grants and Stafford loans are applied or unforeseen circumstances jeopardize a student's ability to pay for college. Ultimately, if Perkins is allowed to expire billions of dollars in student aid would be eliminated from schools' revolving funds.

I invite you to join me in supporting the Federal Perkins Loan Program. If you would like to sign this letter or have additional questions please contact Benjamin Schultz at benjamin.schultz@mail.house.gov or 5-3615. Please find the full text of the letter below.

Sincerely,
Louise M. Slaughter
Member of Congress

PRINTED ON RECYCLED PAPER

June XX, 2015

The Honorable John Kline
Chairman
Education and the Workforce Committee
2181 Rayburn House Office Building
Washington, DC 20515

The Honorable Bobby Scott
Ranking Member
Education and the Workforce Committee
2101 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Kline and Ranking Member Scott,

Originally known as the National Defense Student Loan program, the Federal Perkins Loan Program began 57 years ago and has been included in the Higher Education Act since its inception in 1965. Perkins is the nation's longest running student loan program. Over the decades, this program has enabled millions of students from low-income families across the country to pursue higher education. We respectfully urge the Committee on Education and the Workforce to work to reauthorize the Federal Perkins Loan Program before it expires at the end of the fiscal year on September 30, 2015.

Through Perkins, campuses provide subsidized, low-interest loans to assist deserving undergraduate and graduate students. These loans are made available through campus-based revolving funds established from a combination of federal and institutional contributions. Perkins Loans fill a critical gap that exists for many students after federal grants and Stafford loans are applied.

Due to the impending expiration of the program, the U.S. Department of Education has advised the over 1,500 participating public and private colleges and universities that they cannot issue new Perkins loans starting October 1, 2015 in the absence of congressional action. While students across the country are receiving acceptance letters, at the same time they being told there is no guarantee a Perkins loan will be available for them throughout their education.

As one of three campus-based student aid programs, Perkins loans provide necessary flexibility to colleges and universities, which can use Perkins loans in conjunction with other forms of financial assistance to help students afford the cost of higher education. Perkins loans also act as a lifeline when unforeseen disruptions, such as a parent's job loss or student's inability to work enough hours, jeopardize a student's ability to pay for college. Because they do not accrue interest while a student is in school and maintain a fixed five percent interest rate when repayment begins, Perkins loans often offer a much more affordable alternative to private student loans. Furthermore, the Perkins loan program encourages graduates to serve their country and communities by offering partial or full loan forgiveness to borrowers engaged in various types of public service.

In addition to harming thousands of students who may not have the means to afford college or would be forced to take out expensive private student loans, the expiration of this crucial program would eliminate billions of dollars in student aid from the revolving funds that institutions use to disburse Perkins loans. These revolving funds are what make the Federal Perkins Loan Program self-sustaining, with student loan repayments paying for new loans. The continuation of the program would not cost the government any additional money but its elimination would cost participating colleges and universities millions.

We strongly encourage the Committee to reauthorize the longstanding Federal Perkins Loan Program, which is a great benefit to students, higher education, and our country as a whole.

Sincerely,

HEARING BRIEF

SENATE HELP COMMITTEE HOSTS HEARING ON HIGHER EDUCATION ACCREDITATION

Prepared by:
Michelle Cravez (mcravez@wpllc.net)

June 17, 2015

On Wednesday, June 17, the Senate Committee on Health, Education, Labor and Pensions (HELP) held a hearing, "Reauthorizing the Higher Education Act: Evaluating Accreditation's Role in Ensuring Quality." This was the fifth hearing on reauthorizing the Higher Education Act.

MEMBERS PRESENT

Chairman Lamar Alexander (R-TN); Ranking Member Patty Murray (D-WA); Tim Scott (R-SC); Al Franken (D-MN); Elizabeth Warren (D-MA); Christopher Murphy (D-CT); Michael Bennet (D-CO); Bob Casey (D-PA); and Sheldon Whitehouse (D-RI).

WITNESSES

- **Peter Ewell**, PhD, Vice President, National Center for Higher Education Management Systems
- **George Pruitt**, PhD, President, Thomas Edison State College
- **Albert Gray**, PhD, President and CEO, Accrediting Council for Independent Colleges and Schools
- **Anne Neal**, President, American Council of Trustees and Alumni

OPENING STATEMENTS

Chairman Alexander explained that accreditors became the "gatekeepers" to federal funds in the 1950's after the GI Bill was passed. He said the law today tells accreditors to measure student achievement but doesn't explain how to do it. Alexander said that even though federal law does not allow the Department of Education to regulate or define student achievement, Congress still spends $33 billion for Pell grants each year, and taxpayers will lend over $100 billion in loans this year that students will be required to pay back. Thus, he explained it is Congress' duty to make certain students are spending that money at quality institutions.

