The Torch

March 25, 2011

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

COHEAO News

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  As part of its monthly teleconference and webinar series, COHEAO will host a webinar, "The Dodd-Frank Wall Street Reform Act and the Impact on Colleges and Universities." Scheduled for Thursday, April 7 at 2:00 PM Eastern Time, this webinar will examine the landmark financial services reform bill and what its implementation will mean for campus operations.
- **Submit Your Employment Opportunities to *The Torch***
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The Congress

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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**

COHEAO News

April 7 COHEAO Webinar to Address the Impact of Dodd-Frank and the CFPB on Colleges and Universities

As part of its monthly teleconference and webinar series, COHEAO will host a webinar, "The Dodd-Frank Wall Street Reform Act and the Impact on Colleges and Universities." Scheduled for Thursday, April 7 at 2:00 PM Eastern Time, this webinar will examine the landmark financial services reform bill and what its implementation will mean for campus operations.

Please visit www.coheao.org to register today!

The implementation of Dodd-Frank is still in the infant stages, but the law set forth changes in financial services policies and practices that touch all parts of the economy, including colleges and universities. **Tom Cox of Financial Asset Management Systems** and **Tim Fitzgibbon of the National Council of Higher Education Loan Programs** will focus on the provisions of the Wall-Street reform law affecting campus financial services, particularly the newly created Consumer Financial Protection Bureau (CFPB).

Professor Elizabeth Warren and her team are currently in the process of establishing the Bureau. The CFPB is set to officially begin its charge in July, so this webinar provides an excellent opportunity for you to begin or continue your preparations for ensuring compliance with this newly-created and highly visible agency.

To register, click on the gray box at the right side of the COHEAO homepage at **www.coheao.org.** If you have any questions on this webinar, please feel free to contact Wes Huffman (whuffman@wpllc.net, 202.289.3910).

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

April 8 Deadline Looms as Congress is Set to Return to Washington

During this recess week, the focus in Washington shifted from the spending debate to the crisis in Japan and the military activities in Libya (the White House has been avoiding the term "war"), and those critical issues will likely receive much of the attention when Congress returns.

The week before recess, however, Congress passed a 6th Continuing Resolution (CR) in order to keep funds flowing to all government agencies. This CR will expire on April 8th.

On the one hand it does prevent a government shutdown while negotiations continue. On the other hand, running the richest country in the world on a budget that changes every week seems a bit reckless at best. CR number 6 cuts another $2 billion per week from the total that the government would have spent had the CR actually represented a freeze from FY 2010. This CR, thankfully, does not make additional cuts to the Department of Education.

One new twist on the latest CR vote in the House was the defection of all but 20 of the new Republican Members. A significant number of Democratic votes were needed to get the bill across the finish line. This

is the first hint of a weakened hand for Speaker Boehner (R-OH). Given the tough talk among many House Republicans, this appears very likely to be the last short term CR they will support.

Another complicating factor to the negotiations—the two sides cannot agree on what should be "on the table." Senate Majority Leader Harry Reid (D-NV) has said that Congress will need to examine the mandatory side of the budget ledger, as well as revenues (taxes), in order to reach a compromise. However, Speaker of the House John Boehner (R-OH) has thus far maintained that, while all options need to be explored in the long term, the debate on the FY2011 spending bill should remain focused on discretionary spending.

Adding mandatory spending to the debate could ultimately bring the student loan and student aid programs into this fracas. Several of the higher education associations are pushing for Congress to bring authorization language into an appropriations debate in order to move the Administration's "Pell Grant Protection Act" legislation, which requires significant changes to existing law (HEA). The move to "protect" Pell Grants could help solve the issue of funding in the short-term, as in FY2011 and maybe FY2012, but new savings figures from the Congressional Budget Office for the proposed changes to the student loan and student aid programs are much smaller than those put forward by OMB, meaning the President's proposal offers little protection for the grants to low-income students in the long-term (see related article).

