The Torch

September 14, 2012

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

COHEAO News

- **September 19, 2 PM ET: COHEAO Webinar on Helping Students Understand Credit Reports**
  Register today for the upcoming COHEAO webinar, "Helping Students Understand Credit Reports and Credit Scores," which is scheduled for Wednesday, September 19 from 2:00 PM to 3:30 PM Eastern Time.
- **Follow @COHEAO on Twitter**
  After launching our handle, @COHEAO, just a few weeks ago, COHEAO has been quite active on Twitter. COHEAO members on the "Twittersphere" should follow us @COHEAO

Student Loans & The 2012 Campaign

- **Student Loans, College Costs Play Prominent Role at Democratic National Convention**
  Student debt, college costs, and student aid all played a prominent role at the Democratic National Convention last week.
- **Higher Ed & Student Loans in the Democratic Platform**
  In addition to remarks on student loans and college affordability from featured speakers such as President Obama and former President Clinton, Democrats formally approved the party platform at this week's convention.

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- **September 13 HELP Committee Hearing: "Improving College Affordability a View from the States"**
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- **OMB Delivers Sequester Transparency Act Report**
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- **[*USA Today* Highlights PLUS Servicing Glitch]**
  USA Today reports, "21,000 borrowers at various universities across the country might have received some bad information in their recent paperwork on PLUS loans."
- **[2-Year and 3-Year CDRs Forthcoming]**
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Industry News

- **[In the News: A Horrible *NYT* Headline & Value of College Questioned by *Newsweek*]**
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  A group known as "Hard Block," which states it is affiliated with the ideals of the Occupy Wall Street movement and describes itself as a "developer and enabler of the burgeoning protest culture," is planning to protest student debt by gathering a group to collectively burn their student loan bills.
- **[Report: Student Loan SCRA Class Action Settled]**
  A class action suit involving Citigroup and the Student Loan Corporation for alleged violations of the Servicemembers Civil Relief Act (SCRA) has been settled.

Attachments

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

COHEAO News

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Register today for the upcoming COHEAO webinar, "Helping Students Understand Credit Reports and Credit Scores," which is scheduled for Wednesday, September 19 from 2:00 PM to 3:30 PM Eastern Time.

This is a webinar you will not want to miss as it will provide you with valuable information to share with your students on the impact that certain financial behaviors, particularly delinquency and default, have on their individual credit profile. Click here to register.

Credit reports and credit scores play a crucial role in consumers' lives. They can impact not only lending decisions but also a person's ability to obtain cellular telephone and utility service, rent an apartment, or qualify for a job. Join Rod Griffin, Director of Public Education for Experian, for a comprehensive discussion about credit reporting and credit scoring. Gain valuable insight into how the credit reporting and credit scoring process works, distinguish fact from fiction, and join in a discussion about how you can effectively address your students and customers' questions regarding these often misunderstood financial tools.

- **What: Helping Students Understand Credit Reports and Credit Scores**
- **When: Wednesday, September 19, 2:00 PM-3:30 PM Eastern Time**
- **Fees: $49 for COHEAO Members/$99 for Non-Members (Member rates apply for individuals at all COHEAO member schools, companies, and organizations)**
- **Playback Available?: Yes. Playback files are free for attendees or available at the same rate as live attendance.**
- **Registration/More Info: http://www.coheao.com/conference-events/upcoming-events/webinars/**

Follow @COHEAO on Twitter

After launching our handle, @COHEAO, just a few weeks ago, COHEAO has been quite active on Twitter. COHEAO members on the "Twittersphere" should follow us @COHEAO

We have been using the Twitter feed to provide news updates, attach Perkins advocacy to "trending" Twitter topics in higher education, and share our thoughts on the day's news. For the latest on anything and everything related to student loans and student financial services (and sometimes even matters that are not), follow us @COHEAO.

Student Loans & The 2012 Campaign

Student Loans, College Costs Play Prominent Role at Democratic National Convention

Student debt, college costs, and student aid all played a prominent role at the Democratic National Convention last week. In addition to speeches from recipients of Pell Grants and VA education benefits, featured speakers from Michelle Obama to Elizabeth Warren to former President Clinton and President Obama all made multiple references to college costs and student loan related issues.

