The Torch

November 6, 2015

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

Top News

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  Attached to today's edition is a letter that can be distributed to schools who may have parents interested in contacting their Senators or Senate Leadership.

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White House & Administration

- **Department of Education Announces Two Final Regulations**
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- **CFPB Supervisory Report Highlights Student Loan Servicing Practices**
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- **CFPB Wins Lawsuit Against Corinthian Colleges**
  Last week, a federal judge ruled that Corinthian Colleges deceived its students and ordered the company to pay $530 million in damages to former students.
- **Department of Education Announces New Experiment Involving Pell Grants and Dual Enrollment**
  Last Friday, the Department of Education announced a new experiment that will allow high school students to access Federal Pell Grants to take college courses through dual enrollment at participating institutions.
- **GOP Presidential Candidates Discuss Student Debt in Recent Debate**
  Last Wednesday during the Republican presidential debate at the University of Colorado, candidates discussed higher education and student debt, very briefly, for the first time in the three debates.
- **CFPB Releases 3rd Annual Financial Literacy Report**
  The CFPB issued its third Financial Literacy Annual Report to Congress last week.
- **CFPB Takes Action Against Student Financial Loan "Scam"**

Last week, the CFPB took action against a student financial aid company that it accused of running a nationwide scam.

- **CFPB Releases Monthly Complaint Snapshot for September**
  The CFPB released its monthly consumer complaint report for September, which includes a focus on credit card complaints.
- **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.

Industry

- **College Board Releases 2015 Trends Report**
  On November 4, the College Board issued a report, "Trends in College Pricing 2015," that found that tuition and fees rose about 3 percent from last year despite government reports that the economy has remained fairly stable with very little inflation over the past 12 months.
- **Lumina Foundation Papers Highlight How Outcomes-Based Funding Focuses Public Colleges and Universities on Increasing Student Completion**
  The Lumina Foundation released the first two of a 13 paper series exploring new funding models as an alternative for performance-based and enrollment-based funding approaches.
- **TICAS Releases New Report on Student Debt on Graduation**
  The Institute for College Access & Success' (TICAS) Project on Student Debt released their tenth annual report on student debt at graduation.
- **New America Offers In-Depth Payroll Withholding for Student Loan Repay**
  The New America Foundation released a new report, "Promise and Compromise: A Closer Look at Payroll Withholding for Federal Student Loans," the second publication in a series of briefs that examines the pros and cons of automatic income-based student loan repayment through payroll withholding.

Attachments

- **COHEAO Commercial Members**
- **COHEAO Board of Directors**
- **Sample Letter for Parents Interested in Reaching Out to Senate about Perkins**
- **President of UW System's Letter to Congress**

Top News

Bipartisan Coalition Continues Push for Perkins Loan Extension, Still Needs Your Support

The bipartisan coalition of Senators seeking an extension is continuing the push. The latest success was a letter to Senate Majority Leader Mitch McConnell (R-KY) and Minority Leader Harry Reid (D-NV) urging the passage of a Perkins extension with a majority of the Senate signing, 54 signatures, including 11 Republicans. The list of champions for a Perkins Loan extension continues to grow thanks to the efforts of Perkins Loan advocates and the concern among Senators for impacted students.

In addition, Senate Democratic leadership highlighted Perkins Loans as a priority in a letter to McConnell and newly elected Speaker of the House Paul Ryan (R-OH). That correspondence referenced previous Speaker John Boehner's (R-OH) attempt to "clean the barn" with a budget agreement by reminding McConnell and Ryan there is still much cleaning to be done, including Perkins.

As explained in an article below, the budget agreement reached between Boehner, McConnell, the White House and Congressional Democrats establishes a framework for funding the government but does not prevent a government shutdown. In fact, Congress must pass another spending bill, which will combine all 12 spending bills and is known as an "omnibus bill," by December 11.

In addition to funding federal programs for the rest of FY2016, the bill will include several provisions related to the authorization of programs. This is where the extension of Perkins Loans comes into play. Here at COHEAO, we are advocating for the extension of Perkins Loans in any way possible, but the omnibus bill is the consensus choice as the most likely legislative vehicle.
Therefore, it is incredibly important for Perkins Loan advocates to contact their Senators and ask them to push for the inclusion of the Perkins Loan extension in the omnibus legislation. As it is ultimately a funding bill, those serving on the Appropriations Committee will have the most impact. However, as we've seen repeatedly, one senator can greatly sway the debate in the Senate, so it is critical for all Perkins Loans advocates to contact their senators and ask for the Perkins Loan extension to be included on the omnibus legislation.

Perkins Loans are in the spotlight like never before—a top priority in Leadership discussions—so it is critical for Perkins advocates to continue to make their voices heard. The influence of college presidents and chancellors cannot be underestimated. In addition to contacting your Senator, we strongly encourage involving the highest levels of your campus in advocacy efforts. A letter from the University of Wisconsin System President is included with today's edition as a special attachment.

The way the process will work is the leaders of the respective appropriations subcommittees will begin negotiations on funding levels and provisions related to authorizations (often referred to as "riders):
The House Labor-HHS-Education Appropriations Subcommittee Chairman is Rep. Tom Cole (R-OK) and its Ranking Member is Rosa DeLauro (D-CT). Their Senate counterparts are Sen. Roy Blunt (R-MO) and Sen. Patty Murray (D-WA).

If the Subcommittee leaders are unable to reach agreement, the decision will be kicked up to the Chairs and Ranking Members of the full Appropriations Committee. The Chairman of the Senate Appropriations Committee is Thad Cochran (R-MS) and the Ranking Member is Barbara Mikulski (D-MD). Their House counterparts are Chairman Hal Rogers (R-KY) and Ranking Member Nita Lowey (D-NY).

If the Appropriations leaders cannot work out their differences, final decisions will ultimately be kicked up to Leadership, which includes Senate Majority Leader Mitch McConnell (R-KY) and Minority Leader Harry Reid (D-NV). In the House, the top leaders are Speaker Paul Ryan (R-WI) and Minority Leader Nancy Pelosi (D-CA).

We mention the ladder of decisions on the omnibus because the fate of Perkins may move right to the top. The Perkins Loan Program certainly has some champions involved in this ongoing debate, but HELP Committee Chairman Lamar Alexander (R-TN) appears firmly entrenched in his opposition, so it is incredibly important for Perkins Loan advocates to continue contacting their Senators and Representatives.

