The Torch

May 10, 2013

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

COHEAO News

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  Register today for the latest COHEAO webinar, "Best Practices in Servicing to International Students." The webinar is scheduled for Thursday, May 16 at 2:00 p.m. Click here to register.
- **The 2013 COHEAO Mid-Year Conference Will Be Here Before You Know It!**
  Registration is now available for the COHEAO Mid-Year Conference. Click here to register!

Congress

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White House & Administration

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  Quartz.com, a new finance and economics website, collected 17 charts on the "student loan bubble."
- **New Report States Merit Aid "Undermines" Pell**
  The New America Foundation has issued a new report, "Undermining Pell: How Colleges Compete for Wealthy Students and Leave the Low-Income Behind."
- **New Report from New America—Great Resource, But Raises Questions**
  The New America Foundation released an issue brief on FY 2013 appropriations and the FY 2014 budget process.

Attachments

- **COHEAO Commercial Members**
- **Board of Directors**
- **Special Attachment: Department of Education document on student loan repayment options**

COHEAO News

Register Today for the May 16 COHEAO Webinar, "Best Practices in Servicing to International Students"

Register today for the latest COHEAO webinar, "Best Practices in Servicing to International Students." The webinar is scheduled for Thursday, May 16 at 2:00 p.m. Click here to register.

In our ever shrinking world, it's becoming more important to provide better service to our growing population of international students. Providing the perspectives of schools, third party servicers, and agencies, this webinar will focus on giving better service to our international student populations by providing them with easier and more efficient methods of paying their tuition.

International students spend $12 billion per year directly on higher education and $8 billion per year on living expenses. Join Sharon Butler of peerTransfer, Ray Kopitsch of Cedar Financial, and Jan Hnilica of Wheaton College as they share their insights on this important and growing aspect of student financial services.

What: COHEAO Webinar, "Best Practices in Servicing to International Students"
When: Thursday, May 16, 2:00 PM-3:30 PM
Costs: $49 for COHEAO Member/$99 for non-members
Additional Info: http://www.coheao.com/conference-events/upcoming-events/webinars/
Registration: Click here

The 2013 COHEAO Mid-Year Conference Will Be Here Before You Know It!

Registration is now available for the COHEAO Mid-Year Conference. Click here to register!

The conference is set for July 28-30, 2013 at the Hotel Monaco, the same location as the successful Mid-Year Conference in 2010—right downtown, in the Loop, a short distance from the famed Miracle Mile, the Navy Pier and many other attractions that make Chicago famous.

Most important, however, will be the comprehensive agenda that will offer a tremendous amount of useful information for the attendees. We surveyed many COHEAO members and non-members and we think we will have one of our most engaging and informative conference programs in some time (and we'd humbly submit that is quite a high standard). The agenda will include reports on the latest activities that affect Perkins Loans and other campus-based accounts receivables, with an emphasis on financial literacy programs, the Consumer Financial Protection Bureau and many other topics. COHEAO members will be sent a preliminary agenda next week.

The hotel has offered a very favorable rate for Chicago of $169 per night to COHEAO Conference delegates, so start planning your trip! The rates are available, subject to room availability, three days before and after the conference. The cut off to make reservations is **July 12, 2013**. Please call 1-800-397-7661 and mention the group name "COHEAO Mid-Year Conference 2013" to get their special group rate. You can also make reservations online at:
https://gc.synxis.com/rez.aspx?Hotel=26729&Chain=10179&arrive=7/28/2013&depart=7/31/2013&adult=1&child=0&group=12380602698

Congress

Multiple Interest Rate Bills Introduced

House Committee on Education and the Workforce Chairman John Kline (R-MN) and Subcommittee on Higher Education and Workforce Training Chairwoman Virginia Foxx (R-NC) today introduced legislation to tackle the upcoming student loan interest rate cliff by moving to a market-based solution.

The *Smarter Solutions for Students Act* (H.R. 1911) would move all federal student loans (except Perkins Loans) to a new interest rate formula based on the 10-year Treasury Note, similar to a proposal put forth in President Obama's Fiscal Year 2014 budget plan, but with some key differences.