Finding common ground between the Republican led House of Representatives, the Democratically controlled Senate and the Obama White House presents a serious challenge and rumors are already circulating about CR number seven. Behind the scenes, conversations with House leaders and freshman Republicans hint that a compromise might be brewing on that side of the Capitol.

In early April a budget resolution for FY 2012 will be produced in the House Budget Committee that would significantly reduce mandatory and discretionary spending, providing cover for a FY 2011 compromise that misses the $100 billion goal that has been the House mantra for many weeks. This would amount to the age old congressional practice of "kicking the can down the road" but in light of the current budget quagmire that solution sounds like a real possibility. Senate spokesmen have acknowledged that cuts beyond the bill that failed several weeks ago in that chamber will be required but resistance to the $100 billion figure has been unequivocal so far.

CBO Projects Significantly Higher Costs for Obama FY12 Budget, Including Perkins Loan Proposals

The Congressional Budget Office released its preliminary analysis of the President's Budget Request late last week, and the news was not good for the Administration. CBO projects the President's proposals would increase the deficit by $9.5 trillion, or $2.7 trillion more than if current law remained in place.

Aside from a blog post from OMB Director Jack Lew which noted that CBO did not account for the Administration's proposals to offset additional costs in certain transportation and healthcare initiatives, the Administration has remained relatively silent on the new figures. Republicans, however, were quick to pounce on them.

"The Congressional Budget Office's report exposes the widening gulf between the President's rhetoric and his budget's reality. Simply put, the President's budget spends too much, taxes too much, and borrows too much - and it continues to heap an unsustainable burden of debt on American families, today and in the future," said House Budget Committee chairman Paul Ryan (R-WI).

In terms of student loans and student aid, CBO's figures appear to present significant challenges for the proposal aimed at "protecting" Pell Grants. Most notably for Perkins Loan advocates, CBO indicates accelerating the recall of the Perkins Loan revolving fund will cost the government money, presumably because these funds would continue to earn interest before returning to the feds. CBO indicates the proposal for the early recall would produce some short-term savings, but it is essentially a break-even proposition in a five-year window and would cost $332 million over ten years.

This cost estimation is great news for the supporters of traditional Perkins Loans, but the President's FY 2012 still presents a challenge to the program. As it is an expansion of the Direct Loan Program, the Administration's proposal for a "modernized and expanded" Perkins Program still provides for budget savings under the methodology of the Federal Credit Reform Act. However, Republicans, particularly Ryan and Senate Budget Committee Ranking Member Jeff Sessions (R-AL), have constantly argued for "fact-based budgeting" and have continually rejected proposals to expand the Direct Loan Program due to their impact on the national debt.

Additionally, CBO states the proposal to eliminate year-round Pell Grants would save roughly $7 billion over ten years, compared to the $49 billion put forward by the Administration. The "Pell Grant Protection Act" also relies on budget mechanics to refinance FFEL loans into Direct Loans to achieve supposed savings, but CBO's estimates on those elements of the proposal are also smaller than OMB's.

We have included a quick comparison table of the estimated savings from CBO and OMB below. Please note these are rough figures, which may include some rounding, and do not account for current Pell Grant shortfalls.

Provision	**CBO 10-Year Savings (In Billions)**	**OMB 10-Year Savings (In Billions)**
Elimination of year-round Pell	$7.10	$49
Elimination of subsidized Stafford Loans for grad students	$18.10	$29
Elimination of Perkins Loan/Creation of "Direct Perkins"	$4.30	$7.50
Refinancing of "split-serviced" FFEL Loans	$1.70	$2.10

CBO included the following as a footnote to its report. The $57 billion figure mentioned in the footnote below (emphasis added) matches the difference between the projections listed above:

> *The maximum Pell award is $5,550, which is funded from both mandatory and discretionary resources. Under the President's budget, the discretionary amount of the award would be $4,860 in 2012, and a mandatory add-on would provide the other $690. CBO estimates that discretionary appropriations would need to increase significantly above baseline projections to provide awards at that level. To help offset the additional appropriations, the President proposes to allocate $25 billion in mandatory funding to the portion of Pell grants that traditionally has been funded through discretionary appropriations. In addition to that increase, CBO estimates that discretionary funding for Pell grants would rise by* ***$57 billion*** *over the 2012–2021 period under the President's budget, compared with CBO's baseline projections.*

There have been rumors circulating on a move to include provisions of the "Pell Grant Protection Act" in the FY2011 spending bill. These new figures would suggest that such a move is a less likely, but still possible because these proposals do provide some level of budgetary savings. However, if the real aim is "protecting" Pell Grants and making the program "sustainable in the long-term," as Secretary Duncan and other Department officials have described the proposal, CBO's numbers suggest more will need to be done.

For more information on CBO's full report, visit: http://www.cbo.gov/doc.cfm?index=12103
For the CBO summary of the Pell Grant Protection Act proposals, visit:
http://www.cbo.gov/budget/factsheets/2011b/studentloan.pdf

Sessions Questions ED on FY2012 Budget Proposal, Zeroing in on Perkins Expansion

Secretary of Education Arne Duncan recently testified before the Senate Budget Committee on the Department's FY2012 Budget Proposal. During the hearing, the Committee's Ranking Member, Sen. Jeff Session (R-AL), was critical of plans to expand the Direct Loan Program, including the creation of "Direct Perkins."

Time restrictions often prevent Committee members from asking all of their questions during the hearing, but they are allowed to submit questions for the record to be answered in writing. Sessions' questions on the student loan proposals and the Department's responses are included below:

AN EXPANDED PERKINS LOAN PROGRAM

Question. *The Administration supports creating an expanded Perkins Loan program that would provide $8.5 billion in new loan volume annually, nearly nine times the current annual Perkins volume. The new Perkins loans would go out to over 3 million students and carry the same interest rate as Unsubsidized Stafford loans, 6.8 percent. According to OMB, this proposal would save $7.4 billion over 10 years. How does expanding the Perkins Loan program save money?*

Answer. *Any costs associated with the Perkins Loan program are calculated using standards established in the Federal Credit Reform Act. Under this Act, Perkins Loans (as well as other loan programs) are reflected in the financial statements on a net present value basis. This method discounts all future costs over the period of origination through repayment, reflecting the time value of money, and displays those costs in the year the loan is originated.*

FAIR-VALUE SCORING — LOAN PROGRAM COST ESTIMATION

Question. *Have the Department of Education and OMB discussed the effects of scoring this legislation with "fair-value" scoring, instead of the deficient credit reform methodology?*

Answer. *Both the Administration and the Congressional Budget Office estimate loan programs costs using standard loan-valuation procedures mandated by the Federal Credit Reform Act. Through the estimation process the Administration considers current and projected economic conditions when estimating future events such as loan defaults and recovery and loan cancellations. The Administration has confidence in both the savings estimate required by law for student lending and in the methodology used to generate that estimate.*

FAIR-VALUE SCORING — PERKINS LOAN PROGRAM

Question. *If the "fair-value" scoring showed that expanding the Perkins Loan program actually incurred costs for the Federal Government, would the Department still view it as appropriate to use the false credit reform savings to pay for Pell Grants, as proposed under the Pell Grant Protection Act?*

Answer. *The Administration believes using the current credit reform process as a basis for cost estimation produces a reasonable savings estimate. Expanding and modernizing the existing Perkins Loan program is a worthwhile pursuit, particularly because it is able to simultaneously achieve two goals: provide additional resources to a greater number of students to help them pay for college; and reinvest savings from the program to continue to provide Pell Grants for those students with greatest need.*

If you would like to view all of the questions from Senators on the Budget Committee, most of which are related to K-12 education, please email Wes (whuffman@wpllc.net).

Warren Appears Before Congress, Bachus Attempts to Replace CFPB Director with Bipartisan Commission

Last week, Elizabeth Warren appeared before Congress for the first time since she was named as a special advisor to both President Obama and Treasury Secretary Tim Geithner charged with establishing the CFPB. Warren's exchanges with Members on the House Subcommittee on Financial Institutions and Consumer Credit showed partisan divide on the CFPB.

