The Torch

October 25, 2013

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

COHEAO News

- **Registration Now Available for COHEAO Annual Conference—January 26-29, 2014 Washington**
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- **Please Register with the New COHEAO Membership & Events Website**
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Congress

- **Debt Crisis Averted, Government Shutdown Ended—Or Just Delayed?**
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- **HELP Committee Announces New Hearing on Innovation & Student Success**
  The Senate HELP Committee announced it will hold a hearing on October 31, "Attaining a Quality Degree: Innovations to Improve Student Success."

White House & Administration

- **CFPB Releases Annual Report on Private Student Loans**
  The Consumer Financial Protection Bureau released its second annual report on complaints about private student loans.
- **FLEC Meeting Addresses "Higher Education Decision-Making"**
  The Financial Literacy and Education Commission, a body of federal agencies created by Congress to develop a national strategy on the topic, convened a meeting on higher education decision-making.
- **White House Moves to Address "Under-Matching" in Higher Ed**
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  The Office of Federal Student Aid issued an electronic announcement on planned servicing transfers to address split-serviced borrowers.
- **Sequester Cuts Impacting Student Aid**
  The fact that additional spending cuts due to sequestration went into effect received little notice in the government shutdown and debt ceiling debate, but they began on October 1.
- **Federal Financial Regulators Propose Joint Standards for Assessing Diversity**
  Six federal financial regulatory agencies, including the Consumer Financial Protection Bureau, are proposing joint standards for assessing the diversity policies and practices of the institutions they regulate.
- **NCES Compares Loan Repayment and Behavior for Classes of ’94, ’01, & ‘09**
  The National Center for Education Statistics, a research arm of the Department of Education, released a “Statistics in Brief” report, “Degrees of Debt: Student Borrowing and Loan Repayment of Bachelor’s Degree Recipients 1 Year After Graduating: 1994, 2001, and 2009.”

Industry

- **College Board Releases Trends in Higher Education Reports**
  This week, the College Board released its “Trends” series which provides all sorts of data and figures on college pricing and student aid.

Attachments

- **COHEAO Commercial Members**
- **Board of Directors**
- **Special Attachment: FLEC Meeting on “Higher Education Decision-Making” Summary**

COHEAO News

Registration Now Available for COHEAO Annual Conference: January 26-29, 2014, Washington

Registration is now available for the 2014 COHEAO Annual Conference—sign up today! Set for January 26-29 at the Ritz Carlton Pentagon City, just across the river from our nation's capital, the COHEAO Annual Conference is one you won't want to miss.

In addition to professional development and networking opportunities throughout the week, the COHEAO Annual Conference focuses on how Washington impacts those working on student financial services. Multiple sessions will cover regulatory and legislative developments, and the conference provides attendees with the opportunity to visit Capitol Hill and advocate directly on issues affecting their office. New to visiting with your legislators? The COHEAO Annual Conference offers advocacy training and mentors to help guide you around the halls of Congress.

Though legislation and regulation are featured aspects of the conference, they are most definitely not the only focus. In addition to "Washington-based" sessions, the draft program currently includes sessions on financial literacy and cohort default management, credit reporting, backroom outsourcing, the use of student workers, and more. We will be posting the draft conference agenda in the coming days.

COHEAO was also able to hold the line on conference prices, maintaining the same registration rates from the 2012 Annual Conference. For COHEAO members (both commercial and institutional), the rates are $590 prior to January 8. For non-members, the rates are $690 for schools and $1,540 for commercial organizations prior to January 8. After January 8, all rates increase by $50.

The conference will be held at the Ritz-Carlton Pentagon City, a fabulous hotel in Arlington, VA, which is a very short metro or cab ride to Washington, DC. COHEAO has negotiated a special rate of $224 per conference delegate, which is an outstanding rate in the DC area for any conference hotel. Space is limited, and conference attendees must register by January 8 to receive this rate, so reserve your room today.

To reserve your room at this special price, you may call 703-415-5000 and indicate you will be attending the COHEAO Annual Conference. A website for hotel reservations is also available: COHEAO Reservations. The COHEAO group code is HAOHAOA.

We will be providing further details in the coming weeks, but we urge you to go ahead and sign up today for the COHEAO Annual Conference. It is an event you will not want to miss.

Please Register with the New COHEAO Membership & Events Website

As we have mentioned, COHEAO launched a new website for members recently. We are extremely excited about this new site and look forward to using all of its features.

At first, the site will serve largely as the spot for event registration, dues payments, and a members-only area for COHEAO members. In the future, look for this site to become much more interactive with group discussions, poll questions, and many valuable and useful features.