The following is a summary of the Smarter Solutions for Students Act provided by the Committee on the Education and the Workforce:

- Calculates subsidized and unsubsidized Stafford loans using a formula based on the 10-year Treasury Note plus 2.5 percent.
- Calculates graduate and parent PLUS loans using a formula based on the 10-year Treasury Note plus 4.5 percent.
- Resets student loan interest rates once a year, allowing rates to move with the free market and ensuring borrowers can take advantage of lower interest rates when available.
- Protects borrowers in high interest rate environments by including a 8.5 percent cap on Stafford Loan interest rates and a 10.5 percent cap on PLUS loans.
- Provides stability for low- and middle-income students working to finance their postsecondary education, and prevents future uncertainty about whether Congress is going to act in time to change the interest rate.

Notably, under H.R. 1911, interest rates would reset annually. Under the President's plan and the one put-forth by Senate Republicans, the rates would reset annually, but students would then lock-in at that rate for the life of the loan. Another key distinction is that the Republican plan does include a cap where the President and Senate Republican proposals do not. Finally, while all proposals base their rates on 10-year Treasuries, there are some differences in the spreads for the various types of loans (Subsidized & Unsubsidized Stafford Loans, PLUS Loans).

The same day that the House Republicans released their proposal, a bicameral group of Democrats, Sen. Dick Durbin (D-IL), Sen. Jack Reed (D-RI), Rep. John Tierney (D-MA), and Rep. Joe Courtney (D-CT) released their own proposal. Their bill, the Responsible Student Loan Solutions Act of 2013, would tie interest rates to 91-day Treasuries plus a spread determined by the Secretary of Education. The press release announcing the bill suggested the government is making a significant profit on federal student loans and the spread determined by the Secretary would have to ensure the student loan programs are revenue neutral. Below are the highlights of the bill as identified by its sponsors:

- ***Offering adjustable rate loans for student and parents with a cap on the maximum interest rate*** *that could be charged to protect borrowers during periods of high interest rates. Interest rates for need-based, subsidized loans will be capped at 6.8 percent. Rates for unsubsidized and parent loans will be capped at 8.25 percent.*

- ***Setting the annual rate based on the 91-day Treasury bill, plus a percentage determined by the Secretary of Education*** *to cover program administration and borrower benefits. The Secretary must set the rate so that the student loan programs are revenue neutral.*
- ***Correcting an inequity for undergraduate students who qualify for subsidized loans****. Currently, a dependent undergraduate student can borrow up to $31,000 total. However, the maximum amount that can be subsidized is $23,000, which means that needy students often have to resort to more expensive unsubsidized loans to finance a part or the remainder of their education costs. The bill allows borrowers with financial need to have up to the full loan limit in the lower cost program.*
- ***Allowing borrowers who are stuck with high fixed-rate federal student loans to refinance*** *those loans into the new variable rate loan with a cap. Unsubsidized loans currently carry at 6.8 percent fixed rate. PLUS loans made under the old bank-based program carry a rate fixed of 8.5 percent. PLUS loans made through the Federal Direct Loan program carry a fixed rate of 7.9 percent.*

Finally, Sen. Elizabeth Warren introduced her first piece of legislation in the Senate and it addressed student loan interest rates. Under Warren's bill, which she introduced with a fiery Floor speech attacking big banks, student loan interest rates would be the same as the rate for the Federal Reserve Discount Window. Arguing the government should not charge students more than large financial institutions, Warren's bill would have student loan interest rates at 0.75 percent in current conditions. Neither the Warren Bill nor the bicameral Democratic legislation referenced the impact on the federal budget.

- More information on H.R. 1911 is available online: http://edworkforce.house.gov/news/documentsingle.aspx?DocumentID=333239
- More information on the House and Senate Democratic proposal is available online: http://www.reed.senate.gov/news/release/lawmakers-unveil-long-term-fix-to-help-keep-student-loans-affordable
- More information on Sen. Warren's student loan bill is available online: http://www.warren.senate.gov/documents/BankonStudentsFactSheet.pdf
- An article from *Inside Higher Ed*, including a table of various student loan interest rate proposals, is available online: http://www.insidehighered.com/news/2013/05/10/student-loan-interest-rate-proposals-house-republicans-and-some-senate-democrats

Wyden, Rubio, Warner Re-Introduce "Student Right to Know Before You Go Act"

While much of the focus was on student loan interest rates, Sens. Ron Wyden (D-OR), Marco Rubio (R-FL), and Mark Warner (D-VA) were introducing the "Student Right to Know Before You Go Act." Wyden and Rubio introduced the legislation last year and Warner has been added as a named cosponsor. Last year, Reps. Duncan Hunter (R-CA) and Rob Andrews (D-NJ) introduced companion legislation in the House and remain supportive of the measure.

