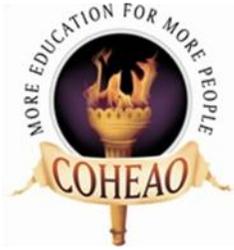


The



Torch

August 2, 2013

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

COHEAO News

- [**COHEAO Hosts Successful Mid-Year Conference**](#)
The COHEAO Mid-Year Conference was held this past week in Chicago. It was a resounding success and we want to thank all the conference delegates and speakers who made this possible.
- [**COHEAO to Host Webinar on New TPD Regulations Effective July 1**](#)
New Total and Permanent Disability (TPD) regulations went into effect on July 1. In response, COHEAO has put together a panel of experts to help you understand what these changes mean for your campus or organization. [Click here](#) to register.
- [**COHEAO Submits "Campus Flex" Proposal for Campus-Based Programs to House Education and Workforce Committee**](#)
COHEAO today submitted a new proposal for providing increased flexibility in managing the three campus-based student aid programs to the House Committee on Education and the Workforce.

Congress

- [**Direct Loan Interest Rate Change Passes House, Awaits President's Signature**](#)
The House, with a bi-partisan vote of 392-31, passed H.R. 1911 as amended by the Senate, sending the bill to President Obama for signature into law.
- [**Senate Veterans Affairs Committee Examines Servicemembers Civil Relief Act**](#)
On Wednesday, July 31, the Senate Committee on Veterans' Affairs held a hearing, "Preserving the Rights of Servicemembers, Veterans, and their Families in the Financial Marketplace."
- [**Advisory Committee Offers Warning on Tying Student Aid to Graduation**](#)
The Advisory Committee on Student Financial Assistance issued a report this week warning of serious policy implications associated with tying student aid to graduation rates and other completion measures.

White House & Administration

- [**Department Urges Campuses To Make Perkins Loans; Sends Letters Cautioning About Excess Cash**](#)

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- [Banking Regulators Call for Private Loan Flexibility within Safety & Soundness Principles](#)
With the compromise on federal direct loan interest rates, it appears that the focus is shifting back towards private student loans with regulators urging lenders to offer more flexible repayment options for overburdened borrowers.
- [Department Appoints Gainful Employment Negotiators](#)
This week, the Department of Education began contacting potential negotiators for negotiated rulemaking on gainful employment regulations.

Industry News

- [Higher Education Groups Concerned with Proposed Changes to NSLDS](#)
The American Council on Education (ACE), writing on behalf of several organizations, expressed concern with recent proposals to expand the National Student Loan Data System (NSLDS).
- [Researcher Takes Closer Look at IBR Programs](#)
In his latest essay for *Inside Higher Ed*, “One Down, One to Go,” Andrew Gillen, now with Education sector, analyzes the problems with the 2007 College Cost Reduction and Access Act’s income-based repayment (IBR) program, and offers suggestions on how to replace it with an income-contingent lending (ICL) version.

Attachments

- [COHEAO Commercial Members](#)
- [Board of Directors](#)

COHEAO News

COHEAO Hosts Successful Mid-Year Conference

The COHEAO Mid-Year Conference was held this past week in Chicago. It was a resounding success and we want to thank all conference delegates and speakers who made this possible. Attendance was up about 10 percent, and the program was quite useful and informative. Presentations are posted on the COHEAO web site, <http://www.coheao.com/coheao-2013-mid-year-conference-attendee-page/>.

COHEAO also announced its upcoming Annual Conference, which will take place at the Ritz Carlton Pentagon City January 26-29, 2013. A draft agenda and a flyer describing the conference are attached to the Torch.

In Addition, at the Conference COHEAO President Maria Livolsi announced some changes to the Board of Directors. Jan Hnilica of Wheaton College has joined the Board as Legislative Chair. Tom Schmidt of the University of Minnesota has assumed the position of Secretary. Pamela Devitt of the University of Illinois has assumed the position of chair of the Perkins Task Force (Legislative Co-Chair, Perkins).