The new site has wonderful new features, but there are some key changes in the way it works. Please take a couple of minutes to read these directions for the new site and get set up to use it:

LOGIN INFORMATION AND AN IMPORTANT NOTE FOR COHEAO PRIMARY MEMBERS

As a COHEAO Primary Member you can login simply by using your email address and use the default password "COHEAO1" for your initial login. Upon logging in, we strongly recommend you change your password. This can be done by clicking on the "Manage Profile" link in the upper right of the page and then clicking on the "Edit Bio" link under Information & Settings.

Important Note: In order for your colleagues at your organization to receive membership benefits, such as webinar and conference discounts, they must be registered with the site and connected within our internal networks with your organization. This means your colleagues will need to establish "sub-accounts." Follow the directions below to send the sub-account link to anyone in your organization who may want to participate in a COHEAO webinar or project. Directions for inviting colleagues to set up sub-accounts:

1. *Log into the new website*
2. *Enter your username and password (your email address will be your username and "COHEAO1" will be your password for your initial login)*
3. *Click on the Manage Profile link*
4. *Click on the "Sub-Accounts" link under the Information & Settings section (this option is located near the top of the screen). From this Sub-Accounts page, you can:*

    a. *Enter the email addresses of your colleagues within your institution or company in the space provided under "Invite New Members." Your colleagues will receive an automated email directing them to visit the site and provide their information; or*

    b. *You can also send Your Sub-Account Direct Link to your colleagues at your organization (you can simply copy and paste this link and send it via email). Once your colleagues receive this email, all they will need to do is click on the link, enter their information, and they will be registered as*

    c. ***We also strongly suggest** if you are a Primary Member that you send the sub-account link to yourself and register as an individual sub-account within your organization. Currently, you are considered the primary contact at your organization, but as the COHEAO site continues to develop, you will want the site to recognize you as an individual. This will also allow you to see how this "sub-account" system works as you send the links and/or invitations to your colleagues.*

COHEAO Primary Members: If you have an issue logging in, please let Wes Huffman know at whuffman@wpllc.net. COHEAO Associate Members: If you would like Wes to add you to your organization (and have not received an invitation from your primary member), please send him an email at whuffman@wpllc.net. Primary and associate members may also call 202.289.3910.

Check out the site today, and more importantly, please bookmark it as we expect it to add new features over the coming weeks and months: https://coheao.site-ym.com/. As always, if you have any difficulties with registration, please do not hesitate to contact Wes Huffman (whuffman@wpllc.net). We are looking forward to making use of the new features of our website and appreciate your patience as we make the transition.

Congress

Debt Crisis Averted, Government Shutdown Ended—Or Just Delayed?

After a government shutdown and weeks of brinksmanship toward a federal default, Congress reached a deal on legislation funding the federal government for three more months and raising the debt ceiling into early February.

This "continuing resolution" or CR merely keeps the government and its programs subject to annual appropriations operating at their Fiscal Year 2013 levels until January 15, 2014. The bill raised the federal debt ceiling enough to get the country through early February without defaulting on its obligations.

The House of Representatives voted 285-144 late Wednesday night to pass the Senate-negotiated fiscal package, with all 198 Democrats present voting "yes" and 144 Republicans voting "no." Democratic votes carried the package to passage since only 87 of 232 Republican lawmakers voted to extend both government funding and the debt ceiling. Earlier in the evening, the Senate voted 81-18 to pass the bill, with all Democrats and most Republicans voting for it. President Barack Obama signed the bill as soon as he received it from the House that night.

As is often the case with legislation, there are some other policy changes in the bill. It would ensure that federal workers receive pay for the time they were furloughed. It also requires income verification for subsidy recipients under the new healthcare exchanges—arguably the sole "win" for conservatives who wanted changes to the President' healthcare reform package. The education community has been buzzing about one particular provision of the bill—one that allows teachers participating in alternative certification programs to be considered highly qualified until the 2015-2016 school year.

While a default crisis was averted in the near term, negotiations over the federal budget have to be completed by January 15 or another government shutdown will commence. Senator Budget Committee Chair Patty Murray (D-WA) and House Budget Committee Chair Pat Ryan (R-WI) will initially lead the negotiations. The bill calls for the budget conference committee to reach an agreement by December 13, but the House and Senate leaders and the Obama Administration will be making the final decisions as to what is or isn't acceptable.

Democrats and Republicans alike, although for somewhat different reasons, want the automatic spending cuts (sequestration) that apply only to so-called discretionary spending to be replaced by a more thoughtful approach to spending. Both say they want "entitlement reform" included but that's a political minefield since the biggest entitlements include Social Security, Medicare, Medicaid and Veterans Benefits.