If you have questions, please do not hesitate to contact the COHEAO DC staff:
Harrison Wadsworth (hwadsworth@wpllc.net)
Wes Huffman (whuffman@wpllc.net)

Hannah Allen (hallen@wpllc.net)
Michelle Cravez (mcravez@wpllc.net)

COHEAO

Nominations for the COHEAO Board of Directors

We are asking for nominations for positions on the Board for a term starting in February 2015. Nominations are currently being accepted for the elected positions of:

- Treasurer
- Secretary
- Member-At-Large (3 positions available)

All positions are two-year terms (with a two-term limit for any individual position). We encourage you to submit nominations. Please use the following nominations form to submit your nominations online.

All nominations must be received by **November 12, 2015**. Nominations can be made by any COHEAO member but only primary institutional or commercial members can serve on the Board. All nominees will be contacted to ensure their availability and interest. The election for Treasurer, Secretary and Member-At-Large positions will be conducted via email ballot in December.

If you have any questions, please contact Jeane Olson, COHEAO Internal Operations Chair, at Jeane.Olson@untsystem.edu; Harrison Wadsworth, Executive Director, at hwadsworth@wpllc.net; or Wes Huffman, Associate Director, at whuffman@wpllc.net.

Time to Renew Your COHEAO Commercial Membership

On **November 5**, commercial membership dues invoices were sent via email to the primary account holders for each commercial membership. Dues may be paid by clicking on the payment link included in the email or logging in to 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 company’s COHEAO membership and you did not receive a notice of an open dues invoice please contact Michelle Cravez at mcravez@wpllc.net. Feel free to reach out to Michelle if you have any other questions pertaining to membership dues, how to submit payment or view open invoices. Commercial membership dues are due by **January 1.**

Webinar Next Week: Conversation with Congressional Staff and COHEAO Leadership on the Future of Perkins Loans

Join COHEAO on Tuesday, November 10, at 2 PM Eastern to discuss the latest developments in the effort to save the Federal Perkins Loan Program. Sign up today to hear directly from Congressional staff and COHEAO leadership on the latest news regarding Perkins Loans and what you can do to help.

Please note: This event is FREE for COHEAO members and available to non-members at a reduced rate of $29. Please be sure to log in to your COHEAO account to receive the free registration. If you are a member of COHEAO who has already paid for this webinar, we apologize, and you will be contacted today regarding a refund or credit for your COHEAO account.

Brian Moulton, the legislative assistant handling education issues for Senator Tammy Baldwin (D-WI) will participate in the webinar, bringing information directly from the staff of the senators leading the Congressional efforts to extend Perkins. COHEAO Executive Director Harrison Wadsworth and COHEAO President Maria Livolsi will provide a detailed overview of the current situation including explaining the complicated legislative situation and clarifying what we know about Department of Education policies and plans.

Register today to confirm your participation in this important call. Please contact Hannah Allen (hallen@wpllc.net) with any questions.

Special Attachment: Letter for Schools to Distribute to Parents Interested in Reaching Out to Senators on Perkins Loan Program

Attached to today's edition is a letter that can be distributed to schools who may have parents interested in contacting their Senators or Senate Leadership. This is intended as a draft of key points and we should recommend that parents customize it to include individual circumstances and stories.

Congress

Busy Two Weeks in Congress: Budget Deal, and Rep. Ryan Elected Speaker of the House

Two important votes took place in Congress last week, election of a new Speaker to replace John Boehner (R-OH) and final passage of legislation enacting a new bipartisan budget deal to keep the federal government operating and paying its bills. Representative Paul Ryan (R-WI) reluctantly accepted the post when it seemed apparent he was the only representative who could pull enough of the House Republican caucus together to be elected without a long, drawn-out fight. Some on the far right of the party opposed Ryan's nomination, but in the end, an overwhelming majority of the Caucus supported him.

The budget deal suspends the statutory debt ceiling for two years, clearing the deck for the election year, and in essence acts as a new Congressional Budget Resolution by increasing the caps on discretionary spending, both for defense programs and domestic programs. The caps are higher than called for by the 2011 budget legislation that employed the widely criticized sequester. The two-year agreement will raise spending by $80 billion.

The deal was passed by a coalition of Republicans who want to spend more on defense and others who are focused on a deal to avoid a shutdown, plus the Democrats who are happy to get more domestic spending. However, most House Republicans opposed the deal, meaning that the next big legislative lift will be tough.

The deal still leaves in place the continuing resolution (CR) that appropriates funds for most government functions only through December 11. Congress will have to pass 12 appropriations bills, expected to be folded into one massive omnibus bill, before then. Appropriators have actually been working hard on writing the bills for months, and it seems most are close to being completed. One report indicates that Congressional leaders hope is to pass the omnibus before Thanksgiving in order to avoid the pressure of a looming shutdown on December 12. However, this seems highly unlikely, and many on the Hill expect action to take place right before the deadline.

The budget deal includes several provisions to save the government money, including one relating to the servicing and collection of federal student loans. The deal includes a provision that would require the Federal Communications Commission to modify its *Telephone Consumer Protection Act* rules and allow the use of automated dialing systems to contact mobile phones to collect debt owed to the federal government. This would cover Federal Direct Student loans and Perkins Loans, as well as VA loans, SBA loans, etc. Use of predictive dialers to call cell phones without express consent for other purposes will remain open season for the plaintiffs bar, however.

The FCC is ordered to write new rules to allow for these calls. However, this is the same commission that recently issued declaratory rulings that were extremely unfriendly for those looking to update the law. Consumer advocates have already teamed with the plaintiffs bar and media allies to suggest the new rules will leave customers susceptible to constant harassment on their mobile phones. Expect a hearty debate as the FCC crafts these new rules.

Sen. Markey Introduces HANGUP Act to Repeal TCPA Revisions in Budget Agreement

On Wednesday, Sen. Edward Markey (D-MA) and 10 other Senators introduced the *Help Americans Never Get Unwanted Phone calls* (HANGUP) *Act*, which would strike Section 301 of the *Budget Act of 2015*, the legislation passed last week by Congress. The particular section exempts callers collecting debt owed or guaranteed by the federal government from certain provisions of the Telephone Consumer Protection Act (TCPA) and allows for the use of automated dialing systems.

Senators Claire McCaskill (D- MO), Ron Wyden (D -OR) Robert Menendez (D -NJ), Richard Blumenthal (D-CT), Patrick Leahy (D-VT), Elizabeth Warren (D-MA), Bernie Sanders (I –VT), Al Franken (D –MN) and Amy Klobuchar (D -MN) have cosponsored this bill.