COHEAO to Host Webinar on New TPD Regulations Effective July 1

New Total and Permanent Disability (TPD) regulations went into effect on July 1. In response, COHEAO has put together a panel of experts to help you understand what these changes mean for your campus or organization. [Click here](#) to register.

COHEAO has put together a one-page fact sheet on the new regulations and this event Join Norma Carmona of the University of Chicago and Sharon Cameron of Campus Partners for a walk through of this new process. These regulations went into effect on July 1, so this is a webinar you can't afford to miss. [Register today!](#)

- Webinar: New Total and Permanent Disability Regulations & Practices: What You Need to Know
- Date: Thursday, August 15, 2013
- Time: 2:00 PM - 3:30 PM EDT
- Costs: \$49 for COHEAO members/\$99 for COHEAO non-members
- Registration & More Info:

<http://www.coheao.com/conference-events/upcoming-events/webinars/>

COHEAO Submits "Campus Flex" Proposal for Campus-Based Programs to House Education and Workforce Committee

COHEAO today submitted a new proposal for providing increased flexibility in managing the three campus-based student aid programs to the House Committee on Education and the Workforce. The proposal was developed by the Board of Directors and presented to the Mid-Year Conference this week. It is attached to The Torch. This represents the first step in a long process of working with Congress on the future of the Perkins Loan Program as part of the process of reauthorizing the Higher Education Act. The House Committee had asked for proposals to be submitted by today, although additional information and ideas can be provided later as well. The Senate has not yet issued a call for proposals.

For more information, please contact Harrison Wadsworth at hwadsworth@wplc.net or any of the officers or legislative chairs listed on the Board of Directors directory attached to The Torch.

Congress

Direct Loan Interest Rate Change Passes House, Awaits President's Signature

The House, with a bi-partisan vote of 392-31, on July 31 passed H.R. 1911 as amended by the Senate, sending the "Bipartisan Student Loan Certainty Act of 2013" to President Obama for signature into law. The bill would modify Stafford and PLUS loan interest rates for loans made on or after July 1, 2013. The House took up the compromise bill that passed the Senate last week without change, so the bill has been or is about to be sent to Obama, who is expected to sign it within the next few days.

The debate was limited to a total of 40 minutes, and members on both sides of the aisle voiced their support, starting with Education and Workforce Committee Chairman John Kline (R-MN) and Committee Ranking Democrat George Miller (D-CA). Kline and other Republicans said the bill closely resembled the legislation that passed the House in June and talked about working with the support of the White House to convince Senate Democrats to support something similar – which in the end emerged as the Manchin-Burr bill that was amended into the House-passed legislation, H.R. 1911. Miller and other House Democrats said that the compromise was much better for students than the original H.R. 1911 and would result in interest reductions compared to current law.

The bill sets interest rates every July 1 through June 30 using the May auction of the 10-year Treasury Note as the index with various spreads for undergraduate and graduate students and for Stafford and PLUS loans. The rates would reset every July 1 but would be fixed for the terms of all loans originated during that academic year. A grid showing the various interest rates is included below.

The Consumer Financial Protection Bureau held a call with preliminary guidance on how to change the Truth in Lending Act (TILA) disclosures for private loans, including traditional private loans, the Title VII HHS health professions loans and many institutional loans. A decision on whether or not to issue formal guidance has apparently not been made. However, community representatives have been assured that no one will be penalized for following the law on disclosures of Stafford and PLUS Loan interest rates until it was changed; student loan lenders and servicers have requested a reasonable period of time to permit institutions to update their TILA disclosure forms.

Loan Type	Rate Type	Index	Spread	2013-2014 Interest Rate (Based on 5/8/13 10- Year Yield of 1.81%)	Individual Loan Rate Cap
Stafford Undergraduate	Variable Fixed	10-year Treasury	2.05	3.86	8.25
Stafford Graduate	Variable Fixed	10-year Treasury	3.6	5.41	9.5
PLUS for parents of undergrads and graduate students	Variable Fixed	10-year Treasury	4.6	6.41	10.5

Senate Veterans Affairs Committee Examines Servicemembers Civil Relief Act Issues

On Wednesday, July 31, the Senate Committee on Veterans' Affairs held a hearing, "Preserving the Rights of Servicemembers, Veterans, and their Families in the Financial Marketplace."