House Republicans have called for reductions in the big cuts scheduled for defense by further cutting non-defense discretionary programs, including education. Most Democrats want to raise taxes as part of the package, while Republicans oppose any tax increases. But some on both sides of the aisle are working on comprehensive tax reform legislation. In other words, a deal will be difficult given how polarized the positions are on the big issues.

January 15th, in addition to being the date the CR expires is also the date the next round of sequestrations of discretionary spending are scheduled to kick in under the Budget Control Act of 2011. In other words, the immediate crisis was averted but a similar three-headed crisis is looming in the second half of January.

HELP Committee Announces New Hearing on Innovation & Student Success

The Senate HELP Committee announced it will hold a hearing on October 31, "Attaining a Quality Degree: Innovations to Improve Student Success." The witness list has yet to be formally announced, but is expected to be as follows:

- Richard Kazis, Jobs for the Future
- Scott Ralls, President, North Carolina Community College System
- Paul LeBlanc, President, Southern New Hampshire University
- Timothy Hall, President, Austin Peay State University
- Brit Kirwan, Chancellor, University System of Maryland

Though nothing has been formally announced, the House Subcommittee on Higher Education and Workforce Training hearing on simplifying student aid is expected to be scheduled for November 12. That hearing was originally scheduled, rescheduled, and ultimately postponed due to the government shutdown.

Additional information on the HELP Committee hearing is available online:
http://www.help.senate.gov/hearings/hearing/?id=2c4b91c0-5056-a032-52a0-dba8f1e26e47

White House and Administration

CFPB Releases Annual Report on Private Student Loans

The Consumer Financial Protection Bureau released its second annual report on complaints about private student loans. The report, written by Student Loan Ombudsman Rohit Chopra and other CFPB staff, is required by the Dodd-Frank Act, the federal law that created the CFPB in 2011.

The report analyzes complaints submitted by consumers from October 1, 2012, through September 30, 2013. During this period the CFPB received approximately 3,800 private student loan complaints. Eighty-seven percent of all complaints were directed at eight companies, which the report says, "is not surprising, given that the private student lending and servicing markets are highly concentrated."

The report has a disclaimer: "Readers should note that the observations discussed in this report are not based on a representative sample and should not be used to draw conclusions as to the prevalence of these issues in the marketplace."

In a call with stakeholders, CFPB Student Loan Ombudsman Rohit Chopra highlighted Servicemembers Civil Relief Act complaints, which have improved over last year's report, although some companies have not instituted better systems and are being referred to the Justice Department for further action.

The CFPB encourages use of more borrower “workout” options by private loan lenders, referring to July guidance by financial institution regulators encouraging those options. Almost half of the complaints were from borrowers who wanted to modify their loans.

Several hundred complaints related to borrowers having trouble with prepayment of loans, over payments, or who say they are having trouble with the lender when they want to prepay. The report notes that federal law (the Truth in Lending Act) prohibits charging prepayment penalties on private student loans. Other borrowers were concerned as to whether or not their payments were allocated promptly and properly, issues that affect the amount of interest and fees charged.

“Recent changes to mortgage servicing and credit card servicing practices may shed some insight on possible approaches to remedy student loan servicing concerns,” the report suggests.

The report can be found here: http://files.consumerfinance.gov/f/201310_cfpb_student-loan-ombudsman-annual-report.pdf

FLEC Meeting Addresses “Higher Education Decision-Making”

The Financial Literacy and Education Commission, a body of federal agencies created by Congress to develop a national strategy on the topic, convened a meeting on higher education decision-making. It featured remarks from Treasury Secretary Lew, Education Secretary Duncan and Consumer Financial Protection Bureau Director Cordray. A full summary is attached with today’s edition.

White House Moves to Address “Under-Matching” in Higher Ed

This week provided further evidence that addressing “under-matching,” the practice of qualified students not applying to the more selective colleges, is a top priority for the Obama Administration. Presidents of several highly selective universities were invited to the White House to discuss their recruitment of low-income students, and Secretary of Education Arne Duncan mentioned research from Caroline Hoxby of Stanford University on the topic at this week’s meeting of the Financial Literacy and Education Commission.

According to media reports, the White House meeting with college presidents included senior domestic policy advisors Gene Sperling and James Kvaal. According to the university presidents, Sperling and Kvaal mostly listened during the meeting while the presidents discussed their current and future efforts to recruit low-income students. There may be a White House event or project with college officials at the end of the year to encourage more low-income students to apply to selective colleges.

The same day as the meeting, Harvard University announced plans to use social media and other forms of outreach to encourage more low-income applicants.