Earlier this year, Sen. Markey sent letters urging the Federal Communications Commission (FCC) to reject proposals to weaken the TCPA. While some have been highly critical of the Budget Act, others point out that the agreement charges the FCC with developing rules to prevent harassment. This morning, *The Hill* published a blog posting written by James Bergeron, President of the National Council of Higher Education Resources (NCHER), defending the small provision in the budget agreement.

The following are excerpts from Bergeron's piece:

> *Unfortunately, the provision has been unfairly portrayed as a tool to harass consumers and now a bill (the "HANGUP Act") has been introduced in the Senate which would repeal the provision. The HANGUP Act in actuality would harm the very consumers it purportedly wants to protect since, in the student loan arena, the Bipartisan Budget Agreement will provide a way to help those struggling with student loan debt…*
>
> *Those who immediately conclude that the use of predictive dialer technology leads to abusive "robocalls" do not understand how the federal student loan system works. Predictive dialers simply provide efficiencies which allow service providers to speak to significantly more borrowers per caller. This, in turn, leads to more student loan borrowers accessing income-driven*

repayment plans to avoid delinquency or, for those in default, to enter into a loan rehabilitation program that gets them out of default and removes the record of default from their credit report. The change will allow servicers and collectors to use 21st Century technology to reach tens of thousands more borrowers each month, ensuring that these students will not "time out" and default on their student loans, or languish needlessly in default.

- For Sen. Markey's press release, see: http://www.markey.senate.gov/news/press-releases/markey-leads-bill-to-protect-americans-from-unwanted-robocalls-and-texts
- For Bergeron's blog on *The Hill*, see: http://thehill.com/blogs/congress-blog/education/259279-hang-up-on-the-hangup-act

President of University of Wisconsin System Sends Letter to Congressional Leaders Requesting HEA Extension Act be included in Budget Agreement

Last week, Ray Cross, the president of the University of Wisconsin System sent a letter to key congressional leaders, requesting that the Higher Education Extension Act of 2015, the measure that would extend the Perkins Loan Program for a year, be included in the budget agreement. Unfortunately, the act was not included in the deal reached, but COHEAO appreciates such support and encourages you to continue to reach out to university presidents and ask them to send letters to lawmakers asking for support.

The following is an excerpt from Cross's letter:

The Federal Perkins Loan Program:

- *Nationally, provides 500,000 students with $1.2 billion in loans annually across 1,500 institutions; in the UW System, it provides about 16,000 students with almost $29 million in loans annually;*
- *Has low interest rates set at 5 percent;*
- *Has a nine-month grace period before repayment begins;*
- *Loans are targeted at students with exceptional financial need. For example, in the UW System, the average Expected Family Contribution for Perkins Loan recipients in 2014-15 is $3,475; as context, Pell Grants are awarded to students with Expected Family Contribution of up to $5,157;*
- *It is not true that Perkins can easily be replaced by other loans. UW System recipients of Perkins Loans max out their Direct subsidized and unsubsidized loans, leaving them with a choice between Plus Loans (if their parents are willing and able to take out these loans) or private loans (if they have a co-signer to get such a loan);*
- *Universities have "skin in the game," as institutions match one-third or more of the federal program funds.*

In addition to the letter to Congress, Cross also penned an op-ed on the virtues of Perkins Loans for *Inside Higher Ed.* The op-ed, "Revive Perkins Loans," is available online. A copy of the letter is attached to this week's edition.

Sens. Booker and Lee Introduce Bipartisan *Stop Debt Collection Abuse Act of 2015*

This week, Sens. Cory Booker (D-NJ) and Mike Lee (R-UT) introduced the *Stop Debt Collection Abuse Act of 2015*, legislation intended to strengthen protections for consumers against predatory debt collection practices.

The Booker-Lee bill mandates all federal agencies be subject to the same standards of the *Fair Debt Collection Practices Act* (FDCPA), which prohibits debt collectors from using abusive, unfair, or deceptive practices to collect from consumers. Though it is technically true that federal contractors are exempt from some elements of FDCPA, they are still subject to numerous FDCPA requirements that protect consumers.

The act amends the FDCPA to make clear that the protections from overly aggressive debt collection practices also apply to debt collection agents hired by the federal government and clarifies that debts owed by private individuals to federal government entities should be considered "consumer debts," and fall under the FDCPA's protections. The bill is intended to prevent private debt collectors from charging unfair fees and confirms that debt buyers are debt collectors for the purposes of the FDCPA. Additionally, it requires a study of debt collection practices at the state and local level, including of the contracting processes and the treatment of low-income families. This study conducted by the Government Accountability Office (GAO) would examine the practices of debt collection at the local and state level.

For more information, see: https://www.booker.senate.gov/?p=press_release&id=326

Rep. Flores Introduces Student Loan Opportunity Act

Last week, Rep. Flores (R-TX) reintroduced the *Student Loan Opportunity Act*, which would amend the IRS Code to allow qualified scholarship funding corporations to access tax-exempt financing for alternative private student loans, and to purchase loans made during tax-exempt bonds. The Education Finance Council (EFC) released a one-page summary of the bill that asserts the legislation "would have little-to-no budgetary impact, as the issuance of bonds for refinancing would remain under the state ceiling."

The following is an excerpt from the EFC's summary:

> *"**Need for Legislative Solution.** Current law dictates that 150(d) organizations are not eligible to issue tax-exempt bonds to finance education loans.*
>
> *This legislation would amend the IRC to allow qualified scholarship funding corporations to access tax exempt financing for alternative private student loans. This expanded access to tax-exempt financing would allow these organizations to deliver lower borrowing costs to students and families, helping them to close the gap between grants, scholarships, and Federal loans and the full costs of attending school."*

For more information, see: https://www.congress.gov/bill/114th-congress/house-bill/3822?q={search:[Student+Loan+Opportunity+Act]}&resultIndex=5

Reps. Davis and Graham Introduce *Employer Participation in Student Loan Assistance Act*

Representatives Rodney Davis (R-IL) and Gwen Graham (D-FL) introduced the *Employer Participation in Student Loan Assistance Act*, a bill to help employers recruit and retain employees by allowing them to help employees repay student loans with pre-tax dollars.

Currently, the Employer Education Assistance Program allows employers to contribute pre-tax earnings to help employees finance continued education, but does not allow relief for individuals who already have incurred student loan debt in the course of their undergraduate or graduate careers.

The Employer Participation in Student Loan Assistance Act provides incentives to employers to subsidize student loan repayments for their employees in the same way employers today can subsidize ongoing tuition expenses.