Hollister Petraeus, Assistant Director for the Office of Servicemember Affairs at the Consumer Financial Protection Bureau (CFPB), testified before the committee on some unfair and deceptive lending practices that servicemembers have complained about, including concerning private student loans. The CFPB has received 4,516 complaints from veterans and family members over the past year, and it appears that private student loan complaints are starting to eclipse the issues that have plagued the mortgage market, Petraeus said.

According to a recent survey of the armed forces, 41% of servicemembers are paying off education-related loans. Petraeus cited cases of financial institutions failing to provide Servicemembers Civil Relief Act (SCRA) protections to those who qualify for them, and she noted that the CFPB has been coordinating extensively on the issue with the Department of Justice Civil Rights Division and the Department of Defense. Regulators allege that loan companies often do not reduce interest rates to the 6% cap required by the SCRA unless the loans were in forbearance or deferment – a violation of the law. Justice is currently investigating this claim, actively probing whether lenders have failed to reduce interest rates on student loans carried by members of the armed forces once they entered active duty. The CFPB has also received complaints that lenders have been giving out misleading or incorrect information regarding SCRA protections, such as requiring servicemembers to obtain more paperwork proving they're in active duty than is required by law.

Petraeus also criticized lenders for not allowing discharge of private student loan debt for servicemembers who were severely injured in combat, saying that federal loans have a special provision for this situation but that "there is currently no such relief for those who have private student loans."

In closing, Petraeus stressed that the CFPB Office of Servicemember Affairs will continue to work hard to ensure that military personnel and their families receive the consumer-protection measures they deserve.

Paul Leonard, Senior Vice President, Housing Policy Council, the Financial Services Roundtable, testified that the financial services industry is attempting to comply with the SCRA, but problems are often caused by the lender not receiving the complete information on servicemember status. Leonard said, "We recognize Congressional interest in expanding SCRA to new consumer classes, but we urge that Congress consider enhancing the DMDC database system to provide accurate and reliable access to data that would enable the timely identification of new categories of individuals protected under the law."

More information on the hearing, including testimony, can be found on the Committee website here: http://www.veterans.senate.gov/hearings.cfm?action=release.display&release_id=958ada82-ba62-4cf9-a51b-e0b6ff54b4c4 .

Advisory Committee Offers Warning on Tying Student Aid to Graduation

The Advisory Committee on Student Financial Assistance issued a report this week warning of serious policy implications associated with tying student aid to graduation rates and other completion measures.

The following are the report's empirical findings:

The analysis finds that these three inputs are powerful determinants of 6-year graduation rates at nonprofit 4-year public and private colleges.

- *As the percentage of a college's students who are Pell recipients (serving Pell recipients) rises, 6-year graduation rate declines from **80%** to **25%**, and average test score declines from **29** to **19**.*
- *Serving Pell recipients and average test score, combined, account for **76%** of the observed variation in 6-year graduation rates of 4-year public and private colleges.*
- *As endowment per student falls, serving Pell recipients lowers average 6-year graduation rate from **67%** to **28%** and from **85%** to **33%** at public and private colleges, respectively.*
- *Serving very high percentages of Pell recipients, with very low endowment per student, reduces average 6-year graduation rate to **23%** at public colleges and **19%** at private colleges.*

The report identifies the following as policy implications:

- *Using raw output measures, such as rates of graduation or student academic progress, in the awarding or allocation of Title IV student aid will harm low-income students and the colleges that serve them.*
- *To prevent such harm, output measures must be adjusted to adequately reflect differences in inputs, in particular, college mission, student characteristics, resources, and factors beyond colleges' control.*
- *Because estimates of value added are vulnerable to both modeling and data limitations, such measures should not be used to support high-stakes decisions in either the Pell or Campus-Based Programs.*
- *The best approach to improve graduation rates is to use well-designed case studies to identify policies and practices shown to be effective at peer colleges and incentivize colleges to implement them.*

It also adds, "In race-to-the-top competitions for *additional* funds, colleges should be required to compete only against peers with highly comparable inputs. These inputs include the percentage of students who are Pell recipients, average test score, endowment per student, and other factors shown to have a statistically significant relationship to the output measure in question."