Below is a table from Sen. Wyden's office on the legislation, which calls for improved data systems in higher education:

Key Institutional Specific Data Improvements Under the Student Right to Know Before You Go Act		
Metric	**Current Law**	**Student Right to Know Before You Go Act**
Post Graduation Earnings Averages	Under current law, no information is made available on average post graduation earnings.	Average post graduation earnings would be broken down by: 1) Program of study 2) Credential received 3) Educational institution 4) State of employment
Graduation Rate	An institution's graduation rates are only calculated for first-time, full-time students.	Graduation rates would be made available for first-time full- and part-time, and new transfer (full- and part-time) students.
Rates of Remedial Enrollment and Success Rate of Students Needing Remedial Enrollment	Current law does not measure an institution's remedial enrollment, though institutions typically do.	Rates of remedial enrollment (meaning percent of students who need remedial enrollment) as well as graduation rates for such students would be made available.
Financial Aid	Current law makes available institutional specific information on the percent of students who receive: federal grants (including Pell grants), state and local grants and scholarships, and federal and private student loans. However this information is not broken down to show which types of students (first-time/full-time, transfer, part-time) are receiving such aid.	The same information would be made available, but broken down by student type (first-time/full-time, part-time, and transfer) as well as by specific program of study. Graduation rates could also be calculated for student groups with differing aid packages.
Degree or Certificate-Seeking Status	Under current law, the graduation rates are calculated for first-time, full-time degree-seeking students (including certificates) but with no disaggregation based on type of credential.	Data would distinguish those students who are not seeking a degree or certificate so that they do not count as part of an institution's graduation rates based solely on a student's declared intent. Degree-seeking status to would be based on observable behavior, such as completion of 12 credit hours in the first year of enrollment.
Average Federal Loan Debt Upon Graduation	This information is not calculated under current law.	Data would be made available on the average federal loan debt for students upon graduation, and would be disaggregated to various levels of degree and program.
Average Federal Loan Debt for Non-Completers	This information is not calculated under current law.	Data would be made available on the average amount of total Federal loan debt of students who do not complete a program of study two years after last known enrollment in any institution of higher education.
Student Transfer Rates	These rates are not calculated under current law.	Data would be made available on student transfer rates by sector of transfer (defined as the percentage of students who leave an institution and successfully enroll in another institution).
Rates of Continuation to Higher Levels of Education	These rates are not calculated under current law.	Data would be made available on the percent of students from a given institution and given program who go on to higher levels of education (post-baccalaureate, doctoral programs, law school, etc.).
Percent of Students That Received the Degree Level Initially Sought	These rates are not calculated under current law.	Data would be made available on the percent of students who receive the degree they initially sought (AA, baccalaureate, etc.).
Outcome Measures for Students Who Received a Federal Pell Grant, Stafford Loans, or GI Bill Benefits	Under current law, no evaluation metrics are broken down based on type of financial aid received.	Data would be made available showing all the metrics outlined above, but also disaggregated by students who receive: Pell Grants, Stafford Loans, and G.I. Bill benefits.

Wyden has developed a webpage for the Student Right to Know Before You Go Act. It includes legislative language, a bill summary, and a section by section analysis among other things. It is available online: http://www.wyden.senate.gov/priorities/student-right-to-know-before-you-go-act

Carson Reconvenes Congressional Higher Education Caucus

Rep. Andre Carson recently announced he is re-launching the Congressional Higher Education Caucus and is seeking more Members. Carson started the caucus in September of last year, attracting 17 members.

He has also maintained a long interest in youth financial literacy, introducing legislation on multiple occasions to provide federal support for these programs. A unique aspect of Carson's approach is that his bill would support programs for individuals ages 8-24, running the gamut of K-12 through postsecondary education.

White House and Administration

CFPB Holds Field Hearing, Issues New Report on Student Debt

The Consumer Financial Protection Bureau (CFPB) published a report "highlighting the ways in which student loan debt can be a roadblock to a full financial life for consumers." The report discusses policy options based on public input from a request for information. The report was released in conjunction with a CFPB field hearing on student debt in Miami.