Under the act, employees will receive a tax-exempt benefit of up to $5,250 per year to pay on their already incurred student loan debt. Likewise, the bill would permit employers to assist employees who already have student loans to the same degree they can help employees with continued education and deduct the subsidy provided to employees.

For more information, see:
http://rodneydavis.house.gov/news/documentsingle.aspx?DocumentID=398833

Senate Budget Committee Budget Bulletin

The Senate Budget Committee released a "Budget Bulletin" last week on "Back-End Spending." The bulletin was written by Peter Warren, Senior Analyst and Director of Oversight and Investigations for the Budget Committee, and uses the Title IV Student Aid programs as a case study for this phenomenon. Warren describes back-end spending as follows:

> *Congress acts on the "front end" when it authorizes or amends entitlement legislation, i.e., laws consisting of direct spending with formula-driven benefits for individuals who meet specific eligibility criteria. The cost of such programs is typically uncapped, and although it can be estimated in advance, is not known until after the fact. Therefore, agencies empowered to administer entitlement programs often impact that ultimate program cost on the "back end."*
>
> *Federal agencies not only act to implement new laws but also on their own initiative to exercise previously reserved authority. Agencies frequently reinterpret existing legislative language and invoke discretionary authority not previously exercised or exercised in a different manner. In its annual report to Congress, the White House Office of Management and Budget refers to formal rules that have a substantial, direct impact on the federal budget as "transfer rules" for producing income transfers "usually from taxpayers to program beneficiaries."*

In the case study review, the Budget Committee looks at three recent actions from the Department of Education that will have serious implications for taxpayers, but are likely to go unnoticed. It reviews the Administration's efforts to expand Pay as You Earn (PAYE) borrowers, which is already estimated to cost an additional $15+ billion; the move to prior-prior year for FAFSA purposes, which has a preliminary estimate of an additional $9.2 billion in costs; and the yet-to-be completed Defense to Repayment (DTR) regulations—costs unknown.

Additional information is available online: http://goo.gl/fN1fme

Congress Releases 2016 Schedule

The House and Senate released their 2016 calendars this week. Both include ample time at home for District Work Periods in advance of the campaigns. The traditional August recess will be extended an extra two weeks. Additionally, the House plans to be out of session for all of October, while the Senate will adjourn on October 7. Both chambers plan to return Nov. 14, a week after Election Day.

- For more information, see: http://thehill.com/blogs/floor-action/house/258948-house-plans-extra-long-august-break-in-2016
- For the House Calendar, see: http://www.democraticwhip.gov/sites/default/files/2016CALENDAR.pdf

White House & Administration

Department of Education Announces Two Final Regulations

The Department of Education published two sets of final regulations last Tuesday. The new "cash management" rule, first proposed in May, includes new requirements for schools and financial institutions on debit cards linked to student accounts, as well as co-branded cards "targeted" toward students.

Under the new regulations, students can choose how to receive their student aid refunds and must be given a list of account options by their institution. In addition, cards marketed by firms hired by institutions to distribute financial aid will no longer be allowed to require PIN transactions over traditional "swipe" transactions to avoid fees, and may not charge overdraft fees. These fee restrictions do not apply to campus accounts marketed by financial institutions that are not directly involved in the financial aid process, but there are requirements for schools and institutions with contract agreements and products targeted toward students.

The Department asserts that the goal of these requirements is to protect students. However, not all see this as the case. The banking industry is concerned about regulatory over-reach from the Department on debit cards.

In response to the new regulations, Richard Hunt, president and CEO of the Consumer Bankers Association (CBA), said, "While we are still reviewing the final rules, what is being veiled as pro-consumer reform is far from it. The banking industry is heavily supervised by numerous regulators that specialize in financial products and services, so it is hard to believe Congress ever intended the Department of Education to wield authority over banks."

The second finalized regulation package put out by the Department last week is the Revised Pay as You Earn Plan (REPAYE), which expands repayment options to allow five million more Direct Loan borrowers to cap their monthly student loan payment amount at 10 percent of their annual income allocated per month, regardless of when the loan originated. The new REPAYE payment plan will be available to borrowers as early as December.

The final REPAYE Plan regulations include:

- Starting in 2016; an expansion of the circumstances under which institutions may challenge or appeal a cohort default rate that appears artificially high because of a corresponding low rate of student borrowing;
- Starting July 1, 2016; new procedures for FFEL Program loan holders to identify servicemembers who may be eligible for a lower interest rate under the Servicemembers Civil Relief Act (SCRA), enabling these borrowers to receive this important benefit automatically.
- A requirement that guarantors provide information to FFEL Program borrowers on repayment plans available to them after they rehabilitate their defaulted loans, to help ensure that borrowers have a smoother transition to regular repayment. This section of the regulations will be implemented July 1, 2016.
- And a provision to allow lump-sum payments made on behalf of borrowers through student loan repayment programs administered by the Department of Defense to count toward Public Service Loan Forgiveness, similar to the application of lump sum payments for Peace Corps and AmeriCorps volunteers. This action assures that these borrowers benefit more fully from their public service employment.

For information from ED, see: http://1.usa.gov/1POVu2R

Department of Education and Senate Scrutinize Accreditation

On Friday morning, the U.S. Department of Education released a list of executive actions and legislative reform proposals aimed to improve the "rigor and flexibility of accreditation." The Education Department indicated plans to further regulate accreditation last week, which drew Republican opposition and Democratic support .

The announcement cites President Obama's 2013 State of the Union address and Secretary of Education Arne Duncan's July 2015 speech, both emphasizing the importance of a focus on outcomes and greater transparency in higher education. Secretary Duncan particularly noted in his speech earlier this year that "accreditors have provided little accountability for some poor-performing institutions and that for many accreditors, student outcomes are far down the priority list," stating his intent that the Department keep accreditors responsible for their work.

The Education Department's ability to address accreditation is limited thanks to a provision included in the last reauthorization of the Higher Education Act. Therefore, the Administration is planning to move ahead with some minor executive actions and also put forward multiple legislative proposals. They are listed below.