- Additional information on the Harvard initiative is available online: http://news.harvard.edu/gazette/story/2013/10/making-the-harvard-college-connection/
- An article on the White House meeting from *Inside Higher Ed* is available online: http://www.insidehighered.com/news/2013/10/25/white-house-officials-discuss-low-income-recruitment-university-presidents

Department to Host “Open Forum” on Administration’s Ratings Plans

Today, the Department of Education announced that the first of its public forums on the President’s plan for rating colleges will take place on Wednesday, November 6th, at The California State University-Dominguez Hills in Carson, CA. The forum will be held in the Loker Student Union, Ballroom C from 9am-3pm PST.

The open forum is free and open to the public. Individuals desiring to present comments or feedback at an open forum must register by sending an e-mail at least three days prior to the open forum to collegefeedback@ed.gov with the subject “Open Forum Registration.” Each participant will be limited to five minutes for comments. The Department will notify registrants of the location and time slot reserved for them. An individual may make only one presentation at the open forums. Walk-in registrations will also be accepted for any remaining time slots on a first-come, first-served basis at the Department’s on-site registration table.

For those unable to attend the forum in person, testimony may also be submitted online, by sending an e-mail to collegefeedback@ed.gov, or by mail to 400 Maryland Avenue, SW, room 7E313, Washington, DC 20202-0001.

Additional information on the open forum is available online: http://www.ed.gov/blog/2013/10/ed-announces-first-open-forum-on-the-administrations-college-value-and-affordability-plans/
Additional information on the President’s proposal is available online: http://www.whitehouse.gov/the-press-office/2013/08/22/fact-sheet-president-s-plan-make-college-more-affordable-better-bargain-

ED Announces Plans for Transferring “Split-Serviced” Borrowers

The Office of Federal Student Aid issued an electronic announcement on planned servicing transfers to address split-serviced borrowers. The notice indicates the first step of the servicing conversion was to move borrowers from the Direct Loan Service Center contract (Xerox) to the Title IV Servicers (TIVAS) and the non-for-profit servicers (NFPs).

With the Xerox (Direct Loan Servicing Center) transfer of federally owned loans to other servicers complete, FSA indicates it is evaluating the portfolio to try to mitigate split servicing. The transfers have already begun and will occur through March 2014. Below is an excerpt from the announcement:

October – December 2013

During the October – December 2013 timeframe, we plan to transfer the accounts of borrowers whose federally-owned loans are split across FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, and/or Sallie Mae.

- *In October 2013, we will transfer borrower accounts from Great Lakes Educational Loan Services, Inc. and Nelnet to the other servicers. These transfers will conclude in early November 2013.*
- *In late November 2013, we will transfer borrower accounts from FedLoan Servicing (PHEAA) and Sallie Mae to the other servicers. These transfers will conclude in mid December 2013.*

Note: *We will determine the servicer to which a borrower’s account (or accounts) will be transferred—FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, or Sallie Mae—based on the number of federally-owned loans each servicer services for the borrower or, if the number of loans is equal across servicers, the total dollar amount of the loans. The borrower’s accounts will be transferred to the servicer that services the most loans or the highest total dollar amount.*

January – March 2014

During the January – March 2014 timeframe, we plan to transfer the accounts of borrowers whose federally-owned loans are split across a Not-For-Profit (NFP) member of our federal loan servicer team and FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, Sallie Mae, and/or another NFP servicer.

- *In late January 2014, we will transfer borrower accounts from MOHELA and CornerStone to the other servicers. These transfers will conclude in early February 2014.*
- *In mid February 2014, we will transfer borrower accounts from ESA/Edfinancial, Granite State – GSMR, Aspire Resources Inc, OSLA Servicing, and VSAC Federal Loans to the other servicers. These transfers will conclude in early March 2014.*

Note: *If one of a borrower's accounts is assigned to FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, or Sallie Mae, we will transfer the borrower's other account (or accounts) to the servicer within that group that services the most federally-owned loans or the highest dollar amount for the borrower. If all of the borrower's accounts are assigned to NFP servicers, we will determine the NFP servicer to which a borrower's account (or accounts) will be transferred based on the number of federally-owned loans each NFP servicer services for the borrower or, if the number of loans is equal across NFP servicers, the total dollar amount of the loans. The borrower's accounts will be transferred to the NFP servicer that services the most loans or the highest total dollar amount.*

The full announcement is available online:
http://ifap.ed.gov/eannouncements/101813LSIFederallyOwnedLoanTransferInitiativePlannedOct2013March2014.html?utm_source=hootsuite&utm_campaign=hootsuite

Sequester Cuts Impacting Student Aid

The fact that additional spending cuts due to sequestration went into effect received little notice in the government shutdown and debt ceiling debate, but they began on October 1. With the government shutdown on that date, agencies were unable to communicate on the impact of these changes.