The First Lady led off the proceedings by pointing to the fact that she and the President somewhat recently paid off their student loans from law school to drive home the point that President Obama understands the struggles of everyday Americans. The next night, Elizabeth Warren delivered a heavily populist message with harsh criticisms of Wall Street which included the claim that consumers were routinely fooled by student loans.

In his 48 minute highly praised speech, former President Clinton gave the most detailed defense of the President's student loan policies, particularly the expansion of the Income Based Repayment (IBR) program. After telling delegates, “"You need to tell every voter where you live about this," Clinton provided a detailed explanation of the IBR program, painting it in a favorable light. He said, in part:

. . . After a decade in which exploding college costs have increased the drop-out rate so much that we've fallen to 16th in the world in the percentage of our young adults with college degrees, his student loan reform lowers the cost of federal student loans and even more important, gives students the right to repay the loans as a fixed percentage of their incomes for up to 20 years. That means no one will have to drop-out of college for fear they can't repay their debt, and no one will have to turn down a job, as a teacher, a police officer or a small town doctor because it doesn't pay enough to make the debt payments. This will change the future for young Americans.

Rohit Chopra, the CFPB Student Loan Ombudsman, recently described the IBR program as similar to Chapter 13 bankruptcy proceedings without the involvement of the courts.

President Obama did not offer many specifics on student loans, but did make a pledge, if elected, to curb the growth of tuition by 50 percent over the next ten years. Below is a collection of the President's remarks on higher education in his acceptance speech:

OBAMA: You can choose a future where more Americans have the chance to gain the skills they need to compete, no matter how old they are or how much money they have. Education was the gateway to opportunity for me. It was the gateway for Michelle. It was the gateway for most of you.

And now more than ever, it is the gateway to a middle- class life.

For the first time in a generation, nearly every state has answered our call to raise their standards for teaching and learning.

Some of the worst schools in the country have made real gains in math and reading. Millions of students are paying less for college today because we finally took on a system that wasted billions of taxpayer dollars on banks and lenders.

And now you have a choice. We can gut education, or we can decide that in the United States of America, no child should have her dreams deferred because of a crowded classroom or a crumbling school. No family should have to set aside a college acceptance letter because they don't have the money. No company should have to look for workers overseas because they couldn't find any with the right skills here at home. That's not our future. That is not our future.

A government has a role in this. But teachers must inspire; principals must lead; parents must instill a thirst for learning, and students, you've gotta do the work.

And together, I promise you, we can out-educate and out-compete any nation on Earth. Help me recruit 100,000 math and science teachers within ten years, and improve early childhood education.

Help give two million workers the chance to learn skills at their community college that will lead directly to a job. Help us work with colleges and universities to cut in half the growth of tuition costs over the next ten years. We can meet that goal together.

You can choose that future for America.

That's our future.

The Chronicle of Higher Education has developed a blog devoted to higher education and the elections, "Decision 2012." It is available online: **http://chronicle.com/blogs/decision2012/**.

Higher Ed & Student Loans in the Democratic Platform

In addition to remarks on student loans and college affordability from featured speakers such as President Obama and former President Clinton, Democrats formally approved the party platform at this week's convention. Though President Obama did talk about future plans in his acceptance speech, including a call to curb the growth of tuition by 50 percent over the next years, the platform included very few specifics in the way of policy proposals.

Below is an excerpt from the platform:

To help keep college within reach for every student, Democrats took on banks to reform our student loan program, saving more than $60 billion by removing the banks acting as middlemen so we can better and more directly invest in students. To make college affordable for students of all backgrounds and confront the loan burden our students shoulder, we doubled our investment in Pell Grant scholarships and created the American Opportunity Tax Credit worth up to $10,000 over four years of college, and we're creating avenues for students to manage their federal student loans so that their payments can be only 10 percent of what they make each month. President Obama has pledged to encourage colleges to keep their costs down by reducing federal aid for those that do not, investing in colleges that keep tuition affordable and provide good value, doubling the number of work-study jobs available to students, and continuing to ensure that students have access to federal loans with reasonable interest rates. We invested more than $2.5 billion in savings from reforming our student loan system to strengthen our nation's Historically Black Colleges and Universities, Hispanic-Serving Institutions, Tribal Colleges and Universities, Alaska, Hawaiian Native Institutions, Asian American and Pacific Islander Institutions, and other Minority Serving Institutions. These schools play an important role in creating a diverse workforce, educating new teachers, and producing the next generation of STEM workers.