He listed two main concerns about accreditation: First, is it ensuring quality? Second, is the federal government getting in the way of accreditors doing their job? The Chairman said that the Task Force on Government Regulation of Higher Education reported that federal rules and regulations on accreditors are burdensome and cause federal "micro-management." He described five areas he believes the Committee should dive into on accreditation. First, are accreditors doing enough to ensure that students are learning and receiving a quality education? Second, would more competition and choice among accreditors be a way to improve quality? Third, do federal rules and regulations force accreditors to spend too much time on issues other than quality? Fourth, do accreditors have the right tools and flexibility to deal with various institutions with many different needs and circumstances? Last, could the public benefit from more information about accreditation?

Alexander stressed the importance of improving the accreditation process of higher education institutions. He said, "There's really no other way to do this -- to monitor quality. Because if accreditation doesn't do it, I can assure you that Congress can't. And the Department of Education certainly doesn't have the capacity or know-how."

Ranking Member Murray also spoke about the need to strengthen the role that accreditation plays in ensuring colleges are providing a quality education. She pointed to the recent collapse of Corinthian Colleges, Inc., as proof the accreditation process must be reformed. Murray outlined ways to improve accreditation, including rigorously evaluating student success, promoting best practices across regions and across systems, and ensuring transparency.

While there is great value in a peer-review accreditation process, Murray suggested stronger protections to prevent conflicts of interest. She also stressed the need for better consumer data about student outcomes like retention, completion, and transfer rates. Murray acknowledged that accreditors must assess the quality of a school, and, increasingly, enforce compliance for several federal laws and regulations. She said that this can distract accreditors from indicators of quality, like student learning and success, which is why she is "open to a conversation on refocusing accreditors' role." Finally, she called for modernizing the accreditation system to make sure it is responding to the changing landscape of higher education.

WITNESS STATEMENTS

Peter Ewell shared a number of his ideas on reforming accreditation that he outlines in detail in his written testimony**.** Ewell explained that he believes the current practice of institutional accreditation falls short of the model needed to guarantee institutional quality. However, he also believes that instead of scrapping the current system, any changes should simply fix and build off the system already in place. Ewell highlighted a few of his ideas to improve the system including better public reporting and standardizing language used by accreditors. He said that language is particularly important in describing student learning outcomes. Ewell also mentioned taking a "risk-sensitive" approach to accreditation where oversight efforts focus on institutions that pose the greatest risk or have the poorest outcomes.

George Pruitt said that while the reauthorization of HEA can work to improve the current accreditation system, at its core, regional accreditation is "fundamentally sound" and individual institutions and higher education as a whole benefit from the self-study, peer review, and related processes. He said that rating systems do not indicate institutional educational quality but instead serve as "descriptors of student demographics." Pruitt said that federal regulations and compliance get in the way of accrediting agencies performing their original purpose of assessing the quality of institutions.

Albert Grey offered three considerations for reauthorizing HEA. First, he said reforms should be based on a strong awareness of the students served by private, independent colleges and schools. Second, he suggested reforms recognize and build on the existing strengths of the accreditation program. Third, he suggested encouraging the accreditation community to play a broader role in defining the measures of value incorporated in the price/value proposition. He said accreditors, or at least ACICS, do not review the affordability or pricing methods of schools but that the value of the education is still important to the accreditation community.

Anne Neal stated that while the accreditation system has been in place the quality of education has gone down and debt has gone up. She said, "We must redesign and reform quality assurance to strengthen the quality of colleges and universities, promote competition and innovation and provide accountability. To do that, we must end accreditation as a gatekeeper for Title IV." Neal criticized accrediting standards as guild-like and said they require essentially the same thing of every institution, whether high-risk or low-risk. She said the process is costly, particularly for smaller institutions. She said accreditation does not provide rankings or offer comparability in assessment of student learning. Furthermore, she said the system is not set up to provide data on individual programs or departments.

Neal claimed accreditation is a failure because it is an opaque process that does not give students clear information about quality and financial stability. She suggested three reforms to improve quality assurance through the HEA. First, create direct and expedited recognition for Title IV using risk-adjusted scrutiny. Regulatory resources should be focused on the highest risk institutions. Second, end "regional monopolies" and return to true peer accrediting agencies. She claimed this will help encourage innovation and bring down costs. And third, eliminate the existing "blank check" provision in the statute. She stressed that tweaking the existing system will not make a difference but that a major overhaul is necessary.

MEMBER QUESTIONS

Ranking Member Murray began by asking Ewell how the federal government can play a role in improving the accreditation process. Ewell said to introduce more competition among accreditors so institutions have more choice. Murray asked Pruitt how to measure student outcomes. Pruitt said the metrics in measuring student outcomes are not as easy as the public may think. For example, many students are part-time so graduation rate and time until graduation is not a fair measurement of success. He said more differentiated metrics focused on particular demographics of students and the specific missions of an institution were necessary.

