The Torch

March 11, 2011

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

COHEAO News

- **Registration Now Available for the COHEAO Mid-Year Conference—July 31-August 2, St. Louis, MO**
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- **Financial Literacy Corner: Chicago Fed and Visa Summit to Examine Government's Role in Financial Literacy**
  In this week's edition of *The Torch*, we highlight the Financial Literacy and Education Summit, which is scheduled for April 4 in Chicago and will be broadcast online.
- **New Section for *The Torch*: Employment Opportunities**
  If your organization has a job announcement of interest to COHEAO members, please send it to Wes Huffman (whuffman@wpllc.net) for posting in the new Employment Opportunities section.

The Congress

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- **Duncan Appears Before Multiple Committees on FY12 Budget Request**
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- **CBO Presents Student Loan and Student Aid Modifications as Options for Reducing the Deficit**
  CBO released its "Reducing the Deficit: Spending and Revenue Options" report yesterday
- **Harkin's For-Profit HELP Hearings Continue**
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- **Beyond HELP Committee, More Senators Becoming Engaged on For-Profit Issues**
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- **Special Attachment: Summary of Today's Ed and Workforce Hearing, "Education Regulations: Federal Overreach into Academic Affairs"**
  Included with this edition as a special attachment is a summary of today's House Higher Education, Lifelong Learning, and Competitiveness Subcommittee hearing, "Education Regulations: Federal Overreach into Academic Affairs."
- **Ed and Workforce Examines General Impact of Education Regulations**
  On March 1, the House Education and the Workforce Committee held a hearing, "Education Regulations: Weighing the Burden on Schools and Students."

The Administration

- **FTC to Examine "Debt Collection 2.0"**
  On April 28, 2011, the Federal Trade Commission will host a public workshop to examine how debt collectors are using new technologies and how this affects consumers.
- **FTC Releases Top 10 Consumer Complains—ID Theft Ranks #1, Debt Collection #2**
  The Federal Trade Commission today released the list of top consumer complaints received by the agency in 2010.
- **FSA Offers Details on March-April Servicing Transfer Initiatives**
  FSA announced the next two phases in its servicing transfer initiative for federally-owned student loans. These transfers will take place in March and April.

Industry News

- **Chamber, Business Groups Offer Recommendations on CFPB Development**
  Last week, a coalition of more than dozen business groups led by the U.S. Chamber of Commerce offered recommendations to Treasury Secretary Tim Geithner and the Congressional banking committees on the development of an effective and transparent CFPB.
- **Panel and Report to Examine Student Loan Delinquency**
  On March 17, the Institute for Higher Education Policy (IHEP) will release a policy paper, "Delinquency: The Untold Story of Student Loan Borrowing."
- **New Program Seeks to Replace Merit Aid and Tuition Discounts with Low-Cost Loans at Private Colleges**
  This week, SAGE Scholars, Inc., in partnership with National Education, announced the launch of a new student lending program for private colleges & universities
- **Proposal Would Tie Institutional Cal Grant Eligibility to "Student Loan Default Risk Index"**
  A panel of lawmakers in California charged with addressing the state's dismal fiscal situation recently approved a proposal to limit the ability of certain schools to accept Cal Grants, the state's need-based student aid program.
- **CREW Questions More ED Activities Related to For-Profit Colleges and Short-Sellers**
  Citizens for Responsibility and Ethics in Washington sent letters to the Director of Enforcement for the Securities and Exchange Commission and Department of Education Secretary Arne Duncan to share records obtained through its Freedom of Information Act (FOIA) lawsuit against the Department.
- **CUNA, Fynanz Partner on Financial Literacy**
  Credit Union National Association (CUNA) and Fynanz, Inc. announced a joint program to provide credit union families with financial literacy materials surrounding college planning.

Employment Opportunities with COHEAO Members

- **University of Minnesota, Office of Student Finance—Principal Collections Representative**
  The University of Minnesota has an opening for a Principal Collections Representative.

Attachments

- **Board of Directors**
- **COHEAO Commercial Members**
- **Special Attachment: House Higher Education, Lifelong Learning, and Competitiveness Subcommittee Hearing Summary**

COHEAO News

Registration Now Available for the COHEAO Mid-Year Conference—July 31-August 2, St. Louis, MO

Registration is now open for the COHEAO Mid-Year Conference! The conference is set for July 31-August 2 in St. Louis, MO at the Westin St. Louis.

For the third straight year, COHEAO is holding the line on prices. Early registration fees are the same as last year, and remain significantly less than 2009 levels! Be sure to register soon before prices rise. Please click here to register: http://tinyurl.com/68owgh5 Additional information on the Mid-Year is available at the same website and will be updated as we further develop our conference program.

The Westin St. Louis is a fabulous hotel centrally located for many of St. Louis' top attractions, including the famous Gateway Arch and Busch Stadium, home of the St. Louis Cardinals. COHEAO members are eligible for an incredible rate of $162 per night for the Mid-Year Conference. Please click here to register for the special rate online: http://tinyurl.com/6l7q7oh You may also call 1-800-Westin1 to register. Please note you must register with the hotel by July 9 to receive the COHEAO special rate.

