The Torch

September 25, 2015

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

Top News

- **Reps. Bishop and Pocan Introduce Bill to Extend Perkins Loan Program for One Year**
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- **Senate Introduces Bipartisan Resolution Expressing Strong Support for Continuation of Perkins Loan Program**
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COHEAO

- **A Message to Perkins Loan Advocates: Buckle Up, It Could Be an Interesting Week**
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- **Call for Perkins Testimonials**
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Congress

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- **Despite All the Other Big News Out of DC, A Potential Government Shutdown Looms**
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White House & Administration

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- **White House Social and Behavioral Science Team Working on Federal Student Aid Programs**
  Last week, the White House made several announcements relating to the work of its "Social and Behavioral Sciences Team," including a few items relating to consumer behavior and the Title IV Federal Student Aid programs.
- **ED Expanding Competency-Based Experimental Site**
  On Tuesday, the Department of Education released the CBE Experiment Reference Guide for schools participating in the Competency-Based Education (CBE) experiment and promised an expansion of the current CBE experiment by the end of the year.
- **CFPB Releases Monthly Snapshot for August**
  The CFPB has published its latest monthly complaint update, this time highlighting mortgages as the product of the month and Denver as the location of the month.
- **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

- **Zillow Finds Student Debt Is Not Holding Back Millennial Homeownership**
  The real estate website Zillow released results from a survey in which they found that graduates' student debt loads don't materially hurt their chances of homeownership – especially if they get at least a four-year degree.
- **New America Hosts Event on Innovative College Presidents**
  Last Wednesday, the New America Foundation and Washington Monthly magazine hosted an event, "America's Most Innovative College Presidents," which examined the new data released by the Obama administration this past weekend and the college presidents who are driving change within the field.
- **New Report Suggests Pell Grant Graduation Rates Are Strongly Influenced by Institutions**

National Pell Grant data does not tell the whole story, according to a report released yesterday by The Education Trust titled *The Pell Partnership: Ensuring a Shared Responsibility for Low-Income Student Success.*

Attachments

- **COHEAO Commercial Members**
- **COHEAO Board of Directors**

Top News

Reps. Bishop and Pocan Introduce Bill to Extend Perkins Loan Program for One Year

Yesterday, Reps. Mike Bishop (R-MI) and Mark Pocan (D-WI) introduced the *Higher Education Extension Act of 2015* (H.R. 3594) to provide certainty to students and institutions as policymakers continue work on the reauthorization of the *Higher Education Act* (HEA).

The extension is a bipartisan bill supported by Education and the Workforce Committee Chairman John Kline (R-MN) that would extend the commissions and the Perkins Loan Program for one year. Kline had expressed interest in eliminating the program but with the press release announcing the legislation, indicated he wants to continue it at least through the expected conclusion of the HEA reauthorization process.

The extension of HEA turns out to be rather narrow – only including an extension of the Perkins Loan Program and of two commissions, NACIQI, which oversees accreditors, and the Advisory Committee on Student Financial Assistance. Unlike in previous reauthorization cycles when Congress felt the need to pass a reauthorization of all HEA programs (about 18 separate extensions between 2004 and 2008), it has been decided this time that everything subject to appropriations can in effect be extended via funding bills while the Direct Loan Program was reauthorized at the time the interest rate formulas were changed in 2013.

The deal reached by the two parties would scale back the Perkins Loan Program's grandfathering provisions to offset the cost of renewing the program. This would reduce the amount of time borrowers who receive a Perkins Loan for the current 2015-2016 school year, or who previously received one, to receive additional Perkins Loans until March 31, 2018 instead of September 30, 2020 under the current law.

Thus far, there is not a companion bill in the Senate, but the Senate is expected to take up the House bill if it passes. The timetable for action is not definite, as both sides of the Capitol continue to react to House Speaker John Boehner's (R-OH) major announcement early this morning (see below). The bill could begin moving on fast-track procedures in the House and pass as soon as Monday—Stay tuned.

For a press release from the House Education and the Workforce Committee, see:
http://edworkforce.house.gov/news/documentsingle.aspx?DocumentID=399313

Senate Introduces Bipartisan Resolution Expressing Strong Support for Continuation of Perkins Loan Program

On September 24, a bi-partisan group of senators introduced a resolution expressing support for continuation of the Federal Perkins Loan Program. It was introduced jointly by Senators Baldwin (D-WI), Collins (R-ME), Portman (R-OH) and Casey (D-PA). The Senate resolution, S. Res. 267, cosponsored so far by 12 Democrats and three Republicans, is similar to H.Res.294, which has garnered support from 57 sponsors from both sides of the aisle since its introduction in the House of Representatives in early June by Reps. Luke Messer (R-IN) and Mark Pocan (D-WI). Support for the program is growing in the House and Senate.