"I work full-time during the day, and I attend Florida International University at night as a part-time student. I'm working towards a degree in Public Administration. If it wasn't for financial aid, I wouldn't be able to pursue my dream. Like so many people, I would have to put my education on hold. Because of President Obama, I don't have to make this sacrifice. By doubling Pell Grants and enacting college tax credits, he's standing up for students and helping to make college more affordable and accessible."— Maytee Lopez

We Democrats also recognize the economic opportunities created by our nation's community colleges. That is why the President has invested in community colleges and called for additional partnerships *between businesses and community colleges to train two million workers with the skills they need for good jobs waiting to be filled, and to support business-labor apprenticeship programs that provide skills and opportunity to thousands of Americans. The President also proposed to double key investments in science to educate the next generation of scientists and engineers, encourage private sector innovation, and prepare at least 100,000 math and science teachers over the next decade. And to make this country a destination for global talent and ingenuity, we won't deport deserving young people who are Americans in every way but on paper, and we will work to make it possible for foreign students earning advanced degrees in science, technology, engineering, and mathematics to stay and help create jobs here at home.*

Mitt Romney has a radically different vision. He says we need fewer teachers, cops, and firefighters—good middle class jobs—even after losing hundreds of thousands of such jobs during the recession and at a time when state, local, and territorial governments are still shedding these jobs. He supports dramatic cuts to Head Start and the Pell Grant program. Tuition at public colleges has soared over the last decade and students are graduating with more and more debt; but Mitt Romney thinks students should "shop around" for the "best education they can afford." And he supports the radical House Republican budget that would cut financial aid for more than one million students while giving tax cuts to the rich. We Democrats have focused on making sure that taxpayer dollars support high-quality education programs, but Mitt Romney is a staunch supporter of expensive, for-profit schools—schools that often leave students buried in debt and without the skills for quality jobs and that prey on our servicemembers and veterans.

The full platform is available online: **http://www.democrats.org/democratic-national-platform**

The Congress

House Passes CR as Both Chambers Look to Leave by Next Week

The House of Representatives passed a continuing resolution (CR) to keep the government operating for the next six months. It is the only piece of legislation expected to pass Congress before both the House and Senate plan to break next week to campaign through Election Day. Though the CR clears the appropriations matter until the next Congress, several major issues remain including the debt ceiling and the sequester as well as the extension of the so-called Bush tax cuts and “Doc Fix” regarding payments to Medicare providers.

Due to changes in CBO estimates, an additional $8 billion was available to spend across all government agencies. To account for the additional monies, programs are funded FY 12 appropriated level plus an across-the board increase of 0.612% through March 27, 2013. For the Department of Education, the overall increase is $416.8 million.

September 13 HELP Committee Hearing: “Improving College Affordability a View from the States”

The Senate HELP Committee convened a hearing, “Improving College Affordability: A View from the States,” this week. Below is a list of witnesses:

- **Dr. Muriel A. Howard** , President, American Association of State Colleges and Universities, Washington, D.C.
- **Dr. David A. Longanecker** , President, Western Interstate Commission for Higher Education, Boulder, CO

- **John Morgan**, Chancellor, Tennessee Board of Regents, Nashville, TN
- **Dr. Camille Preus** , Commissioner, Oregon Department of Community

Morgan and Preus, the individual state leaders, discussed initiatives undertaken to help keep college costs down. Morgan pointed to the state's "Complete College Tennessee Act," which implements performance-based funding, among other things, for state-institutions as "transformative" legislation in state higher education policy. He also indicated higher education must face the new "fiscal reality" of decreased funding, but his recommendations include increasing need-based funding at both the state and federal level.

Preus highlighted a different approach in Oregon, where the state has recently created the Oregon Education Investment Board, which is charged with overseeing P-20 education in the state. Preus' testimony highlighted how Oregon's investments in early education as well as K-12 education were helpful in keeping college costs down in the area of remediation. Preus also highlighted increased investments in Oregon Opportunity Grants and the state's "Shared Responsibility Model," whereby the state attempts to come in as "final partner" (behind the student (including scholarships and loans), family, and federal government), in an attempt to leverage as many state dollars as possible.