Chairman Alexander asked the panelists if some institutions should be treated differently than others. Both Ewell and Pruitt supported a risk-based accreditation system where more focus is placed on institutions that pose the most risk. The Chairman then asked if there should still be regional accreditors. Ewell responded that regional accreditation is basically dead as many regional accreditors work with schools on a global basis. However, Pruitt defended the regional model and said there are differences between regions that would be difficult to take into account if the system moved to a national level. He said HEA should move to simplify, deregulate, and decentralize the accreditation process.

Senator Franken focused his attention on the collapse of Corinthian Colleges, Inc. He asked what the accrediting agency could have done differently to prevent its closing. Gray, the president of the organization responsible for accrediting Corinthian, said that some campuses were worse than others, and that the bad ones were monitored by ACIC. He explained these campuses passed all standards necessary to receive accreditation. Neal said that the fundamental issue at the core of Corinthian's collapse was financial. She said that accreditors should not be expected to catch fraud.

Senator Scott asked the panelists how to reform accreditation so it provides students with better opportunities to succeed. Ewell responded that including students in the accreditation process as is currently done in Europe would help, along with greater transparency. Scott then asked how to harness competency based programs and leverage accreditation so students can enter the workforce with a quality education. Gray said flexibility was necessary and that accreditors must work with institutions and the Department of Education to incorporate innovative techniques. He said his organization had worked with the Department to develop standards that allow programs to adopt competency-based education programs. He also suggested accreditors work more closely with employers.

Senator Warren criticized Gray and ACICS for continuing to accredit Corinthian Colleges, Inc. even after several state attorneys general, the CFPB and government agencies were investigating the schools. She said, "It sucked down more and more federal aid, while the private accrediting organization collected more and more fees. And now students and taxpayers are stuck with the bill while there is no accountability for the private accrediting outfits." She noted that ACICS is still the accrediting body for ITT Technical Institute, which is also being sued and investigated. Gray once again defended his organization and said that as long as institutions meet ACICS standards, they retain their accreditation, whether or not they are subjects of lawsuits or investigations. He blamed Corinthian's bankruptcy and change of ownership on financial issues, which are not the responsibility of the accrediting agency.

Senator Murphy began by suggesting to Gray that there would be more faith in the accrediting process if ACICS simply admitted they made a mistake with continuing to accredit Corinthian campuses. Gray responded, "Corinthian's collapse, if you want to use that term, was because of financial pressure, not because of non-compliance with any regulation." Murphy then asked Neal if accreditors should be accountable for looking at cost and affordability. Neal responded that accreditors aren't looking at cost but instead she claimed they were simply adding to the cost as members are required to pay a fee to join an organization. Neal then took a moment to explain that ACICS is not the only agency that is accrediting institutions with low success rates. She said that the bottom line is that accreditors are not doing a good job of ensuring educational quality.

Senator Bennet asked what the purpose of accreditation was. Ewell said that originally it was to help institutions "get better." Pruitt added that evidence suggests that there is overwhelming support for accreditation from the presidents of the institutions that make up these organizations. He said that accrediting agencies are faced with conflicting expectations and that the problem stems from whether agencies should be regulating or assessing institutions.

Senator Whitehouse pointed out similarities between accrediting agencies receiving funding from the colleges they monitor to Wall Street banks and the credit agencies they paid to evaluate their products. He said there is a clear conflict of interest and asked the panelists for their opinions Gray said that it is normal in the world of accreditation for agencies to be funded by the entities they accredit. He said that preferential treatment was not given. Neal on the other hand disagreed. She said when accreditors become agents of the federal government and responsible for deciding where billions of dollars go it became a serious conflict of interest. She said this was why it would be better to move towards a direct expedited recognition process.

CONCLUSION

Chairman Alexander concluded that it was hard to see the alternative to a properly functioning system of accreditation. He said that a number of the suggestions mentioned during the hearing would be considered seriously as the Committee works to move forward with HEA reauthorization. He agreed with the panelists that the function of accreditors should be on assessing quality, not on regulating. He also questioned the necessity of regional accrediting agencies and said the Committee would explore other options. He said he is interested in the idea of a risk-based accreditation system and mentioned the possibility of a pilot program to explore such a process. The Chairman said the next HEA hearing would take place after the July 4 recess and that one of the future hearings would address innovation.

For more information about the hearing, including written testimony and an archived webcast, go to: **http://www.help.senate.gov/hearings/reauthorizing-the-higher-education-act-evaluating-accreditations-role-in-ensuring-quality**