Between Representative Mark Pocan and Sen. Tammy Baldwin (D-WI), it is easy to see the importance of Perkins Loans in Wisconsin. Much like Pocan, Baldwin has called Perkins her "top priority" for HEA reauthorization.

"Since 1958, the Federal Perkins Loan Program has been successfully helping America's students access affordable higher education. In my home state of Wisconsin, the program provides more than 20,000 low-income students with more than $41 million in aid and it is my top priority to fight to ensure it continues for generations to come. I urge my colleagues in the Senate to join in this bipartisan effort," said Senator Baldwin.

In announcing the resolution, the Senators emphasized its importance in helping students access higher education and become successful later in life.

"I am a graduate of the University of Wisconsin-Madison. Without Perkins Loan money I don't believe it would have been possible for me to complete my degree, which I was able to do in four years. My family hit upon financial difficult times while I was attending Madison, and the Financial Aid Department helped me by factoring those challenges into my aid package as a junior and senior. The fact that I did not have to pay interest while I was in school was a huge help to me. I was attending school full time, working and trying to live on a meager budget. The program fills an important void in the packaging of financial aid in particular for those who have the greatest need. I am a grateful and successful small business owner. I paid my loan off in full about a year ago with pride and excitement. I know that when I repaid my loan it was returned to a revolving fund and will be lent back out to other students in need," said Benjamin Wooten, a University of Wisconsin – Madison Class of 2004 graduate and small business owner from Genoa City, Wisconsin.

Senator Robert Casey (D-PA) has also been championing the program throughout the year: "Nearly 40,000 students in Pennsylvania receive Perkins loans aiding in funding their education. The abrupt expiration of this valuable financial aid tool would leave some of these students no choice but to withdraw from furthering their education and lead to empty seats in classrooms stifling innovation and learning. There's no question we need to continue to make updates to the program so that it reflects the current realities of college, but a sudden end would a devastating blow to thousands of families," said Senator Casey.

The resolution shows bipartisan support with three original Republican cosponsors, Senators Susan Collins (R-ME), Mark Kirk (R-IL), and Rob Portman (R-OH).

"Many Ohio students rely on the Perkins Loan Program to learn and grow, and this resolution highlights the importance of preserving the program to help make college more affordable and accessible to students across the country," said Senator Portman.

“Education plays a vital role in opening the doors of opportunity to all Americans and we have an obligation as a society to open those doors ever wider,” said Senator Collins. “As a member of the Senate Health, Education, Labor, and Pensions Committee, one of my highest priorities in the Senate is to support education at all levels, including increasing the affordability of higher education. Continuation of the Perkins Loan Program will help to achieve that important goal while Congress works to reauthorize the Higher Education Act.”

Senator Patty Murray (D-WA), Ranking Member on the Senate Committee on Health, Education, Labor, and Pensions (HELP), circulated a statement and fact sheet on the program yesterday – “Allowing the Perkins Loan Program to expire would leave students in the lurch,” she said, calling on the Senate to pass an extension of Perkins as soon as possible so that loans can be made after October 1.

- For the resolution, see: http://www.baldwin.senate.gov/download/?id=25d42dca-c287-4c28-bc0f-a9b43c0caa95&download=1
- For Baldwin’s press release, see: http://www.baldwin.senate.gov/press-releases/baldwin-portman-casey-collins-introduce-bipartisan-resolution-in-support-of-federal-perkins-loan-program

COHEAO

A Message to Perkins Loan Advocates: Buckle Up, It Could Be an Interesting Week

The collective efforts of COHEAO members and other Perkins Loan advocates across the country is producing results toward a Perkins Loan extension…but the fight is long from over. Thanks to your efforts, the House of Representatives has realized the need to continue the program. However, here at COHEAO’s DC offices, we aren’t uncorking the champagne just yet. The Senate continues to loom as a potential obstacle.

We try not to bore our readers with mechanics and machinations of the “sausage making” that is the legislative process here in Washington, but suffice it to say, there is much going on behind the scenes on the Higher Education extension act. For now, the focus remains on encouraging university presidents and other high ranking higher education officials to contact their Senators in support of the program. Specifically, the message is “Please support H.R. 3594 when it comes from the House, and it needs to move quickly—prior to October 1.”

Given the level of activity in the Senate, it is clear many of these types of calls are being made, and they need to continue. Whatever channels you need to use to reach your university presidents and leaders, please continue to use them. They are having a significant impact. Please also spread the word to your colleagues at other institutions and via your local and regional associations. The message is the same!