Executive Actions:

- Publishing each accreditor's standards for evaluating student outcomes
- Increasing transparency in the accreditation process and in institutional oversight
- Increasing coordination within the Department and among accreditors, other agencies, and states to improve oversight
- Publishing key student and institutional metrics for postsecondary institutions arranged by accreditors
- Promoting greater attention to outcomes within current accreditor review processes

Legislative Reform Proposals:

- Drive accountability through outcomes-driven and differentiated recognition

- Require robust teach-out plans and reserve funds for high-risk institutions
- Establish a set of standardized, common definitions and data reporting
- Increase transparency on an expanded set of accreditation material and actions

Additionally, the Senate Permanent Subcommittee on Investigation is "reviewing the role that accreditors play in assessing the quality and financial health of postsecondary institutions and programs," according to a Nov. 3 letter, signed by Senators Rob Portman (R-OH) and Claire McCaskill (D-MO), chairman and ranking member of the Subcommittee, respectively. The Subcommittee plans to examine a range of documents from the Accrediting Council for Independent Colleges and Schools (ACICS), and has given the agency a deadline of November 13 to respond. Albert Gray, president and CEO of the organization, commented this week, "ACICS will comply in a timely fashion. The council looks forward to working with the subcommittee to improve and strengthen the accreditation process."

- To access the press release, go here: http://www.ed.gov/news/press-releases/department-education-advances-transparency-agenda-accreditation
- For more information, go here: https://www.insidehighered.com/news/2015/11/06/senate-investigative-panel-opens-inquiry-about-college-accreditors

CFPB Supervisory Report Highlights Student Loan Servicing Practices

The CFPB on Tuesday released its latest supervisory report with student loan servicers leading the accompanying press release. The Bureau again pointed to complaints about servicing in this report: order of payments processes that maximize late fees, inconsistent reporting to credit bureaus and illegal debt collection practices.

It is hard to identify specific trends, as the CFPB does not provide specifics, meaning the practice in question could be a one-off scenario or an ongoing issue among multiple companies. Payment allocation appears to continue to be a major concern in student loan servicing at the Bureau: "Specifically, examiners continue to find entities engaging in the unfair practice of depriving consumers of an effective choice as to how to allocate these partial payments."

The CFPB did give faint praise for some recent activity by student loan servicers both in the report and its accompanying press release: "Additionally, certain student loan servicers took positive steps in cases where borrowers try to pay off their entire loan or account with a large lump sum but fall short of the total amount. In these instances, examiners observed that some servicers alert borrowers about unpaid balances, which can prevent them from accruing interest, having problems with their credit reports, or facing potential delinquency or default."

The full report is available online: http://www.consumerfinance.gov/reports/supervisory-highlights-fall-2015/ .

CFPB Wins Lawsuit Against Corinthian Colleges

Last week, a federal judge ruled that Corinthian Colleges deceived its students and ordered the company to pay $530 million in damages to former students. The Consumer Financial Protection Bureau (CFPB) filed the case over a year ago, accusing the company of misleading students with false job-placement statistics, allowing students to take out private loans at high interest rates, and using illegal debt-collection practices. The Department of Education has already fined Corinthian $30 million for inflating their job-placement rates.

However, since Corinthian's assets were dissolved in bankruptcy earlier this year, it will be unable to pay, and the case was a default judgment. Still, the ruling could have an impact on the Department of Education's decision on whether or not to forgive federal loans of former Corinthian students; not to mention the efforts to develop Defense to Repayment regulations in an upcoming negotiated rulemaking. In June, the Department indicated that this case's ruling would be critical to helping officials decide what to do in regards to forgiving former students' federal loans.

The Wall Street Journal reports, "The agency has already said it will forgive loans for up to 40,000 former Heald students of who owe between $500 million and $600 million. The agency is considering requests by other former students of Corinthian schools. In total, 350,000 students owing roughly $3.5 billion could ultimately be eligible for forgiveness, officials have said."

For more information, see: http://www.wsj.com/articles/corinthian-colleges-ordered-to-pay-damages-to-students-1446059379

Department of Education Announces New Experiment Involving Pell Grants and Dual Enrollment

Last Friday, the Department of Education announced a new experiment that will allow high school students to access Federal Pell Grants to take college courses through dual enrollment at participating institutions. Many see dual enrollment, in which students enroll in postsecondary coursework while also enrolled in high school, as a promising approach to lower costs and improve outcomes.

Instructions were published this week in the *Federal Register* for institutions interested in applying. The Department will invest up to $20 million in the 2016-17 award year, benefiting up to 10,000 students from low-income backgrounds across the country.

Cost is often a barrier to low income students from enrolling in dual enrollment programs as most students are required to pay tuition out of pocket. The Department hopes to learn about the impact of Federal Pell Grants on low-income students' participation and success in dual enrollment programs through this new experiment.

The following is an excerpt from the Department's fact sheet on the experiment:

> *Title IV-eligible institutions of higher education, in partnership with one or more public secondary schools or local education agencies, are encouraged to apply. Promising candidates for this experiment would:*
>
> *Require dually enrolled students to enroll in a title IV eligible postsecondary program as regular students*
>
> - *Provide that students will receive Federal Pell Grants only for coursework that applies towards completion of a postsecondary credential at the participating institution. Such coursework may, but is not required to, apply towards a secondary school diploma. Participating institutions should ensure that dual enrollment arrangements do not impede participating students' academic progress and persistence in secondary school*
> - *Offer students the opportunity to earn the equivalent of at least 12 postsecondary credit hours while also enrolled in a public secondary school.*

- *Ensure that students are adequately prepared academically for postsecondary-level coursework. This may include ensuring that students meet any relevant requirements that may apply for enrollment, such as grade point average, placement tests, and course prerequisite requirements.*
- *Prohibit the use of Federal Pell Grant funds for remedial coursework taken by students who are enrolled in a public secondary school.*
- *Provide appropriate student support services, such as academic tutoring, high school to college transition support, guidance counseling, or other comparable services designed to increase student preparation for and success in postsecondary education. These services may be provided by the public secondary school, the institution, the LEA, or by another entity.*
- *Provide assistance completing the Free Application for Federal Student Aid (FAFSA). This assistance may be provided by the public secondary school, the institution, the LEA, or by another entity.*

- For the Department's fact sheet, see: http://www.ed.gov/news/press-releases/fact-sheet-department-education-launches-experiment-provide-federal-pell-grant-funds-high-school-students-taking-college-courses-credit
- For the Department's blog posting on the experiment, see: http://blog.ed.gov/

GOP Presidential Candidates Discuss Student Debt in Recent Debate

Last Wednesday during the Republican presidential debate at the University of Colorado, candidates discussed higher education and student debt, very briefly, for the first time in the three debates. While only one question on the topic was asked, a few candidates were able to squeeze in their views on student loans and higher education.