"College can open up many opportunities, and we do not want that college degree to become more of a burden than a blessing for those saddled with unmanageable debt in a tough employment market," said CFPB Director Richard Cordray.

In February 2013, the CFPB published a Notice and Request for Information soliciting input on affordable repayment options for borrowers with existing student loans. In response, the Bureau received over 28,000 comments suggesting ways to spur more affordable private student loan repayment options. The CFPB published these comments online and released a searchable database of comments. The database includes the complete text of these submissions, along with basic demographic information about the individuals and organizations that gave input.

The report provides the CFPB analysis of the impacts of student loan burdens on the broader economy as raised by the comments, assesses recent actions of policymakers in the student loan market, and discusses policy options put forth by the public regarding private student loans.

The CFPB indicates, "Many of those who commented were concerned about the potential domino effect of student loan debt on the economy. Several comments described how monthly student loan payments can deplete consumers' personal savings, may crowd out other types of consumer spending, and may shape the choices young graduates make about their careers and the communities in which they live."

Remarkably, the report shies away from examining broader economic trends, such as stagnating wages, less concern among young people with home ownership, etc. and instead places most of the blame with student loans. The CFPB indicated the comments cited particular concerns about a potential student debt domino effect on:

- ***Housing:*** *The current generation of first-time homebuyers is inhibited by a heavy student debt burden that may hurt their ability to qualify for a mortgage or to save for a down payment. First-time homebuyers play a critical role in the market by increasing demand and facilitating "move-up" purchases by existing homeowners.*

- ***Small Business Development:*** *Student debt may limit consumers' ability to access small business credit and to save capital. If consumers are able to save enough to start a small business, student debt burdens may require them to divert cash away from their businesses so they can keep up with their student loans.*
- ***Retirement Savings:*** *Those with student debt may be unable to save for retirement or may have to rely on their parents, who are nearing retirement, to help pay their debt. Recent research revealed that only half of workers under 30 have enrolled in their employer's 401(k) plan and barely 40 percent contribute enough to receive a full employer match.*
- ***Rural Communities:*** *Rural areas in particular struggle to attract and retain young professionals. Car ownership may be a prerequisite for employment and rental housing may be scarce. For cash-strapped student borrowers, the need to buy a car or a house may deter them from moving to a rural area. In particular, it may be difficult to attract health care professionals and educators.*

The report also discusses a number of policy and market-based solutions raised by the public and submitted in response to the CFPB's Request for Information. Options identified for consideration by policymakers and market participants include:

- ***"Refi relief" for borrowers who pay on time:*** *Comments from market participants, policy experts, and individual borrowers suggest that refinance options on private student loans could offer relief for responsible borrowers. These borrowers have high-rate private student loans but have dutifully made their payments on time and, as a result, their credit has improved since they first borrowed. Interest rates on private student loans are based on risk. When borrowers graduate and find a job, they may be unable to find a refinance option with a lower rate that reflects the strong likelihood they will fully be able to pay back their loan. Commenters suggested that policymakers can play a role to jumpstart a refinance market. If borrowers are eligible to refinance their debt at lower interest rates, they could potentially save thousands of dollars in the process.*
- ***A "road to recovery" for borrowers in distress:*** *Other comments suggest that a "road to recovery" could be a solution for struggling borrowers trapped in the terms of their private student loans. In October 2012, the CFPB published a report which highlighted consumer complaints where lenders and servicers were reportedly unwilling to negotiate affordable loan terms. The "road to recovery" offered by the lender could be a negotiable, transparent, step-by-step process where monthly payments are lowered to match a reasonable debt-to-income ratio.*
- ***A "credit clean slate" for borrowers in default:*** *A number of comments propose that a "credit clean slate" option would be appropriate for borrowers that need a way to repair their credit and get out of default. The borrower would work with the lender to come up with a payment plan to help the borrower get out of default. When the borrower adheres to the payment plan, this might help the borrower get back on his or her feet, pass employment verification checks, and head down the road to owning a home or starting a small business.*

The Dodd-Frank Wall Street Reform and Consumer Protection Act established a student loan ombudsman within the CFPB. The ombudsman is charged with providing reports and analysis to policymakers, including the CFPB Director, the Secretary of the Treasury, and the Secretary of Education. This report was submitted to these officials by Rohit Chopra, the CFPB's Student Loan Ombudsman. Members of the public can provide reactions and further input regarding the issues raised in today's report by e-mailingstudentloanaffordability@cfpb.gov

