The Torch

October 7, 2011

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

COHEAO News

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- **COHEAO Seeks Nominations for the Board of Directors**
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- **House Ways and Means Committee to Markup 3% Repeal Legislation**
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- **Senate Committee Approves Cordray But GOP Holds Firm on Plan to Block Nomination**
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- **Administration Debt Collection Proposal Gaining Media Attention**
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- **Advisory Committee Releases Preliminary Report on Higher Education Regulations**
  The Advisory Committee on Student Financial Assistance released the preliminary results of a study of federal regulations and their impact on institutions.
- **States Facing Difficulties with Challenge Grants' MoE Requirements**
  College Access Challenge Grants, created by HEOA, is a $150 million per year program with a maintenance-of-effort requirement for states.
- **NCES Releases New Report on Stafford Borrowing**
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Industry News

- **MOHELA Signs Contract as First SAFRA NFP Servicer**
  Last week, MOHELA entered into a contract with the US Department of Education to service student loans owned by the federal government.
- **Texas Voters to Consider Private Student Loan Bonds**
  Included in the numerous list of propositions for Texas voters this election year is one that would allow the Texas Higher Education Coordinating Board to issue bonds to provide for as much as $2 billion in private student loans.

Attachments

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

COHEAO News

COHEAO Visits with Super Committee and Other Key Congressional Offices

COHEAO President Bob Perrin met with staff for members of the Joint Selection Committee on Deficit Reduction and additional key Congressional offices. Perrin and COHEAO staff highlighted the importance of Perkins Loans and sought to learn more on the so-called Super Committee's plans for student aid in developing its proposals. We also discussed the recently introduced Mobile Call Information Act, H.R. 3035, and the importance of allowing for efficiency in calling mobile phones for colleges and universities.

Although the Super Committee is taking every precaution to maintain a cone of silence around its negotiations, the meetings did prove to be informative. We learned several offices remain supportive of the current structure of the Perkins Loan Program and the added benefits it provides for an important population of students, while others who may be less inclined to support significant federal involvement in tuition finding also find it preferable to the "modernization and expansion" proposed by the administration.

All in all, the information we learned from these meetings offers a positive outlook for Perkins advocates though COHEAO remains concerned with the one mantra we heard in nearly every office when talked turned to the Super Committee—"Everything is on the table"—and we will continue to highlight the importance of this vital program throughout the budget debate. We also continue to remind Congress of the cancellation dollars owed to Perkins funds, noting the impact of this unfunded mandate on the availability of loans for students.

The meetings also featured discussions on the importance of updating the Telephone Consumer Protection Act (TCPA) for colleges and universities in their business operations and other aspects of campus administration. H.R. 3035, bipartisan legislation introduced Rep. Lee Terry (R-NE) and Rep. Edolphus Towns (D-NY), would permit the use of auto-dialers in contacting cell phones in cases where an existing business relationship already exists. COHEAO is working with a broad coalition of industries, which includes multiple higher education associations, to build support for this important legislation.

COHEAO Seeks Nominations for the Board of Directors

COHEAO is currently seeking nominations for the Board of Directors that will take office at the annual conference in January 2012. The COHEAO Board of Directors is comprised of four elected officers (President, Vice- President, Secretary and Treasurer), three elected Members-at-Large and 10 appointed chairpersons. All positions are two-year terms (with a two-term limit for any individual position). The President, Vice-President and all chairpersons serve terms beginning in odd numbered years. The positions of Secretary, Treasurer and Member-at-Large begin in even numbered years.

We are currently seeking nominations for Secretary, Treasurer and 3 Members-at-Large, for a two-year term that begins in January 2012. We encourage all COHEAO members to nominate primary members for positions on the Board. Nominations can be made via email at COHEAOelections@wpllc.net with a cc to t-schm@umn.edu, via fax at 1-202-371-0197, or by mailing the form attached at the end of *The Torch* to:

COHEAO
1101 Vermont Ave. N.W.
Suite 400
Washington DC 20005-3521

Nominations can be made by any COHEAO member, however, only the "primary" member of a school or institution may serve on the Board of Directors. Please consult the Member Area on the COHEAO website at www.coheao.org for a complete list of primary members or if you have any questions about the responsibilities of these positions (as outlined in the by-laws). All nominees will be contacted in late November and encouraged to pursue one of the available Board positions. This year's elections for Secretary and Treasurer will be conducted via email ballot.