CNBC moderator Sharon Epson said, "Most people can't get a college degree without going into debt. Over $40 million Americans have student loans… This country has over $100 billion in student loan defaults." She then asked Ohio Governor John Kasich, what he would do to ensure Americans "won't feel the economic impact of this burden for generations." Kasich highlighted the move to performance based funding at the state level in Ohio and going after the "cost drivers" that are responsible for increasing tuition rates. He also discussed leveraging online education to reduce costs. For outstanding debt, Kasich recommended using public service as a way for individuals to begin to pay back their loans.

Jeb Bush, former Governor of Florida, advocated having states handle student debt and accountability structures, reducing the role of the federal government. Senator Marco Rubio (R-FL) advocated for lower cost alternatives to the traditional on-campus four-year college degree, such as vocational schools. "We need to get back to training people in this country to do the jobs of the 21st century," Rubio said. "People need to get trained to do this work while they're still in high school so they can graduate and go to work." Additionally, he suggested that schools better inform students considering taking out loans what they can expect to make upon graduation with a degree from that school.

The Democratic candidates have made their individual higher educational plans central to their campaigns, increasing the pressure on Republican candidates to become more vocal on the topic. In fact, during the GOP debate, Hillary Clinton aired one of her new television ads in New Hampshire and Iowa, which focuses on student debt and urges viewers to "join the fight to make college affordable."

CFPB Releases 3rd Annual Financial Literacy Report

The CFPB issued its third Financial Literacy Annual Report to Congress last week. The report looks at the Bureau's activities to improve consumer financial literacy from June 2014 to September 2015. The report discusses some of the highlights of the CFPB's initiatives such as *Ask CFPB, Paying for College, Owning a Home,* and *CFPB en Español.* The appendix contains a list of the Bureau's available financial education resources, such as web-based tools, brochures and other publications, and research reports.

The report states that the Bureau is working with community institutions, government agencies, and other organizations to integrate financial education into existing service programs or consumer relationships. For example, the Bureau launched a youth financial education initiative for schools to integrate into K-12 curricula.

For the report, see: http://files.consumerfinance.gov/f/201510_cfpb_financial-literacy-annual-report.pdf

CFPB Takes Action Against Student Financial Loan "Scam"

Last week, the CFPB took action against a student financial aid company that it accused of running a nationwide scam. The Bureau sued Global Financial Support, which operates under the names of Student Financial Resource Center and College Financial Advisory, for engaging in alleged predatory practices. The CFPB claims the company tricked consumers into paying fees for fake financial aid services under the guise of a government or university-affiliated operation.

The CFPB alleges in its complaint that the defendants are exploiting consumer uncertainty regarding how to use free federal financial aid resources. The Department of Education operates the Free Application for Federal Student Aid (FAFSA), a national application/portal enabling students to apply for college loans and grants. The Department of Education does not charge any fees to apply for these programs, for which many student loan borrowers qualify. Last year, the CFPB took action against two other similar companies.

"Student Financial Resource Center and College Financial Advisory scammed thousands of students by masquerading as government agencies and other trusted organizations," CFPB Director Richard Cordray said in a statement. "Students and families were looking for information on how to pay for college; instead they were illegally charged millions of dollars for sham financial services."

For more information, see: http://www.consumerfinance.gov/newsroom/cfpb-takes-action-against-nationwide-student-financial-aid-scam/

CFPB Releases Monthly Complaint Snapshot for September

The CFPB released its monthly consumer complaint report for September, which includes a focus on credit card complaints. The snapshot also highlights trends in the Chicago metro area. As of October 1, the regulators received more than 726,000 complaints across all products.

The CFPB's press release states, "Consumers' most frequent credit card-related complaints were about incurring late fees and credit report problems due to confusing payment processing schedules and difficulty disputing bill inaccuracies."

For September, the most-complained-about financial product or service was debt collection, at around 29 percent of all complaints. The press release adds, "In a year-to-year comparison, complaints about debt settlement, credit repair, and check cashing showed the greatest percentage increase. Complaints about these products, which the Bureau classifies as 'other financial services complaints,' rose 97 percent from the same time period last year."

The report indicates that in September the Bureau received 23,400 complaints, which is 2,000 less complaints than the month prior. The monthly complaint average for all consumer products from July to September increased by 15 percent from the same period the year before. The Bureau received 614 complaints regarding student loans during the month of September, a 9 percent decrease from August. In total, the Bureau has received 20,754 student loan complaints and the number of these complaints received has increased by 7 percent since last year.

For more information, see: http://www.consumerfinance.gov/newsroom/cfpb-monthly-complaint-snapshot-spotlights-credit-card-complaints/

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:

- Dear Colleague Letter: Live Internet Webinars - Gainful Employment: Interpreting the GE Completers List and How to Submit a Challenge to the GE Completers List
- FSA ID/PIN Replacement - E-mail Notifications to Encourage FSA ID Creation Prior to Completing 2016-2017 FAFSA
- Federal Perkins Loan Program Cash on Hand Update Due December 15, 2015
- FISAP Edit Corrections Due December 15, 2015
- Loan Servicing and Collection Information - Frequently Asked Questions Now Available
- 2015 Federal Student Aid Training Conference for Financial Aid Professionals
- Final Regulations for Program Integrity and Improvement--Cash Management, Clock-to-Credit-Hour Conversion, and Repeat Coursework
- Final Rule: Program Integrity and Improvement
- Final Rule: Student Assistance General Provisions, Federal Family Education Loan Program, and Federal Direct Loan Program
- 2016-2017 Federal School Code List of Participating Schools (November 2015)
- Notice of the updated Draft 2016-2017 Federal Student Aid Application Materials
- Revised Federal Perkins Loan Program Questions and Answers Available on IFAP Web Site
- Complete 2015-2016 Federal Student Aid Handbook with Active Index
- Enhancements to NSLDS MyStudentData Download Functionality
- Active Confirmation of TG Numbers (SAIG Mailboxes) and Electronic Services User Accounts Required by December 11, 2015 to Maintain Access to Federal Student Aid Systems
- Gainful Employment Electronic Announcement #67 - SAIG Enrollment Now Available for DCAS Online Service
- URL CHANGE ALERT - New URL for MYEDDEBT Web Site
- 2016-2017 FAFSA for Review and Comment
- Final Regulations for the Revised Pay As You Earn Plan, Servicemembers Civil Relief Act, Loan Rehabilitation, Public Service Loan Forgiveness, and Cohort Default Rates

Industry

College Board Releases 2015 Trends Report

On November 4, the College Board issued a report, "Trends in College Pricing 2015," that found that tuition and fees rose about 3 percent from last year despite government reports that the economy has remained fairly stable with very little inflation over the past 12 months. The report demonstrates how prices have changed over time, and how they vary within and across types of institutions, states, and regions. Sandy Baum, lead author of the College Board report commented, "College became less affordable for many people this year," and the report demonstrates that financial aid has not kept up with tuition increases, meaning families' tuition bills after scholarships, grants, and tax credits rose even more.