- The complete report is available at: http://files.consumerfinance.gov/f/201305_cfpb_rfi-report_student-loans.pdf
- A factsheet on the report is available at: http://files.consumerfinance.gov/f/201305_cfpb_fact-sheet_students-monthly.pdf
- Director Cordray's remarks at the May 8 field hearing are available online:
- http://www.consumerfinance.gov/speeches/prepared-remarks-of-director-richard-cordray-at-the-field-hearing-on-student-loan-debt/
- An op-ed from Rohit Chopra for *Politico* is available online: http://www.consumerfinance.gov/opeds/student-debt-domino-effect/

Education Department Amends Solicitation for Default Collections

The Department of Education's Office of Federal Student Aid (FSA) released an updated pre-solicitation notice for default collections.

The updated notice extends the timeframe for the release of the solicitation from February to May (prior language said February to April). This is the only change in the language. However, FSA has been clear on its preference for small business in this solicitation. It states, "The Department intends to increase its small business participation under the Default Collection Services' contracts."

The updated pre-solicitation notice is available online: **http://goo.gl/EBvB4**

FTC, CFPB to Host Debt Collection Roundtable; Event to Focus on Data Integrity

The Federal Trade Commission and the Consumer Financial Protection Bureau will co-host a roundtable on June 6, 2013, to examine the flow of consumer data throughout the debt collection process. The event will bring together consumer advocates, credit issuers, collection industry members, state and federal regulators, and academics to exchange information on a range of issues. According to the FTC, topics will include:

- the amount of documentation and other information currently available to different types of collectors and at different points in the debt collection process;
- the information needed to verify and substantiate debts;
- the costs and benefits of providing consumers with additional disclosures about their debts and debt-related rights; and
- information issues relating to pleading and judgment in debt collection litigation.

The roundtable is free and open to the public; it will be held at the FTC's Satellite Building Conference Center, 601 New Jersey Avenue, NW, Washington, D.C. An RSVP is suggested as space is limited. To RSVP, please email only your name and affiliation (if any) to **LifeofaDebt@ftc.gov**. Additional information, including a link for live streaming, is available online: **http://goo.gl/N2OwP**

ED Announces FAFSA Changes Regarding Parent Gender and Marital Status

The U.S. Department of Education announced that beginning with the 2014-2015 federal student aid form, the Department will—for the first time—collect income and other information from a dependent student's legal parents regardless of the parents' marital status or gender, if those parents live together.

The 2014-2015 Free Application for Federal Student Aid, or FAFSA, will provide a new option for dependent applicants to describe their parents' marital status as "unmarried and both parents living together." Additionally, where appropriate, the new FAFSA form will also use terms like "Parent 1 (father/mother/stepparent)" and "Parent 2 (father/mother/stepparent)" instead of gender-specific terms like "mother" and "father."

"All students should be able to apply for federal student aid within a system that incorporates their unique family dynamics," said U.S. Secretary of Education Arne Duncan. "These changes will allow us to more precisely calculate federal student aid eligibility based on what a student's whole family is able to contribute and ensure taxpayer dollars are better targeted toward those students who have the most need, as well as provide an inclusive form that reflects the diversity of American families."

The FAFSA has long been constructed to collect information about a student's parents only if the parents are married. As a result, the FAFSA has excluded income and other information from one of the student's legal parents (biological or adoptive) when the parents are unmarried, even if those parents are living together. Gender-specific terms also fail to capture income and other information from one parent when a student's parents are in a same-sex marriage under state law but not federally recognized under the Defense of Marriage Act.

The collection of FAFSA information for both of a dependent student's unmarried parents when both parents are living together will not impact the majority of federal student aid applicants, either because they are independent students, or because they are dependent students whose legal parents are married to each other or are unmarried and do not live with the other parent. While most students will be unaffected, the eligibility of some dependent students will change. In most of these instances, the amount of need-based Title IV federal student aid these students will receive will decrease because of the additional income and other resources used in the calculation of the student's EFC. In a small number of instances, the student would be eligible for more aid because the offset for an additional person in the parents' household, a factor in calculating the EFC, will exceed the income of the second parent.