Additionally, as the legislative path of H.R. 3594 could take many twists and turns next week and even beyond, Perkins Loans advocates must continue the push to ensure we receive this extension. Depending on developments throughout the week, we may be calling on many COHEAO members and

others to highlight the strong level of support that exists for Perkins and the devastating to students impact if the program were to simply go away.

Your efforts are making the difference and we may call on you one more time to get this across the finish line. Thank you!

Call for Perkins Testimonials

COHEAO continues to work with Congress publicly and behind the scenes to save the Perkins Loan Program and encourages institutions to participate in advocacy efforts. **COHEAO is currently seeking student testimonials that describe what a Perkins expiration would mean for current students – such as having to take out additional Parent PLUS loans, reduce credit loads and delay graduation, or work extra hours.** Testimonials will be used to illustrate the immediate impact that a Perkins expiration would cause and will be sent to congressional staff who are working on legislation to extend the program. Please send this information to Hannah Allen at hallen@wpllc.net.

Register Today for the COHEAO Annual Conference Jan 31- Feb 3

Registration is now available for the 2016 COHEAO Annual Conference! Set for January 31-February 3, 2016 at the Ritz Carlton Hotel in Pentagon City, VA the COHEAO 2016 Annual Conference is one you don't want to miss. In addition to professional development and networking opportunities, the Annual Conference will focus on the latest activities affecting the Perkins Loan Program as well as campus-based accounts receivable, financial literacy, the Fair Credit Reporting Act, Consumer Financial Protection Bureau and many other higher education topics.

For COHEAO institutional members, the early bird rate is $590. For our commercial and organizational members, the rates are $640. For institutional non-members, the early bird rate is $690. Commercial non-members interested in attending the conference should contact hallen@wpllc.net for pricing information.

In addition to professional development and networking opportunities throughout the week, the COHEAO Annual Conference focuses on how Washington impacts those working in student financial services.

The conference will be held at the Ritz-Carlton Pentagon City, a fabulous hotel in Arlington, VA, which is a very short metro or cab ride to Washington, DC. COHEAO has negotiated a special rate of $229 per conference delegate, which is an outstanding rate in the DC area for any conference hotel. Space is limited.

To reserve your room at this special price, you may call 703-415-5000 and indicate you will be attending the COHEAO Annual Conference. A website for hotel reservations is also available.

Congress

House Speaker Boehner to Resign At End of October

In what was rather shocking news this morning, House Speaker John Boehner (R-OH) announced he would be stepping down from his position and leaving Congress at the end of October. Boehner has presided over the House since 2011 and has been under significant pressure from conservatives to take a harder line on their causes.

Boehner told his colleagues during a closed-door meeting with House Republicans Friday morning that he had originally only planned to serve two terms as speaker but changed his mind after then-House Majority Leader Eric Cantor lost in the primary election last year. He said at a press conference this afternoon that he had planned to serve until his birthday, November 18, but decided the strength of the institution of the House would be helped by his departure five weeks from now.

A top Boehner aide told CNN, "After yesterday with the Pope, he decided to leave on this high note. Literally did not make the decision til last night."

The decision is arguably a sacrifice on Speaker Boehner's part for the good of the institution he holds so dear. In remarks at a press conference Friday afternoon, the famous son of a bartender said he wanted to save his party and the House from what could have potentially been an ugly fight over who should hold the gavel in the House. In recent weeks, some of the most conservative members of the House have been considering an attempt to take the leadership post he's held for five years away from him. If pursued, that attempt would have required close and contentious votes and undoubtedly would have involved angry accusations and intra-party mud-slinging. Speaker Boehner decided to ride the high of this week's appearance of Pope Francis at a joint session of Congress right on out of town.

The announcement lit up phones and provoked gasps at Friday morning meetings across the District. Conservatives were celebrating the announcement and hoping a successor would pursue more battles with Democrats and the White House over spending and other issues. Moderates immediately feared a more partisan House might be more difficult to maneuver. In the education policy world, many wondered if the move makes a government shutdown more or less likely. Further, the future of a revised Elementary and Secondary Education Act—which has made more progress in this Congress than it has in any other since 2001—could be affected, particularly since the House bill (HR 5) barely won the 218 votes it needed to pass earlier this year.

The next game of prognostication is guessing who might succeed Speaker Boehner. Representative Kevin McCarthy (R-CA), who is the Majority Leader, is the logical choice and is said to be gathering a great deal of support. Other contenders include Majority Whip, Representative Steve Scalise (R-LA), former chair of the House Republican Conference Jeb Hensarling (R-TX) and Jim Jordan (R-OH), who chairs the far-right House Freedom Caucus. There are also rumors swirling about who might take a run at Leader McCarthy's current post and all of the other leadership positions. The posturing has begun and will play out over the next month.