The COHEAO Agenda Committee is developing an agenda for this meeting that will be engaging and informative. The conference will focus on providing information and training that will help campus loan and accounts receivable administrators do their jobs. The Department of Education and the Federal Reserve have published volumes of regulatory changes taking effect this year and last. This conference will draw on experts and provide a chance to share experiences that will help you cope with compliance.

Understanding compliance will be key as a big new regulator, the Consumer Financial Protection Bureau, will have just assumed responsibility for enforcing regulations affecting institutional credit programs stemming from legislation of great importance to COHEAO members, such as the Truth in Lending Act, the Fair Debt Collection Practices Act and others.

We will again be inviting the Department of Education to provide an update, including discussion of Perkins Loan issues. And this conference will take place only weeks after its complex set of new program integrity regulations takes effect. A session will be devoted to understanding how these rules affect schools and their servicers.

The COHEAO Mid-Year Conference will also again feature interactive discussions among COHEAO's topical task forces and committees. At last year's Mid-Year, the Perkins, A/R Management, and Financial Literacy Task Force sessions were considered by many attendees to be the highlight of the conference.

Financial Literacy Corner: Chicago Fed and Visa Summit to Examine Government's Role in Financial Literacy

The COHEAO Financial Literacy Task Force seeks to identify programs and events on financial literacy of interest to COHEAO members. In this week's edition of *The Torch*, we highlight the Financial Literacy and Education Summit, which is scheduled for April 4 in Chicago and will be broadcast online.

The Federal Reserve Bank of Chicago and Visa are co–hosting the fifth annual Financial Literacy and Education Summit. The program features leading financial literacy experts who will address key issues related to the role of government in improving global financial literacy levels for people of all ages. The summit will focus on how government and financial education leaders, in collaboration with providers, can work together to equip consumers with the tools needed to make wise financial decisions. According to its website, the event will address the following questions:

- What is the role of government in improving global financial literacy levels for people of all ages?
- How can financial literacy levels be improved in the current economy given dramatic government and school budget cuts?
- What are the financial education needs for those faced with long-term unemployment?
- How can government, NGOs, the private sector and educators work together to implement an effective, coordinated strategy for reaching consumers and equipping them with the necessary tools and resources to make wise financial decisions?

The event features some notable presenters, such as President's Advisory Council Chair John Rogers, CNBC's Maria Bartiromo, and others. The summit is free of charge, scheduled for April 4 from 8:30-11:00 am Central Time and offers both online and in-person attendance options.

For more information, visit: http://www.practicalmoneyskills.com/summit2011/index.php

Submit Your Employment Opportunities to *The Torch*

COHEAO is pleased to announce we will be publishing a new section promoting job opportunities in *The Torch.* If your organization has a job announcement of interest to COHEAO members, please send it to Wes Huffman (whuffman@wpllc.net) for posting in the new Employment Opportunities section.

The Congress

FY11 Spending Battle Continues

A headline in today's POLITICO was enough to give even the wonkiest of Washington-types a headache—"Tired of Budget Debate? It Has Only Just Begun." Say it isn't so.

After six months of non-stop wrangling, this week the Senate finally took two budget votes that leadership had hoped would help "reset" the FY 2011 budget debate. First, the Senate rejected the House passed HR 1, a bill that would slash education spending by 15% and cut $61 billion from the spending plan submitted by the President a year ago February. A second plan, crafted by Senate Democrats that cut $6 billion from the funding level included in the Omnibus bill that failed in late December, went down to a similar defeat.

All Democrats voted against HR 1 but 11 walked away from the Democratic alternative for a variety of reasons—some said it was too big and others claimed it was too small. Though most Senate Republicans voted in favor of HR 1, many quickly issued press statements bemoaning the deep cuts to critical social programs but said the resistance of Democrats to significant funding cuts gave them little choice. The hope was that these votes would clear the air so the hard work of hammering out a budget compromise could finally begin.

So what happens next? As the headline suggests, the House GOP remains committed to their $61 billion plan. As Speaker Boehner replied when asked if he was willing to compromise, "why negotiate with myself," referring to the lack of a Democratic plan. March 18th is the next deadline for passage of a budget in order to avoid a government shut down and with the divide this deep, the House Appropriations Committee is hard at work drafting yet another 3-week continuing resolution that would cut another $6 billion in funding, keeping to the plan of $2 billion per week in CR cuts.

On a somewhat positive note, a meeting did take place yesterday with representatives from the House and Senate leadership and the White House that indicated talks might get underway shortly. With Vice President Joe Biden still overseas, these talks realistically can't begin until next week—another source of frustration for Members of Congress.

In a speech at the Center for American Progress on Wednesday, Assistant Senate Majority Leader Chuck Schumer (D-NY) spoke for many in the Democratic Caucus when he urged the President to join the debate and endorse the idea that the goal needs to be reducing the deficit, not just cutting a small sliver of the budget that funds domestic programs. It appears that a growing number of Members and Senators are beginning to realize there must be truly no "sacred cows" in addressing deficit issues. Defense, entitlements and revenues must be addressed if the Congress is serious about getting the government's fiscal house in order, but the question remains how those issues can be sufficiently addressed in the context of the short-term funding issue.