Last week, the Office of Federal Student Aid announced the impact of sequestration cuts on the Title IV programs. Notably, for this year, Pell Grants are exempted from these across the board cuts. However, other Title IV programs are impacted. A listing is below:

Direct Loans

As of October 1, 2013, the sequester increases the origination fees charged to Direct Loan borrowers beyond last year's increases. However, taking into account all of the underlying circumstances, including operational requirements, the new loan fee percentages will apply only with regard to loans ***where the first disbursement is made on or after December 1, 2013.*** *The new loan fees are 1.072 percent for Direct Subsidized Loans and Direct Unsubsidized Loans and 4.288 percent for Direct PLUS Loans (both parent and graduate student PLUS Loans).*

Federal Pell Grant Program

The Federal Pell Grant Program is exempted from the effects of the sequester, thus the 2013-2014 award year payment schedules that were attached to Dear Colleague Letter GEN-13-06 and posted to IFAP on January 30, 2013, remain in effect without any changes. Information about 2014-2015 award year Pell Grant payment amounts will not be available until a bill providing an appropriation for the program is enacted

Campus-Based Programs
The 2013-2014 award year campus-based allocations provided in an April 5, 2013 Electronic Announcement and supplemented by a September 25, 2013 Electronic Announcement, remain valid as those amounts were determined under the earlier sequestration requirements. At this time, we have no information about the sequester's impact on 2014-2015 award year campus-based allocations.

Iraq-Afghanistan Service Grants
*The sequester changes, beginning on October 1, 2013, the percentage by which Iraq-Afghanistan Service Grant awards must be reduced as compared to the sequester percentage reduction that became effective last spring. Specifically, Iraq-Afghanistan Service Grant awards **where the first disbursement is made on or after October 1, 2013**, must be reduced by 7.2 percent from the original statutory amounts. Iraq-Afghanistan Service Grant awards, **where the first disbursement was made after March 1, 2013 and prior to October 1, 2013**, continue to be covered under the FY 2013 sequester and must be reduced by 10.0 percent from the original statutory award amount regardless of when any subsequent disbursement of the award is made. The attachment to this letter includes a table that summarizes this information.*

TEACH Grants
*The sequester changes, beginning on October 1, 2013, the percentage by which TEACH Grant awards must be reduced as compared to the sequester percentage reduction that became effective last spring. Specifically, TEACH Grant awards **where the first disbursement is made on or after October 1, 2013**, must be reduced by 7.2 percent from the original statutory amounts. TEACH Grant awards, **where the first disbursement was made after March 1, 2013 and prior to October 1, 2013**, continue to be covered under the FY 2013 sequester and must be reduced by 6.0 percent from the original statutory award amount regardless of when any subsequent disbursement of the award is made. The attachment to this letter includes a table that summarizes this information.*

The full electronic announcement is available online: http://www.ifap.ed.gov/dpcletters/GEN1322.html

Federal Financial Regulators Propose Joint Standards for Assessing Diversity

Six federal financial regulatory agencies, including the Consumer Financial Protection Bureau, are proposing joint standards for assessing the diversity policies and practices of the institutions they regulate.

The proposed standards are intended to promote transparency and awareness of diversity policies and practices within the institutions.

The assessment standards cover four key areas:

- Organizational commitment to diversity and inclusion;
- Workforce profile and employment practices;
- Procurement and business practices and supplier diversity; and
- Practices to promote transparency of organizational diversity and inclusion.

In developing these proposed standards, the six agencies tailored the standards to account for variables including asset size, number of employees, governance structure, income, number of members or customers, contract volume, location, and community characteristics. The agencies recognize standards may need to change and evolve over time.

Each of the federal financial regulatory agencies houses an Office of Minority and Women Inclusion (OMWI). Under Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, each OMWI is required to develop standards for assessing diversity policies and practices in the regulated entities.

The proposed standards are available online:
http://www.fdic.gov/news/news/press/2013/pr13092a.pdf

NCES Compares Loan Repayment and Behavior for Classes of '94, '01, & '09

The National Center for Education Statistics, a research arm of the Department of Education, released a "Statistics in Brief" report, "Degrees of Debt: Student Borrowing and Loan Repayment of Bachelor's Degree Recipients 1 Year After Graduating: 1994, 2001, and 2009."