Despite All the Other Big News Out of DC, A Potential Government Shutdown Looms

Though it took a backseat to the Papal visit, the state visit of President Xi of China, and Speaker Boehner's subsequent retirement, a government closure is dead ahead if the House and Senate do not keep the government operating past September 30. Boehner's retirement has the conventional wisdom suggesting the (partial) shutdown is much less likely, but conventional wisdom has been turned on its head upon many occasions in DC recently.

As was expected, a temporary spending bill that would keep the government open but would prohibit federal funds from going to Planned Parenthood failed in the Senate yesterday. A "clean" continuing resolution (CR) will probably get a cloture vote in that chamber on Monday, and it is expected to pass

barring any theatrics from a would-be presidential candidate or two. Then, the House may either take up the Senate-passed CR or Speaker Boehner (who is still the Speaker until the end of next month) may introduce his own clean CR. He has been allowing the debate of a number of bills that touch on abortion-related issues in an effort to appease some of his colleagues and that could continue into next week.

Should a shutdown occur, the impact on the student aid programs is surprisingly limited. Grant and loan aid will continue to flow to students. Of course, Department officials will not be on the job and able to answer questions, but in a short-term shutdown scenario, the Title IV programs are relatively unscathed. A longer government shutdown could have a bit more of an impact on these programs, but it would have to be a significant amount of time, at which point the country's problems will be much larger than those within the federal student aid programs.

Sen. Grassley Introduces Know Before You Owe Federal Student Loan Act of 2015

Last week, Sen. Charles Grassley (R-IA) introduced the *Know Before You Owe Federal Student Loan Act of 2015* to increase the amount of information students receive about federal student loans, including their potential ability to repay, before signing for a loan. Grassley's bill strengthens the current counseling requirements for institutions of higher education by making counseling an annual requirement before new loans are disbursed rather than just for first-time borrowers.

The bill then adds several key components to the information institutions of higher education are required to share with students as part of loan counseling, including:

- An estimate of the student's projected loan debt-to-income ratio upon graduation based on the starting wages for that student's program of study and the estimated total student loan debt the student will likely take out to complete the program.
- A statement that the student should borrow the minimum amount necessary to cover expenses and that the student does not have to accept the full amount of loans offered.
- A warning that a higher the borrower's debt-to-income ratio is, the more difficulty the borrower is likely to experience in repaying the loan.
- Options for reducing borrowing through scholarships, reduced expenses, work-study or other work opportunities.
- An explanation of the importance of graduating on time to avoid additional borrowing, what course load is necessary to graduate on time, and information on the impact of adding an additional year of study to total indebtedness.

The *Know Before You Owe Federal Student Loan Act* also would provide that students receive regular loan statements while they are in school just like they will when they graduate and start repaying. It would also have students manually enter their loan amounts, as opposed to accepting pre-populated fields.

- For a press release from Sen. Grassley, see: http://www.grassley.senate.gov/news/news-releases/grassley-introduce-know-you-owe-federal-student-loan-act-2015
- For a floor statement from Sen. Grassley, see: http://www.grassley.senate.gov/news/news-releases/grassley-introduces-know-you-owe-federal-student-loan-act-2015

Scott, Boxer Introduce Pell Restoration Act of 2015

Last Wednesday, Sen. Barbara Boxer (D-CA) and Rep. Bobby Scott (D-VA) introduced the *Pell Grant Restoration Act of 2015*. Scott and Boxer were joined by Senators Dick Durbin (D-IL), Elizabeth Warren (D-MA), Mazie Hirono (D-HI), Chris Murphy (D-CT) and Representatives Maxine Waters (D-CA) and Janice Hahn (D-CA).

The *Higher Education Act* provides for the discharge of students' federal loans if a school closes before students complete their programs but lacks provisions to restore students' eligibility for Pell Grants, which students can only receive for six academic years or 12 semesters.

The *Pell Restoration Act of 2015* would restore eligibility for students who attended a higher education institution that closed due to misconduct, as determined by a court or the Secretary. The bill dovetails with both efforts to reauthorize the Higher Education Act and the Department of Education's current efforts to develop Defense to Repayment regulations.