Thus far, changes to the student loan programs have been considered unlikely, as they would require significant modifications to authorizing language. These changes remain unlikely in FY 2011. However, should the debate move from away from a solely non-Defense, discretionary endeavor, changes to the student loan programs, such as those proposed in the Administration's "Protecting Pell Grant Act " included in the budget request or those outlined by CBO become more much more likely turning to FY 2012.

Duncan Appears Before Multiple Committees on FY12 Budget Request

Over the past two weeks, Secretary of Education Arne Duncan was on Capitol Hill, trying to gain traction on the President's FY 2012 plan for spending at the Department of Education. His remarks and his plan were met with annoyance from Republicans, frustrated that the budget reflects wishful thinking rather than current law and slightly friendlier Democrats, particularly in the House, who would rather hear him talk about the devastating impact of the cuts to education in HR 1.

Duncan has appeared before the Senate Budget Committee, the House Education and the Workforce Committee, and the House Labor-HHS-ED Appropriations Subcommittee. The hearings continue next week with one devoted solely to Pell Grants in the House Appropriations Subcommittee. Under Secretary Martha Kantor is expected to testify at the hearing.

With ESEA reauthorization on the horizon, K-12 education has been the focus of Duncan's appearances. However, concerns with the program integrity regulations, particularly gainful employment, and the proposal to eliminate year-round Pell were often mentioned by Members and Senators. Additionally, some legislators have displayed a level of skepticism with the proposal additional Pell Grants through increasing the size of the Direct Loan portfolio.

At the House Labor-HHS-ED Subcommittee hearing, Republicans were clearly frustrated with a budget that is based off of Administration proposals, as opposed to current law. Chairman Dennis Rehberg (R-MT) requested a budget proposal based on current law and asked, absent a real budget, if faced with a tough funding choices would Duncan want appropriators to cut across the board by 15% or reduce the size of the Pell Grant? Duncan, who had side-stepped a similar question from Rep. Rodney Alexander (R-LA), said he would work with the Congress to rewrite ESEA. Rehberg persisted but his question remained unanswered.

Rehberg also asked the Secretary to comment on whether cutting the maximum Pell Grant by $875, as proposed in HR 1, was not a better cost saving solution than eliminating the summer Pell Grant, as proposed by the Administration in the FY 2012 budget. Answering for the Secretary, Tom Skelly outlined why reducing the maximum grant did more harm to a far greater number of students.

In the Senate Budget Committee last week, there were a couple of exchanges and comments related to the federal student loan programs. Ranking Member Jeff Sessions (R-AL) commented on the increase in Direct Loan volume and Sen. Chris Coons (D-DE) questioned the plan to refinance certain existing FFEL loans.

Although he had high praise for the activities of the Department of Education in the other aspects of his questioning, Coons did state his concerns with the proposal for a loan purchase program for "split-serviced" FFELP loans. He suggested the savings were illusory and questioned Duncan on the topic. Duncan said the "budget people are smarter than me," but suggested the proposal, which is already available through loan consolidation, was necessary for borrowers and will save $2.1 billion for the government. Coons closed by saying he would follow-up with Duncan on the issue.

In the House Education and Labor Committee hearing, student loans were not addressed, but Chairman John Kline (R-MN), Higher Education and Lifelong Learning Subcommittee Chair Virginia Foxx (R-NC), and several others did note their concerns with the program integrity regulations, particularly the yet to be published gainful employment proposal. Republican Committee Members were also highly critical of overall spending at the Department, particularly the attempt to describe exclude Pell Grants from the year-over-year increase figures, which Kline called a "gimmick." Democrats did express concern with certain proposals, notably the elimination year-round Pell, but were generally supportive of the Secretary.

If you would like a full summary from each of the hearings prepared by Washington Partners, please email whuffman@wpllc.net.

Additional information, including testimony, statements, and a full webcast, for each of the hearings is available online:

- Senate Budget Committee: http://budget.senate.gov/democratic/index.cfm/committeehearings?ContentRecord_id=0a92e7d6-02b8-420c-9b8f-4bb9c48dac36&ContentType_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed&Group_id=d68d31c2-2e75-49fb-a03a-be915cb4550b
- House Education and the Workforce Committee: http://edworkforce.house.gov/Calendar/EventSingle.aspx?EventID=227114
- House Labor-HHS-ED Appropriations Subcommittee (Note: Website only has Duncan testimony): http://appropriations.house.gov/index.cfm?FuseAction=Hearings.Detail&HearingId=84&Month=3&Year=2011

CBO Presents Student Loan and Student Aid Modifications as Options for Reducing the Deficit

CBO released its "Reducing the Deficit: Spending and Revenue Options" report yesterday. Although the report is released annually, given the focus on reducing the deficit on Capitol Hill, it is expected to receive additional attention this year. The report identifies several possible changes to the student loan and student aid programs to increase government revenues, which are listed below:

- Eliminate Subsidized Loans to Graduate Students, a longstanding proposal.
- Change the Interest Rate Structure for Student Loans (the interest rate on all new federal student and parent loans would be set to the interest rate on 10-year Treasury notes at the beginning of the academic year in which the loan is originated plus 3 percentage points)
- Restrict Pell Grants to the Neediest Students (make students with an Expected Family Contribution exceeding $2,500 ineligible for a Pell grant)