The report noted the recent concern from policymakers and members of the media over student debt's impact on the overall economy. It specifically cited CFPB Student Loan Ombudsman Rohit Chopra's comments on the impact of student debt on the housing market and other economic activities of recent college graduates.

To address these issues, the paper sought to answer three major questions:

1. Among recent college graduates, how did the percentage who borrowed to pay for undergraduate education and their cumulative debt change across the three cohorts? Within cohorts, how did borrowing vary by factors related to price of attendance and student financial resources?

2. Among bachelor's degree recipients who borrowed, what percentage were repaying student loans 1 year after graduation? How did debt burden change over the three cohorts?

3. Within each cohort, how did students' level of debt vary with their subsequent enrollment in graduate education and living arrangements with their parents 1 year after graduation?

The report identifies the following as its key findings:

- The percentage of recent college graduates who borrowed for their undergraduate education was higher in each successive cohort (49, 64, and 66 percent, respectively, among graduates in 1992–93, 1999–2000, and 2007–08), though the difference between the first two cohorts was greater than the difference between the middle and latest cohort. Likewise, the average cumulative debt (in constant 2009 dollars) from all sources increased in each successive cohort, from $15,000 to $22,400 to $24,700.

- In all three cohorts, the rate of borrowing was highest among students at for-profit institutions (70 to 90 percent). Among students at public and private nonprofit institutions, the most frequent borrowers were lower income dependent students at private nonprofit institutions (70 to 80 percent borrowed) for all three cohorts.

- Proportionately fewer borrowers in the latest cohort (2009) were in re- payment 1 year after graduation than were their counterparts in 1994 and 2001 (60 vs. 65 and 66 percent, respectively). • Also in 2009, a larger percentage (31 percent) of graduates in repayment faced high monthly loan payments (greater than 12 percent of their monthly income), than their counterparts in 1994 and 2001 (22 and 18 percent, respectively).

- Levels of student debt were not consistently associated with students' subsequent graduate school enrollment or living arrangements with parents 1 year after graduation. Instead, both experiences varied with cohort year; graduate school enrollment was highest in 2009 (the year after the economic recession began), and moving back home to live with parents (among students age 24 or younger) was higher in both 1994 and 2009 (27 percent) than in 2001 (18 percent).

As with many reports on student debt and the activities of recent graduates, there are limitations in the available data and many more questions than answers. Notably, as the most recent cohort of graduates studied in the report is from the class of 2009, it cited data from the College Board when private student loans played a much larger role in the marketplace.

The full report is available online: http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2014011

Industry

College Board Releases Trends in Higher Education Reports

This week, the College Board released its "Trends" series which provides all sorts of data and figures on college pricing and student aid. The two trends reports, divided into "Trends in College Pricing" and "Trends in Student Aid" also offer the College Board's take on the current state of higher education finance. Below are the key findings from the reports, as identified by the College Board:

Over the past year, much of the conversation has centered on fears that the upward trends of college prices, Pell Grant expenditures, and student borrowing would continue to accelerate. The reports released today show that college prices are still rising, but not as steeply. Meanwhile, Pell Grant expenditures and student borrowing both fell.

The 2.9% increase in published tuition and fees for in-state students at public four-year colleges from 2012-13 to 2013-14 is the smallest one-year increase since 1975-76. After adjusting for inflation, the increase is 0.9%, the lowest inflation-adjusted increase since 2000-01.

The 3.8% increase in private nonprofit four-year college tuition, unadjusted for inflation, is slightly lower than the increases of recent years. The 3.5% increase for public two-year colleges, which is just $110, is typical of increases over the long run, but the smallest since 2007-08. The Trends in College Pricing report also provides data on the net prices students and families actually pay, both on average and across different income levels.

- *Between 2007-08 and 2010-11, the net prices paid by many students were held down by large increases in grant aid and tax benefits, particularly from the federal government, even though published prices were increasing rapidly over the same period.*
- *However, between 2010-11 and 2012-13, federal grant aid declined. While grants per student from other sources increased, net prices rose at a time when family incomes have not recovered.*

According to the Trends in Student Aid report, about 60% of students who earned bachelor's degrees in 2011-12 from the first public or private nonprofit college in which they enrolled graduated with debt. Among those who borrowed, the average debt was $26,500.