The *Pell Restoration Act of 2015* restores Pell Grant eligibility for:

- Any student who has their federal student loans discharged through:
    - Compromise and settlement authority
    - Defenses to repayment; or
    - Statutory discharges
- Students who would have qualified for a loan discharge, but did not take out any federal student loans

For a press release, see: https://bobbyscott.house.gov/media-center/press-releases/scott-boxer-introduce-bill-to-restore-pell-eligibility-for-students

Heitkamp Introduces Private Education Loan Modification Act of 2015

On September 22, Sen. Heidi Heitkamp (D-ND) introduced the *Private Education Loan Modification Act of 2015* to enable student borrowers to refinance private education loan balances at reduced interest rates. The bill would authorize the Treasury Department to "find creative solutions to eliminate inefficiencies in the private loan market."

The bill hopes to encourage innovation and spur greater competition among private lenders by incentivizing innovation and participation in the refinancing market. It also calls for the development of a report to develop best practices that guarantee effective oversight mechanisms are established. Below are the highlights of the legislation, as identified in Sen. Heitkamp's press release:

- ***Eliminating Inefficiency****: Authorizing the U.S. Department of the Treasury to find creative solutions to eliminate inefficiencies in the private education loan market.*
- ***Providing Refinancing Options****: Accommodating and providing information on refinancing opportunities for private student loan borrowers whose debt obligations represent a disproportionate share of their income.*
- ***Encouraging Innovation****: Spurring greater competition among private lenders by incentivizing innovation and participation in the refinancing market.*
- ***Strengthening Effective Oversight****: Requiring a report to develop best practices that guarantee effective oversight mechanisms are established.*

In response to the bill, Richard Hunt, President and CEO of the Consumer Bankers Association (CBA), released the following statement urging Congress to focus on college affordability instead:

> *"Though just seven percent of the market, private student borrowers have real options and are provided arguably the strongest consumer protection: a robust underwriting process that includes an ability-to-repay test. The refinancing market for private education loans is healthy, as evidenced by strong product offerings from both long-standing market participants as well as a growing number of new market entrants. In all cases, it is in the private lender's best interest to do everything in its power to help borrowers repay their loans, including extending grace periods and modifying loans when possible. Our banks are committed to helping America's students succeed, and these robust underwriting standards, plus strong servicing programs to assist their borrowers throughout the life of the loan, are helping families meet their obligations.*
>
> *"Nearly 98 percent of private student loans are being successfully repaid—putting delinquency rates for private borrowers at their lowest level since before the 2008 crisis. With tuition prices having risen 1,120% since 1978, we encourage Members of Congress to focus their attention on the root of the problem for students and borrowers, which is college affordability," said CBA's President and CEO Richard Hunt.*

- For a press release from Heitkamp's office, see: http://www.heitkamp.senate.gov/public/index.cfm/press-releases?ID=54a2920e-c191-4591-943d-cfbf9e9dcda3
- For a CBA press release, see: http://consumerbankers.com/cba-media-center/media-releases/cba-urges-congress-focus-college-affordability

White House & Administration

Obama Administration Announces New College Scorecard and Changes to Federal Financial Aid System

The Obama Administration announced that it is making changes to the federal financial aid system without waiting for Congress to reauthorize the *Higher Education Act.* The latest moves are the publication of an extensive dataset and consumer tool accompanied by a more significant change in how federal aid awards are given out: moving to the use "prior, prior year" income information for students and their families.

The primary addition to the Department's system is institution-specific data on student earnings and the percentage of students who are repaying their federal loans. However, data for students who did not receive federal loans or grants are not included. This data is compiled in the new College Scorecard site, which replaces the old one of the same name. The White House revealed the new site two days before the President joined Secretary of Education Arne Duncan in Iowa to meet with high-school students and parents to discuss college access and affordability.

The reactions have been mixed within the higher education community. Some praise the release of the data and see it as a necessary step to hold schools accountable and pressure institutions to make necessary changes. Others are more skeptical of the data.

The president of the American Council on Education Molly Corbett Broad said, "There is widespread interest in having accurate data about the earnings of college graduates, and the revised College Scorecard being unveiled by the Department of Education is an attempt to respond to that demand. However, developing a system of this size and scope is a complicated and nuanced endeavor and the department has done so without any external review. Given what we believe are significant data limitations, this revamped Scorecard may or may not provide meaningful information to the students and families it was designed to help. For example, it appears the system only provides a single number for an entire institution regardless of whether a student studied chemical engineering or philosophy, and only includes the earnings of federal financial aid recipients."

Likewise, on September 14 the President also announced new changes to simplify the FAFSA. One of the biggest hurdles in completing the much-criticized, lengthy FAFSA is not the long list of quickly answered questions, but the 20 or so that relate to income in the previous year. The mismatch between when college applications are filed -- November to January -- and the availability of complete income data from the year ending in December makes it difficult and tedious to know before the application deadlines what the amount of aid may be. Since income information isn't due to taxpayers until Feb. 1, families have to estimate their income for the previous year then send in updates later.