CBO does not offer its opinions on the proposed policy changes, instead merely presenting them as options and offering the pros and cons for each of the proposals. An excerpt from CBO's summary on the proposed changes to the interest rate structure on PLUS and Stafford student loans is included below:

This option would change the structure of interest rates on federal student and parent loans to resemble those on fixed-rate mortgage loans. In particular, the interest rate on new loans would depend on conditions in financial markets at the time of origination but remain fixed for the life of the loan. Under this option, the interest rate on all new federal student and parent loans would be set to the interest rate on 10-year Treasury notes at the beginning of the academic year in which the loan is originated plus 3 percentage points. This option would reduce federal outlays by $900 million from 2012 to 2016 and by $52 billion from 2012 to 2021, the Congressional Budget Office estimates. (The Federal Credit Reform Act of 1990 requires that the federal budget record all costs and collections associated with a new loan in the year in which the loan is disbursed.)

The large jump in savings between the first and second halves of the 10-year estimating window reflects CBO's projections of a steady increase in Treasury interest rates over the first few years of the 2012–2021 period. Initially, interest rates on certain student loans under this option would be lower than under current policies, generating some costs for the government. As interest rates rise, however, the rates on student loans under this option would grow to be higher than under current policies, generating large savings.

A rationale for this option is that it would focus the loan programs' role on providing access to financing for all students at an interest rate not generally available to borrowers who have neither a demonstrated credit history nor collateral. (The Federal Pell Grant Program would continue to provide tuition relief to students with the greatest financial need.) In addition, the interest rate on student and parent loans would adjust to conditions in financial markets at the time a loan was originated, making the government subsidy equally valuable in relatively high and relatively low interest rate environments. However, borrowers would continue to benefit from predictable monthly payments because of the fixed interest rate over the life of a loan.

An argument against this option is that, given CBO's projections of the interest rates on 10-year Treasury notes from 2012 to 2021, the option would raise the expected average interest rate on student and parent loans. Consequently, for most loans, the interest accrued and monthly payments when borrowers left school would be greater than under current policies. The anticipation of higher debt payments might limit the fields of study students would consider and the types of jobs they would seek. Also, borrowers who were in school during times of tight financial markets would pay higher interest rates than borrowers who were in school during other times.

The full report is available online: http://cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf

- The summary of eliminating the interest subsidy for graduate student loans is on page 31
- The summary of changing the interest rate structure on Stafford and PLUS loans is on page 32
- The summary of modifications for Pell eligibility is on page 116

Harkin's For-Profit HELP Hearings Continue

The HELP Committee, chaired by Sen. Tom Harkin (D-IA), continued its series of hearings critical of the for-profit higher education industry yesterday with a hearing targeting one company: Bridgepoint Education, which operates Ashford University. The hearing, called: "Bridgepoint Education, Inc.: A Case Study in For-Profit Education and Oversight," was designed to show that Bridepoint has a flawed business model that has led to poor student outcomes financed almost entirely by a mixture of federal grants and student loans.

Testifying were Department of Education Inspector General Kathleen Tighe; Sylvia Manning, president of the Higher Learning Commission, Chicago, IL (the accrediting agency for 19 Midwestern states), Arlie Willems, a retired official from the Iowa Department of Education; and Jose Cruz, vice president for higher education policy at The Education Trust. Andrew Clark, CEO of Bridepoint Education, declined the invitation to attend.

Like the last hearing before the committee, this one was strictly partisan in its approach, with Harkin doing most of the questioning of witnesses and Republicans staying away. Similar to previous hearings, the minority, led by the Ranking Republican, Sen. Mike Enzi (WY), declined to call a witness. Enzi once again walked out of the hearing after making an opening statement protesting the way Harkin has conducted his investigation.

Harkin noted that the CEO of Bridgepoint had been invited to testify at the hearing but had declined, saying that it would be inappropriate to do so while the Department of Education is considering how to respond to an investigation of the company that was conducted by the Department's Inspector General. Harkin produced a letter from the Department's Office of Federal Student Aid that raises no objection to the CEO testifying. Enzi said he thought the CEO made the right decision.

Below are some key takeaways from the hearing:

- The Bridgepoint approach is unlikely to be repeated because the accrediting agencies won't go along with it.

- HLC for one has made major changes to account for distance education schools as well as to require a more complete review when there are changes in ownership at an accredited school, even if it is not yet time for the five-year complete review.

- Harkin is very disturbed by the profitability of the for-profit education companies and believes the entire for-profit structure is flawed because it puts profits over students. He believes that good schools become bad schools in order to compete with the bad schools. He was angry over the salaries of the Bridgepoint executives, $26 million for the CEO, he said.

- Harkin has a strong ally in Sen. Richard Blumenthal (D-CT), who echoed Harkin in criticizing both Bridepoint and the for-profit sector, although Sen. Jeff Merkley took issue with the blanket condemnations saying that he has visited some for-profit schools that are going a good job. Merkley did ask several skeptical questions of Manning. Sen. Kay Hagan asked questions critical of Manning and questioned her agency's impartiality since institutions pay dues to the accrediting agencies. She indicated that there should be more federal oversight of accrediting agencies and implied that HLC should consider faculty salaries and executive pay in its accrediting process.