Republicans were particularly critical of the Bureau while Democrats offered nearly nothing but praise. For her part, Warren consistently described the CFPB as a "cop on the beat" established to make the marketplace work for consumers by providing additional transparency on consumer financial products. Her 34 pages of written testimony provided some additional details on the Bureau, noting its plans to initially focus on mortgages and credit cards. The written testimony specifically mentioned regulating student loan providers, but only in the context of the Bureau's efforts to add scrutiny to non-bank lenders, and student loans were not discussed during the hearing.

On multiple occasions, Warren indicated the Bureau would improve conditions for financial institutions that want to "fairly compete" in the consumer marketplace and noted her support for community banks and credit unions. Republicans remained highly critical of the Bureau and Warren, often focusing on a *Wall Street Journal* editorial, "President Warren's Empire," her lack of Senate confirmation and questioning her role in the mortgage settlement negotiations.

Following the hearing, Financial Services Committee Chairman Spencer Bachus (R-AL) introduced legislation to replace the CFPB Director with a bipartisan commission.

"It always seemed clear to me that the Dodd-Frank Act put too much power in the hands of one person. Today's hearing in the Financial Institutions Subcommittee confirmed it. Under the Dodd-Frank Act, the director of the CFPB is given a broad and virtually unlimited mandate to substitute his or her judgment for that of consumers and the free market. Because the CFPB might be the most powerful agency ever created, I am introducing this bill to ensure that a non-partisan, balanced approach to consumer protection prevails. Empanelling a five-member commission is an important first step in ending predatory financial practices without inappropriately limiting access to credit that small businesses and individuals want and need. We can achieve consumer protection without a credit czar," Bachus said in a statement.

To view a copy of Bachus' legislation, please visit:
http://financialservices.house.gov/media/pdf/BACHUS_002_xml.pdf
To view the *Wall Street Journal* editorial, "President Warren's Empire," visit:
http://online.wsj.com/article/SB10001424052748704662604576202662560969834.html?mod=googlenews_wsj (a subscription may be required)

Recent House Hearings on Pell and Gainful Employment

There were two hearings of great interest to the higher education community before Congress broke for recess—a House Labor-HHS-Education Appropriations Subcommittee hearing on Pell Grants and a House Education and the Workforce Committee hearing on the gainful employment regulations.

We have included "executive summaries" of these hearings below. A full memo on the Pell hearing was sent to COHEAO members as a "COHEAO Spark." If you would like a full report on the gainful employment hearing, please email Wes (whuffman@wpllc.net).

House Education and the Workforce Hearing on Gainful Employment (Thursday, March 17)

The House Education and Workforce Committee today held a two-and-half hour hearing on the Department of Education's proposed regulation that would substantially expand the definition of "gainful employment in a recognized occupation." All programs at for-profit schools except those leading to a bachelors' degree in liberal arts and all non-degree programs at public and not-for-profit schools must provide educational outcomes that lead to gainful employment in order to be eligible for federal HEA Title IV financial aid.

The Department published a final regulation on Oct. 31, 2010 that increases disclosure and similar requirements but postponed final regulations setting forth the very controversial formulaic qualifications that would involve students achieving a certain repayment rate and not exceeding a proscribed debt to income ratio in order for the program to be considered to provide gainful employment.

The final regulation is pending, with discussions reportedly taking place between Education, White House and Office of Management and Budget officials on modifications to the draft regulations that were published in 2010. A final regulation has not been formally submitted to OMB for review, but that formality is likely to take place only after informal discussions are complete. The latest speculation is that the final regulation will be published sometime in April, but this is impossible to verify at this time.

The hearing did not shed light on the date of publication or regulatory details since all of the witnesses were non-federal. It was designed by the Republican Majority, generally opponents of the proposed regulation, to give witnesses testify about the value of for-profit schools from the perspectives of a former student, an employer and a school official. Committee Democrats called a witness who was quite critical of the sector while also recognizing its value in general.