The Administration and many in the financial aid world believe this serves as a deterrent to college attendance, and Secretary Duncan, a Harvard graduate, is convinced that low-income and first-generation students miss out on the most elite in institutions for that reason. Borrowing from medical residency lingo, Duncan believes far too many students "under-match" by not applying to the most selective institutions because they think they can't afford it.

Starting next October, students will be allowed to use "prior-prior year" tax data when filling out the FAFSA. Some estimate the move will cost $400 million in its first year because it is assumed to make 50,000 more students eligible for financial aid. While FAFSA simplification has broad support in Congress, several Republicans, including House Education Committee Chairman John Kline (R-MN) and House Higher Education Subcommittee Chair Virginia Foxx (R-NC) criticized the Administration for taking action without a "a responsible way to pay for it."

However, by acting unilaterally, the Administration may have removed at least some of the cost that the CBO would score from making a change in the law to permit prior, prior year reporting of income, since changing the law wouldn't be changing what is being done. It's an interesting dynamic where the Administration may have helped the Republican leaders who otherwise would have to come up with cost offsets in their legislation.

- For a White House fact sheet on the New College Scorecard, see: https://www.whitehouse.gov/the-press-office/2015/09/14/fact-sheet-president%25E2%2580%2599s-plan-early-financial-aid-improving-college-choice
- For a White House fact sheet on FAFSA changes, see: https://www.whitehouse.gov/the-press-office/2015/09/14/fact-sheet-president%25E2%2580%2599s-plan-early-financial-aid-improving-college-choice

ED Expanding Defense against Repayment Timetable

The Department of Education last Thursday published a *Federal Register* notice on defense against repayment, announcing an extension of a June 5 emergency clearance to continue collecting information from borrowers who believe they have cause to invoke the Higher Education Act's defense

to repayment mechanism. This rarely invoked process is expanding from a total of some five cases over a 20-year period to thousands now in lieu of the closure of Corinthian Colleges' chain of for-profit institutions this year.

The Department is continuing to process these claims one at a time. It's interesting to note that the claims defer to state law, making it an even more tedious process to review them since presumably borrowers are filing claims from dozens of states. The regulation that derives from the HEA provision basically mirrors what is in law and is 685.206(c)(1)(i), stating, "in any proceeding to collect on a Direct Loan, the borrower may assert as a defense against repayment an act or omission by the school attended by the student that would give rise to a cause of action against the school under applicable state law."

The full notice is available online: http://www.gpo.gov/fdsys/pkg/FR-2015-09-17/pdf/2015-23346.pdf

GAO Releases Study of Federal Student Loan Repayment Programs

Last week, the Government Accountability Office (GAO) released a study of federal student loan repayment, specifically income-driven repayment programs and loan forgiveness programs. The study found that that many borrowers do not participate in Income-Based Repayment and Pay As You Earn repayment plans for Direct Loans, and that the Department of Education has not done enough to ensure borrowers are aware of these repayment plans.

The following is an excerpt from the GAO's highlights page:

> *While the Department of the Treasury estimated that 51 percent of Direct Loan borrowers were eligible for Income-Based Repayment as of September 2012, the most recent available estimate, Education data show 13 percent were participating as of September 2014. An additional 2 percent were in Pay As You Earn. Moreover, Education has reported ongoing concerns regarding borrowers' awareness of these plans. Although Education has a strategic goal to provide superior information and service to borrowers, the agency has not consistently notified borrowers who have entered repayment about the plans. As a result, borrowers who could benefit from the plans may miss the chance to lower their payments and reduce the risk of defaulting on their loans.*
>
> *Few borrowers who may be employed in public service have had their employment and loans certified for the Public Service Loan Forgiveness program, and Education has not assessed its efforts to increase borrower awareness. Beginning in 2017, the program is to forgive remaining Direct Loan balances of eligible borrowers employed in public service for at least 10 years. As of September 2014, Education's loan servicer for the program had certified employment and loans for fewer than 150,000 borrowers; however, borrowers may wait until 2017 to request certification.*

For more information, see: http://www.gao.gov/products/GAO-15-663

White House Social and Behavioral Science Team Working on Federal Student Aid Programs

Last week, the White House made several announcements relating to the work of its "Social and Behavioral Sciences Team," including a few items relating to consumer behavior and the Title IV Federal Student Aid programs. Announcements include: an Executive Order, new guidance to Federal agencies

to make government forms simpler and easier, and a report from the Social and Behavioral Sciences Team.