- The focus on accrediting agencies is likely to continue, including a review of the relationship between the federal government and the agencies where agency accreditation is part of the process for an institution becoming eligible for Title IV student and funds. Harkin and his allies want to impose more federal regulatory oversight over the agencies possibly including a requirement that they consider college prices and educational outcomes in their institutional reviews.

- Harkin intends to introduce legislation designed to curb the access of for-profit schools to federal aid funds although it is not clear when or exactly what it would do. One obvious idea is to count education benefits paid by the Departments of Defense or Veterans Affairs as federal aid in the 90-10 calculation.

Testimony and opening statements, as well as a video recording of the entire hearing, can be found on the Committee's website:
http://help.senate.gov/hearings/hearing/?id=7c3b8c00-5056-9502-5d7a-54d0c8286a98

Beyond HELP Committee, More Senators Becoming Engaged on For-Profit Issues

In addition to Chairman Harkin's activities in the HELP Committee, it is becoming apparent that Senators from both parties are becoming increasingly engaged on for-profit higher education issues.

Sen. Jim Risch (R-ID) introduced a bill, S. 460, similar to the Kline-Hastings Amendment that passed the House two weeks ago. The bill's prospects are uncertain, with its best chances probably if it is included in a larger bill representing a deal on spending between President Obama, Senate Democrats and House and Senate Republicans.

Although the introduction of companion legislation blocking gainful employment in the Senate was welcomed by the for-profit higher education community, it was not all good news for proprietary schools as another area of criticism, this time related to military and veteran education benefits, is beginning to grow. Joining the efforts of Sens. Dick Durbin (D-IL), and Jim Webb, Sen. Tom Carper (D-DE) convened a Senate Homeland Security and Government Affairs Subcommittee hearing on the use of military benefits at for-profit schools.

In advance of the hearing, a report was issued by GAO indicating a lack of oversight by federal regulators, this time DoD, and questionable practices at for-profit colleges. Senate HELP Chairman Tom Harkin (D-IA) was the lone witness on the first panel, followed by a second panel of witnesses featuring GAO representatives.

During the hearing, Harkin continued with his criticism of the sector. Although Harkin taking an opportunity to criticize the proprietary schools is the norm, Carper's reaction was newsworthy and, to some, the first signs that a group of senators may be coalescing around a plan for legislation. Carper said he was surprised that military benefits do not count toward an institutions' 90/10 qualifications, which state that at least 10% of college revenues must come from other sources than Federal Student Aid. An excerpt from coverage of the hearing by the *Chronicle of Higher Education,* which included an interview with Carper, is included below:

In an interview after the hearing, Mr. Carper said he had been "surprised" to learn that military tuition assistance isn't counted as federal aid in the 90/10 calculation. Asked if he supported including it, he said it was "something we should consider."

"I'm a big advocate of skin in the game," he said. "There has to be skin in the game for markets to work."

Senator Harkin, who has held three hearings on for-profits, has also expressed interest in expanding the categories of funds counted as federal money in the 90/10 rule. But the idea is certain to run into opposition in the Republican-led House of Representatives, where many lawmakers favor softening the formula. One possible compromise would be to include military and veterans benefits in the federal share, but allow a larger share of colleges' revenue to come from the federal government.

Without such relief, many for-profits would cross the 90-percent threshold and become ineligible to receive federal student aid. Hundreds of colleges are already dangerously close to the cutoff, with 257 institutions receiving more than 85 percent of their revenue from federal student aid, according to the Education Department's latest figures.

For a copy of Risch's proposal or a letter from the U.S. Chamber of Commerce in support of the legislation, please email whuffman@wpllc.net.
For additional information on the hearing, please visit:
http://hsgac.senate.gov/public/index.cfm?FuseAction=Hearings.Hearing&Hearing_id=60f1ee5f-2466-4134-9440-bade4daf5df2
To read the full article from the *Chronicle of Higher Education*, please visit:
http://chronicle.com/article/Senators-Mull-Changes-in-90-10/126564/ (A subscription may be required)

Special Attachment: Summary of Today's Ed and Workforce Hearing, "Education Regulations: Federal Overreach into Academic Affairs"

Included with this edition as a special attachment is a summary of today's House Higher Education, Lifelong Learning, and Competitiveness Subcommittee hearing, "Education Regulations: Federal Overreach into Academic Affairs."

In advance of the hearing, an ACE-led coalition of higher education groups wrote Subcommittee Chair Virginia Foxx (R-NC) seeking her assistance in securing a delay of the program integrity regulations establishing a federal regulatory definition of a credit hour and expanding state authorization requirements for Title IV participation.

In the letter, the groups argue the two provisions "will have little or no effect in curbing fraud and abuse, but they could do enormous damage to the quality and diversity of postsecondary academic offerings." The coalition also notes the Department has ignored its requests for a delay and state and campus officials have no guidance on implementing the state authorization rules before the regulations are set to take effect on July 1, 2011.