All nominations must be received by October 19, 2011.

If you have any questions, please contact Tom Schmidt, COHEAO Internal Operations Chair, at t-schm@umn.edu; Harrison Wadsworth at hwadsworth@wpllc.net; or Wes Huffman at whuffman@wpllc.net.

The Congress

House Ways and Means Committee to Markup 3% Repeal Legislation

On Monday, October 10, the House Ways and Means Committee will markup H.R. 674, legislation introduced by Rep. Wally Herger (R-CA) to repeal a law that would require state and local government entities, including public colleges and universities, to withhold 3% of payments to vendors for federal tax purposes.

The requirement is a result of a budget reconciliation bill from 2005 and its implementation has often been delayed. Sen. Scott Brown (R-MA) has introduced similar legislation in the Senate, though it does include offsets for the federal costs (as calculated by CBO) through the rescission of unobligated funds where H.R. 674 does not.

COHEAO has been working with a broad coalition affected by this pending provision to the tax code by highlighting its disparate impact on colleges and universities. If you would like a copy of COHEAO's letter of support for the legislation, which we sent today to the Ways and Means Committee, please email whuffman@wpllc.net. Additional information on the Government Withholding Coalition is available online: http://www.withholdingrelief.com/

Senate Committee Approves Cordray But GOP Holds Firm on Plan to Block Nomination

The Senate Banking, Housing, and Urban Affairs Committee approved the nomination of Richard Cordray as Director of the Consumer Financial Protection Bureau (CFPB) this week on a straight party line vote of 12-10. Senate Republicans, led by Banking Ranking Member Richard Shelby (R-AL), have indicated they will block the nomination of Cordray unless the Director position is replaced with a commission structure.

Treasury Secretary Tim Geithner appeared before the Committee, urging Republicans to back away from their demands. Shelby indicated he and his colleagues were disappointed the Administration has yet to respond to their letter seeking changes to the Bureau, which was sent several months ago, and Republicans remained very concerned with a lone director.

Following the hearing, the White House pressed Congressional Republicans to stop "watering down" the Bureau. In addition to making this accusation during Press Secretary Jay Carney's daily press briefing, Stephanie Cutter, a White House advisor, offered a blog post calling on Congress to confirm Cordray.

"Without a director, the CFPB will be unable to ensure that banks, debt collectors, private student loan providers and payday loan providers are properly supervised and that consumers are not put at risk of falling prey to the same kinds of abusive practices that helped cause the worst financial crisis since the Great Depression," Cutter wrote.

The Administration

Administration Debt Collection Proposal Gaining Media Attention

After taking some time to review the full Administration proposal for the Joint Select Committee on Deficit Reduction, the media began to focus on its call to allow for better contact with cell phones in the collection of federal debts.

The Administration document indicates such a move would lead to budgetary savings and supports it with many of the same arguments of those looking to update the Telephone Consumer Protection Act (TCPA) and the Federal Debt Collection Practices Act (FDCPA)—Cell phones are replacing landlines which are moving closer and closer to extinction. However, some consumer and privacy advocates argue such a proposal would lead to increased harassment of delinquent borrowers.

The latest article is a piece from the *Associated Press* noting that two current ED collectors, Allied Interstate and West Asset Management, paid fines to the Federal Trade Commission in the past year. A Department spokesperson stated the FTC complaints, which resulted in fines of $2.8 million for West and $1.75 million for Allied, did not relate to ED accounts.