The full report is available online: <http://chronicle.com/blogs/ticker/files/2013/08/Measure-Twice-Final.pdf>

White House and Administration

Department Urges Campuses To Make Perkins Loans; Sends Letters Cautioning About Excess Cash

The Department of Education sent letters to several institutions this week on excess cash in their Perkins Loan revolving funds. There was some confusion regarding the intent of the letters, including whether they were a demand for excess cash transfers to the Department. In fact, as COHEAO has been assured by the Department, the strongly worded letters were meant to encourage schools to make Perkins Loans to their students and are not a request or demand for money.

Proposals have been made for several years by the Obama Administration to close the traditional Perkins Loan Program and replace it with a version of the Direct Unsubsidized Stafford Loan Program, but Congress since 2010 has shown little interest in the idea. That means the current program continues to operate as usual. In addition, comments have been made that law requires the return of the federal share of Perkins Loans starting October 1, 2014.

In fact, despite reports of public comments made by certain Department of Education officials, the Department itself ruled that the program will continue as usual until at least October 1, 2015, unless Congress changes the Higher Education Act before then. Congress has not decided what to do about the Perkins Loan program for the long run, and the process of reauthorizing the Higher Education Act has barely started. If the Act is not reauthorized by October 1, 2015, all of its programs would expire, meaning Congress will have to pass an extension of all programs, a step taken about 20 times from 2005 through 2008 during the last reauthorization process.

In the meantime, campuses should make loans. If the program is closed after 2015, campuses would get to retain their institutional funds so there is no risk in making Perkins Loans.

Speaking at the COHEAO Mid-Year Conference this week in Chicago, Gail McLarnon of the Office of Postsecondary Education strongly encouraged campuses to make Perkins Loans as usual.

In response to questions raised at the Conference, a Department official followed up with this message: "The letter reminds schools that the HEA requires schools to return excess cash, when it exists, and asks schools to review their cash on hand to make a determination on whether a school has excess cash. If a school plans to lend out its excess cash, the school is under no obligation to return it. If the school wants to increase its level of expenditure to capture excess cash, schools can call the Campus-Based Call Center. The letter also contains contact information if schools have any questions about the letter."

CFPB Publishes Snapshot of Student Loan Complaints

This week, the Consumer Financial Protection Bureau (CFPB) issued the "mid-year snapshot" of private student loan complaints.

In its snapshot, the CFPB discusses the 2,000 complaints that they have received over the past year from consumers seeking assistance in navigating or repaying their private student loans. Similar to past reports, the CFPB cites that the chief complaint (ranked the top issue by 62% of consumers) is the inability to modify repayment terms, either in order to lower monthly payments during periods of financial hardship or to reflect the borrower's improved credit profile and creditworthiness. The median age of consumers who submitted a complaint was 33.

However, consumers are beginning to raise new concerns about a range of other servicing problems, such as payment processing problems, challenges obtaining necessary documentation about their private student loan, difficulty obtaining accurate information about their loan status and repayment options, and obstacles accessing basic account information.

The CFPB also continues to receive complaints from servicemembers having trouble taking advantage of benefits under the Servicemembers Civil Relief Act (SCRA). The CFPB has been working closely with the Department of Justice’s Civil Rights Division, which is investigating the claim that companies have failed to reduce interest rates on student loans as mandated by SCRA for members of the armed forces once they entered active duty.

In regards to payment processing, consumers report concern over how servicers allocate overpayments, as they express frustration that some payment processing policies are not fully explained until after they remit payment. Consumers also expressed concern over the treatment of underpayments, citing that servicers often distribute the payment among all of the loans on a pro rata basis, which results in deficits in all loan accounts and more late fees than if the payment was allocated to satisfy as many loan accounts as possible in full.