Drs. Howard and Longanecker also highlighted several state and institutional initiatives aimed at keeping college more affordable, but the real fireworks did not come until the question and answer session with Senators. During the Q&A, both Howard and Longanecker pushed for more requirements for federal funding as a means for leveraging state funding, with Howard calling for more funding requirements and Longanecker speaking both to funding and programmatic changes. However, when Howard called on Congress to strengthen maintenance of effort (MOE) requirements, Sen. Lamar Alexander (R-TN) had a stern response.

After discussing the burdens placed on states through the Medicaid program (and the pending addition to the burden from "Obamacare"), Alexander said that program "has gotten higher education into the mess it's in today." Later in the hearing, after lamenting decreases in state taxes and an increasing reliance on gambling proceeds to fund higher education at the state level, HELP Committee Chairman Tom Harkin (D-IA) replied, "I hope we're not trying to pit poor kids against college students,"

Additional information on the hearing, including witness testimony and an archived webcast, is available online: **http://www.help.senate.gov/hearings/hearing/?id=1760d191-5056-a032-52d9-3e5ced47037e**

The White House & The Administration

OMB Delivers Sequester Transparency Act Report

The Office of Management and Budget today released the report mandated by the Sequester Transparency Act to provide additional details on the impact of the budget sequester included with last year's debt ceiling agreement. The budget sequester requires across the board defense and non-defense spending cuts in the absence of an agreement to reach an agreement to reduce the deficit, an action which OMB states would be "devastating."

The following is a summary of the report from the Committee for Education Funding, which notes an additional $91 million in student loan origination fees:

It projects the FY 13 sequester across-the-board cut to nondefense discretionary spending will be 8.2% and for nondefense mandatory programs, the percentage cut will be 7.6%. This is based on certain assumptions – most importantly, that FY 13 discretionary spending will be at the FY 12 levels (that is what the Sequester Transparency Act mandated be used in this analysis). Since Final FY 13 spending will be slightly different since the CR already increases most programs by 0.612% and a few program by larger amounts, the final sequester % cut will be slightly different.

For Department of Education programs the total FY 13 cut would be $4.113 billion (this counts the $91 million raised form increasing student loan origination fees). . The one education program subject to a special rule is student loans. The special rule requires that loan origination fees be increased by the same percentage as the uniform percentage cut to nondefense mandatory programs, which is projected to be 7.6%. Since the current fee is 1% for undergraduate Stafford loans, the new fee would be 1.076%. For PLUS loans, the current 4% fee would be increased to 4.304%.

The report lists all accounts covered by the sequester and also contains a list of all accounts subject to or exempt from the sequester. As Secretary previously stated, all of Pell grants is exempt from the FY 13 sequester cut. The Academic Competitiveness/SMART Grant Program is also exempt.

The full report is available online: **http://www.washingtonpost.com/blogs/ezra-klein/files/2012/09/Combined_STAReport_Watermark.pdf**

Pell Spending Decreases by $2.2 Billion in FY2012 as Number of Recipients Increases

Newly released estimates from the Department of Education indicate spending on the Pell Grant program decreased by $2.2 billion from FY2011. *Inside Higher Ed* reports:

The federal government spent $2.2 billion less on Pell Grants in the most recent fiscal year (which ended on July 1) compared to the previous year, according to newly released preliminary data from the U.S. Department of Education. That decrease, to $33.4 billion from $35.6 billion, fell well short of the department's estimated $40 billion price tag for Pell.

The dip in spending also occurred while the number of Pell recipients increased by 58,000. That means more of the almost 9.7 million lower-income students who received the grants last year got smaller awards. One reason for that could be more students attending college part time, because part-time enrollment status reduces Pell award amounts.

*Experts said another probable cause for the decrease in expenditures is the **elimination** of the year-round, or summer, Pell Grant, which allowed students to qualify for two awards in a year. But that cut, which went into effect in July 2011, was projected to save only $4 billion per year, and the program came in more than $6.5 billion under its estimated cost. So something else must also be at play.*

Most of the decrease in Pell spending was for students who attended for-profit institutions, which accounted for $1.4 billion of the dropoff. For-profits have been battered by slumping enrollments, and the number of Pell recipients attending for-profits declined by 108,000 students, to roughly 2.1 million.