Advisory Committee Releases Preliminary Report on Higher Education Regulations

The Advisory Committee on Student Financial Assistance released the preliminary results of a study of federal regulations and their impact on institutions. The report is mandated by the most recent reauthorization of HEA (HEOA) and the Advisory Committee is required to examine "the extent to which regulations are burdensome and need to be streamlined, improved or eliminated."

The report examines the regulation of higher education through the following questions:

- *Regulatory Burden:* How burdensome does the higher education community consider the regulations under the HEA? Which regulations are perceived as most burdensome?
- *Regulatory Improvement:* Can HEA regulations be streamlined or eliminated without adversely affecting program integrity, accountability, student access, and student success?
- *System of Regulation:* Are key components of the system of regulation under the HEA perceived as needing change?
- *Cost Savings:* Would streamlining or eliminating individual regulations reduce costs for institutions and students? Would modifications to the system of regulation reduce such costs?
- *Future Regulatory Reform:* What should be the focus of future regulatory reform efforts for higher education? How should such efforts proceed?

The Advisory Committee convened a hearing to accompany the release of the report. The Committee heard from two panels of witnesses on which regulations were most burdensome and began to discuss ideas for reform recommendations.

Not surprisingly, aid administrators and other college officials find the regulations to be very burdensome. Survey respondents indicated 14 of 15 regulations cited were at least "burdensome" and a majority responded the HEA as a whole is burdensome. However, during the hearing there was an acknowledgement of the federal government's expectation of accountability although Advisory Committee members agreed the long held practice of "jamming everything [regulatory requirements] through Title IV and financial aid" was in need of reform.

A final report and recommendations are expected before the end of the year after the Advisory Committee continues to validate the results of this initial survey and discusses the expectations of the financial aid community for a regulatory system.

The full report is available online: **http://www2.ed.gov/about/bdscomm/list/acsfa/hersprelimreport.pdf**

States Facing Difficulties with Challenge Grants' MoE Requirements

College Access Challenge Grants, created by HEOA, is a $150 million per year program with a maintenance-of-effort requirement for states. Facing tremendous budget pressure and an inability to run deficits, numerous states applied for waivers to this spending requirement. The Department indicates a near majority of states had applied for such a waiver, but it has been able to work the list down to eight.

The eight, however, are proving to be problematic. They are identified by the *Chronicle of Higher Education* as follows: Alabama, Iowa, Louisiana, Michigan, Mississippi, Nevada, Ohio and Virginia.

Michigan's request for a waiver has thus far been denied. Michael Flanagan, the state's superintendent of public instruction, sought the waiver, writing Secretary of Education Arne Duncan and describing his request as "rooted in an unprecedented and undeniable economic reality." However, the Department denied the request, stating granting one would not be "equitable" because Michigan decreased higher education spending more than its overall budget.

In the case of Michigan, roughly $4 million in college access funds is at stake, but state officials are concerned they will not qualify for the program for at least the next three years. Flanagan said the decision to deny the funds was another "barrier" for low-income students trying to obtain an education.

NCES Releases New Report on Stafford Borrowing

The National Center for Education Statistics (NCES) this week released, "Borrowing at the Maximum: Undergraduate Stafford Loan Borrowers in 2007–08," a "Stats in Brief" report on the National Postsecondary Student Aid Study (NPSAS) data on Stafford Loan borrowing.

The report sought to answer three questions:

1. How has the percentage of undergraduates borrowing the *program maximum* for subsidized Stafford loans changed over the last 20 years?
2. What percentage of undergraduates with Stafford loans borrowed at their *individual maximum*, that is, the limit defined by their financial need and student budget, and how did this vary by dependency status?
3. Among undergraduates who borrowed at their *individual maximum* in total Stafford loans, what other types of financing did they use and what percentage worked full time, compared with those who borrowed less than their individual maximum and those who did not take out any Stafford loans?

It offers the following key findings, which are supported throughout the report with additional details often explained through tables, charts, and graphs:

- Among undergraduates who took out a subsidized Stafford loan between 1989–90 and 2007–08, the percentage of those borrowing the program maximum immediately decreased each time Stafford loan limits were raised, but as time went by it grew again.