According to the CFPB, co-signers also expressed frustration in regards to payment processing, complaining that they are unable to remit payments to be applied only to the loan for which they co-signed. Often times, payments by co-signers are posted across all loans held by the primary borrower rather than specifically toward the loan that they specifically co-signed.

The report includes a disclaimer: “This report does not attempt to present a statistically significant picture of issues faced by consumers. It is, by design, not a random sample and not intended to communicate the frequency to which certain practices exist. While the market information we receive from consumers, schools, and industry yields a broad range of input, readers should recognize the inherent limitations of the underlying data.”

The report can be found here: http://files.consumerfinance.gov/f/201308_cfpb_complaint-snapshot.pdf .

Banking Regulators Call for Private Loan Flexibility within Safety & Soundness Principles

With the compromise on federal direct loan interest rates, it appears that the focus is shifting back towards private student loans with regulators urging lenders to offer more flexible repayment options for overburdened borrowers.

“The agencies encourage financial institutions to consider prudent workout arrangements that increase the potential for financially stressed borrowers to repay private student loans,” the Federal Deposit Insurance Corp., the Office of the Comptroller of the Currency, and the Federal Reserve Board said in a joint statement.

Regulators added that they will not criticize lenders if these actions hurt borrowers’ credit scores, but implied that they would likely require troubled debt restructurings as per safety and soundness regulations.

“The agencies will not criticize financial institutions for engaging in prudent workout arrangements with borrowers who have encountered financial problems, even if the restructured loans result in adverse credit classifications or troubled debt restructurings in accordance with accounting requirements.”

Lenders have been calling upon regulators to allow more flexibility for a long time, but maintain that student loans have unique characteristics that require more leniencies from an accounting standpoint than other types of loans. The chief source of contention is the need to classify these “workout arrangements” as troubled debt restructurings.

The Consumers Banking Association, in a letter to the Office of the Comptroller of the Currency in March, urged regulators to allow graduated repayment (such as interest-only) options upon loan repayment and “more flexibility in offering forbearance ... without the triggering of a troubled debt restructuring classification.”

However, the recent statement suggests that regulators are holding their ground, refusing to give in to lenders’ suggestions. “It’s basically a clarification statement,” says Greg Hernandez, an FDIC spokesman.

The full statement is available online: <http://www.fdic.gov/news/news/press/2013/pr13065.html>

Department Appoints Gainful Employment Negotiators

On Thursday, August 1st, the Department of Education named negotiators to a panel that will rewrite its controversial “gainful employment” rule. The list of 15 negotiators and 14 alternates is made up of representatives of students, legal-aid lawyers, consumer advocates, state lawyers, business leaders, accreditors, college lobbyists and administrators, and an Education Department official.

Two negotiating sessions over a revised rule begin this fall, with the first session starting on September 9. Negotiations will conclude in October, with a final rule expected to be published sometime before Nov. 1, 2014, to take effect on July 1, 2015.

However, despite the diverse group, only two of the negotiators, along with two alternatives, are from the for-profit sector, leaving for-profit colleges feeling underrepresented.

“Repeating the biased and tainted process of the past, the committee has multiple representatives who are on the record or work for entities that are blatant, vocal opponents of the existence of our institutions,” said Steve Gunderson, president of the Association of Private Sector Colleges and Universities, in a statement quoted in the *Chronicle of Higher Education*.

For-profit colleges are arguing to drop the “gainful employment” rule altogether rather than update it, or at least postpone further debate until after Congress reauthorizes the Higher Education Act (HEA). Last week the U.S. House of Representatives passed a bill that would prevent the Department of Education from passing further legislation on the issue before Congress reauthorizes the HEA. That bill is highly unlikely to pass the Senate, where key leaders support the gainful employment rule.