- *Over the decade from 2002-03 to 2012-13, the total number of federal undergraduate and graduate student loan borrowers increased by 69%, while the average annual amount borrowed increased by 6%, from $7,900 (in 2012 dollars) in 2002-03 to $8,350. The average undergraduate federal loan was $6,760 and the average graduate student loan was $17,230 in 2012-13.*
- *In 2013, 1.6 million federal Direct Loan borrowers were in repayment plans that limit their payments to a specified percentage of their incomes.*

In recent years, many observers have noted the College Board is funded by colleges and universities and highlight what they perceive as public relations "spin" in the report. Below is an example from Andrew Kelly of the American Enterprise Institute:

You've likely heard by now that college tuition has increased much faster than the rate of inflation year after year. Despite this trend, you can always count on the optimists at the College Board to find a good-news story to tell. In recent years, the message was that we shouldn't worry about massive increases in sticker prices, because net prices haven't grown nearly as fast (2010, page 4; 2011 page 4).

This year, the rosy picture is reversed: though net prices "have grown more rapidly than published prices" since 2010, sticker prices increased "only" 2.9% since last year (after adjusting for inflation). Based on this "relatively small increase," the authors conclude that the increases of the past five years "did not signal a new era of accelerating prices."

None of this is actually good news, folks. Here's another way to tell the story: During the recession, states cut higher education funding and endowments fell. Institutions responded by increasing their tuition. But an unprecedented, one-time increase in the federal Pell Grant program kept net prices low. Between 2008 and 2011, federal spending on Pell more than doubled from $16 billion in 2007-08 to $37.5 billion in 2010-2011 (in 2012 dollars). The number of recipients grew more than 80% between 2006 and 2012.

In other words, the "good news" on net price over the past few years was the result of a massive influx of federal Pell Grant dollars. We spent a ton of money, which kept net prices low for a bit. But the increase in federal spending has been completely eroded by rising tuition prices. Now the flood of federal cash has plateaued, and sticker prices remain high and growing (albeit more slowly). Hence, net prices are rising.

What to do?
Advocates (including the College Board) say it's the states' turn to make education a "higher priority" (translation: step up the subsidies).

But endlessly subsidizing the price of college is like bailing out a leaking boat with a pint glass when it's taking on water by the quart. You can stay afloat for a time, but eventually the leak's going to swamp even your best effort. Instead trying to keep up with the leak, a better strategy is to fix the hole in the boat.

- Additional information on the "Trends" reports is available online: http://trends.collegeboard.org/home
- Kelly's AEI blog post, "New Data on Tuition Prices: Is It Possible It's Even Worse than We Thought?" is available online: http://www.aei-ideas.org/2013/10/new-data-on-tuition-prices-is-it-possible-its-even-worse-than-we-thought/

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EVENT BRIEF

FLEC MEETING ON HIGHER EDUCATION DECISION-MAKING

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October 24, 2013

This week, the Financial Literacy and Education Commission (FLEC), a body of federal agencies with an interest in the topic, convened a meeting on "Higher Education Decision-Making." Signifying the Administration's keen interest in the issue, Secretary Jack Lew, Secretary Arne Duncan, and Director Richard Cordray all spoke at the event. In addition to opening remarks, Cordray actively participated in the meetings, asking questions of the two panels.

Opening Remarks

Lew opened the meeting at discussed the issue at a high level. He noted the upward mobility postsecondary education can provide and the challenge of increasing tuition. Lew also reviewed the efforts of the Administration over the past four years:

> *Now, over the past four years, this Administration has taken steps to make college more affordable. We lowered the interest rates on student loans.*
>
> *We reformed the student loan system to eliminate bank subsidies and channel those savings directly to students. We increased the maximum Pell Grant award by more than $900. We created the American Opportunity Tax Credit to make college more affordable for millions of students and families. And we made it possible for many borrowers to cap their student loan repayments at 10 percent of their monthly income.*
>
> *It is critical that students know about these policies, and among other things, Treasury has been working with the Education Department and agencies across the Administration to get the word out about their repayment options.*
>
> *Nevertheless, the skyrocketing cost of tuition continues to put higher education out of reach for those who need it most. It is also saddling young people with massive student loan debt. The average borrower now graduates owing more than $26,000.*

This debt is hampering our economy by keeping young people from buying homes, creating businesses, and saving for retirement. At the same time, loan default rates are rising.

Duncan followed Lew, stating the US has "the best higher education system in the world" but also adding that is a "highly inefficient market." He specifically referenced recent research on "under matching," where students do not attend selective colleges even when qualified, from Caroline Hoxby of Stanford.

Duncan then began to discuss the Administration's proposed ratings system, indicating he has heard many complaints, but the system "doesn't exist yet" and he again pledged to work with stakeholders in developing it. The Secretary also noted the federal government spends roughly $150 billion per year in Pell Grants and student loans and all of that funding is focused on inputs with nothing related to outcomes. Before providing further details on the ratings system, he said if policymakers were "honest and self-critical" they would acknowledge "we're part of the problem."