> *Other sectors, however, saw increases in total grant funds. Community colleges and public four-year institutions received slightly more in Pell revenue, while private colleges saw a small decline. The number of Pell recipients increased at public four-year and private colleges, while slightly fewer students at community colleges received the grants*

Some financial aid administrators have indicated more students than expected have been impacted by the elimination of summer Pell, limiting the awards to 150 percent of academic program length, and the decrease in income qualification for the "auto-zero EFC" to $23,000 in family income, which could also explain the lower costs for the program.

An article from *Inside Higher Ed* is available online:
http://www.insidehighered.com/news/2012/09/07/pell-spending-declines-despite-growth-grant-recipients#ixzz25r3zCelF

USA Today Highlights PLUS Servicing Glitch

USA Today reports, "21,000 borrowers at various universities across the country might have received some bad information in their recent paperwork on PLUS loans." At issue is a glitch with the data recently sent by the Office of Federal Student Aid to servicers and all parties are working solve the problem. Additional information from *USA Today* is below:

> Federal Student Aid reported Tuesday that it had identified an issue with data that were sent to federal loan servicers for Direct PLUS Loan borrowers. As a result, these Direct PLUS Loan borrowers entered repayment once the incorrect information was on the servicer's system.
>
> Servicers are working to correct the problem. It's unknown how many are affected. The U.S. Department of Education said a small subset of parents who had not deferred payments but received loan money in August and September were involved. The Department of Education fixed its system last weekend and said no borrower will be made to enter repayment earlier than entitled to because of the glitch.
>
> [Michigan State University Director of Financial Aid Rick] Shipman said MSU parents with PLUS loans received this year shouldn't owe money in October, as the total amount of the PLUS loan would not be dispersed until January. He called that October date "just wrong."

The full article is available online:
http://www.usatoday.com/money/personalfinance/story/2012/09/12/your-money-be-sure-to-check-paperwork-on-student-loans/57768448/1

2-Year and 3-Year CDRs Forthcoming

The Department of Education plans to release Cohort Default Rates to all eligible schools, guaranty agencies, and lenders in the coming weeks. Below is from the Department's announcement:

> *This year, we plan to release a 2-year and a 3-year cohort default rates as follows:*
>
> - *On September 17, 2012 we plan to release the FY 2010 2-Year Cohort Default Rates to schools, guaranty agencies, and lenders only.*

- *On September 24, 2012 we plan to release the FY 2009 3-Year Cohort Default Rates to schools, guaranty agencies, and lenders only.*

Please note: After the release of the 2009 3-Year rates on September 24, the Department of Education (the Department) will publicly post both the 2010 2-Year and the 2009 3-Year Cohort Default Rates to the Default Management Web site and the FSA Data Center. In addition, ED will post an Electronic Announcement about the rates on the Information for Financial Aid Professionals (IFAP) Web site.

The full announcement is available online: http://www.ifap.ed.gov/eannouncements/091212FY20102YearandFY20093YearOfficialCDRReleaseScheduledforSept17andSept2412.html.

Industry News

In the News: A Horrible *NYT* Headline & Value of College Questioned by *Newsweek*

On Sunday, the *New York Times* ran a story, "Debt Collectors Cashing In on Student Loans," which detailed the growth in student loan collections in recent years. Considering the previous efforts of the publication in this area, much the article would normally qualify as relatively benign by the *Times* standards, but the inclusion of a portion of one industry consultant's flippant column on the Occupy movement in which he described the potential boon for the industry that flashed before his eyes as he watched a student debt protest did cause a stir. The article later said the author of the column indicated he was joking, and a read of the entire column from Inside ARM, the collections industry newsletter, showed it was written toungue in cheek.

However, one of the nation's leading publications presenting the story as collectors enjoying profits as students struggle with debt is likely to present a challenge for the higher education collection industry over the next few weeks. In addition to its expansive syndication network, articles from the *Times* will often inspire reporters at smaller publications to begin exploring a topic more extensively.