The following are recent activities highlighted by the Administration on student loans and student aid:

- *Sending eight text-message reminders led to a nearly 9 percent increase in college enrollment among low-income students. To help students enroll in college, SBST and the Department of Education's office of Federal Student Aid (FSA) provided technical expertise to researchers and the nonprofit uAspire on messages notifying college-accepted high-school graduates of required pre-matriculation tasks for their respective colleges. A series of eight text messages to low-income students reminding them to complete these tasks led to a 5.7 percentage-point increase in college enrollment (from 66.4 percent to 72.1 percent), representing 8.6 percent more low-income students going to college.*

- *Reminder emails to Federal student-loan borrowers who missed their first payment led to a 29 percent increase in the number of borrowers making a payment. To help Federal student-loan borrowers stay on top of their payments, SBST and FSA sent a reminder email to over 100,000 borrowers who had missed their first payments. The reminder email led to a 29 percent increase in the fraction of borrowers making a payment in the first week after it was sent, from 2.7 to 3.5 percent.*

- *Sending a low-cost, timely notice to borrowers about alternative repayment plans led to a four-fold increase in applications to these plans. To increase awareness of income-driven repayment (IDR) plans among student-loan borrowers, SBST and FSA sent an informational email about IDR plans to over 800,000 borrowers who had fallen behind on their payments. The low-cost, timely message led to a fourfold increase in applications for IDR plans, with 4,327 applications for IDR made within 20 days of the email being sent.*

The following are new projects for the Social and Behavioral Sciences Team highlighted by the White House:

- *The Department of Education (ED) and SBST will collaborate to identify the most innovative and effective strategies for communicating with millions of student loan borrowers. This collaboration will include a series of pilots to ensure that borrowers know about their repayment options and are able to successfully repay their loans. Pilots will include an email campaign to make sure that borrowers in income-driven repayment plans are aware of the Public Service Loan Forgiveness program.*

- *ED will work with SBST as part of ED's ongoing efforts to make information about college financial aid more widely available to students and families. This collaboration will aim to more effectively connect younger students and their families with information about the availability of Federal financial aid for college earlier on, in order to assist with financial planning for higher education and to promote college access.*

Additional information on the SBST projects is available online: https://www.whitehouse.gov/the-press-office/2015/09/15/fact-sheet-president-obama-signs-executive-order-white-house-announces

ED Expanding Competency-Based Experimental Site

On Tuesday, the Department of Education released the CBE Experiment Reference Guide for schools participating in the Competency-Based Education (CBE) experiment and promised an expansion of the current CBE experiment by the end of the year. In 2014, the Department launched the Competency-

Based Education experiment to learn more about this model and experiment with Title IV disbursement models created to incentivize student success and achievement. CBE was designed to offer federal financial aid to students participating in new, innovative programs, that otherwise would not be eligible for federal funds. Schools participating in the experiment have requested clearer instructions from the Administration.

Under Secretary of Education, Ted Mitchell, wrote in a blog post published this Tuesday, "Competency based education (CBE) is one example of a promising new delivery model with the potential to improve degree completion, reduce costs to students and improve transparency and alignment of learning outcomes to the needs of employers and society. And the field is growing – recently, a survey suggested that as many as 600 postsecondary institutions in the United States are currently designing or implementing CBE programs."

For more information, see: http://www.ed.gov/blog/2015/09/guidance-for-competency-based-education-experimental-site-released/

CFPB Releases Monthly Snapshot for August

The CFPB has published its latest monthly complaint update, this time highlighting mortgages as the product of the month and Denver as the location of the month.

There has been a steady rise in the total number of complaints since the Bureau started accepting them in 2011. There have been a total of 20,131 student loan complaints since 2011, out of a total number of 702,900 complaints. This makes up around 2.9 percent of all consumer complaints. The CFPB only collects complaints on private student loans.

Student loan complaints for the latest three-month period grew the most of any product- but still just a one percent change since the last month. The Bureau's report indicates an 8 percent change in student loan complaint volume from June-August 2014 to June-August 2015.

Debt collection, credit reporting, and mortgage complaints continue to be the top three most-complained-about consumer financial products and services, together representing about 70 percent of all complaints submitted in August 2015.