Ed and Workforce Examines General Impact of Education Regulations

On March 1, the House Education and the Workforce Committee held a hearing, "Education Regulations: Weighing the Burden on Schools and Students." The purpose of the hearing was "to examine the scope of federal education mandates, including data collection requirements and paperwork burdens, and analyze how compliance with these mandates creates unnecessary hurdles for K-12 schools, colleges, and universities."

Although the panel of witnesses did include Christopher Nelson, the President of St. John's College (MD), most of the hearing focused on K-12 education. In his testimony, Nelson did speak to the additional burdens regulations place on institutions of higher education and argued Congress should implement a system on higher education regulations akin to pay/go—for each new higher education regulation added, one must be eliminated.

Student aid and higher education topics did occasionally pop up during the hearing, but most Members, particularly Republicans, were concerned with the burdens imposed by the federal government on their teacher constituents. However, Rep. Tim Bishop (D-NY) raised the issue of financial aid in the wake of H.R. 1's proposal to eliminate funding for federal supplemental educational opportunity grants (SEOG) and to cut Pell Grant maximum awards. Bishop asked whether Nelson believes Congress should rethink those cuts as well as proposed decreases in Head Start, to which Nelson answered "yes."

If you would like a full summary of the hearing prepared by Washington Partners, please email whuffman@wpllc.net. Additional information on the hearing is available online: http://edworkforce.house.gov/Calendar/EventSingle.aspx?EventID=226021

The Administration

FTC to Examine "Debt Collection 2.0"

On April 28, 2011, the Federal Trade Commission will host a public workshop to examine how debt collectors are using new technologies and how this affects consumers. The workshop, titled "Debt Collection 2.0: Protecting Consumers as Technologies Change," will feature consumer advocates, industry representatives, technologists, academics, and government officials.

As noted in the FTC's *Federal Register* notice, these new technologies available to debt collectors include mobile telephones, e-mail, social media, information gathering tools, and the software platforms that collectors use, such as dialers, databases, and payment portals. The discussion will focus on how collectors use these technologies, consumer protection concerns that arise, and how policymakers should respond to those concerns.

The workshop is free and open to the public and will be held from 8:30 a.m. to 5:30 p.m. in the FTC's Satellite Building Conference Center, 601 New Jersey Avenue, N.W., Washington, D.C. Those who attend must present government-issued photo identification. More information, including an agenda and panelist biographies, will be posted on the FTC's website at http://www.ftc.gov/bcp/workshops/debtcollectiontech/index.shtml.

The FTC will identify and invite persons with relevant expertise to serve as panelists. Those who would like to be panelists should submit a request in response to the Federal Register notice. Requests should be sent to dctech@ftc.gov and must be received on or before 5 p.m. EST, Tuesday, March 22, 2011.

Interested parties are welcomed to submit relevant written comments or data, which will be placed on the public record. The Commission strongly encourages submissions in electronic format. Comments in electronic form should be submitted by using the following Web link: https://ftcpublic.commentworks.com/ftc/debtcollecttechworkshop (and following the instructions on the Web-based form).

Please consult the *Federal Register* notice for further information, including details on topics to be covered and instructions for submitting comments. To be considered in preparation for the workshop, comments must be received by April 7, 2011, although the Commission will accept comments through May 27, 2011.

FTC Releases Top 10 Consumer Complains—ID Theft Ranks #1, Debt Collection #2

The Federal Trade Commission today released the list of top consumer complaints received by the agency in 2010. The list showed that for the 11th year in a row, identity theft was the number one consumer complaint category. Of 1,339,265 complaints received in 2010, 250,854 – or 19 percent – were related to identity theft. Debt collection complaints were in second place, with 144,159 complaints.

The report breaks out complaint data on a state-by-state basis and also contains data about the 50 metropolitan areas reporting the highest per capita incidence of fraud and other complaints. In addition, the 50 metropolitan areas reporting the highest incidence of identity theft are noted.

For the first time, "imposter scams" – where imposters posed as friends, family, respected companies or government agencies to get consumers to send them money – made the top 10. The FTC also has issued a new consumer alert, "Spotting an Imposter", to help consumers avoid imposter scams.

The top consumer complaints were:

Rank	Category	Number of Complaints	Percentage
1	Identity Theft	250,854	19%
2	Debt Collection	144,159	11%
3	Internet Services	65,565	5%
4	Prizes, Sweepstakes and Lotteries	64,085	5%
5	Shop-at-Home and Catalog Sales	60,205	4%
6	Imposter Scams	60,158	4%
7	Internet Auctions	56,107	4%
8	Foreign Money/Counterfeit Check Scams	43,866	3%
9	Telephone and Mobile Services	37,388	3%
10	Credit Cards	33,258	2%

The full report is available online at: http://www.ftc.gov/sentinel/reports/sentinel-annual-reports/sentinel-cy2010.pdf

FSA Offers Details on March-April Servicing Transfer Initiatives

FSA announced the next two phases in its servicing transfer initiative for federally-owned student loans. These transfers will take place in March and April. In the announcement, the Department indicates it is constantly refining and improving the transfer process and "our goal is to execute each transfer in a manner that is as orderly and smooth as possible for the affected borrowers." Additional information on the two phases from FSA, which was posted to the IFAP website, is included below:

- ***Direct Loans and FFEL Purchased Loans with Multiple Servicers*** - This initiative will address borrowers who have federally-owned loans assigned to FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, and/or Sallie Mae. We will transfer the loans, which are currently assigned to two or more of these federal loan servicers, to one of the servicers. The transfers are scheduled to begin March 14, 2011 and continue through the end of April 2011.