The negotiators, and their alternatives, are as follows:

- John Kolotos, U.S. Department of Education (supported by many other ED officials)
- Rory O'Sullivan, policy and research director, Young Invincibles
- (alternate) Kalwis Lo, legislative director, United States Student Association
- Eileen Connor, senior staff attorney, special litigation unit, New York Legal Assistance Group
- (alternate) Whitney Barkley, staff attorney, Mississippi Center for Justice
- Margaret Reiter, former deputy attorney general of California
- (alternate) Tom Tarantino, chief policy officer, Iraq and Afghanistan Veterans of America
- Kevin Jensen, financial-aid director, College of Western Idaho
- (alternate) Rhonda Mohr, student financial-aid specialist, California Community Colleges chancellor's office
- Jack Warner, executive director and chief executive, South Dakota Board of Regents
- (alternate) Sandra Kinney, vice president for institutional research and planning, Louisiana Community and Technical College system
- Della Justice, special assistant to the attorney general of Kentucky
- (alternate) Libby DeBlasio, assistant attorney general, Colorado Department of Law, consumer-protection section, consumer-fraud unit
- Ted Daywalt, chief executive and president, VetJobs
- (alternate) Thomas Kriger, research director, building- and construction-trades department, AFL-CIO, and director, Standing Committee on Apprenticeship and Training
- Helga Greenfield, associate vice president for college relations and director of Title III government relations, Spelman College
- (alternate) Ronnie Higgs, vice president for student affairs and enrollment services, California State University-Monterey Bay
- Richard Heath, financial-aid director, Anne Arundel Community College
- (alternate) Glen Gabert, president, Hudson County Community College
- Barmak Nassirian, director of federal-policy analysis, American Association of State Colleges and Universities
- (alternate) Barbara Hoblitzell, associate director of student financial support, University of California Office of the President
- Jenny Rickard, vice president for enrollment, University of Puget Sound
- (alternate) Thomas Dalton, assistant vice president for enrollment management, Excelsior College
- Brian Jones, general counsel, Strayer University
- (alternate) Raymond Testa, vice president for government affairs and compliance, Empire Education Group
- Marc Jerome, board member, Association of Proprietary Colleges in New York, and executive vice president, Monroe College
- (alternate) Justin Berkowitz, vice president for operations, Daytona College
- Belle Wheelan, president, Southern Association of Colleges and Schools' Commission on Colleges
- (alternate) Neil Harvison, chief academic and chair, Association of Specialized and Professional Accreditors, and scientific-affairs officer, American Occupational Therapy Association

Industry

Higher Education Groups Concerned with Proposed Changes to NSLDS

The American Council on Education (ACE), writing on behalf of several organizations, expressed concern with recent proposals to expand the National Student Loan Data System (NSLDS). In part, the letter reads:

Specifically, the notice includes a number of changes related to gainful employment programs without offering any explanation for them. Presumably, most of these changes were made in response to recent court decisions related to the gainful employment regulations. If that is the case, then it is puzzling that the notice indicates that the department intends to continue maintaining in NSLDS the records of students who do not receive Title IV aid—given that the United States District Court for the District of Columbia has ruled that it is not permissible for the department to do so. In view of this decision, we do not understand how the inclusion of information about unaided students in NSLDS can be justified.

With respect to the proposed expansion of authority, we do not believe that a Federal Register notice is the appropriate mechanism for extending the reach of NSLDS into program evaluation and consumer information activities. The system was neither intended nor designed for such purposes. The purpose and functions of NSLDS are clearly spelled out in the Higher Education Act. Any decision to substantially expand those purposes and functions should be made through the regular legislative process.

Moreover, the decision to share with other federal and state agencies and the Social Security Administration student records that were provided solely for the operation of federal aid programs raises substantial privacy questions that deserve more public attention and discussion than will be provided by issuance of a notice in the Federal Register with a 30-day comment period.

We recognize the important role that NSLDS plays in the delivery of critically needed federal financial aid to our nation's postsecondary students. NSLDS must remain focused on that role. We also recognize the department's legitimate need for data and analytics to support its multi-billion dollar portfolio of loans and grants in a responsible and accountable manner.

However, we believe that any expansion of NSLDS or other data systems should be based on sound policy, be operationally proper, and fully comply with applicable laws.