*****House Labor-HHS-Education Appropriations Subcommittee Hearing on Pell Grants (Tuesday, March 15)***

At this first hearing focusing specifically on the "Pell Grant Protection Act," the Administration was not willing to give much ground on its proposal. However, Under Secretary Martha Kanter repeatedly said this proposal was designed for the 2011-2012 academic year, meaning there is very little time for the major

changes in authorizing language required by the proposal. It is difficult to see how this could be done before AY2011-2012, particularly considering that all of the changes to authorizing language are controversial in their own right and the authorizing committees may have their own agenda for the year (see: ESEA reauthorization and the HELP for-profit college hearings).

At least publicly, the Administration is not yet willing to acknowledge the timing issue, meaning Pell funding will continue to loom over the entire ED budget throughout the debate on the remainder of FY11. Republicans will continue to push for cuts to the program and may ultimately be successful in securing a small reduction in Pell awards. However, given that the Department has already announced a tentative maximum award of $5,550 and aid offices are entering the key stretch of "packaging season," even the most stringent of budget hawks may be concerned with the political fallout from a reduction in the award amounts already provided to students and families.

Turning to FY12, there seems to be little appetite for this type of bill in the authorizing committees. However, the skyrocketing costs of Pell have made the funding issue nearly an ongoing crisis and there is always the possibility for a budget reconciliation bill. There is a growing consensus that the Pell program needs to become more efficient to remain sustainable. With the Pell Grant Protection Act, the Administration has opened the door for significant changes to the mechanics of Pell Grants, and this Congress is likely to have its own ideas on how to make the program more "efficient."

**Please note there are rumors circulating that certain aspects of the Pell Grant Protection Act may be included in the legislation to fund the government for the rest of FY2011. However, at the present time, these are only rumors and the analysis we provided in our summary of the Pell Grant hearing remains unchanged.

The Administration

ED Issues Additional Program Integrity Dear Colleague Letters

The Department of Education released two dear colleague letters last week aimed at assuaging concerns with the program integrity regulations. Although the yet-to-be published (in final form) gainful employment regulations have garnered the most attention, there are four other areas of regulation that are of concern to both for-profit and not-for-profit institutions—state authorization of distance learning programs, the definition of a credit hour, misrepresentation, and incentive compensation.

An initial scan of the two dear colleague letters—one covering state authorization, misrepresentation, and incentive compensation and another addressing the definition of a credit hour—indicates the Department did answer a few of the top questions, but did not address others.

The proposed regulations, or at least certain aspects of them, have been a cause for heartburn throughout the higher education community. America's Public Sector Colleges and Universities (APSCU) sued the Department over the entire package of regulations and ACE is leading an effort to modify, or at least delay, the state authorization, credit hour, and misrepresentation regulations.

For the letter on state authorization, misrepresentation, and incentive compensation, visit: http://www.ifap.ed.gov/dpcletters/GEN1105.html
For the letter on the definition of a credit hour, visit: http://www.ifap.ed.gov/dpcletters/GEN1105.html

FTC Submits Annual FDCPA Report to Congress

The Federal Trade Commission issued its 33rd annual report describing the agency's law enforcement and other efforts to protect consumers from "unfair, deceptive, and abusive" debt collection practices. The Fair Debt Collection Practices Act (FDCPA) prohibits these and other improper practices by third-party debt collectors and requires that the Commission submit annual reports to Congress discussing the agency's administration of the FDCPA.

The agency received 140,036 debt collection complaints in 2010, up from 119,609 complaints in 2009. The top three categories of complaints about third-party collectors were:

- calling repeatedly or continuously;
- misrepresenting the character, amount, or status of the debt (including demanding a larger payment than is permitted by law); and
- failing to send consumers a statutorily required written notice about the debt and their rights.