The Department published these changes in the Federal Register for public comment as part of the draft 2014-2015 FAFSA. The Register notice is available online: http://www.gpo.gov/fdsys/pkg/FR-2013-05-06/pdf/2013-10599.pdf

CFPB Hosts K-12 Financial Education Conference, Releases White Paper

The Consumer Financial Protection Bureau convened a conference on financial education and capability at the K-12 level, “Investing in Our Future.” The invitation-only event brought some of the top organizations in K-12 financial education with the top officials at the Bureau, including Director Richard Cordray.

In addition to the conference, the CFPB released a white paper on K-12 financial education. Below is an excerpt:

A coordinated strategy similar to the Common Core could anchor the efforts underway to provide financial education and capability in schools. In our view, there is sufficient directional evidence to propose a comprehensive strategic policy framework for financial education in schools; the evidence will be discussed below.

We believe that these five essential strategies, if implemented by state policymakers and education leaders, could transform the financial lives of a generation of young Americans:

- ***Recommendation 1:*** *Introduce key financial education concepts early and continue to build on that foundation consistently throughout the K-12 school years. In addition, CFPB encourages states to make a stand-alone financial education course a graduation requirement for high school students.*
- ***Recommendation 2:*** *Include personal financial management questions in standardized tests.*
- ***Recommendation 3:*** *Provide opportunities throughout the K-12 years to practice money management through innovative, hands-on learning opportunities.*
- ***Recommendation 4****: Create consistent opportunities and incentives for teachers to take financial education training with the express intention of teaching financial management to their students.*
- ***Recommendation 5:*** *Encourage parents and guardians to discuss money management topics at home and provide them with the tools necessary to have money conversations with their children.*

The same week of the report, Sen. Kay Hagan (D-NC), introduced the "Financial Literacy for Students Act" (S. 829), aimed at increasing financial education at the K-12 level. Hagan introduced the bill last year, offered then withdrew it as an amendment during the ESEA markup in the 112th Congress, and is looking to append the bill to ESEA should the HELP Committee take up the legislation again this year.

The full CFPB white paper is available online: **http://goo.gl/kltZB**
Director Cordray's remarks are available online: **http://goo.gl/m7Sjr**

CFPB Issues Semi-Annual Report on Servicemember Complaints

The CFPB issued the semi-annual complaint report from its Office of Servicemember Affairs, which is headed by Assistant Director Holly Petraeus. The report indicates complaints are "rising steadily" quarter-over-quarter, but the total is relatively small when compared to the entire military consumer population.

The report notes that relatively few of the complaints received, 5 percent, are related to student loans. However, according to the report, when monetary relief is granted, it is far and away much greater for student loan borrowers than for customers with any of the other financial products. Mortgages made up a majority of the complaints at 59 percent, while credit cards accounted for another 27 percent of the complaints.

However, in cases of relief, none of the product lines came close to the median of $1,866 for student loan borrowers. The next largest product line was mortgages, which had a median relief level of $494. In all, the median amount of monetary relief was $170. Of course, it must be noted the incredibly small sample for monetary relief.

Thus far, it appears roughly 345 (10 percent of complaints) have received monetary relief. If broken down by product line, particularly if student loans are only 5 percent of complaints, the monetary relief sample is incredibly small.

The brief report is available online: **http://goo.gl/UXRyq**

Special Attachment: New ED Materials Highlight Major Differences in Federal Loan Income-Based Options

The Department of Education, the Department of Labor, and the Certified Financial Planner Board of Standards, Inc. joined to produce a webinar for college students and recent graduates on personal finance. Though the event was to mark Financial Literacy Month and included generally helpful information for individuals starting out in the workforce, it also included a remarkable document on student loan repayment options

The event also included handouts on student loan repayment, one of which was pretty remarkable. Though the information has been out there for some time, this table highlights the stark differences between the "old IBR" and the Pay as You Earn, which currently applies to certain student loans, will apply to all loans made on or after July 1, 2014, and the President's budget proposes to offer the plan for all outstanding loans.

Using an example that seems reasonable—a student graduating with $35,000 and a $35,000 starting salary with 3 percent increases—the document shows the impact of various repayment plans. Remarkably, the borrower pays the full debt, including interest, in 19.5 years under the "old IBR," while they never repay principal under PAYE.