The average published tuition for in-state students at public universities–which represent 45 percent of full-time undergraduates–rose to $9,410 this year, up 2.9 percent from last year. And the total cost of an in-state public university (including room, board, books, travel, and miscellaneous expenses) hit $24,061, up $651 or 2.8 percent from last year. The increases at private colleges—where 20 percent of full-time undergraduates study–were even greater. The total published or "sticker" price hit $47,831, up $1,560 or 3.4 percent. Since more than 80 percent of private college students get grants from the schools, the net price families are paying to send a child to a private college this year averaged just $30,300. Unfortunately, that net price is up 4.8 percent from last year.

Costs at community colleges, where 26 percent of all full-time undergraduates study, also rose about 3 percent. But community colleges remained vastly more affordable, costing students who live at home an average of just $3,400 in annual tuition and fees, up 3 percent. Since most students get some financial aid or can take advantage of tax credits, the average net cost of community college is quite low.

In addition to the pricing report, the College Board produces a Trends in Student Aid report, which was published simultaneously. This report looks at both grants and loans. The information on student borrowing and student debt is included below:

Student Borrowing

In 2014-15, total annual education borrowing declined for the fourth consecutive year. Overall, students and parents borrowed 14% less in 2014-15 than in 2010-11.

- *In 2014-15, the average undergraduate who borrowed from the Stafford Subsidized Loan Program borrowed $3,750, 9% less than in 2010-11; the average undergraduate who borrowed from the Stafford Unsubsidized Loan Program borrowed $4,125, 11% less than four years earlier.*
- *The percentage of undergraduate students taking federal subsidized or unsubsidized student loans increased from 28% in 2004-05 to 36% in 2014-15. Just 9% of students (and 24% of borrowers) took only subsidized loans.*
- *Total borrowing from the federal Direct Subsidized Loan and Unsubsidized Loan Programs fell by 20% ($19 billion in 2014 dollars) between 2010-11 and 2014-15. Total borrowing from the PLUS program for parents of undergraduate students fell by 9% ($1 billion); Grad PLUS borrowing increased by 2% ($200 million).*

- *Nonfederal education loans (loans from banks, credit unions, states, and institutions) grew from an estimated $17.7 billion (in 2014 dollars) in 2004-05 to $25.6 billion in 2007-08. In 2014-15, the volume of these loans was about $10.1 billion.*

Student Debt

Among borrowers who entered repayment in 2011-12, 9% of those who completed their programs and 24% of those who did not graduate defaulted on their student loans within two years of entering repayment.

- *Student loan default rates are consistently two to three times as high for borrowers who attend for-profit and public two-year institutions as for those who attend private nonprofit and public four-year institutions.*
- *In the third quarter of 2014-15, 14% of borrowers with outstanding federal student loans were in default. These borrowers held 9% of total outstanding debt.*
- *In 2013, 47% of outstanding education debt was held by households currently in the top quartile of the income distribution and 11% was held by the lowest income quartile.*
- *In 2014, 39% of borrowers with outstanding education debt owed less than $10,000, and another 28% owed between $10,000 and $25,000; 4% of borrowers owed $100,000 or more. This debt includes borrowing for both undergraduate and graduate studies.*
- *In 2015, 3.9 million federal Direct Loan borrowers were in repayment plans that limit their payments to a specified percentage of their incomes. These borrowers constituted 20% of those in repayment plans; they held 37% of the total outstanding debt in repayment plans.*
- *Only 11% of dependent 2011-12 bachelor's degree recipients borrowed $40,000 or more, compared to 25% of independent students without dependents and 29% of independent students with dependents.*
- *Ten percent of 2011-12 bachelor's degree recipients who graduated within four years borrowed $40,000 or more. Among those who were in school for six years, 17% borrowed this much.*
- *In 2011-12, 32% of black bachelor's degree recipients accrued $40,000 or more in student debt, compared to 7% of Asian graduates, 16% of whites, and 17% of Hispanics.*
- *Among 2011-12 bachelor's degree recipients, 48% of those from the for-profit sector borrowed $40,000 or more, compared to 20% from private nonprofit institutions and 12% of those who earned their degrees in the public sector.*
- *Loans issued to students enrolled in for-profit institutions increased from 13% of total outstanding federal student loan balances in 2003-04 to 21% in 2013-14.*
- *About 61% of students who earned bachelor's degrees in 2013-14 from the public and private nonprofit four-year institutions at which they began their studies graduated with debt. They borrowed an average of $26,900, an increase of 17% over a decade, after adjusting for inflation.*

Additional information on the Trends reports is available online: http://trends.collegeboard.org/

Lumina Foundation Papers Highlight How Outcomes-Based Funding Focuses Public Colleges and Universities on Increasing Student Completion

The Lumina Foundation released the first two of a 13 paper series exploring new funding models as an alternative for performance-based and enrollment-based funding approaches. The Lumina paper series begins by explaining how outcomes-based funding is an outgrowth of earlier higher education finance models. Another paper illustrates how funding traditionally has been viewed from an institutionally focused perspective, and it frames the need for stronger emphases on supporting college access and student completion.

The 13 papers focus on four areas: providing an overview of outcomes-based funding, sharing metrics that state policymakers can use to gauge the effectiveness of public investments, promoting the potential results of offering students financial incentives to complete their studies on time, and showcasing ways in which institutions are responding by aligning financial resources to better support students as they navigate their paths to completion.

The annual growth rate for associate degrees awarded has increased from 2.8 percent to 6.3 percent. With this emerging evidence, James Merisotis, president and CEO of Lumina Foundation, said, “Lumina supports the adoption of funding models that promote increased educational attainment, result in fairer educational outcomes for students of color, and promote innovation in academic delivery.”

For more information, see: https://www.luminafoundation.org/news-and-events/s7-outcomes-based-funding-paper-series

TICAS Releases New Report on Student Debt on Graduation

The Institute for College Access & Success’ (TICAS) Project on Student Debt released their tenth annual report on student debt at graduation. The report found that at public and nonprofit colleges in 2014, seven in 10 graduating seniors (69%) had student loans. Their average debt was $28,950: up two percent compared to the Class of 2013. About one-sixth of 2014 graduates’ debt (17%) was in private loans.