Higher education was also in the news with a *Newsweek* cover story, "Is College a Lousy Investment?," by Megan McArdle, a right-leaning economics writer recently signed by the publication. McArdle's article was widely rebuked by more left-leaning economic thinkers, such as Felix Salmon of *Reuters*, Justin Wolfers of the University of Michigan, and Dylan Matthews of the *Washington Post's* "Wonk Blog." Though questions on the ROI of college are always troubling and the cover headline is a bit sensational, the writings are an excellent example of a debate among economists on the value of a college degree, increasing costs, and future policy options.

- Megan McArdle's article from *Newsweek*, "Is College a Lousy Investment," is available online: http://goo.gl/nOpY8
- An article from the *Huffington Post*, "Justin Wolfers: Newsweek Cover Story on College 'Lacks Evidence'," is available online: http://goo.gl/VLdba
- A blog post by Felix Salmon of *Reuters*, "The Necessity of a College Education," is available online: http://goo.gl/0YyRv
    - A response by McArdle on the *Daily Beast* is available online: http://goo.gl/9PtuV
- The "Wonk Blog" post from the *Washington Post*, "College Is Still a Great Investment, But It Is Getting Worse," is available online: http://goo.gl/9ZXS0

- The *New York Times* article, "Debt Collectors Cashing in on Student Loans," is available online: http://www.nytimes.com/2012/09/09/business/once-a-student-now-dogged-by-collection-agencies.html?pagewanted=all
- A response from *InsideARM*, "Student Debt: Lip Smacking or National Crisis?" is available online: http://www.insidearm.com/large-claim-collection-experts/student-debt-lip-smacking-or-national-crisis/

Student Loan Bill Burning Protest Planned for Los Angeles

A group known as "Hard Block," which states it is affiliated with the ideals of the Occupy Wall Street movement and describes itself as a "developer and enabler of the burgeoning protest culture," is planning to protest student debt by gathering a group to collectively burn their student loan bills. The event is set for the corner of Hollywood and Highland in Los Angeles at 1 PM PT. Here is a description of the event from the "Hard Block" group:

> ***$6 TRILLION on war - $11 TRILLION on bank bailouts - What about the students?***
> ***We're not paying the bill - We're burning it!***
>
> *Join HARD BLOCK for a back-to-school protest against the massive debt being put on the shoulders of students. In the richest country in the world, young people must go deep into debt just to get an education--as the cost of higher education skyrockets, that debt is growing. After following the "American Dream," graduates face a dire job market that makes it impossible to pay back the debt.*
>
> ***Click here to sign-up to burn your student loan bill!***
>
> *Young people aspiring to get a higher education are in crisis today, through no fault of their own. If the banks can get a bailout after they ruined the economy through their own fraud and greed, students, who did nothing to cause the economic crisis, deserve a bailout as well. Come burn your student loan bill to demand the government cancel all student debt!*

Inside Higher Ed reports an "elected official" is scheduled to subsequently dump the ashes on the Floor of the House of Representatives. There is no word as to who the "elected official" may be or when it may occur, but Rep. Hansen Clarke (D-MI) has been the most vocal Member of Congress in support of wide-scale forgiveness.

Inside Higher Ed also noted previous efforts from the Occupy movement included a protest in the form of a widespread refusal to repay student loan debt. Occupy was hoping for as many as one million protestors. To date, the online petition has received roughly 4,000 signatures.

Report: Student Loan SCRA Class Action Settled

Minnesota Public Radio reports a class action suit involving Citigroup and the Student Loan Corporation for alleged violations of the Servicemembers Civil Relief Act (SCRA). An excerpt from *MPR's* report is below:

The Minneapolis law firm Crowder Teske announced the settlement in an email Wednesday. The lawsuit alleges Citibank and the Student Loan Corporation failed to honor a law intended to protect military service members on active duty.

The settlement affects more than 6,300 military service members across the country. According to court documents, the suit charges the lenders violated the Servicemembers Civil Relief Act.

Under the act, active duty troops are entitled to a 6 percent interest rate cap on their loans. The suit was brought by Maj. Lyndsey Olson, who deployed to Iraq with the Minnesota Army National Guard for a year beginning in 2008. She alleges the banks violated the interest rate cap during her military service.

Under the terms of the settlement, members of the military will receive cash payments of up to around $650 dollars per loan. Many of them have more than one loan.

The full article from *Minnesota Public Radio* is available online:
http://minnesota.publicradio.org/display/web/2012/09/06/judiciary/class-action-suit-against-student-loan-servicers-settled/

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