- In 2007–08, about two-thirds (66 percent) of subsidized Stafford loan borrowers took out their individual maximum in subsidized Stafford loans, as limited by the lesser of their financial need and the pro-gram maximum. About 6 in 10 (59 percent) of those who took out any

- Stafford loans (subsidized and unsubsidized combined) borrowed the most they could, as limited by the lesser of their total price of attendance and the program maximum.

- Differences in the use of other types of loans (such as private loans and Parent PLUS loans) were greater between those who took out a Stafford loan and those who did not, than between borrowers who took out the maximum allowed and those who took out less. About 30–31 percent of those who took out a Stafford loan also took out a private loan, compared with 6 percent of those who did not take out any Stafford loans. Among dependent students, about 16–18 percent of Stafford loan borrowers had parents who took out a Parent PLUS loan, compared with 0.8 percent of dependent undergraduates who did not take out any Stafford loans.

- In terms of work intensity, the percentage of students who worked full time while enrolled was lowest among Stafford loan borrowers who took out the maximum amount (26 percent), compared with those who took out less than the maximum (33 percent) and those who did not borrow (37 percent).

The full report is available online: http://nces.ed.gov/pubs2012/2012161.pdf

Industry News

MOHELA Signs Contract as First SAFRA NFP Servicer

Last week, MOHELA entered into a contract with the US Department of Education to service student loans owned by the federal government. While the organization is guaranteed 100,000 accounts through the SAFRA legislation and the contract ultimately provides for servicing of up to 10 million borrower accounts, future MOHELA allocations will be based upon MOHELA's servicing performance and the ongoing needs of the US Department of Education.

MOHELA today held an Open House and Ribbon Cutting event at their new Federal Direct Student Loan Servicing Center located at its headquarters in Chesterfield, MO. The new Student Loan Servicing Center was specifically designed to service up to 3 million borrower accounts on behalf of the US Department of Education.

In recent months and in anticipation of receiving a contract from the US Department of Education, MOHELA began hiring 22 new employees every eight weeks. MOHELA's in-house training facility can accommodate up to 22 new-hires every eight weeks. The first transfer of Federal Direct Student Loans to MOHELA is scheduled to occur on October 20, 2011.

Texas Voters to Consider Private Student Loan Bonds

Included in the numerous list of propositions for Texas voters this election year is one that would allow the Texas Higher Education Coordinating Board to issue bonds to provide for as much as $2 billion in private student loans.

Proposition 3 would increase the board's bonding capacity by $1.86 billion which it would then combine with $275 million in existing capital for its private student loan programs. The proposition would also allow for as much as $350 million per year in loan volume, up from the current $175 million per year.

Most of the funding would provide for College Access Student Loans. The average loan size is $8,300 and College Access loans carry a fixed interest rate of 5.25%.

Additional coverage from the *San Antonio Express* is available online:
http://www.mysanantonio.com/news/education/article/Student-loan-expansion-on-ballot-2203097.php

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Immediate Credit Recovery, Inc.

JC Christenson and Associates

National Credit Management

NCO Financial Systems, Inc.

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Windham Professionals

Coalition of Higher Education Assistance Organizations
Request for Nominations

COHEAO Board of Directors Nomination Form-Due by 10/19/2011

I nominate the following **primary** member(s) for the COHEAO Board of Directors as noted:

Secretary Nominee's Name	Organization	E-Mail or Telephone

Treasurer Nominee's Name	Organization	E-Mail or Telephone

Member-at-Large nominations - There are three open positions. You may nominate as many **primary** members as you wish.

Nominee's Name	Organization	E-Mail or Telephone

Please return form via email to: COHEAOelections@wpllc.net with a cc to t-schm@umn.edu or send it by mail to: COHEAO, 1101 Vermont Ave. N.W., Suite 400, Washington, DC 20005-3521 or by fax to: 1-202-371-0197.