Finally, in addition to concerns about the proposed expansion of NSLDS, we also are concerned that the department's notice and process fail to comply with important requirements of the Privacy Act. Most notably, we are concerned with the department's failure to conduct a Privacy Impact Assessment prior to issuing this notice. In addition, the notice is riddled with other errors that legally require the department to reframe and republish the notice in conformity with the Privacy Act.

The full letter is available online: <http://www.acenet.edu/news-room/Documents/Comments-NSLDS-072913.pdf>

Researcher Takes Closer Look at IBR Programs

In his latest essay for *Inside Higher Ed*, "One Down, One to Go," Andrew Gillen, now with Education sector, analyzes the problems with the 2007 College Cost Reduction and Access Act's income-based repayment (IBR) program, and offers suggestions on how to replace it with an income-contingent lending (ICL) version.

Under ICL, the amount borrowers pay each month is tied to their income, allowing borrowers to pay off their loans faster when their income rises and to pay less when they experience financial hardships. According to Gillen, “ICL improves access and equality of opportunity,” eliminating borrower fears of “being trapped in permanent financial purgatory by student loan debts” by removing the possibility of defaults.

Gillen also argues that an ICL program carried out by private lenders would be especially advantageous, as private student loans feature risk-based pricing that take into account the likelihood of each borrower being able to pay off their loan in a timely matter.

“It is true that past private student lending in this country certainly hasn’t inspired confidence ... but these characteristics were driven not by anything inherent in private lending, but by poorly designed features of those lending programs.” In Gillen’s view, “with private lending, the political pandering we just witnessed in setting interest rates would be eliminated, and public funding would be freed up for other uses (such as expanding Pell grants).”

In his article, Gillen cites many problems with the current IBR system, arguing that policy makers have succumbed to political temptations to promise students extremely generous benefits without responsible plans to fund the program, leaving the problem of funding for future politicians and taxpayers. Gillen asserts, “the combination of a large income exemption, low repayment percentage on remaining income, and easy and automatic loan forgiveness have transformed IBR from a ICL-based loan program into a delayed grant program.”

Reinforcing this claim, Gillen incorporates data from the New America Foundation’s “Safety Net or Windfall?” article, explaining how under IBR, many borrowers never end up paying off their student debt, leaving the entire loan principle to be forgiven at taxpayer expense.

Citing past failures with ICL programs, Gillen argues that we can learn from our mistakes and implement a successful system by utilizing individual instead of communal accounts, eliminating loan forgiveness except in extreme cases, and by having the program ran by private lenders, rather than by individual schools or the government.

Gillen is confident that by learning from past experiences, policy makers can create an ICL program that would be vastly more successful than IBR or the current federal direct loan program as a whole.

“The advantages of income-contingent lending are so great that we should not delay in implementing this new and better student lending system.”

The full essay is available online: <http://www.insidehighered.com/views/2013/07/26/congress-should-create-well-designed-income-based-loan-program-essay>

**COHEAO Would Like to Thank Our Commercial Members for Supporting
More Education for More People**



***We Encourage Those Seeking Services to Give
These Committed Organizations Priority Consideration***

Account Control Technology, Inc.	Enterprise Recovery Systems, Inc.
ACSI, Inc.	General Revenue Corporation
AMO Recoveries, Inc	Higher One
Automated Collection Systems, Inc.	Immediate Credit Recovery, Inc.
Bass & Associates	JC Christensen and Associates
Campus Partners	National Credit Management
Capital Management Services, LP	National Enterprise Systems, Inc.
Ceannate, Inc.	NCC Business Services of America
Client Services, Inc.	NCO Financial Systems, Inc.
Coast Professional	Premiere Credit
ConServe	Progressive Financial Services, Inc.
Credit Adjustments, Inc.	Recovery Management Services, Inc.
Credit Control, LLC	Regional Adjustment Bureau, Inc.
Credit World Services, Inc.	Reliant Capital Solutions, LLC
Delta Management Associates	Todd, Bremer & Lawson, Inc.
Educational Computer Systems, Inc.	Xerox, Inc.
EOS-CCA	Williams & Fudge, Inc.
Education Assistance Services, Inc.	Windham Professionals