The report includes a disclaimer that complaints do not necessarily mean a violation of the law and ACA International, a collection trade association, identified several issues with the report. Three are listed below:

- *First, the FTC report does not factor in the dramatic consumer debt crisis that exists in America, which has been exacerbated by an economic recession over the past three years that created more consumer credit defaults than in any other time in our nation's history. The volume of consumer debt that debt collectors seek to recover has grown significantly and consumer contacts may now number in the billions. This is a significant impact that cannot be ignored.*

- *Second, the complaint data is actually comprised of both inquiries and complaints, meaning there is no regard for whether the consumer is contacting the FTC with a question or a legitimate complaint. And, the FTC has acknowledged that 'not all of the debt collection practices about which a consumer complain are law violations.'*

- *Third, the FTC does not share consumer contacts with debt collectors so they may seek to resolve legitimate complaints. When given the opportunity, debt collectors want to work with consumers to resolve complaints. According to the Better Business Bureau, debt collectors resolve 85 percent of the complaints received against them-significantly higher than other industries.*

The annual report also reviews the Commission's debt-collection law enforcement actions, consumer and industry education efforts, and research and policy initiatives. It describes a series of workshops that the FTC conducted about consumer protection concerns that arise in the arbitration and litigation of consumer debts, culminating in a report issued by the FTC in July 2010 that made recommendations for further actions. In addition, the report describes an industry-wide investigation that the Commission is conducting of the debt buying industry; a developing enforcement policy on collecting the debts of deceased persons; and an upcoming workshop on the consumer protection impacts of advancing technologies employed in debt collection.

Finally, the report notes that there will be changes in FDCPA administration under the Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted last July. As of July 21, 2011, a new agency created by the Act, the Consumer Financial Protection Bureau, will have the authority to issue rules under the FDCPA governing debt collection practices. Both the FTC and the CFPB will have the power to enforce the FDCPA

and any rules issued under it. Future annual reports to Congress on the administration of the FDCPA will be prepared by the new agency.

The full report is available online:
http://www.ftc.gov/os/2011/03/110321fairdebtcollectreport.pdf
A statement from ACA International is available online:
http://www.acainternational.org/reporters.aspx?cid=18530

ED Announces FAFSA Processing Error and Remedies

The Department of Education recently announced it had identified a correction issue in the Central Processing System (CPS) that causes Reject 1 (i.e., missing asset information on the FAFSA) to be incorrectly set in some cases. The error impacts applicants who answered "No" to the asset threshold screening question on the 2011-2012 FAFSA on the Web application and, therefore, were allowed to skip asset questions.

ED was able to correct the issue within CPS. As of March 18, 2011 the applicant's response to the asset threshold screening question on his or her FAFSA on the Web application will be brought forward on corrections. If the applicant answered "No" to the asset threshold screening question and asset information is missing on subsequent transactions, Reject 1 will be correctly suppressed.

The remaining issue is the records processed before March 18. To correct the affected 2011-2012 Institutional Student Information Record (ISIR) and Student Aid Report (SAR) transactions processed prior to March 18, 2011, records will be reprocessed in two phases:

1. The first reprocessing is planned for this weekend, with the resulting transactions delivered to schools between **March 28 and March 31, 2011**. The new, reprocessed SAR/ISIR transactions will reflect the processed results of the original correction data submitted, had it not been rejected in error for missing asset data. The existing transaction with the incorrect Reject 1 will be voided on the CPS (see the "Voided 2011-2012 CPS Transactions" section later in this message for more information).

   There are approximately 4,000 records in this first reprocessing group.

2. The second reprocessing will take place April 3, 2011. The resulting transactions will be delivered to schools between **April 4 and April 7, 2011**. We will reprocess transactions that did not receive a Reject 1, but if corrected now would generate a new Reject 1 transaction. The new, reprocessed SAR/ISIR transactions will be duplicates of the current transactions, with the exception that they will now be properly flagged in the system to allow blank asset values. The existing transaction will be voided on the CPS (see the "Voided 2011-2012 CPS Transactions" section later in this message for more information).