Duncan offered three "values" the Administration would maintain in developing the new ratings system: access, affordability, and outcomes-driven. He acknowledged developing such metrics will be "complicated," but also added "I don't think anyone can defend the current system is the best we can offer to young people." The plan, according to Duncan, is to deliver a proposed rating system to President Obama by "the fall of next year." He added that the proposal would call for funding to be tied to such a system by 2018.

Cordray followed Duncan, largely reviewing the work of the Bureau on student debt, college costs, and financial education. Cordray and Duncan both spoke of how much they enjoyed working together, but Cordray had a slightly different take on the current state of the US higher education system:

But earning a college degree has the potential to become more of a burden than a blessing for those saddled with unmanageable debt in a tough employment market. With outstanding student debt topping $1 trillion, the topic of our meeting today is incredibly vital. Students need to "know before they owe." They need to understand the costs of higher education and make responsible decisions about the programs they choose and they debt they take on.

Cordray's remarks did not address private student loans head on, but did mention campus banking relationships:

And the costs of higher education are not limited to student loans. Young consumers shop for a range of financial products as they choose how to pay for college. They must try to choose the best products with limited information while navigating campus-based marketing for bank accounts, debit cards, and prepaid cards. And some of our colleges and universities, whether well-intentioned or not, may be *encouraging or even requiring students to use financial products that do not offer them the best deals.*

The CFPB Director finished his remarks by discussing the work of the Bureau in K-12 financial education. He pointed to the CFPB's efforts to promote financial education in the classroom in the hopes that it will help parents become better informed consumers.

Panel Discussions

The first panel, "Understanding the Costs and Benefits of Going to College: Improving Information for Student Loan Borrowers," included Jeff Strohl of Georgetown University's Center on Education and the Workforce, Pauline Abernathy of The Institute for College Access and Success (TICAS), and David Bergeron of the Center for American Progress. Given the composition of the panel, the session was surprisingly not hostile toward private student lenders.

Strohl was the first to present and he discussed his work in attempting to provide labor market information to students. His presentation reviewed current efforts as well as limitations in the available, usable data. Strohl's presentation clearly captivated the attention of Cordray and Camille Busette, the CFPB's Assistant Director for the Office of Financial Education, who both were taking

Cordray asked Strohl about individual changing jobs over the course of their careers and how that might impact providing this information to students. Strohl responded researchers are working on the limitations, including the short term nature of current data sets, as well as better defining "job placement," by focusing on an individual's occupation as opposed to the industry in which that job is located. Bussette followed up by asking how labor projections could be reliable in a dynamic labor market. Strohl responded that the ability of individuals to move within a dynamic labor market is evidence that "something is working" in the US education system, but the problem is "we just don't know exactly what."

Abernathy followed Strohl and focused much of her presentation on low-income students who are unaware of higher education opportunities. Again, the CFPB officials took many notes, as Abernathy spoke of activities the Administration could take on "right now" to provide improved access to higher education. She pushed for allowing prior-prior year IRS data in the FAFSA (a pilot program is authorized in HEOA) and better integration of federal websites for providing information for students and families.

Bergeron was the last to speak. He used anecdotes to indicate that many students do not have information on college choices easily available and the often go to schools because they are the cheapest, closest, or have the best advertising. He said families often do not care about what policymakers consider key metrics, such as graduation rates, cohort default rates, and net prices, and pushed for "real time, genuine information on economic outcomes." To underline the importance of providing this information not only online but also to those in the community working with prospective students, he added “if we don’t tell students and families these things, they will make the wrong choice.”

The second panel was designed to highlight efforts of for-profit, non-profit, and government efforts to address financial literacy. EverFi offered a for-profit perspective, ASA brought non-profit insights, while Michael Pierce of the CFPB detailed the Bureau’s efforts.

Paul Combe reviewed the SALT program as well as ASA’s “Face the Red” ad campaign which used a horror-movie like context to describe student debt and EverFi reviewed their product offerings in higher education, the workplace and K-12. Pierce detailed the CFPB’s efforts to date, repeating many of the claims made by the Bureau in its recent report on private student loan complaints—borrowers face many problems with payment processing, etc.

Pierce also discussed how the government agency was planning new “products” based on behavior economics. The CFPB is currently seeking partners for “innovative” research in financial education. Additional details on this project are available online: **http://www.consumerfinance.gov/blog/were-looking-for-innovative-partners-for-financial-education-research/**

A full webcast of the FLEC hearing is available online: **http://treas.yorkcast.com/webcast/Viewer/?peid=f492e27bcacc4f64b8b0d8aa0d5b468f1d**