The document is attached with today's edition. A calculator from the New America Foundation, which computes amounts paid, forgiveness, and other factors for both IBR and PAYE, is available online: **http://goo.gl/YqOMS**

Industry

Seventeen Charts on Student Debt

Quartz.com, a new finance and economics website, collected 17 charts on the "student loan bubble." While we realize many of our readers will not agree with all of the new digital outlet's conclusions (we certainly didn't), we think the charts and info are very useful to many of you.

They are available online: **http://goo.gl/4kjMO**

New Report States Merit Aid "Undermines" Pell

The New America Foundation has issued a new report, "Undermining Pell: How Colleges Compete for Wealthy Students and Leave the Low-Income Behind." The report alleges the use of merit aid is preventing low-income students from degree attainment. An excerpt from the announcement is below:

"Today the New America Foundation is releasing Undermining Pell: How Colleges Compete for Wealthy Students and Leave the Low-Income Behind, a report that presents a new analysis of little-examined U.S. Department of Education data showing the "net price" – the amount students pay after all grant aid has been exhausted – for low-income students at thousands of individual colleges. The analysis shows that hundreds of public and private non-profit colleges expect the neediest students to pay an amount that is equal to or even more than their families' yearly earnings. As a result, these students are left with little choice but to take on heavy debt loads or engage in activities that reduce their likelihood of earning their degrees, such as working full-time while enrolled or dropping out until they can afford to return.

The analysis finds that the financial hurdles are highest in the private nonprofit college sector, where only a few dozen exclusive colleges meet the full financial need of the low-income students they enroll. Nearly two-thirds of the private institutions analyzed charge students from the lowest-income families, those making $30,000 or less annually, a net price of over $15,000 a year.

Many private colleges have small endowments, making it extremely difficult for them to provide adequate support to those students with the greatest need. Indeed, it is often the poorest schools that enroll the largest proportion of federal Pell Grant recipients and charge these students high net prices because of their own limited resources. At the same time, many of these institutions provide deep tuition discounts to wealthier students because they believe it is necessary for their survival.

This is not, however, just a question of institutional wealth. Some of the country's most prosperous private colleges are, in fact, the stingiest with need-based aid. These institutions tend to use their institutional financial aid as a competitive tool to reel in the top students, as well as the most affluent, to help them climb up the U.S. News & World Report *rankings and maximize their revenue."*

The full report is available online:
http://education.newamerica.net/sites/newamerica.net/files/policydocs/Merit_Aid%20Final.pdf

New Report from New America—Great Resource, But Raises Questions

This week, the New America Foundation released an issue brief on FY 2013 appropriations and the FY 2014 budget process. The report is a great refresher on budget developments, including the Budget Control Act of 2011 and the sequester, the President's FY 2014 budget request, and other education issues to look for as the budget debate continues.

However, the report's details on the President's FY 2014 budget request leave a little to be desired. It reported the President's proposal on "chained CPI" would have negative consequences for the Pell Grant program. The following is a response in an email to members of the Committee for Education Funding:

It's a good summary of the past year's events. It has one error though – it says the president's proposal for the chained CPI would impact the inflation calculations for Pell grants. That is not correct. According to a White House ***fact sheet****, the proposal specifically excludes means-tested programs including Pell grants.*

The report actually has another error—the reporting of Stafford and PLUS loan interest rates. At the time of publication, the report continued to understate the projected rates for Unsubsidized Stafford and PLUS loans by a full percentage point.

Additional information from the New America Foundation is available online: **http://goo.gl/DEdpV**

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Repayment Plan Summary

Billy Borrower has $35,000 in Direct Loan debt, which bears interest at 6.8%. His income is $35,000, he is single, and he lives in Indiana. His income increases at a rate of 3% per year.

Repayment Plan	Initial Payment	Final Payment	Total Paid	Total Paid in Interest	Total Time in Repayment	Forgiveness
10-Year Standard	$403	-	$45,334	$13,334	10 years	-
Graduated	$232	$697	$52,010	$17,010	10 years	-
Extended	$243	-	$72,878	$37,878	25 years	-
Extended-Graduated	$198	$347	$78,931	$43,932	25 years	-
Consolidation Std.	$267	-	$64,121	$29,121	20 years	-
Income-Based	$222	$368	$66,637	$31,637	~ 19.5 years	$0
Pay As You Earn	$148	$245	$46,296	$46,296	20 years	$36,304
Income-Contingent	$295	$353	$56,123	$21,123	~ 14.5 years	$0

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