Note: We determine the servicer to which a borrower's loans will be transferred based on the number of loans each servicer currently services for the borrower or, if the number of loans is equal across servicers, the total dollar amount of the loans. The borrower's loans are transferred to the servicer that currently services the most loans or the highest total dollar amount.

- ***Rehabilitated/Reinstated Loans with Department of Education Student Loan Servicing Center (ACS)*** - This initiative will address borrowers who have federally-owned loans that were rehabilitated after the borrower defaulted or reinstated after the borrower no longer met the conditions for total and permanent disability discharge. We will transfer the loans, which are currently assigned to the Department of Education Student Loan Servicing Center (ACS), to Great Lakes Educational Loan Services, Inc. The transfers are scheduled to occur April 6 - 8, 2011.

Note: Federally-owned rehabilitated and reinstated loans include FFEL Program loans that were assigned to (rather than purchased by) the Department of Education, as well as Direct Loans and FFEL Purchased Loans.

The full announcement, which also includes several Qs and As, is available online:
http://www.ifap.ed.gov/eannouncements/031011InfoLSITransInitialFedOwnMarApr11.html

Industry News

Chamber, Business Groups Offer Recommendations on CFPB Development

Last week, a coalition of more than dozen business groups led by the U.S. Chamber of Commerce offered recommendations to Treasury Secretary Tim Geithner and the Congressional banking committees on the development of an effective and transparent Consumer Financial Protection Bureau (CFPB). The letter provides six recommendations on the CFPB, listed below:

1. **Develop Effective and Efficient Structure to Facilitate Protection of Consumers and Promotion of Economic Growth**
   - After many agencies failed to act appropriately ahead of the financial crisis, this new bureau must communicate in a way that inspires confidence that it will protect consumers in a uniform manner
2. **Empower Consumers by Rationalizing Disclosure Requirements**
   - The bureau should continue to improve and simplify disclosure across products while not stifling consumer choice of financial products
3. **Prevent Duplicative and Inconsistent Regulation of Main Street Businesses**
   - Compliance is critical, so the bureau must take steps to clarify its requirements and ensure Federal regulators are speaking with one voice
4. **Preserve Small Business Access to Credit**
   - Regulations should not eliminate, or make impractical, the credit products that small businesses rely on for capital
5. **Ensure Coordination with Federal and State Prudential Regulators**
   - The bureau should involve prudential regulators early and often to ensure proper consideration of safety and soundness issues
6. **Defer Rulemaking Until After Confirmation of a Director**
   - Issuing rules prior to the Senate confirming a director to the bureau will prevent Congress from exercising the one avenue for oversight that it expressly retained

“The Dodd Frank Act gave the CFPB tremendous power, with virtually no oversight, to go after bad actors. If that power isn’t used carefully, there could be serious collateral damage to America’s job creators,” said Jess Sharp, executive director for the Chamber’s Center for Capital Markets Competitiveness.

The letter was sent in advance of a hearing on the impact of Dodd-Frank on small businesses before the House Financial Services Committee. Sharp also testified at the hearing.

To read the full letter, visit: http://www.centerforcapitalmarkets.com/wp-content/uploads/2010/04/110228_MultiIndustry_ConsumerFinancialProtectionBureau_SecretaryGeithner.pdf

Panel and Report to Examine Student Loan Delinquency

On March 17, the Institute for Higher Education Policy (IHEP) will release a policy paper, "Delinquency: The Untold Story of Student Loan Borrowing." In conjunction with the release and on the same day, the New America Foundation will host an event on the paper and the general issue of student debt. The event will be moderated by New America's Jason Delisle. The panelists are listed below:

Alisa Cunningham
Director of Research & Evaluation
Institute for Higher Education Policy

Justin Draeger
President and CEO
National Association of Student Financial Aid Administrators

Deanne Loonin
Attorney
National Consumer Law Center

Dr. Laura Perna
Professor
University of Pennsylvania Graduate School of Education

The event is sponsored by American Student Assistance, Education Credit Management Corporation/CA, Great Lakes Higher Education Guaranty Corporation, Texas Guaranteed Student Loan Corporation, and United Student Aid Funds.

At a briefing with Hill staffers last year, ASA CEO Paul Combe suggested borrowers need "third-party debt advocates" and suggested these services could be funded through a restructuring of the Department's collection contracts. He did not provide specifics on how those contracts should be restructured, however.

For more information on the event, including links for a live webcast, visit: http://newamerica.net/events/2011/student_loan_delinquency

New Program Seeks to Replace Merit Aid and Tuition Discounts with Low-Cost Loans at Private Colleges

This week, SAGE Scholars, Inc., in partnership with National Education, announced the launch of a new student lending program for private colleges & universities. The "SAGE Tuition Loan Program" -- "SAGE TLP" -- is designed to help participating colleges increase net tuition revenue, lower discount rates and promote student retention.