   There are approximately 250,000 records in this second reprocessing group.

A March 11 electronic announcement identifying the issue is available online:
http://ifap.ed.gov/eannouncements/031111Reject1IssueAlert.html
A March 24 electronic announcement providing further information on reprocessing is available online:
http://www.ifap.ed.gov/eannouncements/032411IssueAlertUpdateReprocessingPlanReject1.html

Industry News

Report and Panel Discussion Examine Student Loan Delinquencies

A study conducted by the Institute for Higher Education Policy (IHEP), using data provided by five of the nation's largest student loan guaranty agencies (ASA, TG, USA Funds, ECMC, and Great Lakes) examines in detail the complete repayment experiences of nearly two-thirds of all federal student loan borrowers.

The study highlights the scope of student loan borrowers who become delinquent on their loans, but who do not default, and suggests that to fully capture borrowers' struggle with repayment each month, data must look beyond just default.

IHEP identified the following key findings in the report:

- For every student loan borrower who defaults, at least two more borrowers become delinquent without default.
- Two out of five student loan borrowers are delinquent at some point in the first five years after entering repayment. This equates to 41 percent of the borrowers (712,000 borrowers and $11.6 billion in loan activity) who faced the negative consequences of delinquency or default.
- Certain student loan borrowers—those considered more at risk than their peers—may require additional attention and information to prevent delinquency and default. For example, the rates of delinquency and default were generally much higher for borrowers who had not graduated than for those who had.
- More than a third of borrowers (37 percent) were able to repay their loans in a timely manner, while 23 percent were able to postpone repayment by using deferment or forbearance to avoid delinquency.

According to IHEP, the study "intends to help reframe the debate about student loan debt to include the causes and consequences of delinquency—before default—to improve borrowers' experiences, enhance the student loan program, save taxpayers' money, and perhaps contribute more broadly to higher education as a whole."

To mark the release of the report, the New America Foundation hosted a panel discussion on the topic In addition to the author of the report, Alisa Cunningham, the panel featured NASFAA President Justin Draeger, Deanne Loonin of the National Consumer Law Center, and Dr. Laura Perna, a professor at the University of Pennsylvania.

At the event, the panelists commended the report as a good "first step" and offered recommendations on additional action to address the problem of delinquencies. Loonin said there was an "inherent conflict of interest" in a student loan system driven by collection and questioned the role of collection agencies in dispute resolution. Draeger spoke to the lack of resources in financial aid offices and mentioned leveraging the existing expertise of former FFEL participants. Draeger also indicated that in a 100% Direct Lending regime student loans could move from a "bank-based model" for repayment and suggested federal withholding of student loan payments may be appropriate. However, before putting forward this recommendation, he did acknowledge the idea may be "coming out of left field."

The full report is available online: http://www.ihep.org/assets/files/publications/a-f/Delinquency-The_Untold_Story_FINAL_March_2011.pdf
Additional information, including an archived webcast, on the related event is also available online: http://newamerica.net/events/2011/student_loan_delinquency

Suggested Reading: NYT Examines Impact of Costs and Student Debt on College Selection Process, Recent Grads Immediate Plans

We don't often suggest media articles for COHEAO members to read in the pages of *The Torch*, particularly those from the "Gray Lady," but a couple of articles in this week's "Your Money" Section of the *New York Times* may be of interest. One article, "Balancing Debt Against College Choice," reviews the decision facing an 18-year old Massachusetts high school student on his college selection. The other, "Out of College, Not on Her Own," profiles a (becoming not so) recent college graduate who is preparing to enroll in graduate school, and, as the title would indicate, still heavily reliant on her parents.

- "Balancing Debt Against College Choice" is available online: http://www.nytimes.com/2011/03/24/your-money/24TEENS.html?ref=your-money
- "Out of College, Not on Her Own" is available online: http://www.nytimes.com/2011/03/24/your-money/24money-debt-and-a-college-graduate.html?ref=your-money

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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