The report found wide variations in debt levels across states as well as colleges. State averages for debt at graduation in 2014 ranged from $18,900 to $33,800, and new graduates’ likelihood of having debt ranged from 46 percent to 76 percent. In six states, average debt was more than $30,000. High-debt states remain concentrated in the Northeast and Midwest, and low-debt states are mainly in the West.

Since this was TICAS’s tenth annual report, researchers analyzed how graduates’ debt changed over the last decade. At the national level, 2014 graduates were a little more likely to have student debt than their peers in 2004 (69 percent of graduates compared to 65 percent), and those who borrowed left school with a lot more debt. The average debt at graduation rose 56 percent, from $18,550 to $28,950, more than double the rate of inflation (25 percent) over this 10-year period.

The report concludes with several policy recommendations. One recommendation is for federal collection of data on debt at graduation by degree level for all schools, including both federal and private loans. Other policy recommendations focus on ways to reduce the need to borrow, help keep loan payments manageable, improve consumer information, strengthen college accountability, and reduce private loan borrowing. While the specific recommendations are focused on federal policy, the authors also include state policy recommendations.

The report praises a new California law requires colleges to disclose graduates’ debt levels, and to inform students about untapped federal aid eligibility before certifying private loans. Given that Graduate PLUS Loans are available to the full cost of attendance, presumably graduate students in the Golden State are advised to “maximize” their federal benefits by signing up for these relatively high cost loans.

TICAS held an event on Capitol Hill this week to release the report and discuss the implications of student debt on federal policy. Tamara Draut, vice president of policy and research at Dēmos, advocated for state reinvestment. Draut went so far as to advocate for debt free college, and explained the difference between tuition free and debt free. Moderator Doug Lederman, editor and co-founder of *Inside Higher Ed*, stressed that not all student debt is bad and that the student debt issue is much more complex than it appears. He admitted that journalists who have oversimplified the issue have tainted the public's understanding. Rohit Chopra, senior fellow at the Center for American Progress and former CFPB Student Loan ombudsman, said that the biggest student debt issues is the 8 million borrowers already in default, and stressed the need to hold schools accountable.

For more information, see: http://ticas.org/posd/home

New America Offers In-Depth Payroll Withholding for Student Loan Repay

The New America Foundation released a new report, "Promise and Compromise: A Closer Look at Payroll Withholding for Federal Student Loans," the second publication in a series of briefs that examines the pros and cons of automatic income-based student loan repayment through payroll withholding.

The report illustrates that moving to payroll withholding is anything but simple. The report identifies the numerous concerns in implementing a payroll withholding system, including those associated with privacy, fairness, and accurate record-keeping.

"The idea of payroll withholding for federal student loans holds great promise," said Alexander Holt, a policy analyst with New America's Education Policy Program and one of the authors of the report, "but policymakers need to think carefully about the costs and tradeoffs associated with such a massive change to the student loan program."

The following is an excerpt from the report:

> *Our previous papers have argued that income-based repayment is a sound policy option for federal student loans because it acts as an insurance mechanism to protect borrowers from income shocks and more fairly ensures that those who can pay back do so, and those who cannot are excused. But implementing a true version of automatic IBR based on present income works best with payroll withholding. Indeed, it may not be possible otherwise…*
>
> *Borrowers we spoke with were generally positive towards the idea, but worried about specific aspects of the program, such as how it would work, whether it would work well, if their privacy would be protected, and if the program would be flexible enough to allow them to delay payments in times of hardship. Some meeting participants also believed that the report demonstrated that grafting the current IBR formula onto a payroll withholding system would lead to unnecessary complications, and that should it be implemented, the contours of IBR's design (i.e., how payments are calculated, if/when forgiveness occurs) should be redesigned to best interact with withholding. This insight is key in moving the debate forward. When we talk about universal or automatic IBR, we need to be specific about what goals we want to achieve, what IBR ought to look like, and how best to implement it."*

The authors assess that these challenges can be overcome and moving to withholding is a worthwhile endeavor. However, others in the community believe payroll withholding seems no more simplified and, certainly less borrower friendly, than the current system. Nevertheless, Delisle and Holt deserve credit for a thorough review of the process and highlighting the tradeoffs required for moving to such a repayment scheme.

For more information, see: https://static.newamerica.org/attachments/10370-promise-and-compromise/Payroll-Withholding.7f8090065bc04a5b9d7543e2fb84211a.pdf

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DATE: October 27, 2015

TO: The Hon. Mitch McConnell, Senate Majority Leader
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The Hon. Barbara Mulkowski, Ranking Member, Senate Appropriations Committee
The Hon. Michael Enzi, Chair, Senate Budget Committee
The Hon. Bernie Sanders, Ranking Member, Senate Budget Committee
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The Hon. Nita Lowey, Ranking Member, U.S. House Appropriations Committee
The Hon. Tom Price, Chair, U.S. House Budget Committee
The Hon. Chris Van Hollen, Ranking Member, U.S. House Budget Committee
Wisconsin's Congressional Delegation

FROM: Ray Cross, President, University of Wisconsin System *Ray Cross*

RE: Request the Higher Education Extension Act of 2015 (H.R. 3594) be included in budget agreement

We respectfully request that the Higher Education Extension Act of 2015 (H.R. 3594) be included in the budget agreement that has been reached and is expected to be voted on this week. The measure would extend the Perkins Loan program for one additional year beyond the current sunset date which began on October 1, 2015.

The Federal Perkins Loan Program:

- Nationally, provides 500,000 students with $1.2 billion in loans annually across 1,500 institutions; in the UW System, it provides about 16,000 students with almost $29 million in loans annually;
- Has low interest rates set at 5 percent;
- Has a nine-month grace period before repayment begins;
- Loans are targeted at students with exceptional financial need. For example, in the UW System, the average Expected Family Contribution for Perkins Loan recipients in 2014-15 is $3,475; as context, Pell Grants are awarded to students with Expected Family Contribution of up to $5,157;
- It is not true that Perkins can easily be replaced by other loans. UW System recipients of Perkins Loans max out their Direct subsidized and unsubsidized loans, leaving them with a choice between Plus Loans (if their parents are willing and able to take out these loans) or private loans (if they have a co-signer to get such a loan);
- Universities have "skin in the game," as institutions match one-third or more of the federal program funds.

We respectfully ask that Congress include H.R. 3594, the Higher Education Extension Act, in the budget agreement, thereby ensuring that the Federal Perkins Loan Program continues until the student financial aid system can be more broadly reformed.