SAGE TLP is a "hybrid" program offering tuition financing at a low cost for families (less than 1% APR) that generates cash flow Colleges make no capital investment and pay no administrative costs. According to

National Education, "Creating a receivable to replace aid allows a college to 'recapture the discount.' As some schools have pointed out, this is 'found money!'"

Participating colleges will be able to replace a portion of the tuition discounts normally issued to incoming freshmen with the SAGE TLP, converting the discounts to an asset that will eventually provide cash flow. A low-cost loan to students - less than 1% APR with all benefits obtained - replaces a portion of the merit aid that colleges currently provide.

Loans can be made regardless of FICO score, allowing schools to include the product in award letters. However, only credit-ready loans will be offered in potential securitizations.

Wesley College (Dover, DE), which has signed up with National Education, says it is replacing some grants with loans in financial aid packages for about 20% of incoming freshmen. Wesley is the first SAGE member college to agree to participate.

Proposal Would Tie Institutional Cal Grant Eligibility to "Student Loan Default Risk Index"

A panel of lawmakers in California charged with addressing the state's dismal fiscal situation recently approved a proposal to limit the ability of certain schools to accept Cal Grants, the state's need-based student aid program. The grants have exploded in costs in recent years and the proposal would limit institutional eligibility by a "student loan default risk index."

Under the proposal, the California Student Aid Commission (CSAC) would determine school eligibility by the proposed default risk index. Additionally, new Cal Grant recipients would be required to qualify each year for the grants.

Currently, eligible students at for-profit schools may receive up to $9,705 from the Cal Grant program. That number would remain unchanged, but the proposal is expected to produce $124 million in savings by decreasing the number of students receiving the grants. The total budget shortfall is $26.6 billion.

This proposal has produced a debate at the state level strikingly similar to the one going on at the federal level. In fact, in an editorial, the *San Francisco Chronicle* suggested it was yet another example of California "leading the way" on policy, much like it has done on emissions standards.

Supporters argue that the proposal would not only save the state much needed funds, but would also protect students from unscrupulous colleges. Critics of the proposal believe it is unfair and unwise to punish schools that enroll large numbers of students from low-income and minority populations more likely to default on their loans.

The full legislature still must approve the proposal before it is sent to Gov. Jerry Brown for his signature.

For additional coverage from *Bloomberg*, visit:
http://www.businessweek.com/ap/financialnews/D9LSLOAO0.htm
To view the editorial from the *San Francisco Chronicle*, "A Reasonable Test for Student Aid," visit:
http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2011/03/09/EDJH1I7DIO.DTL

CREW Questions More ED Activities Related to For-Profit Colleges and Short-Sellers

Citizens for Responsibility and Ethics in Washington (CREW) sent letters to the Director of Enforcement for the Securities and Exchange Commission (SEC) and Department of Education Secretary Arne Duncan to share records obtained through its Freedom of Information Act (FOIA) lawsuit against the Department.

According to the watchdog organization, the newly obtained email threads “show high-level Education officials colluded with Wall Street short-sellers, improperly leaking the contents of highly controversial gainful employment regulations in advance of their publication.”

The newly released documents include an email from short-seller Steven Eisman sent days before controversial draft regulations governing the for-profit education industry were to be released. Eisman advised Education officials that stocks in the for-profit sector “are running because people are hearing DOE is backing down on gainful employment,” and also noted “I know you cannot respond.”

Two days later Education officials put together a plan to give advance notice of the regulations to a select group, which CREW asserts has ties to Eisman. According to CREW, “This would have allayed Mr. Eisman’s concerns that Education might be backing away from aggressively regulating the for-profit education industry.”

CREW has an ongoing lawsuit against Education seeking documents related to the Department’s communications with short-sellers. Sloan stated, “While previously claiming all relevant documents had been released, when it came time to report to the court, Education suddenly announced new documents had been discovered. The Department’s actions certainly don’t instill confidence in its search. Are there other even more incriminating documents still to be found?”

To read the full letters, please visit:
http://www.scribd.com/collections/2886847/03-01-11-CREW-s-Letters-to-the-SEC-and-Department-of-Education

CUNA, Fynanz Partner on Financial Literacy

Credit Union National Association (CUNA) and Fynanz, Inc. announced a joint program to provide credit union families with financial literacy materials surrounding college planning. The new effort expands the existing alliance between Fynanz and CUNA Strategic Services, a unit of the credit union trade association offering products for members.

The program, which will be made available to CUNA's onlineEDGE subscribers, provides insight on higher education, including how to plan college visits, school selection, choosing a major and navigating the college financing process. This content is developed and maintained by Ken O'Connor, a 10-year veteran of the financial aid industry and current Director of Student Advocacy for CUstudentloans.org.

Employment Opportunities with COHEAO Members

University of Minnesota, Office of Student Finance—Principal Collections Representative

The University of Minnesota has an opening for a Principal Collections Representative. A brief description is included below, and additional details and applications instructions are available online: https://employment.umn.edu/applicants/jsp/shared/position/JobDetails_css.jsp

Position: *Principal Collections Representative*
Office: *Student Account Assistance, Office of Student Finance*
Full time, permanent position handling the collection of student receivables for the University of Minnesota Twin Cities campus.

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