For the full report, see: http://files.consumerfinance.gov/f/201509_cfpb_monthly-complaint-report-vol-3.pdf

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:

- President's Announcement of FAFSA Filing Changes
- Loan Servicing Information - Federal Loan Servicer Team Changes Update and Contact Center Support Service Status
- FY 2012 3-Year Official Cohort Default Rates Release Scheduled for September 28, 2015
- Federal Perkins Loan Default Reduction Assistance Program (DRAP)
- Perkins Loan Assignment System - System Availability and User Access Process

- 150% Direct Subsidized Loan Limit: Electronic Announcement #19 - Importance of Accurate Direct Loan and Enrollment Reporting to Prevent Loss of Subsidy
- Federal Family Education Loan Program Interest Rates
- Federal Direct Loan Interest Rates

Industry

Zillow Finds Student Debt Is Not Holding Back Millennial Homeownership

The real estate website Zillow released results from a survey in which they found that graduates' student debt loads don't materially hurt their chances of homeownership – especially if they get at least a four-year degree. The survey looked at people who are perhaps the most likely purchasers of a first home: couples with one child. They found no significant difference in home buying between those with no student loan debt and those with debt greater than $50,000, the top of their scale.

Zillow's researchers found that the least likely to own homes are people who have student debt, but did not earn a degree. Furthermore, student debt has the greatest impact on the homeownership rate of people with two-year associate's degrees.

Zillow Chief Economist Dr. Svenja Gudell said, "Student debt isn't the evil-doer it's made out to be, at least not when it comes to homeownership. As long as students stay in school and get a degree, student debt doesn't deter them from homeownership, although it is possible that student debt could delay homeownership. People in their 20s and 30s are renting longer because they're delaying marriage, paying a lot in rent, and struggling to qualify for a mortgage when they finally find an affordable home. Add to that list that they are paying off student debt."

For more information, see: http://zillow.mediaroom.com/2015-09-17-Student-Debt-Not-Holding-Back-Housing-Market

New America Hosts Event on Innovative College Presidents

Last Wednesday, the New America Foundation and Washington Monthly magazine hosted an event, "America's Most Innovative College Presidents," which examined the new data released by the Obama administration this past weekend and the college presidents who are driving change within the field. The panelists all expressed their enthusiasm for the new data released by the Obama Administration for the new College Scorecard and commended the Department of Education and the Treasury's collaboration on providing earnings data.

Jamienne Studley, Deputy Under Secretary for the Department of Education, shared that the College Scorecard website had already received over 3.7 million views. Studley said that the new information will allow people to have better conversations about college and acknowledged that more can be done to make the data more complete and useful.

F. King Alexander, President of Louisiana State University, focused on the importance of State and Federal partnerships within higher education and pointed out the rapid rate of state disinvestment. He said, "The data is not just about holding schools accountable, it's about holding states accountable." Alexander made clear his sentiment towards private institutions of higher education—both for-profit and non-profit—by stating, "We've made it too lucrative to get into private higher education." He

advocated for greater federal leverage, pointing out its success when used to encourage states to spend money on highways and Medicaid.

Cheryl Hyman, Chancellor of City Colleges of Chicago, also praised the new data and said, "She hopes this becomes the Wall Street of Higher Education, where everyone can see how we're performing." She said that access to such data starts to "change the culture of higher education."

Questions from the audience demonstrated an overall concern by many that the population that would benefit from the new data the most, students from lower income families, will not likely use it. In response, Hyman pointed out that while she agrees that many of the students she serves will not necessarily read the data when making important college decisions, she believes her peers within the higher education field, trustees, investors, and researchers will take into account this new data and put pressure on schools to improve performance.

To watch an archived video recording of this event, see: https://www.newamerica.org/education-policy/americas-most-innovative-college-presidents/

New Report Suggests Pell Grant Graduation Rates Are Strongly Influenced by Institutions

National Pell Grant data does not tell the whole story, according to a report released yesterday by The Education Trust titled *The Pell Partnership: Ensuring a Shared Responsibility for Low-Income Student Success.* Out of nearly 1,150 public, and private, nonprofit bachelor's degree-granting institutions, the aggregate data showed that 51 percent of Pell Grant recipients were likely to complete their degree. This is 14 points below the completion rate for students who do not receive the Pell Grant; those students have a 65 percent completion rate. However, when looking at an institutional level, Pell Grant recipients are only 5.7 points behind their non-recipient peers.

The research finds that roughly half of the 14 percentage-point completion gap in the sample is caused by enrollment stratification. Compared to non-Pell students, Pell students are twice as likely to attend institutions with very low graduation rates. Non-Pell students on the other hand, are much more likely to attend more selective institutions, where they have a better chance of completing a degree.

According to Andrew Howard Nichols, director of higher education research and data analytics at The Education Trust, "…even if all institutional-level gaps in completion between Pell and non-Pell students were eliminated, there would still be a considerable national gap because too many Pell students attend institutions were few students of any sort graduate, and too few attend institutions were most students graduate."

For the full report, see:
https://edtrust.org/wpcontent/uploads/2014/09/ThePellPartnership_EdTrust_2015.pdf

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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
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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
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

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
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

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